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

FORM 20-F

(Mark One)

Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934

or

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2006.

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

or

Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of event requiring this shell company report _____

Commission file number: 001-33178

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

Penthouse, 38th Floor, The Centrium
60 Wyndham Street

Central

Hong Kong

(Address of principal executive offices)

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

Title of each class

Name of each exchange on which registered

American depositary shares, each
representing three ordinary shares

The NASDAQ Stock Market LLC

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

None

(Title of Class)

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

None

(Title of Class)

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

1,180,931,146 ordinary shares of Registrant issued as of December 31, 2006.

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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

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INTRODUCTION

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

- “China,” “mainland China” and “PRC” are to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan;
- “Greater China” are to mainland China, Hong Kong, Macau and Taiwan, collectively;
- “HK\$” and “H.K. dollars” are to the legal currency of Hong Kong;
- “Hong Kong” are to the Hong Kong Special Administrative Region of the People’s Republic of China;
- “Hong Kong Stock Exchange” are to The Stock Exchange of Hong Kong Limited;
- “Macau” and the “Macau SAR” are to the Macau Special Administrative Region of the People’s Republic of China;
- “Patacas” and “MOP” are to the legal currency of Macau;
- “Renminbi” and “RMB” are to the legal currency of China; and
- “US\$” and “U.S. dollars” are to the legal currency of the United States.

Unless the context indicates otherwise, “we,” “us,” “our company” and “MPBL Entertainment” refer to Melco PBL Entertainment (Macau) Limited, a Cayman Islands exempted company with limited liability, and its predecessor entities and its consolidated subsidiaries, including Melco PBL Gaming (Macau) Limited, a Macau company and the holder of the gaming subconcession; “Melco” refers to Melco International Development Limited, a Hong Kong listed corporation; “PBL” refers to Publishing and Broadcasting Limited, an Australian listed corporation; and “our subconcession” refers to the Macau gaming subconcession held by our subsidiary, Melco PBL Gaming (Macau) Limited, or MPBL Gaming. Our other principal operating subsidiaries are (1) Great Wonders, Investments, Limited, or Great Wonders, (2) Melco Hotels and Resorts (Macau) Limited, or Melco Hotels, and (3) Melco PBL (Macau Peninsula) Limited, or MPBL Peninsula, through which we currently hold our Crown Macau project, City of Dreams project and Macau Peninsula project, respectively.

This annual report on Form 20-F includes our audited consolidated financial statements for the period from January 1, 2004 to June 8, 2004 (predecessor company—Mocha Slot Group Limited), the period from June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006 and as of December 31, 2004, 2005 and 2006.

We completed our initial public offering of 60,250,000 ADSs, each representing three ordinary shares, par value US\$0.01 per share in December 2006. Since December 19, 2006, we have listed our ADSs on The NASDAQ Stock Market LLC, or the Nasdaq, under the symbol “MPEL.” As of March 15, 2007, the total number of our issued and outstanding ordinary shares was 1,208,043,646 shares (out of which 208,043,646 ordinary shares were represented by 69,347,882 ADSs). Immediately prior to our initial public offering of ADSs in December 2006, we had 1,000,000,000 total ordinary shares issued and outstanding. During the initial public offering, we initially issued 60,250,000 ADSs, representing 180,750,000 ordinary shares. On January 9, 2007, we sold an additional 9,037,500 ADSs, representing 27,112,500 ordinary shares pursuant to the underwriters’ option to purchase these additional ADSs from us at the initial public offering price less the underwriting commission to cover over-allotments of the ADSs. In the prospectus for our initial public offering, we disclosed that we would issue up to 205,000 ADSs, representing up to 615,000 ordinary shares, in connection with the assured entitlement distribution described in the prospectus. The total number of ADSs that were actually issued in connection with the assured entitlement on December 22, 2006 was 60,382 ADSs, representing 181,146 ordinary shares.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected historical consolidated statement of operations data for the period from January 1, 2004 to June 8, 2004 (predecessor), the period from June 9, 2004 to December 31, 2004, and the years ended December 31, 2005 and 2006, and the selected historical consolidated balance sheet data as of December 31, 2004, 2005 and 2006 have been derived from our audited financial statements which are in this annual report on Form 20-F beginning on page F-1. The selected historical consolidated statement of operations data for the period from March 20, 2003 (date of incorporation) to December 31, 2003 (predecessor) and the selected historical consolidated balance sheet data as of December 31, 2003 (predecessor) are derived from our audited consolidated financial statements not included in this annual report on Form 20-F. You should read the selected historical consolidated financial data in conjunction with those financial statements and accompanying notes and “Item 5. Operating and Financial Review and Prospects.” Our historical consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results do not necessarily indicate our results expected for any future periods.

From June 9, 2004 for Mocha, July 20, 2004 for Melco Hotels and November 9, 2004 for Great Wonders through March 7, 2005, the financial statements reflect the consolidated financial statements of Mocha, Melco Hotels and Great Wonders because they were under common control for this period. The contributions by Melco of its 80% interest in Mocha Slot Group Limited, or Mocha, 70% interest in Great Wonders and 50.8% interest in the City of Dreams project to MPBL (Greater China), a company 80% indirectly owned by us and 20% owned by Melco, and cash contributions by PBL of US\$163 million, which were completed on March 8, 2005, were accounted for as the formation of a joint venture for which a carryover basis of accounting has been adopted.

The consolidated financial statements of Mocha for the period from March 20, 2003 (date of incorporation) to December 31, 2003 and the period from January 1, 2004 to June 8, 2004 have been prepared for the purpose of presenting the financial information of our predecessor, Mocha. Mocha is considered as our predecessor because we succeeded to substantially all of the business of Mocha and our own operations prior to the succession were insignificant relative to the operations assumed or acquired.

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	Historical result for the period from March 20, 2003 (date of incorporation to December 31, 2003 (predecessor))	Historical result for the period from January 1, 2004 to June 8, 2004 (predecessor)	Historical result for the period from June 9, 2004 to December 31, 2004 (successor)	Historical result for the year ended December 31, 2005 (successor)	Historical result for the year ended December 31, 2006 (successor)
(in thousands of US\$, except share and per share data and operating data)					
Revenue:					
— Fee for services provided to gaming machine lounges	\$ 604	\$ 1,867	\$ 5,754	\$ 16,569	\$ 16,276
— Slot lounge gaming revenue ⁽³⁾	—	—	—	—	19,108
— Food, beverage and others	7	29	317	759	717
Total revenue	611	1,896	6,071	17,328	36,101
Operating costs and expenses:					
— Provision of services to gaming machine lounges	(278)	(864)	(4,286)	(11,255)	(16,289)
— Slot lounge operating expenses	—	—	—	—	(11,847)
— Food, beverage and others	(7)	(48)	(250)	(596)	(530)
— Amortization of gaming subconcession	—	—	—	—	(14,309)
— Amortization of land use rights	—	—	(130)	(3,535)	(12,358)
— Impairment loss recognized on slot lounges services agreements	—	—	—	—	(7,640)
— General and administrative	(71)	(197)	(1,970)	(4,400)	(15,591)
— Selling and marketing	(51)	(81)	(166)	(534)	(3,511)
— Pre-opening costs	(54)	(96)	(199)	(730)	(11,679)
Total operating costs and expenses	(461)	(1,286)	(7,001)	(21,050)	(93,754)
Operating income (loss)	150	610	(930)	(3,722)	(57,653)
Non-operating (expenses) income	15	(90)	(131)	64	(22,726)
Income (loss) before income tax	165	520	(1,061)	(3,658)	(80,379)
Income tax (expense) credit	(28)	(26)	(37)	91	1,885
Income (loss) before minority interests	137	494	(1,098)	(3,567)	(78,494)
Minority interests	—	—	91	308	5,015
Net income (loss)	\$ 137	\$ 494	\$ (1,007)	\$ (3,259)	\$ (73,479)
Loss per share					
— Basic	*	*	\$ (0.002)	\$ (0.006)	\$ (0.116)
— ADS ⁽¹⁾	*	*	\$ (0.005)	\$ (0.019)	\$ (0.348)
Share used in calculating loss per share					
— Basic	*	*	625,000,000	522,945,205	633,228,439
Selected operating data:					
— Weighted average number of gaming machines ⁽²⁾	62	125	513	634	937
— Average daily net win per machine ⁽³⁾	281.9	284.5	171.5	229.1	209.8
Other data:					
Operating EBITDA ⁽⁴⁾	\$	771	\$ 1,119	\$ 7,430	\$ 13,178

* Figures not provided as the number of shares of our predecessor Mocha and our company are not directly comparable.

(1) Each ADS represents three ordinary shares.

(2) Weighted average number of gaming machines for any period/year represents the sum of the number of gaming machines in service at the Mocha Clubs on each day during such period/year divided by the number of days in such period/year.

(3) Average daily net win per machine for any period/year represents the total gaming machine win during such period/year divided by the weighted average number of gaming machines in service during such period/year. Gaming machine win is the excess of the amount of money deposited by players into the gaming machine over the amount of money paid out of the gaming machine to players. Prior to MPBL Gaming obtaining its subconcession in September 2006, Mocha Slot provided management services to the Mocha Clubs under service agreements with SJM. Mocha Slot received 31% of gaming machine win as its revenue from gaming at the Mocha Clubs, while SJM retained 31% of gaming machine win, and Macau taxes and other government dues accounted for the remaining 38%. After the subconcession was granted and these service agreements were terminated with effect from September 21, 2006, we now reflect all the gaming machine win as our revenue from gaming at the Mocha Clubs, but we are subject to Macau taxes and other government dues currently totaling 39% of gaming machine win.

(4) Operating EBITDA is presented for the results of the Mocha Clubs only as our sole operating business and is reconciled to consolidated net income as described at note 20 of our audited consolidated financial statements for the period from January 1, 2004 to June 8, 2004 (predecessor), period from June 9, 2004 to December 31, 2004 (successor) and the years ended December 31, 2005 and 2006 (successor).

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	December 31,			
	2003 (predecessor)	2004 (successor)	2005 (successor)	2006 (successor)
(in thousands of US\$)				
Balance Sheet Data:				
Current Assets:				
Cash and cash equivalents	386	5,537	19,769	583,996
Accounts receivable	5	45	37	414
Amounts due from affiliated companies	217	1,085	1,398	152
Inventories	—	15	87	196
Prepaid expenses and other current assets	7	94	641	1,790
Total current assets	615	6,776	21,932	586,548
Property and equipment, net	1,332	10,613	67,794	279,885
Gaming subconcession	—	—	—	885,691
Intangible assets, net	—	12,118	11,089	4,220
Goodwill	—	34,417	34,417	81,915
Long term prepayment	—	—	—	1,100
Other assets	—	—	150,641	—
Deposit for acquisition of land interest	—	—	—	12,853
Land use rights, net	—	40,493	132,424	423,066
Rental deposits	45	231	528	1,066
Deposits for acquisition of property and equipment	121	1,464	2,383	3,576
Total assets	<u>2,113</u>	<u>106,112</u>	<u>421,208</u>	<u>2,279,920</u>
Total current liabilities	1,863	17,524	138,741	207,613
Total liabilities	1,976	23,845	163,024	389,554
Minority Interests	—	35	19,492	—
Total shareholders' equity	137	82,232	238,692	1,890,366
Total liabilities/shareholders' equity	2,113	106,112	421,208	2,279,920

Exchange Rate Information

Although we will have certain expenses and revenues denominated in Patacas, our revenues and expenses will be denominated predominantly in Hong Kong dollars and in connection with a significant portion of our indebtedness and certain expenses, U.S. dollars. Periodic reports made to shareholders will be expressed in U.S. dollars using the then current exchange rates. The conversion of Hong Kong dollars into U.S. dollars in this annual report on Form 20-F is based on the noon buying rate in The City of New York for cable transfers of Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from Hong Kong dollars to U.S. dollars and from U.S. dollars to Hong Kong dollars in this annual report on Form 20-F were made at a rate of HK\$7.78 to US\$1.00. The noon buying rate in effect as of December 29, 2006 was HK\$7.7771 to US\$1.00. We make no representation that any Hong Kong dollars or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Hong Kong dollars, as the case may be, at any particular rate, the rates stated below, or at all. On March 29, 2007, the noon buying rate was HK\$7.8127 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 with U.S. dollars at the fixed exchange rate of HK\$7.80 to US\$1.00 and held as cover for the bank notes issue. 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.

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

Period	Noon Buying Rate			
	Period End	Average ⁽¹⁾	Low	High
	(Hong Kong dollar per US\$1.00)			
2001	7.7999	7.7936	7.8008	7.7765
2002	7.7980	7.7996	7.8004	7.7970
2003	7.7988	7.7996	7.8095	7.7970
2004	7.7640	7.7864	7.8001	7.7085
2005	7.7723	7.7899	7.8010	7.7632
2006				
July	7.7703	7.7734	7.7775	7.7670
August	7.7767	7.7762	7.7796	7.7723
September	7.7913	7.7825	7.7913	7.7767
October	7.7780	7.7849	7.7928	7.7746
November	7.7779	7.7816	7.7875	7.7751
December	7.7771	7.7733	7.7787	7.7665
2007				
January	7.8078	7.8000	7.8112	7.7797
February	7.8119	7.8114	7.8141	7.8041
March (through March 29, 2007)	7.8127	7.8131	7.8177	7.8093

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

The Pataca is pegged to the Hong Kong dollar at a rate of HK\$1.00 = MOP 1.03. All translations from Patacas to U.S. dollars were made at the exchange rate of MOP 8.0134 = US\$1.00. The Federal Reserve Bank of New York does not certify for custom purposes a noon buying rate for cable transfers in Patacas.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Risks Relating to Our Early Stage of Development

We are in an early stage of development 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 a developmental phase of our business and there is limited historical information available about our company upon which you can base your evaluation of our business and prospects. In particular, we are still in the process of developing the Crown Macau and the City of Dreams, with neither project yet completed and generating any revenue and the City of Dreams project in very early stages of development. The Macau Peninsula project is at an even more preliminary design stage. The Mocha Club business, which we acquired in 2005, did not commence operations until 2003 and is currently our only revenue generating operation. MPBL Gaming only recently 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 seeking to develop and operate major new development projects and gaming businesses in a rapidly growing and intensely competitive market.

Among other things, we are still in the process of:

- completing the financing of our City of Dreams project;
- completing the construction contract for our City of Dreams project;

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- obtaining the formal grant of a land concession from the Macau government for the City of Dreams site on terms that are acceptable to us;
- obtaining the approval from the Macau government to increase the developable gross floor area of the City of Dreams site; and
- acquiring an ownership interest in the company that owns the Macau Peninsula site, which is subject to significant conditions in the control of third parties unrelated to us and the seller and to Macau governmental approvals, and obtaining financing commitments for the acquisition and development of the Macau Peninsula project.

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:

- complete our construction projects within their anticipated time schedules and budgets;
- obtain a land concession for the City of Dreams project on terms that are acceptable to us;
- obtain an extension of the deadline for completion of development on the site for the Macau Peninsula project;
- obtain formal occupancy licenses for the Crown Macau and the City of Dreams;
- identify suitable locations and enter into new lease agreements for new Mocha Clubs;
- attract and retain customers and qualified employees;
- operate, support, expand and develop our operations and our facilities;
- maintain effective control of our operating costs and expenses;
- raise additional capital, if required;
- develop and maintain internal personnel, systems 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 changes in our regulatory environment; and
- respond to competitive market conditions.

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

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We could encounter problems that substantially increase the costs to develop our projects and delay or prevent the opening of one or more of our projects.

The anticipated costs and targeted completion date for the Crown Macau are based on budgets, architectural and construction plans and schedule estimates that we have prepared with the assistance of architects and contractors. The current total project development budget for the Crown Macau project is estimated to be US\$583.6 million, which includes the value of land for the project site both contributed to us in kind and partly paid for by us, land premium costs and construction costs, furniture, fixtures and equipment expenses, or FF&E, pre-opening expenses, capitalized fees and finance costs, cage cash and initial working capital requirements. The budget estimated for the City of Dreams project are based on preliminary projections and budgets, conceptual design documents and schedule estimates that we have prepared with the assistance of our architects and contractors and are subject to change as the plans and design documents are finalized. The current total project development budget for both phases of the City of Dreams, inclusive of land, construction, FF&E, pre-opening expenses, capitalized fees and finance costs, and initial working capital requirements (including cage cash), is currently estimated to be approximately US\$2.1 billion. However, we anticipate an increase in the total project development budget for the City of Dreams. See “Item 4B. Business Overview—Our Properties—The City of Dreams.” The cost of a second block of apartments has not been included in the current total project development budget for the City of Dreams. The total project costs for the Macau Peninsula project are based on preliminary estimates and conceptual designs and estimated project costs may be adjusted significantly as we begin to firm up our design plans and hire contractors for this project.

All our projects are subject to significant development and construction risks, which could have a material adverse impact on our project timetables and costs and our ability to complete the projects. These risks include the following:

- 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;
- 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 or all of our projects, which could materially adversely affect our results of operations and financial condition. For example, primarily as a result of changes and improvements in the designs

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for the Crown Macau, our construction costs have increased and we have negotiated with the general contractor, Paul Y. Construction Company Limited, or Paul Y. Construction, for an amendment of the total contract price from the original HK\$1,448.0 million (US\$186.1 million) to approximately HK\$2.1 billion (US\$269.9 million). In addition, we originally anticipated that the total project development costs for the Crown Macau would be US\$512.6 million. More recently, we projected that additional costs of approximately US\$71 million will be incurred on the Crown Macau project for a total of US\$583.6 million. The increase in budgeted costs is in three principal areas: pre-opening and property marketing expenses; FF&E expenses for the casino operations; and design and fit-out expenses for the hotel and casino areas. We cannot guarantee you that our construction costs or total projects costs will not be increased.

Costs of key construction inputs are increasing in Macau and we believe they are likely to continue to increase during the construction period of our projects, primarily due to the significant increase in building activity in Macau. Our contractors may not be able to secure lower cost labor and other inputs from mainland China on a timely basis and in an adequate amount, as they will need to obtain required licenses from the Macau government to do so. The application for such licenses, if granted at all, may take several weeks or months. Continuing increases in input costs of construction in Macau will increase the risk that contractors will fail to perform under their contracts on time, within budget, or at all, and could increase the costs of any new contracts that we may enter into for the City of Dreams and Macau Peninsula projects.

Failure to finalize and draw upon our City of Dreams Project Facility would require us to find alternative funding sources, could result in less attractive financing terms and could delay or preclude the construction of the City of Dreams.

MPBL Gaming has entered into a commitment letter with certain banks as arrangers for up to US\$1.6 billion senior secured term loans to construct the City of Dreams project, or the City of Dreams Project Facility. The commitment letter is not a binding agreement to provide us loans under the City of Dreams Project Facility and remains subject to the execution of definitive documentation, negotiation of material terms and conditions and syndication, due diligence, receipt of requisite Macau government approvals (principally for the land concession for the City of Dreams site and the granting of security to the lenders), receipt of certain credit ratings and several other material conditions precedent to closing and funding. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Financing Activities—Description of Our Indebtedness.” We currently estimate that we will be in a position to borrow under the City of Dreams Project Facility in the second quarter of 2007. However, there can be no assurance that the definitive terms and conditions of the facility will not differ materially from those currently contemplated or that all the conditions to close and fund will be met by that time or at all. If we were unable to finalize and borrow under the City of Dreams Project Facility, we may have to:

- seek waivers from our lenders,
- 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 City of Dreams project. The need to arrange such alternative financing would likely also delay the construction of the City of Dreams, which would affect our cash flows, results of operations and financial condition.

We may require more debt or equity financing, which could require us to incur substantial additional indebtedness or sell additional ADSs or other equity securities. Our ability to obtain additional financing may be limited, which could delay or prevent the opening of one or more of our projects.

We may require more debt and equity funding to complete our projects, fund initial operating activities and debt service payments and fund anticipated expansion of the Mocha Clubs operations, depending on whether our projects are completed within budget, the timing of completion and commencement of revenue generating operations at our projects, any further investments and/or acquisitions we may make, and the amount of cash flow from our operations. If delays and cost overruns were significant, the

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additional funding we would require could be substantial. The raising of additional debt funding by us, if required, would result in increased debt service obligations and could result in additional operating and financing covenants, or liens on our assets, that would restrict our operations. The sale of additional equity securities could result in additional dilution to our shareholders.

Our ability to obtain required capital on acceptable terms is subject to a variety of uncertainties, including:

- limitations on our ability to incur additional debt, including as a result of prospective lenders' evaluations of our creditworthiness and pursuant to restrictions on incurrence of debt in our existing and anticipated credit facilities, which currently prohibits MPBL Gaming and will prohibit Great Wonders and Melco Hotels from incurring additional indebtedness with only limited exceptions;
 - investors' and lenders' perception of, and demand for, debt and equity securities of gaming, leisure and hospitality companies, as well as the offerings of competing financing and investment opportunities in Macau by our competitors;
 - whether it is necessary to provide credit support or other assurances from Melco and PBL on terms and conditions and in amounts that are commercially acceptable to them;
 - MPBL Gaming's ability to obtain consent from the Macau government as required under our subconcession contract;
 - conditions of the U.S., Macau, Hong Kong, and other capital markets in which we may seek to raise funds;
 - our future results of operations, financial condition and cash flows;
 - requirements for approval for certain transactions from Macau, Hong Kong or Australian authorities, the Hong Kong Stock Exchange and/or shareholders of Melco and/or PBL;
 - Macau governmental regulation of gaming in Macau; and
 - economic, political and other conditions in Macau, China and the Asian region.
- Without necessary capital, we may not be able to:
- complete the development of our existing projects, acquire and develop new projects or open new Mocha Clubs;
 - acquire necessary rights, assets or businesses;
 - expand our operations in Macau;
 - hire, train and retain employees;
 - market our programs, services and products; or
 - respond to competitive pressures or unanticipated funding requirements.

We cannot assure you that necessary financing will be available in amounts or on terms acceptable to us, or at all. If we fail to raise additional funds in such amounts and at such times as we may need, we may be forced to reduce our expenditures and growth to a level that can be supported by our cash flow and delay the development of our projects or expansion of the Mocha Club operations, which may result in our inability to meet drawing conditions under our loan facilities or default and exercise of remedies by the lenders under our loan facilities, whose loans we expect to be secured by liens on substantially all the shares and assets of our subsidiaries. In that event, we would be unable to complete our projects under construction and could suffer a partial or complete loss of our investments in our projects.

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Even if our development projects are completed as planned and new Mocha Clubs are opened, they may not be financially successful, which would limit our cash flow and would adversely affect our operations and our ability to repay our debt.

Even if our development projects are completed as planned and new Mocha Clubs are opened, they still may not be financially successful ventures or generate the cash flows that we anticipate. We may not attract the level of patronage that we are seeking. If any of our projects does not attract sufficient business, this will limit our cash flow and would adversely affect our operations and our ability to service payments under our loan facilities.

Risks Relating to the Completion and Operation of Our Projects

The total contract price under our construction contract for the Crown Macau project has already been increased and may increase further due to costs for changes and variations that we are required to bear under the contract.

Our construction contract with Paul Y. Construction for the Crown Macau project provides that the total contract price may be increased and the deadline for the contractor's obligation to complete construction may be further adjusted under certain circumstances, including variations from the assumptions on which the total contract price is based and change orders issued by us. For example, as a result of changes and improvements in the designs for the Crown Macau, our construction costs have increased and we have negotiated the amendment of the total contract price from the original HK\$1,448.0 million (US\$186.1 million) to approximately HK\$2.1 billion (US\$269.9 million). Additional variations from the premises and assumptions on which the total contract price were based and further change orders dictated by us could cause us to be responsible for costs in excess of the total contract price in certain circumstances. Factors that could cause the contract price to be further increased include design improvements and upgrades on the standards of the work and quality of materials. We may also be subject to potential claims for variations from subcontractors under the construction contract, which could also result in a higher total contract price than originally expected. Any additional significant increase in the total contract price under our construction contract for the Crown Macau project beyond which we currently anticipate may have a material adverse effect on our financial condition, results of operations and cash flows. Furthermore, construction contracts for the City of Dreams and Macau Peninsula projects will be subject to similar provisions that could result in our having to bear increases in contract prices, which could be material.

The liquidated damages provision in our construction contract for the Crown Macau project is unlikely to be sufficient to protect us against exposure to actual damages we may suffer for delay in completion of the project. The financial resources of our contractor and its parent company may be insufficient to fund liquidated damages for which they are responsible under the construction contract and the parent's guarantee.

Under the construction contract with Paul Y. Construction for the Crown Macau project, the scheduled date of practical completion for the Crown Macau project is on or before the end of April 2007. We recently announced that the Crown Macau is targeted to complete construction and open on a trial basis on April 28, 2007 and scheduled to formally open to the public on May 9, 2007 and a grand opening event will be held on May 12, 2007. However, we cannot guarantee you that we will complete construction by that date or open the Crown Macau by the scheduled date. Subject to permitted extensions, if all work required by the construction contract is not practically completed by the deadline, the contract provides for liquidated damages in the amount of HK\$250,000 (approximately US\$32,134) per day for the mass market casino floors and certain parts of the hotel and HK\$100,000 (approximately US\$12,853) per day for the VIP casino floors and the remaining parts of the hotel, to be imposed until the completion date certificate is signed by Great Wonders, our subsidiary that holds the land of the Crown Macau. Permitted extensions include requests for variations from the contract by us, the occurrence of a force majeure event, and any delay, impediment or prevention of Paul Y. Construction's work by us. We cannot assure you that construction will be completed on schedule. If completion of construction were delayed beyond the grace period, our actual damages, including lost revenues, would likely exceed the amount of liquidated damages. We do not maintain delayed commercial operation insurance for the Crown Macau operations.

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If Paul Y. Construction defaults under the construction contract, we may be unable to complete the Crown Macau project on schedule or within the amount budgeted, or at all. Failure to complete construction on schedule could have a significant negative impact on our results of operations and financial condition and our ability to satisfy our obligations under the Great Wonders Project Facility and the City of Dreams Project Facility.

Paul Y. Engineering Group Limited (formerly known as Skynet (International Group) Holdings Limited), or PYE, the parent company of Paul Y. Construction, has agreed to provide a parent company guarantee of Paul Y. Construction's performance under the Crown Macau construction contract until final payment. We cannot assure you that Paul Y. Construction and PYE will have sufficient financial resources to fund their obligations or liquidated damages for which they may be responsible under the construction contract and guarantee. Furthermore, neither Paul Y. Construction nor PYE is contractually obligated to maintain financial resources to cover its potential obligations under the construction contract and guarantee. If Paul Y. Construction and PYE do not have the resources to meet their obligations and we are unable to obtain remedies under the construction contract or the guarantee in a timely manner to cover cost overruns as a result of their default, we may be forced to pay these excess costs in order to complete construction of the Crown Macau.

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

If we incur loss or damage for which we are held liable for amounts exceeding the limits of our insurance coverage, or for claims outside the scope of our insurance coverage, our business and results of 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, 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, natural disasters, acts of war or terrorism, 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.

For the construction of the Crown Macau, we and Paul Y. Construction have obtained insurance policies providing coverage for construction risks that we believe are typically insured in the construction of gaming and hospitality projects in Macau and Hong Kong. However, this insurance coverage excludes certain types of loss and damage, such as loss or damage from acts of terrorism or liability for death or illness caused by contagious or infectious diseases. If loss or damage of those types were to occur, we could suffer significant uninsured losses. For the construction of the City of Dreams, we have recently secured a construction insurance policy and employees' compensation insurance policy similar to those we have secured for the Crown Macau. The cost of coverage, however, may in the future become so high that we may be unable to obtain the insurance policies we deem necessary for the construction and 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.

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

The construction of large scale properties such as our development projects can be dangerous. Construction workers at our projects are subject to hazards that may cause personal injury or loss of life, thereby subjecting the contractor and us to liabilities, possible losses, delays in completion of the projects and negative publicity. In June 2006, a construction worker died after falling from a high floor of the Crown Macau during construction. As a result, we stopped construction on the Crown Macau site for several days to allow for safety inspections and investigations. A floor of the Crown Macau also collapsed while under construction, causing injuries to construction workers. We believe that we and our contractor take safety precautions that are consistent with industry practice, but these safety precautions may not be adequate to prevent serious personal injuries or further loss of life, damage to property or delays. If further accidents occur during the construction of our projects, we may be subject to delays, including delays imposed by regulators, liabilities and possible losses, which may not be covered by insurance, and our business, prospects and reputation may be materially and adversely affected.

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We may encounter all of the risks associated with the development and construction of the Crown Macau project in the development and construction of the City of Dreams and Macau Peninsula projects.

We will be exposed to similar risks as we have encountered or identified in the development of the Crown Macau in the development and construction of the City of Dreams, which will be substantially larger and more complex and is at an earlier stage of design and development, and the Macau Peninsula project. We have not yet entered into definitive contracts for the construction and development of the City of Dreams and Macau Peninsula projects. We cannot assure you that we will be able to enter into definitive contracts with contractors with sufficient skill, financial strength and experience on commercially reasonable terms or at all. We may not be able to obtain guaranteed maximum price or fixed contract price terms on the construction contracts for the City of Dreams project, which could cause us to bear greater risks of cost overruns and construction delays. If we are unable to enter into satisfactory construction contracts for the City of Dreams project or are unable to closely control the construction costs and timetable for the City of Dreams project, our business, financial condition and prospects may be materially and adversely affected.

We are developing the City of Dreams on land for which we have not yet been granted a formal concession by the Macau government on terms acceptable to us. If we do not obtain a land concession on terms acceptable to us, we could forfeit all or a part of our investment in the site and the design and construction of the City of Dreams and would not be able to open and operate that facility as planned.

Land concessions in Macau are issued by the Macau government and generally have a term of 25 years, which is renewable for further consecutive periods of up to 10 years each until December 19, 2049 in accordance with the Macau law. The specific terms are determined in the relevant land concession contracts, and there are common formulas generally used to determine the cost of these land concessions. On May 10, 2005, we accepted in principle the Macau government's offer of a land concession to Melco Hotels consisting of approximately 113,325 square meters (28 acres) of land on the Cotai Strip for the site of the City of Dreams. However, we do not currently have a definitive timetable for finalizing our negotiations with the Macau government and cannot assure you that we will be able to finalize our negotiations with the Macau government and obtain this land concession on terms that are acceptable to us or at all. If we do not obtain a land concession for the City of Dreams site, we may not be able to meet conditions to draw loans under the City of Dreams Project Facility and may not be able to complete and operate the City of Dreams and we could lose all or a substantial part of our investment in the City of Dreams. If the land concession when granted contains terms unacceptable to us and we are unable to seek amendments to the land concession granted, we may not be able to complete and operate the City of Dreams as planned and we could lose all or a substantial part of our investments in the City of Dreams. As of December 31, 2006, we had paid approximately US\$193.0 million of the project costs for the City of Dreams project, primarily for the land costs, construction costs, design and consultation fees. The majority of development and construction costs are typically spent closer to the completion of a construction project and we expect that a large portion of our remaining expenditures budgeted for the City of Dreams project will be spent in the months leading up to the expected opening date of the City of Dreams.

Simultaneous planning, design, construction and development of our three major projects may stretch our management time and resources, which could lead to delays, increased costs and other inefficiencies in the development of one or more of our projects.

Until the public opening of the Crown Macau, which is currently scheduled for May 9, 2007, we expect the construction of the Crown Macau and the planning, design and construction of the City of Dreams and Macau Peninsula projects will be proceeding simultaneously. Since there is a significant overlap of the planning, design, development and construction periods of these projects involving the need for intensive work on each of the projects, members of our senior management will be involved in planning and developing all of our projects at the same time. Completing work on the Crown Macau simultaneously with the planning, design, development and construction of the City of Dreams and Macau Peninsula projects could divert management resources from the construction and opening of any one project. Our management may be unable to devote sufficient time and attention to all of our projects, and that may delay the construction or opening of one or more of our projects, cause construction cost overruns or cause the performance of any opened property to be lower than expected, which could have a material adverse effect on our business, financial condition and results of operations.

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We will need to recruit a substantial number of new employees before each of our projects can open and competition may limit our ability to attract qualified management and personnel.

As we approach the completion of construction of the Crown Macau, we will require extensive operational management and staff in order to commence operations and operate successfully. Accordingly, we are undertaking a major recruiting program before the Crown Macau opens and expect to do so again before each of the City of Dreams and Macau Peninsula projects opens. In anticipation of the formal opening of the Crown Macau on May 9, 2007, we are recruiting and training over 3,500 employees for the operation of the completed facility. The pool of experienced gaming and other personnel in Macau is limited. Many of our new personnel will occupy sensitive positions requiring qualifications sufficient to meet gaming regulatory and other requirements or will be required to possess other skills for which substantial training and experience may be needed. Moreover, competition to recruit and retain qualified gaming and other personnel is likely to intensify significantly as competition in the Macau casino hotel market increases. In addition, we are not currently allowed under Macau government policy to hire non-Macau resident dealers and croupiers. In particular, several other major casino hotels are expected to open in Macau at or around the same times as our developments. We cannot assure you that we will be able to attract and retain a sufficient number of qualified individuals to operate our projects or that costs to recruit and retain such personnel will not increase. The loss of the services of any of our senior managers or the inability to attract and retain qualified employees and senior management personnel could have a material adverse effect on our business.

Our contractors may face difficulties in finding sufficient labor at acceptable cost, which could cause delays and increase construction costs of our projects.

The contractors we retain to construct our projects may also face difficulties and competition in finding qualified construction laborers and managers as more projects commence construction in Macau and as substantial construction activity continues in China. Immigration and labor regulations in Macau may cause our contractors to be unable to obtain sufficient laborers from China to make up any gaps in available labor in Macau and to help reduce costs of construction, which could cause delays and increase construction costs of our projects.

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 will 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 of these 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. Lawrence 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.

Because we will depend upon a limited number of properties for all of our cash flow, we will be subject to greater risks than a gaming company with more operating properties.

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

Risks Relating to Our Operations in the Gaming Industry in Macau

Because our operations will 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.

Our competitors in Macau and elsewhere in Asia will include many of the largest gaming, hospitality, leisure and resort companies in the world. Some of these current and future competitors are significantly larger than us and have significantly larger capital and other resources to support their developments and operations in Macau.

The hotel, resort and casino businesses are highly competitive in Macau and we expect to encounter intense and increasing competition as other developers and operators complete and open new projects in coming years. Our Macau operations compete with approximately 25 other existing casinos of varying sizes located in Macau as of December 31, 2006 as reported by the DICJ. In addition, we expect competition to increase in the near future from local and foreign casino operators who are developing numerous hotel and casino projects in Macau. By the time our City of Dreams project is ready for opening, there is expected to be several new casinos in operation.

SJM is one of the three concessionaires in Macau and operates 18 casinos. SJM is controlled by Dr. Stanley Ho, who through SJM and, its parent entity STDM, controlled the monopoly concession on gaming operations in Macau from 1962 to 2002. In addition, Dr. Stanley Ho is the father of Mr. Lawrence Ho, our Co-Chairman and Chief Executive Officer. Dr. Stanley Ho was a director and the Chairman of Melco until he resigned from those positions in March 2006. Dr. Stanley Ho remains a shareholder of Melco, and we believe that, for purposes of Rule 13d-3 under the Securities Exchange Act of 1934, he was deemed to beneficially own approximately 1.77% of Melco's outstanding ordinary shares as of December 31, 2006.

In February 2007, SJM opened the Grand Lisboa, a resort next to the Hotel Lisboa, one of our main competitors in Macau gaming, and has also announced the construction of Oceanus, a new casino complex near the Macau Ferry Terminal. Las Vegas Sands opened the Sands Macao in May 2004 and is currently building the Venetian Macao Resort, an all-suites hotel, casino and convention center complex, with a Venetian-style theme similar to that of their Las Vegas property. Galaxy Casino S.A., or Galaxy, operates five casinos and is building the Galaxy Cotai Mega Resort. Wynn Macau opened the Wynn Macau casino hotel project in September 2006 and has announced plans to build up to three resorts in the Cotai Strip. The joint venture between MGM-Mirage and Pansy Ho, Dr. Stanley Ho's daughter and the sister of Mr. Lawrence Ho, is building the MGM Grand Macau, a resort on the Macau peninsula adjacent to the Wynn Macau which is scheduled to open in late 2007. Other casinos are expected to be opened by other hotel and entertainment development companies in conjunction with concessionaires who will operate the casino operations.

We will also compete to some extent with casinos located elsewhere in other countries, such as Malaysia, South Korea, the Philippines and Cambodia, as well as in Australia, New Zealand and elsewhere in the world, including Las Vegas. In addition, certain countries, such as Singapore, have now legalized casino gaming and others may in the future legalize casino gaming, including Japan, Taiwan and Thailand. Singapore awarded one casino license to Las Vegas Sands in August 2006 and a second casino license to Genting International Bhd. in November 2006. We also expect competition from cruise ships operating out of Hong Kong and other areas of Asia that offer gaming. The proliferation of gaming venues in Southeast Asia could significantly and adversely affect our financial condition, results of operations or cash flows.

Our regional competitors will also include PBL's Crown Casino Melbourne and Burswood Casino in Australia and other casino resorts that Melco and PBL may develop elsewhere in Asia outside Macau. Melco and PBL 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.

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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 for anti-money laundering, could change or become more stringent resulting in additional regulations being imposed upon the gaming operations in the Crown Macau and City of Dreams casinos, the Macau Peninsula site and the Mocha Clubs or a further liberalization of competition being introduced in the gaming industry. Any such adverse developments in the regulation of the gaming industry could be difficult to comply with and significantly increase our costs, which could cause our projects to be unsuccessful.

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, but we are still in the process of building our internal staff, systems and procedures for the operation of our gaming businesses in compliance with gaming regulatory requirements and standards in Macau. These laws and regulations are complex and a court or an administrative or regulatory body may in the future render an interpretation of these laws and regulations, or issue new or modified regulations, that differ from our interpretation, which could have a material adverse effect on our financial condition, results of operations or cash flows.

Our activities in Macau are subject to administrative review and approval by various agencies of the Macau government. For example, our activities are subject to the administrative review and approval by the 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 that 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.

In addition to complying with Macau's local requirements and standards, we may conduct our gaming operations in Macau by implementing certain of the policies and procedures followed by PBL in compliance with Australian gaming regulations, modified where necessary to meet Macau's local requirements and standards. Those Australian requirements may be more restrictive than those in Macau. This may negatively affect our flexibility and our ability to engage in some activities that would otherwise be permissible in Macau and increase the expenses we incur in connection with regulatory compliance.

Under MPBL Gaming's subconcession, the Macau government may terminate its subconcession under certain circumstances without compensation to it, 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 MPBL Gaming's gaming subconcession, the Macau government has the right, after notifying Wynn Macau, to unilaterally terminate the subconcession in the event of non-compliance by MPBL Gaming with its basic obligations under the subconcession and applicable Macau laws. If such a termination were to occur, MPBL 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.

The following termination events are included in the subconcession contract:

- 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;

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- transfer of all or part of MPBL 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 the Macau SAR and without Macau government approval;
- failure to pay taxes, premiums, levies or other amounts payable to the Macau government;
- 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 Direcção de Inspeção e Coordenação de Jogos (Gaming Inspection and Coordination Bureau of the Macau government), or the DICJ, applicable to us;
- refusal or failure to provide or supplement the guarantee deposit or the guarantees specified in the subconcession within the prescribed period;
- bankruptcy or insolvency of MPBL 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 MPBL Gaming or the grant of a subconcession or the entering into any agreement to the same effect; or
- failure by a controlling shareholder in MPBL Gaming to dispose of its interest in MPBL Gaming, within ninety 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 can no longer own shares in MPBL Gaming.

These events could lead to the termination of MPBL Gaming's subconcession without compensation to it.

If MPBL Gaming were to enter into a service agreement with New Cotai Entertainment, LLC, or other parties, pursuant to which MPBL Gaming would operate the casino premises in their hotel casino resorts, and New Cotai Entertainment or these other parties were to be found unsuitable or were to undertake actions that are inconsistent with MPBL 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 are being considered. We expect that after such amendments take effect, on the expiry or any termination of MPBL Gaming's subconcession, unless MPBL Gaming's subconcession were extended, the portion of casino premises within our developments to be designated with the approval of the Macau government, including all gaming equipment, would revert to the Macau government automatically without compensation to us. 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.

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.

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Under the subconcession contract, we are required to make a minimum investment in Macau of MOP 4.0 billion (US\$499.2 million) by December 2010. We expect to satisfy this requirement through our development of the Crown Macau and the City of Dreams. However, if we were unable to meet the required deadline for completing this minimum investment due, for example, to delay in construction or inability to finance the completion of the City of Dreams project, we may lose the right to continue operating our properties developed under the subconcession or suffer the termination of the subconcession by the Macau government.

Under MPBL 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 MPBL 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. MPBL Gaming is limited in its ability to raise additional capital by the need to first obtain the approval of the Macau gaming and governmental authorities before raising certain debt or equity. MPBL Gaming's ability to incur debt or raise equity may also be restricted by our 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.

MPBL 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 MPBL Gaming would always be able to operate gaming activities in a manner satisfactory to the Macau government. The loss of its subconcession would prohibit MPBL 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.

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

MPBL Gaming is one of six companies authorized by the Macau government to operate gaming activities in Macau. Although the Macau government has agreed under the existing concession agreements that it will not grant any additional concessions before April 2009 and has publicly stated that only one subconcession may be issued under each concession, we cannot assure you that the Macau government will not change its policies to issue additional concessions or subconcessions at any time in the future. If the Macau government were to allow additional competitors to operate in Macau through the grant of additional concessions or subconcessions, we would face additional competition, which could significantly increase the already intense competition in Macau and cause us to lose or be unable to gain market share.

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MPBL Gaming's subconcession contract expires in 2022 and if it was unable to secure an extension of its subconcession in 2022 or if the Macau government were to exercise its redemption right in 2017, it would be unable to operate casino gaming in Macau.

MPBL Gaming's subconcession contract expires in 2022. Based on information from the Macau government, proposed amendments to the relevant legislation are being considered. We expect that after such amendments take effect, on the expiration date of MPBL Gaming's subconcession, unless MPBL Gaming's subconcession were extended, the portion of casino premises within our developments to be designated with the approval of the Macau government, including all gaming equipment, would automatically revert to the Macau government without compensation to us. Under the subconcession contract, beginning in 2017, the Macau government has the right to redeem the subconcession contract by providing us 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 amount of such compensation or indemnity would be determined based on the gross revenue generated by the 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 MPBL 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 MPBL Gaming's subconcession were redeemed, the compensation paid would be adequate to compensate us for the loss of future revenues.

We expect that MPBL Gaming will not initially be required to pay corporate income taxes on income from gaming operations under the subconcession. We expect that this tax exemption will expire at the end of five years and it may not be extended.

The Macau government has granted or has agreed to grant the benefit of a corporate tax holiday on gaming income in Macau to the existing concessionaires and subconcessionaires for a period of five years starting from the date their gaming operations began in Macau. MPBL Gaming intends to apply for the tax exemption and we expect that it will have the same benefit of a corporate tax holiday in Macau, effective from the date we begin generating gaming revenues under the subconcession, which would exempt us from paying corporate income tax on income generated from gaming activities, which include casino and slot machine gaming, excluding profits from our non-gaming businesses, through the end of the five-year period. We cannot assure you that this tax exemption will be granted by the Macau government or extended beyond the expiration date.

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

We will conduct our table gaming activities at our casinos to a limited degree on a credit basis. This credit is likely to be unsecured. High-end patrons typically will be extended more credit than patrons who tend to 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. As most of our gaming customers are expected to be visitors from other jurisdictions, we may not have access to a forum in which we will be able to collect all of our gaming receivables because, among other reasons, courts of many jurisdictions do not enforce gaming debts. We may encounter forums that will refuse to enforce such debts, or we may be unable to locate assets in other jurisdictions against which to seek recovery of gaming debts. The collectibility of receivables from international customers could be negatively affected by future business or economic trends or by significant events in the countries in which these customers reside. We may also in given cases have to determine whether aggressive enforcement actions against a customer will unduly alienate the customer and cause the customer to cease playing at our casinos. If we accrue large receivables from the credit extended to our customers, we could suffer a material adverse impact on our operating results if those receivables are deemed uncollectible. In addition, in the event a patron has been extended credit and has lost back to us the amount borrowed and the receivable from that patron is deemed uncollectible, Macau gaming tax will still be payable on the resulting gaming revenue notwithstanding our uncollectible receivable.

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We will depend upon gaming junket operators for a portion of our gaming revenue and if we are unable to establish successful relationships with junket operators, our ability to attract high-end patrons may be adversely affected. If we are unable to ensure high standards of probity and integrity in the junket operators with whom we are associated, our reputation may suffer or we may be subject to sanctions, including the loss of MPBL Gaming's subconcession.

Junket operators, who organize tours, or junkets, for high-end patrons to casinos in Macau, will be responsible for a portion of our gaming revenues in Macau. With the rise in gaming in Macau, the competition for relationships with junket operators has increased. While we do not have any current relationships with junket operators, PBL has sales and marketing staff in Thailand, Hong Kong, China, Taiwan, Malaysia, Indonesia, Singapore and Macau devoted to attracting junket business to PBL's existing casinos, Crown Casino Melbourne and Burswood Casino. There can be no assurance that we will be able to utilize PBL's relationships with regional junket operators or develop other relationships with junket operators. If we are unable to utilize and develop relationships with junket operators, our ability to grow our gaming revenues will be hampered and we will have to seek alternative ways to develop relationships with high-end patrons, which may not be as profitable as relationships developed through junket operators.

In addition, the reputations of the junket operators we deal with will be important to our own reputation and MPBL Gaming's ability to continue to operate in compliance with its subconcession. While we will endeavor to ensure high standards of probity and integrity in the junket operators with whom we are associated, we cannot assure you that the junket operators with whom we are associated will always maintain the high standards that we plan to require. If we were to deal with a junket operator whose probity was in doubt, this may be considered by regulators or investors to reflect negatively on our own probity. If a junket operator falls below our standards, we and our shareholders may suffer harm to our or their reputation, as well as worsened relationships with, and possibly sanctions from, gaming regulators with authority over our operations.

We cannot assure you that anti-money laundering policies that we intend to implement 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 intend to implement anti-money laundering policies in compliance with all applicable anti-money laundering laws and regulations in Macau based in part on those adopted by PBL for its casinos in Australia. However, we cannot assure you that any such policies will be effective to prevent our casino operations from being exploited for money laundering purposes. Any incidents of money laundering, accusations of money laundering or regulatory investigations into possible money laundering activities involving us, our employees, our junket operators or our customers could have a material adverse impact on our reputation, business, cash flows, financial condition, prospects and results of operations. See "Item 4. Information on the Company—B. Business Overview—Gaming Regulations—Anti-Money Laundering Regulations in Macau."

If Macau's transportation infrastructure does not adequately support the development of Macau's gaming industry, visitation to Macau may not increase as currently expected, which may cause our projects to be unsuccessful.

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 transformation into a mass-market gaming destination, the frequency of bus, plane and ferry services to Macau must increase significantly. In addition, Macau's internal road system is prone to congestion and must be substantially improved to support projected increases in traffic. 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 cause our projects to be unsuccessful.

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Risks Relating to Our Indebtedness

Our substantial projected indebtedness could impair our financial condition, which could further exacerbate the risks associated with our substantial leverage.

We will have substantial debt service obligations. We expect, based on current budgets and estimates, to incur the following secured long term indebtedness:

- approximately HK\$1.28 billion (US\$164.5 million) under the Great Wonders Project Facility for construction of the Crown Macau;
- approximately US\$1.6 billion under the City of Dreams Project Facility for construction of the City of Dreams; and
- debt financing for a significant portion of the HK\$1.5 billion (US\$192.8 million) acquisition cost of the Macau Peninsula site, as well as a significant portion of the other costs of developing that project, which are as yet undetermined.

Our substantial projected indebtedness could have important consequences to you. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- impair our ability to obtain additional financing in the future for working capital needs, capital expenditures, acquisitions or general corporate purposes;
- require us to dedicate a significant portion of our cash flow from operations to the payment of principal and interest on our debt, which would reduce the funds available to us for our operations;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- subject us to higher interest expense in the event of increases in interest rates to the extent a portion of our debt will bear 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.

We currently do not generate sufficient cash flow to service our projected indebtedness and we may not be able to generate sufficient cash flow to meet our debt service obligations because our ability to generate cash depends on many factors beyond our control.

Our ability to make scheduled payments due on our anticipated debt obligations and to fund planned capital expenditures and development efforts will depend on our ability to generate cash in the future. Our current operations are insufficient to support the debt service on our anticipated debt. We will require timely completion and generation of operating cash flow from our projects to service our future projected indebtedness. Our ability to obtain cash to service our projected debt is subject to a range of economic, financial, competitive, legislative, regulatory, business and other factors, many of which are beyond our control. If we do not generate sufficient cash flow from operations to satisfy our projected debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure you that any refinancing or restructuring would be possible, that any assets could be sold, or, if sold, of the timing of the sales or the amount of proceeds that would be realized from those sales. We cannot assure you that additional

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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 future projected debt obligations, or to refinance our obligations on commercially reasonable terms, would have an adverse effect on our business, financial condition and results of operations.

The terms of our and our subsidiaries' indebtedness may restrict our current and future operations and harm our ability to complete our projects and grow our business operations to compete successfully against our competitors.

The Great Wonders Project Facility and associated facility and security documents that Great Wonders has entered into also contain a number of restrictive covenants that impose significant operating and financial restrictions on Great Wonders and effectively on us. In addition, the terms and conditions described in the commitment letter for the City of Dreams Project Facility will also impose significant operating and financial restrictions on MPBL Gaming, Melco Hotels and effectively on us. The covenants in the Great Wonders Project Facility and City of Dreams Project Facility restrict, among other things, our or our subsidiaries' ability to:

- incur additional debt, including guarantees;
- create security or liens;
- dispose of assets;
- make certain acquisitions and investments;
- pay dividends and make other restricted payments or apply revenues earned in one part of our operations to fund development costs or operating losses in another part of our operations;
- enter into sale and leaseback transactions;
- engage in new businesses;
- issue preferred stock; and
- enter into transactions with shareholders and affiliates.

In addition, the restrictions under the Great Wonders Project Facility and the restrictions contemplated in the commitment letter for the City of Dreams Project Facility contain financial covenants, including requirements that we satisfy tests or ratios such as:

- maximum capital expenditures test;
- minimum interest and debt service coverage ratios; and
- a maximum leverage ratio.

Because we have not completed the negotiation of the definitive terms of our and our subsidiaries' additional indebtedness, including the terms of our proposed City of Dreams Project Facility, we may have covenants in addition to the covenants set forth above or that may be more restrictive than those described above. 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.

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

Risks Relating to Our Business and to Operating 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 existing 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 in 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;
- changes in policies of the government or changes in laws and regulations, or the interpretation of these laws and regulations;
- changes in foreign exchange regulations;
- measures that may be introduced to control inflation, such as interest rate increases; 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. MPBL 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 those renegotiations could have a material adverse effect on our results of operations and financial condition.

The Secretary for Transport and Public Works of Macau, Mr. Ao Man-Long, was arrested in December 2006 by Macau's Commission against Corruption on charges involving bribery and irregular financial activities according to the Macau Government Official Statement. In accordance with a statement made by the Macau's Commission against Corruption, those detained together with Mr. Ao are related to local companies to whom several major public works contracts were awarded. During the investigation, additional individuals related to local Macau companies to whom land had been granted in land exchange procedures were detained. The investigation is ongoing. After the arrest, Mr. Ao was removed from his post as Secretary for Transport and

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Public Works of Macau, which gave him jurisdiction over all land grants and public works and infrastructure projects in Macau. The Chief Executive of Macau had personally assumed such role until Mr. Lao Sio-lo was appointed the new Secretary for Transport and Public Works in March 2007. The Macau government has granted us a lease for a plot of land for the Crown Macau, and has offered to grant us a lease for the development rights for two adjacent land parcels on the Cotai Strip for the City of Dreams site. However, we are still awaiting the formal grant of an occupancy permit for the Crown Macau and we have yet to receive either a formal grant of a land concession or an occupancy permit for the City of Dreams site. We will apply for approval from the Macau government to increase the developable gross floor area of the City of Dreams site and revision to the purpose of land use after the site is granted to us. In addition, the Macau Peninsula project is at an even earlier stage of development, and if we acquire the site we would need to obtain similar land concession modifications and development approvals from the Macau government. We cannot predict at this time whether Mr. Ao's arrest and removal, and any further investigations or prosecutions, will adversely affect the functioning of the Macau Land, Public Works and Transports Bureau, any approvals or land concession grants that are pending before it, or for which applications may be made in the future (including with respect to our projects), or will give rise to additional scrutiny or review of any approvals or land concessions, including those for the Crown Macau and the 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. Any slowdown in economic growth or reversal of China's current policies of liberalizing restrictions on travel and currency movements 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.

Because we will 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 will be entirely dependent upon the Crown Macau, City of Dreams and Macau Peninsula projects and Mocha Clubs for all of our cash flow. Given that our operations will be conducted only at properties in Macau and that any future developments will be in Macau, we will be subject to greater risks than a gaming company with more operating properties in more 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;
- 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.

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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 for six months or less are only allowed to take 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. 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.

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 will depend on consumer demand for casino resorts and leisure travel in general. Changes in consumer preferences or discretionary consumer spending could harm our business. Terrorist acts, developments in the conflict in Iraq and other events could have a negative impact on international travel and leisure expenditures, including lodging, gaming and tourism. We cannot predict the extent to which the recent or future terrorist acts may affect us, directly or indirectly, in the future. 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 plan to offer 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 (“SARS”) 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 20, 2007, the WHO has confirmed a total of 169 fatalities in a total number of 281 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 Bridge from Macau, has confirmed several cases of avian flu. Currently, no fully effective avian flu vaccines have been developed and there is evidence that the H5N1 virus is 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 to plummet in the affected regions. There can be no assurance that an outbreak of avian flu, SARS 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 intend to 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.

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

Although we will have certain expenses and revenues denominated in Patacas in Macau, our revenues and expenses will be denominated predominantly in Hong Kong dollars and in connection with most of our indebtedness and certain expenses, U.S. dollars. We expect to incur significant debt denominated in U.S. dollars, and the costs associated with servicing and repaying such debt will be denominated in U.S. dollars. The value of the H.K. dollar and Patacas against the U.S. dollar may fluctuate and may be affected by, among other things, changes in political and economic conditions. Although the exchange rate between the H.K. dollar to 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. 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 would have an adverse effect on the amounts we receive from the conversion. We have not used any forward contracts, futures, swaps or currency borrowings to hedge our exposure to foreign currency risk.

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 PBL together own the substantial majority of our outstanding shares, with each beneficially holding 41.4% of our outstanding ordinary shares as of the date of this annual report. Melco and PBL have entered into a shareholders agreement 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 PBL, 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 PBL 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 approval of independent directors or shareholders and the interests of these shareholders may conflict with your interests as minority shareholders. If Melco or PBL provides shareholder support to us in the form of shareholder loans or provides credit support by guaranteeing our obligations, they may become our creditors with different interests than shareholders with only equity interests in us. The concentration of controlling ownership of our shares may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs.

Melco and PBL may pursue additional casino projects in Asia, which, along with their current operations, may compete with our projects in Macau and could divert management time and resources and have adverse consequences to us and the interests of our minority shareholders.

Melco and PBL may take action to construct and operate new gaming projects located in other countries in the Asian region, which, along with their current operations, may compete with our projects in Macau and could have adverse consequences to us and the interests of our minority shareholders. For example, another joint venture entity of Melco and PBL (in which we do not have any interest) participated in a consortium that submitted a bid for one of two licenses to operate casinos in Singapore in the Fall of 2006. Although the consortium did not win such bid, Melco and PBL may seek other gaming projects in Asia through joint venture entities (in which we will not have any interest). We could face competition from these other gaming projects, including competition for management time and resources. We also face competition from regional competitors, which include PBL's Crown Casino Melbourne and Burswood Casino in Australia. We expect to continue to receive significant support from both Melco and PBL in terms of their local experience, operating skills, international experience and high standards. Specifically, we have support arrangements with Melco and PBL under which they provide us administrative support and technical

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expertise in connection with the development of the Crown Macau, City of Dreams and Macau Peninsula projects and the operation of the Mocha Clubs business. In addition, PBL has seconded to our subsidiaries several of their key project development personnel to form our core interim project management team and intends to second additional management employees when our development projects are in operation. Should Melco or PBL 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 PBL 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 PBL will make strategic and other decisions which do not adversely affect our business.

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 machines and casino hotel operations in Macau. We will not hold interests in any gaming and leisure related businesses and properties outside Macau. As a joint venture controlled by Melco and PBL, there are special risks associated with the possibility that Melco and PBL 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' agreements; or (5) have financial difficulties. In addition, there is no assurance that the laws and regulations relating to foreign investment in Melco's or PBL'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.

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 PBL, could result in our inability to draw loans or events of default under our indebtedness.

The City of Dreams Project Facility will include provisions under which we may be unable to meet the conditions to draw loans or may suffer an event of default upon the occurrence of a change of control with respect to MPBL Gaming, a decline in the aggregate indirect holdings of MPBL Gaming shares by Melco and PBL below certain thresholds, or a change in the percentages of MPBL Gaming shares indirectly held by Melco and PBL such that they cease to be equal. We expect these provisions to be most restrictive during the time when our projects have not commenced commercial operation. Any occurrence of these events could be outside our control and could result in defaults and cross-defaults which cause the termination and acceleration of up to all of our credit facilities and potential enforcement of remedies by our lenders, which would have a material adverse effect on our financial condition and results of operations.

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

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

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PBL's investment in our company is subject to Australian regulatory review, and if Australian regulators were to find that we, PBL or Melco failed to comply with certain regulatory requirements and standards, then PBL may be required to withdraw from the joint venture.

PBL, through its wholly owned subsidiary, Crown Limited, owns and operates the Crown Casino Melbourne in Australia. Crown Limited holds a casino license issued under legislation in the State of Victoria, Australia. PBL, through its wholly owned subsidiary, Burswood Nominees Limited, owns and operates the Burswood Casino in Perth, Australia. Burswood Nominees Limited holds a casino gaming license issued under legislation in the State of Western Australia, Australia.

The Victorian Commission for Gambling Regulation, or VCGR, has power under the Casino Control Act 1991 (Vic) to undertake general investigations of a gaming licensee and to report its findings to the Minister for Gaming in Victoria. Section 28 of the Casino Control Act requires Crown Limited to seek the approval of the VCGR for any person who is to become an "associate" of Crown Limited. An "associate" is a person or entity who by shareholding or directorship or managerial position is able to exercise significant influence over the management of the casino.

The VCGR must satisfy itself that the "associate" is a suitable person to be associated with the management of the casino. PBL has been approved by the VCGR as an "associate" of Crown Limited. Section 28A requires the VCGR to monitor "associates" to ensure that they continue to be suitable to be associated with the holder of a casino license. To that end the VCGR may investigate any person or entity who has a business association with PBL to determine if the business associate is of good repute and of sound financial resources. If, as a result of such investigation, the VCGR determines that, by reason of its business association, PBL has ceased to be suitable as an "associate" of Crown Limited, then the VCGR can direct PBL to cease the business association or can direct PBL to terminate its "association" with Crown Limited.

Similar to the situation in Victoria, the Western Australian Gaming and Wagering Commission, or the WAGWC, has power under the Casino Control Act 1984 (WA) to undertake general investigations of the holder of the Burswood Nominees Limited license and to report its findings to the Minister for Gaming in Western Australia. If the WAGWC were to determine that Burswood Nominees Limited had ceased to be a suitable person to hold its license, the WAGWC has powers similar to those of the VCGR to issue a "show cause" notice and then can either suspend or cancel the Burswood Nominees Limited license. The WAGWC has similar obligations to the VCGR to approve and monitor "close associates" of Burswood Nominees Limited. "Close associates" in the Western Australian Act has a substantially similar meaning to "associates" in the Victorian Act, although the Western Australian Act makes no specific reference to business associates of "close associates" in the same way as the Victorian Act. PBL has been approved as a "close associate" of Burswood Nominees Limited. If the WAGWC were to determine that PBL had ceased to be a suitable entity to be such a "close associate," then the WAGWC could direct PBL to terminate its "close association" with Burswood Nominees Limited.

The VCGR and WAGWC announced in August 2006 that, following the completion of their investigations, they have no objections to PBL's joint venture with Melco. However, we cannot assure you that any future investigation by the VCGR or WAGWC would not result in a direction to either terminate the business association between PBL and Melco or to terminate the association between PBL, on the one hand, and Crown Limited or Burswood Nominees Limited, on the other hand. If actions by us or our subsidiaries or by Melco or PBL fail to comply with Australian regulatory requirements and standards, or if there are changes in Australian gaming laws and regulations or the interpretation or enforcement of such laws and regulations, PBL 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 PBL from its joint venture with Melco could cause the failure of conditions to drawing loans under our credit facilities or the occurrence of events of default under our credit facilities or as contemplated by our founders under their joint venture arrangement.

Risks Relating to the Shares and ADSs and Our Trading Markets

The trading price of our ADSs has been volatile and may continue to be volatile regardless of our operating performance.

The trading price of our ADSs has been and may continue to be subject to wide fluctuations. During the period from December 19, 2006, the first day on which our ADSs were listed on Nasdaq, until March 29, 2007, the trading prices of our ADSs ranged from \$14.12 to \$23.55 per ADS and the closing sale price on March 29, 2007 was \$15.90 per ADS. The market price for our ADSs may continue to be volatile and subject to wide fluctuations in response to factors including the following:

- uncertainties or delays relating to the financing, completion and successful operation of our projects;
- developments in the Macau market or other Asian gaming markets, including the announcement or completion of major new projects by our competitors;
- regulatory developments affecting us or our competitors;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- changes in the economic performance or market valuations of other gaming and leisure industry companies;
- addition or departure of our executive officers and key personnel;
- fluctuations in the exchange rates between the U.S. dollar, Hong Kong dollar, Pataca and Renminbi;
- release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares or ADSs; and
- sales or perceived sales of additional ordinary shares or ADSs.

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

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

We may pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including our results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors considered relevant by our board of directors. We currently intend to retain all of our earnings to finance the development and expansion of our business. Accordingly, we do not intend to declare or pay cash dividends on our ordinary shares in the near to medium term. Except as permitted under the Companies Law and the common law of the Cayman Islands, we are not permitted to distribute dividends unless we have a profit, realized or unrealized, or a reserve set aside from profits which the directors of our company determine is no longer needed. We currently have no reserve set aside from profits for the payment of dividends. We cannot assure you that we will make any dividend payments on our ordinary shares in the future. Our ability to pay dividends, and our subsidiaries' ability to pay dividends to us, may be further subject to restrictive covenants contained in the facility agreements governing indebtedness we and our subsidiaries may incur. For example, our subsidiary Great Wonders is subject to certain restrictions on paying dividends under the Great Wonders Project Facility. There is a blanket prohibition on dividends during the construction phase of the Crown Macau. Furthermore, upon completion of the construction of the Crown Macau, Great Wonders will only be able to pay dividends if it satisfies certain financial tests and conditions. We would expect other financing facilities we may enter into to have similar restrictions. For a description of our loan facilities, see "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financing Activities."

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

Sales of our ADSs or ordinary shares in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. The 1,000,000,000 ordinary shares outstanding currently beneficially held by Melco and PBL as to 500 million each, will be available for sale, upon the expiration of the 180-day lock-up period beginning from December 18, 2006, the date of the prospectus for our initial public offering, subject to volume and other restrictions as applicable under Rule 144 and Rule 701 under the Securities Act and subject to the terms of their shareholders' deed. Any or all of these shares may be released prior to expiration of the lock-up period at the discretion of the joint lead underwriters in the initial public offering. To the extent shares are released before the expiration of the lock-up period and these shares are sold into the market, the market price of our ADSs could decline.

In addition, Melco and PBL have the right, exercisable following six months after completion of our initial public offering, to cause us to register the sale of their shares under the Securities Act, subject to the terms of their shareholders' deed. Registration of these shares under the Securities Act would result in these shares becoming freely tradable as ADSs without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the public market could cause ownership interests in our company to be diluted and this, in turn, could cause the price of our ADSs to decline.

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

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

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

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

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

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary

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bank will not make rights available to you unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act, or exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

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

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

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

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

You may have difficulty enforcing judgments obtained against us.

We are a Cayman Islands company and substantially all of our assets are located outside of the United States. All of our current operations are conducted in Macau and Hong Kong. In addition, substantially all of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in Cayman Islands, Macau and Hong Kong courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, most of whom are not residents in the United States and the substantial majority of whose assets are located outside of the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands, Macau or Hong Kong would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. In addition, it is uncertain whether such Cayman Islands, Macau or Hong Kong courts would be competent to hear original actions brought in the Cayman Islands, Macau or Hong Kong against us or such persons predicated upon the securities laws of the United States or any state.

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

Based on the price of the ADSs and our ordinary shares, the composition of our income and assets and our operations, we believe that we were not a “passive foreign investment company,” or PFIC, for United States federal income tax purposes for our taxable year ended December 31, 2006. However, we must make a separate determination each year as to whether we are a PFIC (after the close of each taxable year). Accordingly, we cannot assure you that we will not be a PFIC for our current taxable year ending December 31, 2007 or any future taxable year. A non-U.S. corporation will be considered a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income. The value of our assets generally will be determined by reference to the market price of our ADSs and ordinary shares, which may fluctuate considerably. In addition, the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raise in any offering. If we were treated as a PFIC for any taxable year during which a U.S. Holder held an ADS or an ordinary share, certain adverse United States federal income tax consequences could apply to the U.S. Holder. See “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—Passive Foreign Investment Company.”

We have incurred and will continue to incur increased costs as a result of being a public company.

As a public company, we have incurred and will continue to incur a significantly higher level of legal, accounting and other expenses than we did as a private company. In addition, the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act, as well as new rules subsequently implemented by the Securities and Exchange Commission, or the SEC, and the Nasdaq, have required changes in corporate governance practices of public companies. We expect these new rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. For example, the SEC, as required by Section 404 of the Sarbanes-Oxley Act, adopted rules requiring every public company to include a management report on such company’s internal control over financial reporting in its annual report, which contains management’s assessment of the effectiveness of the company’s internal controls over financial reporting. In addition, an independent registered public accounting firm must attest to and report on management’s assessment of the effectiveness of the company’s internal controls over financial reporting. These requirements will first apply to our annual report on Form 20-F for the fiscal year ending on December 31, 2007. This requirement and other obligations as a public company may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. In addition, because we are at an early stage of development, we are still forming other management and accounting teams and laying the preliminary foundation of our internal control disclosures and procedures. Compliance with SEC and Nasdaq rules at such an early stage of development may pose extra costs and challenges on us.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We were incorporated in December 2004 as an exempted company with limited liability under the laws of the Cayman Islands and registered as an oversea company under the laws of Hong Kong in November 2006. We are a developer, owner and, through MPBL Gaming, an operator of casino gaming and entertainment resort facilities focused exclusively on the rapidly expanding Macau market. Our subsidiary MPBL Gaming is one of six companies authorized by the Macau government to operate casinos in Macau. We have two current casino gaming and entertainment projects under development: the Crown Macau Hotel Casino and the City of Dreams integrated casino complex. We recently announced that the Crown Macau is targeted to complete construction and open on a trial basis on April 28, 2007 and scheduled to formally open to the public on May 9, 2007, with a grand opening event to be held on May 12, 2007. Phase one of the City of Dreams is targeted to open in late 2008. MPBL Gaming currently operates six Mocha Clubs featuring a total of approximately 1,000 gaming machines, or slot machines. We have also entered into a conditional agreement to acquire a third development site that is located on the shoreline of the Macau peninsula. We have been 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.

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Our principal executive offices are located at The Penthouse, 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. Our telephone number at this address is 852-3151-3777 and our fax number is 852-3162-3579. We intend to move our principal executive offices in late April 2007. The address at the new location is 36th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong and our telephone number at this address is 852-2598-3600 and our fax number is 852-2537-3618.

In December 2006, we completed the initial public offering of our ADSs, each of which represents three ordinary shares, and listed our ADSs on Nasdaq.

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-pbl.com. The information contained on our website is not part of this annual report on Form 20-F.

B. Business Overview

We are a developer, owner and, through our subsidiary MPBL Gaming, operator of casino gaming and entertainment resort facilities focused exclusively on the rapidly expanding Macau market. MPBL Gaming is one of six companies licensed, through concessions or subconcessions, to operate casinos in Macau. We have been formed as a 50/50 joint venture between Melco and PBL as their exclusive vehicle to carry on casino, gaming machines and casino hotel operations in Macau.

We have chosen to focus on the Macau gaming market because we believe that Macau is well positioned to be one of the largest gaming destinations in the world. In 2005 and 2006, Macau generated approximately US\$5.7 billion and US\$7.0 billion of gaming revenue, respectively, compared to the US\$5.9 billion and US\$6.5 billion of gaming revenue (excluding sports book and race book), respectively, generated on the Las Vegas Strip, according to the DICJ and the Nevada Gaming Control Board. Atlantic City generated approximately US\$5.0 billion and US\$3.9 billion (excluding sports book and race book) in 2005 and the nine months ended September 30, 2006, respectively, according to the New Jersey Casino Control Commission. Gaming revenue in Macau has increased at a five-year compounded annual growth rate, or CAGR, from 2001 to 2006 of 23.4% compared to a CAGR of 7.3% for the Las Vegas Strip (excluding sports book and race book). Gaming revenue in Atlantic City has increased at a five-year CAGR from 2000 to 2005 of 3.1% (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.

Through our existing operations and projects currently under development, we will cater to a broad spectrum of potential gaming patrons, including wealthy high-end patrons, who seek the excitement of high stakes gaming, as well as mass market patrons, who wager lower stakes and may be more casual gaming patrons seeking a broader entertainment experience. We will seek to attract these patrons from throughout Asia and in particular from Greater China.

Our existing operations and development projects consist of:

- *The Crown Macau.* We began construction of the Crown Macau in December 2004 and completed the topping out of the Crown Macau in November 2006. We recently announced that the Crown Macau is targeted to complete construction and open on a trial basis on April 28, 2007 and scheduled to formally open to the public on May 9, 2007 and a grand opening event will be held on May 12, 2007. The Crown Macau is being developed to offer a luxurious premium hotel and casino resort experience by offering premium entertainment, elegant facilities, high quality service and rich décor, and is being designed with the aim of exceeding the average five-star hotel in Macau. Total project costs are currently budgeted at approximately US\$583.6 million. Gaming venues traditionally available to high stakes patrons in Macau have not offered the luxurious accommodations and facilities we aim to offer at the Crown Macau, focusing primarily on intensive gaming during day trips and short visits to Macau. The property will feature a 36-story tower including approximately 183,000 square feet of gaming space with approximately 220 gaming tables and more than 500 gaming machines, and a luxury premium hotel with approximately 216 deluxe hotel rooms, including 24 suites and eight villas, designed with the aim of exceeding the average five-star hotel in Macau.

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- *The City of Dreams.* We began site preparation of our City of Dreams project in the second quarter of 2006, had our ground-breaking ceremony in April 2006 and have commenced substantial piling work at the site. We currently target to open the initial phase of the complex in late 2008, targeted to include substantial completion of the casino, retail space, two hotels, which are expected to be operated under the Crown Towers and Hard Rock brands, and the performance hall, which is targeted to be completed in the second half of 2008 and ready to host performances in the second half of 2009. The second phase of the complex is targeted to be completed in the second half of 2009. We originally contemplated developing two additional hotels to be operated under the Grant Hyatt and Hyatt Regency brands in the second phase with approximately 1,000 rooms and suites. However, subject to further discussion with Hyatt, we are now contemplating developing the two hotels into a twin-tower hotel with no reduction in the number of rooms. With a total project development budget currently at approximately US\$2.1 billion, we are developing the City of Dreams to be a “must-see” integrated casino and entertainment resort primarily for mass market patrons. The City of Dreams will be located on the Cotai Strip, an area that has been master planned to feature a series of major new developments in the style of the Las Vegas Strip. The City of Dreams is planned to feature hotels ranging from four-stars to luxurious ones designed with the aim of exceeding the average five-star hotel in Macau, with a total of approximately 1,600 hotel rooms, an underwater-themed casino with approximately 450 gaming tables and 1,500 gaming machines, a performance hall, an upscale shopping mall and a wide variety of mid- to high-end food and beverage outlets. We also plan to develop one block of luxury serviced apartment units, for both long and short-term occupancy in phase two of the project and, depending on the market conditions, may develop a second block thereafter. The development of the serviced apartment units may be subject to Macau government approval and the approval of our lenders under our debt facilities. The cost of a second block of apartments has not been included in the current total project development budget for the City of Dreams.
- *Mocha Clubs.* Our six Mocha Clubs feature a total of approximately 1,000 gaming machines, and comprise the largest non-casino-based operations of electronic gaming machines in Macau. By combining machine-based gaming with an upscale décor and cafe ambiance, we aim to improve on Macau’s historically limited service to mass market and casual gaming patrons outside the conventional casino setting and to capitalize on the significant growth opportunities for machine-based gaming in Macau.
- *Macau Peninsula Site.* We have entered into an agreement to acquire the Macau Peninsula site, which is located on the shoreline of the Macau peninsula near the current Macau Ferry Terminal, for HK\$1.5 billion (US\$192.8 million). We expect to pay a land premium of HK\$150 million (US\$19.3 million) to the Macau government. Completion of the purchase remains subject to significant conditions in the control of third parties unrelated to us and the seller. We are currently considering plans for the development of the Macau Peninsula site into a mixed-use hotel, serviced apartment and casino facility targeted primarily at day-trip gaming patrons, and target its opening in the middle of 2009 if we are able to acquire the site. Based on preliminary estimates and conceptual designs, the total project costs for the Macau Peninsula project is currently budgeted at a range of approximately US\$650 million to US\$700 million.

Our Properties

The Crown Macau

We began construction of the Crown Macau in December 2004. Our objective in building the Crown Macau is primarily to serve the high-end market by providing a luxurious casino and hotel experience, while tailoring the experience to meet the cultural preferences and expectations of Asian high-end customers. Recognizing that these discerning customers expect and demand luxury, the Crown Macau is designed to provide luxurious hotel suites and dining facilities, high-limit table offerings and private gaming rooms. We recently announced that the Crown Macau is targeted to complete construction and open on a trial basis on April 28, 2007 and scheduled to formally open to the public on May 9, 2007 and a grand opening event will be held on May 12, 2007.

We currently estimate that the total cost of developing and constructing the Crown Macau to the point of opening will be approximately US\$583.6 million, inclusive of land and construction costs, FF&E, pre-opening expenses, capitalized fees and finance costs, cage cash and initial working capital requirements.

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As of December 31, 2006, we had paid approximately US\$275.0 million of our total US\$583.6 million budgeted project costs to our contractors, primarily to Paul Y. Construction for design and construction fees, the land costs and land premium. The majority of development and construction costs are typically spent closer to the completion of a construction project and a large portion of our remaining US\$308.6 million of the Crown Macau project costs is being spent in the months leading up to the targeted opening date of the Crown Macau in early May 2007. With equity contributions from Melco and PBL, part of the proceeds of our initial public offering of ADSs and the HK\$1,280 million (US\$164.5 million) Great Wonders Project Facility we have entered into to finance construction of the Crown Macau, we have sufficient funding to complete construction of the Crown Macau. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Financing Activities” for details of the Great Wonders Project Facility.

The Casino. A spacious casino with approximately 183,000 square feet of gaming space is planned, including the first seven floors and some of the higher VIP floors of the hotel. The casino will feature a general gaming area as well as high-limit private gaming rooms catering to high-end patrons. We expect the casino to feature a total of approximately 220 gaming tables and more than 500 gaming machines. Of the approximately 220 gaming tables, approximately 50 will be high-limit tables located on the top two floors of the main casino podium as well as in some of the upper level floors of the hotel tower, providing our high-end patrons with a premium gaming experience in an exclusive private environment. We plan that the table limits on our main casino floors will accommodate a full range of casino patrons while still focusing on the high-end market and premium end of the mass market.

The Hotel. We expect that upon completion, the 36-story Crown Macau, which will be operated under the “Crown Towers” brand, will be positioned to become one of the leading hotel casinos in Macau catering to high-end patrons. The top floor of the hotel will serve as the hotel lobby and reception area, providing guests with sweeping views of the surrounding area. The hotel will comprise approximately 216 oversized deluxe rooms, including 24 high-end suites and eight villas and will feature a luxurious interior design combining elegance and comfort with some of the latest in-room entertainment and communication facilities.

The Crown Macau will feature a range of high-quality non-gaming entertainment venues, including a spa, gymnasium, outdoor garden podium and a sky terrace lounge.

Food and Beverage. A number of restaurants and dining facilities will be available at the Crown Macau. We intend to have four fine dining restaurants, featuring a variety of international cuisines, that we intend to be among the best in Macau including a branch of Tenmasa, a renowned Japanese restaurant in Tokyo. The Crown Macau will also feature 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. The operator that we are selecting for one of the Crown Macau’s restaurants is renowned for the quality of their food, service and décor, which we believe will provide additional reasons for gaming patrons to visit and stay at the Crown Macau.

Design and Construction Team. We have engaged Paul Y. Construction as the general contractor for the Crown Macau project and have assembled a team of specialists to design and construct the Crown Macau.

- *Paul Y. Construction Company Limited.* Paul Y. Construction is a subsidiary of PYE, a Hong Kong listed company. PYE is a leading construction conglomerate with operations in more than nine countries and a workforce of approximately 10,000 employees. Its principal activities include building construction, infrastructure services and civil engineering. Over the past 50 years, PYE has completed numerous landmark projects and buildings, including hotels, commercial and residential buildings, airports, highways, bridges, tunnels and railways, in Greater China and the Asia Pacific region. PYE has also developed and constructed numerous leading hotel and leisure complexes and office and commercial buildings, including HSBC Centre (Hong Kong), Cheung Kong Center (Hong Kong), Shangri-la Hotel Garden Wing (Singapore), The Center (Hong Kong) and The Harbour Front (Hong Kong).
- *Maunsell Structural Consultants Ltd.* Maunsell Structural Consultants Ltd., or Maunsell, provides structural, geotechnical and mechanical, electrical and plumbing engineering in connection with the Crown Macau project. Maunsell has more than 35 years of regional and international experience in building structures and its employees have a range of specialized skills in structural

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design for various types of buildings using different construction methods. It is part of the Maunsell AECOM Group, a multi-disciplinary consultancy practice established in Hong Kong in 1970 with more than 2,000 full time employees in Hong Kong, Mainland China and Singapore. Maunsell's building engineering experience includes engineering services provided in connection with the Grand Lisboa Hotel (Macau), the Ritz Carlton Hotel (Hong Kong), the Centrium (Hong Kong), the Centre (Hong Kong) and the Harbourfront Landmark (Hong Kong).

- *Wong Tung & Partners Ltd.* Wong Tung & Partners Ltd., or Wong Tung, is the architect for the Crown Macau project. Established in Hong Kong in 1963, it has provided award-winning architectural services for projects throughout Hong Kong, Mainland China, South East Asia, the United States and the Middle East. Wong Tung's architectural designs include the Hyatt International Hotel (Macau), the Hong Kong Park, the Hong Kong Jockey Club Executive Housing and Recreation Club, the Parkview (Hong Kong) and the Jin Jiang Tower Hotel (Shanghai). Wong Tung has obtained ISO 9001 certification by the Hong Kong Quality Assurance Agency for the provision of architectural consultancy services in Hong Kong.

Property. In March 2006, the Macau government granted to Great Wonders, our wholly owned subsidiary through which the Crown Macau is being developed, a 25-year renewable lease for an approximately 5,230 square meter (56,295 square feet) plot of land for the Crown Macau. The Macau government has approved a gross floor area of approximately 95,000 square meters (1,022,600 square feet). Under this lease, we are obligated to pay a land premium of approximately MOP 149.7 million (US\$18.7 million), with MOP 50 million (US\$6.2 million) due at our acceptance of the terms and conditions of the lease, which was paid on November 25, 2005 and the balance due 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 payable upon signing of the lease, subject to adjustments in accordance with the relevant amount of rent payable during the year. During construction, rent will be due at an annual rate of MOP 30 (US\$4) per square meter of land, or an aggregate of approximately MOP 157,000 (US\$20,000). After construction, annual rent per square meter will be MOP 15 (US\$2) for the hotel, MOP 10 (US\$1) for the parking lot and MOP 10 (US\$1) for the outdoor areas, or an aggregate of approximately MOP 1,372,000 (US\$171,000). The rent 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 rent adjustment.

Construction Contract. In November 2004, Great Wonders entered into a contract with Paul Y. Construction for the construction and design of the Crown Macau. Under the terms of the contract, Paul Y. Construction acts as the general contractor and oversees all aspects of the design and construction of this project. In addition, the parent company of Paul Y. Construction, PYE, is providing a parent company guarantee of Paul Y. Construction's full performance of this contract until final payment is made by Great Wonders. Other principal terms of the contract include the following:

- the general contractor's obligations including, without limitation, its obligation to coordinate and execute construction works of all third parties hired by Paul Y. Construction and us;
- the total contract price payable to Paul Y. Construction and mechanisms for adjusting the total contract price and extending the completion date in certain circumstances;
- the liquidated damages provision for any completion delays and non-conforming works caused by Paul Y. Construction until the completion certificate is signed and delivered by us; and
- the termination and dispute resolution provisions.

We are obligated to pay under the contract a prime cost incurred by Paul Y. Construction and all third parties retained by Paul Y. Construction to work on this project and a percentage fee of 6% of the prime cost, subject to reduction in the percentage fee for any completion delay caused by Paul Y. Construction. The prime cost represents all costs, other than Paul Y. Construction's head office overhead costs, for its project management team, labor, materials, goods, plant, site facilities, services (including design services), and sub-contracted works for the design and construction of the work Paul Y. Construction performs for us under the

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contract. However, cost increases that are due to causes that are not included in the total contract price will be borne by us. For example, as a result of changes and improvements in the designs for the Crown Macau project, our construction cost has increased and we have negotiated an amendment to increase the original total contract price from HK\$1,448.0 million (US\$186.1 million) to approximately HK\$2.1 billion (US\$269.9 million). The total contract price of HK\$2.1 billion (US\$269.9 million) consists of: (i) HK\$1,386 million (US\$178.1 million) fixed “lump sum” costs; (ii) HK\$603 million (US\$77.5 million) for provisional and contingency costs; and (iii) a HK\$110 million (US\$14.1 million) fee. We also revised the guaranteed date of practical completion for the casino and hotels to on or before the end of April 2007.

The City of Dreams

We have entered into principles of understanding in August 2006 to engage a joint venture between Leighton, China State Construction and John Holland as the general contractor for the City of Dreams project and we are currently in the process of negotiating the definitive contract between the parties. As contemplated in the principles of understanding, it is expected that each of the parties forming the contractor joint venture will provide to us, to the extent that the relevant contractor is not the ultimate holding company of its group, a parent company guarantee securing the due performance of the relevant contractor’s obligations under the definitive contract and in return, we are expected to provide a guarantee to the contractors guaranteeing the due performance of Melco Hotels’ obligations under the definitive contract.

We began site preparation of the City of Dreams project in the second quarter of 2006. Our objective in building the City of Dreams is to offer a “must-see” integrated casino resort, entertainment, retail and food and beverage complex that will be attractive to a wide range of customers, with a particular focus on mass market individual and group customers, including families, while still catering to VIP customers.

The City of Dreams will be located on the Cotai Strip, a newly reclaimed area of Macau between the islands of Taipa and Coloane, which has been master-planned for the development of a series of major Las Vegas Strip-style hotel casino resorts featuring large-scale casino floors and a range of supporting entertainment and hospitality facilities such as a performance hall, exhibition and conference facilities, showrooms, shopping malls, spas and other attractions. The City of Dreams will be well-positioned at the northern end of the Cotai Strip, which will make it one of the closest destination resorts on the Cotai Strip to the Macau International Airport and the newly planned Hong Kong/Macau Ferry Pier.

We currently plan to complete the City of Dreams project in two phases, with the completion of the first phase targeted for late 2008 and the second phase targeted for the second half of 2009. We currently plan the casino to be substantially completed during the first phase, along with two hotels, most of the retail space, food and beverage outlets and the performance hall, which we have targeted to be completed in the second half of 2008 and ready to host performances in the second half of 2009. We originally contemplated developing two additional hotels to be operated under the Grant Hyatt and Hyatt Regency brands in the second phase with approximately 1,000 rooms and suites. However, subject to further discussion with Hyatt, we are now contemplating developing the two hotels into a twin-tower hotel with no reduction in the number of rooms. We also currently target to complete the serviced apartments during the second phase. The current total project development budget for constructing, developing and opening both phases of the City of Dreams project is approximately US\$2.1 billion, inclusive of land, construction, FF&E, pre-opening expenses, capitalized fees and finance costs and initial working capital requirements (including cage cash). As the City of Dreams project progresses, we continue to improve and vary its overall scope within the original timetable to completion, and by reference to the existing total project development budget. This is against a background of rising costs of construction, services and materials in Macau. We anticipate an increase in the total project development budget for the City of Dreams, and we will continue to explore ways to mitigate the effect of anticipated budget increases through various cost saving measures. In addition, subject to obtaining Macau governmental approvals that may be required and approvals from the City of Dreams Project Facility lenders, finalizing plans and raising any additional financing that may be needed, we may construct one block of deluxe serviced apartments at the City of Dreams in phase two of the project and, depending on market conditions, a second block thereafter. The cost of a second block of apartments has not been included in the current total project development budget for the City of Dreams project. All of the features of the City of Dreams described in this annual report on Form 20-F are based on our current plans for the project, and, therefore, the design of individual elements of the City of Dreams may be refined from this description. However, project changes will be limited in certain respects by the documents governing our indebtedness.

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As of December 31, 2006, we had paid approximately US\$193.0 million of our US\$2.1 billion current total project development budget for the City of Dreams project, primarily for the land costs and land premium, construction costs and design and consultation fees. We expect to fund a portion of the project costs from equity contributions by PBL and Melco, proceeds of the initial public offering of our ADSs and part of the US\$1.6 billion City of Dreams Project Facility for which we have signed a commitment letter with certain banks as arrangers.

The Casino. We plan to offer an underwater-themed casino of approximately 420,000 square feet housing approximately 450 gaming tables, including approximately 50 high-limit tables in exclusive VIP salons, and approximately 1,500 gaming machines with potential for future expansion. We target the casino to be substantially completed as part of the first phase.

The Hotels. The City of Dreams is planned to include full service luxury hotels with a total of approximately 1,600 rooms, consisting of: (1) a luxury premium hotel designed with the aim of exceeding the average five-star hotels in Macau, to be operated under the Crown Towers brand by us with approximately 300 rooms, suites and villas; (2) a themed hotel to be operated under the Hard Rock brand with approximately 370 rooms and suites; and (3) as for the second phase and subject to our further discussion with Hyatt, a twin-tower hotel to be operated under the Grand Hyatt brand (originally this component was contemplated to be operated by Hyatt as two separate hotels with one operating under the Grand Hyatt brand and the other under the Hyatt Regency brand) with approximately 1,000 rooms and suites. We intend the City of Dreams to feature one of Asia's largest destination spas, featuring a health club, a beauty treatment center and several rejuvenation facilities, which will help to ensure that our guests enjoy a relaxing and luxurious stay.

Performance Hall. A performance hall offering approximately 2,000-seats is included in the plan of the City of Dreams. The performance hall, which is being designed by the award winning Pei Partnership Architects according to the specifications of Dragone, is expected to host performances that cater to the preferences of the Asian mass market. We currently expect to complete the performance hall in the second half of 2008 and have it ready to host performances in the second half of 2009. It is expected to offer a production created by Dragone, the co-producer and creator of Celine Dion's "A New Day" show. The artistic director and founder of Dragone was the director and creator of several Cirque du Soleil shows.

Retail Area. Our plan includes a retail area of approximately 50,000-square feet. The shopping mall will feature a wide range of shops with a retail mix which is designed to cater to the needs of residential guests and to attract other visitors to the complex. We currently expect to complete the majority of the retail stores during phase one, with the remainder to be completed in phase two.

Serviced Apartment Units. We plan to develop one block of luxury serviced apartment units, for both long and short-term occupancy in phase two of the project and, depending on the market conditions, may develop a second block thereafter. These developments may be subject to Macau government's approval and approval of our lenders under our debt facilities. The cost of a second block of apartments has not been included in the current total project development budget for the City of Dreams project.

Food and Beverage. We plan to position the City of Dreams as one of the leading destinations for food and beverage on the Cotai Strip by offering an extensive range of high-quality food and beverage facilities. We intend to secure some of the most well-known international food and beverage brands and celebrity chefs. The City of Dreams is planned to include over 20 mid- to high-end restaurants plus a range of other dining outlets offering a variety of cuisines and dining styles to service both our gaming customers as well as to attract other customers from competing Macau properties as well as nearby Hong Kong and Guangzhou, China. We currently expect to complete significant portions of the food and beverage outlets during phase one.

Entertainment Venues. The City of Dreams is planned to feature a variety of recreational facilities designed to attract customers to the complex. The complex is also planned to feature a range of concept bars and night clubs, a karaoke lounge and a nightly live performance venue. For groups and families, the property will also feature a large non-gaming entertainment zone offering a range of entertainment and amusement activities. We currently expect to complete the entertainment venues throughout phases one and two.

Conference Rooms and Ballrooms. We plan to build approximately 81,000 square feet of high quality conference, banqueting and ballroom facilities, featuring some of the latest audio and visual equipment. We will aim to make these facilities the preferred

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venues of choice in Macau for high-end banqueting and corporate hospitality. These facilities will be located within the Grand Hyatt Hotel and are planned to be completed in phase two.

Construction Team. We have entered into principles of understanding to engage a joint venture between Leighton, China State Construction and John Holland as the general contractor for the City of Dreams project and we are currently in the process of negotiating the definitive contract between the parties. In Macau, a joint venture of Leighton and China State Construction recently completed construction of the Wynn Resort (Macau) and Leighton recently completed construction of the Macau Fisherman's Wharf:

- *Leighton.* Leighton is one of Asia's leading project developers and contractors. Established in Hong Kong in 1975, Leighton focuses on a number of specific market segments, including civil engineering and infrastructure, building, rail, mining, marine, oil and gas, water, environmental services, process, and telecommunications.
- *China State Construction.* China State Construction started its construction business in Hong Kong in 1979. It is a vertically integrated construction company, engaged in building construction and civil engineering operations as well as foundation work, site investigation, mechanical and electrical engineering, highway and bridge construction, concrete and pre-cast production. Since July 2005, China State Construction has been listed on the Main Board of the Hong Kong Stock Exchange.
- *John Holland.* John Holland is one of Australia's largest and most diverse specialist contractors. John Holland has significant expertise and experience delivering projects in the fields of building and engineering construction, tunnelling and underground mining, water, including wastewater treatment, telecommunications and rail communication systems, structural mechanical and process engineering, and power, including high voltage transmission projects.

Leighton and John Holland are both part of the Leighton Group, one of Australia's largest project development and contracting groups.

Design Team. In addition to the general contractor, we have also appointed the following design teams for the City of Dreams project:

- *Leigh & Orange Ltd.* Leigh & Orange Ltd. has been appointed as the executive architect for implementation of the City of Dreams project. Founded in 1874 and headquartered in Hong Kong with regional offices in Shanghai, Beijing, Fuzhou, Bangkok, Bahrain, Dubai and Riyadh, Leigh & Orange Ltd. is a full service, award-winning architectural and interior designing firm. Its designs encompass buildings and facilities for both private and public sectors. Leigh & Orange Ltd.'s works include the Ocean Park of Hong Kong, New World Centre Phase II in Beijing and the planned Shaqab Education City in Qatar.
- *Arquitectonica.* Arquitectonica will design the hotel towers for the City of Dreams. Founded in 1977 and headquartered in Miami, Florida with regional offices in many parts of the world including New York, Los Angeles, Hong Kong, Shanghai and Manila, Arquitectonica is a full service award-winning architecture, interior designing and planning firm. Arquitectonica's work includes projects on several continents, from projects such as resorts and casinos, hotels, luxury condominium towers, retail centers and office buildings. Arquitectonica is currently designing the Cosmopolitan Resort Casino in Las Vegas.
- *Pei Partnership Architects.* Pei Partnership Architects is designing the performance hall for the City of Dreams. Founded in 1992 and headquartered in New York with a representative office in Beijing, Pei Partnership is a full service, award-winning architectural firm with international scope, experience and reputation. Principals Chien Chung Pei and Li Chung Pei, sons of I.M. Pei and for many years key members of his firm, have more than forty years of combined architecture experience. Pei Partnership's architectural designs include the Palm Beach Opera House (West Palm Beach, Florida), the Macau Science Center (Macau), the Centrocultural Poliforum (Mexico) and the Opera of the Future Arts at the Massachusetts Institute of Technology.

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Properties. The Macau government, in a letter dated April 21, 2005, offered to grant to our subsidiary, Melco Hotels, a 25-year renewable lease for the development rights in respect of two adjacent land parcels on the Cotai Strip in Macau with a combined area of 113,325 square meters (approximately 1.2 million square feet) for the City of Dreams, which offer was accepted by Melco Hotels on May 10, 2005. The Macau government has given approval for a developable gross floor area at the site of 403,692 square meters (approximately 4.3 million square feet). Melco Hotels intends to seek approval for development of 452,400 square meters (approximately 4.9 million square feet), rather than the 403,692 square meters (approximately 4.3 million square feet) contemplated by the Macau government.

The proposed lease terms require us to pay a land premium of approximately MOP 509 million (US\$63.4 million), with MOP 170 million (US\$21.2 million) due at signing of the lease and the balance due in nine equal semi-annual installments bearing interest at 5% per annum. We must also provide a guarantee deposit of MOP 2,290,000 (US\$285,000), subject to adjustments in accordance with the relevant amount of rent payable during the year. If the Macau government approves our request to increase the developable gross floor area at the site, we anticipate that the land premium may increase by approximately MOP 69 million (US\$8.6 million) to MOP 110 million (US\$13.7 million).

During the construction period, we will pay the Macau government rent at an annual rate of MOP 20 (US\$3) per square meter of land, or an aggregate annual amount of MOP 2,290,000 (US\$285,000). Following completion of construction, annual rent per square meter will vary depending on the use of the areas within the site. The rent amounts may be adjusted every five years.

Mocha Clubs Operations

The Mocha Clubs focus on mass market, casual gaming patrons, including local residents and day-trip customers. We intend that the Mocha Clubs will grow to form a network of small to medium-sized clubs that feature a friendly atmosphere, with an upscale décor and café ambiance to appeal to customers that historically have been overlooked in Macau by the casinos focused on high-end table game patrons. We believe that there are significant growth opportunities for gaming machines in Macau. The Las Vegas Strip gaming market generates more than 50% of its gaming revenues from gaming machines and electronic gaming, as compared to approximately 3% in Macau. According to the DICJ and the Nevada Gaming Control Board, while the total number of gaming machines in Macau has increased to over 6,100 at the end of December 2006 from approximately 3,400 at the end of 2005 from approximately 2,250 at the end of 2004 and approximately 800 at the end of 2003, the number remains small when compared to the approximately 51,000 gaming machines in Las Vegas Strip at the end of December 2006. In addition, many of the existing machines are older machines that do not employ the latest technology.

Our machines are the latest models from suppliers such as IGT, Aristocrat and Stargames. We 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.

We have implemented a Mocha loyalty program, where players earn points for frequent play that can be redeemed for complimentary prizes. We use the IGT Advantage player tracking system. The IGT Advantage system is able to present the player with interactive enhanced bonus, game and promotional events. The IGT Advantage system serves as a marketing and merchandising platform for casino venue amenities. The IGT Advantage system also allows players to track their activity for more than a ten-year period. We intend to continue to use this system in connection with our marketing and advertising resources to enhance our ability to target repeat players.

Currently, the six Mocha Clubs feature a total of approximately 1,000 gaming machines. Our Mocha Clubs accounted for approximately 28.2% of the gross gaming machine revenue in Macau for the year ended December 31, 2006. Our average daily net win per machine is higher than the industry average in Macau.

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The following table sets forth information on our Mocha Clubs for the year ended and as of December 31, 2006;

<u>Mocha Club</u>	<u>Opening Date</u>	<u>Location</u>	<u>Gaming Area (in square feet)</u>	<u>Gaming machines (Year ended December 31, 2006)</u>	<u>Average daily net win per machine⁽¹⁾</u>
Royal	September 2003	Lobby of Hotel Royal	2,100	83	239.0
Kingsway	April 2004	G/F, Kingsway Commercial Centre	6,100	214	293.4
Kampek ⁽²⁾	June 2004	3/F, San Kin Yip, Commercial Centre	—	—	179.7
TP Square	March 2005	G/F and 1/F, Hotel Taipa Square	4,560	142	206.8
Sintra	November 2005	G/F and 1/F, Hotel Sintra	5,110	137	217.1
Hotel Taipa	January 2006	G/F of Hotel Taipa	6,100	132	111.9
Marina Plaza	December 2006	1/F & 2/F Marina Plaza	12,500	261	136.9
Total ⁽³⁾	—	—	36,470	969	209.8

- (1) Average daily net win per machine for any period/year represents the total gaming machine win during such period divided by the weighted average number of gaming machines in service during such period/year. Gaming machine win is the excess of the amount of money deposited by players into the gaming machine over the amount of money paid out of the gaming machine to players. Prior to MPBL Gaming obtaining its subconcession in September 2006, Mocha Slot provided management services to the Mocha Clubs under service agreements with SJM. Mocha Slot received 31% of gaming machine win as its revenue from gaming at the Mocha Clubs, while SJM retained 31% of gaming machine win, and Macau taxes and other government dues accounted for the remaining 38%. After the subconcession was granted and these service agreements were terminated with effect from September 21, 2006, we now reflect all the gaming machine win as our revenue from gaming at the Mocha Clubs, but we are subject to Macau taxes and other government dues currently totaling 39% of gaming machine win.
- (2) Since MPBL Gaming obtained its subconcession, we are not allowed to operate any Mocha Clubs in buildings in which other concessionaires or subconcessionaires have gaming operations. This has required relocating the Kampek Mocha Club, which was located in facilities in which SJM conducts gaming operations under its concession, and which we closed on September 21, 2006. The weighted average number of gaming machines used for the purposes of calculating average daily net win per machine at the Kampek Mocha Club were calculated for the period from January 1, 2006 to September 20, 2006 before its closure. We have moved the former Kampek Mocha Club to Marina Plaza, where approximately 260 gaming machines are available. For the year ended December 31, 2006, we have incurred approximately HK\$8.7 million (US\$1.1 million) in provision of services to gaming machine lounges attributable to the relocation of the facility.
- (3) The total weighted average number of gaming machines and average daily net win per machine for the year ended December 31, 2006 for all of the Mocha Clubs as a whole were calculated with the inclusion of the Kampek Mocha Club's operating data for the period from January 1, 2006 to September 20, 2006.

We seek to locate the Mocha Clubs in convenient locations with strong pedestrian traffic, which are typically located within three-star hotels. The Mocha Clubs generally offer diverse machine gaming options with an average of approximately 162 gaming machines in each club, and range from approximately 2,100 square feet to 12,000 square feet. Each Mocha Club provides café style snacks and beverages to its guests. In March 2007, we signed a lease for a seventh Mocha Club. The property is approximately 10,000 square feet in size and the term of the lease ends in December 2021, renewable upon our advance notice and terminable upon our advance notice subject to our compensation equal to half of the rent payable for the remaining term of the lease. We are also seeking additional sites for Mocha Clubs throughout Macau.

Macau Peninsula Project

We are in the process of acquiring a third development site, the Macau Peninsula site, which has a size of approximately 6,480 square meters (69,750 square feet), and is located on the shoreline of the Macau Peninsula near the current Macau Ferry Terminal. On May 17, 2006, our subsidiary, MPBL Peninsula, entered into a promissory agreement to purchase the site by acquiring all the outstanding shares of Sociedade de Fomento Predial Omar, Limitada, or Omar. Omar is the current owner of the site. Dr. Stanley Ho is one of the five directors of Omar but owns no shares of Omar. The acquisition price in the promissory agreement we have entered into is HK\$1.5 billion (US\$192.8 million), of which we have paid a deposit of HK\$100 million (US\$12.9 million). We also expect that the acquisition of the site will require payment of a land premium of HK\$150 million (US\$19.3 million) to the Macau government. Our purchase of the Macau Peninsula site remains subject to important conditions, some of which are not in our control, including approval of the Macau government of an extension of the deadline for completion of development on the site and other

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conditions in the control of other parties. We have begun preliminary conceptual and design work on the potential Macau Peninsula project and we currently contemplate that we would develop a mixed-use apartment hotel and casino facility on the site targeted primarily at day-trip gaming patrons. If obtained, we target completing the Macau Peninsula project in the middle of 2009. Based on preliminary estimates and conceptual designs, the total project costs for the Macau Peninsula project is currently budgeted at a range of approximately US\$650 million to US\$700 million, which includes anticipated land and construction costs, land premium costs, FF&E, pre-opening expenses, capitalized fees and finance costs, cage cash and initial working capital requirements.

Macau Studio City Project

MPBL Gaming expects to enter into a services agreement with New Cotai Entertainment, LLC, under which MPBL Gaming will operate the casino portions of the Macau Studio City project, a large scale integrated gaming, retail and entertainment resort development that is targeted to open on the Cotai Strip during 2009. The project is being developed by a joint venture between eSun Holdings Limited and New Cotai Holdings, LLC, which is primarily owned by investment funds and David Friedman, a former senior executive of Las Vegas Sands. While the definitive terms of the services agreement remain subject to finalization, we anticipate that a percentage, to be agreed upon, of the gross gaming revenues from the casino operations of Macau Studio City will be retained by MPBL Gaming. 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.

Project Management Team

The members of our senior project management team have an average of 28 years of experience in property development, construction project management and architecture and design. The project management team will oversee and manage the Crown Macau and the City of Dreams projects at each stage of the process from design, construction through to completion of the projects. Our project management team works closely with our contractors, architects and engineers and consists primarily of the following persons. In addition, we receive support from personnel at PBL and Melco to assist us and our subsidiaries in managing the development of our projects.

Mr. Charles R. Goodwin has served as our Project Director, Construction, since June 2006. He overlooks all construction matters relating to the Crown Macau project. He graduated from the University of Wales in the U.K. with honors. Mr. Goodwin is a chartered engineer and a chartered builder, having more than 30 years of concept, design and construction experience in major building and infrastructure works. In the last 15 years prior to joining us, he has been involved in directing the implementation of residential, commercial, leisure and entertainment building projects from inception to completion. During the period between mid-1995 and early 2006, Mr. Goodwin worked with Newfoundworld Ltd. and directed the US\$2 billion commercial, residential and leisure development project that forms the city center of Tung Chung, a satellite town neighboring the Hong Kong International Airport.

Philip Payne has served as our Project Director-Design since February 2007. Mr. Payne has extensive experience in project developments involving hospitality and entertainment establishments. Prior to joining our company, he served as the design and construction coordinator for Wynn Las Vegas from 2002 to 2003, the director of design for Las Vegas Sands Macau from 2003 to 2005 and the project director of Greater China Ltd., the developer of casino and hotel facilities operated by Galaxy in Macau, from 2005 to 2006. Mr. Payne is a frequent speaker in international gaming facility design and architectural conferences. Mr. Payne graduated from the Newcastle College of Industrial Design and obtained a United Kingdom national design degree.

Allen Young is our Design Director of the Hyatt hotel towers of the City of Dreams and Serviced Apartment development, since January 2007. Mr. Young has over 25 years of local and oversea experience and is currently a Registered Architect of Hong Kong, member of the Hong Kong Institute of Architects, Royal Institute of British Architects and Royal Australian Institute of Architects. Before joining our company, Mr. Young had worked on the development projects in Hong Kong involving the Hong Kong Museum of History, the West Rail, Cyberport and Belair residential project.

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Mr. Nick Prior has served as our Finance Director - Construction Projects, since January 2007. He is responsible for all finance matters including, forecasting, budgetary control, and settlement. He is a Fellow of the Institute of Chartered Accountants in England and Wales with over 30 years experience. Since 1985 he has served as Regional Finance Director, later Regional Managing Director of investment bank Hoare Govett Asia Ltd. From 1991 he was President and Chief Investment Officer of Search Investment Holdings Ltd., the family office and private investment vehicle of Robert W. Miller, co-founder of Duty Free Shoppers (DFS) whose broadly diversified portfolio included substantial real estate investments. Since 1998, and prior to joining us, he has operated his own private equity advisory company, SeaCap Partners Ltd.

Mr. Leonard Wong has served as our Deputy Commercial Director since February 2007. He is responsible for all commercial matters such as contract documentation and administration, commercial negotiations, cost control, budgeting and estimating, and advise on programming. He is a Chartered Builder, mediator and adjudicator, fellow of the Chartered Institute of Building and the Chartered Institute of Arbitrators, member of the Hong Kong Institution of Engineers. He has 24 years experience in the construction industry working for consultants, developers and contractors. He was the Managing Director (Greater China Region) of a UK based international consulting group High-Point Rendel specializing in commercial and contractual management, as well as project management of major infra-structure projects like hotels, hospitals, commercial buildings and heavy civil engineering projects until 2005. Before joining us, he held senior positions in major contracting companies, such as Gammon Construction Ltd and Costain Building and Civil Engineering Ltd.

Mr. York To has served as our Deputy Project Director, Construction, since March 2006. He is responsible for assisting the Project Director on all construction matters relating to the Crown Macau and the City of Dreams projects. He graduated from the University of London with a bachelor's degree in civil engineering and obtained his MBA from York University in Canada, majoring in real property development. He has more than 18 years of experience in handling large-scaled mixed-use complex development projects. From February 2000 to March 2006, he worked with the Great Eagle Group in Hong Kong as an assistant general manager and was responsible for such landmark projects as Langham Place, a complex development which includes retail, office, hotel and government facilities, and Eaton Hotel, as well as Astor Plaza redevelopment projects.

Mr. Greg Wheat has served as our Technical Director—Services since August 2006. He is responsible for all matters relating to the design of services on the Crown Macau and the City of Dreams projects. Prior to joining us, he was the property operations manager at Conrad Jupiters Casino on the Gold Coast in Australia for the period between 1998 to June 2006, responsible for services operation and project management. He was also responsible for services design and operation of major facilities such as Shangri-la Hotel in Sydney during the period between 1990 and 1994, the Sydney Harbour Casino, a temporary facility to the Star City Casino and the Star City Casino complex during the period between 1994 and 1998.

Advertising and Marketing

We will seek to attract customers to our properties and to grow our customer base over time by implementing and undertaking the following marketing activities and plans:

Press and Public Relations. We believe that utilizing the local and regional media to publicize our projects and operations before our openings, and our continued daily operations is an effective, highly visible and low-cost tool to market our facilities to a large number of people across several market segments. We intend to build a public relations management team that will cultivate media relationships and directly liaise with customers within target Asian countries in order to explore media opportunities in various markets. We also intend to leverage Melco's existing relationships with local and regional media.

Advertising. We intend to build an internal advertising department responsible for promoting our brands and projects and marketing preferred products to potential customers around Asia. Advertising will include magazine and print pieces, airport duratrans, roadway billboards, radio and television spots (as permitted by Macau laws), collateral and direct mail pieces and handouts.

Promotions. We intend to create a range of promotions that offer a tangible benefit for the customer as a result of the customer's interaction with the casinos and hotels. Promotions may include discounts, match play offers, free credits, bonuses, competitions and special draws. Promotions will be targeted at different market segments and may be used to market the casinos and hotels as well as their individual amenities, such as, restaurants and special guests clubs.

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Special Events. We will host different types of entertainment and exclusive functions designed to bring customers to the property. We will target various market segments with customer-specific events, which will be designed to cater to our customers' needs and expectations, with the objective of cultivating repeat customer visitation and developing long-term customer relationships.

Casino Marketing. To the extent permitted by the applicable laws in different jurisdictions, we plan to engage in extensive marketing to casino patrons in order to attract them to our casinos. We intend to develop player lists and client databases in order to attract new and repeat high-limit casino patrons as well as develop marketing strategies to attract mass market clientele, including the use of direct mail and telemarketing to draw casino patrons. We will seek to utilize the marketing resources of our founders, including Melco's marketing teams and PBL's existing gaming office network, to assist in sourcing customers for our properties. Marketing to Asian high-end customers requires specialist skills. The PBL gaming office network is well experienced in this regard, and has developed close and long standing relationships with customers that we intend to leverage.

Loyalty Programs. We expect to implement a customer relationship management program to foster and closely monitor our customer base to develop customer loyalty. This is expected to be closely modeled on Crown's successful "Crown Club" program. Utilizing PBL's gaming experience with customer analytics, we will build a database of customer profiles, which will enable us to target customers in various segments. We will provide Club Cards to casino patrons in order to track their individual activity, enabling the creation of customer profiles from both a gaming and non-gaming perspective. In addition, hotel management software will interface with casino management software, allowing us to effectively market an overall gaming and entertainment product to these guests.

Entertainment. We intend to research the market's entertainment demands in order to identify and then offer attractive options to our clientele, whether to the high-end or mass market. Our casino lounges and main live performance venues will allow us to offer a variety of entertainment options for multiple market segments, provide continuous entertainment daily between settings, and use these offerings as an effective tool to build brand identity, generate repeat visitations and attract new guests. These exclusive events are expected to be programmed into the operating calendar regularly to maintain certain customer volumes and to fill capacity during lower-demand periods.

Networking Junket Operators. We plan to build a network of selected junket operators to help source and assist in managing high-end customers for our properties. We will develop a series of commission and other incentive-based programs to offer to junket operators and individuals alike, to be competitive in the Macau gaming environment.

Competition

We believe that the gaming market in Macau is and will continue to be intensely competitive. Our competitors in Macau and elsewhere in Asia include all the current concession and subconcession holders and many of the largest gaming, hospitality, leisure and property development companies in the world. Many of these current and future competitors are significantly larger than us and have significantly greater capital, financing capability and other resources as well as a longer track record of operation of major hotel casino resort properties. We cannot assure you that we will be able to compete successfully in the Macau market or, if we are able to achieve such success, that we will be able to maintain it.

Gaming in Macau is administered through government-sanctioned concessions awarded to three different concessionaires—SJM, the incumbent gaming operator in Macau, 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 Limited, a joint venture formed by MGM-Mirage and Pansy Ho, Dr. Stanley Ho's daughter and the sister of Mr. Lawrence Ho. Galaxy has granted a subconcession to Venetian Macau, the developer of the Sands Macao and the Venetian Macao. MPBL Gaming obtained its subconcession under the concession of Wynn Macau.

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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 will not grant any additional gaming concessions until April 2009 and has publicly stated that each concessionaire will only be permitted to grant one subconcession. However, the laws and policies of the Macau government could change and permit the Macau government to grant additional gaming concessions or subconcessions before 2009. If the Macau government were to allow additional competitors to operate in Macau through the grant of additional concessions or subconcessions, we would face additional competition.

SJM. SJM, the incumbent operator, holds one of the three gaming concessions in Macau and currently operates 18 casinos throughout Macau. SJM has invested in projects such as the new Grand Lisboa and the Fisherman's Wharf entertainment complex. SJM has also announced the construction of Oceanus, a new casino complex near the current Macau Ferry Terminal. As the incumbent operator controlled by Dr. Stanley Ho, SJM has extensive experience in operating in the Macau market and long-established relationships in Macau.

Wynn Macau. Wynn Macau holds a gaming concession and opened the Wynn Resorts (Macau) hotel casino in September 2006 on the Macau peninsula. Wynn Macau has also announced that it plans to develop several projects on the Cotai Strip.

Galaxy. Galaxy, the third concessionaire in Macau, currently operates five casinos which principally target high-limit gaming customers from China, primarily through relationships with junket operators in Macau. In October 2006, Galaxy opened the Galaxy StarWorld, a hotel and casino resort in Macau's central business and tourism district. Galaxy has also announced plans to develop the Galaxy Cotai Mega Resort on the Cotai Strip, with several hotels and four casinos.

Las Vegas Sands. With a subconcession under Galaxy's concession, Venetian Macao, a subsidiary of the U.S.-based Las Vegas Sands Corp., operates the Sands Macao hotel and casino. In addition to the Sands Macao, Las Vegas Sands Corp. is building the Venetian Macao, hotel, casino, shopping and convention center on the Cotai Strip. Venetian Macao has also submitted to the Macau government a development plan to develop additional hotel developments in Cotai, in partnership with some of the world's leading hotel brands and operators, which would include additional casinos and other amenities.

MGM Grand Paradise Limited. MGM-Mirage has entered into a joint venture agreement with Pansy Ho, the daughter of Dr. Stanley Ho and the sister of Mr. Lawrence Ho, our Co-Chairman and Chief Executive Officer, to develop, build and operate a major hotel-casino resort in Macau. MGM Grand Paradise Limited, the joint venture, has been granted a subconcession under SJM's concession. MGM Grand Paradise Limited has announced the development of the MGM Grand Macau, which will be located next to the Wynn Resorts (Macau) on the Macau peninsula and is expected to be opened in 2007.

Cruise Ships. Star Cruises (Hong Kong) Ltd., or Star Cruises, is a leading cruise line in the Asia Pacific and is one of the largest cruise line operators in the world. Worldwide, Star Cruises presently operates a combined fleet of approximately 20 ships with more than 26,000 lower berths. Star Cruises vessels in Asia Pacific offer extensive gaming to their passengers. These cruise vessels will compete for Asian-based patrons with our gaming operations in Macau.

Other Asian Destinations. We may also face competition from casinos and gaming resorts in Malaysia, South Korea, the Philippines, Cambodia, Australia and New Zealand. Genting Highlands is a popular international gaming resort in Malaysia approximately a one-hour drive from Kuala Lumpur. Although successful, we believe that the Genting Highlands caters to a different market than Macau, in large part because of the distance and travel times from the Greater China population centers from which Macau is expected to draw its principal traffic. South Korea has allowed gaming for some time but these offerings are available

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primarily to foreign visitors. However, the Kangwon Land Casino recently opened in an old mining area of Korea that allows Korean nationals to gamble. There are also casinos in the Philippines, although they are relatively small compared to those contemplated for Macau. There are a number of casino complexes in certain tourist destinations in Cambodia such as Dailin, Bavet, Poipet, Sihanoukville and Koh Kong. We believe Australia currently offers the closest gaming facilities in Asia comparable to Las Vegas casinos. The major gaming markets in Australia are located in Sydney, Melbourne, the Gold Coast and Perth.

Singapore recently legalized casino gaming and awarded one casino license to Las Vegas Sands and a second casino license to Genting International Bhd. in December 2006. In addition, several other Asian countries are considering, or are in the process of legalizing gambling and establishing casino-based entertainment complexes.

Our regional competitors will also include PBL's Crown Casino Melbourne and Burswood Casino in Australia and other casino resorts that Melco and PBL may develop elsewhere in Asia outside Macau. For example, another joint venture entity of Melco and PBL (in which we do not have any interest) participated in a consortium that recently submitted a bid for one of the two licenses to operate casinos in Singapore. Although the consortium did not win such bid, Melco and PBL may seek other gaming projects in Asia through joint venture entities (in which we will not have any interest). We could face competition from these other gaming projects, including competition for management time and resources. Melco and PBL may have different interests and strategies for developments across Asia which conflict with the interests of our business in Macau or otherwise compete with our operations in Macau for Asian gaming and leisure customers.

Insurance

For the operations of the Crown Macau and the City of Dreams, we intend to obtain the types and amounts of insurance coverage that we consider appropriate for companies in similar businesses. We currently maintain certain insurance policies, including public liability, property all risks, money in transit and employees compensation, for each of our Mocha Clubs. While we believe that our insurance coverage is consistent with industry and regional practice, if we were held liable for amounts exceeding the limits of our insurance coverage or for claims outside of the scope of our insurance coverage, our business, financial condition and results of operations could be materially and adversely affected.

For the construction of the Crown Macau, Paul Y. Construction, the main contractor for the Crown Macau project, has obtained coverage under a contractors' all risks and third party liability insurance policy with China Insurance (Macau) Company Limited for which we are named as a co-insured. The period of insurance is from November 10, 2004 to July 9, 2007, plus three months free extension following a twelve months defects liability period. Under this policy, we are insured up to HK\$1,448 million (US\$186.1 million) for material damage to the contract works and are negotiating an increase in the insurance amount to approximately HK\$2.1 billion (US\$269.9 million) to match the increase we negotiated for the total contract price of the Crown Macau construction contract and up to MOP 30 million (US\$3.7 million) for third party liability for any one occurrence with the number of occurrences generally unlimited. The general and special exclusions from the coverage under this insurance policy include our loss, damage or liability directly or indirectly resulting from war, act of terrorism and total or partial cessation of work. In addition, we are responsible for certain scheduled amounts as our deductible payments if the loss or damage results from or in, among others, fire, water damage to works other than natural disasters, third party property, underground services or employer's property. Our rights and benefits under this insurance policy have been assigned to the lenders of the Crown Macau Project Facility to secure Great Wonders' obligations under the Crown Macau Project Facility. In anticipation of the public opening of the Crown Macau, we are in the process of securing insurance coverage under property all risks, business interruption, public liability, employee's compensation and money transfer insurance policies with reputable insurance companies.

For the construction of the City of Dreams, we have recently secured a construction insurance policy and employees' compensation insurance policy that is similar, in terms of the types of material damage, third party liability and employee compensation covered, to the policy we have secured for the Crown Macau project. We have obtained coverage under our construction third party insurance policy with Macau Insurance Company Ltd. with the maximum claim limit of MOP400 million (US\$49.9 million) for any one occurrence with the number of occurrences generally unlimited. The coverage to be maintained will be effected through two levels with the primary policy for a maximum claim limit of MOP50 million (US\$6.2 million) and the excess construction third party liability for a maximum claim limit of MOP350 million (US\$43.7 million).

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We maintain property damage, third party liability and money-in-transit insurance policies with insurance carriers in respect of the Mocha Clubs. These policies cover accidental destruction or damage to the Mocha Club premises, equipment and cash that is either at the Mocha Club premises or is being transported within Macau (subject to certain specific exclusions). In 2006, we procured liability insurance for certain officers and employees operating at the Mocha Club premises. We do not have insurance for business interruption in relation to our operations at the Mocha Clubs. We believe that our insurance coverage is commensurate with the nature of and the risks associated with our operations at the Mocha Clubs.

Properties

Apart from the property sites for the Crown Macau, the City of Dreams and the Macau Peninsula projects, we currently maintain offices in Taipa, Macau, primarily for use as our recruitment and training center, which has an approximate gross area of 4,459 square meters (48,000 square feet). The 10-year lease we entered into in connection with this property is renewable upon expiration and contemplates annual increments to the monthly rental during the term of the lease. In addition, we maintain leases or subleases for the properties at which the Mocha Clubs are located, with a total floor area of approximately 36,470 square feet. Pursuant to a number of leases of terms for at least 30 months each, which are renewable upon our advance notice prior to expiration subject to increments to the monthly rentals, we also maintain project coordination offices in Hong Kong with a total gross floor area of approximately 17,500 square feet. We have secured tenancies which terms will last until March 2009 for our new principal executive offices starting late April 2007. We also intend to open a sales office at the Macau ferry terminal on Hong Kong island in preparation of commencing our operation of the Crown Macau.

Gaming Regulations

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

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

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

If we violate the Macau gaming laws, MPBL 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 MPBL 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

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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 MPBL 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 shares of a 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 its shares.

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

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

The subconcession premiums and taxes, computed in various ways depending upon the type of gaming or activity involved, are payable to the Macau government. The method for computing these fees and taxes may be changed from time to time by the Macau government. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly or annually and are based upon either:

- a percentage of the gross revenues received; or
- the number and type of gaming devices operated.

In addition to special gaming taxes, we are also required to contribute to the Macau government an amount equivalent to 1.6% of the gross revenue of our gaming business. Such contribution must be delivered to a public foundation designated by the Macau government whose goal is to promote, develop or study culture, society, economy, education and science and engage in academic and charity activities. Furthermore, we are also obligated to contribute to Macau an amount equivalent to 2.4% of the gross revenue of the gaming business for urban development, tourism promotion and the social security to Macau. We are required to collect and pay,

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through withholding, statutory taxes on junket commissions or other remunerations paid to gaming intermediaries. 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 MPBL Gaming's subconcession and could materially adversely affect our gaming operations.

Anti Money Laundering Regulations in Macau

In conjunction with current gaming laws and regulations, we will be required to comply with the newly adopted laws and regulations relating to anti-money laundering activities in Macau. Law 2/2006 of April 3, 2006 which came into effect on April 4, 2006, the Administrative Regulation (AR) 7/2006 of May 15, 2006, which came into effect on November 12, 2006 and the DICJ Instruction 2/2006 of November 13, 2006 govern our compliance requirements with respect to identifying, reporting and preventing anti-money laundering and terrorism financing crimes at our casinos.

Under these laws and regulations, we are required to:

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

Under Article 2 of AR 7/2006 and the DICJ Instruction 2/2006, effective from November 13, 2006, we are required to track and mandatorily report cash transaction and granting of credit with the minimum amount of MOP 500,000 (US\$62,000). Pursuant to the legal requirements above, if the customer provides all required information, and after submitting the reports, we may continue to deal with those customers that we reported to the DICJ and, in case of suspicious transactions, to the Finance Information Bureau.

We intend to 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 intend to train our staff on identifying and following correct procedures for reporting "suspicious transactions" and to make available for our employees our Guidelines and training modules in our intranet and on-line sites.

Subconcession Contract

A summary of the key terms of MPBL Gaming's subconcession contract 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 after such amendments take effect, on the expiration date of MPBL Gaming's subconcession, unless the subconcession term is extended, the 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. 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

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determined based on the amount of gaming revenue generated by the City of Dreams during the tax year prior to the redemption. It would not reimburse us for any portion of the US\$900 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) by December 2010. We expect to satisfy this requirement through our development of the Crown Macau and the City of Dreams. However, if we were unable to meet the required deadline for completing this minimum investment due, for example, to delays in construction or inability to finance the completion of the City of Dreams project, we may lose the right to continue operating our properties developed under the subconcession or suffer the termination of the subconcession by the Macau government.

Payments. In addition to the initial US\$900 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 MOP30 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 will be 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 kind 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 kind 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 MPBL 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 MPBL 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 the Macau SAR 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 MPBL 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;

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- 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 MPBL Gaming or the grant of a subconcession or entering into any agreement to the same effect; or
- failure by a controlling shareholder in MPBL Gaming to dispose of its interest in MPBL 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 MPBL Gaming.

These events could lead to the termination of MPBL 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. Based on information from the Macau government, proposed amendments to the legislation are being considered. We expect that after such amendments take effect, on the expiry or any termination of MPBL Gaming's subconcession, unless MPBL Gaming's subconcession were extended, the portion of casino premises within our developments to be designated with the approval of the Macau government, including all gaming equipment, would revert to the Macau government automatically without compensation to us. 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.

Ownership and Capitalization. (1) Any person who directly acquires voting rights in MPBL Gaming will be subject to authorization from the Macau government, (2) MPBL 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 MPBL Gaming would be subject to authorization from the Macau government, except when such acquisition is wholly made through the shares of public listed companies, (3) any person who directly or indirectly acquires more than 5% of the shares in MPBL 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 MPBL Gaming, and (5) the Chief Executive of Macau could require the increase of MPBL Gaming's share capital if he deemed it necessary.

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. 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 satisfy such requirement.

Tax

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we and our current subsidiaries incorporated in the Cayman Islands, Melco PBL Holdings Limited, MPBL International, MPBL Investments and MPBL (Greater China), are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

Mocha and MPBL Peninsula are not subject to tax in the British Virgin Islands, where they are incorporated, but are subject to a Macau complementary tax rate of 12% on activities conducted in Macau before the transfer of all of the Mocha Clubs assets and business to MPBL Gaming.

Our subsidiaries, MPBL Gaming, Great Wonders and Melco Hotels, are all incorporated in Macau and are subject to a Macau complementary tax of 12% on their activities conducted in Macau. Having obtained a subconcession, MPBL Gaming intends to apply for, and we expect that it will have the benefit of, a corporate tax holiday on corporate income tax, or complementary tax (but not gaming tax), in Macau for five years similar to that of other concession and subconcession holders. This would exempt us from paying the Macau complementary tax on income from gaming generated by our development projects and Mocha Clubs, but we will remain subject to Macau complementary tax on profits from our non-gaming businesses.

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Our subsidiary, Melco PBL Services Limited, or MPBL Services, which is incorporated in Hong Kong, is subject to Hong Kong profits tax on any profits of MPBL Services arising in or derived from Hong Kong. MPBL was set up for the purpose of entering into various administrative contracts, including leases for administrative office space in Hong Kong.

Dividend Distribution

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

Distribution of Profits. All of our subsidiaries incorporated in Macau are required to set aside a minimum ranging from 10% to 25% of the entity's profit after taxation to the legal reserve until the balance of the legal reserve reaches a level equivalent to 25% to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the statement of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the financial statements in the year in which it is approved by the board of directors of the subsidiaries. As of December 31, 2004, 2005 and 2006, the balance of the reserve amounted to US\$2,000 in each of those periods.

C. Organizational Structure

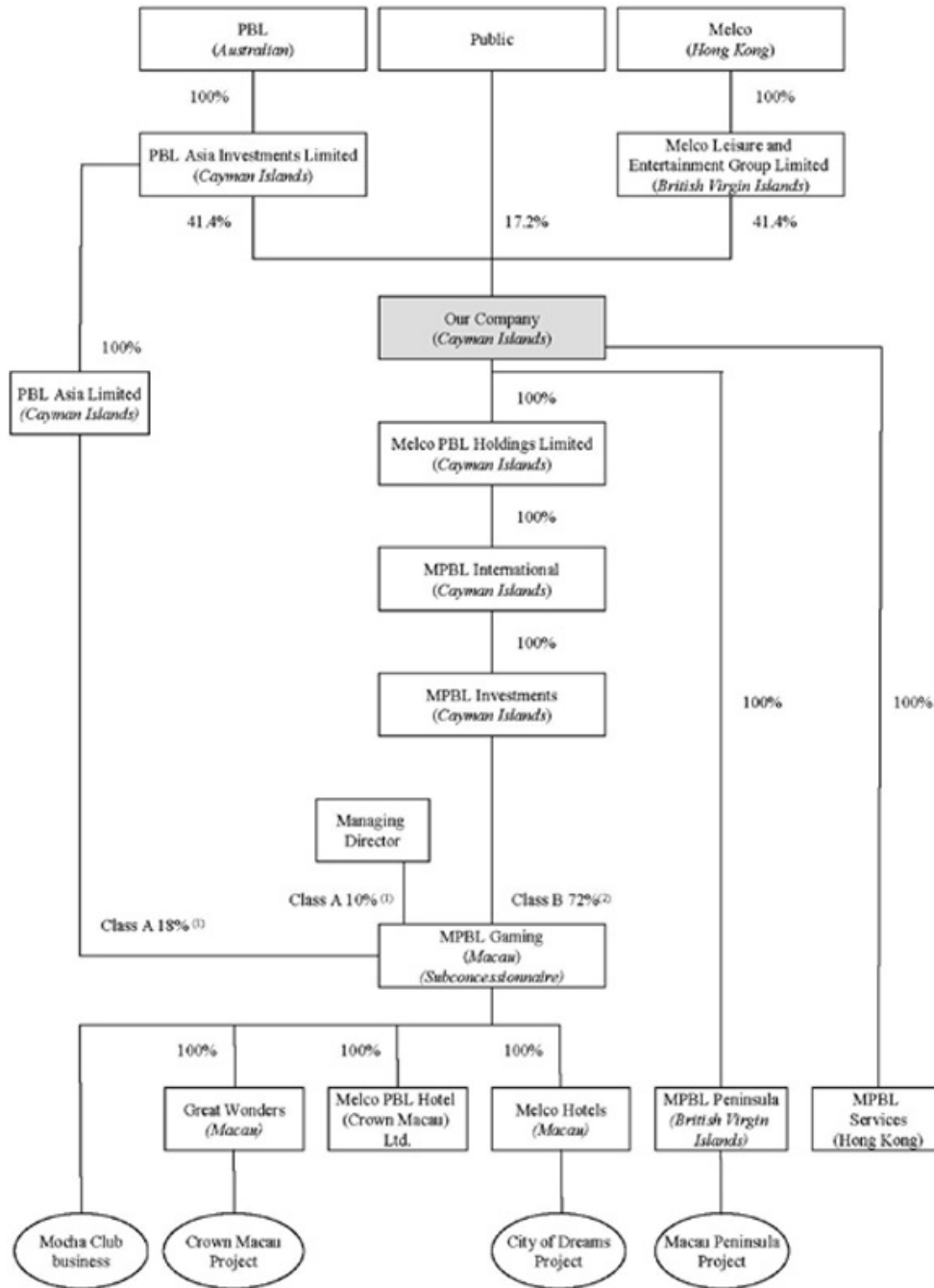
Under the agreement governing their joint venture relationship, Melco and PBL have agreed that their interests throughout their agreed territory, including in Macau through our company, are held in equal proportions by each of them. Our subsidiary MPBL Gaming, a Macau company, is the holder of a Macau gaming subconcession and is also the direct operator of the Mocha Clubs. Our other principal operating subsidiaries are (1) Great Wonders, a Macau company, (2) Melco Hotels, a Macau company, and (3) MPBL Peninsula, a British Virgin Islands company, through which we currently hold our Crown Macau project, City of Dreams project and Macau Peninsula project, respectively. Great Wonders and Melco Hotels are wholly owned by MPBL Gaming (other than nominal shares owned by other group companies as required under Macau law). MPBL Peninsula is our direct wholly-owned subsidiary.

Through three intervening holding company subsidiaries incorporated in the Cayman Islands and wholly-owned by us, (1) Melco PBL Holdings Limited, (2) MPBL International and (3) MPBL Investments, we hold Class B shares of MPBL Gaming representing 72% voting control of MPBL Gaming and the rights to virtually all the economic interests in MPBL Gaming. All of the Class A shares of MPBL Gaming, representing 28% of the outstanding capital stock of MPBL Gaming, are owned by PBL Asia Limited, or PBL Asia, (as to 18%) and, as required by Macau law, the Managing Director of MPBL Gaming (as to 10%). Mr. Lawrence Ho has been appointed to serve as the Managing Director of MPBL Gaming. The Class A shares are entitled as a class to an aggregate of MOP 1 in dividends and MOP 1 in proceeds of any winding up or liquidation of MPBL Gaming. MPBL Investments, PBL Asia Limited, the Managing Director and MPBL Gaming have entered into a shareholders' agreement under which, among other things, PBL Asia Limited agrees to vote its Class A shares in the same manner as the Class B shares on all matters submitted to a vote of shareholders of MPBL Gaming.

We recently incorporated a direct wholly owned subsidiary in Hong Kong, MPBL Services, for the purpose of entering into various administrative contracts, including leases for administrative office space, in Hong Kong.

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The following diagram illustrates our company's organizational structure, and the place of formation, ownership interest and affiliation of each of our subsidiaries as of March 15, 2007.



(1) All of the Class A shares of MPBL Gaming, representing 28% of the outstanding capital stock of MPBL Gaming, are owned by PBL Asia Limited (as to 18%) and the Managing Director of MPBL Gaming (as to 10%). Under Macau law, a company limited

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by shares must have at least three shareholders. In addition, the Managing Director of MPBL Gaming must be a Macau permanent resident and hold at least 10% of the outstanding shares of MPBL Gaming. Mr. Lawrence Ho has been appointed to serve as the Managing Director of MPBL Gaming. PBL Asia Limited is contractually required to vote its Class A shares in the same manner as the Class B shares in all matters submitted to a vote of shareholders of MPBL Gaming.

- (2) All of the outstanding Class B shares of MPBL Gaming, representing 72% of the outstanding capital stock of MPBL Gaming and the rights to virtually all of the economic interests in MPBL Gaming, are owned by MPBL Investments, our wholly owned subsidiary.

D. Property, Plant and Equipment

See “—B. Business Overview—Our Properties” and “—Properties.”

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information—D. Risk Factors” or in other parts of this annual report on Form 20-F.

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

A. Operating Results

Existing Operations

The Mocha Clubs have grown rapidly since the inception of Mocha in March 2003 and MPBL Gaming currently operates six Mocha Clubs in Macau with an aggregate of approximately 1,000 gaming machines in operation. The Mocha Clubs accounted for approximately 28.2% of the gross gaming machine revenue in Macau for the year ended December 31, 2006 (including the gaming machines at the Kampek Mocha Club which we closed in September 2006 and relocated in December 2006). In 2005 and 2006, we generated total revenue of US\$17.3 million and US\$36.1 million, respectively, substantially all of which was from the Mocha Clubs operations. The Mocha Clubs achieved an average daily net win per gaming machine of HK\$1,787 (approximately US\$229.1) for 2005 and HK\$1,632.0 (approximately US\$209.8) for 2006, without taking into account deductions such as gaming taxes and shares of revenues retained by SJM under Mocha Slot’s previous services agreements with SJM, pursuant to which until September 20, 2006 Mocha Slot previously received only service fees of 31% of gaming machine win.

Mocha became our subsidiary in March 2005, when Melco transferred to us its 80% interest in Mocha as part of the formation of its joint venture with PBL. In connection with forming the joint venture between Melco and PBL in March 2005 and in exchange for its ownership interest in us, Melco contributed to Melco PBL Entertainment (Greater China) Limited, or MPBL (Greater China) (in which Melco held the remaining 20% interest) an 80% interest in Mocha, which was then the holding company for the Mocha Clubs, a 50.8% interest in the City of Dreams project, and a 70% interest in Great Wonders. The 80% interest of Mocha was valued at HK\$359.7 million (US\$46.1 million), based on average market price of Melco shares as of two days before and after the announcement date of acquisition by Melco. In May 2006, we purchased the remaining 20% of Mocha from Dr. Stanley Ho for HK\$250 million (US\$32.1 million) and repaid in full a HK\$45.7 million (US\$5.9 million) shareholder loan from Dr. Stanley Ho. In October 2006, we reorganized our corporate structure after MPBL Gaming obtained the subconcession, the Macau government approved its transfer to us and the business operations and assets of Mocha were transferred to MPBL Gaming.

Development Projects

- *The Crown Macau.* We began construction of the Crown Macau in December 2004. We recently announced that the Crown Macau is targeted to complete construction and open on a trial basis on April 28, 2007 and scheduled to formally open to the public on May 9, 2007 and a grand opening event will be held on May 12, 2007. The Crown Macau is being developed to cater primarily to high-end patrons. We have currently budgeted that the total cost of developing and constructing the Crown Macau to the point of opening will be approximately US\$583.6 million, which includes the value of land for the project site contributed to us in kind, land premium costs and anticipated construction costs, FF&E, pre-opening expenses, capitalized fees and finance costs, cage cash and initial working capital requirements. We expect that of this amount, approximately HK\$1,280 million (US\$164.5 million) will be financed by the Great Wonders Project Facility that we have entered into and US\$419.1 million by our equity contributions to Great Wonders, including cash and Melco's contribution of its interest in the Crown Macau project upon our formation in March 2005.
- *The City of Dreams.* We began site preparation of the City of Dreams in the first quarter of 2006 and we currently target to open the initial phase of the complex in late 2008, with the second phase to follow in the second half of 2009. We are developing the City of Dreams as a "must-see" integrated casino and entertainment resort primarily for mass market patrons visiting the Cotai Strip. We currently target the casino to be substantially completed during the initial phase, along with two hotels, and significant portions of the retail area and food and beverage outlets. We currently target to complete the performance hall in the second half of 2008 and have it ready to host performances in the second half of 2009. We originally contemplated developing two additional hotels to be operated under the Grant Hyatt and Hyatt Regency brands in the second phase with approximately 1,000 rooms and suites. However, subject to further discussion with Hyatt, we are now contemplating developing the two hotels into a twin-tower hotel with no reduction in the number of rooms. The entertainment venues and conference rooms and ballrooms are targeted to be completed throughout phases one and two. We also plan to develop one block of luxury serviced apartment units, for both long and short-term occupancy, in the second phase of the complex and, depending on the market conditions, may develop a second block thereafter. These developments of the serviced apartment units may be subject to Macau government approval and approval of our lenders under our debt facilities. The cost of a second block of apartments has not been included in the current total project development budget for the City of Dreams project.

The current total project development budget for constructing, developing and opening both phases of the City of Dreams project is approximately US\$2.1 billion, inclusive of land, construction, FF&E, pre-opening expenses, capitalized fees and finance costs and initial working capital requirements (including cage cash). As the City of Dreams project progresses, we continue to improve and vary its overall scope within the original timetable to completion, and by reference to the existing total project budget. This is against a background of rising costs of construction, services and materials in Macau. We anticipate an increase in the total project development budget for the City of Dreams, and we will continue to explore ways to mitigate the effect of anticipated budget increases through various cost saving measures. Of this current project development budget, approximately US\$1.6 billion is expected to be financed by the City of Dreams Project Facility, for which we and certain banks as arrangers have signed a commitment letter (subject to certain conditions), and the balance from equity contributions to Melco Hotels.

- *Macau Peninsula Site.* We have entered into a conditional agreement to acquire a third development site, which is located on the shoreline of the Macau peninsula near the Macau Ferry Terminal. Our purchase of the Macau Peninsula site remains subject to important conditions, some of which are not in our control, including approval of the Macau government of an extension of the deadline for completion of development on the site and conditions in the control of other parties. The Macau Peninsula site is approximately 6,480 square meters (approximately 1.6 acres) and the acquisition price is HK\$1.5 billion (US\$192.8 million), of which we have paid a deposit of HK\$100 million (US\$12.9 million). We expect to pay a land premium of approximately HK\$150 million (US\$19.3 million) to the Macau government for this site. We currently contemplate that we would develop the Macau Peninsula site into a mixed-use apartment hotel and casino facility targeted primarily at day-trip gaming patrons, and target its opening in the middle of 2009 if we are able to acquire the site. Based on preliminary estimates and conceptual designs, the total project costs for the Macau Peninsula project is currently budgeted at a range of approximately US\$650 million to US\$700 million, which includes anticipated land and construction costs, land premium costs, FF&E, pre-opening expenses, capitalized fees and finance costs, cage cash and initial working capital requirements.

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Factors Affecting Our Operating Results

Obtaining a gaming subconcession

Prior to September 2006, MPBL Gaming did not hold a concession or subconcession to operate gaming activities in Macau. Therefore, revenue from the Mocha Club operations predominantly comprised fees for services provided to gaming machine lounges, which represented service fees that were based on a percentage of the Mocha Clubs' gaming machine win. Under the previous services agreements with SJM, Mocha provided all of the gaming machines at the Mocha Clubs and auxiliary services to SJM and received service fees of 31% of gaming machine win before corporate income tax.

In March 2006, Mocha entered into termination agreements with SJM when PBL entered into its agreement with Wynn Macau to obtain the subconcession. Pursuant to the termination agreements, Mocha Slot's services agreements with SJM were terminated on September 21, 2006, after the subconcession was issued to MPBL Gaming. We now reflect as our revenue all of the gaming machine win at the Mocha Clubs but are subject to Macau taxes and other government dues on gaming revenue currently totalling 39%. We previously incurred, and will continue to incur, all of the material labor and marketing costs at the Mocha Clubs and do not expect that obtaining a subconcession will materially affect those costs. We injected all the business assets of Mocha into MPBL Gaming in October 2006. After entering into the termination agreement with SJM in March 2006, we incurred a one-time impairment loss of US\$7.6 million as a result of the termination of the services agreements. As a subconcessionaire, MPBL Gaming is entitled to apply for temporary special exemptions from complementary tax on gaming income generated by our projects and we intend to file an application for such exemptions.

After we obtained a controlling interest in MPBL Gaming, the Mocha Club operating assets and business were transferred from Mocha and its subsidiaries to MPBL Gaming to be operated directly by MPBL Gaming as a subconcessionaire. We anticipate that Great Wonders and Melco Hotels will enter into services or leasing arrangements with MPBL Gaming under which MPBL Gaming will operate the casinos and any other gaming activities at the Crown Macau, City of Dreams and, if built, the Macau Peninsula project under the subconcession.

Starting from the fourth quarter of 2006, we have incurred the following related charges as a result of having obtained the subconcession:

- *Amortization expense of the subconcession.* We are required to amortize the US\$900 million paid as consideration for the subconcession on a straight-line basis over the life of the subconcession contract, which is until June 2022, and will charge the amortization expense to our statements of operations beginning from the date we obtained the subconcession.
- *Interest expense.* We have incurred additional interest expense in connection with the US\$500 million debt required to fund the payment for the subconcession, which debt had been fully repaid as of December 31, 2006.

Gaming and Leisure Market in Macau

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

Visitation to Macau

Visitation to Macau between 2001 and 2006 increased at a CAGR of 16.4% to approximately 22.0 million visitors and at a growth rate of 17.6% from 18.7 million visitors for 2005 to 22.0 million 2006 according to the Macau Statistics and

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Census Services. We believe that visitation and gaming revenue growth for the Macau market have been, and will continue to be, driven by a combination of factors, including Macau's proximity to major Asian population centers; liberalization of restrictions on travel to Macau from China and liberalization of currency restrictions to permit Chinese citizens to take larger sums of foreign currency out of China when they travel; increasing regional wealth, leading to a large and growing middle class in Asia with more disposable income; infrastructure improvements that are expected to facilitate more convenient travel to and within Macau; and an increasing supply of better quality casino, hotel and entertainment offerings in Macau.

Competition

The Macau gaming market is rapidly evolving and competitive. We expect competition in the market to persist and intensify. At present, there are a total of six licensed gaming operators, including our subsidiary MPBL Gaming, under concessions and subconcessions in Macau. The existing concessions and subconcessions do not place any limit on the number of gaming facilities that may be operated under each concession or subconcession. Each of the three concessionaires, SJM, Galaxy and Wynn Macau, as well as a subconcessionaire, Venetian Macao, have already commenced operating facilities and have announced expansion plans to develop additional casinos in Macau. For example, SJM and Galaxy currently operate 18 and five casinos, respectively, throughout Macau. In October 2006, Galaxy opened the Galaxy StarWorld hotel and casino resort on the Macau peninsula next to Wynn Resorts (Macau). In September 2006, Wynn Macau opened the Wynn Resorts (Macau) hotel casino, a resort complex on the Macau peninsula comprising of hotel, entertainment and gaming facilities. In May 2004, the Venetian Macao opened the Sands Macao on the Macau peninsula, ushering in a new era of Las Vegas-style casinos in Macau.

Including the Crown Macau and the City of Dreams, most of the gaming facilities scheduled to open in the next several years will be concentrated in Taipa or the Cotai Strip. In particular, the Cotai Strip is expected to feature a cluster of new casino resorts that are being designed on a larger scale and in the style of casino resorts located on the Las Vegas Strip. We expect that the new casino and other entertainment offerings will increase visitation to Macau and expand the Macau gaming market to reach an increasing number of mass market and non-gaming patrons. We will seek to benefit from this increased visitation to Macau generally as visitors to Macau and other gaming locations often visit multiple casino resorts on the same trip, in particular if they are in close proximity to each other.

Number of gaming machines

Our results of operations reflect almost exclusively the results of the Mocha Clubs. Our other projects are in early development stages and have yet to generate any revenues. The operating results of the Mocha Club business are affected principally by the number of gaming machines operated by Mocha and volumes of customer traffic at the Mocha Club locations. Traffic volumes are affected by factors such as the popularity of the Mocha Clubs and pedestrian traffic flows at the Mocha Club locations. The average number of gaming machines in the Mocha Clubs has increased from an average of 350 in 2004 to an average of 634 in 2005 and an average of 937 in 2006. We currently have approximately 1,000 gaming machines in the Mocha Clubs.

The following table sets forth information on the Mocha Clubs for the twelve months ended and as of December 31, 2006:

<u>Mocha Club</u>	<u>Opening Date</u>	<u>Location</u>	<u>Gaming Area</u> <i>(in square feet)</i>	<u>Gaming machines</u> <i>(Year ended December 31, 2006)</i>	<u>Average daily net win per machine⁽¹⁾</u>
Royal	September 2003	Lobby of Hotel Royal	2,100	83	239.0
Kingsway	April 2004	G/F, Kingsway Commercial Centre	6,100	214	293.4
Kampek ⁽²⁾	June 2004	3/F, San Kin Yip, Commercial Centre	—	—	179.7
TP Square	March 2005	G/F and 1/F, Hotel Taipa Square	4,560	142	206.8

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Mocha Club	Opening Date	Location	Gaming Area (in square feet)	Gaming machines (Year ended December 31, 2006)	Average daily net win per machine(1)
Sintra	November 2005	G/F and 1/F, Hotel Sintra	5,110	137	217.1
Hotel Taipa	January 2006	G/F of Hotel Taipa	6,100	132	111.9
Marina Plaza	December 2006	1/F & 2/F Marina Plaza	12,500	261	136.9
Total ⁽³⁾			36,470	969	209.8

- (1) Average daily net win per machine for any period/year represents the total gaming machine win during such period/year divided by the weighted average number of gaming machines in service during such period/year. Gaming machine win is the excess of the amount of money deposited by players into the gaming machine over the amount of money paid out of the gaming machine to players. Prior to MPBL Gaming obtaining its subconcession in September 2006, Mocha Slot provided management services to the Mocha Clubs under service agreements with SJM. Mocha Slot received 31% of gaming machine win as its revenue from gaming at the Mocha Clubs, while SJM retained 31% of gaming machine win, and Macau taxes and other government dues accounted for the remaining 38%. After the subconcession was granted and these service agreements were terminated with effect from September 21, 2006, we now reflect all the gaming machine win as our revenue from gaming at the Mocha Clubs, but we are subject to Macau taxes and other government dues currently totaling 39% of gaming machine win.
- (2) Since MPBL Gaming obtained its subconcession, we are not allowed to operate any Mocha Clubs in buildings in which other concessionaires or subconcessionaires have gaming operations. This has required relocating the Kampek Mocha Club, which was located in facilities in which SJM conducts gaming operations under its concession, and which we closed on September 21, 2006. The weighted average number of gaming machines used for the purposes of calculating average daily net win per machine at the Kampek Mocha Club were calculated for the period from January 1, 2006 to September 20, 2006 before its closure. We have moved the former Kampek Mocha Club to Marina Plaza, where approximately 260 gaming machines are available. For the year ended December 31, 2006, we have incurred approximately HK\$8.7 million (US\$1.1 million) in provision of services to gaming machine lounges attributable to the relocation of the facility.
- (3) The total weighted average number of gaming machines and average daily net win per machine for the year ended December 31, 2006 for all of the Mocha Clubs as a whole were calculated with the inclusion of the Kampek Mocha Club's operating data for the period from January 1, 2006 to September 20, 2006.

Successful completion and operation of our casino resort projects and Mocha Clubs

The Crown Macau and City of Dreams casino resort projects have not yet commenced commercial operation and did not generate any revenue in 2005 and 2006. The Crown Macau is targeted to begin revenue-generating operations following completion of this project and formal opening on May 9, 2007. The City of Dreams is targeted to begin revenue-generating operations following completion of the first phase of the project in late 2008. We also have not completed the acquisition of the Macau Peninsula site. However, we anticipate that the majority of our revenues in the future will be generated from casino and hotel operations at these three sites once they are completed, while we expect revenue from the Mocha Clubs to decrease substantially as a percentage of our overall revenue thereafter.

We expect our operating revenues from the casino resorts to be affected primarily by the growth of the Macau gaming and leisure market, the popularity of the casinos, hotels and other entertainment facilities, and the number and net win of the gaming tables and gaming machines. Prior to September 2006, because MPBL Gaming did not have a concession or subconcession to operate casino gaming and had to rely on service agreements with SJM, our past operating revenues from gaming consisted only of the service fees paid to Mocha Slot representing 31% of gaming machine win generated from the Mocha Clubs. After MPBL Gaming obtained its subconcession, our revenues reflect all the gaming revenues generated from the Mocha Clubs and other gaming operations but we will be subject to taxes and other government dues on gaming revenue currently totalling 39% of gaming machine win. We expect expenses from gaming operations to consist mainly of labor, commissions and complimentary allowances paid to high-end patrons and junket operators, property expenses, depreciation of fixed assets and amortization of gaming subconcession, interest expense, marketing and promotion expenses and costs of operating supplies. In future periods, we expect labor, commissions and complimentary allowances to high-end patrons and junket operators and depreciation of construction costs, including capitalized fees and finance costs for construction and amortization of gaming subconcession, to be major costs.

We expect that the hotel operating revenues at our development projects will be affected primarily by the number of rooms to be operated, room rates and occupancy rates, as well as the popularity of our food and beverage outlets at our hotels. We expect hotel operating expenses to consist mainly of labor, depreciation, marketing and promotion expenses and costs of operating supplies.

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Overview of Financial Results

Revenues

Our revenues historically consisted of fees for services provided to gaming machine lounges and food, beverage and others. Under Mocha Slot's previous services agreements with SJM for operation of the Mocha Clubs, Mocha Slot received service fees comprising 31% of gaming machine win. Taxes and other government dues on gaming revenues totaled 38% of gaming machine win, and SJM retained the remaining 31% of gaming machine win. In calculating revenues, we deducted from Mocha Slot's 31% share of gaming machine win revenue discounts, costs of points from the Mocha loyalty program and accruals for anticipated payouts of progressive slot jackpots. After the subconcession was granted and these service agreements with SJM were terminated with effect from September 21, 2006, we now reflect as gaming revenue all the gaming machine win at the Mocha Clubs, which we record under the item slot lounge gaming revenue, but we are subject to Macau taxes and other government dues currently totaling 39% of gaming machine win.

Operating Costs and Expenses

Our operating costs and expenses have historically consisted primarily of expenses for provision of services to gaming machine lounges, amortization of land use rights and general and administrative expenses. They also consisted of food, beverage and others, selling and marketing expenses and pre-opening costs. After MPBL Gaming obtained a subconcession, we now reflect costs and expenses associated with our Mocha Clubs under the line item slot lounge operating expenses, and no longer record those costs and expenses under the line item provision of services to gaming machine lounges. In addition, we also now record operating costs and expenses in connection with the amortization of the gaming subconcession.

Provision of services to gaming machine lounge / Slot lounge operating expenses. Under Mocha Slot's previous services agreements with SJM, Mocha Slot was responsible for providing all of the gaming machines at the Mocha Clubs and auxiliary services to operate the clubs. This operating cost and expense consists primarily of amortization of intangible assets, salaries and benefits paid to the Mocha Clubs staff, depreciation, including depreciation of gaming machines and other equipment, security costs, rent for the Mocha Club locations and operating supplies. We recognized an impairment loss of approximately US\$1.1 million for 2006 in respect of certain plant and equipment because of the relocation of the Kampek Mocha Club to Marina Plaza. Before MPBL Gaming obtained its subconcession, amortization of intangible assets consisted primarily of the amortization of Mocha Slot's services agreements with SJM for the Mocha Clubs. We previously amortized these services agreements with SJM over their estimated useful terms of 10 years and incurred an amortization expense. After we entered into a termination agreement in March 2006 to terminate the services agreements subject to obtaining a subconcession, we incurred an impairment loss and amortized the remaining carrying value of the services agreements until the estimated termination date. See "—Impairment loss recognized on slot lounges services agreements."

Food, beverage and others. This cost relates primarily to our purchase of food and beverages that we sell and provide on a complimentary basis at the Mocha Clubs. In September 2006, we closed the Kampek Mocha Club and moved our facility to the new location in Marina Plaza in December 2006. As a result of the relocation, our food and beverage costs reduced slightly.

Amortization of gaming subconcession. The cost of the subconcession is amortized on a straight-line basis over the term of the Gaming Subconcession agreement which expires in June 2022. We began to amortize the asset in October 2006 after MPBL Gaming obtained the subconcession. As of December 31, 2006, we are amortizing the total cost of US\$14.3 million.

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Amortization of land use rights. Expenses for amortization of land use rights are incurred in connection with the consideration we paid for our interest in Great Wonders in three stages from November 2004 to July 2005 and the consideration payable by us to the Macau government for the lease of land for the Crown Macau. The expected expiration date of the government lease for the Crown Macau is March 2031, and we are amortizing the total cost of the land use right of US\$5.4 million as of December 31, 2006 on a straight-line basis from the commencement date of the construction of the Crown Macau in December 2004 to March 2031. After commencing site preparation works for the City of Dreams project in April 2006, we began to amortize the consideration payable by us to the Macau government for the anticipated lease of the City of Dreams site. We are amortizing the total cost of the anticipated land use right of US\$7.0 million as of December 31, 2006 on a straight-line basis from the commencement date of construction until an estimated expiration date of the government lease in March 2032.

Impairment loss recognized on slot lounge services agreements. Impairment loss recognized on slot lounge services agreements represents a one-time charge that we recognized in 2006. Prior to obtaining the subconcession, we amortized the Mocha Clubs services agreements with SJM over their estimated useful terms of 10 years. The amortization expense for these intangible assets was included in our operating costs and expenses. In March 2006, Mocha Slot agreed with SJM to terminate the services agreements after obtaining the subconcession. As a result of the termination of the services agreements, we incurred an impairment loss of US\$7.6 million, which was calculated with reference to a valuation performed by an independent third party and the estimated date for obtaining the subconcession.

General and administrative expenses. General and administrative expenses consist primarily of salaries and benefits paid to our administrative and finance personnel, cleaning and overhead costs, general costs associated with our corporate offices, professional services fees, public relations expenses in relation to our initial public offering and legal fees incurred for our corporate restructuring. We expect our total general and administrative expenses to increase as we hire additional administrative and finance personnel for our corporate offices and as we incur costs associated with our operation as a reporting company.

Selling and marketing expenses. Selling and marketing expenses consist primarily of salaries, benefits and sales commissions for sales personnel, advertising, promotional and other sales and marketing expenses. We have increased and anticipate that we will continue to increase significantly our sales and marketing expenses as we roll out additional Mocha Clubs and seek to grow the Mocha brand, as the mass market segment of Macau grows, and as competitors move aggressively into the gaming machine market in Macau. Our total sales and marketing expenses are also expected to increase significantly as we approach the respective completion dates of the Crown Macau, City of Dreams and Macau Peninsula projects and promote these new facilities to our target patrons.

Pre-opening costs. Pre-opening costs relate primarily to training costs and other administrative costs in connection with targeted opening of the Crown Macau on May 9, 2007 and the first phase of the City of Dreams project targeted to open in late 2008 and to a lesser extent, the openings of the new Mocha Clubs. We anticipate that our pre-opening costs will increase as we open new Mocha Clubs and will increase significantly as we get closer to the opening dates for our development projects.

Share based compensation. We granted restricted shares to certain personnel in December 2006. The total number of restricted shares that were granted to those persons was approximately 2,540,000 representing approximately US\$16.1 million divided by initial public offering price (as adjusted for the three ordinary shares to one ADS ratio). These restricted shares have a vesting period ranging from six months to five years. We recorded compensation expenses of approximately US\$278,000 as general and administrative expense for the year ended December 31, 2006 with respect to these restricted share grants. All the restricted shares were unvested as of December 31, 2006 and the grant date fair value is determined with reference to the initial public offering price as adjusted due to the fact that these restricted shares are not entitled to dividends during the vesting period.

Interest Income

Interest income consists of interest earned on demand deposits and our highly liquid investments which are unrestricted as to withdrawal and use, and which have maturities of three months or less when purchased.

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Interest Expense

Interest expenses consist of interest expenses with respect to our advances from affiliated person and shareholders and together with interest expenses in connection with the Subconcession Facility before we paid off the facility with the proceeds of our initial public offering in December 2006.

Income Tax Expense

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we and our current subsidiaries incorporated in the Cayman Islands, Melco PBL Holdings Limited, MPBL International, MPBL Investments and MPBL (Greater China), are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

Mocha and MPBL Peninsula are not subject to tax in the British Virgin Islands, where they are incorporated, but are subject to a Macau complementary tax rate of 12% on activities conducted in Macau before the transfer of all of the Mocha Clubs assets and business to MPBL Gaming. Our remaining subsidiaries, MPBL Gaming, Great Wonders and Melco Hotels, are all incorporated in Macau and are subject to a Macau complementary tax of 12% on their activities conducted in Macau. Having obtained a subconcession, MPBL Gaming intends to apply for, and we expect that it will receive, the benefit of a corporate tax holiday on corporate income tax, or complementary tax (but not gaming tax), in Macau for five years similar to that of other concession and subconcession holders. This would exempt us from paying the Macau complementary tax on income from gaming generated by our development projects and Mocha Clubs, but we will remain subject to Macau complementary tax on profits from our non-gaming businesses.

Our subsidiary MPBL Services which is incorporated in Hong Kong, is subject to Hong Kong profits tax on any profits of MPBL Services arising in or derived from Hong Kong. MPBL Services was set up for the purpose of entering into various administrative contracts, including leases for administrative office space in Hong Kong.

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, allowances for doubtful accounts, accruals for customer loyalty rewards, business combination and revenue recognition. 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.

Valuation of long-lived assets, including goodwill and purchased intangible assets

We review the carrying value of our long-lived assets, including goodwill and purchased intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We assess the recoverability of the carrying value of long-lived assets, other than goodwill and purchased intangible assets with indefinite useful lives, by first grouping our long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows largely independent of the cash flows of other assets and liabilities (the asset group) 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 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. We determine fair value through quoted market prices in active markets or, if quoted market prices are unavailable, through the performance of internal analysis of discounted cash flows or external appraisals. The undiscounted and discounted cash flow analyses are based on a number of estimates and assumptions, including the expected period over which the asset will be utilized, projected future operating results of the asset group, appropriate discount rates and long-term growth rates.

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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.

Our assessments of impairment of long-lived assets, including goodwill and purchased intangible assets, and our periodic review of the remaining useful lives of our long-lived assets are an integral part of our ongoing strategic review of our business and operations. Therefore, future changes in our strategy and other changes in our operations could impact the projected future operating results that are inherent in our estimates of fair value, resulting in impairments in the future. Additionally, other changes in the estimates and assumptions, including the discount rate and expected long-term growth rate, which drive the valuation techniques employed to estimate the fair value of long-lived assets and goodwill, could change and, therefore, impact the assessments of asset impairments in the future.

Impairment of long-lived assets (other than goodwill)

We evaluate the recoverability of long-lived assets with finite lives whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to 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 by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of December 31, 2005, based on the results of our assessment, no impairment of long-lived assets, including goodwill and purchased intangible assets was noted. We recognized an impairment loss amounting to US\$7.6 million on the Mocha Club services agreement for 2006 in connection with the termination agreement that we entered into in March 2006 to terminate the services agreements with SJM upon obtaining the subconcession. In addition, we recognized an impairment loss of approximately US\$1.1 million in connection with the relocation of the Kampek Mocha Club to Marina Plaza in 2006, which is determined as the net book values of the plant and equipment involved.

Business combinations

We have made a number of acquisitions and may make strategically important acquisitions in the future. When recording an acquisition, we allocate the purchase price of the acquired company to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. We have obtained valuation reports from independent appraisers to assist in determining the fair values of identifiable intangible assets, including acquired gaming machine lounge services agreements and trademarks. These valuations require us to make significant estimates and assumptions which include future expected cash flows from gaming machine lounges services agreements and trademarks, discount rates, and assumptions regarding the period of time the acquired gaming machine lounges, services agreements and trademarks will continue. Such assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions and estimates.

Share-based compensation

Prior to January 2006, we did not issue any share options to our employees, directors and consultants. In November 2006, we adopted the 2006 Share Incentive Plan and granted restricted shares in December 2006. Accordingly we record share-based compensation based on the SFAS 123(R) grant date fair value requirements.

With respect to the non-vested restricted shares granted in December 2006, we retained an independent appraiser to produce a valuation report on the fair value of our company. Significant management judgment is involved in determining the underlying

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variables. All the restricted shares were unvested as of December 31, 2006 and the grant date fair value is determined with reference to the initial public offering price as adjusted due to the fact that these restricted shares are not entitled to dividends during the vesting period.

We will estimate the fair value of share options granted using the Black-Scholes option pricing formula and a single option award approach. The fair value would then be amortized on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods. This option-pricing model requires the input of highly subjective assumptions, including the option's expected life, estimated forfeitures and the price volatility of the underlying stock. Changes in the subjective input assumptions may materially affect the fair value estimate. In management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the share options.

Formation

Under the original agreement between Melco and PBL, it was contemplated that our company would be held 50%/50% by Melco and PBL and would act as a holding company for interests throughout their agreed territory in Asia. MPBL (Greater China), now a dormant company, was to hold and operate our interests in Greater China on the basis that Melco's effective interest would be 60% and PBL's effective interest would be 40%. For that reason, MPBL (Greater China) is held 80% by us (initially giving Melco and PBL as our indirect 50/50 shareholders, each an indirect 40% interest in MPBL Greater China) and 20% directly by Melco and, until October 2006, all of the Mocha operations, the Crown Macau and the City of Dreams projects were held through MPBL (Greater China). In March 2005, Mocha became one of our subsidiaries when Melco contributed the 80% interest it then owned in Mocha to MPBL (Greater China). Dr. Stanley Ho resigned as a director and the chairman of Melco in March 2006, and in May 2006, we acquired the remaining 20% interest in Mocha and repaid in full a shareholders' loan from Dr. Ho to Mocha of HK\$45.7 million (US\$5.9 million). Under amendments to their relationship in connection with the obtaining of the subconcession, and the transfer of control of MPBL Gaming to us, Melco and PBL have agreed that their interests throughout their agreed territory, including in Macau through our Company, are held in equal proportions by each of them (i.e. effectively 50%/50% interest), which resulted in the corporate reorganization in October 2006 as described at "Item 6. Directors, Senior Management and Employees—E. Share Ownership—Melco PBL Joint Venture."

As of December 31, 2004, Melco owned 80% of Mocha, 50% of Great Wonders and 100% of Melco Hotels. On March 8, 2005, Melco, in exchange for its 50% interest in us, contributed its interest in Mocha, Great Wonders and Melco Hotels to our subsidiary MPBL (Greater China). Concurrently, PBL contributed US\$163 million in cash to MPBL (Greater China) in exchange for its 50% interest in us.

From June 9, 2004 for Mocha, July 20, 2004 for Melco Hotels and November 9, 2004 for Great Wonders through March 7, 2005, the financial statements reflect the consolidated financial statements of Mocha, Melco Hotels and Great Wonders because they were under common control for this period. The contributions by Melco of its 80% interest in Mocha, 70% interest in Great Wonders and 50.8% interest in the City of Dreams project to MPBL (Greater China), a company 80% indirectly owned by us and 20% owned by Melco, and cash contributions by PBL of US\$163 million, which were completed on March 8, 2005, were accounted for as the formation of a joint venture for which a carryover basis of accounting has been adopted.

As of December 31, 2005, we held an 80% interest in MPBL (Greater China), which in turn held an 80% interest in Mocha and its subsidiaries and a 100% interest in each of Great Wonders and Melco Hotels (other than nominal shares owned by other group companies as required under Macau law).

The consolidated financial statements of Mocha for the period from January 1, 2004 to June 8, 2004 have been prepared for the purpose of presenting the financial information of Mocha as our predecessor. Mocha is considered to be our predecessor as we succeeded to substantially all of the business of Mocha and our own operations prior to the succession were insignificant in comparison to the Mocha operations assumed or acquired. As of June 8, 2004, Mocha had two wholly owned subsidiaries, Mocha Slot Management Limited and Mocha Cafe Limited.

Group restructuring upon acquisition of gaming subconcession

On March 4, 2006, PBL entered into an agreement with Wynn Macau to obtain a gaming subconcession for the operation of casino games of chance and other casino games in Macau for US\$900 million. PBL Asia Investments Limited, which is owned by PBL, formed MPBL Gaming to hold the subconcession. After MPBL Gaming obtained the subconcession and we obtained Macau governmental approval for our taking control of MPBL Gaming, effective control of MPBL Gaming was transferred to us through a series of steps involving the restructuring of the capital stock and conversion of subordinated debt of MPBL Gaming.

Pursuant to a Memorandum of Agreement dated March 5, 2006 and a Supplemental Agreement dated May 26, 2006, entered into between Melco and PBL, Melco and PBL each agreed to contribute US\$160 million for a total of US\$320 million to our company to subscribe for all the outstanding Class B shares of MPBL Gaming representing 72% voting control of MPBL Gaming and the rights to virtually all the profits of MPBL Gaming and virtually all the proceeds of any winding up or liquidation of MPBL Gaming. The existing shares of MPBL Gaming held by PBL Asia Limited were converted into Class A shares representing 18% of the voting power over the outstanding shares of MPBL Gaming. Class A shares representing 10% of the voting power of the outstanding shares of MPBL Gaming were also issued to the Managing Director of MPBL Gaming, who is a Macau resident as required under Macau law, upon the subconcession being issued. The Class A shares are entitled to an aggregate of MOP1 in dividends and MOP1 in proceeds of any winding up or liquidation of MPBL Gaming. In addition, PBL agreed to subscribe or cause its subsidiary to subscribe US\$80 million of equity of MPBL Gaming. Together with the proceeds of US\$500 million drawn down from the Subconcession Facility, the above subscription funds to MPBL Gaming's outstanding capital stock were used to make the required US\$900 million payment to Wynn Macau.

Pursuant to the same agreement between Melco and PBL, Melco and PBL also agreed to adjust their existing ownership interests in our company from 60% held by Melco (40% via its interests in our company and 20% via its interest in MPBL (Greater China)) and 40% held by PBL to be 50% owned each by Melco and PBL. Melco also contributed its 20% interest in MPBL (Greater China) to our company. In October 2006, the 20% interest in MPBL (Greater China) held by Melco was re-classified as non-voting shares, which we later acquired through our wholly-owned subsidiary MPBL International. We accounted for this acquisition using the purchase method.

In addition, we acquired all the outstanding Class B shares of MPBL Gaming after the subconcession was granted to MPBL Gaming and the acquisition was approved by the Macau government. We accounted for this acquisition at the fair values of the underlying assets acquired and liabilities assumed including the subconcession, loan drawn down from the Subconcession Facility, working capital loans due to PBL and Melco (subsequently converted into equity), cash and cash equivalents and other net liabilities. The estimated fair value of the subconcession was derived from the purchase consideration paid by MPBL Gaming to obtain the subconcession.

Recent changes in accounting standards

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109," or FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes," or SFAS 109. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides accounting guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We will adopt the provisions of FIN 48 on January 1, 2007. We are currently in the process of assessing the impact of FIN 48 on our results of operations and financial condition.

In September 2006 the FASB issued FASB Statement No. 157, ("SFAS 157"), "Fair Value Measurement." SFAS 157 addresses standardizing the measurement of fair value for companies who are required to use a fair value measure of recognition for recognition or disclosure purposes. The FASB defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are currently evaluating the impact, if any, of SFAS 157 on our financial position, results of operations and cash flows.

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In September 2006, the SEC issued Staff Accounting Bulletin No.108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements” (“SAB 108”). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. In the SAB 108, the SEC Staff believes that registrants should quantify errors using both a balance sheet and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have a material impact on our consolidated financial position, results of operations or cash flows.

Results of Operations

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations. We currently rely solely on the operations of the Mocha Clubs for our operating cash flow. Our Crown Macau, City of Dreams and Macau Peninsula projects have not commenced operations and do not generate any revenue. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Historical result for the period from January 1, 2004 to June 8, 2004 (predecessor)	Historical result for the period from June 9, 2004 to December 31, 2004 (successor)	Historical result for the year ended December 31, 2005 (successor)	Historical result for the year ended December 31, 2006 (successor)
	(in thousands of US\$, except operating data)			
Revenue:				
— Fee for services provided to gaming machine lounges	\$ 1,867	\$ 5,754	\$ 16,569	\$ 16,276
— Slot lounge gaming revenue	—	—	—	19,108
— Food, beverage and others	29	317	759	717
Total revenue	1,896	6,071	17,328	36,101
Operating costs and expenses:				
— Provision of services to gaming machine lounges	(864)	(4,286)	(11,255)	(16,289)
— Slot lounge operating expenses	—	—	—	(11,847)
— Food, beverage and others	(48)	(250)	(596)	(530)
— Amortization of gaming subconcession	—	—	—	(14,309)
— Amortization of land use rights	—	(130)	(3,535)	(12,358)
— Impairment loss recognized on slot lounge services agreements	—	—	—	(7,640)
— General and administrative	(197)	(1,970)	(4,400)	(15,591)
— Selling and marketing	(81)	(166)	(534)	(3,511)
— Pre-opening costs	(96)	(199)	(730)	(11,679)
Total operating costs and expenses	(1,286)	(7,001)	(21,050)	(93,754)
Operating income (loss)	610	(930)	(3,722)	(57,653)
Non-operating (expenses) income	(90)	(131)	64	(22,726)
Income (loss) before income tax	520	(1,061)	(3,658)	(80,379)
Income tax (expense) credit	(26)	(37)	91	1,885
Income (loss) before minority interests	494	(1,098)	(3,567)	(78,494)
Minority interests	—	91	308	5,015
Net income (loss)	\$ 494	\$ (1,007)	\$ (3,259)	\$ (73,479)
Selected operating data:				
— Weighted average number of gaming machines ⁽¹⁾	125	513	634	937
— Average daily net win per machine ⁽²⁾	284.5	171.5	229.1	209.8
Other data:				
Operating EBITDA⁽³⁾	\$ 771	\$ 1,119	\$ 7,430	\$ 13,178

(1) Weighted average number of gaming machines for any period/year represents the sum of the number of gaming machines in service at the Mocha Clubs on each day during such period/year divided by the number of days in such period/year.

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- (2) Average daily net win per machine for any period/year represents the total gaming machine win during such period/year divided by the weighted average number of gaming machines in service during such period/year. Gaming machine win is the excess of the amount of money deposited by players into the gaming machine over the amount of money paid out of the gaming machine to players. Prior to MPBL Gaming obtaining its subconcession in September 2006, Mocha Slot provided management services to the Mocha Clubs under service agreements with SJM. Mocha Slot received 31% of gaming machine win as its revenue from gaming at the Mocha Clubs, while SJM retained 31% of gaming machine win, and Macau taxes and other government dues accounted for the remaining 38%. After the subconcession was granted and these service agreements were terminated with effect from September 21, 2006, we now reflect all the gaming machine win as our revenue from gaming at the Mocha Clubs, but we are subject to Macau taxes and other government dues currently totaling 39% of gaming machine win.
- (3) Operating EBITDA is presented for the results of the Mocha Clubs only as our sole operating business and is reconciled to consolidated net income as described at note 18 of our audited consolidated financial statements for the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 (successor) and the years ended December 31, 2005 and 2006.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

The following items had the most significant impact on our operations for 2006 as compared against 2005:

- The weighted average number of machines in operation was 634 and 937 during 2005 and 2006, respectively, and we had 5 and 6 Mocha Clubs at the end of 2005 and 2006, respectively.
- Average daily net win per machine was US\$229.1 and US\$209.8 during 2005 and 2006, respectively.
- The increase in the number of machines and lounges resulted in an increase in our revenues and costs and expenses.
- In 2006, we amortized land use rights in connection with both the Crown Macau and City of Dreams sites, whereas in 2005, we only amortized land use rights in connection with the Crown Macau site.
- We incurred a one-time impairment loss of US\$7.6 million 2006 in connection with the termination agreement that we entered into in March 2006 to terminate the services agreements with SJM upon the obtaining of the subconcession.
- We incurred an impairment loss of US\$1.1 million on certain plant and equipment in connection with the relocation of our Kampek Mocha Club to Marina Plaza in 2006.
- There was a substantial increase in general and administrative expenses attributable to the establishment of our corporate administration offices and professional service fees in connection with our group restructuring during the year and initial public offering in December 2006.
- We incurred interest expenses and financing costs in connection with the US\$500 million Subconcession Facility prior to its full repayment with the proceeds from our initial public offering.
- MPBL Gaming's obtaining the subconcession and the subsequent transfer of MPBL Gaming to us will entail a significant impact on our revenue recognition, income tax payable and amortization expenses attributable to the subconcession going forward.
- We incurred pre-opening, selling and marketing expenses associated with the development of the Crown Macau and the City of Dreams projects.

Revenues

Our revenue increased by 108.3% from US\$17.3 million in 2005 to US\$36.1 million in 2006 due partly to obtaining the subconcession, which resulted in a change in reporting of Mocha Clubs revenues from a service fee basis prior to the subconcession to a gross gaming revenue basis during September 2006. The increase was also due to the opening of the new Mocha Clubs in November 2005 and January 2006 and the increase in the weighted average number of gaming machines at the Mocha Clubs from an average of 634 for 2005 to 937 for 2006. The increase was offset in part by a decrease in the average daily net win per machine from HK\$1,787 (US\$229.1) for 2005 to HK\$1,632.0 (US\$209.8) for 2006. We believe the decrease was primarily attributable to: (1) a ramp-up period for the two Mocha Clubs, which we added in November 2005 and January 2006, during which time the number of customers

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visiting these facilities was relatively low; (2) a reduction in the number of customers visiting the Kampek Mocha Club, which was the largest Mocha Club, as we were in the process of relocating this facility (as required upon our obtaining the subconcession) and began to reduce advertising promotions for this facility; and (3) an increase in market competition as a result of the openings of a number of new casinos, including Wynn Macau and Galaxy StarWorld. Our average daily net win per machine was HK\$1,931 (US\$248.2) in the fourth quarter of 2006 and HK\$1,646 (US\$211.6) in December 2006.

Operating costs and expenses

Our total operating costs and expenses increased by 345.4% from US\$21.1 million in 2005 to US\$93.8 million in 2006, primarily due to the one-time impairment loss of US\$7.6 million that we incurred in connection with the termination of the services agreements with SJM, a US\$8.8 million increase in amortization of land use rights, an amortization of US\$14.3 million in connection with the subconcession, a US\$10.9 million increase in pre-opening costs relating to the Crown Macau and City of Dreams projects, an impairment loss of approximately US\$1.1 million on certain plant and equipment in connection with the relocation of the Kampek Mocha Club to Marina Plaza for 2006, which is determined based on the net book value of the plant and equipment involved and the opening of additional Mocha Clubs.

Provision of services to gaming machine lounges/slot lounge operating expenses. Our expenses attributable to provision of services to gaming machine lounges increased by 44.7% from US\$11.3 million in 2005 to US\$16.3 million in 2006, primarily due to the opening of additional Mocha Clubs and an increase in labor costs in connection with new gaming machines. The increase was also due to a lesser extent to an increase of depreciation of the gaming machines, of which there were a larger number due to new roll-outs, and costs in connection with the maintenance and replacement of older gaming machines. In addition, having obtained a subconcession in September 2006, we now generate direct revenues and direct operating costs in connection with the Mocha Clubs operations which we record as slot lounge operating expenses. We recorded slot lounge operating expenses of US\$11.8 million in 2006, of which US\$7.5 million was incurred for Macau taxes and other government dues totalling 39% of our gaming revenue from Mocha Clubs.

Food, beverage and others. Our food, beverage and other expenses decreased by 11.1% from US\$596,000 in 2005 to US\$530,000 in 2006, primarily due to the closure of the Mocha Club at Kampek in September 2006.

Amortization of gaming subconcession. Amortization of gaming subconcession for the year was US\$14.3 million in 2006. We began to amortize the subconcession in October 2006.

Amortization of land use rights. Amortization of land use rights expenses increased by 249.6% from US\$3.5 million in 2005 to US\$12.4 million in 2006. In 2006, we amortized land use rights in connection with both the Crown Macau and City of Dreams sites, whereas in 2005, we only amortized land use rights in connection with the Crown Macau site.

Impairment loss recognized on slot lounge services agreements. We recognized a one-time impairment loss of US\$7.6 million in 2006. See “— Overview of Financial Results—Impairment loss recognized on slot lounge services agreements.”

General and administrative. Our general and administrative expenses increased by 254.3% from US\$4.4 million in 2005 to US\$15.6 million in 2006, primarily due to the incurrence of expenses to establish our corporate administrative offices and an increase in salaries and benefits for our general and administrative personnel as we hired additional personnel in connection with our development projects, and an increase in professional services fees and public relations expenses in connection with our initial public offering in December 2006.

Selling and marketing. Our selling and marketing expenses increased significantly from US\$534,000 in 2005 to US\$3.5 million in 2006, primarily due to an increase in marketing and promotion expenses that we incurred for promoting the Mocha Clubs and in connection with promoting the Crown Macau in anticipation of its opening.

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Pre-opening costs. Our pre-opening costs increased significantly from US\$730,000 in 2005 to US\$11.7 million in 2006, due to principally pre-opening costs, such as personnel training costs, equipment costs and other administrative costs, in connection with the development of the Crown Macau and the City of Dreams.

Non-operating income (expenses)

Non-operating income (expenses) consist of interest income and expenses, foreign exchange gain and loss as well as other non-operating income. Our interest income decreased significantly from US\$2.5 million in 2005 to US\$816,000 in 2006, primarily due to the significant decrease in cash and cash equivalents on our balance sheet as our cash used in operating activities increased significantly to pay for construction and other costs in connection with our development projects. In addition, interest expenses increased significantly from US\$2.0 in 2005 to US\$11.2 million in 2006. The increase in interest expenses was primarily attributable to interest expenses incurred for the US\$500 million Subconcession Facility drawn prior to its full repayment with the proceeds from our initial public offering. We had written off deferred financing cost of US\$12.7 million primarily in relation to the repayment of US\$500 million under the Subconcession Facility as of December 31, 2006. We had a US\$570,000 foreign exchange loss in 2005 primarily resulting from foreign exchange transaction losses on H.K. dollar payables, compared to a US\$55,000 foreign exchange gain in 2006. Our other non-operating income increased from US\$146,000 in 2005 to US\$285,000 in 2006.

Income tax (expense) credit

We had an income tax credit of US\$91,000 in 2005, compared to an income tax credit of US\$1.9 million in 2006 due to a greater deferred tax credit that we benefited from in 2006.

Minority interest

Our share of loss by minority shareholders was US\$308,000 in 2005, compared to a share of loss by minority shareholders of US\$5.0 million in 2006, comprising Melco's share of our income and loss through the 20% interest in MPBL (Greater China) that it held apart from us until October 2006.

Net income (loss)

As a result primarily of the foregoing, we had a net loss of US\$3.3 million and US\$73.5 million in 2005 and 2006, respectively.

Year Ended December 31, 2005 Compared to The Period from January 1, 2004 to June 8, 2004 (Predecessor Period) And The Period From June 9, 2004 to December 31, 2004 (Successor Period)

Because we acquired Mocha during 2004, the year is broken into an approximately five month predecessor period and an approximately seven month successor period in 2004. As a result, our 2005 results are not directly comparable to 2004. Apart from the difference in the length of the periods, the following items had the most significant impact on our operations.

- The weighted average number of machines in operation was 125, 513 and 634 during the period from January 1, 2004 to June 8, 2004, the period from June 9, 2004 to December 31, 2004, and the year ended December 31, 2005, respectively.
- Average daily net win was US\$284.5, US\$171.5 and US\$229.1 during the period from January 1, 2004 to June 8, 2004, the period from June 9, 2004 to December 31, 2004, and the year ended December 31, 2005, respectively.
- The increase in the number of machines and lounges resulted in increases in our revenues and cost and expenses.
- Amortization of land use rights in 2005 of US\$3.5 million relating to the Crown Macau site.

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- Amortization of intangible assets was recognized during the 2004 successor period and 2005 as a result of the acquisition of Mocha, principally relating to Mocha's services agreements with SJM. This resulted in additional charges of US\$600,000 and US\$1.0 million which are included in cost of provision of services to gaming machine lounges.
- General and administrative expenses during the successor period in 2004 also included a compensation charge of US\$1.4 million related to the acquisition of shareholder loans of US\$5.8 million which was advanced by Better Joy Overseas Ltd., or Better Joy, to Mocha through issuance of a convertible note. The compensation charge was recognised based on the difference between the fair value of the convertible note and the shareholder loan acquired.

Revenues

Our revenue was US\$1.9 million for the period from January 1, 2004 to June 8, 2004 and US\$6.1 million for the period from June 9, 2004 to December 31, 2004, compared to US\$17.3 million in 2005 as a result of increases in revenues from both fees for services provided to gaming machine lounges and food, beverage and others. The increase was due primarily to the opening of two new Mocha Clubs in 2005 and increasing the number of gaming machines at the Mocha Clubs from an average of 125 for the period from January 1, 2004 to June 8, 2004 and 513 for the period from June 9, 2004 to December 31, 2004, compared to an average of 634 in 2005. The average daily net win per machine was US\$284.5 for the period from January 1, 2004 to June 8, 2004 and US\$171.5 for the period from June 9, 2004 to December 31, 2004, compared to US\$229.1 in 2005, primarily as a result of higher utilization. With increased customer traffic at the Mocha Clubs, revenue from food, beverages and others increased similarly.

Operating costs and expenses

Our total operating costs and expenses were US\$1.3 million for the period from January 1, 2004 to June 8, 2004 and US\$7.0 million for the period from June 9, 2004 to December 31, 2004, compared to US\$21.1 million in 2005, primarily as a result of the increases in expenses incurred as a result of the opening of additional Mocha Clubs and the amortization of land use rights for the Crown Macau site.

Provision of services to gaming machine lounges. Our expenses attributable to provision of services to gaming machine lounges were US\$864,000 for the period from January 1, 2004 to June 8, 2004 and US\$4.3 million for the period from June 9, 2004 to December 31, 2004, compared to US\$11.3 million in 2005, primarily as a result of the opening of additional Mocha Clubs and an increase in gaming machines and the associated labor costs in connection therewith. The increase was also due to a lesser extent to an increase of depreciation of the gaming machines, of which there were a larger number due to new roll-outs, and costs in connection with the maintenance and replacement of older gaming machines.

Food, beverage and others. Our food, beverage and others expenses were US\$48,000 for the period from January 1, 2004 to June 8, 2004 and US\$250,000 for the period from June 9, 2004 to December 31, 2004, compared to US\$596,000 in 2005, primarily as a result of the additional expenses in providing food and beverage services to the customers at new Mocha Clubs launched in 2005.

Amortization of land use rights. Amortization of land use rights expenses were nil for the period from January 1, 2004 to June 8, 2004 and US\$130,000 for the period from June 9, 2004 to December 31, 2004, compared to US\$3.5 million in 2005. We amortized land use rights in connection with the land for the Crown Macau project, which we obtained in December 2004. The amortization of land use rights was for a full year in 2005.

General and administrative. Our general and administrative expenses were US\$197,000 for the period from January 1, 2004 to June 8, 2004 and US\$2.0 million for the period from June 9, 2004 to December 31, 2004, compared to US\$4.4 million in 2005, primarily as a result of an increase in maintenance costs for the Mocha Clubs because of the addition of new locations, an increase in salary expense from the addition of personnel for our general and administrative function as we expanded our business and an increase in professional services fees.

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Selling and marketing. Our selling and marketing expenses were US\$81,000 for the period from January 1, 2004 to June 8, 2004 and US\$166,000 for the period from June 9, 2004 to December 31, 2004, compared to US\$534,000 in 2005, primarily due to an increase in marketing and promotion expenses that we incurred in 2005 to grow the Mocha brand and to promote the new and existing Mocha Clubs.

Pre-opening costs

Our pre-opening costs were US\$96,000 for the period from January 1, 2004 to June 8, 2004 and US\$199,000 for the period from June 9, 2004 to December 31, 2004, compared to US\$730,000 in 2005, primarily as a result of pre-opening expenses, such as ground breaking ceremonies, and advertising and marketing, incurred in connection with the development of the Crown Macau and City of Dreams. We did not incur any pre-opening expenses in connection with those projects in 2004 and pre-opening expenses incurred in connection with Mocha remained relatively stable from 2004 to 2005.

Non-operating income (expenses)

Non-operating income (expenses) consist of interest income and expenses and net foreign exchange gain and loss as well as other non-operating income. We did not receive any interest income nor incur any interest expense for the period from January 1, 2004 to June 8, 2004 and for the period from June 9, 2004 to December 31, 2004. However, we received interest income of US\$2.5 million in 2005, which was offset by the US\$2.0 million interest expense we incurred. We also had a US\$570,000 net foreign exchange loss in 2005 primarily as result of foreign exchange transaction losses on H.K. dollar payables. We incurred such losses due to differences in the H.K. dollar/U.S. dollar exchange rate on the date such payables were recorded and the date we exchanged U.S. dollars into H.K. dollars to pay such payables.

Income tax (expense) credit

Our income is subject to a Macau complementary tax at 12%. We had income tax expense of US\$26,000 for the period from January 1, 2004 to June 8, 2004 and US\$37,000 for the period from June 9, 2004 to December 31, 2004, as compared to a US\$91,000 tax credit that we received in 2005, due to a greater deferred tax credit that we benefited from in 2005.

Minority interest

Our minority interests were nil for the period from January 1, 2004 to June 8, 2004 and US\$91,000 for the period from June 9, 2004 to December 31, 2004, compared to US\$308,000 in 2005, primarily as a result of the increase in overall operating loss attributable to minority shareholders.

Net income (loss)

As a result primarily of the foregoing, we had a net income of US\$494,000 for the period from January 1, 2004 to June 8, 2004, a net loss of US\$1.0 million for the period from June 9, 2004 to December 31, 2004 and a net loss of US\$3.3 million in 2005, respectively.

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B. Liquidity and Capital Resources

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

	Historical result for the period from January 1, 2004 to June 8, 2004 (predecessor)	Historical result for the period from June 9, 2004 to December 31, 2004 (successor)	Historical result for the year ended December 31, 2005 (successor)	Historical result the year ended December 31, 2006 (successor)
	(in thousands of US\$)			
Net cash provided by (used in) operating activities	\$ 557	\$ 2,217	\$ 4,284	\$ (20,237)
Net cash used in investing activities	(6,445)	(5,475)	(181,258)	(38,645)
Net cash provided by financing activities	8,267	8,795	191,206	623,109
Net increase in cash and cash equivalents	2,379	5,537	14,232	564,227
Cash and cash equivalents at beginning of period/year	386	—	5,537	19,769
Cash and cash equivalents at end of period/year	<u>\$ 2,765</u>	<u>\$ 5,537</u>	<u>\$ 19,769</u>	<u>\$ 583,996</u>

Operating activities

Our net cash provided by operating activities was US\$4.3 million in 2005, compared to the US\$20.2 million net cash used in operating activities in 2006, primarily due to a significant increase in general and administrative costs, slot lounge operating expenses, and pre-opening costs. Our net cash provided by operating activities totaled US\$4.3 million in 2005, compared to US\$2.2 million in the period from June 9, 2004 to December 31, 2004, and US\$557,000 in the period from January 1, 2004 to June 8, 2004. The primary reason for the increase was the greater revenue generated from additional Mocha Clubs and gaming machines. For the period January 1, 2004 to June 8, 2004, we had an average of 125 gaming machines. For the period from June 9, 2004 to December 31, 2004, 2005 and 2006, the average number of gaming machines increased to 513, 634 and 937, respectively.

Delays or cost overruns in the completion of any of our casino resort projects would adversely affect our ability to generate operating revenue at the times and in the amounts we anticipate, increase our financing and other costs for the project and increase the depreciation and amortization charges we incur due to increased construction costs and capitalized fees and finance costs. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Early Stage of Development—We may require more debt or equity financing, which could require us to incur substantial additional indebtedness or sell additional ADSs or equity securities. Our ability to obtain additional financing may be limited, which could delay or prevent the opening of one or more of our projects.”

Investing activities

Crown Macau. We have currently budgeted that the total cost of developing and constructing the Crown Macau to the point of opening will be approximately US\$583.6 million, which includes the value of land for the project site contributed to us in kind, land premium costs and construction costs, FF&E, pre-opening expenses, capitalized fees and finance costs and initial working capital requirements. As of December 31, 2006, we had spent approximately US\$275.0 million of the budgeted project costs, primarily for design and construction fees to Paul Y. Construction and for land premium, including costs attributable to the value of the land for the site that was contributed to us. Construction projects like ours commonly involve significantly larger expenditures at the later stages of construction. Accordingly, we expect that our cash requirements for construction and other costs, will increase significantly as we approach completion of our Crown Macau project and other projects. We anticipate funding the remaining budgeted costs of construction and development from a combination of borrowings under the Great Wonders Project Facility described below and part of the net proceeds from the initial public offering of our ADSs. See “—Financing Activities.”

We expect the funds provided from the Great Wonders Project Facility and from the offering of our ADSs to be sufficient to finance the remaining costs of construction and development of Crown Macau. If we incur significant cost overruns at the Crown Macau project, we may need to arrange for additional financing to pay for these costs. Our ability to incur additional debt will be limited under the Great Wonders Project Facility and the anticipated City of Dreams Project Facility as well as the terms of MPBL Gaming’s subconcession. As a result, we may not be able to incur additional debt to complete development of the Crown Macau without the consent of the lenders under the facility agreements or of the Macau government.

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City of Dreams. The current total project development budget for constructing, developing and opening both phases of the City of Dreams project is approximately US\$2.1 billion, inclusive of land, construction, FF&E, pre-opening expenses, capitalized fees and finance costs and initial working capital requirements (including cage cash). As the City of Dreams project progresses, we continue to improve and vary its overall scope within the original timetable to completion, and by reference to the existing total project budget. This is against a background of rising costs of construction, services and materials in Macau. We anticipate an increase in the total project development budget for the City of Dreams, and we will continue to explore ways to mitigate the effect of anticipated budget increases through various cost saving measures. As of December 31, 2006, we had spent approximately US\$193.0 million of the current total project development budget, primarily for the land costs and land premium, construction costs and design and consultation fees. We plan to fund the remaining budgeted costs of construction and development from a combination of the following sources:

- borrowings from the US\$1.6 billion City of Dreams Project Facility, for which we have signed a commitment letter (subject to certain conditions) with certain banks as arrangers; and
- part of the net proceeds from the initial public offering of our ADSs.

See “—Financing Activities.”

Macau Peninsula Site. We are in the process of acquiring the Macau Peninsula site, which is an approximately 6,480 square meter (1.6 acres) site on the shoreline of the Macau peninsula near the Macau Ferry Terminal. The acquisition price is HK\$1.5 billion (US\$192.8 million), of which we have paid a deposit of HK\$100 million (US\$12.9 million). We expect to pay a land premium of HK\$150 million (US\$19.3 million) to the Macau government. Our purchase of the Macau Peninsula site remains subject to important conditions which may not be met and some of which are in the control of third parties unrelated to us, including, among other conditions, governmental approvals such as an extension by the Macau government of the deadline for completion of development on the site. We are considering our development plans for the Macau Peninsula site and currently contemplate that we would develop it into a mixed-use apartment hotel and casino facility targeted primarily at day-trip gaming patrons. Based on preliminary estimates and conceptual designs, the total project costs for the Macau Peninsula project is currently budgeted at a range of approximately US\$650 million to US\$700 million, which includes anticipated land and construction costs, land premium costs, FF&E, pre-opening expenses, capitalized fees and finance costs, cage cash and initial working capital requirements.

Macau Gaming Subconcession. In September 2006, MPBL Gaming obtained a gaming subconcession from the Macau government under the concession granted to Wynn Macau. PBL signed an agreement with Wynn Macau under which US\$900 million was payable to Wynn Macau upon the issuance by the Macau government of the subconcession to MPBL Gaming. Of this amount, US\$100 million was initially placed on deposit with a third party escrow agent. Upon the successful granting of the subconcession to MPBL Gaming, MPBL Gaming released the US\$100 million deposit and remitted the remaining payment to Wynn Macau. The US\$500 million loan incurred by MPBL Gaming under the Subconcession Facility became part of our consolidated indebtedness when control of MPBL Gaming was transferred to us in October 2006. We repaid the entire US\$500 million drawn under the Subconcession Facility and any fees and interest incurred in connection with this facility with the net proceeds of the initial public offering of our ADSs. See “—Financing Activities.”

Mocha Clubs. We intend to expand the Mocha Clubs business by adding new Mocha Club locations and additional gaming machines to our existing locations during the next several years. Funding of this expansion is expected to be provided by operating cash flow to the extent available.

Financing Activities

Proceeds from Our Initial Public Offering. Net cash provided by financing activities amounted to US\$623.1 million in 2006, primarily due to the proceeds from our initial public offering, which amounted to US\$1.07 billion after underwriting discounts and commissions, with US\$500 million of the US\$1.07 billion immediately used for the repayment of the Subconcession Facility. Proceeds from the additional ADSs sold pursuant to the exercise of the underwriters’ over-allotment option in January 2007, which amounted to US\$160.6 million after underwriting discounts and commissions, are not accounted for in our net cash provided by financing activities in 2006.

Shareholder Loans and Contributions. As of December 31, 2006, Melco and PBL had made equity contributions to us and our subsidiaries totaling approximately US\$919.4 million in cash and non-cash, including funding indirectly provided to MPBL Gaming

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to provide US\$400 million of the US\$900 million paid to Wynn Macau upon the granting of the subconcession. Melco and PBL have also made contributions in the form of shareholder loans. As of December 31, 2006, we have approximately US\$212.5 million of outstanding shareholder loans from Melco and PBL, of which amount, US\$115.6 million was converted to fixed term loan at the interest rate of 3-month HIBOR per annum repayable in 18 months since November 15, 2006. As of the date of this annual report on Form 20-F, we had fully repaid the non-interest bearing portions of the amounts due to shareholders of approximately US\$96.9 million.

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

Great Wonders Project Facility. On February 13, 2006, our subsidiary, Great Wonders, entered into a two-tranche HK\$1,280 million (US\$164.5 million) term loan facility with lenders led by Bank of China Limited, Macau Branch, and Banco Nacional Ultramarino, S.A. to finance the construction of the Crown Macau. Our subsidiary MPBL (Greater China) currently guarantees all the obligations of Great Wonders arising under the Great Wonders Project Facility, and such guarantee will be replaced by our guarantee. As of December 31, 2006, we had not drawn down on the Great Wonders Project Facility.

The maturity date of the loans under this facility is February 13, 2013 and the applicable interest rate on the loans is the Hong Kong Interbank Offered Rate, or HIBOR, plus 2.2% per annum. As of December 31, 2006, no loans had been drawn and the full commitment amount is available for use by Great Wonders until the earlier of February 13, 2008 and the date falling three months after the issuance of the occupation permit of the Crown Macau by the Macau government. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Financing Activities—Description of Our Indebtedness—Great Wonders Project Facility.”

Subconcession Facility and City of Dreams Project Facility. On September 4, 2006, MPBL Gaming entered into the US\$500 million Subconcession Facility with lenders led by Australia and New Zealand Banking Group Limited, Banc of America Securities Asia Limited, Barclays Capital and Deutsche Bank AG, Hong Kong Branch, to pay a portion of the purchase price due to Wynn Macau upon the Macau government’s approval of the issuance of a gaming subconcession to MPBL Gaming. MPBL Gaming along with Melco and PBL, has also entered a commitment letter (subject to certain conditions and finalization of certain material terms) with those same lenders as arrangers for the US\$1.6 billion City of Dreams Project Facility to finance the development costs of the City of Dreams project and, if not already refinanced by the time of the first drawing under the City of Dreams Project Facility, to refinance any amounts still outstanding under the Subconcession Facility. The Subconcession Facility was drawn and used to pay US\$500 million of the US\$900 million due to Wynn Macau in September 2006 upon the issuance of the subconcession to MPBL Gaming. The US\$500 million indebtedness from the Subconcession Facility became part of our consolidated debt upon the transfer of control of MPBL Gaming to us in October 2006 and has been repaid from part of the net proceeds of our initial public offering in December 2006. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Financing Activities—Description of Our Indebtedness— Subconcession Facility and City of Dreams Project Facility.”

Macau Peninsula Site. We are negotiating with prospective lenders to arrange financing for the acquisition and development of the Macau Peninsula site.

We may obtain financing in the form of, among other things, equity or debt, including additional bank loans or high yield, mezzanine or other debt, or rely on our operating cash flow to fund the development of our projects.

Description of Our Indebtedness

This description is only a summary and does not purport to be complete.

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Great Wonders Project Facility

On February 13, 2006, our subsidiary, Great Wonders, entered into a term loan facility agreement, the Great Wonders Project Facility, which is a two-tranche HK\$1,280 million (US\$164.5 million) term loan facility with certain lenders to finance the construction of the Crown Macau. Our subsidiary MPBL (Greater China), currently guarantees all payment obligations of Great Wonders arising under the Great Wonders Project Facility. It is expected that this guarantee will be replaced by a guarantee to be given by us.

The maturity date of the loans under this facility is February 13, 2013 and the applicable interest rate on the loans is HIBOR plus 2.2% per annum. As of December 31, 2006, no loans had been drawn and the full commitment amount is available for use by Great Wonders until the earlier of February 13, 2008 and the date falling three months after the issuance of the occupation permit of the Crown Macau by the Macau government.

Under the terms of the facility agreement, Great Wonders:

- must use the Tranche A and Tranche B loans to finance the construction of the hotel and casino, respectively;
- is responsible for the payment of cost overruns incurred for the construction of the Crown Macau and cannot make any further drawdown of loans if cost overruns exceed HK\$50 million until such cost overruns have been paid or the borrower demonstrates to the facility agent that it has sufficient financial resources to pay such cost overruns;
- must repay the loans in 20 consecutive equal quarterly installments commencing three months after the end of the availability period;
- must pay a default interest rate equal to the applicable interest rate plus 3% per annum if Great Wonders fails to repay the amounts due under the facility agreement;
- can cancel the undrawn commitment or make voluntary prepayments without penalty, except for any prepayment being made using the proceeds of refinancing from lenders other than the lenders of the Great Wonders Project Facility;
- except in limited circumstances, must make mandatory prepayments from the net cash proceeds of all loans to Great Wonders from other lenders, any equity issuance, any asset sale, any liquidated damages received under any construction contract, the lease agreement, the hotel management agreement or the land concession agreement for the Crown Macau and any proceeds from the insurance policy issued for the Crown Macau project; and
- undertakes to comply with the affirmative, negative and information covenants in the credit facility, including, without limitation, compliance with the financial covenants after the date falling 12 months from the completion date of the Crown Macau project and not incur other indebtedness or permit other liens on its assets.

Great Wonders will draw on the Great Wonders Project Facility from time to time when there are certain construction milestones and projects for which we need to make payments. Drawdowns will be subject to certain conditions, including providing a certificate of the quantity surveyor certifying the amount paid or payable for the construction cost and confirming that the proposed drawdown is in line with the construction progress and schedule stated in the construction contract and Great Wonders' affirmation that there are no cost overruns exceeding HK\$50 million.

The loans are secured by liens on all present and future assets of Great Wonders. The security package consists of amongst others, a mortgage on the site and the building and fixtures, a power of attorney, a payment guarantee by MPBL (Greater China),

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a completion guarantee by MPBL (Greater China) that the hotel will be completed by September 30, 2007 and the casino will be completed by November 30, 2006, which is currently being negotiated to be revised to April 30, 2007, a cost overrun funding guarantee by MPBL (Greater China), a subordination agreement by MPBL (Greater China), a pledge or assignment of, the bank account relating to Great Wonders' revenues, the shares of Great Wonders, insurance policies, building contracts, any hotel management agreement, and all other assets of Great Wonders.

The following is a general summary of the events of default under the facility agreement:

- any failure of Great Wonders or MPBL (Greater China) to make any payment when due;
- any failure of Great Wonders or MPBL (Greater China) to perform its obligations under any finance document with respect to the Great Wonders Project Facility;
- a representation made under any finance document by Great Wonders proves to have been incorrect or misleading in any material respect;
- an occurrence of a cross-default;
- a material breach by Great Wonders under the land concession agreement or any reentry or threatened reentry by the Macau government onto the land on which the Crown Macau project is being built;
- any termination of any construction contract due to a default of Great Wonders or MPBL (Greater China) or the main contractor ceases to perform its essential obligations;
- any seizure or expropriation or a total loss of the Crown Macau property;
- any major construction work stoppage for at least 60 consecutive days;
- any undertaking or obligation under any finance document becomes impossible or illegal for Great Wonders or MPBL Gaming to perform, resulting in a material adverse effect;
- any action of Great Wonders or MPBL (Greater China) which materially and adversely jeopardizes the security created under any security document;
- any occurrence of a material adverse change in the financial condition of Great Wonders or MPBL (Greater China) which materially and adversely affects its ability to perform its obligations under any finance document to which it is a party;
- the commencement of any legal proceeding against Great Wonders or MPBL (Greater China) which materially and adversely affects its ability to perform its financial obligations under the facility agreement;
- any order is made for the winding-up, insolvency or liquidation of Great Wonders or MPBL (Greater China); or
- any failure of Great Wonders to register the security for the credit facility within a prescribed time period.

If an event of default exists and is continuing, then the facility agent will, if so instructed by the lenders representing 66% of the total commitment amount, give notice of acceleration to Great Wonders and MPBL (Greater China) and demand immediate repayment of all amounts due under the facility agreement.

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Subconcession Facility

On September 4, 2006, MPBL Gaming entered into a US\$500 million term loan facility with certain lenders to pay the remaining purchase price due to Wynn Macau upon the Macau government's approval of the issuance of a gaming subconcession to MPBL Gaming. MPBL Gaming, along with Melco and PBL, has also entered into a commitment letter with those same banks as arrangers for a US\$1.6 billion secured credit facility to refinance the Subconcession Facility and finance the development costs of the City of Dreams project.

The US\$500 million Subconcession Facility was drawn and used to pay part of the US\$900 million due to Wynn Macau in September 2006 upon the issuance of the subconcession to MPBL Gaming. The US\$500 million indebtedness from the Subconcession Facility became part of our consolidated debt upon the transfer of control of MPBL Gaming to us in October 2006 and had been fully repaid with the proceeds of our initial public offering in December 2006.

City of Dreams Project Facility

As set forth in the commitment letter ANZ Investment Bank, Banc of America Securities Asia Limited, Barclays Capital and Deutsche Bank have agreed to act as coordinating lead arrangers in arranging and financing the US\$1.6 billion City of Dreams Project Facility for MPBL Gaming and Melco Hotels. The granting of the City of Dreams Project Facility is subject to conditions set forth in the commitment letter and the finalization of the negotiation of certain material terms. Such conditions include: (1) completion of definitive loan agreements, intercreditor agreement, guarantee, security and associated legal documents for the facilities; (2) the receipt of due diligence reports from various independent consultants, (3) obtaining required government and other approvals for entering into the City of Dreams Project Facility; and (4) receipt of credit ratings in respect of MPBL Gaming and its subsidiaries. The coordinating lead arrangers must use their reasonable efforts to complete the syndication and until such time MPBL Gaming and its subsidiaries are bound by specified clear market provisions. The arranging and underwriting commitment will terminate if facility documents are not executed by June 30, 2007 (unless otherwise extended by agreement among all the parties thereto).

Under the term sheet set forth in the commitment letter, the City of Dreams Project Facility will consist of:

- a US\$500 million term loan facility, which will be available to repay in full the existing Subconcession Facility; and
- a non-gaming facility and general project facility in an aggregate amount of not less than US\$1.1 billion.

The non-gaming facility will be used to finance the construction of the non-gaming portions of the City of Dreams such as the hotels, the retail and food and beverage outlets and the leisure and entertainment facilities. The general project facility will be used to finance the construction of the City of Dreams, including, if necessary, the non-gaming portions and other pre-opening costs in relation to the City of Dreams. If the outstanding amount of the Subconcession Facility is less than US\$500 million upon utilisation of the non-gaming facility and general project facility, the remaining amount of the non-gaming facility and general project facility shall be increased by the shortfall.

Drawdown

The final maturity date of the subconcession facility, non-gaming facility and general project facility is generally 84 months after the date we execute the definitive City of Dreams Project Facility documents. However, if the initial utilisation under the non-gaming facility and general project facility is not made, the final maturity date will be 60 months from September 4, 2006, the date of the agreement relating to the Subconcession Facility .

The non-gaming facility and general project facility portions are, subject to satisfaction of conditions precedent and on not less than five business days written notice to the intercreditor agent, available for drawdown in minimum amounts of US\$5 million (or

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HK\$ equivalent) from the date of the City of Dreams Project Facility to the earlier of: (1) 90 days after the construction completion date for stage one of the project, which includes at least two of the hotels, all of the gaming area and at least 50% of the retail and food and beverage space; and (2) a yet to be agreed long stop date. If, at the end of this availability period, the remainder of the City of Dreams project has not been completed, then, to the extent that it is required to fund the remainder of the project (and is certified by a technical adviser), the balance of the City of Dreams Facility may be drawn and, pending application, deposited in a separate interest bearing account secured in favor of the lenders. Proceeds of the drawings will be available for disbursement from the account upon satisfaction of conditions precedent and the relevant notice requirements.

Except for the first utilization of the City of Dreams Facility, which, if the Subconcession Facility is still outstanding, must be to refinance amounts drawn under the Subconcession Facility, all drawings under the City of Dreams Facility will be paid into a disbursement account that will be subject to security. Conditions precedent to the first drawdown of the City of Dreams Facility other than that to refinance amounts drawn under the Subconcession Facility, include among other things: (1) delivery of a project feasibility study, plans, budgets timetable, projected results and an audited financial model; (2) obtaining a land concession for the City of Dreams; (3) obtaining relevant government and other authority approvals; and (4) the injection of equity such that the debt to equity ratio will be no greater than 70:30. Subsequent drawdowns under the City of Dreams Facility are also subject to the maintenance of financial ratios and provision of certificates from technical consultants certifying the amount paid or payable for the construction cost. MPBL Gaming and its subsidiaries will also be required to undertake a program to hedge exposures to interest rate fluctuations under the City of Dreams Facility. These hedging agreements will be secured on a pari passu basis with the lenders.

Repayment

The City of Dreams Facility will be repaid in quarterly installments commencing from the earlier of: (1) six months after the construction completion date for stage one of the project; and (2) 36 months from the City of Dreams Facility agreement date (in the case of the non-gaming and general project facilities).

MPBL Gaming and Melco Hotels may make voluntary prepayments in respect of the non-gaming facility and general project facility, subject to certain conditions and providing not less than 30 days' prior written notice to the intercreditor agent, on any interest payment date without premium or penalty. Voluntary prepayments will be applied to the principal outstanding on the City of Dreams Facility and to maturities on a pro-rata basis and amounts prepaid will not be available for redrawing.

We must make mandatory prepayments with, among other sources, all of (1) the net proceeds of any permitted equity or debt issuance (or, in the case of any public offering subsequent to and other than a permitted public offering, in which event the amount will be 75% of such proceeds); (2) the net proceeds of any asset sale, subject to reinvestment rights and certain exceptions; (3) net termination proceeds paid under MPBL Gaming's subconcession, any lease agreement, the hotel management agreements, or any other material contracts or agreements (subject to certain exceptions); (4) the net proceeds or liquidated damages paid pursuant to obligation, default or breach under the certain documents relating to the City of Dreams project; (5) the 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 set forth in the termsheet attached to the commitment letter contemplate that all of the revenues of the gaming business operated by MPBL Gaming, including the Crown Macau and the City of Dreams, be paid into a bank account established by MPBL Gaming, which will be divided further into sub-accounts, secured in favor of the security agent for the benefit of the lenders. Subject to such security, such revenues will be paid out in order of priority, in accordance with the cash waterfall arrangements.

Interest and Fees

U.S. dollar and H.K. dollar denominated drawdowns will bear an initial interest rate of LIBOR and HIBOR, respectively, plus a margin, and the interest rate margin will be adjusted in accordance with the total debt to EBITDA ratio on a consolidated basis

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after the completion of the construction of the City of Dreams project. We will pay a commitment fee quarterly in arrears from the date of the relevant facility agreement through the availability period. A commitment fee is payable on the daily undrawn amount under the relevant Subconcession Facility, non-gaming facility and general project facility, which percentage will be reduced when more than 50% of the total commitment has been utilized.

PBL and Melco Support

PBL and Melco, as sponsors of the City of Dreams Facility, have undertaken to commit equity such that the debt to equity ratio would not exceed 70:30. In addition, PBL and Melco will also provide, on a 50:50 several basis, corporate or bank guarantees with a rating of A- or above by S&P (or equivalent rating by Moody's) to cover as yet to be agreed amounts of contingent and deferred equity.

Security

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

- 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 MPBL Gaming, MPBL Investments, Melco Hotels and the managing director (provided that recourse against the managing director is limited to the value of his shares) (the "Primary Obligors");
- the corporate and bank guarantees described above in "—PBL and Melco Support";
- charges over the MPBL Gaming account and sub-accounts, subject to certain exceptions including the capital contribution account for the holding or payment of equity for the Crown Macau and cash deposits of Melco Hotels set aside as guarantee money in favor of the Macau government;
- assignment of the Primary Obligors' rights under all insurance policies;
- first priority security over the Primary Obligors' chattels, receivables and other assets (other than shares in Great Wonders) which are not subject to any security under any other security documentation;
- pledge over equipment and tools used in the gaming business by MPBL Gaming; and
- first priority charges over the issued share capital of the Primary Obligors (other than shares held in MPBL Gaming by PBL Asia) and assignment of MPBL Investments' rights and interests arising under its call option over PBL Asia's shareholding in MPBL Gaming granted to it by PBL Asia, exercisable at a price of US\$1.00 following the continuation of an event of default.

Covenants

The Primary Obligors must comply with negative and affirmative covenants. These covenants include that, without obtaining consent from the majority lenders (as defined in the termsheet), 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 documentation;
- sell, transfer or dispose of any of its assets unless such sale is conducted on an arm's length basis at a fair market value and the proceeds from the sale shall be credited to the relevant accounts over which the lenders have a first priority charge on;

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- make any payment of fees under any agreement with Melco or PBL (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 PBL or their affiliates except in certain limited circumstances;
- make any loan or guarantee indebtedness except for certain identified indebtedness and guarantees permitted;
- create any subsidiaries except as permitted under the termsheet, such as for carrying out all or any part of the City of Dreams; or
- make investments other than within agreed upon limitations.

In addition, the relevant Primary Obligors will be required to comply with certain financial ratios and financial covenants such as a maximum total debt to earnings before interest, taxes, depreciation and amortization ratio, a minimum debt service coverage ratio and a minimum interest coverage ratio.

Events of Default

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

C. Research and Development, Patents and Licenses, Etc.

We have entered into a license agreement with Crown 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 and Hyatt Regency trademarks on a non-exclusive and non-transferable basis. In January 2007, we entered into trademark license agreements with Hard Rock Holdings Limited, or Hard Rock, to use the Hard Rock brand in Macau at the City of Dreams. Pursuant to the agreements, we have the exclusive right to use the Hard Rock brand for the hotel and casino facility at the City of Dreams for a term of ten years based on percentages of revenues generated at the property payable to Hard Rock. We also purchase gaming tables and gaming machines and enter into licensing agreements for the use of certain tradenames and, in the case of the gaming machines, the right to use software in connection therewith. These include a license to use a jackpot system for the gaming machines. In addition, we have registered the trademarks “Mocha Club” and “City of Dreams” in Macau. We are currently examining the registration in Macau of certain trademarks and other service marks to be used in connection with the operations of our hotel casino projects in Macau.

D. Trend Information

Other than as disclosed elsewhere in this annual report on Form 20-F, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-balance Sheet Arrangements

Pursuant to the subconcession agreement, MPBL Gaming must maintain a bank guarantee issued by a designated bank with the Macau government as the beneficiary, which bank guarantee is in a maximum amount of MOP500 million (US\$62.4 million for the

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period from September 8, 2006 to September 8, 2011 and a maximum amount of MOP 300 million (US\$37.4 million) for the period from September 8, 2011 to the 180th day after the termination date of the subconcession. As of December 31, 2006, MPBL Gaming had issued a promissory note in the amount of MOP550 million (US\$68.6 million) to a bank in connection with this bank guarantee required under the subconcession agreement.

Except as described above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

F. Tabular Disclosure of Contractual Obligations

Our total long-term indebtedness and other known contractual obligations are summarized below as of December 31, 2006.

	Payments due by period				Total
	Less than 1 year	1 –3 years	3 –5 years	More than 5 years	
	(in millions of US\$)				
<i>Contractual obligations</i>					
Long-term debt obligations: ⁽¹⁾	\$ —	\$ 115.6	\$ —	\$ —	\$115.6
Capital (finance) lease obligations: ⁽²⁾	—	—	—	—	—
Operating lease obligations:					
Rent payable for Crown Macau land ⁽³⁾	0.1	0.3	0.3	3.4	4.1
Land premium, guarantee deposit and rent payable for City of Dreams land ⁽⁴⁾	21.5	12.3	12.5	39.0	85.3
Leases for office space as recruitment and training center and Mocha Clubs locations	4.3	7.7	5.2	8.3	25.5
Other contractual commitments: ⁽⁵⁾	156.4	11.2	—	—	167.6
Total	\$ 182.3	\$ 147.1	\$ 18.0	\$ 50.7	\$398.1

- (1) Excludes the working capital loans provided by Melco and PBL, which had outstanding balances of US\$70 million and US\$27 million, respectively, as of December 31, 2006. On November 14, 2006, we have repaid US\$25 million to Melco and PBL in equal proportions. Furthermore, both Melco and PBL agreed to convert the remaining working capital loan of approximately US\$115.6 million into a term loan repayable in no earlier than 18 months carrying interest at a floating rate set in accordance with 3 months HIBOR.
- (2) Capital lease obligations due within one year and after one year are US\$6,000 and US\$10,000, respectively, as of December 31, 2006.
- (3) Rent payable during the construction period is US\$20,000 per year. The annual rent is US\$171,000 after the completion of the construction. The rent payable is adjusted every five years as agreed between the Macau government and Great Wonders in accordance with the applicable market rates from time to time.
- (4) Melco Hotels was offered a grant of a medium-term lease of 25 years for the City of Dreams site for approximately MOP 509 million (US\$63.4 million) by the Macau government in April 2005. Melco Hotels accepted the offer of grant in May 2005. The total payment obligation under this lease was US\$63.4 million as of December 31, 2006 with US\$21.2 million payable at signing of the government lease and the remaining balance of approximately US\$42.2 million payable in nine equal half-yearly installments bearing interest at 5% per annum. Rent payable during the construction period is US\$285,000 per year. The annual rent is US\$508,000 after the completion of construction. The rent payable is adjusted every five years as agreed between the Macau government and Melco Hotels in accordance with the applicable market rates from time to time.
- (5) On November 24, 2004, Great Wonders entered into a construction contract with Paul Y. Construction for the design and construction of the Crown Macau project. The total remaining payment obligation under this contract was US\$107.5 million as of December 31, 2006.

On February 13, 2006, we obtained the HK\$1,280 million (US\$164.5 million) Great Wonders Project Facility to finance the Crown Macau project. As of December 31, 2006, the Great Wonders Project Facility had not been drawn. See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Financing Activities—Description of Our Indebtedness—Great Wonders Project Facility."

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G. Safe Harbor

This annual report on Form 20-F contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. The forward-looking statements are contained principally in the sections entitled “Item 3. Key Information—D. Risk Factors,” “Item 5. Operating and Financial Review and Prospects” and “Item 4. Information on the Company.” Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. See “Item 3. Key Information—D. Risk Factors” for a discussion of some risk factors that may affect our business and results of operations. These risks are not exhaustive. Other sections of this annual report on Form 20-F may include additional factors that could adversely impact our business and financial performance. Moreover, because we operate in a heavily regulated and evolving industry, will be highly leveraged, and will be operating in Macau, a market that is experiencing 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:

- growth of the gaming market and visitation in Macau;
- finalization of the credit facility to finance construction of the City of Dreams;
- the completion of the construction of our hotel casino resort projects;
- our acquisition and development of the Macau Peninsula site;
- increased competition and other planned casino hotel and resort projects in Macau and elsewhere in Asia, including (in Macau) from SJM, Venetian Macau, Wynn Macau, Galaxy and MGM Grand Paradise Limited, a joint venture between MGM-Mirage and Pansy Ho;
- the completion of infrastructure projects in Macau;
- government regulation of the casino industry, including gaming license approvals and the legalization of gaming in other jurisdictions;
- our ability to raise additional financing;
- the formal grant of a land concession for the City of Dreams site on terms that are acceptable to us;
- obtaining approval from the Macau government for an increase in the developable gross floor area of the City of Dreams site;
- the formal grant of an occupancy permit for the Crown Macau and the City of Dreams;
- the uncertainty of tourist behavior related to spending and vacationing at casino resorts in Macau;
- our entering into new development and construction and new ventures;
- the liberalization of travel restrictions and convertibility of the Renminbi by China;

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- fluctuations in occupancy rates and average daily room rates in Macau;
- our anticipated growth strategies; and
- our future business development, results of operations and financial condition.

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

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of March 30, 2007.

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
Lawrence (Yau Lung) Ho	30	Co-Chairman and Chief Executive Officer
James D. Packer	39	Co-Chairman
John Wang	46	Director
Clarence Chung	44	Director
John H. Alexander	55	Director
Rowen B. Craigie	51	Director
Thomas Jefferson Wu	34	Independent Director
Alec Tsui	57	Independent Director
David E. Elmslie	50	Independent Director
Robert Mactier	42	Independent Director
Simon Dewhurst	37	Executive Vice President and Chief Financial Officer
Garry Saunders	55	Executive Vice President and Chief Operating Officer
Ted (Ying Tat) Chan	35	Chief Executive Officer of Mocha
Greg Hawkins	43	Chief Executive Officer of Crown Macau
Stephanie Cheung	44	General Counsel

Directors

Mr. Lawrence (Yau Lung) Ho has served as our co-chairman and chief executive officer since the inception of our company. Since November 2001, Mr. Ho has also served as the managing director and, since March 2006, the chairman and chief executive officer of Melco a constituent of the MSCI Hong Kong Index. As chairman and chief executive officer of Melco, Mr. Ho oversees and is responsible for the overall strategic development, management and operations of Melco. Before heading Melco, 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. Mr. Ho is active in community services and serves on numerous boards and committees in Hong Kong, Macau and mainland China. In recognition of his excellent directorship and entrepreneurial spirit, Mr Ho won the “Best CEO” and “Directors of the Year Award 2005” given by Institutional Investor and Hong Kong Institute of Directors respectively. As a socially responsible young entrepreneur in Hong Kong, Mr. Ho was also elected one of the “Ten Outstanding Young Persons” in 2006.

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Mr. James D. Packer has served as our co-chairman since the inception of our company. Mr. Packer has also been the executive chairman since May 1998 and the chief executive officer from March 1996 to May 1998 of PBL. He is a member of PBL's Investment Committee. He is also a director of both Crown Limited and Burswood Limited, subsidiaries of PBL. Mr. Packer is the executive chairman of Consolidated Press Holdings Limited, the largest shareholder of PBL, and a director of various listed companies in Australia, including Challenger Financial Services Group Limited and Qantas Airways Limited, as well as the chairman of Seek Limited, an Australian-listed online job search company.

Mr. John Wang has served as our director since November 2006. Mr. Wang is currently the chief financial officer of Melco. Prior to joining Melco in 2004, Mr. Wang had over 18 years of professional experience in the securities and investment banking industry. He was the managing director of JS Cresvale Securities International Limited (HK) from 1998 to 2004 and had previously worked for Deutsche Morgan Grenfell (HK), CLSA (HK), Barclays (Singapore), SG Warburgs (London), Salomon Brothers (London), the London Stock Exchange and Deloitte Haskins & Sells (London). Mr. Wang qualified as a chartered accountant with the Institute of Chartered Accountants in England and Wales in 1985.

Mr. Clarence (Yuk Man) Chung has served as our director since November 2006. Mr. Chung has also been the executive director since May 2006 and the chief operating officer since July 2006 of Melco. Mr. Chung joined Melco in December 2003 and assumed the role of the chief financial officer. Prior to joining Melco, he was the chief financial officer and director with the Megavillage Group, an Internet-based trading company, from 2000 to 2003, an investment banker at Lazard Asia managing an Asian buy-out fund from 1998 to 2000, and a vice-president at Pacific Century Regional Development Limited, a Singapore listed company with businesses in infrastructure financial services and technology, from 1994 to 1998. Mr. Chung is an accountant by profession and a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Society of Management Accountants of Canada.

Mr. John H. Alexander has served as our director since the inception of our company. Since June 2004, Mr. Alexander has also been the chief executive officer and managing director of PBL. He is also a director of Crown Limited and Burswood Limited. Mr. Alexander joined the magazine division of PBL as the group publisher in 1998 and was appointed the chief executive officer of that division in March 1999 and the chief executive officer of PBL Media in January 2002, straddling PBL's television and magazine divisions. Prior to joining the PBL Group, Mr. Alexander was the editor-in-chief and publisher from 1997 to 1998, and editor-in-chief for various periods of *The Sydney Morning Herald*. He was editor-in-chief of *The Australian Financial Review* from 1992 to 1995. In Australia, Mr. Alexander is a director of the Sydney Theatre Company Foundation Committee, a board member of The International Federation of the Periodical Press Limited and a council member of the Sydney Symphony Orchestra.

Mr. Rowen B. Craigie has served as our director since the inception of our company. Since March 2006, Mr. Craigie has also served as the chief executive officer of PBL gaming division which oversees all of PBL's Australian and international gaming operations. He is a director of PBL and its subsidiaries, namely Crown Limited and Burswood Limited. Mr. Craigie joined Crown Limited in 1993 and was appointed as its executive general manager of its gaming machines department in 1996, and was promoted to chief operating officer in 2000. In January 2002 he was promoted to chief executive officer of Crown Limited, a position he held until March 2007. Prior to joining Crown Limited, Mr. Craigie was the group general manager for gaming at the TAB in Victoria, Australia from 1990 to 1993, and had held senior economic policy positions in Treasury and Department of Industry in Australia from 1984 to 1990. He holds a bachelor of economics (Hon.) degree from Monash University, Melbourne, Australia.

Mr. Thomas Jefferson Wu has served as our independent director since December 18, 2006. Mr. Wu has been the deputy managing director of Hopewell Holdings Ltd., a Hong Kong Stock Exchange-listed business conglomerate, since August 2003 and has served in various roles with the Hopewell Holdings group since 1999, including group controller, executive director and chief operating officer. He is also the managing director of Hopewell Highway Infrastructure Limited and is a director of various Hopewell group companies. He is a member of the Chinese People's Political Consultative Conference in Huadu District in Guangzhou, China and the honorary president of Association of Property Agents and Realty Developers of Macau. He holds a master of business administration degree 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.

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Mr. Alec Tsui has served as our independent director since December 18, 2006. Mr. Tsui has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management, having served at various international companies. He held key positions at the Securities and Futures Commission of Hong Kong prior to joining the Hong Kong Stock Exchange in 1994 as an executive director of the finance and operations services division and becoming the chief executive in 1997. He was the chairman of the Hong Kong Securities Institute from 2001 to 2004. He was an advisor and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002. Mr. Tsui is currently an independent non-executive director of a number of listed companies in Hong Kong, including Industrial and Commercial Bank of China (Asia) Limited, China Chengtong Development Group Ltd., a cement manufacturer and property development company, COSCO International Holdings, a conglomerate engaging in various businesses including ship trading, property development and investment, China Power International Development Limited, Synergis Holdings Ltd., a property management company, Greentown China Holdings, a developer of residential properties, China Blue Chemical Limited, a fertilizer manufacturer, and Vertex Communications & Technology Group, a communications and technology services provider. Mr. Tsui graduated from the University of Tennessee with a bachelor of science degree and a master of engineering degree in industrial engineering. He completed a program for senior managers in government at the John F. Kennedy School of Government of 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. David E. Elmslie has served as our independent director since December 18, 2006. Mr. Elmslie has extensive experience in gaming, wagering and casino management, finance and administration, corporate and strategic planning, taxation, risk and external and internal audit. From 1995 to 2006 Mr. Elmslie was employed by Tabcorp Holdings Limited, a major Australian publicly listed company which owns and operates casinos including Star City casino in Sydney, Jupiters casino on the Gold Coast and Treasury casino in Brisbane, as well as electronic gaming machines installed in hotels and clubs throughout the state of Victoria and on and off course parimutuel wagering and fixed odds sports betting in Victoria and New South Wales. While at Tabcorp, Mr. Elmslie successively held the positions of executive general manager of development, executive general manager of the Victorian gaming division and chief financial officer. Prior to joining Tabcorp, he ran his own consulting practice, which involved assignments with Australian Wool Textiles Limited, Country Road Australia Limited, an Australian publicly listed company in fashion and homeware retailing, and working on the privatization of the Victorian Totalisator Agency Board. He has also worked for Elders Resources NZFP Limited, then a conglomerate with various businesses, where he was responsible for the group's management accounting and financial accounting functions and prior to that was a senior manager at Coopers and Lybrand Chartered Accountants. Mr. Elmslie is a qualified chartered accountant in Australia and completed degrees in law and commerce at the University of Melbourne. He is the chairman of our audit committee.

Mr. Robert W. Mactier has served as our independent director since December 18, 2006. From March 1997 to January 2006, Mr. Mactier worked with Citigroup Pty Limited and its predecessor firms in Australia. During this time, he gained broad advisory and capital markets transaction experience and specific industry experience in the telecommunications, media, gaming, entertainment and technology sectors having led Citigroup's investment banking team in this area. In addition to this role, he also held leadership roles in Citigroup's investment banking teams responsible for private equity and initial public offerings. Prior to that, he worked in the Australian investment banking and securities markets, initially with Ord Minnett Securities Limited from May 1990 to October 1994 and E.L.&C. Baillieu Limited from November 1994 to February 1997. 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. Mr. Mactier is an independent, non-executive director of STW Communications Group Limited, an Australian publicly listed company. He holds a bachelor's degree in economics from the University of Sydney, Australia. He is a member of our compensation committee and our nominating and corporate governance committee.

Executive Officers

Mr. Simon Dewhurst has served as our executive vice president and chief financial officer since November 2006. Prior to joining us, Mr. Dewhurst was the Head of Media & Entertainment Investment Banking at CLSA Asia Pacific Markets

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from May 2001 to November 2006. Before joining CLSA, Mr. Dewhurst spent six years as a senior executive at News Corporation based in Hong Kong. Prior to joining News Corporation, Mr. Dewhurst was an Experienced Senior in the Audit and Business Advisory Division at Arthur Andersen & Co. between May 1991 and June 1995. Mr. Dewhurst holds a bachelor of sciences degree from University of Reading, the U.K. He qualified as an Associate of the Institute of Chartered Accountants in England & Wales in 1994.

Mr. Garry Saunders has served as our executive vice president and chief operating officer since December 19, 2006. Mr. Saunders has extensive experience in the gaming and hospitality business. From May 2004 to October 2005, he headed the international operations for Las Vegas Sands, with principal responsibility for its Macau operations. This role included oversight of the operations of Sands Macau in Macau and predevelopment activities for a host of properties in the planned Cotai Strip. Mr. Saunders served Playboy Enterprises, Inc. as president of its gaming division from 1997 to 2001, and ITT Corporation as executive vice president for the gaming activities of its Sheraton and Caesars World Divisions from 1994 to 1997. In these roles, he was responsible for the operations of properties, including the development and opening of numerous hotel casino properties, throughout the United States and Canada, and various international locations in, Europe, South America, Australia, Asia and Africa. Mr. Saunders is currently a member of the board of directors of Shuffle Master, Inc., a Nasdaq-listed international casino gaming supply company.

Mr. Ted (Ying Tat) Chan has served as the chief executive officer of Mocha Clubs, our gaming machine business unit in Macau, since November 2006. Mr. Chan had worked with Melco from June 2002 to November 2006. He reports directly to Mr. Lawrence Ho in the areas of overall strategic development and management of Melco. Concurrently, he is also a director and the chief executive officer of Mocha Slot Management Limited, our 100%-owned subsidiary, which has become dormant since MPBL Gaming obtained the subconcession in September 2006. Before joining Melco, 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. Mr. Chan 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 U.K.

Mr. Greg Hawkins is an employee of PBL on secondment to us and has served as the chief executive officer of the Crown Macau since January 2006 and has been supervising the pre-opening and business planning activities of the project. Prior to joining PBL in January 2006, he was general manager for gaming at SKYCITY Entertainment Group, or SKYCITY, a diversified gaming and entertainment enterprise listed in Australia and New Zealand. At SKYCITY, he managed the gaming operations and strategies across multiple casino businesses in New Zealand. He also served as a director of SKYCITY Australia during the period between 2001 and 2004, overseeing the operations of the SKYCITY's casino in Adelaide, Australia, as well as gaming machine and food and beverage businesses of SKYCITY in Auckland, New Zealand from 1998 to 2001. Before joining SKYCITY, he was with Crown Limited beginning in 1994 as an initial member of the executive team that launched the Crown Casino Melbourne. Having extensive experience in the hospitality industry, he held senior management positions with the Victoria TAB (Tabcorp) gaming division, during the period between 1990 and 1994. Mr. Hawkins graduated with a bachelor's degree in applied science, majoring in mathematics and general science from Monash University.

Ms. Stephanie Cheung has served as our general counsel since November 2006. She also acts as the secretary to our board of directors. Ms. Cheung has more than fifteen years of professional experience. Prior to joining us, Ms. Cheung was of counsel at Troutman Sanders from February 2004 to October 2006, consultant at Stikeman Elliott from February 2002 to January 2004 and associate at Freshfields Bruckhaus Deringer from September 1997 to February 2002. Ms. Cheung holds a bachelor of laws degree from Osgood Hall Law School, Ontario, Canada and a master of business administration degree from York University, Ontario, Canada.

B. Compensation of Directors and Executive Officers

In addition to the restricted shares granted as disclosed below, we paid an aggregate of approximately HK\$4.8 million (US\$617,000) in cash to our directors and senior executive officers.

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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 promote the success of our business. 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, with a maximum of 50,000,000 over the first five years.

Our board of directors has approved the grant of restricted shares to the following persons. Approximately 2,540,000 restricted shares have been granted to these persons at the time of the listing of our ADSs on the Nasdaq.

Name	Restricted shares granted
Lawrence (Yau Lung) Ho	*(1)
John Wang	*(2)(3)
Clarence Chung	*(2)(3)
John Alexander	*(3)
Rowen B. Craigie	*(3)
Thomas Jefferson Wu	*(3)
Alec Tsui	*(3)
David E. Elmslie	*(3)
Robert Mactier	*(3)
Simon Dewhurst	*(1)
Garry Saunders	*(4)
Ted (Ying Tat) Chan	*(1)(5)
Greg Hawkins	*(1)(5)
Stephanie Cheung	*(1)
Other 46 individuals as a group	*(1)(2)(3)(5)

* Upon exercise of all restricted shares, would beneficially own less than 1% of our ordinary shares.

- (1) Includes restricted shares that vest upon three years after the date of grant.
- (2) Includes restricted shares that vest upon six months after the date of grant.
- (3) Includes restricted shares that vest over a three year period on a straight-line basis.
- (4) Includes restricted shares that vest over a five year period on a straight-line basis.
- (5) Includes restricted shares that are conditional upon such individuals entering into employment agreements with us by December 31, 2006.

The following paragraphs describe the principal terms that 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, PBL and Melco's and PBL's other joint venture entities, which include our 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.

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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 10 years from the date of the grant.

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

C. Board Practices

Composition of Board of Directors

Our board of directors consists of ten directors, including six directors nominated three each by Melco and PBL and four independent directors. Nasdaq Marketplace Rule 4350(c) generally requires that a majority of an issuer's board of directors must consist of independent directors, but provides for certain phase-in periods under Nasdaq Marketplace Rule 4350(a)(5). However, we do not currently intend to have a majority of independent directors at the end of the phase-in period. Nasdaq Marketplace Rule 4350(a)(1) permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. Walkers, our Cayman Islands counsel, has provided a letter to the Nasdaq certifying that under Cayman Islands law, we are not required to have a majority of independent directors serving on our board of directors. At the end of the phase-in period, we intend to rely on this "home country practice" exception and do not currently intend to have a majority of independent directors serving on our board of directors.

Duties of Directors

Under Cayman Islands law, our directors have a fiduciary duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. A shareholder has the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including the registering of such shares in our share register.

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.

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Committees of the Board of Directors

Our board of directors has 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 David Elmslie, and is chaired by Mr. Elmslie. All of them satisfy the “independence” requirements of the Nasdaq corporate governance rules. We believe that Mr. Elmslie 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 March 19, 2007, to clarify the purpose, duties and powers of the audit committee and to provide the audit committee members with clearer guidance to enable them to carry out their functions. In addition, on March 26, 2007, the board further approved an amendment with respect to the approval of related party transactions.

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:

- 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;
- 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\$120,000 per transaction or series of transactions, which are brought to its attention;
- establishing and overseeing procedures for the handling of complaints and whistleblowing;

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- deciding whether any material information regarding the quality or integrity of the Company’s financial statements, which is brought to its attention by our to be formed 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 March 19, 2007, to clarify the purpose, duties and powers of the compensation committee and to provide the compensation committee members with clearer guidance to enable them to carry out their functions.

The purpose of the compensation committee is to discharge the responsibilities of the board relating to compensation of our executives, including by designing (in consultation with management and our board), recommending to our board for approval, and evaluating the compensation plans, policies and programs of our company.

Members of the compensation committee are not prohibited from direct involvement in determining their own compensation. Our chief executive officer may not be present at any compensation committee meeting during which his compensation is deliberated.

The duties of the compensation committee include:

- in consultation with senior management, making recommendations on our general compensation philosophy and overseeing the development and implementation of our compensation programs;
- making recommendation to the board with respect to the compensation packages of our directors and approving the compensation package of our senior executive officers (including the chief executive officer, the chief financial officer, the chief operating officer, the general counsel, the head of internal audit and the director of human resources, as well as the general manager or chief executive officer of each business unit or subsidiary of our company);
- 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.

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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 nominating and corporate governance committee was adopted by our board on November 28, 2006. It was amended and restated on Marh 19, 2007, 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 Special Administrative Region of the People’s Republic of China (including the relevant laws related to the gaming industry), of the Cayman Islands, of the SEC and of 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.

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Qualification

There is no shareholding qualification for 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 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 Macau, Australia or any other country or region in which our company operates, except for Lawrence Ho, for whom the restricted area is defined as Macau, Australia and Hong Kong.

Mr. Ted (Ying Tat) Chan has entered into an employment agreement with MPBL Gaming with substantially similar terms as those of our other executive officers as described above.

D. Employees

Employees

We had 270, 412 and 657 employees as of December 31, 2004, 2005 and 2006, 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, 2004, 2005 and 2006.

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	As of December 31,					
	2004		2005		2006	
	Number of employees	Percentage of Total	Number of employees	Percentage of Total	Number of employees	Percentage of Total
Mocha						
Food and beverage	81	30.0%	93	22.6%	78	11.9%
Floor	164	60.7	255	61.9	370	56.3
General and administrative	25	9.3	53	12.9	69	10.5
Subtotal	270	100	401	97.4	517	78.7
Crown Macau and City of Dreams ⁽¹⁾	—	—	11	2.6	134	20.4
Corporate administrative offices	—	—	—	—	6	0.9
Total	270	100.0%	412	100.0%	657	100%

(1) Includes project management and marketing staff for the two projects.

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. In anticipation of the formal opening of the Crown Macau on May 9, 2007, we are recruiting and training over 3,500 employees for the operation of the completed facility. See “Risk Factors—Risks Relating to the Completion and Operations of Our Projects—We will need to recruit a substantial number of new employees before each of our projects can open and competition may limit our ability to attract qualified management and personnel.”

E. Share Ownership

Prior to the initial public offering of our ADSs in December 2006, we were owned by Melco and PBL on a 50/50 basis. During the initial public offering, we initially issued 60,250,000 ADSs, representing 180,750,000 ordinary shares. On January 8, 2007, we sold an additional 9,037,500 ADSs, representing 27,112,500 ordinary shares pursuant to the underwriters’ option to purchase these additional ADSs from us. In the prospectus for our initial public offering, we disclosed that we would issue up to 205,000 ADSs, representing up to 615,000 ordinary shares, in connection with the assured entitlement distribution described in the prospectus. The total number of ADSs that were actually issued in connection with the assured entitlement on December 22, 2006 was 60,382 ADSs, representing 181,146 ordinary shares. As of March 15, 2007, the total number of our issued and outstanding ordinary shares was 1,208,043,646 shares, out of which 208,043,646 ordinary shares were represented by 69,347,882 ADSs, and each of Melco and PBL beneficially owned 41.4% of our outstanding ordinary shares. The following table sets forth the beneficial ownership of the principal holders our ordinary shares as of March 15, 2007.

Name	As of March 15, 2007 ⁽¹⁾	
	Number	Percentage
Melco Leisure and Entertainment Group Limited ⁽²⁾⁽³⁾⁽⁴⁾	500,000,000	41.4%
PBL Asia Investments Limited ⁽⁵⁾	500,000,000	41.4%

- (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 PBL has a shareholders’ agreement relating to certain aspects of the voting and disposition of our ordinary shares held by them, and may accordingly constitute a “group” within the meaning of Rule 13d-3. See “—Melco PBL Joint Venture.” However, Melco and PBL 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 Chairman and Chief Executive Officer and the chairman, chief executive officer and managing director of Melco, personally holds 7,232,612 ordinary shares of Melco, representing approximately 0.6% of Melco’s ordinary shares outstanding as of March 15, 2007. In addition, 115,509,024 shares are held by Lasting Legend Ltd. and 288,532,606 shares are held by Better Joy, companies owned by persons and trusts associated with Mr. Lawrence Ho. Therefore, we believe that for purposes of Rule 13d-3, Mr. Ho beneficially owns 411,274,242 ordinary shares of Melco, representing approximately 33.5% of Melco’s ordinary shares outstanding as of March 15, 2007. This does not include 117,912,694 shares into which convertible notes held by Great Respect Limited, a company controlled by a discretionary trust formed for the benefit of members of the Ho family (including Mr. Ho and Dr. Ho), may be converted upon the issuance of the land certificate for the City of Dreams site. None of the beneficiaries of the trust control the voting or disposition of shares held by the trust or Great Respect Limited.

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- (4) As of March 15, 2007, Dr. Ho personally holds 18,587,789 ordinary shares of Melco, representing approximately 1.51% of Melco's outstanding shares. In addition, 3,127,107 ordinary shares of Melco are held by Lanceford Company Limited, a company wholly owned by Dr. Ho, representing approximately 0.26% of Melco's outstanding shares. Dr. Ho's beneficial ownership does not include 117,912,694 shares into which convertible notes held by Great Respect Limited may be converted upon the issuance of the land certificate for the City of Dreams site. Dr. Ho's beneficial ownership also does not include 63,658,536 shares into which convertible notes held by STDM would be convertible beginning after November 9, 2007 as to 50,000,000 shares and February 8, 2008 as to 13,658,536 shares because such convertible notes are not convertible within 60 days of the date of this annual report or Form 20-F. Melco has the right to redeem the convertible notes before they become convertible.
- (5) PBL Asia Investments Limited is incorporated in the Cayman Islands and is 100% indirectly owned by PBL. The address of PBL is c/o Level 2, 54 Park Street, Sydney NSW 2000, Australia. The address of PBL Asia Investments Limited is c/o Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands. PBL is listed on the Australian Stock Exchange. As of March 15, 2007, PBL was approximately 38.1% owned by Consolidated Press Holdings Group, which is a group of companies owned by the Packer family.

None of our directors or executive officers beneficially owned 5% or more of our voting shares as of March 15, 2007.

For information regarding our shares held or beneficially owned by persons in the United States, see "Item 9. The Offer and Listing—A. Offer and Listing Details—Market Price Information for Our American Depositary Shares" in this annual report.

None of our shareholders will have different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

Melco PBL Joint Venture

In November 2004, Melco and PBL agreed to form an exclusive new joint venture in Asia to develop and operate casino, gaming machines and casino hotel businesses and properties in a territory defined to include Greater China (comprising Macau, China, Hong Kong and Taiwan), Singapore, Thailand, Vietnam, Japan, the Philippines, Indonesia, Malaysia and other countries that may be agreed (but not including Australia and New Zealand).

In March 2005, Melco and PBL concluded the joint venture arrangements resulting in our company becoming a 50/50 owned holding company and entered into a shareholders' deed that governed their joint venture relationship in our company and our subsidiaries. We will act as the exclusive vehicle of Melco and PBL to carry on casino, gaming machines and casino hotel operations in Macau, while activities in other parts of the territory will be carried out under other entities formed by PBL and Melco. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Non-competition Agreement."

Original and Amended Shareholders' Deed

Under the original shareholders' deed, projects and activities of the joint venture in Greater China were to be undertaken by MPBL (Greater China), which is effectively owned 60% by Melco and 40% by PBL, with projects in the Territory outside Greater China to be undertaken by one or more other of our subsidiaries which are effectively owned 60% by PBL and 40% by Melco.

Pre-reorganization Corporate Structure

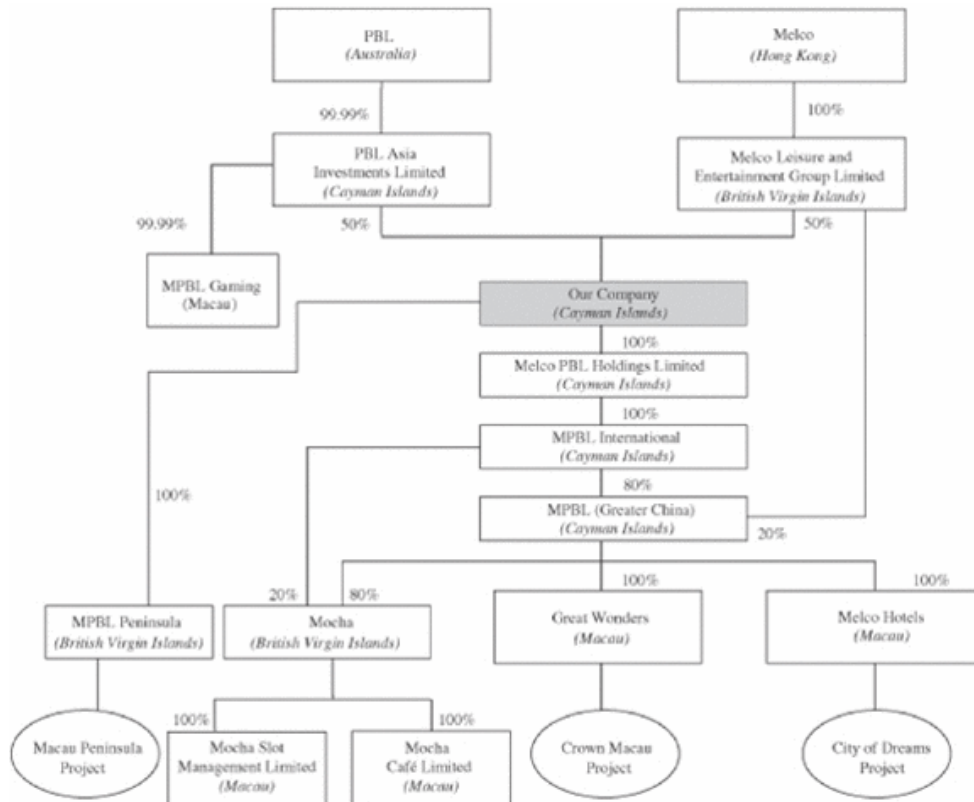
Before MPBL Gaming was issued a subconcession and the Macau government approved the transfer of control of MPBL Gaming to us, we held our interests in the subsidiaries that own the Crown Macau and the City of Dreams projects through MPBL (Greater China) and held our interests in the Mocha Clubs through Mocha and its subsidiaries.

Under the original agreement between Melco and PBL regarding their joint venture through MPBL Entertainment, it was contemplated that MPBL (Greater China) would hold and operate the interests of the joint venture in Greater China on

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the basis that Melco’s effective interest would be 60% and PBL’s effective interest would be 40%. For that reason, MPBL (Greater China) was held 80% by us and 20% directly by Melco, and all of the Mocha operations and the Crown Macau and City of Dreams projects were held through MPBL (Greater China). Under amendments to the joint venture relationship in connection with the obtaining of the subconcession in Macau, Melco and PBL have agreed that their interests throughout their agreed territory, including in Macau, will be held in equal proportions by each of them. As a result, the Mocha Clubs assets and business and the holding subsidiaries for the Crown Macau and City of Dreams projects have been transferred to MPBL Gaming to be operated under the new subconcession and held indirectly in equal parts by Melco and PBL. None of the joint venture’s interests in Macau are now held through MPBL (Greater China). The 20% interest in MPBL (Greater China) held by Melco has been reclassified as non-voting shares and recently has been transferred to our wholly-owned subsidiary MPBL International for a nominal amount.

The following chart sets forth our corporate structure prior to reorganization:



Memorandum of Agreement

Simultaneously with PBL entering into an agreement with Wynn Macau to obtain a subconcession on March 4, 2006, Melco and PBL executed a memorandum of agreement on March 5, 2006, relating to the amendment of certain provisions of the shareholders’ deed and other commercial agreements between Melco and PBL in connection with their joint venture. Melco and PBL supplemented the memorandum of agreement by entering into a supplemental agreement to the memorandum of agreement on May 26, 2006. Under the memorandum of agreement, as amended, Melco and PBL agreed in principle to share on a 50/50 basis the risks, liabilities, commitments, capital contributions and economic value and benefits with respect to gaming projects in the Territory, including in Macau, subject to PBL obtaining the subconcession and the transfer of control of MPBL Gaming to us. The principal terms and conditions of the shareholders’ deed, as amended by the memorandum of agreement and the supplemental agreement to the memorandum of agreement, are:

- Melco and PBL are to share on a 50/50 basis all the economic value and benefits with respect to all gaming projects in the Territory;

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- Melco and PBL are to appoint an equal number of members to our board of directors, with no casting vote in the event of a deadlock or other deadlock resolution provisions;
- All of the Class A shares of MPBL Gaming, representing 28% of all the outstanding capital stock of MPBL Gaming, are to be owned by PBL Asia Limited (as to 18%) and the Managing Director of MPBL Macau (as to 10%), respectively. Mr. Lawrence Ho has been appointed to serve as the Managing Director of MPBL Gaming. The holders of the Class A shares, as a class, will have the right to one vote per share, receive an aggregate annual dividend of MOP 1 and return of capital of an aggregate amount of MOP 1 on a wind up or liquidation, but will have no right to participate in the winding up or liquidation assets;
- All of the Class B shares of MPBL Gaming, representing 72% of all the outstanding capital stock of MPBL Gaming are to be owned by MPBL Investments, our wholly owned subsidiary. As the holder of Class B shares, we will have the right to one vote per share, receive the remaining distributable profits of MPBL Gaming after payment of dividends on the Class A shares, to return of capital after payment on the Class A shares on a winding up or liquidation of MPBL Gaming, and to participate in the winding up and liquidation assets of MPBL Gaming;
- The shares of Great Wonders and Melco Hotels and the operating assets of Mocha would be transferred to MPBL Gaming;
- MPBL (Greater China) and Mocha are to be liquidated or remain dormant; and
- The provisions of the shareholders' deed relating to the operation of our company are to apply to MPBL Gaming.

Post-offering shareholders' deed

Melco and PBL have entered into a new shareholders' deed with us, which became effective in December 2006. The new shareholders' deed includes the following principal terms:

Exclusivity. Melco and PBL must not (and must ensure that their respective Affiliates and major shareholders do not), other than through us, directly or indirectly own, operate or manage a casino, a gaming slots business or a casino hotel, or acquire or hold an interest in an entity that owns, operates or manages such businesses in Macau, except that Melco and PBL may acquire and hold up to 5% of the voting securities in a public company engaged in such businesses.

Directors. Melco and PBL may each nominate up to three directors and shall vote in favor of the three directors nominated by the other and will not vote to remove directors nominated by the other. Melco and PBL will procure that the number of directors appointed to our board shall not be less than ten. However, if the number of directors on our board is increased, each of Melco and PBL will agree to increase the number of directors that they will nominate so that not less than 60% of our board will be directors nominated by Melco and PBL and voted in favor of by the other.

Transfer of Shares. Without the approval of the other party, Melco and PBL may not create any security interest or agree to create any security interest in our shares. In addition, without approval from the other, Melco and PBL may not transfer or otherwise dispose of our shares, except for: (1) permitted transfers to their wholly owned subsidiaries; (2) transfers of up to 1% of our issued and outstanding shares over any three month period up to a total cap of 5% of our issued and outstanding shares; (3) transfers subject to customary rights of first refusal and tag-along rights in favor of PBL or Melco (as the case may be) with respect to their transfers of our shares; and (4) in the case of Melco, the assured entitlement distribution by Melco to its shareholders of the assured entitlement ADSs.

Disposal of MPBL Gaming Shares. PBL may not dispose of its direct interest in PBL Asia Limited or its indirect interest in the Class A shares of MPBL Gaming unless we approve the transfer or the shares are otherwise transferred to us or one of our subsidiaries subject to regulatory requirements and approvals. If PBL transfers all of our shares then, subject to regulatory requirements and approvals, Melco can require PBL to sell all of its interest (direct or indirect) in MPBL Gaming to us.

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Events of Default. If there is an event of default, which is defined as a material breach of the shareholders' deed, an insolvency event of Melco or PBL or their subsidiaries which hold our shares, or a change in control of the Melco or PBL subsidiaries which hold our shares, and it is not cured within the prescribed time period, then the non-defaulting shareholder may exercise: (1) a call option to purchase our shares owned by the defaulting shareholder at a purchase price equal to 90% of the fair market value of the shares; or (2) a put option to sell all of the shares it owns in us to the defaulting shareholder at a purchase price equal to 110% of the fair market value of the shares.

Notice from a Regulatory Authority. If a regulatory authority directs either Melco or PBL to end its relationship with the other, or makes a decision that would have a material adverse effect on its rights or benefits in us, then Melco and PBL may serve a notice of proposed sale to the other and, if the other shareholder does not want to purchase those shares, may sell the shares to a third party.

Term. The shareholders' deed will continue unless agreed in writing by all of the parties or if a shareholder ceases to hold any of our shares in accordance with the shareholders' deed.

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

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See "Item 6. Directors, Senior Management and Employees — E. Share Ownership."

B. Related Party Transactions

We have, from time to time, engaged in various transactions with related parties.

Transfer of Control of MPBL Gaming

After MPBL Gaming obtained the subconcession and we obtained Macau governmental approval for our taking control of MPBL Gaming, effective control of MPBL Gaming was transferred to us through a series of steps involving the restructuring of the capital stock and conversion of subordinated debt of MPBL Gaming.

Pursuant to a memorandum of agreement dated March 5, 2006 and a supplemental agreement dated May 26, 2006, entered into between PBL and Melco, Melco and PBL agreed to contribute US\$320 million to us to subscribe for Class B shares of MPBL Gaming representing 72% voting control of MPBL Gaming and the rights to virtually all the profits of MPBL Gaming and virtually all the proceeds of any winding up or liquidation of MPBL Gaming. This US\$320 million was used to repay the US\$320 million of loans earlier made by PBL and Melco to MPBL Gaming to fund part of the payment for the subconcession. The existing shares of MPBL Gaming held by PBL Asia Limited were converted into Class A shares representing 18% of the voting power of the outstanding shares of MPBL Gaming. Class A shares representing 10% of the voting power of the outstanding shares of MPBL Gaming were also issued to the Managing Director of MPBL Gaming, who is a Macau resident as required under Macau law, upon the subconcession being issued. The Class A shares are entitled to an aggregate of MOP 1 in dividends and MOP 1 in proceeds of any winding up or liquidation of MPBL Gaming. A shareholders agreement was entered into on November 22, 2006 among our subsidiary, MPBL Investments, which holds the Class B shares, PBL Asia Limited, the Managing Director and MPBL Gaming under which, among other things, PBL Asia Limited agrees to vote its Class A shares along with the Class B shares in all matters submitted to a vote of shareholders of MPBL Gaming.

Mocha Clubs

Through a sequence of transactions, our wholly-owned subsidiary MPBL International and our 80%-owned subsidiary MPBL (Greater China) obtained 20% and 80%, respectively, of Mocha, largely through Melco's acquisition of a controlling interest in Mocha and contribution of the shares of Mocha to MPBL (Greater China) as part of the formation of Melco's joint venture with PBL.

In June 2004, Melco acquired (1) 65% of the issued capital of Mocha from Better Joy Overseas Ltd., or Better Joy, a company which was then 77%-owned by Mr. Lawrence Ho and the Sharen Lo Trust, a trust for the benefit of Ms. Sharen Lo, the wife of Lawrence Ho, and her offspring (subsequently held by persons and trusts associated with Mr. Lawrence Ho), and formerly 23%-owned by Dr. Stanley Ho, who subsequently transferred all of this 23% interest to a discretionary trust formed for the benefit of members of the Ho family (including Mr. Ho and Dr. Ho) on November 17, 2006, and (2) 15% of the issued capital of Mocha from third party individuals. In July 2004, the remaining 20% interest in Mocha was owned by Dr. Stanley Ho. At that time, Dr. Stanley Ho was the chairman of Melco and Mr. Lawrence Ho was the managing director of Melco. As part of the payment for the 65% interest in Mocha, Melco issued 124,701,087 shares of Melco to Better Joy. Melco also acquired a shareholder loan of US\$5.8 million advanced by Better Joy to Mocha through the issuance of a note to Better Joy convertible into shares of Melco. Compensation expense of US\$1.4 million was recognised relating to the acquisition of this shareholder loan. See notes 1 and 3 to our financial statements.

After acquiring a controlling interest in Mocha in June 2004, which then was operating two Mocha Clubs, Melco launched its first Mocha Club at Kampek, which is adjacent to the Hotel Lisboa, and subsequently opened three additional Mocha Clubs in Macau. Since prior to September 2006, we were not a concessionaire or subconcessionaire, Mocha also entered into five-year services agreements with SJM, a company controlled by Dr. Stanley Ho. Pursuant to the services agreements, Mocha provided all of the gaming machines at the Mocha Clubs and auxiliary services to SJM. Mocha's service fees comprised 31% of gaming machine win from the Mocha Clubs. In 2006, the service fees received and receivable from SJM were US\$16.3 million. In 2006, we paid SJM US\$2.2 million for electrical and mechanical equipment and related wiring and cabling work for the operation of the Mocha Clubs. As of December 31, 2006, we had an outstanding balance of US\$163,000 due to SJM, which is unsecured, non-interest bearing and repayable on demand.

In March 2005, Mocha became one of our subsidiaries when Melco contributed the 80% interest it then owned in Mocha to our subsidiary MPBL (Greater China) in connection with forming the joint venture between Melco and PBL. Dr. Stanley Ho resigned as a director and the chairman of Melco in March 2006, and in May 2006, MPBL International, our wholly-owned subsidiary, acquired the remaining 20% interest in Mocha and a shareholders' loan from Dr. Stanley Ho to Mocha of HK\$45.7 million (US\$5.9 million), which had been fully paid off as of December 31, 2006.

In March 2006, when the agreement between PBL and Wynn Macau for the subconcession was entered into, Mocha entered into an agreement with SJM for the conditional termination of all the existing services agreements for the Mocha Clubs. The agreement was terminated in September 2006 after MPBL Gaming obtained the subconcession. Shortly thereafter, we injected all the business assets of Mocha into MPBL Gaming.

Crown Macau

In a sequence of transactions, MPBL (Greater China), through Melco, obtained the site and development rights for the Crown Macau and all the shares of Great Wonders (except for the nominal shares held by other group companies as required by Macau law), our holding subsidiary for the Crown Macau project.

The Crown Macau project started in September 2004, when Melco entered into an agreement with STD, the parent of SJM, to jointly develop and own a high-end casino hotel project on land located at Baixa da Taipa, Macau. Great Wonders, then a subsidiary of STD, held the concession rights to the land for the development of the casino hotel project. After entering into that agreement, Melco acquired the 100% interest in Great Wonders from STD in a series of transactions between 2004 and 2005 by issuing to STD shares currently representing an interest of approximately 1.8% in Melco and convertible bonds that will become convertible into 50,000,000 ordinary shares of Melco after November 9, 2007, and 13,658,536 ordinary shares of Melco after February 8, 2008. Such shares would currently represent an interest of approximately 5.2% of Melco's outstanding ordinary shares.

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In connection with the formation of its joint venture with PBL, in March 2005, Melco transferred 70% of its interest in Great Wonders to one of our subsidiaries, MPBL (Greater China). MPBL (Greater China) subsequently obtained the remaining 30% in July 2005. In March 2006, the Macau government officially granted to Great Wonders the land concession for the Crown Macau site.

City of Dreams

In a series of transactions, MPBL (Greater China), through acquisition from Melco acquired the site and development rights for the City of Dreams through acquisition from Melco and all the shares of Melco Hotels, our current holding subsidiary for the City of Dreams project.

The City of Dreams project started when Melco Leisure and Entertainment Group Limited, or Melco Leisure, a subsidiary of Melco, and Great Respect Limited, or Great Respect, a company controlled by a discretionary trust formed for the benefit of members of the Ho family, formed a joint venture for the purpose of developing and operating an integrated destination resort in Macau. The Great Respect/Melco Leisure joint venture applied to the Macau government for the grant of a land concession for development of the City of Dreams on the Cotai Strip through Melco Hotels, then a subsidiary of Melco, which submitted the application to the Macau government. As part of the formation of their joint venture, Melco and PBL agreed in March 2005 that Melco Leisure would transfer to us its 50.8% interest in the City of Dreams project and Melco Hotels would purchase from Great Respect the remaining 49.2% interest in the City of Dreams project. Melco Hotels also accepted in principle an offer from the Macau government to grant to Melco Hotels a long term lease of land parcels on the Cotai Strip with an aggregate area of approximately 113,325 square meters (28 acres) for the development of the City of Dreams. Although there can be no certainty, we expect to finalize our negotiations with the Macau government and obtain a land concession for the sites of the City of Dreams as soon as we finalize and submit to the Macau government our development plans for the entire site. See “Item 3. Key Information—D. Risk Factors—Risks Relating to the Completion and Operation of Our Projects—We are developing the City of Dreams project on land for which we have not yet been granted a formal concession by the Macau government on terms acceptable to us. If we do not obtain a land concession on terms acceptable to us, we could forfeit all or a part of our investment in the site and the design and construction of the City of Dreams and would not be able to open and operate that facility as planned.”

Other Transactions with Melco and PBL

Working Capital Loans for the Crown Macau and the City of Dreams

Melco provided loans to us for working capital purposes and the acquisition of the Crown Macau and the City of Dreams sites and for construction of the Crown Macau. PBL also provided loans to us as working capital loans. Effective on September 30, 2006, Melco and PBL forgave a total of US\$150.0 million in equal proportions and such amounts were converted into equity. On November 14, 2006, we repaid US\$25 million to Melco and PBL in equal proportions.

The outstanding balance of working capital loans from Melco as of December 31, 2006 was US\$144.7 million, which was unsecured. As of December 31, 2006, the outstanding loans comprised an amount of US\$74.4 million, which was interest bearing at a floating rate based on three-month HIBOR per annum and repayable in 18 months from November 15, 2006, and the balance of US\$70.3 million, which was non-interest bearing and repayable on demand. Interest of US\$2.2 million was paid or payable to Melco for the year ended December 31, 2006.

As of December 31, 2006, the outstanding balance due to PBL was US\$67.8 million which was unsecured. As of December 31, 2006, the outstanding balance comprised an amount of US\$41.3 million, which was interest bearing at a floating rate based on three-month HIBOR per annum and repayable in 18 months from November 15, 2006, and the balance of US\$26.5 million, which was non-interest bearing and repayable on demand. Interest of US\$209,000 was paid or payable to PBL for the year ended December 31, 2006.

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As of the date of this annual report on Form 20-F, we had fully repaid the non-interest bearing portions of the amounts due to shareholders of approximately US\$96.9 million.

MPBL (Greater China) received an advance from Melco Services Limited, a wholly-owned subsidiary of Melco for working capital purposes. The amounts were repayable on demand, unsecured and bore interest at 9% per annum and had been charged until June 2006 from which date onwards the amounts due ceased to be interest bearing. As of December 31, 2006, the outstanding amount due to Melco Services Limited is US\$2.5 million. In connection with this advance, the total interest paid and payable in 2006 was US\$333,000.

Support Arrangements

PBL and Melco currently provide us with administrative support and technical expertise in connection with the development of the Crown Macau, City of Dreams and Macau Peninsula projects and the operation of the Mocha Clubs business. In addition, PBL has seconded to our subsidiaries several of their key project development personnel to form our core interim project management team to oversee the development and completion of the Crown Macau, the City of Dreams and the Macau Peninsula projects. We reimburse PBL and Melco for reasonable out-of-pocket costs and expenses they incur in connection with the services they provide and these secondment arrangements, however, we do not have contractual rights to have Melco and PBL provide this support to us.

Service Fee and Project Management Fee paid to Melco Services Limited

In 2006, service fee of US\$132,000 and network support fee of US\$27,000 were paid to Melco Services Limited for the provision of general administrative service to our projects. .

In 2006, project management fees of US\$1.4 million, which were based on actual costs incurred, were paid for services provided by Melco Services Limited in connection with our projects and were capitalized in construction in progress.

Service Fee paid to Publishing and Broadcasting (Finance) Limited

In 2006, MPBL (Greater China) paid service fees of US\$1.6 million to Publishing and Broadcasting (Finance) Limited, a subsidiary of PBL, for the provision of general administrative services to our projects. In 2006, we also paid certain expenses in connection with the purchase of a vehicle on behalf of Publishing and Broadcasting (Finance) Limited. As of December 31, 2006, the outstanding balance due from Publishing and Broadcasting (Finance) Limited of US\$30,000 was unsecured, non-interest bearing and repayable on demand.

Consultancy Fee paid to Crown Limited

In 2006, we paid US\$5.3 million to Crown Limited, a subsidiary of PBL, for the year ended December 31, 2006 for consulting services of the Crown Macau Project. Of the US\$5.3 million, US\$2.7 million was capitalized in construction in progress. As of December 31, 2006, the US\$1.6 million outstanding balance due to Crown Limited was unsecured, non-interest bearing and repayable on demand.

Transactions with Elixir

In 2006, we purchased US\$36,000 equipment from and paid US\$48,000 network support fees to Elixir Group (Hong Kong) Limited, a wholly-owned subsidiary of Melco. As of December 31, 2006, the outstanding balance was nil.

In connection with the services agreements between Mocha and SJM, each of Mocha and SJM, on the one hand, and Elixir Group (Macau) Limited, or Elixir Macau, a wholly-owned subsidiary of Melco, on the other, entered into service agreements for system integration and related maintenance services in April 2005 and December 2005, respectively. In 2006, Mocha purchased US\$6.4 million of equipment for operation of the Mocha Clubs from Elixir Macau, pursuant to these service agreements. In addition, we purchased other property and equipment from Elixir Macau for US\$2.8 million in 2006 for operations of our projects. We also entered into service agreements with Elixir Macau for system integration and related maintenance services in 2005. In 2006, we paid approximately US\$397,000 to Elixir Macau for these services, US\$281,000 of which was paid in connection with services provided for our projects and capitalized in construction in progress. As of December 31, 2006, the US\$5.2 million outstanding balance due to Elixir Macau was unsecured, interest free and repayable on demand.

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Transactions with iAsia Online Systems

In 2006, we purchased US\$549,000 equipment from and paid US\$14,000 network support fee to iAsia Online Systems, a wholly-owned subsidiary of Melco. As of December 31, 2006, the outstanding balance due to iAsia Online Systems of US\$379,000 was unsecured, interest free and repayable on demand.

Guarantees and Support

Under the proposed terms of the City of Dreams Project Facility, in order to meet conditions to drawing loans, Melco and PBL may be required to provide additional equity contributions to cover cost overruns or to maintain certain debt to equity ratios. The proposed terms of the City of Dreams Project Facility contemplate that it will be a condition to drawing loans that Melco and PBL provide corporate or bank guarantees for an agreed portion of such potential equity contributions. In connection with the Subconcession Facility, Melco and PBL had agreed to provide corporate and bank guarantees to support our payment obligations. PBL had guaranteed US\$500 million of the loan under the Subconcession Facility. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Financing Activities—Description of Our Indebtedness.” In September 2006, we paid a guarantee fee of US\$5.0 million to PBL in consideration for the guarantee provided by PBL under the Subconcession Facility. As of December 31, 2006, the US\$500 million debt drawn under the Subconcession Facility had been fully paid off and, therefore, the guarantee provided by PBL had been cancelled.

Rental of Mocha Club

In August 2005, a wholly owned subsidiary of Melco Investment Holdings Limited purchased the property at which the Mocha Club at Kingsway operates, from a third party seller. In 2006, Mocha paid US\$334,000 to this subsidiary of Melco for the lease of this property. As of December 31, 2006, the outstanding balances of US\$212,000 due to Melco Investment Holdings Limited was unsecured, non-interest bearing and repayable on demand. In addition, we paid US\$139,000 to Lisboa Holdings, in which a relative of Mr. Lawrence Ho has a beneficial interest, for leasing of and service provided to Mocha Club at Sintra. In 2006, service fee of US\$350,000 was paid to Lisboa Holdings. As of December 31, 2006, the US\$529,000 outstanding balance due to Lisboa Holdings was unsecured, non-interest bearing and repayable on demand.

Transactions with Melco Services Limited and Melco Services (Macau) Limited

In 2006, we paid US\$125,000 and US\$1,000 traveling expenses to Melco Services Limited and Melco Services (Macau) Limited, wholly-owned subsidiaries of Melco, respectively. In addition, contractor fee of US\$16,000 was paid to Melco Services (Macau) Limited in 2006. As of December 31, 2006, the US\$5,000 outstanding balance due to Melco Services (Macau) Limited was unsecured, interest free and repayable on demand.

Licensing Agreement

We have entered into a license agreement with Crown Limited and obtained an exclusive and non-transferable license to use the Crown brand in Macau. We sub-licensed the rights to our subsidiaries such that we and our subsidiaries are permitted to use certain trademarks and logos associated with the Crown brand name in connection with our sales, promotion, marketing and operations of the Crown Macau.

Registration Rights

We have entered into a registration rights agreement with Melco and PBL, which became effective upon the completion of the initial public offering of our ADSs, pursuant to which we have granted Melco and PBL customary registration rights following six-months after the completion of the initial public offering of our ADSs, including two demand registration rights, piggyback registration rights, and form F-3 registration rights.

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Other transactions with SJM and STDM

Mocha received loans from Dr. Stanley Ho in the amount of US\$5.8 million for working capital purposes in 2005. The loans were unsecured, bearing interest at 4% per annum, and were repayable on demand. The outstanding balance as of December 31, 2006 was nil. In connection with these loans, the total interest paid was US\$80,000 as of December 31, 2006. These loans were acquired by MPBL International together with the remaining 20% interest in Mocha on May 9, 2006.

We paid traveling expenses to STDM of US\$248,000 in 2006. These traveling expenses were incurred as reimbursements to STDM, which made the accommodation and transport arrangements for Mocha employees traveling between Hong Kong and Macau. The outstanding balance due to STDM as of December 31, 2006 was nil, and the balance due from STDM as of December 31, 2006 was US\$122,000. The outstanding balance with STDM was unsecured, non-interest bearing and repayable on demand.

Letters of Confirmation

In November 2004, we entered into letters of confirmation with SJM, with the intention of entering into definitive lease and service contracts under which SJM was to lease the casino areas and VIP rooms in the Crown Macau upon completion of the Crown Macau project and operate the casino, paying us lease rentals based on the gaming revenues from the casino operations remaining after deducting Macau taxes, fees and premium on gaming revenues and a portion of the gaming revenues retained by SJM. When PBL entered into the subconcession contract with Wynn Macau to obtain the subconcession in March 2006, we terminated the letters of confirmation.

Employment Agreements

We have entered into employment agreements with key management and personnel of our company and our subsidiaries. See “Item 6. directors, Senior Management and Employees—C. Board Practices—Employment Agreements.”

Equity Incentive Plan

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

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal and Administrative Proceedings

We are currently not a party to any material legal or administrative proceedings and we are not aware of any material legal or administrative proceedings pending or threatened against us. We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

Dividend Policy

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

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Our board of directors has complete discretion on whether to pay dividends, subject to the approval of our shareholders. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

The debt facilities of our subsidiaries contain, or are expected to contain, restrictions on payment of dividends to us, which is expected to affect our ability to pay dividends in the foreseeable future. See “Item 3. Key Information—D. Risk Factors—Risks Relating to the Shares and ADSs and Our Trading Markets—We currently do not intend to pay dividends, and we cannot assure you that we will make dividend payments in the future.”

B. Significant Changes

In January 2007, we sold an additional 9,037,500 ADSs, representing 27,112,500 ordinary shares, pursuant to the underwriters’ over-allotment option to purchase these additional ADSs from us at the initial public offering price of \$19.00 per ADS less the underwriting commission. We received the proceeds of approximately US\$160.6 million from this over-allotment sale. As a result, our outstanding share capital increased from 1,180,931,146 ordinary shares as of December 31, 2006 to 1,208,043,646 ordinary shares as of the date of this annual report.

As of the date of this annual report on Form 20-F, we had fully repaid the non-interest bearing portions of the amounts due to shareholders of approximately US\$96.9 million.

Except as described above, we have no other significant changes since the date of our audited consolidated financial statements included in this annual report on Form 20-F.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details.

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

For the year ended December 31, 2006, the trading price ranged from US\$18.88 to US\$23.55 per ADS.

The following table provides the high and low trading prices for our ADSs on the Nasdaq for (1) the last quarter in 2006 and the first quarter of 2007 and (2) each of the past calendar months since the commencement of trading of our ADSs.

	Sales Price	
	High	Low
Quarterly High and Low		
Fourth Quarter 2006	23.55	18.88
First Quarter 2007 (through March 29, 2007)	22.34	14.12
Monthly Highs and Lows		
December 2006	23.55	18.88
January 2007	22.34	19.13
February 2007	20.70	16.20
March 2007 (through March 29, 2007)	17.38	14.12

B. Plan of Distribution

Not applicable.

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C. Markets

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

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We incorporate by reference into this annual report the summary description of our amended and restated memorandum of association, as conferred by Cayman law, contained in our F-1 registration statement (File No. 333-139088) originally filed with the SEC on December 1, 2006, as amended. Our shareholders adopted our amended and restated memorandum and articles of association by a special resolution on December 1, 2006.

C. Material Contracts

On January 22, 2007, Melco Hotels and Hard Rock have signed definitive agreements for the development of Hard Rock Hotel and Casino at the City of Dreams, which is planned to open in the first phase in late 2008. Pursuant to the agreements, we have the exclusive right to use the Hard Rock brand for the hotel and casino facility at the City of Dreams for a term of ten years at fees based on percentages of revenues generated at the property payable to Hard Rock.

Other than disclosed above, we have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” and Item 7. Major Shareholders and Related Party Transactions” or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

Foreign Currency Exchange

The Hong Kong dollar is the predominant currency used in gaming transactions in Macau and is often used interchangeably with the Pataca in Macau. The Hong Kong dollar is pegged to the U.S. dollar within a narrow range and the Pataca is in turn pegged to the Hong Kong dollar. Although we will have certain expenses and revenues denominated in Patacas in Macau, our revenues and expenses will be denominated predominantly in Hong Kong dollars and in connection with most of our indebtedness and certain expenses, U.S. dollars. No foreign exchange controls exist in Macau and Hong Kong and there is a free flow of capital into and out of Macau and Hong Kong. There are no restrictions on remittances of Hong Kong dollars or any other currency from Macau and Hong Kong to persons not resident in Macau and Hong Kong for the purpose of paying dividends or otherwise.

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E. Taxation

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Macau Taxation

Neither our ADSs nor our ordinary shares are expected to be subject to tax in Macau.

United States Federal Income Taxation

The following discussion describes the material United States federal income tax consequences to U.S. Holders (defined below) under present law of an investment in the ADSs or ordinary shares. This summary applies only to investors that hold the ADSs or ordinary shares as capital assets and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States as in effect on the date of this Form 20-F and on United States Treasury regulations in effect or, in some cases, proposed, as of the date of this Form 20-F, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- certain financial institutions;
- insurance companies;
- broker dealers;
- U.S. expatriates;
- traders that elect to mark to market;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- persons holding an ADS or ordinary share as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10.0% or more of our voting stock;

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- persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation; or
- persons holding ADSs or ordinary shares through partnerships or other pass-through entities.

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

The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply if you are a beneficial owner of ADSs or ordinary shares and you are, for U.S. federal income tax purposes,

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

If you are a partner in partnership or other entity taxable as a partnership that holds ADSs or ordinary shares, your tax treatment generally will depend on your status and the activities of the partnership.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with their terms. If you hold ADSs, you should be treated as the holder of the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes.

The U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming, by U.S. Holders of ADSs, of foreign tax credits for U.S. federal income tax purposes. Such actions would also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate U.S. Holders, as described below. Accordingly, the availability of the reduced tax rate for dividends received by certain non-corporate U.S. Holders could be affected by future actions that may be taken by the U.S. Treasury or parties to whom ADSs are pre-released.

Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares

Subject to the passive foreign investment company rules discussed below, the gross amount of all our distributions to you with respect to the ADSs or ordinary shares generally will be included in your gross income as ordinary dividend income on the date of receipt by the depository, in the case of ADSs, or by you, in the case of ordinary shares, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits, it will be treated first as a tax-free return of your tax basis in your ADSs or ordinary shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution generally will be treated as a dividend. The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to non-corporate U.S. Holders including individual U.S. Holders, for taxable years beginning before January 1, 2011, dividends may constitute “qualified dividend income” that is taxed at the lower applicable capital gains rate provided

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that (1) the ADSs or ordinary shares, as applicable, are readily tradable on an established securities market in the United States, (2) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. For this purpose, ADSs listed on the Nasdaq will be considered to be readily tradable on an established securities market in the United States. You should consult your tax advisors regarding the availability of the lower rate for dividends paid with respect to our ADSs or ordinary shares.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to ordinary shares generally will constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.”

Taxation of Disposition of ADSs or Ordinary Shares

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

Passive Foreign Investment Company

Based on the price of the ADSs and our ordinary shares, the composition of our income and assets and our operations, we believe that we were not a “passive foreign investment company,” or PFIC, for United States federal income tax purposes for our taxable year ended December 31, 2006. However, we cannot assure you that we will not be a PFIC for our current taxable year ending December 31, 2007 or any future taxable year.

- at least 75% of its gross income is passive income (the “income test”), or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the “asset test”).

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

We must make a separate determination each year, after the close of each taxable year, as to whether we are a PFIC. As a result, our PFIC status may change. In particular, because the total value of our assets for purposes of the asset test generally will be calculated using the market price of our ADSs and ordinary shares, our PFIC status will depend in large part on the market price of our ADSs and ordinary shares, which may fluctuate considerably. Accordingly, fluctuations in the market price of the ADSs and ordinary shares may result in our being a PFIC for any year. In addition, the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raise in any offering. If we are a PFIC for any year during which you hold ADSs or ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which you hold ADSs or ordinary shares. However, if we cease to be a PFIC, you may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to the ADSs or ordinary shares, as applicable.

If we are a PFIC for any taxable year during which you hold ADSs or ordinary shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge) of the ADSs or ordinary shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive

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in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or ordinary shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we became a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

We do not intend to prepare or provide the information that would enable you to make a qualified electing fund election.

Alternatively, a U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election with respect to such stock to elect out of the tax treatment discussed above. If you make a valid mark-to-market election for the ADSs or ordinary shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares as of the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs or ordinary shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss realized on the actual sale or disposition of the ADSs or ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or ordinary shares. Your basis in the ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts. If you make such an election, the tax rules that apply to distributions by corporations that are not PFICs would apply to distributions by us, except that the lower applicable capital gains rate discussed above under “—Taxation of Dividends and Other Distributions on the ADSs and Ordinary Shares” would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. The Nasdaq is a qualified exchange and accordingly, provided that the ADSs continue to be listed on the Nasdaq and are regularly traded, if you are a holder of ADSs, the mark-to-market election would be available to you were we to be a PFIC.

If you hold ADSs or ordinary shares in any year in which we are a PFIC, you will be required to file Internal Revenue Service Form 8621 regarding distributions received on the ADSs or ordinary shares and any gain realized on the disposition of the ADSs or ordinary shares.

You are urged to consult your tax advisor regarding the application of the PFIC rules to your investment in ADSs or ordinary shares.

Information Reporting and Backup Withholding

Dividend payments with respect to ADSs or ordinary shares and proceeds from the sale, exchange or redemption of ADSs or ordinary shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding at a

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current rate of 28%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

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

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than six months after the close of each fiscal year, which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at Judiciary Plaza, 100 F Street, N.E., Washington, D.C. 20549, and at the regional office of the SEC located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our financial statements have been prepared in accordance with U.S. GAAP our annual reports will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

Nasdaq Marketplace Rule 4350(b) requires each issuer to distribute to shareholders copies of an annual report containing audited financial statements of the company and its subsidiaries a reasonable period of time prior to the company's annual meeting of shareholders. We do not intend to provide copies. However, shareholders can request a copy, in physical or electronic form, from us or our ADR depository bank, Deutsche Bank. In addition, we intend to post our annual report on our website www.melco-pbl.com. Nasdaq Marketplace Rule 4350(a)(1) permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. Walkers, our Cayman Islands counsel, has provided a letter to the Nasdaq certifying that under Cayman Islands law, we are not required to deliver annual reports to our shareholders prior to an annual general meeting.

I. Subsidiary Information

Not applicable.

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ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as foreign currency exchange rates, construction materials prices, credit extended to customers and interest rates.

Foreign Exchange Risk

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

Construction Materials Risk

The development of our projects involves substantial capital expenditure and requires long periods of time to generate the necessary returns. Our business will continue to be subject to significant expenses before and after the commencement of commercial operation of our projects. Prior to the completion of our development projects, our cost will be primarily driven by expenses attributable to the construction contracts we have with Paul Y. Construction for the Crown Macau project and that we intend to enter into for the City of Dreams and Macau Peninsula projects. Although we have implemented measures to maintain the agreed development costs within budget, for example, by controlling all the sub-contractor costs for the Crown Macau and may have similar cost control arrangements in the construction contracts for the City of Dreams and Macau Peninsula projects, the actual expenses attributable to the construction contracts may increase. In addition, the cost of construction materials or equipment could increase prior to our entering into the construction contracts.

Credit Risk

We will conduct our table gaming activities at our casinos on a limited credit basis as well as a cash basis. It is a common practice in Macau for junket operators or promoters to bear the responsibility for issuing and subsequently collecting credit. While we expect that most of our gaming credit play will be via junket operators and promoters, who will therefore bear this credit risk, we may also grant gaming credit directly to certain customers. We may not be able to collect all of our gaming receivables from our credit customers. We expect that we will be able to enforce our gaming receivables only in a limited number of jurisdictions, including Macau. As most of our gaming customers are expected to be visitors from other jurisdictions, principally Hong Kong and the PRC, we may not have access to a forum in which we will be able to collect all of our gaming receivables. The collectibility 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 intend to conduct credit evaluations of customers and generally do not require collateral or other security from our customers. We intend to establish 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.

Interest Rates Risk

We do not currently have significant debt outstanding and we have not entered into any derivatives or other transactions to hedge interest rate risk. Under our credit facilities to finance the development of our projects we will incur substantial indebtedness which will bear interest at floating rates based on HIBOR and LIBOR. Accordingly, we are subject to fluctuations in HIBOR and LIBOR. We expect our lenders under the credit facilities to require us to partly hedge our floating rate debt through interest rate

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swaps, caps or other derivatives transactions. We will also hedge our exposure to floating interest rates in a manner we deem prudent. Interests in security we provide to the lenders under our credit facilities, or other security or guarantees, may be 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 credit facilities to restrict or prohibit the use of derivatives and financial instruments for purposes other than hedging.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

See “Item 10. Additional Information” for a description of the rights of securities holders, which remain unchanged.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this annual report, our management, with the participation of our chief executive officer and our chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures within the meaning of Rules 13a-15(3) and 15d-15(3) of the Exchange Act. Based upon that evaluation, our management has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file and furnish under the Exchange Act are recorded, processed, summarized and reported, within the time period specified by the Securities and Exchange Commission’s rules and regulations. In addition, we are also in the process of adopting disclosure controls and procedures and finalizing certain policies such as a communications policy, whistleblower policy and record retention policy.

Changes in Internal Controls

There were no significant changes in our internal controls over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

This annual report does not include a report of management’s assessment regarding internal control over financial reporting or an attestation report of our registered public accounting firm due to a transition period established by the rules of the Securities and Exchange Commission for newly public companies.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

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

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ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer, chief operating officer and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as an exhibit to our registration statement on Form F-1 initially filed on December 1, 2006, as amended, and posted the code on our website www.melco-pbl.com. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu, our principal external auditors, for the periods indicated. We did not pay any other fees to our auditors during the periods indicated below.

	For the Year Ended December 31,		
	2004	2005	2006
Audit fees ⁽¹⁾	49,000	141,000	500,000
Audit-related fees	—	—	—
Tax Fees ⁽²⁾	—	27,000	—
All other fees ⁽³⁾	—	—	1,900,000

- (1) "Audit fees" means the aggregate fees billed in each of the fiscal years indicated for our calendar year audits.
- (2) "Tax fees" include fees billed for tax consultations.
- (3) "All other fees" means the aggregate fees billed in respect of (1) our initial public offering in December 2006, which amounted to US\$1.4 million, and (2) the review of our interim financial statement for the nine months ended September 30, 2006 in respect of an aborted project in 2006, which amounted to US\$500,000.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Deloitte Touche Tohmatsu, including audit services, audit-related services, tax services and other services as described above, other than those for *de minimus* services which are approved by the Audit Committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

None.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of Melco PBL Entertainment (Macau) Limited and its subsidiaries are included at the end of this annual report.

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ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1*	Amended and Restated Memorandum and Articles of Association
2.1	Form of Registrant's American Depositary Receipt (included in Exhibit 2.3)
2.2	Registrant's Specimen Certificate for Ordinary Shares (incorporated by reference to Exhibit 4.2 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.3	Form of Deposit Agreement among the Registrant, the depositary and Owners and Beneficial Owners of the American Depositary Shares issued thereunder (incorporated by reference to Exhibit 4.3 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.4	Holdco 1 Subscription Agreement dated December 23, 2004 among the Registrant (formerly known as Melco PBL Holdings Limited), Melco, PBL and PBL Asia Investments Limited (incorporated by reference to Exhibit 4.4 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.5	Shareholders' Deed Relating to the Registrant (formerly known as Melco PBL Holdings Limited) dated March 8, 2005 among the Registrant, Melco Leisure and Entertainment Group Limited, Melco, PBL Asia Investments Limited and PBL (incorporated by reference to Exhibit 4.5 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.6	Memorandum of Agreement dated March 5, 2006 between Melco and PBL (incorporated by reference to Exhibit 4.6 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.7	Supplemental Agreement to the Memorandum of Agreement dated May 26, 2006 between Melco and PBL (incorporated by reference to Exhibit 4.7 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.8	Restated and Amended Shareholders' Deed Relating to the Registrant (formerly known as Melco PBL Holdings Limited) dated December 1, 2006 among the Registrant, Melco Leisure and Entertainment Group Limited, Melco, PBL Asia Investments Limited and PBL (incorporated by reference to Exhibit 4.8 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.9	Form of Post-IPO Shareholders' Agreement among the Registrant, Melco Leisure and Entertainment Group Limited, Melco, PBL Asia Investments Limited and PBL (incorporated by reference to Exhibit 4.9 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
2.10	Form of Registration Rights Agreement among the Registrant, Melco and PBL (incorporated by reference to Exhibit 4.10 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.1	Form of Indemnification Agreement with the Registrant's directors and executive officers (incorporated by reference to Exhibit 10.1 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.2	Form of Directors' Agreement of the Registrant (incorporated by reference to Exhibit 10.2 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.3	Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant (incorporated by reference to Exhibit 10.3 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)

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- 4.4 English Translation of Subconcession Contract for operating casino games of chance or games of other forms in the Macau Special Administrative Region between Wynn Macau and PBL Macau, dated September 8, 2006 (incorporated by reference to Exhibit 10.4 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.5 Facility Agreement Relating to a HK\$1,280 million Transferable Term Loan Facility dated February 13, 2006 among Great Wonders, as borrower, MPBL (Greater China), as guarantor, Bank of China Limited, Macau Branch and Banco Nacional Ultramarino, S.A., as coordinating lead arrangers, Banco Commercial de Macau, S.A. and Industrial and Commercial Bank of China (Asia) Limited, as senior managers, Banco Espírito Santo do Oriente, S.A. and Liu Chong Hing Bank Limited, Macau Branch, as managers, and Bank of China Limited, Macau Branch, as facility and security agent (incorporated by reference to Exhibit 10.5 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.6 Commitment Letter regarding Subconcession Facility and City of Dreams Project Facility, in the aggregate amount of US\$1.6 billion (incorporated by reference to Exhibit 10.6 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.7 Facility Agreement dated September 4, 2006 Relating to US\$500 million Subconcession Facility for MPBL Gaming, as borrower, arranged by Australia and New Zealand Banking Group Limited, Banc of America Securities Asia Limited, Barclays Capital and Deutsche Bank AG, Hong Kong Branch, as coordinating lead arrangers with Australia and New Zealand Banking Group Limited acting as agent and ANZ Fiduciary Services Pty Limited acting as security trustee and Bank of America N.A., Hong Kong Branch as account Bank (incorporated by reference to Exhibit 10.7 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.8 Agreement dated May 9, 2006 between Dr. Stanley Ho and MPBL International, regarding sale and transfer of Mocha Slot Group Limited, together with Deed of Assignment dated May 9, 2006 between Dr. Ho, as assignor, and MPBL International, as assignee (incorporated by reference to Exhibit 10.8 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.9 English Translation of Sale and Purchase Agreement dated September 21, 2006 between Mocha and MPBL Gaming (incorporated by reference to Exhibit 10.9 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.10 Letter Agreement in relation to termination of the Mocha service arrangement dated March 15, 2006 among Mocha, SJM and Melco (incorporated by reference to Exhibit 10.10 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.11 First Supplementary Agreement to Joint Venture dated February 8, 2005 Relating to transfer of 70% interests in Great Wonders to MPBL (Greater China) (formerly known as Melco Entertainment Limited) among STD M, Melco and MPBL (Greater China) (incorporated by reference to Exhibit 10.11 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.12 Agreement dated March 17, 2005 Relating to transfer of 30% shareholding in Great Wonders from STD M to Melco among STD M, Melco and MPBL (Greater China) (formerly known as Melco Entertainment Limited) (incorporated by reference to Exhibit 10.12 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.13 English Translation of Order of the Secretary for Public Works and Transportation published in Macau Official Gazette no. 9 of March 1, 2006 (incorporated by reference to Exhibit 10.13 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)

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- 4.14 Contract Document dated November 24, 2004 for the design and construction of the hotel and casino at Junction of Avenida Dr. Su Yat Sen and Avenida de Kwong Tung, Taipa, Macau between Great Wonders and Paul Y. Construction Company Limited (incorporated by reference to Exhibit 10.14 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.15 Agreement dated March 9, 2005 between Melco Leisure and Entertainment Group Limited and MPBL (Greater China) (formerly known as Melco Entertainment Limited) (incorporated by reference to Exhibit 10.15 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.16 Assignment Agreement dated May 11, 2005 in relation to a memorandum of agreement dated October 28, 2004 and a subscription agreement in relation to convertible loan notes in the aggregate principal amount of HK\$1,175,000,000 to be issued by Melco among Great Respect, as assignor, MPBL (Greater China) (formerly known as Melco Entertainment Limited), as assignee, and Melco, as issuer (incorporated by reference to Exhibit 10.16 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.17 Transfer Deed in relation to the entire issued equity capital of Melco Hotels and Assignment Deed in relation to a memorandum of agreement dated October 28, 2004, dated May 17, 2005, between Melco Leisure and Entertainment Group Limited and MPBL (Greater China) (incorporated by reference to Exhibit 10.16 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.18 Letters dated November 3 and August 28, 2006 together with Principles of Understanding between Melco Hotels, as the employer, and The Leighton China State John Holland Joint Venture (between Leighton Contractors (Asia) Limited of Hong Kong, China State Construction Engineering (Hong Kong) Limited of Hong Kong and John Holland Pty Limited of Hong Kong), as the contractor (incorporated by reference to Exhibit 10.18 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.19 Management Agreement for Grand Hyatt Macau dated June 18, 2006 by and between Melco Hotels and Hyatt of Macau Ltd (incorporated by reference to Exhibit 10.19 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.20 Management Agreement for Hyatt Regency Macau dated June 18, 2006 by and between Melco Hotels and Hyatt of Macau Ltd (incorporated by reference to Exhibit 10.20 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.21* Hotel Trademark License Agreement by and between Hard Rock Holdings Limited and Melco Hotels dated January 22, 2007
- 4.22* Casino Trademark License Agreement by and between Hard Rock Holdings Limited and Melco Hotels dated January 22, 2007
- 4.23* Memorabilia Lease (casino) between Hard Rock Cafe International (STP) Inc. and MPBL Gaming dated January 22, 2007
- 4.24* Memorabilia Lease (hotel) between Hard Rock Cafe International (STP) Inc. and MPBL Gaming dated January 22, 2007
- 4.25 Promissory Transfer of Shares Agreement dated May 17, 2006 with respect to the sale and transfer of Omar Limited (incorporated by reference to Exhibit 10.21 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.26 Shareholders' Agreement relating to MPBL Gaming dated November 22, 2006 among PBL Asia Limited, MPBL Investments, Manuela António and MPBL Gaming (incorporated by reference to Exhibit 10.22 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
- 4.27* Termination Letter dated December 15, 2006 in connection with Shareholders Agreement Relating to Melco PBL Gaming (Macau) Limited dated November 22, 2006

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4.28*	Letter dated December 15, 2006 in connection with appointment of Mr. Lawrence Ho as the managing director of Melco PBL Gaming (Macau) Limited
4.29*	Shareholders' Agreement relating to MPBL Gaming dated December 15, 2006 among PBL Asia Limited, MPBL Investments, Lawrence Ho and MPBL Gaming
4.30	2006 Share Incentive Plan (incorporated by reference to Exhibit 10.23 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.31	Trade Mark License dated November 30, 2006 between Crown Limited and the Registrant as the licensee (incorporated by reference to Exhibit 10.24 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
4.32*	Agreement between the Registrant and Melco Leisure and Entertainment Group Limited dated March 27, 2007
4.33*	Agreement between the Registrant and PBL Asia Investments Limited dated March 27, 2007
8.1*	List of Subsidiaries
11.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 99.1 from our F-1 registration statement (File No. 333-139088), as amended, initially filed with the SEC on December 1, 2006)
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1*	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2*	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Walkers

* Filed with this Annual Report on Form 20-F

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MELCO PBL ENTERTAINMENT (MACAU) LIMITED
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Melco PBL Entertainment (Macau) Limited (successor company) and Mocha Slot Group Limited (predecessor company):

We have audited the accompanying consolidated balance sheets of Melco PBL Entertainment (Macau) Limited and subsidiaries (the "Company") as of December 31, 2005 and 2006, and the related consolidated statements of operations, shareholders' equity, and cash flows for the period from June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006. We have also audited the consolidated statements of operations, shareholders' equity and cash flows of Mocha Slot Group Limited and subsidiaries (predecessor company) for the period from January 1, 2004 to June 8, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, the consolidated financial statements of the successor company referred to above present fairly, in all material respects, the financial position of Melco PBL Entertainment (Macau) Limited and subsidiaries as of December 31, 2005 and 2006, and the results of their operations and their cash flows for the period from June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006 in conformity with accounting principles generally accepted in the United States of America. Further, in our opinion, the predecessor company's financial statements referred to above present fairly, in all material respects, the consolidated statement of operations and cash flows of Mocha Slot Group Limited and subsidiaries for the period from January 1, 2004 to June 8, 2004 in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 30, 2007

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

	December 31,	
	2005	2006
	(Successor)	(Successor)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,769	\$ 583,996
Accounts receivable	37	414
Amounts due from affiliated companies (Note 19(a))	1,398	152
Inventories (Note 4)	87	196
Prepaid expenses and other current assets (Note 5)	641	1,790
Total current assets	<u>21,932</u>	<u>586,548</u>
PROPERTY AND EQUIPMENT, NET (Note 6)	67,794	279,885
GAMING SUBCONCESSION (Note 7)	—	885,691
INTANGIBLE ASSETS, NET (Note 8)	11,089	4,220
GOODWILL (Note 1, 3(a) & (b))	34,417	81,915
LONG TERM PREPAYMENT	—	1,100
OTHER ASSETS (Note 19(d))	150,641	—
DEPOSIT FOR ACQUISITION OF LAND INTEREST (Note 9)	—	12,853
LAND USE RIGHTS, NET (Note 1, 19(d) & (e))	132,424	423,066
RENTAL DEPOSITS	528	1,066
DEPOSITS FOR ACQUISITION OF PROPERTY AND EQUIPMENT	2,383	3,576
TOTAL	<u>\$ 421,208</u>	<u>\$2,279,920</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 149	\$ 2,509
Accrued expenses and other current liabilities (Note 10)	11,879	97,369
Income tax payable	615	259
Capital lease obligations, due within one year (Note 11)	3	6
Amounts due to affiliated companies/person (Note 19(b))	31,518	10,611
Amounts due to shareholders (Note 19(c))	94,577	96,859
Total current liabilities	<u>138,741</u>	<u>207,613</u>
DEFERRED TAX LIABILITIES (Note 13)	14,997	24,046
CAPITAL LEASE OBLIGATIONS, DUE AFTER ONE YEAR (Note 11)	8	10
LOANS FROM SHAREHOLDERS (Note 19(e))	—	115,647
LAND USE RIGHTS PAYABLE (Note 18(a))	9,278	42,238
MINORITY INTERESTS	19,492	—
COMMITMENTS AND CONTINGENCIES (Note 18)		
SHAREHOLDERS' EQUITY		
Ordinary shares at US\$0.01 par value per share (Authorized - 1,500,000,000 shares and issued - 500,000,000 and 1,180,931,146 shares as of December 31, 2005 and 2006 (Note 12))	5,000	11,809
Additional paid-in capital	237,779	1,955,383
Accumulated other comprehensive income	—	740
Accumulated losses	(4,087)	(77,566)
Total shareholders' equity	<u>238,692</u>	<u>1,890,366</u>
TOTAL	<u>\$ 421,208</u>	<u>\$2,279,920</u>

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

MELCO PBL ENTERTAINMENT (MACAU) LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except share and per share data)

	1.1.2004 to 6.8.2004 (Predecessor)	6.9.2004 to 12.31.2004 (Successor)	1.1.2005 to 12.31.2005 (Successor)	1.1.2006 to 12.31.2006 (Successor)
REVENUE				
Fees for services provided to gaming machine lounges				
- Affiliated customer (Note 19(a))	\$ 1,764	\$ 5,619	\$ 16,433	\$ 16,276
- External customers	103	135	136	—
Slot lounge gaming revenue	—	—	—	19,108
Sub-total	1,867	5,754	16,569	35,384
Food, beverage and others	29	317	759	717
Total revenue	1,896	6,071	17,328	36,101
OPERATING COSTS AND EXPENSES				
Provision of services to gaming machine lounges	(864)	(4,286)	(11,255)	(16,289)
Slot lounge operating expenses	—	—	—	(11,847)
Food, beverage and others	(48)	(250)	(596)	(530)
Amortization of gaming subconcession	—	—	—	(14,309)
Amortization of land use rights	—	(130)	(3,535)	(12,358)
Impairment loss recognized on slot lounge services agreement (Note 8)	—	—	—	(7,640)
General and administrative	(197)	(1,970)	(4,400)	(15,591)
Selling and marketing	(81)	(166)	(534)	(3,511)
Pre-opening costs	(96)	(199)	(730)	(11,679)
Total operating costs and expenses	(1,286)	(7,001)	(21,050)	(93,754)
OPERATING INCOME (LOSS)	610	(930)	(3,722)	(57,653)
NON-OPERATING INCOME (EXPENSES)				
Interest income	—	—	2,516	816
Interest expenses	(97)	(217)	(2,028)	(11,184)
Written off deferred financing costs	—	—	—	(12,698)
Foreign exchange gain (loss), net	5	32	(570)	55
Other, net	2	54	146	285
Total non-operating (expenses) income	(90)	(131)	64	(22,726)
INCOME (LOSS) BEFORE INCOME TAX	520	(1,061)	(3,658)	(80,379)
INCOME TAX (EXPENSE) CREDIT (Note 13)	(26)	(37)	91	1,885
INCOME (LOSS) BEFORE MINORITY INTERESTS	494	(1,098)	(3,567)	(78,494)
MINORITY INTERESTS	—	91	308	5,015
NET INCOME (LOSS)	\$ 494	\$ (1,007)	\$ (3,259)	\$ (73,479)
LOSS PER SHARE (Note 15):				
Basic		\$ (0.002)	\$ (0.006)	\$ (0.116)
SHARES USED IN LOSS PER SHARE CALCULATION:				
Basic		625,000,000	522,945,205	633,228,439

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

MELCO PBL ENTERTAINMENT (MACAU) LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars, except share and per share data)

	Common shares		Additional paid-in capital	Accumulated other comprehensive income	Retained earnings (accumulated losses)	Total Shareholders' Equity	Comprehensive income (loss)
	Shares	Amount					
Predecessor - Mocha Slot Group Limited:							
BALANCE AT JANUARY 1, 2004	100	\$ —	\$ —	\$ —	\$ 137	\$ 137	\$ —
Net income for the period	—	—	—	—	494	494	494
BALANCE AT JUNE 8, 2004	100	\$ —	\$ —	\$ —	\$ 631	\$ 631	\$ 494
Successor - Melco PBL Entertainment (Macau) Limited:							
Contribution of Mocha Slot from Melco on June 9, 2004	625,000,000	\$ 6,250	\$ 39,864	\$ —	\$ —	\$ 46,114	\$ —
Contribution from Melco in connection with the compensation paid to the management of Mocha Slot	—	—	1,374	—	—	1,374	—
Contribution of Great Wonders and Melco Hotels from Melco	—	—	35,751	—	—	35,751	—
Net loss for the period	—	—	—	—	(1,007)	(1,007)	(1,007)
BALANCE AT DECEMBER 31, 2004	625,000,000	6,250	76,989	—	(1,007)	82,232	\$ (1,007)
Contribution from PBL during the year	—	—	163,000	—	—	163,000	\$ —
Contribution of Great Wonders from Melco	—	—	16,484	—	—	16,484	—
Effect of reorganization on minority interests	(125,000,000)	(1,250)	(18,694)	—	179	(19,765)	—
Net loss for the year	—	—	—	—	(3,259)	(3,259)	(3,259)
BALANCE AT DECEMBER 31, 2005	500,000,000	5,000	237,779	—	(4,087)	238,692	\$ (3,259)
Shares issued during the year (note 1)	500,000,000	5,000	315,000	—	—	320,000	\$ —
Capital contributions from shareholders (note 19(c))	—	—	150,000	—	—	150,000	—
Contribution from Melco (note 1)	—	—	109,170	—	—	109,170	—
Contribution of MPBL Gaming from PBL (note 1)	—	—	77,491	—	—	77,491	—
Shares issued upon initial public offering, net of offering expenses	180,931,146	1,809	1,065,665	—	—	1,067,474	—
Share-based compensation (restricted shares)	—	—	278	—	—	278	—
Net loss for the year	—	—	—	—	(73,479)	(73,479)	(73,479)
Foreign currency translation adjustment	—	—	—	740	—	740	740
BALANCE AT DECEMBER 31, 2006	1,180,931,146	\$11,809	\$1,955,383	\$ 740	\$ (77,566)	\$1,890,366	\$ (72,739)

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

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	1.1.2004 to 6.8.2004 (Predecessor)	6.9.2004 to 12.31.2004 (Successor)	1.1.2005 to 12.31.2005 (Successor)	1.1.2006 to 12.31.2006 (Successor)
OPERATING ACTIVITIES				
Net income (loss)	\$ 494	\$ (1,007)	\$ (3,259)	\$ (73,479)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Compensation expense paid to the management of Mocha Slot	—	1,374	—	—
Impairment loss recognized on slot lounge services agreement	—	—	—	7,640
Share-based compensation	—	—	—	278
Depreciation and amortization	154	1,872	8,503	36,512
(Gain) loss on disposal of property and equipment	—	—	(35)	1,140
Minority interests	—	(91)	(308)	(5,015)
Changes in operating assets and liabilities:				
Accounts receivable	(61)	21	8	(377)
Amounts due from affiliated companies	(479)	(389)	(313)	1,276
Inventories	—	(15)	(72)	(109)
Prepaid expenses and other current assets	(25)	(64)	(547)	10,330
Rental deposits	(57)	(128)	(297)	(538)
Long term prepayment	—	—	—	(1,100)
Accounts payable	26	542	(419)	2,360
Accrued expenses and other current liabilities	479	61	719	3,015
Income tax payable	26	124	445	(356)
Amounts due to affiliated companies/person	—	5	407	—
Deferred tax liabilities	—	(88)	(548)	(1,814)
Net cash provided by (used in) operating activities	<u>557</u>	<u>2,217</u>	<u>4,284</u>	<u>(20,237)</u>
INVESTING ACTIVITIES				
Acquisition of property and equipment	(6,151)	(4,305)	(46,088)	(22,743)
Deposits for acquisition of property and equipment	(294)	(1,170)	(919)	(3,555)
Acquisition of other assets	—	—	(102,564)	—
Payment for land use rights	—	—	(31,870)	(12,371)
Proceeds from disposal of property and equipment	—	—	183	24
Net cash used in investing activities	<u>(6,445)</u>	<u>(5,475)</u>	<u>(181,258)</u>	<u>(38,645)</u>
FINANCING ACTIVITIES				
Amounts due to shareholders	7,503	2,934	8,088	75,544
Amounts due to affiliated companies/person	817	3,142	20,225	(45,643)
Payment of principal of capital leases	(53)	(46)	(107)	(5)
Cash contribution from PBL	—	—	163,000	—
Issue of share capital	—	—	—	1,067,474
Cash from contribution of MPBL Gaming from PBL	—	—	—	25,739
Repayment of bank loan	—	—	—	(500,000)
Net proceeds from acquisition of Mocha	—	2,765	—	—
Net cash provided by financing activities	<u>8,267</u>	<u>8,795</u>	<u>191,206</u>	<u>623,109</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>2,379</u>	<u>5,537</u>	<u>14,232</u>	<u>564,227</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	<u>386</u>	<u>—</u>	<u>5,537</u>	<u>19,769</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	<u>\$ 2,765</u>	<u>\$ 5,537</u>	<u>\$ 19,769</u>	<u>\$ 583,996</u>

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

MELCO PBL ENTERTAINMENT (MACAU) LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS - continued
(In thousands of U.S. dollars)

	1.1.2004 to 6.8.2004 (Predecessor)	6.9.2004 to 12.31.2004 (Successor)	1.1.2005 to 12.31.2005 (Successor)	1.1.2006 to 12.31.2006 (Successor)
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS				
Cash paid for interest (net of capitalized interest)	\$ (3)	\$ (7)	\$ (495)	\$ (10,328)
Cash paid for tax	\$ —	\$ (1)	\$ (12)	\$ (285)
NON-CASH INVESTING ACTIVITIES				
Construction costs funded through accrued expenses and other current liabilities	\$ —	\$ —	\$ 7,441	\$ 61,383
Construction costs funded through amounts due to shareholders	\$ —	\$ —	\$ —	\$ 127,287
Inception of capital leases on property and equipment	\$ —	\$ —	\$ 13	\$ 10
Land use rights cost funded through land use rights payable, accrued expenses and other current liabilities and amounts due to shareholders	\$ —	\$ —	\$ 38,012	\$ 63,411
Other assets cost funded through amounts due to shareholders	\$ —	\$ —	\$ 48,077	\$ —
Costs of property and equipment funded through amount due to an affiliated company	\$ 990	\$ —	\$ 6,885	\$ 5,616
Acquisition of additional 20% share of Mocha Slot funded through advances from shareholders	\$ —	\$ —	\$ —	\$ 32,051
Acquisition of shareholder loan advanced by Dr. Stanley Ho funded through advances from shareholders	\$ —	\$ —	\$ —	\$ 5,859
Deposit for acquisition of land interest funded through advances from shareholders	\$ —	\$ —	\$ —	\$ 12,853
Contribution of MPBL Gaming from PBL	\$ —	\$ —	\$ —	\$ 77,491
Contribution of interest in MPBL (Greater China)	\$ —	\$ —	\$ —	\$ 109,170

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

MELCO PBL ENTERTAINMENT (MACAU) LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of U.S. dollars, except share and per share data)

1. COMPANY INFORMATION

Melco PBL Entertainment (Macau) Limited (formerly named Melco PBL Holdings Limited and known as the “Company” hereafter) was incorporated under the laws of the Cayman Islands on December 17, 2004. The Company and its consolidated subsidiaries (collectively the “Group”) are principally engaged in the gaming and hospitality business. Mocha Slot Group Limited and its subsidiaries (“Mocha Slot”) were principally engaged in the operation of electronic gaming machine lounges in Macau. Mocha Slot became inactive after the group restructuring as detailed below. Great Wonders, Investments, Limited (“Great Wonders”) and Melco Hotels and Resorts (Macau) Limited (“Melco Hotels”) hold projects for the construction of a hotel and casino and integrated entertainment resort complex, respectively, in Macau. Melco PBL (Macau Peninsula) Limited (formerly named Swift Profits Investments Limited and known as “MPBL Peninsula” hereafter) is in the process of obtaining a third piece of land in Macau for further development. Melco PBL Gaming (Macau) Limited (“MPBL Gaming”) holds a gaming subconcession for the operation of casino games of chance and other casino games in Macau.

Mocha Slot

On September 26, 2003, Better Joy Overseas Limited (“Better Joy”), which was 77% owned by Mr. Lawrence Ho, the Chief Executive Officer of the Company and Managing Director of Melco International Development Limited (“Melco”), and 23% owned by Dr. Stanley Ho, the father of Mr. Lawrence Ho and the Chairman of Melco until he resigned this position in March 2006, acquired 65% of the outstanding shares of Mocha Slot from an independent third party. Dr. Stanley Ho and Mr. Lawrence Ho both hold beneficial interests in Melco.

On March 19, 2004, Melco agreed to acquire 80% of the shares of Mocha Slot, of which shares representing 65% were acquired from Better Joy and 15% were acquired from independent third parties for total consideration of \$46,114. The transaction was completed on June 9, 2004 and was accounted for as a purchase by Melco. Around the same time, the remaining 20% interest in Mocha Slot was acquired by Dr. Stanley Ho from an independent third party. The financial statements reflect Melco’s basis of accounting for the initial 80% acquisition of Mocha. The 20% minority interest was accounted for at historical cost until it was purchased from Dr. Stanley Ho on May 9, 2006. (see Note 3(a)).

On May 9, 2006, Melco PBL International Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (“Sale and Purchase Agreement”) with Dr. Stanley Ho to acquire the remaining 20% of Mocha Slot (“Shares Sale”) held by Dr. Stanley Ho and repaid the shareholder loan from Dr. Stanley Ho to Mocha Slot (“Loan Sale”) for an aggregate consideration of approximately \$37,910, with \$32,051 being the consideration for the Shares Sale and approximately \$5,859 being the consideration for the Loan Sale. The consideration for the Shares Sale was determined with reference to Mocha Slot’s estimated cash flows in future years while the consideration for the Loan Sale was determined with reference to its fair value. The sale and purchase of the Shares Sale and the assignment of the Loan Sale under the Sale and Purchase Agreement were completed on the same date on which the Sale and Purchase Agreement was signed (see Note 3(b)).

Great Wonders

On September 8, 2004, Melco entered into an agreement (the “First Sale Agreement”) with Sociedade de Turismo e Diversoes de Macau, S.A.R.L. (“STDM”), a company in which Dr. Stanley Ho has a beneficial interest, to establish Great Wonders. The principal activity of Great Wonders was to apply to the Macau Government for the concession of a site located at Taipa, Macau (the “Taipa Land”) and to develop the Taipa Land into a luxury hotel casino (the “Crown Macau Project”). Pursuant to this First Sale Agreement, Melco purchased 50% of Great Wonders from STDM (see Note 19(e)) for consideration of \$35,748 in the form of notes convertible into ordinary shares of Melco. Melco acquired an additional 20% interest in Great Wonders on February 8, 2005 for consideration of \$16,360 in the form of notes convertible into common shares of Melco and the Company acquired the remaining 30% interest in Great Wonders on July 28, 2005 for consideration of \$51,282, of which \$25,641 was financed by an advance from Melco and Publishing and Broadcasting Limited (“PBL”) (see Note 19(e)). On the dates that Melco and the Company acquired such interests, Great Wonders did not meet the definition of a business. Great Wonders had begun the construction of the hotel and casino by December 31, 2004.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

1. COMPANY INFORMATION - continued

Melco Hotels

On October 28, 2004, Melco Leisure and Entertainment Group Limited (“Melco Leisure”), an entity wholly-owned by Melco, entered into an agreement with Great Respect Limited (“Great Respect”), a company controlled by a discretionary family trust of Dr. Stanley Ho, the beneficiaries of which are members of Dr. Stanley Ho’s family including Mr. Lawrence Ho, to establish a project to develop a site in Cotai, Macau (the “Cotai Land”), into an integrated entertainment resort (the “City of Dreams Project”). Pursuant to the agreement, Melco owned a 50.8% interest in the City of Dreams Project through its wholly-owned subsidiary, Melco Hotels, and Great Respect owned the remaining 49.2% interest in this project. On May 11, 2005, the Company signed an agreement with Great Respect to acquire the remaining 49.2% interest in the City of Dreams Project for consideration of \$150,641, of which \$48,077 was financed by a loan from Melco and PBL (see Note 19(d)). The transaction was completed on September 5, 2005. Melco Hotels had begun the construction of the integrated entertainment resort by December 31, 2006.

MPBL Peninsula

On May 17, 2006, MPBL Peninsula, a wholly-owned subsidiary of the Company, entered into an agreement to purchase the entire issued share capital of a company of which Dr. Stanley Ho is one of the directors but in which he holds no shares. Such company will hold the rights to a land lease in respect of a plot of land with an area of 6,480 square meters located at Zona dos Novos Aterros do Porto Exterior, on the Macau peninsula. The aggregate consideration is \$192,802, which is payable in cash and the acquisition is expected to be completed in 2007 (see Note 19(j)).

Melco PBL Entertainment (Macau) Limited

Pursuant to the Subscription Agreement entered into on December 23, 2004 as part of the formation of the Company by Melco and PBL, Melco, in exchange for its 50% interest in the Company, contributed its 80% interest in Mocha Slot and its 70% interest in Great Wonders to Melco PBL Entertainment (Greater China) Limited (“MPBL (Greater China)”), a company 80% indirectly owned by the Company and 20% indirectly owned by Melco. In addition, pursuant to a concurrent shareholder agreement, Melco also contributed Melco Hotels to the Company. Concurrently, PBL contributed \$163,000 in cash to MPBL (Greater China) in exchange for its 50% interest in the Company. The contributions by Melco and by PBL (collectively, “the Transactions”) were completed on March 8, 2005.

From June 9, 2004 for Mocha Slot, July 20, 2004 for Melco Hotels and November 9, 2004 for Great Wonders through March 7, 2005, the financial statements reflect the consolidated financial statements of Mocha Slot, Melco Hotels and Great Wonders since they were under common control for this period. The Transactions on March 8, 2005 were accounted for as the formation of a joint venture for which the carryover basis of accounting is adopted.

Mocha Slot is considered to be a predecessor of the Company as the Company succeeded to substantially all of the business of Mocha Slot and the Company’s own operations prior to the succession were insignificant relative to the operations assumed or acquired.

Group restructuring upon acquisition of gaming subconcession

On March 4, 2006, PBL entered into an agreement with Wynn Resorts (Macau) S.A. (“Wynn Macau”) to obtain a Macau gaming subconcession for the operation of casino games of chance and other casino games in Macau (the “Gaming Subconcession”) for \$900,000. PBL Asia Investments Limited (“PBL Asia”), which is owned by PBL, formed MPBL Gaming to hold the Gaming Subconcession.

Pursuant to a Memorandum of Agreement dated March 5, 2006 and a Supplemental Agreement dated May 26, 2006 (the “Agreements”), entered into between Melco and PBL, Melco and PBL each agreed to contribute \$160,000 for a total of \$320,000 to the Company to subscribe for Class B shares of MPBL Gaming. In addition, PBL agreed to subscribe or cause its subsidiary to subscribe for \$80,000 of equity of MPBL Gaming. In aggregate with the proceeds of a \$500,000 external credit facility, the above funds were used to pay Wynn Macau for the Gaming Subconcession.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

1. COMPANY INFORMATION - continued

Group restructuring upon acquisition of gaming subconcession - continued

Pursuant to the Agreements, Melco and PBL agreed to adjust their existing ownership interests throughout their agreed territory, including in Macau through the Company, from 60% held by Melco (40% via its interest in the Company and 20% via its interest in MPBL (Greater China)) and 40% held by PBL to be 50% owned each by Melco and PBL (“Group Restructuring”).

As part of the Group Restructuring, the Company acquired the remaining 20% minority interest in MPBL (Greater China) previously held by Melco. The Company accounted for this acquisition using the purchase method. The aggregate fair values of the 20% minority interest in MPBL (Greater China) were as follows:

Land use rights related to Crown Macau Project and City of Dreams Project	\$ 88,221
Goodwill	16,952
Trademark	795
Net tangible assets attributable to 20% equity interest in MPBL (Greater China)	13,884
Deferred tax liabilities in relation to land use rights and trademark	<u>(10,682)</u>
Total	<u>\$109,170</u>

At the date the Company acquired MPBL Gaming from PBL, MPBL Gaming owned the Gaming Subconcession with a fair value of \$900,000, subconcession bank loan of \$500,000, loans from Melco and PBL of \$320,000 (subsequently converted to equity), cash and cash equivalents of \$25,739 and other net liabilities of \$28,248. MPBL Gaming had no operations. The Company accounted for this acquisition at the fair values of the underlying assets acquired and liabilities assumed. The estimated fair value of the Gaming Subconcession was derived from the purchase consideration paid by MPBL Gaming to obtain the Gaming Subconcession.

The Mocha Slot assets and business together with the holding subsidiaries for the Crown Macau and the City of Dreams projects were transferred to MPBL Gaming to be operated under the Gaming Subconcession immediately following the Group Restructuring. In October 2006, the Macau Government approved the transfer of control of MPBL Gaming to the Company.

As of December 31, 2006, the Company held a 100% interest in MPBL (Greater China), MPBL Peninsula and MPBL Gaming. Mocha Slot is held by MPBL (Greater China) and Melco PBL International Limited as to 80% and 20%, respectively. Great Wonders and Melco Hotels are 100% held by MPBL Gaming.

Particulars regarding the Company’s subsidiaries as of December 31, 2006 are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation</u>	<u>Principal activities and place of operation</u>	<u>Particulars of issued share capital</u>	<u>Attributable equity interest to the Group</u>	<u>Voting interest</u>
Melco PBL Entertainment (Greater China) Limited (formerly named Melco Entertainment Limited) ²	Cayman Islands	Inactive	40 class A shares and 160 class B shares of US\$0.01 each	100%	100%
Melco PBL International Limited ²	Cayman Islands	Investment holding in Macau	400 ordinary shares of US\$0.01 each	100%	100%
Melco PBL Holdings Limited ¹	Cayman Islands	Investment holding in Macau	1,202 ordinary shares of US\$0.01 each	100%	100%
Melco PBL Investments Limited ² (“MPBL Investments”)	Cayman Islands	Investment holding in Macau	202 ordinary shares of US\$0.01 each	100%	100%
Always Prosper Investments Limited ¹	British Virgin Islands	Inactive	1 ordinary shares of US\$1 each	100%	100%

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

1. COMPANY INFORMATION - continued

<u>Name of subsidiary</u>	<u>Place of incorporation</u>	<u>Principal activities and place of operation</u>	<u>Particulars of issued share capital</u>	<u>Attributable equity interest to the Group</u>	<u>Voting interest</u>
Mocha Slot Group Limited ²	British Virgin Islands	Inactive	100 ordinary shares of US\$1 each	100%	100%
MPBL Peninsula ¹	British Virgin Islands	Investment in land interest in Macau	1 ordinary share of US\$1 each	100%	100%
Mocha Slot Management Limited ²	Macau	Inactive	2 quota shares of Macau Patacas ("MOP") 24,000 and MOP1,000 each	100%	100%
Mocha Café Limited ²	Macau	Inactive	2 quota shares of MOP24,000 and MOP1,000 each	100%	100%
Melco Hotels ²	Macau	Integrated entertainment resort development in Macau	2 quota shares of MOP24,000 and MOP1,000 each	100%	100%
Melco PBL Hotel (Crown Macau) Limited ²	Macau	Hotel related business	2 quota shares of MOP24,000 and MOP1,000 each	100%	100%
Great Wonders ²	Macau	Casino and hotel development in Macau	10,000 ordinary shares of MOP100 each	100%	100%
MPBL Gaming ²	Macau	Investment holding, slot lounge and casino operation in Macau	2,800,000 class A shares and 7,200,000 class B shares of MOP100 Each	100% (Note)	72%
Melco PBL Services Limited ¹	Hong Kong	Inactive	10,000 ordinary shares of HK\$1 each	100%	100%

¹ Share held directly by the Company

² Share held indirectly by the Company

Note: The Company held 72% voting control of MPBL Gaming and the rights to virtually all the profits and proceeds of any winding up or liquidation of MPBL Gaming. The minority shareholder of MPBL Gaming representing 28% voting control has agreed to vote along with the Company and are entitled to an aggregate of MOP 1 in dividends and MOP 1 in proceeds of any winding up or liquidation of MPBL Gaming.

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 financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Concentration of Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and amounts due from affiliated companies. The Company places its cash and cash equivalents with financial institutions with high-credit ratings and quality.

The Company conducts credit evaluations of customers and generally does not require collateral or other security from its customers. The Company establishes an allowance for doubtful receivables primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers.

(d) Fair Value of Financial Instruments

The carrying values of the Company's financial instruments, including cash and cash equivalents, accounts receivable, amounts due from (to) affiliated companies/person, accounts payable, accrued expenses and other current liabilities and amounts due to shareholders approximate their fair value.

(e) 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.

(f) Inventories

Inventories are stated at the lower of cost or market value. Cost is calculated using the first-in, first-out method. Write downs of potentially obsolete or slow-moving inventory are recorded based on management's specific analysis of inventory.

(g) Goodwill and Intangible assets

The excess of the purchase price over the fair value of net assets acquired is recorded on the consolidated balance sheet as goodwill.

Goodwill and trademark are not amortized, but are tested for impairment at the reporting unit level at least on an annual basis at the balance sheet date.

The slot lounge services agreement intangible has a finite useful life and is amortized over the estimated useful life.

The evaluation of goodwill and trademark for impairment involves two steps: (1) the identification of potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill and (2) the measurement of the amount of goodwill impaired by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill and recognizing a loss by the excess of the latter over the former. For the assessment of impairment loss, the Company measures fair value based either on internal models or independent valuations.

(h) Gaming Subconcession

The Gaming Subconcession is capitalized based on the fair value of the Gaming Subconcession agreement as at the date of acquisition of MPBL Gaming, and amortized using the straight-line method over its term which is due to expire in June 2022.

(i) Land use rights, net

Land use rights are recorded at cost less accumulated amortization. Amortization is provided over the 25 year term of the land use right agreement on a straight-line basis.

MELCO PBL ENTERTAINMENT (MACAU) 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

(j) **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Major additions, renewals and betterments are capitalized, while maintenance and repairs are expensed as incurred.

Depreciation is provided on the straight-line method over estimated service lives:

<u>Classification</u>	<u>Years</u>
Furniture, fixtures and equipment	3 to 10 years
Gaming machines	5 years
Leasehold improvements	5 years or over the lease term, whichever is shorter
Machinery	10 years
Motor vehicles	5 years

The Company is constructing its casino and hotel and integrated entertainment resort. In addition to costs under the construction contracts, external costs directly related to the construction of such facilities, including duties and tariffs, equipment installation and shipping costs, are capitalized. Depreciation, is provided on a straight-line basis over the estimated useful lives of the assets, which do not exceed the respective land use rights term, and is recorded at the time assets are placed in service.

Assets recorded under capital leases and leasehold improvements are amortized using the straight-line method over the lesser of their useful lives or the related lease term.

Depreciation expense recognized in the statement of operations for the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006 were \$154, \$1,142, \$3,939 and \$8,606, respectively. The depreciation expense included \$152, \$1,132, \$3,875 and \$5,545 which were recorded in the operating costs for the provision of services to gaming machine lounge, respectively, for the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006. The depreciation expense included \$2, \$10, \$64 and \$486 which were recorded in general and administrative expenses, respectively, for the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the for the years ended December 31, 2005 and 2006. For the year ended December 31, 2006, depreciation expense of \$2,575 was recorded in slot lounge operating expenses.

(k) **Slot club awards**

The Company provides slot patrons with incentives based on the dollar amount of play on slot machines. A liability has been established based on an estimate of the value of these outstanding incentives, utilizing the age and prior history of redemptions.

(l) **Impairment of long-lived assets (other than goodwill)**

The Company evaluates the recoverability of long-lived assets with finite lives whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to 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 by the amount by which the carrying amount of the asset exceeds the fair value of the asset. An impairment loss amounting to \$7,640 was recognized on the slot lounge services agreement for the year ended December 31, 2006 (see Note 8). In addition, an impairment loss of \$1,116 was recognized because of the relocation of a slot lounge during the year ended December 31, 2006, as determined based on the net book values of the property and equipment involved.

MELCO PBL ENTERTAINMENT (MACAU) 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

(m) Revenue recognition

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.

Prior to termination of the SJM service agreement, revenue from fees for provision of services to electronic gaming machine lounges was recognized on an accrual basis in accordance with the contractual terms of the respective service agreement. Such revenue was calculated based on a pre-determined rate, as stipulated in the respective service agreement, of the gaming revenue from the gaming machines, which is the difference between gaming wins and losses less the accruals for the anticipated payouts of progressive slot jackpots.

Following termination of the SJM service agreement, the Company, through its wholly-owned subsidiary MPBL Gaming, generates slot lounge gaming revenue under the Gaming Subconcession. Slot lounge gaming revenue is measured as the aggregate net difference between gaming wins and losses less the accruals for the anticipated payouts of progressive slot jackpots.

Revenue from the provision of food and beverage is recognized when the services are provided.

Revenues are recognized net of certain discounts and points earned in customer loyalty programs, such as the player's club loyalty program.

(n) Total revenue

The retail value of food, beverage and other services furnished to guests without charge ("promotional allowances") of nil, \$71, \$599 and \$806 during the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006, respectively, was not included in total revenue.

During the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006, the cost of providing such promotional allowances of nil, \$61, \$470 and \$596, respectively, was included in the cost of provision of services to gaming machine lounges.

(o) Operating cost

Operating cost includes direct costs associated with the provision of services to electronic gaming machine lounges and provision of catering services, including salaries, employee benefits and overhead costs associated with employees providing the related services.

(p) Capitalization of interest

Interest incurred on funds used to construct the hotels and casinos during the active construction period is capitalized. The interest capitalized is determined by applying the borrowing interest rate to the average amount of accumulated capital expenditures for assets under construction during the period/year. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful life of the assets.

Capitalized interest during the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006 of nil, nil, \$841 and \$2,286, respectively, has been added to the cost of the underlying assets during the year and is amortized over the respective useful life of the assets.

(q) Advertising expenses

The Company expenses all advertising costs as incurred. These costs were \$66, \$145, \$471 and \$1,582 for the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006, respectively.

MELCO PBL ENTERTAINMENT (MACAU) 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

(r) Income tax

Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net operating loss carry forwards and credits applying enacted statutory tax rates applicable to future years. 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. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. 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.

(s) Pre-opening costs

Pre-opening costs, consisting primarily of marketing expenses and other expenses related to new or start-up operations, are expensed as incurred.

(t) Comprehensive income (loss)

Comprehensive income (loss) is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. During the period/year presented, the Company's comprehensive income (loss) represents its net income (loss) and the foreign exchange difference arising from the translation of subsidiaries' financial statements.

(u) Foreign currency transactions and translations

All transactions in currencies other than functional currencies during the period/year are remeasured at the exchange rates prevailing on the respective transaction dates. Monetary assets and liabilities existing at the balance sheet date denominated in currencies other than functional currencies are remeasured at the exchange rates existing on that date. Exchange differences are recorded in the consolidated statements of operations.

The functional currencies of the Company and its major subsidiaries were U.S. dollar 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 income (loss).

(v) Share-based compensation expenses

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 14 to the financial statements.

(w) 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 to interest expense over the terms of the related debt agreements. During the year ended December 31, 2006, deferred financing cost of \$12,698 was written off.

MELCO PBL ENTERTAINMENT (MACAU) 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

(x) Recent changes in accounting standards

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109", or FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes", or SFAS 109. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides accounting guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company will adopt the provisions of FIN 48 on January 1, 2007. The Company is currently in the process of assessing the impact of FIN 48 on its results of operations and financial condition.

In September 2006 the FASB issued FASB Statement No. 157, ("SFAS 157"), "Fair Value Measurement." SFAS 157 addresses standardizing the measurement of fair value for companies who are required to use a fair value measure of recognition for recognition or disclosure purposes. The FASB defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company is currently evaluating the impact, if any, of SFAS 157 on its financial position, results of operations and cash flows.

In September 2006, the U.S. Securities and Exchange Commission issued Staff Accounting Bulletin No.108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. The SEC staff believes that registrants should quantify errors using both a balance sheet and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

3. ACQUISITION OF MOCHA SLOT

- (a) On June 9, 2004, Melco issued 124,701,086, 13,429,347, and 15,347,825 shares valued in total at \$46,114 to Better Joy, Mr. Chang Wang and Mr. Chang Tan, respectively, in exchange for their respective 65%, 7%, and 8% interests in Mocha Slot. Both Mr. Chang Wan and Mr. Chang Tan are independent third parties of Melco. Melco also acquired a shareholder loan of \$5,769 advanced by Better Joy to Mocha Slot through the issuance of a convertible note. The difference between the fair value of the convertible note and the shareholder loan acquired is recognized as a compensation expense paid to the management of Mocha Slot and amounted to \$1,374 which is recorded in general and administrative expenses.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

3. ACQUISITION OF MOCHA SLOT - continued

- (a) As discussed in Note 1, the acquisition was recorded as a purchase of Mocha Slot by Melco and, accordingly, 80% of the acquired assets and liabilities were recorded at their fair market values at the date of acquisition. The minority interest, which was owned by Dr. Stanley Ho, is presented at historical cost. The aggregate purchase price of \$46,114 was allocated as follows:

Net tangible assets acquired	\$ 631
Intangible assets:	
Goodwill	34,417
Trademark	2,424
Slot lounge services agreement	10,294
Deferred tax liabilities	(1,526)
Minority interests	(126)
Total	<u>\$46,114</u>

The estimated fair value of intangible assets was derived from a valuation performed by an independent third party. The amortization period for the slot lounge services agreement is based on an estimate of its useful life.

- (b) On May 9, 2006, Melco PBL International Limited acquired a 20% interest in Mocha Slot for a total cash consideration of \$32,051, which was financed by advances from Melco and PBL, equally, and which was allocated as follows:

Net tangible assets acquired	\$ 631
Intangible assets:	
Goodwill	30,380
Trademark	992
Slot lounge service agreement	191
Deferred tax liabilities	(143)
Total	<u>\$32,051</u>

The estimated fair value of intangible assets was derived from a valuation performed by an independent third party. The amortization period for the slot lounge services agreement is based on an estimate of its useful life.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**
(In thousands of U.S. dollars, except share and per share data)**3. ACQUISITION OF MOCHA SLOT - continued**

The following unaudited pro forma information summarizes the results of operations for the year ended December 31, 2004 of the Company and Mocha Slot. It has been prepared on the assumption that the acquisition of Mocha Slot occurred as of January 1, 2004. The following pro forma financial information is not necessarily indicative of the results that would have occurred had the acquisition been completed at the beginning of the periods indicated, nor is it indicative of future operating results:

	1.1.2004 to 12.31.2004 (Unaudited)
REVENUE	
Fee for services provided to gaming machine lounges	
- Affiliated customer	\$ 7,383
- External customers	238
Sub-total	7,621
Food, beverage and others	346
Total revenue	<u>7,967</u>
OPERATING COSTS AND EXPENSES	
Provision of services to gaming machine lounges	(5,579)
Food, beverage and others	(298)
Amortization of land use right	(130)
General and administrative	(2,167)
Selling and marketing	(247)
Pre-opening costs	(295)
Total operating costs and expenses	<u>(8,716)</u>
OPERATING LOSS	(749)
NON-OPERATING EXPENSES	<u>(221)</u>
LOSS BEFORE INCOME TAX	(970)
INCOME TAX EXPENSE	<u>(11)</u>
LOSS BEFORE MINORITY INTERESTS	(981)
MINORITY INTERESTS	(8)
NET LOSS	<u>\$ (989)</u>

The pro forma results of operations give effect to certain adjustments, including amortization of acquired intangible assets with definite lives, associated with the acquisition and related deferred tax liabilities on acquired intangible assets.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

4. INVENTORIES

	December 31,	
	2005 (Successor)	2006 (Successor)
Inventories consist of the following:		
Food and beverage	\$ 22	\$ 52
Players Club redemption inventories	65	144
	<u>\$ 87</u>	<u>\$ 196</u>

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	December 31,	
	2005 (Successor)	2006 (Successor)
Deferred charges, net	\$ 78	\$ 850
Refundable deposits	558	533
Others	5	407
	<u>\$ 641</u>	<u>\$ 1,790</u>

6. PROPERTY AND EQUIPMENT, NET

	December 31,	
	2005 (Successor)	2006 (Successor)
Cost		
Furniture, fixtures and equipment	\$ 3,430	\$ 7,601
Gaming machines	21,932	29,922
Leasehold improvements	3,739	11,286
Machinery	3,214	5,192
Motor vehicles	49	299
Sub-total	<u>\$ 32,364</u>	<u>\$ 54,300</u>
Less: Accumulated depreciation	(4,991)	(12,993)
Sub-total	<u>\$ 27,373</u>	<u>\$ 41,307</u>
Construction in progress	40,421	238,578
Property and equipment, net	<u>\$ 67,794</u>	<u>\$ 279,885</u>

As of December 31, 2006, construction in progress included interest on amounts advanced from shareholders and other direct incidental costs capitalized amounted to \$3,127 (December 31, 2005: \$841) and \$7,138 (December 31, 2005: \$1,877), respectively, in connection with the Crown Macau Project and the City of Dreams Project. Other direct incidental costs represented salaries and wages and certain professional charges incurred for the Crown Macau Project and the City of Dreams Project.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**
(In thousands of U.S. dollars, except share and per share data)**7. GAMING SUBCONCESSION**

	December 31, 2006
Deemed cost (Note)	\$ 900,000
Less: Accumulated amortization	(14,309)
Gaming Subconcession, net	<u>\$ 885,691</u>

Note: The deemed cost was determined based on the estimated fair value of the Gaming Subconcession at the time of the restructuring mentioned in Note 1. The Gaming Subconcession is amortized on a straight-line basis over the term of the Gaming Subconcession agreement which expires in June 2022.

8. INTANGIBLE ASSETS, NET

It consists of the following:

	December 31,	
	2005 (Successor)	2006 (Successor)
Trademark	\$ 2,424	\$ 4,220
Slot lounge services agreement	10,294	10,485
	<u>\$ 12,718</u>	<u>\$ 14,705</u>
Less: Accumulated amortization	(1,629)	(2,845)
Impairment loss recognized	—	(7,640)
Intangible assets, net	<u>\$ 11,089</u>	<u>\$ 4,220</u>

The trademark is not amortized.

During the year ended December 31, 2006, Mocha Slot entered into an agreement with SJM ("Termination Agreement") to terminate the slot lounge services agreement, subject to certain condition precedents, in contemplation of the grant of a Gaming Subconcession to MPBL Gaming. As a result of the termination of the slot lounge services agreement, an impairment loss of \$7,640 was recognized on the slot lounge services agreement with reference to a valuation performed by an independent third party. Before the entering of the Termination Agreement, the slot lounge services agreement was amortized over its estimated useful life of 10 years. Subsequent to the entering of the Termination Agreement, the remaining carrying value of the slot lounge services agreement was amortized until the termination date of the slot lounge services agreement. Amortization expenses charged to the consolidated statements of operations for the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006 were nil, \$600, \$1,029 and \$1,239, respectively.

9. DEPOSIT FOR ACQUISITION OF LAND INTEREST

On May 17, 2006, MPBL Peninsula entered into an agreement to purchase the entire issued share capital of a company of which Dr. Stanley Ho is one of the directors but in which he holds no shares. Such company will hold the rights to a land lease in respect of a plot of land with an area of 6,480 square meters located at Zona dos Novos Aterros do Porto Exterior, on the Macau peninsula. The aggregate consideration is \$192,802, which is payable in cash and the acquisition is expected to be completed in 2007. An amount of \$12,853 was paid as a downpayment upon signing of the sale and purchase agreement, which was financed from Melco and PBL, equally, and is included in deposit for acquisition of land interest. The balance is payable on completion of the acquisition.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued**
(In thousands of U.S. dollars, except share and per share data)**10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	December 31,	
	2005 (Successor)	2006 (Successor)
Construction costs payable	\$ 7,441	\$ 61,383
Rental payable	342	228
Land use rights payable	3,093	21,173
Operating expense accruals	1,003	14,585
	<u>\$ 11,879</u>	<u>\$ 97,369</u>

11. CAPITAL LEASE OBLIGATIONS

The Company leases certain equipment under capital leases. The capital lease obligations outstanding as of December 31, 2005 and 2006 related to certain equipment amounted to \$11 and \$16, respectively. Future minimum lease payments under capital lease obligations as of December 31, 2006 are as follows:

Year ended December 31, 2006:	
- 2007	\$ 7
- 2008	7
- 2009	6
- 2010	1
Total minimum lease payments	\$21
Less: amounts representing interest	(5)
Present value of minimum lease payments	\$16
Current portion	(6)
Non-current portion	<u>\$10</u>

12. CAPITAL STRUCTURE

On March 8, 2005, in connection with the completion of the Subscription Agreement as disclosed in Note 1, all share and per share amounts have been retrospectively adjusted to reflect the recapitalization. On September 28, 2006, the Company issued 500,000,000 ordinary shares at par value of US\$0.01 per share for a total consideration of \$320,000. In December 2006, the Company offered 60,250,000 American depository shares ("ADSs"), representing 180,750,000 ordinary shares, to the public and listed the ADSs on the NASDAQ stock market. In addition, the Company issued 60,382 ADSs, representing 181,146 ordinary shares, to Melco shareholders as an assured entitlements distribution. As of December 31, 2005 and 2006, the Company had 500,000,000 and 1,180,931,146 ordinary shares issued and outstanding, respectively. Subsequent to December 31, 2006, the Company issued additional shares pursuant to an underwriters option (see Note 22).

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

13. INCOME TAX EXPENSE (CREDIT)

The Company, Melco PBL International Limited, MPBL (Greater China), Melco PBL Holdings Limited and MPBL Investments are tax exempt in the Cayman Islands, where they are incorporated. Melco PBL Services Limited is subject to Hong Kong Profits Tax, where it is incorporated, but the company has not started operations. Always Prosper Investments Limited and MPBL Peninsula are tax exempt in the British Virgin Islands, where they are incorporated. Mocha Slot is exempt from tax in the British Virgin Islands, where it is incorporated, but is subject to Macau Complementary Tax on its activities conducted in Macau. The Company's remaining subsidiaries are all incorporated in Macau and are subject to Macau Complementary Tax on their activities conducted in Macau.

The provision for income tax consisted of:

	1.1.2004	6.9.2004	For the year ended	
	to	to	December 31,	
	6.8.2004	12.31.2004	2005	2006
	(Predecessor)	(Successor)	(Successor)	(Successor)
Macau complementary tax:				
Current period/year	\$ 26	\$ 125	\$ 458	\$ —
Overprovision in prior years	—	—	(1)	(71)
	26	125	457	(71)
Deferred tax credit	—	(88)	(548)	(1,814)
	<u>\$ 26</u>	<u>\$ 37</u>	<u>\$ (91)</u>	<u>\$ (1,885)</u>

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

	1.1.2004	6.9.2004	For the year ended	
	to	to	December 31,	
	6.8.2004	12.31.2004	2005	2006
	(Predecessor)	(Successor)	(Successor)	(Successor)
Income (loss) before income tax	\$ 520	\$ (1,061)	\$ (3,658)	\$ (80,379)
Macau complementary tax rate	12%	12%	12%	12%
Income tax expense (credit) at Macau complementary tax rate	62	(127)	(439)	(9,645)
Overprovision in prior year	—	—	(1)	(71)
Effect of income for which no income tax expense is payable	(36)	(16)	(89)	(255)
Effect of expense for which no income tax benefit is receivable	—	180	361	1,404
Increase in valuation allowance	—	—	77	6,682
	<u>\$ 26</u>	<u>\$ 37</u>	<u>\$ (91)</u>	<u>\$ (1,885)</u>

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

13. INCOME TAX EXPENSE (CREDIT) - continued

The deferred income tax assets and liabilities as of December 31, 2005 and 2006, consisted of the following:

	December 31,	
	2005	2006
	(Successor)	(Successor)
Deferred income tax assets		
Net operating loss carryforwards	\$ 72	\$ 6,086
Depreciation and amortization	5	673
	77	6,759
Valuation allowance	(77)	(6,759)
Total net deferred income tax assets	—	—
Deferred income tax liabilities		
Land use rights	(13,659)	(23,541)
Intangible assets	(1,330)	(505)
Unrealized capital allowance	(8)	—
Net deferred income tax liabilities	<u>\$(14,997)</u>	<u>\$(24,046)</u>

A full valuation allowance was provided as management does not believe that it is more likely than not that all of the deferred tax assets will be realized. As of December 31, 2006, operating loss carryforwards amounting to \$604 and \$50,121 will expire in 2008 and 2009, respectively.

Macau complementary tax has been provided at 12% on the estimated taxable income earned in or derived from Macau during the relevant year, if applicable.

Deferred tax, where applicable, is provided under the liability method at the enacted Macau statutory income tax rate applicable to the respective financial years, on the difference between the financial statement carrying amounts and income tax base of assets and liabilities.

14. 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, 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 options to purchase the Company's ordinary shares and 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 our common shares. If the Company grants an incentive share option to an employee who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of 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 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, with a maximum of 50,000,000 over the first five years.

The Company has granted restricted shares to certain personnel in December 2006. The total number of restricted shares that were granted to those persons equal \$16,080 divided by the initial public offering price (as adjusted for the three ordinary shares to one ADS ratio), or approximately 2,540,000 restricted shares. These restricted shares have a vesting period ranging from six months to five years. The Company recorded compensation expenses of approximately \$278 as general and administrative expense for the year ended December 31, 2006. All the restricted shares are unvested as of December 31, 2006 and the grant date fair value is determined with reference to the initial public offering price as adjusted by the factor that these restricted shares are not entitled to dividends during the vesting period.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

15. LOSS PER SHARE

Basic loss per share is calculated by dividing net loss by the weighted average number of ordinary shares outstanding during the period/year. The weighted-average number of common shares outstanding does not include any unvested restricted shares of common stock. These unvested restricted shares are considered contingently returnable until the restrictions lapse and will not be included in the basic net loss per share calculation until the shares are vested. Diluted loss per share does not assume the effect of restricted shares as the effect resulted in a decrease in loss per share.

16. DISTRIBUTION OF PROFITS

All subsidiaries incorporated in Macau are required to set aside a minimum of 10% of the entity's profit after taxation to the legal reserve until the balance of the legal reserve reaches a level equivalent to 50% of the entity's share capital in accordance with the provisions of the Macau Commercial Code. The legal reserve sets aside an amount from the statement of operations and is not available for distribution to the shareholders of the subsidiaries. The appropriation of legal reserve is recorded in the financial statements in the year in which it is approved by the board of the relevant subsidiary. As of December 31, 2005 and 2006, the balance of the legal reserve amounted to \$2 and \$2, respectively.

17. MAJOR NON-CASH TRANSACTIONS

- (a) As disclosed in Note 1 and Note 19(e), Melco acquired 80% of the shares of Mocha and 70% of the shares of Great Wonders, which were subsequently contributed to the Company upon the completion of the Subscription Agreement.
- (b) As disclosed in Note 1 and Note 19(d), out of the consideration of \$150,641 for the acquisition of the remaining 49.2% interest in the City of Dreams, \$48,077 was financed by a loan from Melco and PBL, which remained outstanding as of December 31, 2006.
- (c) As disclosed in Note 1 and Note 19(e), out of the consideration of \$51,282 for the acquisition of the remaining 30% equity interest in Great Wonders, \$25,641 was financed by an advance from Melco and PBL, which remained outstanding as of December 31, 2006.
- (d) As disclosed in Note 1 and Note 3(b), the consideration of \$32,051 and \$5,859 for the acquisition of the remaining 20% interest in Mocha Slot and the Loan Sale was financed by advances from Melco and PBL, equally, which remained outstanding as of December 31, 2006.
- (e) As disclosed in Note 9, the payment of deposit for acquisition of land interest of \$12,853 was financed by advances from Melco and PBL, equally, which remained outstanding as of December 31, 2006.
- (f) As disclosed in Note 1, MPBL Gaming was transferred to the Company after MPBL Gaming obtained the Gaming Subconcession in October 2006.
- (g) As disclosed in Note 1, the 20% shares of MPBL (Greater China) indirectly owned by Melco were transferred to Melco PBL International Limited, resulting in a contribution of 20% equity interest in MPBL (Greater China) to the Company by Melco.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

18. COMMITMENTS AND CONTINGENCIES

(a) Capital Commitments

At December 31, 2006, the Company had capital commitments contracted for but not provided in respect of construction of the Crown Macau Project and the City of Dreams Project and acquisition of property and equipment totalling to \$167,606.

In addition, Melco Hotels has accepted in principle an offer from the Macau Government to acquire the Cotai Land in Macau for approximately \$63,411, with \$21,173 payable at signing of the government lease and the remaining balance of approximately \$42,238 due in nine equal half-yearly installments bearing interest at 5% per annum. The first installment will be payable within six months from the date of publication of the grant of the concession for the Cotai Land in the Macau Government gazette. No payment has been made by Melco Hotels in respect of this offer as of December 31, 2006. A guarantee deposit of approximately \$285 will be payable upon signing of the government lease, subject to adjustments based on the relevant amount of rent payable during the year. During the construction period, rent in an aggregate amount of \$285 per annum will be payable to the Macau Government. Following the completion of construction, rent in an aggregate amount of \$508 per annum will be payable to the Macau Government. The rent amounts may be adjusted every five years as agreed between the Macau Government and the Company, using the applicable market rates in effect at the time of the rent adjustment. The construction of the City of Dreams Project commenced in April 2006. The Company has recorded the land use right of \$63,411 and the related payable to the Macau Government in accrued expenses and other current liabilities of \$21,173 and land use right payable of \$42,238 at December 31, 2006.

At December 31, 2006, the Macau Government had officially granted the Taipa Land to Great Wonders for \$18,600. The Group had paid \$6,229 as of December 31, 2005. The remaining balance of \$12,371 was originally interest-bearing at 5% per annum and payable in 4 half-yearly equal installments of which the first installment would be payable within six months from the date of publication of the grant of concession of the Taipa Land in the Macau Government gazette. The outstanding balance was settled during the year ended December 31, 2006. A guarantee deposit of approximately \$20 was paid upon signing of the lease in 2006, subject to adjustments in accordance with the relevant amount of rent payable during the year. During the construction period, rent will be due at an annual amount of \$20. The annual rent will be \$171 after the completion of construction. The rent amounts may be adjusted every five years as agreed between the Macau Government and Great Wonders, using the applicable market rates in effect at the time of the rent adjustment.

As discussed in Note 9, MPBL Peninsula entered into an agreement to purchase the entire issued share capital of a company which held the rights to a land lease in respect of a plot of land on the Macau peninsula. The aggregate consideration is \$192,802, which is payable in cash and the acquisition is expected to be completed in 2007. An amount of \$12,853 was paid as a downpayment upon signing of the sale and purchase agreement and is included in deposit for acquisition of land interest. The balance is payable on completion of the acquisition. The completion of the acquisition is subject to conditions that are not under control of the Company.

(b) Lease Commitments

The Group leases office space, slot lounges and certain equipment under non-cancellable operating lease agreements that expire at various dates through December 2016. The Group's office lease and slot lounge leases provide for periodic rental increases based on the general inflation rate. During the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006, the Group made rental payments amounting to \$401, \$619, \$1,156 and \$3,375, respectively.

MELCO PBL ENTERTAINMENT (MACAU) 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 - continued

As of December 31, 2006, minimum lease payments under all non cancellable leases were as follows:

Operating Leases

<u>Year</u>	
2007	\$ 4,273
2008	4,057
2009	3,632
2010	2,657
2011	2,498
Over 2011	8,383
Total minimum lease payments	<u>\$25,500</u>

In addition, as of December 31, 2006, there were certain minimum lease payments under the land lease of the Taipa Land and Cotai Land (see Note 18(a)).

(c) Other Commitments

On September 8, 2006, the Macau Government granted a Gaming Subconcession to MPBL Gaming to operate the gaming business in Macau. Pursuant to the gaming sub-concession agreement, MPBL Gaming has committed to the following:

- i) To make a minimum investment in Macau of \$499,164 (MOP 4,000,000,000) by December 2010.
- ii) To pay the Macau Government a fixed annual premium of \$3,744 (MOP 30,000,000) starting from the earlier of June 26, 2009 or completion of the hotel, casino and resort projects operated by the Company's subsidiaries.
- iii) To pay the Macau Government a variable premium depending on the number and type of gaming tables and gaming machines that the Company operates. The variable premium will be calculated as follows:
 - \$37 (MOP 300,000) 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 (MOP 150,000) 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
 - \$1 (MOP 1,000) per year for each electrical or mechanical gaming machine.
- iv) To pay the Macau Government a sum of 1.6% of the gross revenues of the gaming business operations on a monthly basis, that will be made available to a public foundation for the promotion, development and study of social, cultural, economic, educational, scientific, academic and charity activities, to be determined by the Macau Government.
- v) To pay the Macau Government a sum of 2.4% of the gross revenues of the gaming business operations on a monthly basis, which will be used for urban development, tourist promotion and the social security of Macau.
- vi) To pay special gaming tax to the Macau Government of an amount equal to 35% of the gross revenues of the gaming business operations on a monthly basis.
- vii) MPBL Gaming must maintain a bank guarantee issued by a specific bank with the Macau Government as the beneficiary in a maximum amount of \$62,395 (MOP 500,000,000) from September 8, 2006 to September 8, 2011 and in a maximum amount of \$37,437 (MOP 300,000,000) from that date until the 180th day after the termination date of the Gaming Subconcession. A sum of 1.75% of the guarantee amount will be payable by the Company quarterly to such bank.

MELCO PBL ENTERTAINMENT (MACAU) 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

In addition, in 2006, the Group entered into principles of understanding to engage a general contractor for the City of Dreams project for contractor fee of \$70,694 and is currently negotiating the definitive contract between the parties. As contemplated in the principles of understanding, it is expected that each of the parties forming the general contractor will provide the Group, to the extent that the relevant contractor is not the ultimate holding company of its group, a parent company guarantee securing the due performance of the relevant contractor's obligations under the definitive contract and in return, the Group is expected to provide a guarantee to the contractors guaranteeing the due performance of Melco Hotel's obligations under the definitive contract.

(d) **Contingencies**

At of December 31, 2006, the MPBL Gaming has issued a promissory note ("livranca") of \$68,635 (MOP550,000,000) to a bank in respect of bank guarantees issued to the Macau Government as disclosed in Note 18(c)(vii).

19. RELATED PARTY TRANSACTIONS

(a) **Amounts due from affiliated companies**

(i) Before MPBL Gaming obtained the Gaming Subconcession in September 2006, the Group provided services to certain electronic gaming lounges of SJM. The services fee was calculated based on a pre-determined rate stipulated in the respective agreement of the gaming revenue from the gaming machines. During the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006, the service fees received or receivable from SJM were \$1,764, \$5,619, \$16,433 and \$16,276, respectively. In addition, the Group purchased property and equipment from SJM during the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006, amounting to nil, nil, \$1,023 and \$2,188, respectively.

The outstanding balances of the amount due from SJM as at December 31, 2005 and 2006 were \$1,398 and nil, respectively, and were unsecured, non-interest bearing and repayable on demand.

(ii) The Group paid certain expenses on behalf of Publishing and Broadcasting (Finance) Limited, a subsidiary of PBL. As of December 31, 2005 and 2006, the outstanding balance due from Publishing and Broadcasting (Finance) Limited of nil and \$30 were unsecured, non-interest bearing and repayable on demand.

(iii) The Group paid certain expenses on behalf of STDM. As of December 31, 2005 and 2006, the outstanding balance due from STDM of nil and \$122 were unsecured, non-interest bearing and repayable on demand.

MELCO PBL ENTERTAINMENT (MACAU) 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/person**

(i) The Group paid travelling expenses to STD M, which made the accommodation and transport arrangements for Mocha Slot, MPBL Gaming and Company employees travelling between Hong Kong and Macau of nil, \$34, \$113 and \$248 for the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006, respectively. The outstanding balances as at December 31, 2005 and 2006 were \$26 and nil, respectively, and were unsecured, non-interest bearing and repayable on demand.

(ii) In addition, the Group entered into the following transactions with certain wholly owned subsidiaries of Melco during the year/period:

	1.1.2004 to 6.8.2004 (Predecessor)	6.9.2004 to 12.31.2004 (Successor)	For the year ended December 31,	
			2005 (Successor)	2006 (Successor)
Purchase of property and equipment	\$ 5,599	\$ 1,158	\$ 14,620	\$ 9,803
Management fee paid/payable	—	—	197	144
Project management fee paid/payable	—	—	1,077	1,420
Network support fee paid/payable	—	28	92	193
Rental expenses paid/payable	—	—	135	334
Travelling expenses paid/payable	—	—	11	127
Financial advisory fee paid/payable	—	—	48	—
Consultancy fee paid/payable	—	—	—	281
Contractor fee paid/payable	—	—	—	16

The management fee was paid for general administrative services provided by a wholly-owned subsidiary of Melco, which was based on a pre-determined fixed monthly amount during the year ended December 31, 2005 and was based on actual cost incurred during the year ended December 31, 2006. The project management fee and consultancy fee were paid for services provided by wholly-owned subsidiaries of Melco in connection with the Crown Macau Project and the City of Dreams Project and was capitalized in construction in progress, which was based on the actual cost incurred. For other expenses, amounts were determined on an individual basis with reference to market prices.

The outstanding balances due to affiliated companies as of December 31, 2005 and 2006, were \$25,443 and \$8,349, respectively, and were unsecured and repayable on demand. As at December 31, 2005, the balances included an amount of \$16,857 which bore interest at 9% per annum and had been charged up to June 2006 from which date onwards the amounts due ceased to be interest bearing. The remaining balances as at December 31, 2005 and all balances as at December 31, 2006 were non-interest bearing. During the years ended December 31, 2005 and 2006, the interest paid/payable in respect of the balances were \$694 and \$333, respectively.

(iii) The Group received funds from Dr. Stanley Ho for working capital purposes. The amount was unsecured, bore interest at 4% per annum and was repayable on demand. The outstanding balances as of December 31, 2005 and 2006 were \$5,780 and nil, respectively. During the periods from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006, the interest paid to Dr. Stanley Ho was nil, \$3, \$138 and \$80, respectively.

During the period from June 9, 2004 to December 31, 2004, the Group also received funds from Mr. Chang Wang. The amounts bore interest at 4% per annum. During the period from June 9, 2004 to December 31, 2004, the interest paid to Mr. Chang Wang was \$12.

(iv) The Group paid service fees to Publishing and Broadcasting (Finance) Limited, a subsidiary of PBL, for the years ended December 31, 2005 and 2006, amounting to \$538 and \$1,638, respectively. The service fee was paid for general administrative services provided and was based on a pre-determined fixed monthly amount. The outstanding balances as of December 31, 2005 and 2006 were \$269 and nil, respectively, and were unsecured, non-interest bearing and repayable on demand.

MELCO PBL ENTERTAINMENT (MACAU) 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/person - continued

- (v) The Group paid rental expenses of \$139 and service fee of \$350 to Lisboa Holdings Limited, a company in which a relative of Mr. Lawrence Ho has beneficial interest, during the year ended December 31, 2006 for a Mocha slot gaming lounge. As of December 31, 2006, the outstanding balance due to Lisboa Holdings Limited of \$529 was unsecured, non-interest bearing and repayable on demand.
- (vi) The Group paid consultancy fees of \$5,259 to Crown Limited, a subsidiary of PBL, for the year ended December 31, 2006 for consulting services of the Crown Macau Project. Out of the total charges, \$2,734 was capitalized in construction in progress. As of December 31, 2006, the outstanding balance due to Crown Limited of \$1,570 was unsecured, non-interest bearing and repayable on demand.
- (vii) The Group purchased property and equipment from SJM of \$2,188 during 2006. The outstanding balance due to SJM as of December 31, 2006 of \$163 was unsecured, non-interest bearing and repayable on demand.

(c) Amounts due to/Loans from shareholders

The Group received funds from Melco, for working capital purposes, acquisition of interests in the Taipa Land and Cotai Land, construction of Crown Macau Project and City of Dreams Project, acquisition of additional 20% interest in Mocha Slot and Loan Sale and payment of the deposit for acquisition of land interest.

The outstanding balances due to Melco as of December 31, 2005 and 2006 were \$94,577 and \$144,663, respectively and are unsecured. As of December 31, 2005 and 2006, the outstanding balances amounting to \$67,138 and \$74,367 were interest bearing at 9% per annum and 3-months HIBOR per annum, respectively, and the remaining balances were non-interest bearing. As of December 31, 2005 and 2006, the outstanding balances were repayable on demand except for the balance of \$74,367 as at December 31, 2006 which was repayable in 18 months from the balance sheet date and therefore classified as non-current liabilities.

Interest of nil, \$198, \$2,031, \$2,191 was paid/payable for the period January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and for the years ended December 31, 2005 and 2006, respectively. The interest paid/payable to Melco of \$2,191 for the year ended December 31, 2006 included an amount of \$377 which was capitalized in construction in progress.

The Group also received funds from PBL, for working capital purposes, acquisition of interests in the Taipa Land and Cotai Land, construction of the Crown Macau Project and the City of Dreams Project, acquisition of an additional 20% interest in Mocha Slot and the Loan Sale and payment of the deposit for acquisition of land interest. The outstanding balances due to PBL as of December 31, 2005 and 2006 were nil and \$67,843, respectively, and were unsecured. As at December 31, 2006, the outstanding amount included an amount of \$41,280, which was interest bearing at 3-months HIBOR per annum and repayable in 18 months from the balance sheet date and therefore classified as a non-current liability. All the remaining balances were non-interest bearing and repayable on demand. Interest of \$209 was paid/payable for the year ended December 31, 2006 and was capitalized in construction in progress.

During the year ended December 31, 2006, Melco and PBL agreed to convert the working capital loan of a total of \$150,000, contributed in equal proportions, into equity.

MELCO PBL ENTERTAINMENT (MACAU) 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

At June 8, 2004, Mocha Slot received a loan from Mr. Chang Wang for working capital purposes. The loan was interest bearing at 4% per annum and interest of \$31 was paid/payable for the period from January 1, 2004 to June 8, 2004 (predecessor).

At June 8, 2004, Mocha Slot also received a loan from Better Joy for working capital purposes. The loan is interest bearing at 4% per annum and interest of \$63 was paid/payable for the period from January 1, 2004 to June 8, 2004 (predecessor).

- (d) As discussed in Note 1, Melco contributed its interest in Melco Hotels to the Company pursuant to a shareholders agreement. Pursuant to an agreement signed on May 11, 2005, Melco Leisure acquired from Great Respect the remaining 49.2% interest in the City of Dreams Project for \$150,641 and contributed it to MPBL (Greater China), subject to certain conditions precedent. The acquisition was completed on September 5, 2005 and \$48,077 out of \$150,641 was financed by a loan from Melco and PBL. The price paid to acquire the additional interest was previously classified as other assets. Since the construction work for the City of Dreams Project commenced in April 2006, the amount was reclassified to the land use right as of that date.

On April 21, 2005, a consent was issued by the Macau Government to Melco Hotels pursuant to which the Macau Government offered to Melco Hotels the right to be granted a medium term lease of Cotai Land, to construct and develop the City of Dreams Project. The construction work for the City of Dreams Project commenced in April 2006. The land use right and related payable to the Macau Government of \$63,411 has been included in the land use right, accrued expenses and other current liabilities, and land use right payable as of December 31, 2006.

As of December 31, 2006, Melco Hotels was in the process of obtaining the official title of this land use right.

- (e) On November 9, 2004, Melco completed the acquisition of a 50% interest in Great Wonders from STD M for \$35,748 in convertible notes of Melco. Upon the acquisition date, Great Wonders was in a development stage and had no significant assets, liabilities or operations.

On February 8, 2005, Melco completed the acquisition of an additional 20% equity interest in Great Wonders from STD M for \$16,360 in convertible notes of Melco. Melco then transferred this 20% equity interest to the Company together with the 50% interest in Great Wonders purchased in the year ended December 31, 2004. On July 28, 2005, the Group completed the acquisition of the remaining 30% interest in Great Wonders from STD M for \$51,282, of which \$25,641 was financed by an advance from Melco and PBL. Details of the transaction are also disclosed in Note 1.

The principal activity of Great Wonders was to apply to the Macau Government for the concession for the Taipa Land and to develop the Crown Macau Project. Land use right recognized represented the consideration paid to STD M for acquisition of the interest in Great Wonders and the consideration payable by the Company to the Macau Government for the right to develop the Taipa Land into the Crown Macau Project. The construction work commenced in December 2004.

On June 24, 2005, Great Wonders accepted a formal offer from the Macau Government to acquire the Taipa Land for \$18,600, which was included in the amount of land use rights as of December 31, 2006. As at December 31, 2005, Great Wonders had paid \$6,229 for the Taipa Land. The remaining balance of approximately \$12,371 was fully settled as of December 31, 2006.

The expiry dates of the lease of the Taipa Land and Cotai Land are March 2031 and March 2032, respectively. The Company amortizes the land use rights from the commencement date of the construction work to their expiry dates. Total amortization charges of nil, \$130, \$3,535 and \$12,358 were recognized during the periods from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and the years ended December 31, 2005 and 2006, respectively.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

19. RELATED PARTY TRANSACTIONS - continued

- (e) Since Great Wonders did not meet the definition of a business, the acquisitions of interests in Great Wonders have been accounted for as purchases of additional interests in assets as follows:

	Acquisition of 50% equity interest	Acquisition of 20% equity interest	Acquisition of 30% equity interest
Land use right	\$ 40,623	\$ 18,591	\$ 58,275
Deferred tax liabilities	(4,875)	(2,231)	(6,993)
	<u>\$ 35,748</u>	<u>\$ 16,360</u>	<u>\$ 51,282</u>

- (f) On November 11, 2004, Great Wonders entered into letters of confirmation with SJM pursuant to which SJM would lease the casino premises at and operate the casino gaming activities at the Crown Macau Project pursuant to an arrangement under which Great Wonders would receive fees and rentals based on a percentage of the revenues from such gaming operations. The letters of confirmation were terminated subsequently in March 2006 when PBL entered into an agreement with Wynn Macau to acquire a Gaming Subconcession under Wynn Macau's concession.
- (g) As disclosed in Note 1, the Company completed its reorganization in October 2006. As a result of the restructuring, the Company acquired MPBL Gaming, the holder of the Gaming Subconcession in Macau, and Melco's 20% interest in MPBL (Greater China), the holding company of Mocha Slot, Great Wonders and Melco Hotels.
- (h) On March 15, 2006, in contemplation of the grant of the Gaming Subconcession to MPBL Gaming, as mentioned in Note 1, and for the purposes of continuity of the slot lounge services provision business, Melco, Mocha Slot, Mocha Management and SJM entered into an agreement for the conditional termination of all existing services agreements of Mocha Slot. The termination became effective subsequent to the grant of Gaming Subconcession to MPBL Gaming in September 2006.

In contemplation of the acquisition of MPBL Gaming by the Group (see Note 1 and 19(g) for details of the transfer), Mocha Slot has made use of the Gaming Subconcession of MPBL Gaming before MPBL Gaming was contributed to the Company, at nil consideration, to operate the slot lounge business, in accordance with an arrangement letter signed.

- (i) On May 9, 2006, Melco PBL International Limited entered into a sale and purchase agreement ("Sale and Purchase Agreement") to acquire the remaining 20% of Mocha Slot held by Dr. Ho and repaid the shareholder loan from Dr. Stanley Ho to Mocha Slot for an aggregate consideration of approximately \$37,910. The Sale and Purchase Agreement was completed on the same date on which the Sale and Purchase Agreement was signed.
- (j) On May 17, 2006, MPBL Peninsula entered into an agreement to purchase the entire issued share capital of a company, of which Dr. Stanley Ho is one of the directors but in which he holds no shares. Such company will hold the rights to a land lease in respect of a plot of land with an area of 6,480 square meters located at Zona dos Novos Aterros do Porto Exterior, on the Macau peninsula. The aggregate consideration is \$192,802, which is payable in cash and the acquisition is expected to be completed in 2007. An amount of \$12,853 was paid as a downpayment upon signing of the sale and purchase agreement and is included in deposit for acquisition of land interest. The balance is payable on completion of the acquisition.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

20. SEGMENT INFORMATION

The Company is principally engaged in the gaming and hospitality business. In 2004 and 2005, the Company had only one reportable unit as the sole activity of the Company was the provision of services to gaming machines lounges. Starting from 2006, the Company's chief operating decision makers monitor its operations and evaluate earnings by reviewing the assets and operations of Mocha Slot, the Crown Macau Project and the City of Dreams Project and determined that the Company has three reportable units. However, as at December 31, 2006, Mocha Slot is the sole business of the Company as the Crown Macau Project and the City of Dreams Project are still in the development and construction phase and no revenues were generated at them.

Since the Company's chief operating decision makers have changed their evaluation and resources allocation measurements starting from 2006, the amounts disclosed for the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 to December 31, 2004 and year ended December 31, 2005 financial statements relating to the reportable units have been changed to conform to the 2006 reportable units. There was no impact on either the financial results or financial position on the Company in 2004 and 2005.

As of December 31, 2005 and 2006, the Company's total assets by segments are as follows:

	December 31,	
	2005	2006
	(Successor)	(Successor)
Mocha Slot	\$ 85,429	\$ 138,029
Crown Macau	171,102	435,875
City of Dreams	152,593	475,907
Corporate and others	12,084	1,230,109
Total consolidated assets	<u>\$ 421,208</u>	<u>\$2,279,920</u>

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

20. SEGMENT INFORMATION - continued

For the period from January 1, 2004 to June 8, 2004 (predecessor), June 9, 2004 and the years ended December 31, 2005 and 2006, one customer, SJM, accounted for 93%, 93%, 95% and 45%, respectively, of total revenues.

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

	1.1.2004 to 6.8.2004 (Predecessor)	6.9.2004 to 12.31.2004 (Successor)	For the year ended December 31,	
			2005 (Successor)	2006 (Successor)
REVENUE				
Fees for services provided to gaming machine lounges	\$ 1,867	\$ 5,754	\$ 16,569	\$ 16,276
Slot lounge gaming revenue	—	—	—	19,108
Sub-total	1,867	5,754	16,569	35,384
Food, beverage and others	29	317	759	717
Total revenue	1,896	6,071	17,328	36,101
OTHER OPERATING COSTS AND EXPENSES				
Operating EBITDA (Mocha) (Note)	771	1,119	7,430	13,178
Depreciation of property and equipment:				
Mocha Slot	(154)	(1,142)	(3,928)	(8,190)
Crown Macau	—	—	—	(339)
City of Dreams	—	—	—	(62)
Corporate and other	—	—	(11)	(15)
Amortization of slot lounge services agreements: Mocha Slot	—	(600)	(1,029)	(1,239)
Amortization of land use right:				
Crown Macau	—	(130)	(3,535)	(5,357)
City of Dreams	—	—	—	(7,001)
Impairment loss recognized on slot lounge services agreement: Mocha Slot	—	—	—	(7,640)
Amortization of Gaming Subconcession	—	—	—	(14,309)
Other expenses incurred other than Mocha Slot:				
Crown Macau	—	—	(318)	(11,487)
City of Dreams	—	—	(238)	(2,720)
Corporate and other	—	—	(2,753)	(10,098)
Other non-operating income of Mocha Slot included in Operating EBITDA	(7)	(86)	(302)	(423)
Minority interest of Mocha Slot included in Operating EBITDA	—	(91)	962	(1,951)
Total	(161)	(2,049)	(11,152)	(70,831)
Operating income (loss)	610	(930)	(3,722)	(57,653)
Other non-operating income and expenses				
Interest income	—	—	2,516	816
Interest expenses	(97)	(217)	(2,028)	(11,184)
Written off of deferred financing costs	—	—	—	(12,698)
Foreign exchange gain (loss), net	5	32	(570)	55
Other, net	2	54	146	285
Total	(90)	(131)	64	(22,726)
INCOME (LOSS) BEFORE INCOME TAX	520	(1,061)	(3,658)	(80,379)
INCOME TAX (EXPENSE) CREDIT	(26)	(37)	91	1,885
INCOME (LOSS) BEFORE MINORITY INTERESTS	494	(1,098)	(3,567)	(78,494)
MINORITY INTERESTS	—	91	308	5,015
NET INCOME (LOSS)	\$ 494	\$ (1,007)	\$ (3,259)	\$(73,479)

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

20. SEGMENT INFORMATION - continued

Notes:

- (1) Since the Crown Macau and City of Dreams projects are still under development stage, total revenue is solely contributed by Mocha Slot for the relevant periods.
- (2) “Operating EBITDA (Mocha)” is earnings before interest, taxes, depreciation, amortization, other expenses (including pre-opening costs, general and administrative, selling and marketing and non-operating income (expenses) relating to subsidiaries other than Mocha Slot) and impairment loss recognized on the slot lounge services agreement. The Operating EBITDA (Mocha) is presented for results of Mocha Slot only. The management of the Company does not use Operating EBITDA on the Crown Macau and City of Dreams Projects to measure its operating performance since they are still under development stage.

21. FINANCING ARRANGEMENT

On February 13, 2006, Great Wonders entered into a two-tranche \$164,524 term loan facility agreement (“Facility”) with certain lenders in relation to the construction of the Crown Macau Project. MPBL (Greater China) currently guarantees all payment obligations of Great Wonders arising under any drawdown against the Facility.

The maturity date for any amounts drawn under this facility is February 13, 2013 and the applicable interest rate any such amounts is Hong Kong Interbank Offered Rate, or HIBOR, plus 2.2% per annum. As of December 31, 2006, no amounts had been drawn and the full commitment amount is available for use until the earlier of February 13, 2008 and the date falling three months after the issuance of the occupation permit of the Crown Macau Project by the Macau Government.

The loans are secured by liens on all present and future assets of Great Wonders. The security package consists of a mortgage on the site and the building and fixtures, a power of attorney, a payment guarantee by MPBL (Greater China), a cost overrun funding guarantee by MPBL (Greater China), a subordination agreement by MPBL (Greater China), a pledge or assignment of cash receipts, bank accounts, the shares of Great Wonders, insurance policies, building contracts, any hotel management agreement, and all other assets of Great Wonders and other securities.

The Facility includes covenants and events of default. If an event of default exists, then the facility agent will, if so instructed by the lenders representing 66% of the total commitment amount, give notice of acceleration to Great Wonders and MPBL (Greater China) and demand immediate repayment of all amounts due under the facility agreement.

In September 2006, MPBL Gaming entered into a \$500,000 term loan facility (“Subconcession Facility”) with certain lenders to pay the remaining purchase price payable upon the Macau Government’s approval of the issuance of a Gaming Subconcession to MPBL Gaming. MPBL Gaming, along with Melco and PBL, also entered into a commitment letter with those same banks as arrangers for a US\$1.6 billion secured credit facility to refinance the Subconcession Facility and finance the development costs of the City of Dreams project. PBL and Melco, as sponsors of the facility, have undertaken to commit equity such that the debt to equity ratio would not exceed 70:30. In addition, PBL and Melco will also provide, on a 50:50 several basis, corporate or bank guarantees to cover as yet to be agreed amounts of contingent and deferred equity. However, the granting of this facility is subject to conditions set forth in the commitment letter and the finalization of the negotiation of certain material terms and will be terminated if facility documents are not executed by June 30, 2007.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

22. POST BALANCE SHEET EVENTS

- (a) On January 9, 2007, the Company issued an additional 9,037,500 ADSs, representing 27,112,500 ordinary shares, pursuant to the underwriters' option to subscribe these additional ADSs from the Company at the initial public offering price of \$19 per ADS less the underwriting commission to cover over-allotments of the ADSs. Net proceeds of \$160,551 were received on January 9, 2007.
- (b) As of March 19, 2007, the Company has fully repaid the current amounts due to shareholders of \$96,859.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

By /s/ Lawrence Ho

Name: Lawrence Ho

Title: Co-Chairman and Chief Executive Officer

Date: March 30, 2007

THE COMPANIES LAW (AS AMENDED)
COMPANY LIMITED BY SHARES
AMENDED AND RESTATED MEMORANDUM & ARTICLES
OF
ASSOCIATION
OF
MELCO PBL ENTERTAINMENT (MACAU) LIMITED

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

AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION

OF

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

(Adopted by Special Resolution on 1 December 2006)

1. The name of the Company is **MELCO PBL ENTERTAINMENT (MACAU) LIMITED**.
2. The Registered Office of the Company shall be at the offices of **Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands**, Grand Cayman, Cayman Islands, or at such other place as the Directors may from time to time decide.
3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law (as amended).
4. The liability of each Member is limited to the amount, if any, unpaid on such Member's shares.
5. The authorised share capital of the Company is US\$15,000,000 divided into 1,500,000,000 ordinary shares of a nominal or par value of US\$0.01 each. The Company has the power to redeem or purchase any of its shares and to sub-divide or consolidate the said shares or any of them subject to the provisions of the Companies Law (as amended) and the Articles of Association and to issue all or any part of its capital, whether original, redeemed, increased or reduced with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained.
6. The Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by Section 27(2) of the Companies Law (as amended).
7. The Company may exercise the power contained in Section 226 of the Companies Law (as amended) to deregister in the Cayman Islands and be registered by way of continuation in some other jurisdiction.
8. Nothing in the preceding sections shall be deemed to permit the Company to carry on the business of a Bank or Trust Company without being licensed in that behalf under the provisions of the Banks and Trust Companies Law (as amended), or to carry on Insurance Business from within the Cayman Islands or the business of an Insurance Manager, Agent, Sub-agent or Broker without being licensed in that behalf under the provisions of the Insurance Law (as amended), or to carry on the business of Company Management without being licensed in that behalf under the provisions of the Companies Management Law (as amended).
9. The Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this section shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
10. Capitalised terms that are not defined in this Amended and Restated Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company, as amended from time to time.

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

AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

MELCO PBL ENTERTAINMENT (MACAU) LIMITED

(Adopted by Special Resolution on 1 December 2006
and effective conditional and immediately upon commencement of the trading of the Company's
American depositary shares representing its ordinary shares on the Nasdaq)

TABLE A

The Regulations contained or incorporated in Table "A" in the First Schedule of the Companies Law (as amended) shall not apply to this Company and the following Articles shall comprise the Articles of Association of the Company:

INTERPRETATION

1. In these Articles, unless otherwise defined, the defined terms shall have the meanings assigned to them as follows:

"ADS"

an American Depositary Share, each representing 3 ordinary shares;

"Affiliate"

a Person who, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, a specified Person. For the purpose of Article 22, "**control**," "**controlled by**" and "**under common control with**" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting shares, by contract, or otherwise;

"Affiliated Companies"

those partnerships, corporations, limited liability companies, trusts or other entities that are Affiliates of the Company, including, without limitation, subsidiaries, holding companies and intermediary companies (as those and similar terms are defined in the Gaming Laws of the applicable Gaming Jurisdictions) that are registered or licensed under applicable Gaming Laws;

"Articles"

these articles of association of the Company as from time to time amended by Special Resolution;

"Board"

the board of Directors for the time being of the Company;

"Commission"

Securities and Exchange Commission of the United States of America or any other federal agency for the time being administering the Securities Act;

“Companies Law”

the Companies Law (as amended) of the Cayman Islands and any statutory amendment or re-enactment thereof. Where any provision of the Companies Law is referred to, the reference is to that provision as amended by any law for the time being in force;

“Company”

Melco PBL Entertainment (Macau) Limited, a Cayman Islands exempted company;

“Company’s Website”

the website of the Company, the address or domain name of which has been notified to Members;

“Directors” and “Board of Directors” and “Board”

the directors of the Company for the time being, or as the case may be, the Directors assembled as a Board or as a committee thereof;

“electronic”

the meaning given to it in the Electronic Transactions Law (as amended) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefore;

“electronic communication”

electronic posting to the Company’s Website, transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than two-thirds of the vote of the Board;

“Gaming” or “Gaming Activities”

the conduct of gaming and gambling activities, or the use of gaming devices, equipment and supplies in the operation of a casino or other enterprise, including, without limitation, race books, sports pools, slot machines, gaming devices, gaming tables, cards, dice, gaming chips, player tracking systems, cashless wagering systems and associated equipment and supplies;

“Gaming Authority or Gaming Activities”

all international, foreign, federal, state, local and other regulatory and licensing bodies and agencies with authority over Gaming within any Gaming Jurisdiction;

“Gaming Jurisdiction”

all jurisdictions, domestic and foreign, and their political subdivisions, in which Gaming Activities are lawfully conducted;

“Gaming Laws”

all laws, statutes, ordinances and regulations pursuant to which any Gaming Authority possesses regulatory and licensing authority over Gaming within any Gaming Jurisdiction, and all orders, decrees, rules and regulations promulgated by such Gaming Authority thereunder;

“Gaming Licenses”

all licenses, permits, approvals, authorizations, registrations, findings of suitability, franchises, concessions and entitlements issued by a Gaming Authority necessary for or relating to the conduct of Gaming Activities;

“Independent Director”

a Director who is an independent director as defined in the NASD Manual & Notices to Members as amended from time to time;

“in writing”

includes writing, printing, lithograph, photograph, type-writing and every other mode of representing words or figures in a legible and non-transitory form and, only where used in connection with a notice served by the Company on Members or other persons entitled to receive notices hereunder, shall also include a record maintained in an electronic medium which is accessible in visible form so as to be useable for subsequent reference;

“Member”

a person whose name is entered in the Register of Members as the holder of a share or shares;

“Memorandum of Association”

the Memorandum of Association of the Company, as amended and re-stated from time to time;

“month”

calendar month;

“Nasdaq”

The Nasdaq Stock Market’s Global Market in the United States;

“Nasdaq Rules”

the relevant code, rules and regulations, as amended, from time to time, applicable as a result of the original and continued quotation of any shares or ADSs on Nasdaq, including without limitation, the NASD Manual & Notices to Members and the Listing Rules;

“Ordinary Resolution”

a resolution:

- (a) passed by a simple majority of such Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Member is entitled; or
- (b) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments if more than one, is executed;

“Own,” “Ownership,” or “Control,” (and derivatives thereof)

(i) ownership of record, (ii) “beneficial ownership” as defined in Rule 13d-3 promulgated by the Commission (as amended), or (iii) the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person or the disposition of Shares, by agreement, contract, agency or other manner;

“paid up”

paid up as to the par value and any premium payable in respect of the issue of any shares and includes credited as paid up;

“Person”

an individual, partnership, corporation, limited liability company, trust or any other entity;

“Redemption Date”

the date specified in the Redemption Notice as the date on which the shares Owned or Controlled by an Unsuitable Person or an Affiliate of an Unsuitable Person are to be redeemed by the Company;

“Redemption Notice”

that notice of redemption given by the Company to an Unsuitable Person or an Affiliate of an Unsuitable Person pursuant to Article 22. Each Redemption Notice shall set forth (i) the Redemption Date, (ii) the number and type of shares to be redeemed, (iii) the Redemption Price and the manner of payment therefor, (iv) the place where any certificates for such shares shall be surrendered for payment, and (v) any other requirements of surrender of the certificates, including how they are to be endorsed, if at all;

“Redemption Price”

the price to be paid by the Company for the Shares to be redeemed pursuant to Article 22, which shall be that price (if any) required to be paid by the Gaming Authority making the finding of unsuitability, or if such Gaming Authority does not require a certain price to be paid, that amount determined by the Board of Directors to be the fair value of the shares to be redeemed; *provided, however*, that the price per share represented by the Redemption Price shall in no event be in excess of the closing sales price per share on the principal national securities exchange on which such shares are then listed on the trading date on the day before the Redemption Notice is deemed given by the Company to the Unsuitable Person or an Affiliate of an Unsuitable Person or, if such shares are not then listed for trading on any national securities exchange, then the closing sales price of such shares as quoted in the Nasdaq National Market or SmallCap Market or, if the shares are not then so quoted, then the mean between the representative bid and the ask price as quoted by any other generally recognized reporting system. The Redemption Price shall be paid in cash, by promissory note, or both, as required by the applicable Gaming Authority and, if not so required, as the Board of Directors determines. Any promissory note shall contain such terms and conditions as the Board of Directors determines necessary or advisable, including without limitation, subordination provisions, to comply with any law or regulation then applicable to the Company or any Affiliate of the Company or to prevent a default under, breach of, event of default under or acceleration of any loan, promissory note,

mortgage, indenture, line of credit, or other debt or financing agreement of the Company or any Affiliate of the Company. Subject to the foregoing, the principal amount of the promissory note together with any unpaid interest shall be due and payable no later than the tenth anniversary of delivery of the note and interest on the unpaid principal thereof shall be payable annually in arrears at the rate of 2% per annum;

“Register of Members”

the register to be kept by the Company in accordance with Section 40 of the Companies Law;

“Seal”

the Common Seal of the Company (if adopted) including any facsimile thereof;

“Securities Act”

the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time;

“share”

any share in the capital of the Company, including a fraction of a share;

“signed”

includes a signature or representation of a signature affixed by mechanical means or an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a person with the intent to sign the electronic communication;

“Special Resolution”

a resolution passed in accordance with Section 60 of the Companies Law, being a resolution:

- (a) passed by a majority of not less than two-thirds of such Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a Special Resolution has been duly given and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Member is entitled, or
- (b) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members and the effective date of the Special Resolution so adopted shall be the date on which the instrument or the last of such instruments if more than one, is executed.

“Statutes”

the Companies Law and every other laws and regulations of the Cayman Islands for the time being in force concerning companies and affecting the Company;

“Unsuitable Person”

a Person who (i) is determined by a Gaming Authority to be unsuitable to Own or Control any shares in the Company, whether directly or indirectly, or (ii) causes the Company or any Affiliated Company to lose or to be threatened with the loss of any Gaming License, or (iii) in the sole discretion of the Board of Directors of the Company, is deemed likely to jeopardize the Company’s or any Affiliated Company’s application for, receipt of approval for, right to the use of, or entitlement to, any Gaming License;

“year”

calendar year.

2. In these Articles, save where the context requires otherwise:
 - (a) words importing the singular number shall include the plural number and vice versa;
 - (b) words importing the masculine gender only shall include the feminine gender;
 - (c) words importing persons only shall include companies or associations or bodies of persons, whether corporate or not;
 - (d) “**may**” shall be construed as permissive and “**shall**” shall be construed as imperative;
 - (e) a reference to a dollar or dollars (or US\$) is a reference to dollars of the United States;
 - (f) references to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force; and
 - (g) any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.
3. Subject to the last two preceding Articles, any words defined in the Companies Law shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

PRELIMINARY

4. The business of the Company may be commenced as soon after incorporation as the Directors see fit.
5. The registered office of the Company shall be at such address in the Cayman Islands as the Directors shall from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.

SHARE CAPITAL

6. The authorized share capital of the Company at the date of adoption of these Articles is US\$15,000,000 divided into 1,500,000,000 ordinary shares of a nominal or par value of US\$0.01 each with power for the Company insofar as is permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Statute and these Articles and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained.

ISSUE OF SHARES

7. Subject to the provisions, if any, in that behalf in the Memorandum of Association, the Directors may re-designate allot, issue, grant options over or otherwise dispose of shares of the Company (including fractions of a share) with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise in such classes or series and to such persons, at such times and on such other terms as they think proper. The Company shall not issue shares in bearer form.

REGISTER OF MEMBERS AND SHARE CERTIFICATES

8. The Company shall maintain a Register of its Members and every person whose name is entered as a member in the Register of Members shall, without payment, be entitled to a certificate within two months after allotment or lodgement of transfer (or within such other period as the conditions of issue shall provide) in the form determined by the Directors. All certificates shall specify the share or shares held by that person and the amount paid up thereon, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all. All certificates for shares shall be delivered personally or sent through the post addressed to the member entitled thereto at the Member's registered address as appearing in the register.
9. Every share certificate of the Company shall bear legends required under the applicable laws, including the Securities Act.
10. Any two or more certificates representing shares of any one class held by any Member may at the Member's request be cancelled and a single new certificate for such shares issued in lieu on payment (if the Directors shall so require) of US\$1.00 or such smaller sum as the Directors shall determine.
11. If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same shares may be issued to the relevant Member upon request subject to delivery up of the old certificate or (if alleged to have been lost, stolen or destroyed) compliance with such conditions as to evidence and indemnity and the payment of out-of-pocket expenses of the Company in connection with the request as the Directors may think fit.
12. In the event that shares are held jointly by several persons, any request may be made by any one of the joint holders and if so made shall be binding on all of the joint holders.

TRANSFER OF SHARES

13. The instrument of transfer of any share shall be in writing and in such usual or common form or such other form as the Directors may in their discretion approve and be executed by or on behalf of the transferor and shall be accompanied by the certificate of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.
14. All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors decline to register shall (except in any case of fraud) be returned to the person depositing the same.
15. (a) The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share which is not fully paid up or upon which the Company has a lien.
(b) The Board may also decline to register any transfer of any share unless:
 - the instrument of transfer is lodged with the Company, accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

-
- the instrument of transfer is in respect of only one class of shares;
 - the instrument of transfer is properly stamped, if required;
 - in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four; or
 - the shares transferred are free of any lien in favour of the Company.
16. If the Directors refuse to register a transfer of any shares, they shall within two months after the date on which the transfer was lodged with the Company send to each of the transferor and the transferee notice of the refusal.
17. The registration of transfers may, on 14 days' notice being given by advertisement in such one or more newspapers or by electronic means, be suspended and the Register of Members closed at such times and for such periods as the Directors may, in their absolute discretion, from time to time determine, provided always that such registration shall not be suspended nor the Register of Members closed for more than 30 days in any year.

REDEMPTION AND PURCHASE OF OWN SHARES

18. Subject to the provisions of the Statutes and these Articles, the Company may:
- (a) issue shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Company or the Member on such terms and in such manner as the Directors may, before the issue of such shares, determine;
 - (b) purchase its own shares (including any redeemable shares) on such terms and in such manner as the Directors may determine; and
 - (c) make a payment in respect of the redemption or purchase of its own shares otherwise than out of profits or the proceeds of a fresh issue of shares.
19. Any share in respect of which notice of redemption has been given shall not be entitled to participate in the profits of the Company in respect of the period after the date specified as the date of redemption in the notice of redemption.
20. The redemption or purchase of any share shall not be deemed to give rise to the redemption or purchase of any other share.
21. The Directors may when making payments in respect of redemption or purchase of shares, if authorised by the terms of issue of the shares being redeemed or purchased or with the agreement of the holder of such shares, make such payment in any form of consideration.

COMPULSORY REDEMPTION

22. (a) The shares Owned or Controlled by an Unsuitable Person or an Affiliate of an Unsuitable Person shall be subject to redemption by the Company, out of funds legally available therefor, by action of the Board of Directors, to the extent required by the Gaming Authority making the determination of unsuitability or to the extent deemed necessary or advisable by the Board of Directors. If a Gaming Authority requires the Company of an Affiliate of the Company, or the Board of Directors deems it necessary or advisable, to redeem the shares, the Company shall give a Redemption Notice to the Unsuitable Person or its Affiliate and shall purchase on the Redemption Date the number of shares specified in the Redemption Notice for the Redemption Price set forth in the Redemption Notice. From and after the Redemption Date, such shares shall no longer be

deemed to be outstanding and such Unsuitable Person or any Affiliate of such Unsuitable Person shall cease to be a Member with respect to such shares and all rights of such Unsuitable Person or any Affiliate of such Unsuitable Person therein, other than the right to receive the Redemption Price, shall cease. Such Unsuitable Person or its Affiliate shall surrender the certificates representing any shares to be redeemed in accordance with the requirements of the Redemption Notice.

(b) Commencing on the date that a Gaming Authority serves notice of a determination of unsuitability or the Board of Directors determines that a Person is an Unsuitable Person, and until the shares Owned or Controlled by such Person are Owned or Controlled by a Person who is not an Unsuitable Person, the Unsuitable Person or any Affiliate of an Unsuitable Person shall not be entitled: (i) to receive any dividend or interest with regard to the shares, (ii) to exercise, directly or indirectly or through any proxy, trustee, or nominee, any voting or other right conferred by such shares, and such shares shall not for any purposes be included in the share capital of the Company entitled to vote, or (iii) to receive any remuneration in any form from the Company or any Affiliated Company for services rendered or otherwise.

(c) Any Unsuitable Person and any Affiliate of an Unsuitable Person shall indemnify and hold harmless the Company and its Affiliated Companies for any and all losses, costs, and expenses, including attorneys' fees, incurred by the Company and its Affiliated Companies as a result of, or arising out of, such Unsuitable Person's or Affiliate's continuing Ownership or Control of shares, the neglect, refusal or other failure to comply with this Article 22, or failure to promptly divest itself of any shares when required by the Gaming Laws or this Article 22.

VARIATIONS OF RIGHTS ATTACHING TO SHARES

23. If at any time the share capital is divided into different classes of shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to these Articles, be varied or abrogated with the unanimous written consent of the holders of the issued shares of that class, or with the sanction of a resolution passed by at least two-thirds of the holders of shares of the class present in person or by proxy at a separate general meeting of the holders of the shares of the class.
24. The provisions of these Articles relating to general meetings shall apply to every such general meeting of the holders of one class of shares except that the necessary quorum shall be one person holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.
25. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied or abrogated by the creation or issue of further shares ranking *pari passu* therewith or the redemption or purchase of shares of any class by the Company.

COMMISSION ON SALE OF SHARES

26. The Company may in so far as may be permitted by law, pay a commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any shares of the Company. Such commissions may be satisfied by the payment of cash or the lodgement of fully or partly paid-up shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

NON-RECOGNITION OF TRUSTS

27. No person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future, or partial interest in any share, or any interest in any fractional part of a share, except an absolute right to the entirety thereof in the registered holder.

FRACTIONAL SHARES

28. The Directors may issue fractions of a share of any class of shares, and, if so issued, a fraction of a share (calculated to three decimal points) shall be subject to and carry the corresponding fraction of liabilities (whether with respect to any unpaid amount thereon, contribution, calls or otherwise), limitations, preferences, privileges, qualifications, restrictions, rights (including, without limitation, voting and participation rights) and other attributes of a whole share of the same class of shares.

LIEN ON SHARES

29. The Company shall have a first and paramount lien and charge on all shares that are not fully paid-up registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or engagements to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other person, whether a Member or not, but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The registration of a transfer of any such share shall operate as a waiver of the Company's lien (if any) thereon. The Company's lien (if any) on such share shall extend to all dividends or other monies payable in respect thereof.
30. The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless an amount in respect of which the lien exists is presently payable nor until the expiration of 14 days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the persons entitled thereto by reason of his death or bankruptcy.
31. For giving effect to any such sale the Directors may authorise such persons to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
32. The proceeds of the sale after deduction of expenses, fees and commissions incurred by the Company shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES

33. The Directors may from time to time make calls upon the Members in respect of any moneys unpaid on their shares, and each Member shall (subject to receiving at least 14 days notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on his shares.
34. The joint holders of a share shall be jointly and severally liable to pay calls in respect thereof.
35. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate of eight percent per annum from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.
36. The provisions of these Articles as to the liability of joint holders and as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the amount of the share, or by way of premium, as if the same had become payable by virtue of a call duly made and notified.

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37. The Directors may make arrangements on the issue of partly paid shares for a difference between the Members, or the particular shares, in the amount of calls to be paid and in the times of payment.
 38. The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any shares held by him, and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate (not exceeding without the sanction of an Ordinary Resolution, eight percent per annum) as may be agreed upon between the Member paying the sum in advance and the Directors. No such sum paid in advance of calls shall entitle the member paying such sum to any portion of a dividend declared in respect of any period prior to the date upon which such sum would, but for such payment, become presently payable.

FORFEITURE OF SHARES

39. If a Member fails to pay any call or instalment of a call in respect of partly paid shares on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.
40. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the shares in respect of which the call was made will be liable to be forfeited.
41. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by notice has been made, be forfeited by a resolution of the Directors to that effect.
42. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.
43. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, but his liability shall cease if and when the Company receives payment in full of the amount unpaid on the shares.
44. A statutory declaration in writing that the declarant is a Director of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.
45. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a share becomes due and payable, whether on account of the amount of the share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

REGISTRATION OF EMPOWERING INSTRUMENTS

46. The Company shall be entitled to charge a fee not exceeding one dollar (US\$1.00) on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas, or other instrument.

TRANSMISSION OF SHARES

47. The legal personal representative of a deceased sole holder of a share shall be the only person recognised by the Company as having any title to the share. In the case of a share registered in the name of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased survivor, shall be the only person recognised by the Company as having any title to the share.
48. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member shall upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a Member in respect of the share or, instead of being registered himself, to make such transfer of the share as the deceased or bankrupt person could have made. If the person so becoming entitled shall elect to be registered himself as holder he shall deliver or send to the Company a notice in writing signed by him stating that he so elects, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by the deceased or bankrupt person before the death or bankruptcy.
49. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a Member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company, provided however, that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

ALTERATION OF CAPITAL

50. The Company may from time to time by Ordinary Resolution:
- (a) increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
 - (b) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
 - (c) convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination;
 - (d) sub-divide its existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived;
 - (e) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
51. The Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorised by law.
52. All new shares created hereunder shall be subject to the same provisions with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise.

CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE

53. For the purpose of determining those Members that are entitled to receive notice of, attend or vote at any meeting of Members or any adjournment thereof, or those Members that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Member for any other purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period but not to exceed in any case 40 days. If the Register of Members shall be so closed for the purpose of determining those Members that are entitled to receive notice of, attend or vote at a meeting of Members such register shall be so closed for at least 10 days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register of Members.
54. In lieu of or apart from closing the Register of Members, the Directors may fix in advance a date as the record date for any such determination of those Members that are entitled to receive notice of, attend or vote at a meeting of the Members and for the purpose of determining those Members that are entitled to receive payment of any dividend the Directors may, at or within 90 days prior to the date of declaration of such dividend fix a subsequent date as the record date of such determination.
55. If the Register of Members is not so closed and no record date is fixed for the determination of those Members entitled to receive notice of, attend or vote at a meeting of Members or those Members that are entitled to receive payment of a dividend, the date on which notice of the meeting is posted or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of those Members that are entitled to receive notice of, attend or vote at a meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

GENERAL MEETINGS

56. All general meetings other than annual general meetings shall be called extraordinary general meetings.
57. (a) The Company shall in each year hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as may be determined by the Directors.
(b) At these meetings the report of the Directors (if any) shall be presented.
58. (a) The Directors may call general meetings, and they shall on a Members requisition forthwith proceed to convene an extraordinary general meeting of the Company.
(b) A Members requisition is a requisition of Members of the Company holding at the date of deposit of the requisition not less than 10% of such of the paid-up capital of the Company as at that date of the deposit carries the right of voting at general meetings of the Company.
(c) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.
(d) If the Directors do not within twenty one (21) days from the date of the deposit of the requisition duly proceed to convene a general meeting to be held within a further twenty one (21) days, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three months after the expiration of the second said twenty one days.

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- (e) A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

NOTICE OF GENERAL MEETINGS

59. At least seven days' notice shall be given for any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this Article has been given and whether or not the provisions of these Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:
- (a) in the case of an annual general meeting by all the Members (or their proxies) entitled to attend and vote thereat; and
 - (b) in the case of an extraordinary general meeting by a majority in number of the Members (or their proxies) having a right to attend and vote at the meeting, being a majority together holding not less than ninety five per cent in par value of the shares giving that right.
60. The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Member shall not invalidate the proceedings at any meeting.

PROCEEDINGS AT GENERAL MEETINGS

61. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. The holders of shares being not less than an aggregate of one-third of all shares in issue present in person or by proxy and entitled to vote shall be a quorum for all purposes. A person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting.
62. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week, at the same time and place, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the Member or Members present and entitled to vote shall be a quorum.
63. Either of the Co-Chairmen (as defined in Article 81) of the Board of Directors shall preside as chairman at every general meeting of the Company.
64. If at any meeting the chairman of the Board of Directors is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman, the Members present shall choose one of their number to be a chairman of the meeting.
65. The chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn a meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for 10 days or more, not less than seven days' notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
66. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman of the Board or one or more Members

present in person or by proxy entitled to vote and who together hold not less than 10 per cent of the paid up voting share capital of the Company, and unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.

67. If a poll is duly demanded it shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.
68. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall not be entitled to a second or casting vote.
69. A poll demanded on the election of a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.

VOTES OF MEMBERS

70. Subject to any rights and restrictions for the time being attached to any class or classes of shares, on a show of hands every Member present in person and every person representing a Member by proxy at a general meeting of the Company shall have one vote and on a poll every Member and every person representing a Member by proxy shall have one vote for each share registered in his name, or the name of the person represented by proxy, in the Register of Members.
71. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.
72. A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, or other person in the nature of a committee appointed by that court, and any such committee or other person may vote by proxy.
73. No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares carrying the right to vote held by him have been paid.
74. On a poll, votes may be given either personally or by proxy.
75. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy need not be a Member of the Company.
76. An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve.
77. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
78. A resolution in writing signed by all the Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS

79. Any corporation which is a Member or a Director may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members or of the Board of Directors or of a committee of Directors, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member or Director.

CLEARING HOUSES

80. If a clearing house (or its nominee) is a Member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its representative or representatives at any general meeting of the Company or at any general meeting of any class of Members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised pursuant to this Article shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual Member holding the number and class of shares specified in such authorisation.

DIRECTORS

81. (A) Unless otherwise determined by the Company in general meeting, the number of Directors shall be ten Directors, or such number of Directors to be determined from time to time solely by resolution approved by a supermajority of at least two-thirds of the vote of Directors present at the board meeting. The Directors shall be elected or appointed in the first place by the subscribers to the Memorandum of Association or by a majority of them. For so long as shares or ADSs are quoted on Nasdaq, the Directors shall include such number of Independent Directors as applicable law, rules or regulations or the Nasdaq Rules require.
- (B) Each Director shall hold office until the expiration of his term and until his successor shall have been elected or appointed.
- (C) The Board of Directors shall have Co-Chairmen of the Board of Directors (the "Co-Chairmen") elected and appointed by a majority of the Directors then in office. The period for which the Co-Chairmen will hold office will also be determined by a majority of all of the Directors then in office. One of the Co-Chairmen shall preside as chairman at every meeting of the Board of Directors. To the extent the Co-Chairmen are not present at a meeting of the Board of Directors within fifteen minutes after the time appointed for holding the same, the attending Directors may choose one of their number to be the chairman of the meeting.
- (D) The Company may by Ordinary Resolution appoint any person to be a Director either to fill a vacancy on the Board created under Article 82 or Article 99 or as an addition to the existing Board.
- (E) The Directors may by the affirmative vote of all Directors appoint any person to be a Director either to fill a vacancy on the Board created under Article 82 or Article 99 or as an addition to the existing Board.
82. Subject to the terms of these Articles and any agreements between the Company and a Director, a Director shall hold office until he is removed from office by Special Resolution.
83. The Board may, from time to time, and except as required by applicable law or the listing rules of the recognized stock exchange or automated quotation system where the Company's securities are traded, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives, which shall be intended to set forth the policies of the Company and the Board on various corporate governance related matters as the Board shall determine by resolution from time to time.

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84. A Director shall not be required to hold any shares in the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings.

DIRECTORS' FEES AND EXPENSES

85. The Directors shall receive such remuneration as the Board may from time to time determine. Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.
86. Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.

ALTERNATE DIRECTOR

87. Any Director may in writing appoint another person to be his alternate to act in his place at any meeting of the Directors at which he is unable to be present. Every such alternate shall be entitled to notice of meetings of the Directors and to attend and vote thereat as a Director when the person appointing him is not personally present and where he is a Director to have a separate vote on behalf of the Director he is representing in addition to his own vote. A Director may at any time in writing revoke the appointment of an alternate appointed by him. Such alternate shall not be an officer of the Company and shall be deemed to be the agent of the Director appointing him.
88. Any Director may appoint any person, whether or not a Director, to be the proxy of that Director to attend and vote on his behalf, in accordance with instructions given by that Director, or in the absence of such instructions at the discretion of the proxy, at a meeting or meetings of the Directors which that Director is unable to attend personally. The instrument appointing the proxy shall be in writing under the hand of the appointing Director and shall be in any usual or common form or such other form as the Directors may approve, and must be lodged with the chairman of the meeting of the Directors at which such proxy is to be used, or first used, prior to the commencement of the meeting.

POWERS AND DUTIES OF DIRECTORS

89. Subject to the Statutes, these Articles and to any resolutions made in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution made by the Company in a general meeting shall invalidate any prior act of the Directors that would have been valid if that resolution had not been made.
90. Subject to these Articles, the Directors may from time to time appoint any person, whether or not a director of the Company to hold such office in the Company as the Directors may think necessary for the administration of the Company, including without prejudice to the foregoing generality, the office of the Chief Executive Officer, one or more Vice Presidents, Chief Financial Officer, Manager or Controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. Any person so appointed by the Directors may be removed by the Directors. The Directors may also appoint one or more of their number to the office of Managing Director upon like terms, but any such appointment shall ipso facto determine if any Managing Director ceases from any cause to be a Director, or if the Company by Ordinary Resolution resolves that his tenure of office be terminated.

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91. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.
 92. The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to delegate all or any of the powers, authorities and discretion vested in him.
 93. The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the following three Articles shall not limit the general powers conferred by this paragraph.
 94. The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any persons to be members of such committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any of the aforesaid.
 95. The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such local board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
 96. Any such delegates as aforesaid may be authorised by the Directors to subdelegate all or any of the powers, authorities, and discretions for the time being vested in them.
 97. The following actions require the resolution approved by a supermajority of at least two-thirds of the vote of Directors at the board meeting:-
 - (a) subject to Article 147, any voluntary dissolution or liquidation of the Company; and
 - (b) the sale of all or substantially all of the assets of the Company.

BORROWING POWERS OF DIRECTORS

98. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

DISQUALIFICATION OF DIRECTORS

99. The office of Director shall be vacated, if the Director:
 - (a) becomes bankrupt or makes any arrangement or composition with his creditors;
 - (b) dies or is found to be or becomes of unsound mind;

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- (c) resigns his office by notice in writing to the Company;
 - (d) without special leave of absence from the Board, is absent from meetings of the Board for six consecutive months and the Board resolves that his office be vacated; or
 - (e) if he or she shall be removed from office pursuant to these Articles.

PROCEEDINGS OF DIRECTORS

- 100. The Directors may meet together (whether within or outside the Cayman Islands) for the dispatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting of the Directors shall be decided by a majority of votes. A Director may at any time summon a meeting of the Directors by at least two days' notice in writing to every other Director and alternate Director.
- 101. A Director or Directors may participate in any meeting of the Board of Directors, or of any committee appointed by the Board of Directors of which such Director or Directors are members, by means of telephone or similar communication equipment by way of which all persons participating in such meeting can hear each other and such participation shall be deemed to constitute presence in person at the meeting.
- 102. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed shall be four, provided that a Director and his appointed alternate Director shall be considered only one person for this purpose. A meeting of the Directors at which a quorum is present when the meeting proceeds to business shall be competent to exercise all powers and discretions for the time being exercisable by the Directors. A meeting of the Directors may be held by means of telephone or teleconferencing or any other telecommunications facility provided that all participants are thereby able to communicate immediately by voice with all other participants and such participants shall be deemed to constitute presence in person at the meeting.
- 103. A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made. A Director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.
- 104. A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.
- 105. Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.

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106. The Directors shall cause minutes to be made in books or loose-leaf folders provided for the purpose of recording:
 - (a) all appointments of officers made by the Directors;
 - (b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and
 - (c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.
 107. When the chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held notwithstanding that all the Directors have not actually come together or that there may have been a technical defect in the proceedings.
 108. A resolution signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted. When signed a resolution may consist of several documents each signed by one or more of the Directors.
 109. The continuing Directors may act notwithstanding any vacancy in their body but if and so long as their number is reduced below the number fixed by or pursuant to the Articles of the Company as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number, or of summoning a general meeting of the Company, but for no other purpose.
 110. A committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be chairman of the meeting.
 111. A committee appointed by the Directors may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the committee members present and in case of an equality of votes the chairman shall have a second or casting vote.
 112. All acts done by any meeting of the Directors or of a committee of Directors, or by any person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

PRESUMPTION OF ASSENT

113. A Director of the Company who is present at a meeting of the Board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the Minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

DIVIDENDS, DISTRIBUTIONS AND RESERVE

114. Subject to any rights and restrictions for the time being attached to any class or classes of shares and these Articles, the Directors may from time to time declare dividends (including interim dividends) and other distributions on shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor.

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115. The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds be properly applied and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit.
 116. Any dividend may be paid by cheque sent through the post to the registered address of the Member or person entitled thereto, or in the case of joint holders, to any one of such joint holders at his registered address or to such person and such address as the Member or person entitled, or such joint holders as the case may be, may direct. Every such cheque shall be made payable to the order of the person to whom it is sent or to the order of such other person as the Member or person entitled, or such joint holders as the case may be, may direct.
 117. The Directors when paying dividends to the Members in accordance with the foregoing provisions may make such payment either in cash or in specie.
 118. Subject to any rights and restrictions for the time being attached to any class or classes of shares, all dividends shall be declared and paid according to the amounts paid on the shares, but if and so long as nothing is paid up on any of the shares in the Company dividends may be declared and paid according to the par value of the shares. No amount paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the share.
 119. If several persons are registered as joint holders of any share, any of them may give effectual receipts for any dividend or other moneys payable on or in respect of the share.
 120. No dividend shall bear interest against the Company.

BOOK OF ACCOUNTS

121. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.
122. The books of account shall be kept at the registered office of the Company, or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.
123. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorised by the Directors or by the Company by Ordinary Resolution.
124. The accounts relating to the Company's affairs shall be audited in such manner and with such financial year end as may be determined from time to time by the Directors or failing any determination as aforesaid shall not be audited.

ANNUAL RETURNS AND FILINGS

125. The Board shall make the requisite annual returns and any other requisite filings in accordance with the Statutes.

AUDIT

126. The Directors may appoint an Auditor of the Company who shall hold office until removed from office by a resolution of the Directors and may fix his or their remuneration.

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127. Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and Officers of the Company such information and explanation as may be necessary for the performance of the duties of the auditors.
 128. Auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment, and at any time during their term of office, upon request of the Directors or any general meeting of the Members.

THE SEAL

129. The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of a Director or a Secretary (or an Assistant Secretary) or in the presence of any one or more persons as the Directors may appoint for the purpose and every person as aforesaid shall sign every instrument to which the Seal of the Company is so affixed in their presence.
130. The Company may maintain a facsimile of its Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such person or persons as the Directors shall for this purpose appoint and such person or persons as aforesaid shall sign every instrument to which the facsimile Seal of the Company is so affixed in their presence and such affixing of the facsimile Seal and signing as aforesaid shall have the same meaning and effect as if the Seal had been affixed in the presence of and the instrument signed by a Director or a Secretary (or an Assistant Secretary) or in the presence of any one or more persons as the Directors may appoint for the purpose.
131. Notwithstanding the foregoing, a Director shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

OFFICERS

132. Subject to Article 91, the Company may have a Chief Executive Officer, one or more Vice Presidents and Chief Financial Officer, President, a Secretary or Secretary-Treasurer appointed by the Directors. The Directors may also from time to time appoint such other officers as they consider necessary, all for such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors from time to time decide.

CAPITALISATION OF PROFITS

133. Subject to the Statutes and these Articles, the Board may, with the authority of an Ordinary Resolution:
 - (a) resolve to capitalise an amount standing to the credit of reserves (including a share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution;
 - (b) appropriate the sum resolved to be capitalised to the Members in proportion to the nominal amount of shares (whether or not fully paid) held by them respectively and apply that sum on their behalf in or towards:

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- (i) paying up the amounts (if any) for the time being unpaid on shares held by them respectively; or
 - (ii) paying up in full unissued shares or debentures of a nominal amount equal to that sum,
and allot the shares or debentures, credited as fully paid, to the Members (or as they may direct) in those proportions, or partly in one way and partly in the other, but the share premium account, the capital redemption reserve and profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued shares to be allotted to Members credited as fully paid;
 - (c) make any arrangements it thinks fit to resolve a difficulty arising in the distribution of a capitalised reserve and in particular, without limitation, where shares or debentures become distributable in fractions the Board may deal with the fractions as it thinks fit;
 - (d) authorise a person to enter (on behalf of all the Members concerned) an agreement with the Company providing for either:
 - (i) the allotment to the Members respectively, credited as fully paid, of shares or debentures to which they may be entitled on the capitalisation, or
 - (ii) the payment by the Company on behalf of the Members (by the application of their respective proportions of the reserves resolved to be capitalised) of the amounts or part of the amounts remaining unpaid on their existing shares,
and any such agreement made under this authority being effective and binding on all those Members; and
 - (e) generally do all acts and things required to give effect to the resolution.

SHARE PREMIUM ACCOUNT

- 134. The Directors shall in accordance with Section 34 of the Companies Law establish a share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share.
- 135. There shall be debited to any share premium account on the redemption or purchase of a share the difference between the nominal value of such share and the redemption or purchase price provided always that at the discretion of the Directors such sum may be paid out of the profits of the Company or, if permitted by Section 37 of the Companies Law, out of capital.

NOTICES

- 136. Except as otherwise provided in these Articles, any notice or document may be served by the Company or by the person entitled to give notice to any Member either personally, by facsimile or by sending it through the post in a prepaid letter or via a recognised courier service, fees prepaid, addressed to the Member at his address as appearing in the Register of Members or, to the extent permitted by all applicable laws and regulations, by electronic means by transmitting it to any electronic number or address or website supplied by the member to the Company or by placing it on the Company's Website provided that the Company has obtained the Member's prior express positive confirmation in writing to receive notices in such manner. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.
- 137. Notices posted to addresses outside the Cayman Islands shall be forwarded by prepaid airmail.

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138. Any Member present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.
139. Any notice or other document, if served by (a) post, shall be deemed to have been served five days after the time when the letter containing the same is posted and if served by courier, shall be deemed to have been served five days after the time when the letter containing the same is delivered to the courier (in proving such service it shall be sufficient to prove that the letter containing the notice or document was properly addressed and duly posted or delivered to the courier), or (b) facsimile, shall be deemed to have been served upon confirmation of receipt, or (c) recognised delivery service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service and in proving such service it shall be sufficient to provide that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier or (d) electronic means as provided herein shall be deemed to have been served and delivered at the expiration of 24 hours after the time it was sent.
140. Any notice or document delivered or sent to any Member in accordance with the terms of these Articles shall notwithstanding that such Member be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any share registered in the name of such Member as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register of Members as the holder of the share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.
141. Notice of every general meeting shall be given to:
- (a) all Members holding shares with the right to receive notice and who have supplied to the Company an address for the giving of notices to them; and
 - (b) every person entitled to a share in consequence of the death or bankruptcy of a Member, who but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other person shall be entitled to receive notices of general meetings.

INFORMATION

142. No member shall be entitled to require discovery of any information in respect of any detail of the Company's trading or any information which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Board would not be in the interests of the members of the Company to communicate to the public.
143. The Board shall be entitled to release or disclose any information in its possession, custody or control regarding the Company or its affairs to any of its Members including, without limitation, information contained in the Register of Members and transfer books of the Company.

INDEMNITY

144. Every Director (including for the purposes of this Article any Alternate Director appointed pursuant to the provisions of these Articles) and officer of the Company for the time being and from time to time shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him in connection with the execution or discharge of his duties, powers, authorities or discretions as a Director or officer of the Company, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any

civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere. For the avoidance of doubt, the Company may enter into an agreement with any Director or officer of the Company in respect of indemnification or exculpation in terms of which differ from the provisions of this Article.

145. No such Director or officer of the Company shall be liable to the Company for any loss or damage unless such liability arises through the dishonesty, fraud or default of such Director or officer.

FINANCIAL YEAR

146. Unless the Directors otherwise prescribe, the financial year of the Company shall end on December 31st in each year and shall begin on January 1st in each year.

WINDING UP

147. If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Law, divide amongst the Members in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.
148. If the Company shall be wound up, and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the par value of the shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the par value of the shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This Article is without prejudice to the rights of the holders of shares issued upon special terms and conditions.
149. Subject to these Articles, if the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of shares. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction shall think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

AMENDMENT OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND NAME OF COMPANY

150. Subject to the Statutes and these Articles, the Company may at any time and from time to time by Special Resolution alter or amend these Articles or the Memorandum of Association of the Company, in whole or in part, or change the name of the Company.

REGISTRATION BY WAY OF CONTINUATION

151. The Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

HOTEL TRADEMARK LICENSE AGREEMENT
BY AND BETWEEN
HARD ROCK HOLDINGS LIMITED
AND
MELCO HOTELS AND RESORTS (MACAU) LIMITED
DATED AS OF JANUARY 22, 2007

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HOTEL TRADEMARK LICENSE AGREEMENT

THIS HOTEL TRADEMARK LICENSE AGREEMENT (the "**Agreement**") is made and executed as of January 22, 2007 (the "**Effective Date**"), by and between **HARD ROCK HOLDINGS LIMITED**, a corporation of the United Kingdom ("**Licensor**"), and **MELCO HOTELS AND RESORTS (MACAU) LIMITED** ("**Licensee**").

RECITALS

A. Licensor and their affiliates have developed a Hotel System (as hereinafter defined) for operating full-service hotel establishments that provide lodging and food and beverage of a distinctive character and quality under the Licensed Marks (as hereinafter defined), including the name "Hard Rock Hotel."

B. Licensee is desirous of developing and operating a hotel under the Hotel System using the Licensed Marks (as hereinafter defined) as part of a Hard Rock Hotel & Casino and has requested that Licensor grant to the Licensee the Licensed Rights (as hereinafter defined) and the other rights contained in this Agreement for, inter alia, use at, or in relation to, the Licensed Location (as hereinafter defined).

C. Licensee and Licensor desire to enter into this Agreement to have a Hard Rock Hotel (as hereinafter defined) developed and operated at the Licensed Location upon the terms and conditions set forth herein.

TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual covenants and obligations contained herein, the grant by Licensor to Licensee of the rights to utilize the Licensed Rights as contained herein, and for other good and valuable consideration, the receipt and sufficiency of all of which is hereby acknowledged by each party hereto, Licensor and Licensee hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION

(A) Definitions. For purposes of this Agreement, the following definitions shall apply:

"**Accounting Referee**" shall have the meaning set forth in Section 19(A) hereof.

"**Affiliate**" shall mean, with respect to any Person, any other Person which, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. For all purposes hereof, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person, or the power to veto major policy decisions of any Person, whether through the ownership of voting securities, by contract, or otherwise. For all purposes hereof, "Affiliates" of Licensor shall include, without limitation, Hard Rock USA. For all purposes hereof, "Affiliates" of Licensee shall include, without limitation, Melco International Development Limited and its Affiliates and Publishing and Broadcasting Limited and its Affiliates.

“**Agreement**” shall have the meaning set forth in the first paragraph hereof.

“**Arbitration Body**” shall have the meaning set forth in Section 19(B)(1).

“**Arbitration Rules**” shall have the meaning set forth in Section 19(B)(1).

“**Bar**” shall mean the bar located at the Licensed Location.

“**Books and Records**” shall have the meaning set forth in Section 13(B) hereof.

“**Branded Merchandise**” shall mean those, and only those, items of personal property, products and merchandise utilizing or bearing the Licensed Marks.

“**Budget**” shall have the meaning set forth in Section 5(H)(3).

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks generally are open in Macau for a full range of business.

“**Café Lease Agreement**” means the café lease agreement for the Hard Rock Café to be located in the Hotel that incorporates the terms and requirements contained in Exhibit D.

“**Casino**” shall mean the casino that has contiguous corridors to the Hotel and operated under the Casino License.

“**Casino License**” shall mean that casino license agreement of even date herewith between Licensor and Casino Licensee.

“**Casino Licensee**” shall mean Melco PBL Gaming (Macau) Limited (formerly known as PBL Entertainment (Macau) Limited).

“**Casino Memorabilia Lease**” shall mean that memorabilia lease of even date herewith between Licensor, as lessor, and Casino Licensee, as lessee.

“**City of Dreams Land**” shall mean the block of land of approximately 113,325 square metres on Taipa Island adjacent to Taipa-Coloane Causeway and Cotai reclamation area being the block on which the City of Dreams resort will be constructed.

“**Claims**” shall have the meaning set forth in Section 20(A) hereof.

“**Competitor**” shall mean a Person that owns, operates or manages, directly or indirectly, a facility operated as (a) a Planet Hollywood; (b) a Motown Café, House of Blues or other similar restaurant chain (i) operating under the same name in six or more Metropolitan Areas, (ii) with music theme-related icons or memorabilia displayed throughout the premises in a museum or collection type manner (but excluding self promotional items of a single individual), and (iii) which derives greater than ten percent (10%) of its gross revenues from the sales of merchandise; (c) Morgan Group’s Hotel; (d) “W” Hotel; or (e) Kimpton Hotel.

“**Comprehensive Project Design**” shall have the meaning set forth in Section 5(A)(1).

“**Concept**” shall mean any design or theme for use in the Hotel including but not limited to any individual guest rooms, apartments or suites, restaurant, bar, café, club, spa, health club, entertainment venue or live music venue.

“**Conceptual Design Drawings**” shall have the meaning set forth in Section 5(A)(1) hereof.

“**Conceptual Design Package**” shall mean the conceptual design phase as described in the Hard Rock Development Standards.

“**Confidential Information**” shall mean either Licensor Confidential Information or Licensee Confidential Information, as the context requires.

“**Continuing Fee(s)**” means the fee(s) payable by Licensee for the duration of this Agreement to Licensor as consideration for the use of the Licensed Rights under the terms and conditions of this Agreement, and as more specifically provided for in Section 4(A) hereof.

“**Construction Documents**” shall mean the construction documents phase as described in the Hard Rock Development Standards.

“**Controlling Interest**” shall mean (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of Licensee, whether through the ownership of voting securities, by contract, or otherwise, or (ii) the direct or indirect ownership of twenty percent (20%) or more of the equity interests of Licensee.

“**Design Development**” means the design development phase as described in the Hard Rock Development Standards.

“**Dispute**” shall have the meaning set forth in Section 19(B)(1) hereof.

“**Dispute Notice**” shall have the meaning set forth in Section 19(A) hereof.

“**EBITDA**” shall mean, during the relevant period, net income, before interest charges (net of interest income), federal, state and local income taxes, and depreciation and amortization, calculated in accordance with GAAP.

“**Effective Date**” shall have the meaning set forth in the first paragraph hereof.

“**Event of Default**” shall mean a Licensee Event of Default or a Licensor Event of Default as defined in Section 15(A) and 15(C), respectively, as the context requires.

“Excluded Imputed Value” shall mean fifty percent (50%) of the imputed value (as defined in the definition of Room Revenues) of complimentary hotel rooms provided without charge to a Hotel guest to reduce vacancies at the Hotel for a period not to exceed sixty (60) days, as part of temporary strategies to address a “substantial loss of business” resulting from a wide spread occurrence of infectious disease (including without limitation SARs and bird flu), affecting an area within 500 mile radius of the Hotel, and having a material adverse effect on hotel business in Territory, provided that such a “substantial loss of business” shall be established only if (a) the average daily room vacancy rate at the Hotel is at or above seventy-five percent (75%) for a consecutive period of seven (7) days during the persistence of such wide spread occurrence of infectious disease and (b) the overall market occupancy rate of similar hotels in the Territory during such seven (7) day period is at least fifty percent (50%) lower than the market occupancy rate of similar hotels in the Territory during the same seven (7) day period for the immediately preceding calendar year not affected by such wide spread occurrence of infectious disease.

“Fees” shall have the meaning set forth in Section 4(D) hereof.

“FF&E” shall mean all furniture, fixtures and equipment (other than Operating Equipment, Operating Supplies and all furniture, fixtures and equipment installed or used for operation of the Casino) located at or used in connection with the Hotel, including without limitation: (i) all furniture, furnishings, built-in furniture, carpeting, draperies, decorative millwork, decorative lighting, doors, cabinets, hardware, partitions (but not permanent walls), televisions and other electronic equipment, interior plantings, interior water features, artifacts and artwork, and interior and exterior graphics; (ii) communications equipment; (iii) all fixtures and specialized hotel equipment used in the operation of kitchens, laundries, dry cleaning facilities, bars and restaurants; (iv) telephone and call accounting systems; (v) rooms management systems, point-of-sale accounting equipment, front and back office accounting, computer, duplicating systems and office equipment; (vi) cleaning and engineering equipment and tools; (vii) vehicles; (viii) recreational equipment; and (ix) all other similar items which are used in the operation of the Hotel, excluding, however, any personal property which is owned by subtenants, licensees, concessionaires or contractors or used by any of them under any lease, license or similar agreement between any of them with a third party.

“Fiscal Year” shall mean the twelve (12) month period commencing January 1 and ending December 31, except that the first Fiscal Year shall be that period commencing on the Opening Date and ending on the next December 31, which is at least one (1) year thereafter.

“Food and Beverage” means those items of food and beverage sold at the Hotel or by the Hotel.

“Food and Beverage Revenues” shall mean all revenues, income and proceeds of any kind from the sale of Food and Beverage at or by the Hotel.

“Force Majeure” shall mean war, terrorism, epidemic, riots, civil commotion, labor disputes, strikes, lockouts, inability to obtain labor or materials, fire, hurricane, windstorm, flooding, or other acts or elements, accidents, government restrictions or appropriation or other causes, whether like or unlike the foregoing, beyond the control of a party hereto. Such events will only be considered “force majeure” events if the occurrence of any such event renders a party unable to perform, in whole or in part, its obligations under this Agreement.

“**GAAP**” shall mean United States generally accepted accounting principles, consistently applied.

“**GDS**” means the computer network which provides travel agents and/or other consumers with access to hotel, rental car, airline and other customer service reservation availability.

“**Governmental Authority**” means any foreign, federal, state or local governmental or tribal entity or authority, or any department, commission, board, bureau, agency, court or instrumentality thereof having jurisdiction over the Licensed Location or the Hotel.

“**Guest Profile Data**” means all personal guest profile, including demographic information, and information regarding guest preferences.

“**Guest Room(s)**” shall mean each rentable unit in the Hotel consisting of a room or suite of rooms generally used for overnight guest accommodation, entrance to which is controlled by the same key. Adjacent rooms with connecting doors that can be locked and rented as separate units shall be deemed to be separate Guest Rooms.

“**Hard Rock Café**” means a café, restaurant or similar establishment offering food and beverages under the “Hard Rock” trademark.

“**Hard Rock Corridors**” shall mean the corridors and passageways that are not within the main footprint of the Hotel or the Casino but connect the Hotel to the Casino or the Hard Rock Café to the Hotel or the Casino.

“**Hard Rock Development Standards**” means the development standards dated September 21, 2006 with respect to Hard Rock Hotels provided by Licensor to Licensee, as amended from time to time with mutual consent of the parties hereto.

“**Hard Rock Elements**” shall mean those aural or visual aspects of the Hard Rock Hotel which uniquely identify a facility as being a Hard Rock Hotel, including but not limited to (1) the use of distinctive exterior and interior designs, layouts, concepts, decor, music-related memorabilia and icons, and staff uniforms; (2) the process for training employees in all customer service and interface positions; (3) the electronic visual and audio aspects of the Hard Rock Hotel, including but not limited to music and video selection; (4) advertising and marketing standards for the uses and presentation of the Licensed Marks, including such usage in connection with media events, television, radio and print, and coordination of public relations activities; (5) distinctive furniture, distinctive carpeting, decorative millwork, decorative lighting, acoustics, graphics, signage and audio visual equipment; (6) Food and Beverage selection; and (7) any other use or display of the Licensed Marks.

“**Hard Rock Hotel**” means a hotel, lodge or inn or similar establishment within a property or resort named or identified with the Licensed Marks which is an all-inclusive place for overnight lodging. The term “Hard Rock Hotel” shall include the hotel

buildings and structures at any time constructed and situated on the land, whether owned or leased, comprising that location, and all facilities, structures and improvements relating thereto, including, without limitation, any lobbies, kitchen, dining rooms, restaurants, meeting and banquet rooms and facilities, bars, swimming pools, theaters, health clubs, landscaping, parking areas, roadways and walkways: provided that the term “Hard Rock Hotel” shall not include time-share and condominium components (whether as part of a rental pool or otherwise) or housing and extended-stay facilities.

“**Hard Rock Hotel & Casino**” shall mean a Hard Rock Hotel that includes a casino at the premises of, or adjacent to, the hotel.

“**Hard Rock Hotel Retail Store**” shall mean that area within the Hotel to be leased to an Affiliate of Licensor or a licensee designated by Licensor pursuant to the Retail Lease Agreement or to be operated by Licensee or an Affiliate of Licensee to sell Branded Merchandise and other music inspired items and sundries. Licensee shall build the shell of the Hard Rock Hotel Retail Store in accordance with the Shell Specifications contained in Exhibit B hereof, subject to the fit-out of the Hard Rock Hotel Retail Store being completed by Licensor, an Affiliate of Licensor or a licensee designated by Licensor, Licensee or an Affiliate of Licensee, as the case may be.

“**Hard Rock STP**” shall mean Hard Rock Cafe International (STP), Inc., a New York corporation.

“**Hard Rock USA**” shall mean Hard Rock Café International (USA), Inc., a Florida corporation.

“**Hotel**” shall mean the Hard Rock Hotel to be constructed and operated by Licensee at the Licensed Location. The Hotel shall include all improvements and related amenities and structures constructed on the Licensed Location (including, without limitation, the Hotel building and all operating systems therein) and all FF&E and other fixed assets installed in such improvements. Unless otherwise specified herein, for the purpose of this Agreement, the term “Hotel” used herein shall not include the Casino.

“**Hotel Guest Profile Data**” shall have the meaning set forth in Section 11(R)(3) hereof.

“**Hotel System**” shall mean those procedures, standards, specifications, controls, systems, manuals, guides, and other distinguishing elements or characteristics which Licensor and its Affiliates have developed in connection with the operation of Hard Rock Hotels, including, without limitation, the Licensed Marks, the Manuals, the Hard Rock Development Standards, the Management Standards, the Hard Rock Elements, the Reservation System and any proprietary software, as such may from time to time be modified by Licensor. Licensee acknowledges and agrees that Licensor and its Affiliates have the exclusive rights to and in the Hotel System (and all parts thereof).

“**Indemnify**” means to defend, indemnify against, hold harmless from, and reimburse for.

“**Infringement Claim**” shall have the meaning set forth in Section 12(H).

“**Interest Rate**” means, with respect to any date, the prime rate listed in the “Money Rates” section of the Wall Street Journal published on such date plus two percent (2.0%) per annum, provided that in no event shall the Interest Rate exceed the maximum rate permitted by applicable Law(s).

“**Law(s)**” means any and all laws, judgments, decrees, orders, rules, regulations or official legal interpretations of any Governmental Authority.

“**Lease**” shall have the meaning set forth in Section 7(A).

“**Licensed Location**” means the location where the Hotel is to be located, including, the freehold or long-term leasehold interest in the Licensed Location, plus all corridors/passageways connecting the Hotel to the Casino, as approved by Licensor pursuant to Section 5(B) hereof, and includes such real property, all structures located or constructed thereon, all FF&E, and all appurtenances to any of the foregoing, together with all easements, entrances, exits, rights of ingress and egress thereto, and all improvements thereon or thereto. Exhibit F attached hereto contains the address and a detailed description of the Licensed Location.

“**Licensed Marks**” shall mean those marks as depicted (and subject to the restrictions) set forth in Exhibit A hereto and any other trademark, service mark and commercial symbol specifically designated from time to time by Licensor for use by Licensee for the Hotel.

“**Licensed Rights**” means the right to use the Licensed Marks, the Hard Rock Elements and the Hotel System for the operation of a Hard Rock Hotel at the Licensed Location.

“**Licensee Confidential Information**” shall mean any information or material that relates to the Licensee and its Affiliates that is not generally disclosed to the public, or which is designated as confidential by Licensee, including without limitation (i) all information, knowledge or data relating to new products and entertainment concepts, (ii) strategic plans, pricing policies, recipes (other than generic recipes) and the testing thereof, (iii) ideas, trade secrets, training programs and techniques, proprietary ideas and concepts, marketing and advertising techniques and plans, design, sourcing and providing goods and services, (iv) operating results and financial performance of the Hotel, and (v) the terms of this Agreement; provided, however, that Licensee Confidential Information shall not include information or material that: (i) is or becomes generally available to the public other than as a result of a disclosure by the party receiving it hereunder, (ii) is or becomes available to Licensor from a third party which, to the knowledge of Licensor is entitled to disclose it without restriction, (iii) was known to Licensor from previous business experience before Licensee provided it to Licensor (directly or indirectly) or (iv) Licensor Confidential Information, including, without limitation, any information relating to the Hotel System and the Manuals. Notwithstanding the foregoing, Licensee acknowledges and agrees that Licensor may disclose the terms of this Agreement to its Affiliates, the Government Authority and its contractors and other professionals engaged by it on a need to know basis for or in relation to the development and construction of the Hotel and the applicable stock exchanges in relation to the listing of securities of Licensee or any of its Affiliates.

“**Licensor Confidential Information**” shall mean any information or material that relates to the development and operation of Hard Rock Hotels that is not generally disclosed to the public, or which is designated as confidential by Licensor, including, without limitation, (i) the Hotel System and related Manuals and all information, components and elements set forth therein, (ii) all information, knowledge or data relating to new products and entertainment concepts, (iii) strategic plans, pricing policies, recipes (other than generic recipes) and the testing thereof, (iv) ideas, trade secrets, training programs and techniques, proprietary ideas and concepts, marketing and advertising techniques and plans, design, sourcing and providing goods and services, (v) operating results and financial performance of Hard Rock Hotels (other than the Hotel), and (vi) the terms of this Agreement; provided, however, that Licensor Confidential Information shall not include information or material that: (i) is or becomes generally available to the public other than as a result of a disclosure by the party receiving it hereunder, (ii) is or becomes available to Licensee from a third party which, to the knowledge of Licensee is entitled to disclose it without restriction, or (iii) was known to Licensee from previous business experience before Licensor provided it to Licensee (directly or indirectly). Notwithstanding the foregoing, Licensee acknowledges and agrees that Licensor may disclose to prospective purchasers of Licensor or its Affiliates or the Licensed Rights the terms of this Agreement.

“**Management Standard**” shall mean the standard of operation, frequency of repairs made, cleanliness, quality of materials used, degree of training and retraining for employees and other similar considerations, as defined by Licensor’s standard of practice as determined by Licensor from time to time, which standard is currently substantially similar to the standards practiced by facilities earning a “four diamond” rating by the Automobile Club of America.

“**Manuals**” shall mean, collectively, all operating manuals, training manuals and all accompanying workbooks developed by Licensor or a third party and approved by Licensor, to implement the Hotel System pursuant to this Agreement, as amended, supplemented, or otherwise modified from time to time by Licensor.

“**Melco Affiliate**” shall mean an Affiliate of Licensee or an Affiliate of Casino Licensee in which Licensee and/or Casino Licensee shares controlling ownership interest. For purposes hereof, “controlling ownership interest” means at least 51% voting equity interest.

“**Memorabilia Lease**” shall mean that certain Memorabilia Lease by and between Hard Rock STP, as lessor, and Licensee, as lessee, whereby Hard Rock STP shall lease “rock and roll” memorabilia to Licensee for display in the Hotel, in the form attached hereto as **Exhibit C**.

“**Metropolitan Area**” shall mean metropolitan areas with a central city or an urbanized area having a minimum population of fifty thousand (50,000) with a total metropolitan population of at least one hundred thousand (100,000) and including all communities that have strong economic and social ties to the central city.

“**Notice(s)**” shall the meaning set forth in Section 22(B) hereof.

“**Opening Date**” shall mean the date the Hotel is opened for business to the public for business as a Hard Rock Hotel with one hundred percent (100%) of its Guest Rooms and public space being open to the public and with the Casino being open to the public, in each case with all required liquor, gaming and other licenses and permits.

“**Operating Equipment**” means all china, glassware, silverware, linens, towels, uniforms, and similar items, as described by the Manuals, used in, or held in storage for use in (or, if the context so dictates, required in connection with), the operation of the Hotel in accordance with the requirements of this Agreement.

“**Operating Period**” means the period beginning with the Opening Date and continuing for the Term of this Agreement.

“**Operating Supplies**” means all consumable items, as described in the Manuals, used in, or held in storage for use in (or, if the context so dictates, required in connection with), the operation of the Hotel in accordance with the requirements of this Agreement, including, without limitation, fuel, soap, shampoo, toiletries, cleaning material, matches, napkins, stationery and similar items.

“**Operating Year**” shall mean a twelve (12) month calendar year period, except that the first Operating Year shall be that period commencing with the Opening Date and ending on the last day of the calendar year after the Opening Date, and the last Operating Year shall end on the day prior to the tenth (10th) anniversary of the Opening Date.

“**Permits**” means any and all licenses, permits, approvals, variances, waivers or consents from any Governmental Authority.

“**Person**” shall mean (i) an individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, estate, trust, unincorporated association or other entity, (ii) any Governmental Authority, and (iii) a fiduciary acting in such capacity on behalf of any of the foregoing.

“**Pledge**” shall have the meaning set forth in Section 5C(2)(a).

“**Pre-Opening Coordinators**” shall have the meaning set forth in Section 5(J).

“**Pre-Opening Period**” means the period from the date hereof until the Opening Date.

“**Project Casino**” shall mean the gaming facility that is located on the City of Dreams Land, of which the Casino is a component.

“**Reservation System**” means the reservation system developed by the Licensor or its designee for Hard Rock Hotels, or approved by Licensor as provided in Section 11(R).

“**Restaurant**” shall mean any restaurant other than the Hard Rock Café located at the Licensed Location.

“**Restaurant Requirements**” shall have the meaning set forth in Section 5(D).

“**Retail Lease Agreement**” shall mean the retail lease agreement for the Hard Rock Hotel Retail Store that incorporates the terms and requirements set forth in **Exhibit B**.

“**Room Revenues**” shall mean all revenues, income and proceeds of any kind from the rental of Guest Rooms, conference rooms and meeting rooms at the Hotel (whether from cash, check, credit card, credit transactions or otherwise), including but not limited to the fair market value of any barter and other non-cash property and services received by Licensee as an alternative to cash payments, excluding any Federal, state and municipal excise, sales, resort, use, and other taxes collected from patrons or guests as a part of or based upon the sales price of any goods or services, including, without limitation, gross receipts, room, bed, admission, cabaret, or similar taxes, provided that Room Revenues shall include the imputed value of complimentary hotel rooms (including rooms provided without charge to a patron or guest as an award under a loyalty program or scheme, but less the Excluded Imputed Value). The imputed value shall be at a rate equal to seventy-five percent (75%) of the average daily rate on a calendar month basis of customers paying by cash or cash equivalent (including, without limitation, checks, travelers check and credit cards). For the avoidance of doubt, the parties agree that Room Revenues shall not include: (i) revenues from the Hotel’s Food and Beverage operations; (ii) revenues from the parking facility; (iii) revenues from any other ancillary Hotel facilities; and (iv) revenues from the operation of the Casino.

“**Schematic Design**” means the schematic design phase as described in the Hard Rock Development Standards dated September 21, 2006, as amended from time to time.

“**Target Opening Date**” shall have the meaning set forth in Section 5(M) hereof.

“**Technical Services**” shall have the meaning set forth in Section 5(H) hereof.

“**Technical Services Fee**” shall have the meaning set forth in Section 4(B).

“**Term**” shall have the meaning set forth in Section 3 hereof.

“**Territory**” shall mean the Macau Special Administrative Region of the People’s Republic of China.

“**Total Revenues**” shall mean Room Revenues, Food and Beverage Revenues and all other revenue and income of any kind derived by Licensee directly or indirectly (whether from cash, check, credit card, credit transaction or otherwise) from the operation of the Hotel and the Hotel facilities, including but not limited to the fair market value of any barter and other non-cash property and services received by Licensee as an alternative to cash payments, proceeds from use by guests of telephones, internet access, telecopiers, computers, in-room movies and other entertainment, any arcades or game rooms within the Hotel, other charges received by the Hotel from the use by guests, invitees and others of Hotel health club and other athletic or recreational or theater facilities or services provided by the Hotel, and other revenue and income, in each case attributable to the period under consideration

(including rentals or other payments from licensees, lessees, or concessionaires of retail space in the Hotel (including the Restaurant, the Hard Rock Hotel Retail Store and the Hard Rock Café), but not gross receipts of such licensees, lessees, or concessionaires, unless such licensees, lessees, or concessionaires are Melco Affiliates of Licensee or Casino Licensee) determined in accordance with GAAP; except that the following will not be included in determining Total Revenues:

- (i) applicable excise, sales, occupancy and use taxes, or similar government taxes, duties, levies, or charges collected directly from patrons or guests, or as a part of the sales price of any goods, services or displays, such as gross receipts, admission, cabaret, or similar or equivalent taxes;
- (ii) receipts from financing, sale or other disposition of the Hotel, capital assets, FF&E and other items not in the ordinary course of the Hotel's operations and income derived from securities and other property acquired and held for investment;
- (iii) receipts from awards or sales in connection with any confiscation, from other transfers in lieu of and under the threat of any confiscation, and other receipts in connection with any confiscation, but only to the extent that such amounts are specifically identified as compensation for confiscation, alterations or physical damage to the Hotel;
- (iv) proceeds of any hazard or casualty insurance, other than business interruption insurance;
- (v) revenues from the operation of the Hard Rock Hotel Retail Store and the Restaurant;
- (vi) gratuities to employees or service charges levied in lieu of such gratuities which, in either case, are paid to employees; and
- (vii) revenues from the operation of the Casino.

Total Revenue shall include the imputed value of complimentary Food and Beverages dispensed from the Hotel and imputed value of complimentary hotel rooms (including rooms and services provided without charge to a patron or guest as an award under a loyalty program or scheme), except for complimentary rooms provided to Licensor or its Affiliates. The imputed value of hotel rooms shall be equal to seventy-five percent (75%) of the average daily rate on a calendar month basis of customers paying by cash or cash equivalent (including, without limitation, checks, travelers check and credit cards). The imputed value of complimentary Food and Beverage dispensed by the Hotel shall be equal to the menu price of such items.

Notwithstanding the foregoing, in the event Licensee, Casino Licensee, or any of their respective Melco Affiliates, operates any part of the Hotel, including, without limitation, the Restaurant and/or Bar, Licensee acknowledges and agrees that all revenue and income of any kind derived by Casino Licensee or such Melco Affiliate shall be included in determining Total Revenues.

“**Warrantor**” shall have the meaning as set forth in Section 6(A)(1) hereof.

(B) General Interpretation. Where used in this Agreement, the following expressions shall have the following meanings respectively unless the context or specific language otherwise requires or acknowledges: (i) the singular includes the plural and vice versa; (ii) a reference to a gender includes all genders; (iii) a reference to a natural person includes the heirs, executors, administrators and permitted assigns of that person and a reference to a corporate body includes the successors and permitted assigns of that corporate body; (iv) a reference to a person or corporate body shall be taken to include that person or body acting in a trustee or other representative capacity; (v) a reference to two (2) or more persons means those persons jointly and severally; (vi) where a word or expression is defined, other parts of speech and grammatical forms of that word or expression have corresponding meanings; (vii) headings are for ease of reference and do not affect the construction of this document; (viii) a reference to a statute shall include all amendments for the time being in force and any other statute enacted in substitution therefor and all regulations, proclamations, ordinances and by-laws for the time being in force under that statute and any notice, demand, order, direction, requirement or obligation pursuant to or under that statute or those regulations, proclamations, ordinances and by-laws; (ix) a reference to a recital, clause, schedule or annexure is to a recital, clause, schedule or annexure of or to this document and a recital, schedule or annexure forms part of this document; (x) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, restated or replaced from time to time; (xi) a right includes a remedy, authority and power; (xii) a reference to money means the lawful currency of the United States of America; (xiii) if the day on which any act, matter or thing is to be done under or pursuant to this document is not a Business Day, that act, manner or thing, if it involves a payment other than a payment which is due on demand, shall be done on the preceding Business Day; and in all other cases, shall be done no later than the next Business Day.

2. GRANT; SCOPE

(A) Grant. Licensor hereby grants to Licensee, upon and subject to the terms and conditions contained in this Agreement, and Licensee hereby accepts, the right and license to develop, operate, own, manage and promote the Hotel using and in accordance with the Licensed Rights at or in relation to the Licensed Location. This Agreement is conditional upon Licensee entering into the Memorabilia Lease and Casino Licensee entering into the Casino License and Casino Memorabilia Lease, simultaneously with the execution of this Agreement. This Agreement must remain in full effect during the term of the Casino License.

(B) Scope. All rights granted herein to Licensee to utilize the Licensed Rights are limited to the establishment, operation and promotion of the Hotel at and from and in relation to the Licensed Location to be operated as an element of a Hard Rock Hotel & Casino facility in conjunction with the Casino License to the extent specifically provided for in this Agreement. Licensee acknowledges that the Casino must be contiguous to the Hotel and that any passage way connecting the Casino and the Hotel shall be subject to the terms of this Agreement and the Hotel System. Licensee may not otherwise commercialize or utilize, whether or not for profit, any of the Licensed Rights. Licensee may not use any trademarks, trade names, service marks, commercial symbol or logos containing the name "Hard Rock" unless they are Licensed Marks. The rights granted to Licensee hereunder shall not entitle Licensee to sell Branded Merchandise from the Licensed Location or any other location, and Licensee acknowledges that Branded

Merchandise may be sold at the Licensed Location only by Licensor or its Affiliates or by a Person duly licensed by Licensor or its Affiliates to sell Branded Merchandise. The rights granted hereunder shall also not entitle Licensee to use the Licensed Marks for any on-line gaming activities. Licensee shall be entitled to authorize the use of the Licensed Marks by its tenants and establishments located at the Hotel for the limited purpose of identifying their location at the Hotel, and for no other purpose, provided, however, any document containing such authorization is subject to the prior written approval of Licensor.

(C) Territory. During the Term of this Agreement, except as otherwise provided herein, Licensor and/or its Affiliates will not own, operate, manage or grant a license for the operation of any other facility located in the Territory to utilize any trademark or trade name that embodies the words “Hard Rock” without prior written consent of Licensee, except for the Casino License and any license for the operation of the Hard Rock Café or Hard Rock Hotel Retail Store. Notwithstanding the exclusivity provided for in this Agreement and the restrictions that Licensor has agreed to hereunder, Licensee acknowledges and agrees that Leisure Ventures Pte Ltd, a Singapore corporation, has the right to develop, manage or franchise a Hard Rock Hotel overnight lodging units in the Territory pursuant to an existing agreement with an Affiliate of Licensor, and that any such development, franchise, licensing or operation of a Hard Rock Hotel in the Territory pursuant to such right shall not constitute a breach under or give rise to any claim under or right to terminate this Agreement.

(D) Reserved Rights. Licensor reserves all rights not specifically granted to Licensee pursuant to this Agreement. Therefore, nothing in this Agreement shall prevent Licensor or its Affiliates from (i) developing or licensing others to develop Hard Rock Hotels with or without casinos, Hard Rock casinos, Hard Rock themed timeshare, Hard Rock Hotel & Casinos, Hard Rock Beach Clubs, Hard Rock Cafes, Hard Rock Live! facilities, any other resorts, hotels and/or casinos, and other facilities using any names or marks (including the Licensed Marks) anywhere outside the Territory, and (ii) promoting and protecting all such facilities anywhere in the world. In addition to the foregoing, nothing in this Agreement shall prevent Licensor, or its Affiliates from (a) selling, or licensing third parties to sell, Branded Merchandise, or (b) owning, developing (or licensing others to develop) or operating, anywhere in the world (i) any form of on-line merchandising or gaming (no matter where a Person logs in for such on-line merchandising or gaming service); (ii) any form of lodging, restaurant, merchandising or gaming activities conducted on or from a vessel; or (iii) any resort, hotel, casino, hotel/casino, restaurant or other facilities of any kind located anywhere in the world (including within the Territory) that are not branded with the “Hard Rock” name. Licensee acknowledges and agrees that no rights are or will be granted in this Agreement for the development, construction, operation or maintenance or other interest in any “Hard Rock Cafe” or “Hard Rock Beach Club”, which rights are retained by Licensor or one of its Affiliates.

(E) Restrictions.

(1) The rights granted to Licensee do not include any rights to use or otherwise identify the Licensed Marks with any businesses or facilities other than as herein granted respecting the Hotel at and from the Licensed Location and pursuant to Section 9(I). Licensee shall not use or register any trademark which is confusingly similar to the Licensed Marks or use the Licensed Marks in any manner which creates a unitary or composite trademark with the trademark of any third party. Licensee shall use the

representations of the Licensed Marks, with respect to the location of the words in the design logo, only in the manner set forth in this Agreement with the words "Hard Rock Hotel" within the circle logo and the geographic or other designation described therein below the circle logo. Without Licensor's express written consent, in its sole discretion, Licensee shall not replace the word "Hotel" within the circle logo with any other designation.

(2) Neither Licensee nor its Affiliates shall, or permit any third party to, at any time, construct, operate or maintain at the Hotel any business that (i) is confusingly similar to a Hard Rock Café; (ii) offers a menu substantially similar to the menu offered by Hard Rock Cafés (provided, however, nothing contained herein shall prohibit Licensee from offering for sale within the Hotel any generic dish or beverage such as a hamburger or a milkshake); (iii) contains any memorabilia similar to that found in a Hard Rock Café; (iv) displays rock-n-roll artwork photographs or otherwise includes a music theme in the décor; or (v) is named with reference to a Licensed Mark or includes "Hard Rock," "Rock-n-Roll" or other modern musical reference.

3. TERM

This Agreement shall be effective and binding from the date of its execution, as set forth on the first page hereof, and shall continue for a term of ten (10) Operating Years after the Opening Date ("**Term**"), unless sooner terminated as provided herein and the parties intend this Agreement to be coterminous with the Casino License. Licensor and Licensee agree that this Agreement and the license granted by this Agreement are not renewable.

4. COMPENSATION TO LICENSOR

(A) Continuing Fees. Licensee hereby agrees to pay to Licensor, commencing on the Opening Date, monthly fees (the "**Continuing Fees**") equal to Two and One-Half Percent (2.5%) of monthly Total Revenues.

(B) Technical Services Fee. As consideration for the Technical Services provided by Licensor, Licensee shall pay to Licensor \$292,800 (the "Technical Services Fee"). The Technical Services Fee will be payable fifty percent (50%) upon the date hereof, with the balance to be paid on or before the fifteenth (15th) day of each month in twenty-four (24) equal monthly installments commencing on the fifteenth (15th) day of the first month after the date hereof. The amount of Technical Services Fee represents the Technical Services Fee for 366 Guest Rooms. If Licensee decides to construct additional Guest Rooms (not to exceed 750 Guest Rooms), an additional Technical Services Fee equal to Eight Hundred Dollars (\$800) per additional Guest Room (the "Additional Technical Service Fee") will be payable as follows: (a) immediately upon determination of the number of additional hotel Guest Rooms, a percentage of the Additional Technical Services Fee equal to the quotient of (i) the number of full calendar months since the Effective Date divided by (ii) twenty-four (24); and (b) the balance in equal monthly installments with the first payment due on the twentieth (20th) day of the month immediately following payment due under (a) hereof, and the last payment due on the twentieth (20th) day of the twenty-fourth (24th) month after the Effective Date.

(C) Marketing Fee. As consideration for the marketing services provided by Licensor pursuant to Section 9 (C), hereof, Licensee hereby agrees to pay to Licensor, commencing on the Opening Date, monthly fees equal to Three-Fourths Percent (0.75%) of monthly Total Revenues (“Marketing Fee”).

(D) Payment of Fees. The Continuing Fees, Marketing Fee and the Technical Services Fee will be payable to Licensor monthly in arrears, within thirty (30) days after the end of each month. The Technical Services Fee shall be prorated for partial months. The Technical Service Fee, Continuing Fees, Marketing Fee and all other fees, contributions, expenses and reimbursements due from Licensee hereunder (collectively, “Fees”) shall be paid by wire transfer of immediately available funds to an account designated in writing from time to time by Licensor. In addition to the Fees due to Licensor hereunder, Licensee acknowledges and agrees that it will timely pay all fees due to Hard Rock STP under the Memorabilia Lease.

(E) Currency. All payments hereunder to be calculated in the currency of the Territory and converted to United States Dollars for payment to Licensor shall be converted at the spot currency rate announced by Citibank as of 9:00 a.m. (Eastern Standard Time) as of the business date immediately preceding the date on which payment is transmitted. However, if a payment is transmitted after the date payment is due, the currency exchange rate used shall be (i) the rate as of the date payment was due or (ii) the rate as of the date the payment is transmitted, whichever rate produces the larger amount in United States Dollars.

(F) Withholding Taxes. In the event that any amount payable by Licensee to Licensor or its Affiliates hereunder are subject to withholding or other taxes that Licensee is required to deduct from such payments, Licensee shall remit the tax to the appropriate governmental agency on Licensor’s behalf and shall provide Licensor a copy of each withholding tax remittance notice which it files with such agency. Furthermore, Licensee shall promptly deliver to Licensor receipts of applicable governmental authorities for all such taxes withheld or paid. Licensee shall be responsible for and shall indemnify and hold Licensor and its Affiliates harmless against any penalties, interest and expenses incurred by or assessed against Licensor or its Affiliates as a result of Licensee’s failure to withhold such taxes or to remit them to the appropriate taxing authority. Licensee shall fully and promptly cooperate with Licensor to provide such information and records as Licensor may request in connection with any application by Licensor to any taxing authority for tax credits, exemptions or refunds available for any withholding or other taxes paid or payable by Licensor. In the event Licensor is required to refund to Licensee any amounts paid hereunder pursuant to the terms and conditions of this Agreement, Licensor shall not be required to refund that portion of those amounts which were withheld by Licensee in order to comply with any applicable tax law; provided that if Licensee is entitled to a refund from the appropriate taxing authority of the portion withheld (and not refunded to Licensor), Licensor shall reasonably cooperate with Licensee to provide, at Licensee’s sole cost and expense, such information and document necessary for Licensee to obtain the refund.

(G) Legal Restrictions. If at any time, any legal restriction shall be imposed upon the purchase of United States Dollars or the transfer to or credit of a non-resident entity with payments in United States Dollars, Licensee shall notify Licensor immediately. Licensee shall use its best efforts to obtain any consents or authorizations which may be necessary in order to permit timely payments

in United States Dollars of all amounts payable hereunder. While such restrictions are in effect, Licensor may require Licensee to deposit all amounts due but unpaid as a result of such a restriction in any type of account, in any bank or institution in the Territory designated by Licensor and in any currency designated by Licensor that is available to Licensee. Licensor shall be entitled to all interest earned on such deposits. If such legal restrictions prevent the payment by Licensee of amounts due hereunder in United States Dollars the parties must negotiate in good faith alternative payment terms which will allow the Licensee to make payments under this Agreement in an alternative currency. In the event such restrictions prevent payment by Licensee of amounts due hereunder in United States Dollars for a period of twelve (12) consecutive months or more, Licensor may, at its sole and exclusive option, terminate this Agreement effective upon delivery of written notice thereof to Licensee.

(H) All Fees Are Nonrefundable. No Fees or other sums payable hereunder shall be refundable to Licensee other than as specifically provided herein.

(I) Month Defined. For purposes of this Section, a "month" shall mean a calendar month, that period between the Effective Date and the last day of the month in which this Agreement was executed, and that period following the end of the last full calendar month during the term of this Agreement and the last day that this Agreement is in effect.

(J) Late Payments. Unpaid amounts due and owing from Licensee shall bear interest, pro rata per day, on the past due balance at the Interest Rate; provided, however, that if the last day on which any such amounts due and owing from Licensee can be paid without being considered past due falls on a non-Business Day, then the last day for paying such sums without being considered past due shall be the next Business Day thereafter.

(K) All Fees Exclusive of Taxes. Subject to Section 4(F), all Fees payable to Licensor under this Agreement are exclusive of any taxes (including, but not limited to, any sales, value added or goods and services tax) or other governmental charges imposed or payable in connection with the rights granted to Licensee under this Agreement, or in connection with the payment of such Fees. All such taxes or charges shall be payable by Licensee in addition to such Fees.

(L) Licensee May Not Withhold Payments Due to Licensor. Licensee agrees that it will not withhold payment of any amounts owed to Licensor on the grounds of Licensor's alleged nonperformance of any of its obligations under this Agreement or for any other reason, and Licensee specifically waives any right it has at Law or in equity to offset any funds Licensee may owe Licensor or to fail or refuse to perform any of its obligations under this Agreement. Licensee may preserve any rights it has to assert non-performance by Licensor by paying Fees "under protest", and if Licensee has secured a final non-appealable judgment under this Agreement or arbitral award referred to in Section 19(B)(1) that has not been paid within thirty (30) days of entry thereof, Licensee may offset any sums due hereunder against such obligation.

5. DEVELOPMENT/OPERATION OF HOTEL

(A) Licensee Responsible for Development.

(1) Licensee shall acquire (either in freehold or by leasehold estate under a Lease) and develop the Licensed Location and the Hotel, and shall, with all reasonable diligence, construct, complete, furnish and equip the Hotel which shall in no event be of a lesser quality than as set forth in the Hotel System, the Manuals and the Comprehensive Project Design (as defined below). Attached as **Exhibit E** is a description of Conceptual Design Drawings for the Hotel which have been agreed to by Licensee and Licensor as of the date of this Agreement (collectively, the “**Conceptual Design Drawings**”) as describing the overall programmatic design for the Hotel. The Conceptual Design Drawings identify the overall scope and scale of the project, but do not reflect a comprehensive project design, which shall be prepared by Licensee during the design phases for the Hotel in accordance with all of the Conceptual Design Drawings and the requirements of this Agreement and the Hotel System (the “**Comprehensive Project Design**”). Licensee and Licensor, acting reasonably and without delay, shall mutually agree upon the Conceptual Design Package and Schematic Design phases of Comprehensive Project Design. Thereafter, Licensor shall have the right to approve the Design Development and Construction Documents, such approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Licensee acknowledges and agrees that Licensor shall have the right to approve in its sole discretion any part of the Comprehensive Project Design that relates to the Approval Items described in Exhibit E. To the extent not specified in the Comprehensive Project Design required by the Hotel System or subject to Licensor’s rights under this Agreement, including Section 12(J) and Approval Items set forth in Exhibit E, Licensee shall consult with Licensor in relation to the design and development of the designs and themes to be included in the Hotel for Guest Rooms and Concepts. Licensee shall be solely responsible and solely at risk to make certain the Hotel, as constructed and operated, complies in all respects with all applicable Laws and all other requirements of all Governmental Authorities.

(2) The Hotel shall be designed and developed in substantial accordance with the Comprehensive Project Design, having regard at all times to the fact that the Hotel shall be one element of a larger complex. The number of Guest Rooms within the Hotel for lodging shall not be less than Three Hundred Twenty (320) nor more than Seven Hundred Fifty (750), without Licensor’s prior written consent, in its sole discretion. The Comprehensive Project Design for the Hotel, and the Hotel as finally constructed, shall include a Hard Rock Hotel Retail Store and a Hard Rock Café conforming to standards prescribed by Licensor, which retail store and café shall be leased to Licensor’s designee (which may be an Affiliate or a licensee) pursuant to the Retail Lease Agreement and the Café Lease Agreement. Licensor shall have no obligation to act as the lessee under the Retail Lease Agreement or the Café Lease Agreement or to secure or provide such lessees; and in the event that such leases have not been executed on or before December 31, 2007 so that the leased spaces can be constructed in a timely fashion to be ready for business on the Opening Date, Licensor shall offer to Licensee the opportunity to obtain a license to operate a Hard Rock Café and/or a Hard Rock Hotel Retail Store in the Hotel pursuant to Licensor’s standard form of license agreement for each such type of facility upon then prevailing market rates.

(3) Notwithstanding any provision of this Agreement to the contrary, Licensor shall have full discretionary approval rights, in its sole discretion, over all aspects of the development of the Hotel which involve Hard Rock Elements to the extent not covered by the Hotel System or Manuals.

(B) Site Review and Approval Rights. Licensee acknowledges and agrees that the selection of a site for the Hotel or the failure of Licensor to object to a site, does not constitute an assurance, representation or warranty by Licensor of any kind, express or implied, as to the suitability (commercially or otherwise) of the site for the Hotel or for any other purpose. Both Licensor and Licensee acknowledge that application of criteria that may have been effective with respect to any other site and premises may not be predictive of commercial or other potential for all sites and that, subsequent to the selection of a site, demographic and/or economic factors, such as competition from other similar businesses, could change, thereby altering the potential of the site. Such factors are unpredictable and are beyond Licensor's control, and Licensor shall not be responsible for the failure of a site approved by Licensor to meet expectations as to revenue, income or operational criteria. Licensee further acknowledges and agrees that acceptance of a site of a Hard Rock Hotel is based on its own independent investigation of the suitability of the site.

(C) Financing.

(1) Licensee hereby acknowledges and agrees that Licensor has not made any agreements or commitments of any kind, whether express or implied, to Licensee that Licensor or any of its Affiliates will provide a completion guaranty or any other financial assistance to Licensee in connection with its financing of the Hotel.

(2) (a) Licensee shall have the right to encumber, pledge, grant, or convey its rights, title and interest in and to its interests in this Agreement by way of a security agreement, a pledge and/or collateral assignment (collectively, a "**Pledge**") to secure the payment of any loan or loans obtained by Licensee to finance or refinance the Hotel (such loan or loans may include financing for other developments on the City of Dreams Land). The beneficiary of a Pledge, such as the security trustee or a secured party of a security agreement, is referred to herein as a "**Secured Party**." Pursuant to any such agreements, no Fees or any payments due to Licensor or its Affiliates shall be subordinated to any Pledge or right of the Secured Party, and Licensor shall not be obligated to forbear from pursuing its remedies hereunder or waive, suspend or modify its rights hereunder.

(b) Licensor agrees with Licensee that Licensor shall, at the request of Licensee or a Secured Party made from time to time and at any time, enter into a lender's rights agreement with any Secured Party identified by Licensee, which lender's rights agreement shall be consistent with the terms and provisions contained in this Section that apply to the Secured Parties and Pledges and shall be in a form mutually and reasonably acceptable to Licensor and such Secured Party.

(c) A Secured Party (and/or any Affiliate of Secured Party) shall, upon a Pledge becoming enforceable in accordance with the terms thereof, have the right and power to enforce its rights under a Pledge and obtain title to the Hotel under any land mortgage in favour of the Secured Party with respect to the City of Dreams Land. In the event of such enforcement described in

the foregoing sentence, the Secured Party (or its Affiliate) shall have the option to assume this Agreement on the condition that the Secured Party pays Licensor all accrued but unpaid Fees. In the event that a Secured Party (or an Affiliate of a Secured Party) obtains title to the Hotel, such Secured Party (or its Affiliate) shall have the right to transfer title to the Hotel and the Licensee's interest in this Agreement without the need to request or obtain the Licensor's consent; provided that such transferee is not a Competitor or an Affiliate of a Competitor and has the necessary experience, expertise and capacity to be licensed as is necessary to own the Hotel as a first class hotel; such transferee, or its Affiliates, parent or sponsor, has a net worth of at least Twenty-Five Million Dollars (\$25,000,000.00), all accrued and unpaid Fees are brought current and such transferee assumes this Agreement.

(3) In the event the Secured Party (or its Affiliate) or any transferee described in Section 5(C)(2)(c) fails to assume this Agreement as herein provided and pay the unpaid Fees specified hereunder, Licensor shall have the right to immediately terminate this Agreement and any rights of Licensee, a Secured Party or such transferee with respect to the Licensed Marks, shall immediately cease and terminate; and notwithstanding any other provision of this Agreement to the contrary, Licensor shall have the right to immediately, at Licensee's expense, remove all elements comprising the Licensed Rights from the Hotel. Licensor shall be entitled to enter upon the Hotel to accomplish such removal, and this right shall survive termination of this Agreement.

(D) Restaurant Concept. The Restaurant shall be operated by Licensee (or a wholly owned Affiliate of Licensee or Casino Licensee) or a third party restaurant operator designated by Licensee and approved by Licensor in its discretion. The Restaurant shall (i) be consistent with the Management Standard, (ii) located on a different floor than the Hard Rock Café, (iii) operate three hundred sixty-five (365) days per year, (iv) have its menu approved by Licensor (such approval not to be unreasonably withheld or delayed) to insure minimal duplication with the menu of the Hard Rock Café, (v) provide breakfast service, and (vi) in addition to the provision of table food service, provide room service and banquet service for the Hotel (collectively, the "**Restaurant Requirements**"). In addition, Licensor shall have the right to approve the name of the Restaurant and the design, theme and specifications of the Restaurant. In the event the Restaurant is operated by a third party restaurant operator, Licensor shall have the right to approve the lease or restaurant management agreement between Licensee and the third party manager (the "**Restaurant Management Agreement**") which shall contain the Restaurant Requirements and other terms reasonably satisfactory to Licensor giving consideration to the Management Standard. Licensee agrees to submit to Licensor any modifications to the Restaurant, including any modifications to the Restaurant Management Agreement, that may affect the Hotel operations or the quality or theme of the Restaurant for Licensor's prior written approval.

(E) Bar Concept. The Bar shall be operated by Licensee (or a wholly owned Affiliate of Licensee or Casino Licensee) or a third party operator designated by Licensee and approved by Licensor in its discretion. Licensor shall have the right to approve the name of the Bar and the design, theme and specifications of the Bar. In the event the Bar is operated by a third party operator, Licensor shall have the right to approve the lease or management agreement between Licensee and the third party manager (the "**Bar Management Agreement**"). The terms and conditions of the Bar Management Agreement must be reasonably satisfactory to

Licensors giving consideration to the Management Standard. Licensee agrees to submit to Licensor any modifications to the Bar, including any modifications to the Bar Management Agreement, that may affect the Hotel operations or the quality or theme of the Bar for Licensor's prior written approval.

(F) Additional Approvals. Licensee shall also timely submit to Licensor for Licensor's approval prior to construction, purchase or hire, as applicable, the following:

(1) all preliminary and final plans and specifications for the Hotel and all FF&E, including, without limitation, all Concepts (to the extent not designed and developed by Licensor) preliminary and final designs, model room (which Licensee agrees to construct within the time period specified by Licensor) site plans, floor plans and layouts, and artist renderings relating to the construction of the Hotel; and

(2) all such other information regarding the Hotel as Licensor shall reasonably request.

Licensor shall have the right, in its sole discretion, to disapprove any of the foregoing items within fourteen (14) Business Days of written submission by Licensee. All items submitted by Licensee to Licensor hereunder shall fully comply with all requirements applicable thereto as specified in the Manuals. If Licensor disapproves any item, Licensor shall provide to Licensee in reasonable detail the reasons therefor, together with general suggestions for revisions.

(G) Disputes. The parties agree to use their reasonable efforts to promptly resolve any Disputes regarding any approvals relating to the development or operation of the Hotel. If the parties are unable to resolve any Dispute within five (5) Business Days, then either party shall have the right to submit such Dispute to arbitration as provided in Section 19 of this Agreement (other than matters which are not subject to arbitration as provided herein).

(H) Technical Services. Licensor will, upon Licensee's written request and upon payment of the Technical Services Fee, render the following technical advisory services to Licensee during the Pre-Opening Period (the "**Technical Services**"):

(1) advice in formulating or refining the Concepts for the Hotel, the preliminary plans and specifications for the construction of the Hotel and all related Hotel facilities, including landscaping, and in formulating or refining preliminary layouts, drawings, and designs for the interior of the Hotel and the furnishing and equipping thereof, and, in connection therewith, Licensor may recommend to Licensee layouts and other criteria and specifications for the facilities to be included in the Hotel;

(2) advice as to architects, contractors, engineers, designers, decorators, landscape architects, and such other specialists and consultants as shall be necessary for completing the Hotel, provided, however, that Licensee shall not be obligated to utilize any such Person recommended by Licensor, and Licensor shall have no liability or responsibility for any act or omission of any such Person utilized by Licensee; and

(3) advice in preparing budgets for the initial purchase of FF&E for the Hotel.

It is the intention of the parties hereto that responsibility for implementation of each of the foregoing items is upon Licensee, but that Licensor shall remain available to assist Licensee in such implementation. In addition to payment of the Technical Services Fee, prior to the beginning of each calendar quarter, Licensor and Licensee shall mutually agree upon a budget (the "**Budget**") for Licensor's anticipated actual costs incurred by Licensor, including, without limitation, travel, accommodations and other reasonable expenses incurred by Licensor in providing Technical Services (but not salaries or overhead), to be reimbursed by Licensee within thirty (30) days following invoice therefor. Notwithstanding the foregoing, Licensor and Licensee agree that the Budget for such costs for both the Hotel and the Casino through February 2009 is set forth on **Exhibit G-2**. To the extent that the aggregate of the actual costs anticipated by Licensor will exceed the Budget, Licensor shall obtain Licensee's prior approval not to be unreasonably withheld or delayed in order for such amounts to be reimbursed by Licensee. Notwithstanding the foregoing, Licensee acknowledges and agrees that Licensor has provided certain Technical Services prior to the date hereof. In connection therewith, Licensee agrees to reimburse Licensor for costs incurred by Licensor during the period commencing September 1, 2006 ending the date of this Agreement in connection with Technical Services provided by Licensor prior to the date hereof in respect of both the Hotel and the Casino, as set forth in **Exhibit G-1**.

Licensor, where practical and in its sole discretion, shall make available to Licensee, Licensor's facilities for the purchase of required FF&E, and other necessary items, and may recommend to Licensee a firm or firms from which such items may be purchased. Any such purchase through Licensor's facilities shall be subject to such price mark-ups or other charges as to which Licensor and Licensee may mutually agree in each instance. Any such purchase through sources recommended by Licensor shall include an acknowledgment, in form acceptable to Licensor, specifying that the seller is not contracting with Licensor, and that Licensor is not responsible for any payment or performance by Licensee. Licensee shall not be obligated to purchase such items from the firms or sources recommended by Licensor; provided, however, that, prior to purchasing from nonrecommended sources, Licensee shall submit to Licensor such samples and/or other information with respect to the proposed purchase as shall be necessary to assure Licensor that the quality, design, and safety of such items, together with their compliance with applicable Law, is to the extent reasonably practicable at least equal to that available from sources recommended by Licensor, and that the design, appearance, and all other aspects thereof conform to the requirements of this Agreement.

(I) Licensor May Delegate Duties. In rendering the Technical Services, Licensor shall have the right, at its sole discretion, to be assisted by third Persons, and, accordingly, some or all of such Technical Services which Licensor undertakes to provide under this Agreement may be provided by such third Persons. The Licensor must ensure that any such third Person has the relevant skill, expertise and competency to perform the Technical Services. Licensor will, at all times, retain responsibility for ensuring that its obligations in relation to the provision of the Technical Services are fulfilled even if it has appointed a third Person under this clause. Licensor may, upon Notice to Licensee, require Licensee to pay directly to any such third Person any portion or all of any payment due to Licensor hereunder.

(J) Licensor's Option to Assign Pre-Opening Coordinator. Subject to the remainder of this clause, Licensor shall have the right, but not the obligation, to assign a full time or part time, pre-opening coordinator or coordinators to act as Licensor's representative during the Pre-Opening Period (the "**Pre-Opening Coordinator(s)**") at Licensor's expense, except as otherwise specifically agreed by Licensee. Before appointing the Pre-Opening Coordinator(s), Licensor must obtain Licensee's approval of the identity of the Pre-Opening Coordinator(s) (such approval not to be unreasonably withheld). The functions of the Pre-Opening Coordinator(s) during the Pre-Opening Period shall be as follows:

- (1) to consult with Licensee in connection of pre-opening scheduling, the processing of any required approvals of Licensor and Licensee;
- (2) to serve as liaison between Licensee and Licensor in connection with compliance with the requirements of all Licensor approvals, and the purchasing, delivery, and installation of all FF&E, Operating Equipment, and Operating Supplies;
- (3) generally, to assist in the coordination of pre-opening and grand opening activities between Licensee and Licensor and to evaluate the Hotel within thirty (30) days prior to the Opening Date to determine compliance with the Hotel System.

Licensee shall provide the Pre-Opening Coordinator(s) with full cooperation and all information in Licensee's possession or under Licensee's control in relation to the development of the Hotel (so far as that information relates to the functions and duties of the Pre-Opening Coordinator(s)) to ensure that the Pre-Opening Coordinator(s) has the capability to fulfill the functions assigned herein to the Pre-Opening Coordinator(s).

(K) Licensor Only an Advisor. Licensee hereby acknowledges that Licensor acts only in an advisory capacity for purposes of this Section 5, and Licensor shall not be responsible for the adequacy or coordination of any plans or specifications, the structural integrity of any structures or the systems thereof, compliance with applicable Laws, including, without limitation, any building code of any Governmental Authority, or any insurance requirement, or for the obtaining of any necessary Permits, all of which shall be the sole responsibility, and at the sole risk, of Licensee.

(L) Pre-Opening Program. Licensor and Licensee shall cooperate with each other to develop a written pre-opening program for the Hotel in conjunction with the pre-opening program for the Casino not less than nine (9) months prior to the Target Opening Date specifying, in reasonable detail: (i) any services by Licensor which Licensor reasonably believes are necessary prior to the Opening Date with respect to the Hard Rock Elements; (ii) the estimated costs to be incurred by Licensor in providing such services which the Licensee would have to agree to bear during the Pre-Opening Period; (iii) sales and promotion efforts by Licensor or its Affiliates during the Pre-Opening Period; (iv) required opening festivities; and (v) an estimate of other pre-opening costs and expenses relating to the foregoing. Licensee shall be solely responsible for payment of all such pre-opening costs and expenses which are approved by Licensee.

(M) Opening Date. Licensee shall use its best effort to have the Hotel be in operation and open to the public not later than December 1, 2008 (the “**Target Opening Date**”), and shall thereafter remain continuously open during the Term of this Agreement. The “**Opening Date**” shall be the actual date the Hotel and the Casino is fully operational and open to the public. Licensee acknowledges and agrees that the Casino must open for operations simultaneously with the Hotel. If the Opening Date does not occur within eighteen (18) months after the Target Opening Date for any reason, including Force Majeure, Licensor shall have the right to terminate this Agreement, by delivering written Notice to Licensee. Additionally, Licensee shall immediately pay to Licensor all accrued fees under this Agreement and reimburse Licensor for all professional, travel and out-of-pocket expenses incurred by Licensor in connection with this Agreement.

(N) Limitations of Prior Approvals. Notwithstanding any other term or provision of this Agreement, the approval of any item by Licensor in accordance with this Agreement shall not constitute a waiver by Licensor of its right to insist upon strict compliance by Licensee with any of the other terms of this Agreement, or prevent Licensor from requiring Licensee to alter, remove, replace or repair any other item which was not previously approved by Licensor and which does not comply with the requirements of this Agreement or any applicable Law.

(O) Ancillary Agreements. After the acquisition by Licensee of the site for the Hotel and prior to the commencement of the construction of the Hotel, Licensee and Licensor’s designee for operation of the Hard Rock Hotel Retail Store shall enter into the Retail Lease Agreement, and Licensee and Licensor’s designee for the operation of the Hard Rock Café shall enter into the Café Lease.

(P) Sale of Securities.

(1) If Licensee or any of its Affiliates shall, at any time or from time to time, “sell” or “offer to sell” any “securities” issued by it through the medium of any “prospectus” or otherwise, it shall do so only in compliance with all applicable securities laws, and Licensee shall not make any representations that implies in any way that (a) either Licensor, or any of its Affiliates, or any of their respective officers, directors, agents or employees, shall in any way be deemed an “issuer” or “underwriter” of said “securities,” or that (b) Licensor, its Affiliates and said officers, directors, agents and employees have assumed or shall have any liability or responsibility for any financial statements, prospectuses or other financial information contained in any “prospectus” or similar written or oral communication.

(2) Licensee shall deliver to Licensor three (3) draft copies of any relevant sections of a “prospectus” or similar communications that refer to or contain the Licensed Marks, any description of this Agreement and/or Licensee’s relationship with Licensor hereunder, other than simply identifying the existence of this Agreement or the existence of the Hotel, Casino, or Hard Rock Café in the “City of Dreams” complex without a description of the terms of this Agreement or the nature of the relationship between Licensor and Licensee, delivered in connection with the sale or offer by Licensee of any “securities” not less than thirty (30) days prior to the filing thereof with any Governmental Authority or the delivery thereof to any prospective purchaser. In the event there are any nonmaterial changes to any sections of the materials previously approved by Licensor in accordance with this Section, Licensee

shall redeliver to Licensor three (3) draft copies of all relevant sections of the materials that contain such nonmaterial changes, and Licensor shall review and approve or disapprove such nonmaterial changes in a reasonable period of time, having regard to the timetable of Licensee with respect to its financing. Notwithstanding the above, Licensor shall have the right in its sole discretion to approve the inclusion of any references to the Licensed Marks in such materials. Licensee agrees to indemnify, defend and hold Licensor and its Affiliates and their respective officers, directors, agents and employees harmless of and from any and all liabilities, costs, damages, claims or expenses arising out of or related to the “sale” or “offer” of any “securities” of Licensee. All terms used in this Section 5(P) shall have the same meaning as in the Securities Act of 1933, as amended. Licensor’s approval of the Licensed Marks contained in such materials shall not constitute any judgment or determination by Licensor that such description is in compliance with applicable disclosure requirements. Licensor acknowledges and agrees that Licensee and its Affiliate may file a copy of this Agreement with the Securities Exchange Commission in compliance with applicable Laws.

6. CERTAIN REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF LICENSOR AND LICENSEE

(A) Representations and Warranties of Each Party. As an inducement to enter into this Agreement and to carry out the agreements set forth herein, each party hereby represents and warrants, as of the date hereof, to, and agrees with, the other party:

(1) Such warranting party (the “**Warrantor**”) is a corporation, partnership or limited liability company duly organized, validly existing, and in good standing under the Laws of its respective jurisdiction of organization.

(2) The Warrantor has full corporate power and authority to execute and deliver this Agreement, and all of the other agreements and instruments contemplated hereby, to consummate the transactions contemplated hereby and thereby, and to comply with the terms, conditions, and provisions hereof and thereof.

(3) The execution, delivery, and performance of this Agreement and the Memorabilia Lease by the Warrantor (or its Affiliates, as the case may be) have been duly authorized and approved by the board of directors or equivalent body of the Warrantor or any such Affiliate, as the case may be, and do not require any further authorization or consent of the Warrantor, any such Affiliate, or the stockholders thereof. Each of this Agreement and the Memorabilia Lease constitutes, or shall constitute, the legal, valid, and binding agreement of the Warrantor (or its applicable Affiliate, as the case may be), enforceable in accordance with its respective terms, except as such enforceability may be limited by: (1) applicable bankruptcy, insolvency, reorganization, moratorium, equitable principles, or similar Laws affecting legal or equitable rights generally; or, (2) the possibility that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the tribunal before which any proceeding therefor may be brought.

(4) Neither the execution and delivery of this Agreement or any other agreement or instrument contemplated hereby, nor the consummation of any of the transactions contemplated hereby or thereby, nor compliance with or fulfillment of the terms,

conditions, and provisions hereof or thereof, in each case by Warrantor (or its applicable Affiliate, as the case may be) will conflict with, result in a breach of the terms, conditions, or provisions of, or constitute a default, an event of default, or an event creating rights of acceleration, termination, or cancellation, or a loss of rights under, or, in the case of Licensor only, result in the creation or imposition of any encumbrance upon any of the Licensed Rights (except for the rights thereto granted to Licensee herein and therein), under the organizational or governing documents of Warrantor (or its applicable Affiliate, as the case may be), or under any note, instrument, agreement, mortgage, lease, license, franchise, permit, judgment, order, award, or decree to which Warrantor (or its applicable Affiliate, as the case may be) is a party or is bound.

(B) Infringements of or by the Licensed Rights. Licensor warrants that Licensee's use of the Licensed Rights pursuant to the terms hereof will not infringe upon, constitute a misappropriation or adverse use of, or unfair competition with (collectively, an "**Infringement**"), of the intellectual property rights of any other Person.

(C) System Modification. During the term of this Agreement, Licensor shall be at liberty from time to time to modify the Hotel System so as to ensure that the standards and quality of facilities and customer services provided in the Hotel operated under the Hotel System, in the sole and exclusive judgment of Licensor, meet the contemporary requirements of the target markets for such hotels and provide features which distinguish the Hotel operated under the Hotel System from those operated by others, including, but not limited to, Licensor's competitors. Licensor agrees to provide Licensee with written notice of any modification to the Hotel System prior to requiring Licensee to comply with such modifications.

(D) Compliance. Licensee covenants, confirms and warrants that the proposed facility will operate in full compliance with all applicable Laws.

(E) Gaming.

(1) Licensee represents and warrants that (i) either it or any of its Affiliate has or will on the Opening Date have, and during the Term, shall perform all things and acts that are necessary on its part to maintain all necessary licenses, permits, permissions, consents, right and authority under the Laws of Macau and under all laws, rules, regulations and other requirements of any kind of any Governmental Authority with jurisdiction over Licensee or the Licensed Location to engage in casino gaming operations as contemplated by this Agreement; and (ii) that the execution of this Agreement shall not require or obligate Licensor to seek or obtain any license, permit, permission, consent or approval of any such Governmental Authority. Licensee shall not own, operate, advertise or promote at the Licensed Location or in connection with the Casino any business, activity, service, website or other business that promotes or implements gaming over the internet or over the telephone or otherwise by electronic communication if such activity violates or would violate any applicable Law, rule or regulation of Hong Kong, China, the United States, Canada, the United Kingdom or any other jurisdiction by accepting players from such jurisdictions.

(2) Licensee shall during the Term of this Agreement actively monitor all applicable Laws of Macau relating to gaming matters. In the event Licensee becomes aware of any such Laws that may be applicable to Licensor with respect to the Casino

or this Agreement, Licensee shall inform Licensor of such Laws. Licensor must comply with all applicable Laws and do all things necessary to comply with those Laws at its own expense.

7. LEASE

(A) Lease of Licensed Location. If Licensee is leasing any portion of the Licensed Location as a tenant, Licensee represents and warrants that it has and shall during the term of this Agreement have the right to use and possess the Licensed Location for the purposes set forth herein.

(B) Sublease of Licensed Location. If Licensee is leasing or subleasing any portion of the Licensed Location to any third party, Licensee shall provide Licensor with a copy of any such lease, and such lease must comply with this Agreement and shall be subject to the approval of Licensor not to be unreasonably withheld or delayed; provided, however, Licensor shall not have approval rights with respect to any such tenant or subtenant that is an Affiliate of Licensee or Casino Licensee, except that the terms of the lease and sublease remain subject to Licensor's approval.

8. PERSONNEL; MANAGEMENT

(A) Appointment of Managers. Prior to the Opening Date, Licensee shall appoint a "General Manager" for the Hotel, along with a Financial Manager, Food & Beverage Manager, Rooms Manager and Sales and Marketing Manager (collectively, the "**Top Five Management Positions**"). Licensee shall provide Licensor with all information available to Licensee as Licensor shall request regarding the experience, qualifications and character of any Person that Licensee proposes to appoint to a Top Five Management Position. Such appointment shall be subject to Licensor's approval, which shall not be unreasonably withheld.

(B) Training of Management Personnel. Licensee shall require the Persons appointed to the Top Five Management Positions at the Hotel to attend such initial training with respect to Licensor's methods, procedures and protocols, at Licensee's expense, as may be required from time to time by Licensor, at a location to be designated by Licensor. Such initial training shall include, without limitation, the Rock 101 training program. Licensee shall require each Person described in this Section 8(B) to attend such further periods of training, but no more than three (3) full calendar days per calendar year (excluding travel time), at Licensee's expense, as may be required from time to time by Licensor, at a location to be designated by Licensee. If Licensor acting reasonably has assessed that any Person described in this Section 8(B) does not meet the required standards of Licensor then Licensor must notify Licensee of those Persons who have been assessed as not meeting the required standards and those areas of competence in which the Person has not met the required standards and basis for Licensor's assessment. No earlier than thirty (30) days after so notifying Licensee, Licensor may require those Persons to attend further training provided by Licensor at no additional charge or expense to Licensee, provided Licensee shall pay all of the travel and lodging expenses for its employees being trained. Licensor will use reasonable efforts to minimize disruption of Hotel operations in the provision of training for such Persons.

(C) Training Completed. Licensee will not open the Hotel to the public until the Persons described in Section 8(B) hereof have satisfactorily completed all training required pursuant to Section 8(B) and have been approved in writing as competent by Licensor.

(D) Training of Replacement Managing Personnel. In the event any of the Persons described in Section 8(B) ceases to be employed in such capacity by Licensee, all approval and training requirements specified in Section 8(B) shall be equally applicable to each employee replacing each such Person in such position. Licensee shall use its reasonable efforts to promptly fill any vacant Hotel management position described in Section 8(B).

(E) Full Staffing; Additional Training. Licensee will retain as Hotel employees all such staff as may be required from time to time in Licensee's discretion for the proper operation of the Hotel in accordance with the terms of this Agreement and the Manuals, and will ensure that such staff (and all replacements of each member thereof) are competently trained and have received training, at its expense, relating to the Hard Rock style and brand in accordance with the training materials developed by Licensor and provided at Licensee's cost. All employees of Licensee are solely employees of Licensee, not of Licensor. Licensee is not Licensor's agent for any purpose in regards to Licensee's employees or otherwise. If and whenever reasonably required by Licensor, and at Licensee's expense, but not more than once in any calendar year, each Hotel employee shall attend, at Licensee's facilities, such initial and additional training with respect to Licensor's methods, procedures and protocols relating to the Hotel System as may be required by Licensor from time to time. Such training shall be at the cost of Licensee, and shall be carried out by Licensee at such locations as Licensee may determine. Licensee will reasonably cooperate and require that its staff reasonably cooperate with such training. Licensor may, at its cost, attend and participate in such Hard Rock training, provided, however, that if Licensee requests Licensor's participation in such training and Licensor elects to so participate, Licensee shall reimburse Licensor for its costs in connection therewith.

(F) All Training Must Be Completed to Satisfaction. All training must be completed to the reasonable satisfaction of Licensor. Licensee will not permit any Person to act or assist in the operation or management of the Hotel unless and until approved as competent by Licensor at the conclusion of all required training, which approval shall not be unreasonably withheld.

(G) Use of Licensee's Facility. Licensee shall cooperate with Licensor to make available to Licensor and its Affiliates, at Licensor's reasonable request and subject to Licensee's scheduling, the facilities at the Hotel for use by Licensor as a facility for the training of Licensor's and its licensees' employees and staff in the operation and management of the Hotel System, provided that any reasonable out-of-pocket expenses incurred by Licensee as a result of such cooperation shall be borne by Licensor and such cooperation does not unreasonably interfere with the operation of the Hotel.

(H) Leadership Conference. Licensee agrees to send, at its expense, a member of its senior management staff to the Hard Rock global leadership conference which shall occur on an annual basis.

(l) Appointment of Hotel Manager. Licensee or its Affiliates shall retain and exercise full operating control of the Hotel or, subject to Licensor's prior written approval and right of first refusal (which is only required if the Licensee seeks to appoint a Hotel manager which is not a wholly owned Affiliate of Licensee or Casino Licensee), the Licensee may negotiate and execute a management agreement with a qualified management company approved by Licensor in accordance with this Section for the management and operation of the Hotel, which management agreement shall be subject to the terms of this Agreement. Any management agreement, which shall be submitted to Licensor for approval (not to be unreasonably withheld), will include the following provisions:

(1) The manager shall have the exclusive authority and responsibility for the day-to-day management of the Hotel;

(2) Except in extraordinary circumstances, such as theft or fraud on the part of the manager or a default by Licensee hereunder caused by the manager for which Licensee needs to promptly remove the manager from the Hotel, the management agreement shall not be terminated without at least thirty (30) days' prior written notice to Licensor.

(3) The Hotel will be operated during the term of the management agreement in strict compliance with the requirements of this Agreement. If any conflict exists between the provisions of the management agreement and those of this Agreement, the provisions of this Agreement shall prevail. Specifically, the manager will be bound by and shall adhere strictly to all terms and conditions in this Agreement regarding confidentiality and operation of the Hotel, which terms and conditions may be enforced by Licensor directly with the manager;

(4) Any default under the terms and conditions of this Agreement caused wholly or partially by the manager shall constitute a default under the terms and conditions of the management agreement, for which Licensee shall have the right to terminate the management agreement; and

(5) Licensor shall have the right to communicate directly with the manager regarding day-to-day operation of the Hotel.

Any management company (other than a wholly owned Affiliate of Licensee or Casino Licensee) that shall be responsible for operating the Hotel pursuant to a management agreement with Licensee must be qualified and be approved by Licensor prior to taking over management of the Hotel. Such management company must have at least seven (7) years of experience on the management of two (2) or more first class full-service hotel properties. Licensor may refuse to approve any proposed management company that in Licensor's judgment is not financially capable or responsible, or in Licensor's judgment is inexperienced or unqualified in managerial skills or operational capacity or capability or is otherwise unable to adhere fully to the obligations and requirements of this Agreement. Licensor may withhold its approval if the proposed management company does not provide Licensor with all information that Licensor may reasonably request in order to reach such decision. It is understood that trade secrets and other confidential information and materials are, in the normal course of business, imparted to Hotel System licensees or franchisees and their managers, and Licensor will be under no obligation to approve a proposed management company who might compromise the Hard Rock Hotel

program or who is (or is an Affiliate of any entity who is) a Competitor. Except in extraordinary circumstances such as are described above, Licensee shall provide Licensor with a minimum of thirty (30) days to review and approve the proposed management company and the general manager. Also, before taking over management of the Hotel the management company must execute (i) a management agreement containing the terms set forth above, and (ii) a manager's acknowledgment in a form approved by Licensor. In the event there is a change in the control of the management company for any reason whatsoever or if the management company becomes, is acquired by, comes under the control of, or merges with or into a Competitor, Licensee shall promptly notify Licensor of any such change and such management company shall be subject to reapproval in accordance with the provisions of this Section.

(J) Right of First Refusal. In the event Licensee seeks to appoint a third party hotel manager (other than a wholly owned Affiliate of Licensee or Casino Licensee), Licensee shall give Licensor the right of first refusal to manage the Hotel. Licensor shall have twenty (20) days upon receipt from Licensee of a term sheet containing the proposed terms and conditions which it desires to appoint a third party hotel manager. The parties agree that the term sheet delivered to Licensor hereunder must include the material terms and conditions of the proposed management agreement, including, but not limited to, the management fee and term of the agreement. If Licensor does not exercise its right to manage the Hotel on the terms and conditions set forth in the term sheet delivered to Licensor hereunder within the said twenty (20) day period, Licensee may within the earlier of one hundred eighty (180) days of (i) Licensor's notice of its intention not to exercise its right to manage the Hotel and (ii) the expiration of the twenty (20) day period, appoint, on terms and conditions not materially more favorable to the third party manager to those delivered to Licensor, a third party manager to manage the Hotel under the proposed terms. The appointment of a third-party manager under this Section shall be subject to Licensor's approval rights under Section 5(I). In the event Licensee fails to appoint a third party manager within the said one hundred eighty (180) day period, or if there is a material change to the proposed terms or conditions of the appointment more favorable to the third party manager, Licensor shall have an additional right of first refusal to manage the Hotel under the same terms and conditions of this Section.

9. ADVERTISING

(A) Advertising Prior to Opening Date. Licensee will, prior to the Opening Date and at Licensee's expense, carry out or cause to be carried out advertising for the opening of the Hotel. Licensee shall utilize all reasonable commercial efforts to diligently promote the Hotel by advertisements on television and radio and in newspapers, magazines, telephone or trade directories, distributions to customers and potential customers in the most effective manner, point-of-service advertising material, and other forms of publication.

(B) Advertising After Opening Date. Licensee will, subject to the provisions of this Section, during each Fiscal Year, use its reasonable endeavours to advertise, market and promote the Hotel. Advertising, marketing and publicity under this provision may include, but not be limited to, (i) media (television, radio and print) advertising, (ii) bus and air programs, (iii) direct mail programs, including the value of goods and services provided, (iv) promotions and giveaways including tournaments, special events, and drawings, (v) coupon promotions, (vi) customer transportation reimbursement, (vii) customer gifts, and (viii) complimentary goods and services provided to customers.

(C) Marketing Program. The Section 4(C) "Marketing Fee" will be used by Licensor to promote public awareness and usage of Hard Rock Hotels and the Hard Rock brand generally, at Licensor's sole discretion. Without limiting the foregoing, Licensor has sole discretion as to (i) nature and type of media placement, (ii) allocation (if any) between international, national, regional and local markets, and (iii) nature and type of advertising copy and other materials and programs. The Marketing Fee may be used in whole or in part to reimburse Licensor or Licensor's Affiliates for sales expenses associated with the Hotel System's corporate and national sales accounts, national advertising efforts and Licensor's reasonable direct and indirect labor, administrative, overhead and other expenses of providing marketing services. Licensee recognizes that Licensor is under no obligation to ensure that expenditures are proportionate to the amount of the Marketing Fee paid by a licensee for any given market area, or that any licensee benefits directly or proportionately from the development or placement of advertising supplied by or through the Licensor. Licensor shall not be obligated to expend all or any certain part of the Marketing Fee during any specific period of time or to refund any of the same to Licensee. All sums received as Marketing Fee may be commingled with other funds. Licensor has no obligation to provide Licensee with any financial statements relating to Marketing Fee expenditures.

(D) Marketing Meetings. Licensee and Licensor shall meet at least one hundred eighty (180) days prior to the Opening Date and once every calendar quarter thereafter, to discuss advertising campaigns and marketing plans relating to the Hotel.

(E) Cooperation with Licensor's Advertising Campaigns. During the Term of this Agreement and at any time after the Opening Date, Licensee shall, at Licensor's request, cooperate with Licensor and Licensor's Affiliates, and other licensees of Licensor and Licensor's Affiliates, in any advertising campaign, sales promotion program or other special advertising activity in which Licensor may engage or specify from time to time in relation to the promotion of Hard Rock Hotels or Hard Rock Hotel & Casinos in the target market for the larger entertainment complex in which the Hotel and Casino form part as reasonably determined by Licensee and provided that Licensee has approved (acting reasonably) the said advertising campaign, sales promotion program or other special advertising activity.

(F) Cooperation with Licensor. Licensee shall publicize such information and details of Licensor's business operations and that of Licensor's Affiliates and other licensees of Licensor and Licensor's Affiliates in such places in the Hotel as Licensor shall, subject to Licensee's approval not to be unreasonably withheld or delayed, from time to time reasonably require.

(G) No Donations or Contributions. Licensee will not, except with the Licensor's prior written consent in each instance, make political or religious donations or contributions or subscriptions of any variety utilizing Hotel's name or any Licensed Marks, and will not, except with the Licensor's prior written consent in each instance, permit any portion of the Hotel or the Licensed Location to be used by any political party or religious organization or for any political or religious purpose that is endorsed or promoted by the Hotel.

(H) Advertising Guidelines. Licensee must submit any advertising or promotional materials with respect to the Hotel that are not in strict conformance with Licensor's guidelines as prescribed in the Manuals, or otherwise in writing, to Licensor for Licensor's prior written consent.

(I) Licensee's Cross Promotions. Licensee and Licensor shall meet no later than one hundred eighty (180) days prior to the Opening Date and at least quarterly after the Opening Date, to discuss Licensee's cross-promotion efforts in connection with:

- (1) marketing the Hotel in conjunction with the adjacent Casino;
- (2) advertising within the Hotel other facilities of the larger entertainment complex of which the Hotel forms part;
- (3) advertising the Hotel in other areas of the larger entertainment complex of which the Hotel forms part; and
- (4) advertising the Hotel on any website operated by Licensee or its Affiliate.

During such meeting, Licensee and Licensor shall cooperate to prepare and update guidelines for use of the Licensed Marks and any other logo or image related to the Licensed Marks in connection with Licensee's cross promotion efforts which guidelines shall be subject to Licensor's approval. Such guidelines shall include depictions of the graphic use of the Licensed Marks and other trademarks or trade names in a cross promotion; shall not depict that the Hard Rock Hotel sponsors or is sponsored by any other Person and shall not cause confusion with respect to the "Hard Rock" brand or the Licensed Marks. Licensee must follow the guidelines approved by Licensor in connection with its cross promotion efforts. Any uses of the Licensed Mark or related logos or images not consistent with the guidelines approved by Licensor are subject to Licensor's prior written approval.

(J) Internet. Other than as provided in this Agreement, Licensee shall not in any manner utilize the Licensed Marks on or in connection with any Internet Site, including but not limited to any utilization or display of the Licensed Marks or any derivation thereof or any trademarks, trade names, service marks, logos or designs confusingly similar thereto, or in any buried computer code, meta-tags or otherwise, except as specifically permitted herein. For purposes of this Agreement, the term "**Internet Site**" shall include any world wide web site, USENET, newsgroup, bulletin board or other online service or any successor thereto at any electronic domain name, address or location, or any other form of online service or electronic domain name, address or location, or any other form of online service or electronic commerce whatsoever.

Licensor and its Affiliates may develop and maintain, or license the development and maintenance, of one or more Internet Site(s) for Hard Rock Hotels, Hard Rock Casinos, Hard Rock Hotel & Casinos, Branded Merchandise and other products and other Hard Rock businesses as Licensor, in its sole discretion, shall determine (each a "**Hard Rock Internet Site**"). Upon request from Licensor, Licensee shall provide (or shall procure the provision) to Licensor any information respecting the Hotel required by Licensor for

inclusion in a Hard Rock Internet Site or any other Internet Site designed by Licensor. Licensee shall not be entitled to participate in any manner in any revenues (and shall not be liable for any costs and expenses) resulting from the offer and sale of Branded Merchandise on any Internet Site, or by reason of any link from any Licensee Internet Site (as defined in the following paragraph) to a Hard Rock Internet Site. At Licensor's request, each advertisement of the Hotel shall prominently display the Internet Uniform Resource Locator (URL) of a Hard Rock Internet Site designated by Licensor to Licensee.

Licensee shall have the right to have the Hotel featured on Licensor's Internet Site, in the same manner as Licensor includes other Hard Rock Hotels, whether owned or licensed by Licensor, and free of charge.

Licensee shall have the right to develop one or more Internet Sites for the Hotel, which may, subject to Licensor's approval, use in their domain names the Licensed Marks, provided that all such domain names shall be and become the property of Licensor, and shall be registered in the name of Licensor, and shall be considered Licensed Marks pursuant to the terms of this Agreement. The format and content of such Internet Site shall be subject to Licensor's approval. Subject to Section 9(I), such Internet Site shall be used by Licensee only for promotion of the Hotel. Licensee shall not sell or offer for sale Branded Merchandise or conduct any other business, including, without limitation, online gaming operations on such Internet Site. Licensee may link any such Internet Site to a Hard Rock Internet Site or an internet site operated by the Licensee or its Affiliate provided that the Licensee has complied with its obligations under section 9(I) and there is no direct link from any Internet Site containing the Licensed Marks in its domain name, or any webpage containing the Licensed Marks or related logos or symbols, to any online gaming site. Licensor shall, at its cost, provide links from its Internet Sites to Licensee's Internet Site for the Hotel, giving the same prominence and positioning of the link as Licensor gives to its links to other Hard Rock Hotels.

In the event that Licensee develops an Internet Site for the Hotel (a "**Licensee Internet Site**"), Licensee may include a simple link from that site to a Hard Rock Internet Site designated by Licensor to Licensee, provided that (i) the Hard Rock Internet Site shall not be framed or otherwise made to appear as a part of the Licensee Internet Site or any other Internet Site; (ii) such link shall not be designed so as to imply any endorsement by Licensor or the Hard Rock Internet Site with the Licensee Internet Site or any other Internet Site; and (iii) there are no other links on the Licensee Internet Site to any other Internet Sites that (a) are offering any merchandise utilizing any Branded Merchandise or otherwise utilizing in any manner any Licensed Marks for the sale of any merchandise (other than the Hard Rock Internet Site), or are otherwise utilizing any Licensed Marks unless Licensee shall have obtained Licensor's prior written approval to any links to such Internet Sites; or (b) are operated by or on behalf of or otherwise promote any products or services of any person or entity that would in Licensor's judgment be prejudicial to Licensor or the Licensed Marks.

10. STANDARDS OF QUALITY AND OPERATION

(A) Operation of Hotel Must Meet Quality Standards. Licensee will, at all times, operate the Hotel as provided for herein consistently in accordance with the Management Standard required of Licensee hereunder and in accordance with the Hotel System

and Manuals. Subject to Section 8(I), Licensee and its approved management company, if applicable, shall have the sole and exclusive right to supervise, direct and control the management and operation of the Hotel, and such right may not be assigned or delegated, except with the Licensor's consent which consent shall not be unreasonably withheld or delayed.

(B) Licensee's Obligations. Licensee shall:

- (1) Refrain from using the Hotel or any portion thereof for any purpose other than operating a hotel pursuant to provisions herein;
- (2) Operate the Hotel pursuant to the Hotel System and under the Licensed Marks, and no other trade name, trademark or service mark; (except to the extent reasonably required by the Licensee for cross-promotional purposes as permitted under Section 9(I) of this Agreement);
- (3) Feature in the Hotel and on the various articles therein as approved by Licensor, and in advertising and promotional material, the names, logos, colors and other aspects of the Licensed Marks in the size, color, combinations, arrangements and manner consistent with Licensor's guidelines as specified in the Manuals or otherwise in writing from time to time;
- (4) Advertise or cause to be advertised the Hotel and related facilities and services in a manner consistent with the parameters for advertising specified by Licensor; and, upon the written request of Licensor, cease and desist from using or continuing to use any advertising or publicity which Licensor reasonably believes is not in the best interests of the preservation of the Licensed Rights or other related intellectual property rights of Licensor;
- (5) Without prior notice, permit Licensor or its authorized agents to enter the Hotel during regular business hours to inspect the same with respect to the Licensee's use of the Licensed Rights;
- (6) Upon reasonable notice, permit Licensor, its authorized agents and/or its invited guests to enter the Hotel during regular business hours to tour the Hotel facilities;
- (7) Operate the Hotel in accordance with the Hotel System, the Manuals and all applicable Laws and Permits;
- (8) Provide to Licensor for its approval samples of staff uniforms to be used in connection with operation of the Hotel;
- (9) Provide to Licensor for its approval samples of all menus used at the Hotel, including any material modifications or replacements thereof;
- (10) Provide Hard Rock Hotel promotional materials, other Hard Rock promotional materials and literature in guest rooms and other locations at the Hotel, as requested by Licensor;

(11) Not permit third parties to use the Hotel in the manner prohibited by Section 2(E)(2) of this Agreement;

(12) Other than as required to comply with any applicable Laws or as requested by any Governmental Authority, refrain from making any alteration to the Hotel, or vary the design, décor, fixtures, fittings, or FF&E of the Hotel without obtaining Licensor's prior written approval; provided, however, that Licensee will make such alterations or variations thereto as Licensor shall require from time to time by amendments to the Manuals, or issuance of other guidelines or directives;

(13) Redecorate, maintain, and repair the interior and exterior of the Hotel, and replace, maintain, and repair the FF&E, at Licensee's sole expense so as to maintain the Hotel in a high standard of decoration, repair, cleanliness and condition consistent with the Management Standard, Hotel System and Manuals;

(14) To the extent permitted by any Laws, play only the type of music (at the decibel level) prescribed by Licensor in the Manuals. Licensee will install in the Hotel, at its sole cost and expense, the data beat system (Cisco or other Licensor system) currently utilized by Licensor in Hard Rock Cafes operated by Licensor or its Affiliates to enable Licensee to broadcast videos, music and live performances as required by Licensor. Licensee shall update or replace such system as designated by Licensor from time to time. Live music which is in accordance with the standards established at other Hard Rock Cafe restaurants may be played within the Restaurant or upon or from the Premises in accordance with guidelines set forth in the Manuals. Licensee shall be responsible for obtaining any type of music license (including payment of applicable license fees) or other clearances necessary to broadcast music and videos throughout the Hotel utilizing the data beat system or otherwise;

(15) To the extent permitted by any Laws, play only the type of music (at the decibel level) prescribed by Licensor in the Manuals. Pay all music performing rights fees to the appropriate music performing rights societies. Live music which is in accordance with the standards established at other Hard Rock Hotels or Hard Rock Cafe restaurants may be played within the Hotel;

(16) To the extent permitted by any Laws, provide on television in Guest Rooms at the Hotel (i) at least one video music channel, and (ii) one channel provided by Licensor or its designee to provide music entertainment and information about Licensor and its Affiliates;

(17) Not broadcast or otherwise distribute via any medium (including, but not limited to, television, radio, videotape, DVD, "webcasting" or any other streaming of video or audio via the internet) any image, sound, production or other visual, audio or electronic transmission of any type from the Hotel without Licensor's prior written approval (such approval not to be unreasonably withheld);

(18) Participate in any customer loyalty program instituted by Licensor for Hard Rock customers as may be now in existence or hereinafter enacted or changed;

(19) Accept gift cards issued within the Hard Rock system as specified by Licensor for payment by customers in accordance with Licensor's policy regarding the sale and redemption of gift cards as may be promulgated from time to time (provided that the Licensor either reimburses the Licensee for the value of any gift cards redeemed by the Licensee or deducts the value of any gift cards redeemed by the Licensee from any Fees payable by the Licensee under this Agreement);

(20) Provide up to fifty (50) complimentary rooms per year to Licensor and its Affiliates at Licensor request, provided that the value of these complimentary rooms shall not be taken into account when computing the Total Revenues; and

(21) Notwithstanding anything to the contrary contained herein, decorate, maintain, refurbish and repair the Hard Rock Corridors so that the memorabilia, lighting fixtures, flooring and wall coverings are consistent with the decor and design of the Hotel.

(C) Quality Notices.

(1) Subject to applicable Law, Licensor shall have the right to engage in regular surveillance of the management and operation of the Hotel and compliance by Licensee with the Hotel System, and Licensee shall permit duly authorized representatives of Licensor to have access to all areas of Hotel for such inspection purposes. Licensor shall take into consideration Licensee's security procedures during such inspections. Licensee shall also cooperate with such representative and provide all information requested by such representative in order for such representative to complete the inspection. Licensee shall provide Licensor reports of all complaints made by customers together with reports as to how such complaints have been handled and dealt with by Licensee. In the event Licensor's representative determines that additional training is necessary, Licensor may, on reasonable notice to Licensee (but in any event no less than sixty (60) days notice) conduct training at the Hotel and Licensee will, and require its staff to, cooperate and attend the training. All costs and expenses of Licensor incurred in connection with the representative's services for the inspection and on-site training (if any), including, without limitation, salary, travel and living expenses, shall be borne by Licensor.

(2) In the event that Licensor should note any failure by Licensee to maintain in any respect the quality standards set forth herein, Licensor shall notify Licensee in writing as provided herein of the particular failure or deficiency noted, and Licensee shall promptly and in all events within thirty (30) days after such notice correct the same, provided that if the nature of such failure is such that more than thirty (30) days is required to correct such failure or deficiency, then Licensee shall be in compliance with this paragraph if within such thirty (30) day period it promptly takes appropriate steps to correct such failure or deficiency and thereafter diligently pursues those steps to completion.

(3) All uses of the Licensed Marks, including all signs, advertisements and promotional and packaging material, shall at all times bear appropriate trademark notices as approved in advance by Licensor.

11. ADDITIONAL COVENANTS OF LICENSEE AND LICENSOR

(A) No Gaming Activities. Licensee shall not conduct, or permit any other person to conduct, gaming activities at the Hotel without prior written consent from Licensor.

(B) Keep Hotel Open; Obtain and Maintain Necessary Permits. Subject to Force Majeure, and unless otherwise required by the applicable Laws or Government Authority, Licensee will continuously during the Term hereof keep the Hotel open. Licensee will perform all things and acts that are necessary on its part to obtain and maintain such liquor and other licenses and other Permits as shall be necessary to operate the Hotel in accordance with the terms hereof, including, without limitation, all required Permits in respect of music played in the Hotel. The risk of obtaining and maintaining any Permits required to develop and/or to operate the Hotel and/or the Licensed Location as contemplated herein shall be upon Licensee, and Licensor assumes no responsibility therefor.

(C) Attend Conferences. Licensee will, at Licensor's request from time to time, send a suitable representative at Licensee's expense to any conference arranged by Licensor which is relevant to the operation of the Hotel.

(D) Maintain Confidentiality. A party shall not divulge, either during or following the termination of this Agreement, directly or indirectly, without the other party's prior written consent, any Confidential Information of the other party and shall comply with the following confidentiality obligations. Each party shall require its employees or other representatives with access to any such Confidential Information to execute and deliver to the other party a Confidentiality Agreement in a form acceptable to that party.

(E) Confidential Information. Neither party will acquire any interest in the Confidential Information of the other party learned by that party other than the right to utilize the same in connection with the ownership and operation of Hotel during the Term of this Agreement. The use or duplication of a party's Confidential Information in any other business will constitute an unfair method of competition with the other party, its Affiliates and that party's other licensees and businesses. A party (the **Disclosing Party**) will disclose its Confidential Information to the other party (the **Receiving Party**) solely on the condition that the Receiving Party and its Affiliates agree, and the Receiving Party, individually and on behalf of its Affiliates hereby agrees, that Receiving Party and/or its Affiliates: (i) will not use the Disclosing Party's Confidential Information in any other business or capacity; (ii) will maintain the absolute confidentiality of the Disclosing Party's Confidential Information during and after the term of this Agreement; (iii) will not make unauthorized copies of any portion of the Disclosing Party's Confidential Information which is disclosed in written or other tangible form; and (iv) will adopt and implement all reasonable procedures the Disclosing Party prescribes from time to time to prevent unauthorized use or disclosure of the Disclosing Party's Confidential Information, including, without limitation, restrictions on disclosure thereof by the Receiving Party's employees and Affiliates who may have access to the Disclosing Party's Confidential Information, the use of non-disclosure clauses in employment and other agreements with such persons, and the execution of confidentiality agreements in a form acceptable to the Disclosing Party, by persons having access to such Confidential Information. Notwithstanding any other provision of this Agreement to the contrary, (i) provided that a party or its Affiliate has in place a

confidentiality agreement that governs disclosure of non-public information with potential parties to an acquisition agreement regarding such party or its Affiliate, the parties may make Confidential Information available to potential acquirers and their lenders for use in evaluating a possible acquisition transaction; (ii) the parties may disclose Confidential Information to Governmental Authorities as may be required by applicable Law; and (iii) inclusion of customer's names and addresses in Licensor's databases shall be permitted without any obligation to remove such information or restrict its use after termination or expiration of this Agreement.

(F) Prohibition Against Soliciting Employees of Licensor. Without the Licensor's prior written approval, Licensee and its Affiliates, will not, directly or indirectly, solicit the employment of any Person who has an active management position with Licensor or any of its Affiliates.

(G) Efforts Required. Licensee will use its best commercial efforts to procure the greatest volume and value of Total Revenues for the Hotel consistent with good service to the public and compliance with the terms of this Agreement.

(H) Maintenance of Interior and Exterior of Hotel. Licensee will, at all times, maintain the interior and exterior of the Licensed Location and the Hotel, and all contents thereof, in a high standard of decoration, repair, cleanliness and orderliness consistent with the Management Standard and the standards of the Hotel System and Manuals. Licensee shall make such replacements and renewals to FF&E and repairs to the Hotel's physical facilities as are necessary to maintain the Hotel at such standards. Licensee acknowledges that Licensor bears no responsibility for any renovations at the Hotel and that Licensee in all respects bears the responsibility for the conduct and adequacy of each renovation.

(I) Participation in Charitable Causes. Licensee will adopt and maintain a positive attitude towards charitable causes supported by Licensor with a view to providing facilities and assistance comparable to that provided by other Hard Rock establishments of Licensor and its Affiliates, so long as such activities do not conflict with any business or other charitable activities of the Licensee or its Affiliates.

(J) Only Approved Signage May Be Used at Hotel. Licensee shall not erect or alter any sign or other medium of display or advertisement upon the Hotel without, in each case, obtaining the prior written consent of Licensor. Each such alteration, erection, or installation shall be made only in accordance with plans, drawings, and specifications previously submitted to and approved in writing by Licensor.

(K) Appearance and Demeanor of Personnel. Licensee shall ensure that all personnel employed or otherwise retained by Licensee or utilized by Licensee in connection with the operation of the Hotel shall, at all times, be clean, cleanly and tidily clothed and polite. Licensee will carefully consider any suggestions given to Licensee by Licensor with regard to the cleanliness, clothing, appearance, and demeanor of all such Persons.

(L) Atmosphere. Licensee shall maintain an appropriate atmosphere for the Licensed Location and the Hotel and will not permit any illegal, immoral or other inappropriate activity to be conducted thereon.

(M) Promote and Preserve Goodwill. Licensee will promote and preserve the goodwill and reputation associated with the Licensed Rights. In this context Licensee shall not, absent the prior written consent of Licensor in each instance, utilize the Licensed Rights or any portion of the Hotel in connection with, to support or assist, or to otherwise benefit any other business or activity, whether or not for profit.

(N) Prompt Payment of Amounts Due. Licensee will pay to Licensor, Licensor's Affiliates, and all suppliers of Licensee, any and all amounts due any such Person promptly and in accordance with the agreed or, if not previously agreed, customary, terms of payment.

(O) Maintain Possession of Manuals. Licensor shall, at Licensee's request, provide up to five (5) physical copies of the Manuals for use by Licensee, its Affiliates (as required in connection with the Hotel) or their respective staffs. Licensee will maintain the Manuals at the Hotel at all times. Licensee will not copy the Manuals, or any portion thereof, without Licensor's prior written permission (such permission not to be unreasonably withheld or delayed) and will not permit any member of Licensee's staff or any other Person with access thereto to do so. Licensee will inform Licensor immediately if any of the Manuals, or any portion thereof, is copied, stolen, removed from the Hotel, lost, or damaged. Licensor shall provide Licensee with all updates and revisions of the Manuals. Licensee shall at all times ensure that Licensee's copy of the Manuals is kept up-to-date, and in the event of any dispute or to the contents of the Manuals the master copy of the Manuals maintained by Licensor at Licensor's principal office shall be controlling.

(P) Anti-Counterfeiting Program. Upon request of Licensor, Licensee will participate in any anti-counterfeiting program relating to goods and merchandise utilizing the Licensed Marks developed by Licensor that is relevant to the Hotel and its suppliers.

(Q) Corporate Compliance. Licensee shall upon request provide Licensor with samples of all products and materials (including any advertising, marketing or promotional materials) on, or in relation to which the Licensed Marks are used. Licensee shall not sell, distribute or otherwise dispose of any materials or products which Licensor determines do not comply with the requirements of this Agreement.

(R) Reservation System. Licensee shall, not less than one hundred eighty (180) days prior to the Opening Date, have a Reservation System available for the Hotel that is technically compatible with then current technology, can interface with and is compatible with other Reservation Systems servicing Hard Rock Hotels and is reasonably acceptable to Licensor.

(1) Licensor may develop a central Reservation System through which guests may make reservations at Hard Rock Hotel & Casinos and Hard Rock Hotels operated by Licensor or other licensees of Licensor. If requested by Licensor by written notice to Licensee upon not less than one hundred eighty (180) days prior written notice, Licensee may, at its sole discretion, adopt such Reservation System. Licensor reserves the right to modify or change, at its sole discretion, Licensor's Reservation System at any time. Licensee agrees to give Licensor direct access to inventory for the Hotel (through GDS switch or other device/interface utilized by Licensor). Licensor shall have the ability to reserve space in the Hotel at commissionable rates. The commission to be paid by

Licensee to Licensor shall be mutually agreed to by Licensee and Licensor. Licensee shall be solely responsible for notifying Licensor of any changes in the Hotel/Casino's room rates. Licensee shall in no event charge any Hotel/Casino guest a rate higher than the rate specified to the guest by Licensor's Reservation System office at the time the guest's reservation was made. Such rate shall be the rate most recently provided to Licensor's Reservation System office, according to the records of such office, by Licensee prior to the guest having made such reservation.

(2) Licensee shall use reasonable efforts to encourage and promote the use of Hard Rock Hotel & Casinos and Hard Rock Hotels. If Licensee receives a request at the Hotel for Hard Rock Hotel & Casino or Hard Rock Hotel reservations or accommodations in any area where a Hard Rock Hotel & Casino or Hard Rock Hotel is located, Licensee will promptly refer such request to such Hotel & Casino or Hard Rock Hotel or to Licensor's Reservation System.

(3) Subject to privacy Laws of Macau, other applicable Laws, and consent of Hotel guests and Governmental Authority, if required, Licensee agrees to provide to Licensor all Guest Profile Data pertaining to or derived from the operation of the Hotel (the "**Hotel Guest Profile Data**") in such manner as shall be reasonably agreed between Licensee and Licensor. Licensor acknowledges and agrees that the Hotel Guest Profile Data shall not include any gaming data. If the privacy Laws of Macau require Licensee to obtain consent from guests in order to release the Hotel Guest Profile Data to Licensor, Licensee agrees to request such consent from guests. If the privacy Laws of Macau require Licensee to obtain consent from any Governmental Authority in order to release the Hotel Guest Profile Data to Licensor, Licensee agrees to request such consent from Governmental Authority. Further, if the privacy Laws of Macau allow such consent to be sought and received through an opt-out option rather than an opt-in option, Licensee agrees to utilize the opt-out option in seeking guests' consent. In the event a Hotel Guest or Governmental Authority does not give the requisite consent, Licensee shall not be required to provide to Licensor the relevant Hotel Guest Profile Data. Notwithstanding any other provisions to the contrary contained in this Agreement, or the Casino License or any other agreement, but subject to applicable Laws and the consent of Hotel guests and Governmental Authority, if required, the parties and their respective Affiliates shall have the right to continue to use during and after the Term of this Agreement the Hotel Guest Profile Data obtained during the Term.

(4) Notwithstanding any other provisions in this Agreement, Licensor and its Affiliates shall be entitled to enter into affiliation agreements with any hotels which allow members of guest recognition programs from time to time recognized by Licensor to redeem awards for stays at such hotels, and Licensee agrees to participate in such guest recognition programs on such terms and conditions as agreed by the Licensee and Licensor.

(S) Casino Licensee's Default. In the event Casino Licensee is in default under the Casino License and Licensor is entitled to damages by reason of Casino Licensee's default, Licensee agrees to pay to Licensor after five (5) days prior written notice the amount of such damages under the Casino License to the extent that Casino Licensee fails to pay such amounts to Licensor. The foregoing shall not be deemed a waiver of any of Licensor's rights hereunder or under the Casino License or any other rights available at Law or in equity.

(T) Approved Products. Licensor reserves the right from time to time to approve specifications of operating supplies and equipment used or sold at the Hotel to ensure such operating supplies and equipment are substantially similar to the level of service and quality practiced by first class full service facilities earning a “four star” rating by a recognized rating body in the hospitality industry.

12. PROTECTION AND ACKNOWLEDGMENT OF THE LICENSED RIGHTS

(A) Licensed Rights Exclusive Property of Licensor. Subject to this Agreement, Licensee recognizes and acknowledges the exclusive rights of Licensor to the Licensed Rights and all other intellectual property rights related thereto or derived therefrom and acknowledges that all such rights are subject to the total control in their exercise by Licensor and its Affiliates. For all purposes of the relationship between Licensor and Licensee created hereunder, Licensor shall be deemed to be the sole and exclusive owner of all right, title and interest in and to the Licensed Rights in all forms and embodiments thereof, subject only to the specific rights granted to Licensee hereunder. Licensee agrees that its use of the Licensed Rights, and all associated goodwill generated thereby, inures to the sole benefit of Licensor and Hard Rock (USA) in accordance with their rights in the Licensed Rights and shall be deemed to be used by Licensor. Licensee specifically acknowledges that the rights granted to it pursuant to this Agreement shall not prevent or prohibit Licensor or any licensee thereof to commercialize or otherwise utilize (and retain all profits from) the Licensed Rights or any other intellectual property right of Licensor in any endeavor, except as otherwise provided in Section 2(B) hereof. Except as specifically provided in this Agreement (including Section 12(L)), Licensor makes no representation and gives no warranty of whatsoever nature or kind with respect to the validity of, or its rights, title and no warranty of whatsoever nature or kind with respect to the validity of, or its rights, title and interest in or to, the Licensed Rights and expressly disclaims any implied warranty against infringement.

(B) Licensee Has No Right of Ownership in Licensed Rights. Except as provided herein, nothing contained in this Agreement shall be construed to confer upon Licensee any right to the Licensed Rights registered in the name of Licensee as proprietor or to vest in Licensee any right of ownership to the Licensed Rights, and Licensee shall not, directly or indirectly, register or cause to be registered, in any country or with any Governmental Authority or use any trademark, trade name, service mark or other intellectual property right consisting of, related to, similar to and/or deceptively similar to, any of the Licensed Marks or any other intellectual property right of Licensor or any Affiliate of Licensor.

(C) Licensee Will Not Challenge Licensor’s Ownership of the Licensed Rights. During the Term and thereafter, Licensee will not, and will not assist any Person to: (i) challenge the validity of Licensor’s ownership of, or right to license, the Licensed Rights or any registration or application for registration therefor; (ii) contest the fact that Licensee’s rights under this Agreement are solely those of a Licensee and terminate upon termination or expiration of this Agreement; and (iii) represent in any manner that it has any title or right to the ownership, registration or use of the Licensed Rights in any manner except as set forth in this Agreement.

(D) Licensee to Cooperate Where Requested. In the event, at any time during the term of this Agreement, Hard Rock (USA), Licensor or their respective Affiliates apply or decide to apply for registration of a trademark, trade name, service mark or

other intellectual property right that is or may become a part of the Licensed Marks, Licensee will, at Licensor's cost to the extent of any out-of-pocket costs of Licensee, render to them all requested reasonable assistance, in obtaining and thereafter maintaining registration thereof (including, without limitation, the execution of all necessary registered user or similar agreements) with applicable Governmental Authorities.

(E) Licensee's Covenants. Licensee shall use the Licensed Rights only in compliance with applicable Laws as permitted by this Agreement. Licensee shall not use or exploit the Licensed Rights outside the Licensed Location except the Licensee may engage in, and use the Licensed Rights for, the promotion, advertising or marketing of its and its Affiliates' Hard Rock Hotels anywhere in the world. Licensee shall not have any right to assign, sublicense or franchise any of the Licensed Rights to any other Persons; provided, however, that Licensee's or Casino Licensee's wholly-owned Affiliates may utilize the Licensed Rights to perform any obligations of the Licensee under this Agreement where the Licensee has delegated those obligations to that Affiliate. Licensor and its Affiliates shall retain the sole right to apply for the registration or renewal of trademarks and service marks or other proprietary rights for the Licensed Marks anywhere in the world, including the Territory, and Licensee shall cooperate with Licensor and its Affiliates (at Licensee's expense) in connection with such applications and renewals.

(F) Hotel Name. Licensee will operate the Hotel only under the Licensed Marks under the name Hard Rock Hotel & Casino Macau or Hard Rock Hotel & Casino City of Dreams Macau.

(G) Licensee's Duties. Licensee shall:

(1) Not use any Licensed Marks as part of its corporate name or the name of any Affiliate.

(2) Not cause or permit anything within Licensee's control to occur which may damage, endanger, or reduce the value of the Licensed Marks or any other trademark, trade name, service mark, or other intellectual property right of Licensor or any Affiliate of Licensor, or Licensor's or such Affiliate's title thereto, or the rights of any other licensee of Licensor or any Affiliate of Licensor thereto, or assist or suffer any other Person to do so.

(3) Not interfere in any manner with, nor attempt to prohibit, the use or registration by Licensor, with applicable Governmental Authorities of the Licensed Marks or any other trademark, trade name, service mark or other intellectual property right of Licensor or any Affiliate thereof.

(4) Not use any name or mark similar to or capable of being confused with any of the Licensed Marks or any other trademark, trade name, service mark, or other intellectual property right of Licensor or any Affiliate thereof.

(5) Take such action in relation to the Licensed Marks as Licensor may, from time to time, require, in order to protect or promote the same, including, without limitation, the marking of any advertising material, signs, or other items bearing the Licensed Marks, in such manner as Licensor may require.

(6) Give notice on all business stationery, merchandise cards, purchase order forms, guest checks, maintenance requests, invitations, employment applications and on such other items, and in such other places, as Licensor may, from time to time require, that the Hotel is operated under license from Licensor pursuant to this Agreement and such other notices as Licensor may deem reasonably necessary to inform third parties that Licensor does not accept liability for the acts, omissions, debts, or defaults of Licensee; and promotional material and advertisements will, if Licensor requires, include a statement that the Hotel is operated under license from Licensor and such other information as Licensor may deem necessary to inform third parties that it does not accept liability for the acts, omissions, debts, or defaults of Licensee.

(H) Licensee's Duties Regarding Infringement. Licensee will immediately notify Licensor in writing of any actual or suspected Infringement of the Licensed Rights, any claim in the nature of Infringement against Licensor, any claim that the Licensed Marks are invalid, infringe third party rights, cause deception, confusion, or otherwise attack the Licensed Marks, Licensee, or any Affiliate thereof, involving the Licensed Rights, or any use thereof by Licensor, Licensee, or any Affiliate thereof (collectively, all of the foregoing shall be referred to in this Section 12(H) as an "**Infringement Claim**"), of which Licensee becomes aware. Licensee will, where requested by Licensor at Licensor's cost to the extent of any out-of-pocket expenses incurred by Licensee and any other costs or expenses approved by Licensor, lend all reasonably necessary assistance in any such action Licensor or any Affiliate thereof may institute, against any Person involved or suspected of being involved in the Infringement of the Licensed Rights, as described herein, at or proximate to the Licensed Location, or any Infringement Claim action Licensor or any Affiliate thereof may defend. Licensee shall not make any admissions in respect of such matters and shall provide Licensor with all relevant information in its possession regarding any infringement claim. All damage or settlement awards, if any, received in connection with any Infringement Claim action, after reimbursement (pro rata) to Licensor and Licensee of their respective attorneys' fees and other costs of maintaining any such action, shall be for the account of Licensor. Licensor shall, at all times, in its discretion have full control over the conduct of any Infringement Claim action and the settlement thereof, except in the case where Licensee or its Affiliate is a named defendant in any such action as it relates to Licensee, in which event Licensor and Licensee shall have joint control of such action, but neither party hereto shall, in connection with any such action, assert any legal position or effect any settlement which would be in contravention of the other party's rights hereunder or to Licensor's and its Affiliates' rights to the Licensed Rights. Licensor and Hard Rock USA shall have the right to join or intervene in any action commenced or defended by Licensee hereunder.

(I) Licensor's Exclusive Rights. Licensee hereby acknowledges the exclusive rights of Licensor and its Affiliates:

(1) to the Licensed Rights and all parts thereof, including, without limitation, all amendments and modifications thereto and all advertising matter, slogans, and similar items and ideas which may, from time to time, be used to promote the same including any such advertising slogans, advertising matter and similar promotional programs that are developed by Licensee that utilize the Licensed Marks or are specifically related to the Hard Rock Brand (e.g. "Rock Your World").

(2) to make such additions or modifications to the Licensed Rights or the Hotel System, including, without limitation, the addition, renewal, or substitution of other intellectual property rights as may from time to time, in Licensor's sole judgment, be necessary to promote, improve, or protect the Licensed Rights or the Hotel System, and to amend or revise the Manuals; and

(3) to take all actions Licensor deems reasonably necessary to protect and promote the Licensed Rights, the Hotel System, and the operations and goodwill of the Hard Rock Hotel, including but not limited to any statutory or common law right to bring infringement proceedings.

(J) Licensee's Improvements to be Licensed to Licensor. If, at any time during the period of this Agreement, Licensee or any employee or representative thereof shall invent, discover, or make any improvements to the Licensed Rights, the Hotel System, the Manuals or any ideas, Concepts (including their names, logos, distinctive interior and exterior designs), programmatic elements, color schemes, including decoration and design of any staff uniform), techniques, manuals, or improvement which may otherwise be applicable specifically to a Hard Rock Hotel, it shall promptly disclose to Licensor of the same, together with all details necessary for a proper understanding of the same, and all such improvements shall be deemed to be Licensor's and Licensor's Affiliates' sole and exclusive property, part of the Hotel System and work made-for-hire for Licensor and its Affiliates. To the extent any item does not qualify as a "work made-for-hire" for Licensor and its Affiliates, by this paragraph, Licensee hereby assigns ownership of that item, and all related rights to that item, to Licensor and its Affiliates and agree to take whatever action (including signing assignments or other documents) Licensor requests that evidence Licensor's and its Affiliates' ownership or to help Licensor or its Affiliates obtain intellectual properties rights in the item.

(K) Licensed Rights to be used only with Operation of the Hotel. Licensee shall not use the Licensed Rights or any variation thereof except in connection with the operation of the Hotel as provided for herein.

(L) Licensor's Warranty. Licensor represents and warrants to Licensee, on a continuing basis, that:

- (1) Licensor owns, or has the right to license, the Licensed Marks;
- (2) Licensor has (and will have at all relevant times) the right to grant a license to use the Licensed Marks to Licensee; and
- (3) the use of the Licensed Marks by Licensee in accordance with this Agreement will not infringe the intellectual property rights or any other rights of any other Person.

13. ACCOUNTING RECORD; RIGHT TO INSPECT

(A) Reporting Requirements. Licensee shall deliver, or cause to be delivered, to Licensor, the following statements:

(1) by Wednesday of each week, and in a form as may be prescribed by Licensor, a detailed statement of Total Revenues, Room Revenues and Food and Beverage Revenues of the Hotel for the previous week, and such other information as may be requested by Licensor; and

(2) within thirty (30) days after the end of each calendar month of operation of the Hotel, an operating statement for the Hotel showing the results of operation of the Hotel for the preceding month and for the year to date (including, without limitation, Total Revenues, Room Revenues, Food and Beverage Revenues, EBITDA and average daily room rate and occupancy of the Hotel for such period), in such detail as Licensor shall require, and showing the previous month's Continuing Fees and all expenditures of Licensee pursuant to Section 9(B) of this Agreement, for such preceding month and year to date; and

(3) within one hundred twenty (120) days after the end of each Fiscal Year, audited separate and/or consolidated statements of the Hotel for such Fiscal Year certified by a firm of independent certified public accountants, showing the results of operation for the immediately preceding Fiscal Year (including, without limitation, Total Revenues, Room Revenues, Food and Beverage Revenues and EBITDA of the Hotel for such Fiscal Year); and

(4) within thirty (30) days prior to the end of each calendar quarter, a written narrative report describing the current status of the Hotel, and the material issues in connection with its business and operations, and Licensee's projections of Total Revenues, Room Revenues and expenses for the ensuing calendar quarter.

(i) Annual Budgets. Licensee shall prepare on a format specified by Licensor a budget for each upcoming Fiscal Year on or before forty-five (45) days of preceding such Operating Year to assist with Licensor's budgeting process. To the extent the first Operating Year is less than 6 months, the budget for such Fiscal Year may be combined with that for the first full Fiscal Year.

In addition, at the Licensor's request and subject to Licensor's obligations under Sections 11(E) and 16(A), Licensee shall make available to Licensor marketing information and analyses of the Hotel that Licensee prepares or utilizes, such as, but not limited to, occupancy rates and Guest Profile Data, and subject to applicable Laws, and consent of Hotel guests and Governmental Authority, if required, shall provide to Licensor access to database information regarding customers and potential customers developed by Licensee by means of its reservation system, surveys or otherwise.

(B) Licensee's Books and Records Available to Licensor. Licensee shall retain and make available to Licensor, or to the designated representatives of Licensor, upon reasonable advance Notice to Licensee, all books and records, including, without limitation, all contracts, documents, invoices, construction records, financial statements and reports, tax returns, accounting or accountants' work papers, insurance reports, computer retained information, and other items of financial and business information of

or relating to the Hotel and all operations and activities thereof, as Licensor shall reasonably request (collectively, “**Books and Records**”). Licensee shall keep all such Books and Records in all material respects in accordance with the determination of the accountants, on an accrual basis, and in accordance with GAAP. Licensor acknowledges that such information is Licensee Confidential Information, and shall only be used in accordance with Licensor’s obligations under this Agreement relating to Confidential Information.

(C) Licensor’s Right to Audit. Upon reasonable advance notice to Licensee, Licensee shall permit Licensor, its accountants, attorneys and agents, to enter upon any part of the Hotel at all reasonable times during, and for a period of three (3) years following, the term of this Agreement, for the purpose of examining, inspecting, auditing and making extracts of all financial and other Books and Records of Licensee which relate to the term of this Agreement. If an audit of such Books and Records discloses that Licensor has been paid less than ninety-eight percent (98%) of all Continuing Fees during any Fiscal Year, Licensee shall immediately pay the deficiencies, together with interest thereon at the Interest Rate, and shall also pay to Licensor immediately upon demand therefor all of Licensor’s reasonable costs of such audit. If the audit discloses that ninety-eight percent (98%) or more of all Continuing Fees and other fees and payments due have been made, Licensee shall pay any deficiency immediately, together with interest thereon at the Interest Rate, and Licensor shall bear the costs of the audit. Notwithstanding the foregoing, if, during the Term of this Agreement, it is determined that Licensee has failed to pay at least ninety-eight percent (98%) of all Continuing Fees and such other payments due on three (3) separate occasions then Licensee shall pay the costs of an annual audit thereafter for the duration of the Term of the Agreement and any extensions thereof.

(D) Record Retention; Delivery to Licensor. Licensee shall keep and preserve, at its expense, full and complete records of Total Revenues and all other Books and Records, including without limitation, tax returns, check registers, bank account records and all corporate records within such time frame as may be stipulated by applicable Laws or prescribed by Licensor and shall also deliver, at the Licensor’s expense, such additional financial, operating and other information and reports to Licensor or Licensor’s designee as the parties may agree.

14. REQUIRED INSURANCE

(A) Obligations of Tenants, Subtenants and Contractors. If either Licensor or Licensee enters into any lease or sublease for premises at the Hotel or any contract for redevelopment or renovation or similar work at, or materials for the Hotel, said lease, sublease or contract shall require the tenant, subtenant or contractor to maintain insurance satisfying all of the requirements of this Section 14, including all applicable coverages listed herein or such other insurance as may be commercially reasonable under the circumstances. If any such leases, subleases or contracts were entered into prior to the commencement of the Term, and the terms of those leases or subleases will not expire or the contract work will not be completed prior to the commencement of the Term, then Licensee covenants and agrees that, on or before the commencement of the Term, it will either cause such tenants, subtenants and contractors to obtain the insurance required by this Section 14, including all applicable coverages listed above, or Licensee will obtain such insurance, at Licensee’s expense, on behalf of such tenants, subtenants and contractors.

(B) Schedules and Certificates of Insurance. Licensee shall promptly provide Licensor with certificates of insurance evidencing all insurance coverages required of Licensee pursuant to this Section 14, and Licensee shall immediately provide, upon renewal, expiration, change, or cancellation of any insurance coverage, a new certificate of insurance to Licensor. All insurance policies shall name Licensor and its Affiliates as additional insureds.

(C) General Requirements for Insurance. All insurance required hereunder shall be provided by policies issued by insurance companies who are qualified to do business in the jurisdiction where the Hotel is located with a Best rating of at least A-. All policies of insurance required hereunder shall be in full force and effect at all times throughout the Term, except for the coverage described in Section 14(F)(5) shall be in full force and effect at all times throughout the Term and for an additional period of two (2) years after the expiration of the Term. All insurance policies shall have attached thereto: (a) an endorsement that such policy shall not be canceled or materially changed without at least thirty (30) days' prior written notice to Licensor and Licensee, (b) an endorsement to the effect that no act or omission of Licensor, Licensee or their respective Affiliates shall affect the obligation of the insurer to pay the full amount of any loss sustained; and (c) an endorsement denying to the insurer rights of subrogation against the Licensor and Licensee, and their respective Affiliates, to the extent rights of recovery against the Licensor and Licensee, and their respective Affiliates, have been waived by the insured prior to occurrence of injury or loss and further providing that the insurance will not be invalidated by such a waiver. Any insurance may be provided under blanket policies of insurance. All insurance maintained by Licensee pursuant to Section 14(F)(2) shall, so long as the Hotel is mortgaged or encumbered pursuant to a mortgage or similar security instrument, be subject to a standard mortgagee clause in favor of the holder of the mortgage or other security instrument and shall provide that the insurance company will have no right of subrogation against such holder.

(D) Deductible. Each insurance policy required by this Section 14 shall be subject to a commercially reasonable deductible based on the recommendation of Licensee's insurance broker.

(E) Waiver. Licensor, Licensee and their respective Affiliates shall not assert against the other, and each does hereby waive with respect to the others, any claims for any losses, damages, liabilities or expenses (including attorneys' fees) incurred or sustained by any of them on account of damage or injury to persons or property arising out of the ownership, operation and/or maintenance of the Hotel, to the extent that the same would be covered and paid by the insurance required to be carried hereunder.

(F) Coverage. At all times during the term of this Agreement, Licensee, at its sole cost and expense, shall procure and maintain in full force and effect each of the following insurance coverages with respect to the Hotel and the Licensed Location:

(1) During Construction. At all times during the period of construction, furnishing and equipping of the Hotel and at all times during any other period of construction (including renovations, alterations and improvements), until final completion thereof, Contractor's All Risk Insurance ("All Risk" or equivalent coverage) for the Hotel in an amount not less than the estimated cost of such construction (including "hard" and "soft" costs) for property damage, protecting Licensee and Licensor, as their interests

may appear, with a commercially reasonable deductible from the date of projected completion and extending for at least twelve (12) months thereafter for defects liability, including the coverages identified in Section 14(F)(2);

(2) Property Damage Insurance. At all times during the term of this Agreement, "All Risk" (or its equivalent) property damage insurance for the Hotel protecting Licensee and Licensor, as their interests may appear, with replacement cost valuation (to be provided not later than promptly following substantial completion of the Hotel) in an amount not less than the full replacement value thereof and including, among other things, (a) coverage for all physical loss or damage to the Hotel (including contents); (b) coverage for earthquake, typhoon, flood and windstorm to the extent available at commercially reasonable rates, limits and deductibles; and (c) no exclusions other than industry standard exclusions for property of similar size and location.

(3) Business Interruption Insurance. Business Interruption Insurance for the Hotel on an "All Risk" basis. Such insurance shall include, among other things (a) coverage against all insurable risks of physical loss or damage, (b) coverage for earthquake, typhoon, flood and windstorm to the extent available at commercially reasonable rates, limits and deductibles, (c) no exclusions other than industry standard exclusions for property of similar size and location, and (d) coverage for the Continuing Fees hereunder in an amount equal to at least the Fees payable for one (1) Fiscal Year in connection with Hotel (as reasonably projected by Licensee for the first full Operating Year and thereafter based on the amounts actually paid during the most recently ended Operating Year).

(4) Liability Insurance. General public liability insurance protecting Licensee and Licensor against claims brought in connection with the Hotel for personal injury, death and damage to and theft of property of third persons, in an amount not less than \$10,000,000 per occurrence, combined single limit, and designating Licensee as a named insured and Licensor as an additional insured. Such liability insurance shall include such coverage as Licensor shall reasonably require and as shall be commercially available, which shall include, but not be limited to, coverage against liability arising out of (a) the sale of liquor, wine and beer on the Hotel premises, (b) the ownership or operation of motor vehicles, (c) assault or battery, (d) false arrest, detention or imprisonment or malicious prosecution, (e) wrongful entry or eviction, and (f) completed operations. Such insurance shall contain no exclusion other than industry standard exclusions for property of similar size and location.

(5) Workers' Compensation Insurance. Statutory Workers' Compensation and Disability Benefits Insurance and any other insurance required by applicable Law(s), covering all Hotel employees and all persons employed by Licensee, Licensor, contractors, subcontractors, or any entity performing work on or for the Hotel (unless and to the extent provided by such parties), all in amounts not less than the statutory minimum.

(6) Umbrella/Excess Liability Insurance. Umbrella/Excess Liability Insurance in an amount not less than \$50,000,000 per occurrence, which shall apply only to the Hotel and not provide coverage for any other property owned, developed, operated, managed, franchised, leased or granted a license by Licensee or any of Licensee's Affiliates;

(7) Fidelity. Fidelity and dishonesty insurance, and money and securities insurance in such amounts as Licensor shall deem advisable but not less than a commercially reasonable amount for a casino hotel of this size and type in Macau based on the recommendation of Licensee's insurance broker.

(8) Other. Such additional insurance as may be required with respect to the Hotel or any part thereof, together with insurance against such other risks as it is now, or hereafter may be, customary to insure against in the operation of similar property, considering the nature of the business and the geographic and climatic nature of the Hotel's location.

All such policies of insurance described above shall be in the form of "occurrence insurance" to the extent available on a commercially reasonable basis.

(G) Defense of Claims. All liability insurance policies procured and maintained by Licensee pursuant to this Section 14 will require the insurance carrier to provide and pay for attorneys to defend any legal actions, lawsuits, or claims brought against Licensee, Licensor, or any of their respective officers, directors, agents, or employees.

15. TERMINATION

(A) Termination by Licensor for Cause. Upon the occurrence of any Licensee Event of Default, Licensor may, at its option, and without waiving its rights hereunder or any other rights available at Law or in equity, including its rights to damages, terminate this Agreement and all of Licensee's rights hereunder effective immediately upon the date Licensor delivers written notice of termination, upon such later date as may be set forth in such notice of termination, or upon the occurrence of or the lapse of the specified cure period following, any one of the following "**Licensee Events of Default**:"

(1) If Licensee applies for or consents to the appointment of a receiver (other than for a bona fide re-structuring or amalgamation not involving insolvency) subject to Section 17 hereof, judicial manager, trustee or liquidator of all or a substantial part of its assets, files a voluntary petition in bankruptcy, or admits in writing its inability to pay its debts as they come due, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or files an answer admitting the material allegations of a petition filed against Licensee in any bankruptcy, reorganization or insolvency proceeding, or if any order, judgment or decree shall be entered by any court of competent jurisdiction on the application of a creditor, adjudicating Licensee a bankrupt or insolvent or approving a petition seeking reorganization of Licensee or appointing a receiver, trustee or liquidator of Licensee or of all or a substantial part of the assets of Licensee, and any such order, judgment, or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days;

(2) If Licensee fails to make any payment due hereunder within ten (10) days after Licensor's written notice that such payment is past due;

(3) If Licensee is convicted of or pleads guilty (or the equivalent) to a felony, or any other crime or offense (even if not a crime), that is reasonably likely, in Licensor's reasonable opinion, to affect adversely the Hotel System, any Hard Rock Hotel, the Licensed Marks, or the goodwill associated therewith;

(4) If Licensee is failing to maintain any Permits or to comply with any Laws applicable to the operation of the Hotel which would materially adversely affect the Licensed Rights or the ability of Licensee to comply with the provisions of this Agreement, and Licensee does not cure such failure within thirty (30) days of Licensee's receipt of notice of such failure or such longer period as permitted by the applicable Laws or the Government Authority (up to a maximum of 180 days), provided that in case of any failure of Licensee to maintain any Permits applicable to the operation of the Hotel not owing to or constituting a breach or default of Licensee hereunder, no damages or compensation for such termination shall be payable by Licensee;

(5) If Licensee defaults on any of its obligations under any other agreement with Licensor or its Affiliates with respect to the Hotel or Casino, including without limitation, the Casino License or the Memorabilia Lease and such default is not cured in accordance with the terms of such other agreement or waived by Licensor in writing;

(6) If the Casino is closed to the public for more than one hundred eighty (180) consecutive days for any reason whatsoever; provided that in the case of any closure of the Casino for more than one hundred eighty (180) consecutive days not owing to or constituting a breach or default of Licensee under this Agreement, no damages or compensation for such termination shall be payable by Licensee;

(7) If Licensee's right of possession of the Licensed Location shall be terminated at any time for any cause whatsoever, or if a Lease is terminated or expires, provided that in the case of any termination of Licensee's right to possession of the Licensed Location or any termination or expiration of the Lease not owing to or constituting a breach or default of Licensee under this Agreement or the Lease, no damages or compensation for such termination shall be payable by Licensee;

(8) If Licensee fails to commence operation of the Hotel as required by Section 5 (M) of this Agreement;

(9) If there is any violation by the Licensee of any transfer provision contained in Section 17 of this Agreement;

(10) If there are three (3) or more substantially similar defaults under this Agreement by Licensee during any twelve (12) month period, or five (5) or more substantially similar defaults under this Agreement by Licensee during any thirty-six (36) month period during the Term;

(11) If Licensee violates: (i) the noncompetition covenants contained in Section 18(A) of this Agreement; or (ii) any covenant of confidentiality or nondisclosure contained in this Agreement that causes a material adverse effect for Licensor (other than pursuant to the terms of this Agreement);

(12) If Licensee makes, or has made, any materially false statement or report to Licensor in connection with (i) this Agreement or (ii) any information furnished to Licensor prior to entering into this Agreement;

(13) If the Casino License is terminated for any reason or if Casino Licensee shall at any time cease to be an Affiliate of Licensee; or

(14) If Licensee fails to perform or commits a breach of any other non-monetary covenant, obligation, term, condition, warranty or certification herein and fails to cure such noncompliance or deficiency within thirty (30) days after Licensor's written notice thereof, provided that in the event cure within such thirty (30) day period is not possible, no termination shall be permitted by Licensor if Licensee promptly commences cure within such thirty (30) day period and diligently pursues the same.

(B) Termination by Licensee Without Cause. At any time after the third (3rd) Fiscal Year after the Opening Date, Licensee and Casino Licensee may upon ninety (90) days prior written notice signed by both of them elect to simultaneously terminate this Agreement and the Casino License by payment of a Termination Fee to Licensor. The "**Termination Fee**" with respect to this Agreement shall mean a cash payment equal to the discounted value, using an 8% per annum discount rate, of ninety percent (90%) of the average of the monthly Fees paid to Licensor under this Agreement for the twenty-four (24) month period ending on the last day of the month which is prior to the termination date specified in the notice delivered under this Section 15(B) multiplied by the number of months remaining in the Term. Payment of such Termination Fee shall be made by wire transfer to an account specified by Licensor, and it shall be a condition to the effectiveness of any termination under this Section 15(B) that such fee shall have been paid to Licensor, the Casino License is simultaneously terminated.

(C) Termination by Licensee for Cause. Upon the occurrence of any Licensor Event of Default, Licensee may, at its option, and without waiving its rights hereunder or any other rights available at Law or in equity, including its rights to damages, terminate this Agreement and all of Licensor's rights hereunder effective immediately upon the date Licensee delivers written notice of termination, upon such other date as may be set forth in such notice of termination, or upon the occurrence of or the lapse of the specified cure period following any one of the following "**Licensor Events of Default:**"

(1) If Licensor applies for or consents to the appointment of a receiver, judicial manager, trustee or liquidator of all or a substantial part of its assets, files a voluntary petition in bankruptcy, or admits in writing its inability to pay its debts as they come due, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or files an answer admitting the material allegations of a petition filed against Licensor in any bankruptcy, reorganization or insolvency proceeding, or if any order, judgment or decree shall be entered by any court of competent jurisdiction on the application of a creditor, adjudicating Licensor a bankrupt or insolvent or approving a petition seeking reorganization of Licensor or appointing a receiver, trustee or liquidator of Licensor or of all or a substantial part of the assets of Licensor, and any such order, judgment, or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days;

(2) If Licensor is convicted of or pleads guilty (or the equivalent) to a felony, or any other crime or offense (even if not a crime), that is reasonably likely, in Licensee's reasonable opinion, to affect adversely the Hotel or Licensee's, goodwill or rights under this Agreement;

(3) If Licensor is failing to maintain any Permits required to be held by it or to comply with any Laws applicable to Licensor regarding the operation of the Hotel which would materially adversely affect the Licensed Rights or the ability of Licensee to comply with the provisions of this Agreement, and Licensor does not cure such failure within thirty (30) days of Licensor's receipt of notice of such failure, or such longer period as permitted by the applicable Laws or Governmental Authority (up to a maximum of 180 days), provided that in case of any failure of Licensor to maintain any Permits required to be held by it applicable to the operation of the Hotel not owing to or constituting a breach or default of Licensor hereunder, no damages or compensation for such termination shall be payable by Licensor;

(4) If Licensor defaults on any of its obligations under any other agreement with Licensee or its Affiliates, including without limitation, the Casino License or Casino Memorabilia Lease, and such default is not cured in accordance with the terms of such other agreement or waived in writing;

(5) If Licensor violates any covenant of confidentiality or nondisclosure contained in this Agreement that causes a material adverse effect on Licensee;

(6) If Licensor makes, or has made, any materially false statement or report to Licensee in connection with (i) this Agreement or (ii) any information furnished to Licensee prior to entering into this License Agreement;

(7) If the Casino License is terminated as a result of a default by Licensor under the Casino License;

(8) If Licensor fails to perform or commits a breach of any other non-monetary covenant, obligation, term, condition, warranty or certification herein and fails to cure such noncompliance or deficiency within thirty (30) days after Licensee's written notice thereof, provided that in the event cure within such thirty (30) day period is not possible, no termination shall be permitted by Licensee if Licensor promptly commences cure within such thirty (30) day period and diligently pursues the same; or

(9) If Licensee shall reasonably determine based upon advice of Governmental Authorities with jurisdiction over Licensee, or of counsel for Licensee, that the continued existence of this Agreement would result in Licensee, Casino Licensee or its Affiliates (i) losing a gaming license then held by it, (ii) being denied a gaming license otherwise available to it because of Licensee's relationship to Licensor as a result of this Agreement, or (iii) being subjected to material adverse effects if this Agreement continues to exist.

(D) Nonexclusivity of Remedies. Neither the termination of this Agreement, nor the exercise of any other right or remedy by a party hereto, shall terminate the right of either party hereto to commence appropriate arbitration, or, if applicable hereunder, litigation proceedings to remedy the breach of this Agreement by the other party, and shall also not affect the right of Licensor or any

of its Affiliates to any payment which becomes due hereunder, under the Retail Lease Agreement or otherwise, following termination of this Agreement. The parties shall have and enjoy all rights and remedies available to them in the event of any breach of this Agreement.

16. LICENSEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

(A) Termination of Use of Licensed Rights; Other Obligations. Upon expiration or termination of this Agreement for any reason, Licensee's right to use the Licensed Rights will terminate immediately except as set forth in this Section 16, and this Agreement shall cease and neither party shall have any further claim against the other whatsoever in respect of any matter or thing under this Agreement, except that all obligations of the parties under this Agreement which accrue or are due with respect to periods prior to, or as of, such termination or expiration, and all obligations which expressly survive the expiration or termination of this Agreement, including, without limitation, the provisions of Sections 11(E), 16, 19, 20 and 22 of this Agreement, shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. In addition, Licensee will: (i) promptly upon demand therefor by Licensor pay any and all other Fees and amounts due and owing to Licensor or any Affiliate of Licensor under this Agreement; (ii) return to Licensor all materials containing any Licensor Confidential Information, including, without limitation, the Manuals; and (iii) comply with other applicable provisions of this Agreement. Upon expiration or termination of this Agreement, Licensor shall (x) return to Licensee all materials containing Licensee Confidential Information as required by this Agreement; and (y) comply with other applicable provisions of this Agreement.

(B) Alteration of the Licensed Location. Upon expiration or termination of this Agreement for any reason, Licensee shall, within ninety (90) days thereof at its expense, comply with all of Licensor's instructions to alter, modify and change both the exterior and interior appearance of the Hotel and the Licensed Location; provided that Licensee must remove all elements comprising the Licensed Rights from the Hotel within thirty (30) days of the date thereof. At a minimum, such alterations, modifications and changes to the Hotel will include: (i) removing all exterior and interior signage containing any Licensed Mark; (ii) repainting and, where applicable, recovering both the exterior and interior of the Hotel to remove distinctive colors and designs from the walls; (iii) removing all fixtures and other distinctive decor items, music-related memorabilia and icons and distinctive furnishings, (iv) changing the staff uniforms; and (v) immediately discontinuing the use or display of the Licensed Marks, including all usage of the Licensed Marks in connection with the advertisement and promotion of the Hotel. Until all signage bearing the Licensed Marks shall be removed, Licensee shall pay Licensor each day a daily amount equal to the Continuing Fee.

(C) Transfer of Telephone Directory Listings. Upon expiration or termination of this Agreement for any reason, Licensor will have the absolute right to notify at any time after the date of termination of this Agreement the telephone company and all listing agencies of the termination or expiration of Licensee's right to use all telephone numbers and all classified and other directory listings for the Hotel and to authorize the telephone company and all listing agencies to transfer to Licensor or its designee all telephone numbers and directory listings of the Hotel. Licensee acknowledges that Licensor has the absolute right and interest in and to all

telephone numbers and directory listings associated with the Licensed Marks. The telephone company and all listing agencies may accept this Agreement as conclusive evidence of the exclusive rights of Licensor to such telephone numbers and directory listings to the extent provided herein, and this Agreement will constitute the authority from Licensee for the telephone company and each such listing agency to transfer all such telephone numbers and directory listings to Licensor. This Agreement will constitute a release of the telephone company and each such listing agency by Licensee from any and all claims, actions, and damages of Licensee for any actions taken pursuant to this subsection.

(D) Rights Assignable. All rights of Licensor contained within Section 16(C) hereof shall be freely assignable by Licensor to any designee of Licensor.

17. TRANSFER

(A) Assignment By Licensor. This Agreement shall inure to the benefit of any assignee or other legal successor to the interests of Licensor herein. Licensor is free to transfer and assign all of its rights and obligations under this Agreement to any person or business entity as part of a transfer or assignment of the Licensor's entire business. Upon such assignment and assumption, Licensor shall have no further obligation to Licensee.

(B) Sale or Assignment By Licensee. The rights of Licensee pursuant to this Agreement are personal to Licensee. Licensor has granted a license to Licensee in reliance upon Licensee's and its principals' individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, subject to Section 5(C) and other than to a Melco Affiliate, Licensee shall not, directly or indirectly, sell, assign or otherwise transfer its ownership interest in the Hotel or substantially all of the assets of the Hotel, or its rights under this Agreement, in whole or in part (except for the lease of commercial space at the Hotel customarily subject to lease or concession arrangements), in each instance, without Licensor's prior written approval, which may not be unreasonably withheld. In the event that Licensor does not approve the sale, assignment or transfer of the Hotel by Licensee, Licensee may terminate this Agreement on thirty (30) days written notice to Licensor upon payment of a Termination Fee computed as provided in Section 15(B). Licensor agrees, however, that Licensee may, on notice to the Licensor, sell, assign or otherwise transfer, without Licensor's consent, its ownership interest in the Hotel or substantially all of the assets of the Hotel, or all of its rights under this Agreement, as part of a sale, assignment or other transfer of the whole or substantial part of the "City of Dreams" complex in which the Hotel is located including the Casino to a single person that is not a Competitor of Licensor and has a net worth of not less than \$100 Million US Dollars at the time of such transaction that acquires the Casino and Casino License. Licensee shall in a timely manner provide Licensor with the necessary information regarding any proposed transfer to permit Licensor to evaluate the proposed transferee and the transfer. In the event that Licensee sells the Hotel, Casino and all or a substantial part of the "City of Dreams" complex to a Person that is a Competitor of Licensor, Licensor shall have the right by written notice to Licensee to terminate this Agreement and upon such termination Licensee shall pay to Licensor a fee equal to the Termination Fee computed as provided in Section 15(B). In the event that Licensee sells the Hotel, Casino and all or a substantial part of the City of Dreams complex to a Person who is not a Competitor of Licensor but does not at the time of the transaction satisfy the \$100 Million U.S. Dollar net worth test set forth above, Licensor shall have the right by written notice to terminate this Agreement and upon such a termination Licensee shall pay to Licensor a fee equal to fifty percent (50%) of the Termination Fee computed as provided in Section 15(B).

(C) Effect of Sale or Lease.

(1) It is the intent of the parties hereto that the Hotel shall at all times during the Term of this Agreement be operated in accordance with the Hotel System and the terms of this Agreement. Accordingly, in the event that Licensor consents to a sale or lease and assignment of this Agreement pursuant to Section 17(B) above, the prospective purchaser shall deliver to Licensor as a condition to such sale or assignment an executed written instrument, reasonably satisfactory in form and substance to Licensor and its counsel, expressly assuming and agreeing to perform all of the terms and provisions of this Agreement and providing a release by the assigning Licensee.

(2) Licensor's consent to any sale or assignment of this Agreement shall not constitute a waiver of any claims Licensor or any Affiliate of Licensor may have against Licensee, nor shall it be deemed a waiver of Licensor's right to demand strict compliance with any of the terms or conditions of this Agreement by Licensee.

(3) Any sale or transfer in violation of the provisions of this Section 17 shall be void and of no force and effect.

18. NON-COMPETITION

(A) During the Term.

(1) During the term of this Agreement, Licensee and its Affiliates shall not, directly or indirectly, own, operate, or have any other interest in: (A) a restaurant, hotel, or casino located in the Territory which is owned, operated or licensed by a Competitor, (B) a Planet Hollywood restaurant, hotel, or casino located in the Territory, or (C) a Music-Themed hotel, or casino located in the Territory. For purposes hereof, "**Music-Themed**" shall mean a facility (including a hotel) that includes in its name, is licensed or endorsed by, or has a substantial portion of its design based on, or is otherwise identified with a musician, musical personality, a musical group and includes the display of memorabilia bearing the image of such musician, musical personality or musical group.

(2) Licensee shall not operate or permit any other Person to operate at the Licensed Location: (a) a restaurant owned, operated or licensed by a Competitor, or (b) a gift shop or other clothing or merchandise store which sells merchandise bearing the trademarks of a Competitor. Licensee agrees that it shall include or cause to be included in its leases for the Hotel a clause prohibiting or preventing the use of operation thereof in a manner which would violate the provisions of this Section and that Licensor shall be deemed a third party beneficiary of such lease clause with the right to enforce it against the tenant. For the avoidance of doubt, any breach of such lease clause not owing to the action or any of its Affiliates shall not be deemed as a breach of this Agreement by Licensee hereunder unless Licensee prevents Licensor from asserting its rights to prohibit such violation by a tenant.

(B) Upon Transfer, Termination or Expiration. Upon expiration or termination of this Agreement, or upon a transfer by Licensee of its interest in the Hotel or its rights under this Agreement, Licensee agrees that, for one (1) year beginning on the effective date of the expiration, termination or transfer, neither Licensee nor its Affiliates will directly or indirectly own, operate, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in, a Music-Themed hotel at the Licensed Location or at a location situated within the Territory.

(C) Necessity of Noncompetition Restriction; Injunctive Relief. Licensee agrees the provisions of this Section 18 are necessary to protect the legitimate business interests of Licensor, its Affiliates and other licensees of Licensor and its Affiliates (collectively, the “**Protected Persons**”), including, without limitation, and as applicable, preventing the unauthorized dissemination of marketing, promotional and Confidential Information to competitors thereof and preventing damage to and/or loss of goodwill associated with the Licensed Rights and other intellectual property rights of Licensor. Licensee specifically acknowledges that damages alone cannot adequately compensate for a violation by Licensee of the requirements of this Section 18, and that injunctive relief is essential for the protection of the Protected Persons. Licensee agrees that if Licensor alleges any violation of any covenant contained within this Section 18, the Licensor will have the right (notwithstanding Section 19 hereof) to petition a court of competent jurisdiction for injunctive relief, in addition to all other remedies that may be available.

19. DISPUTE RESOLUTION

(A) Accounting/ Fee Disputes. Any dispute regarding the calculation of Fees paid or payable by Licensee and/or its Affiliates shall be resolved in the following manner: Licensor and Licensee shall use their reasonable efforts with the assistance of their respective independent public accountants to resolve such dispute. If such persons are unable to resolve the dispute within thirty (30) calendar days after receipt by either party of a notice identifying the nature of such dispute (the “**Dispute Notice**”), then the issues raised by the Dispute Notice shall be resolved by any internationally recognized “big-four” firm of certified public accountants mutually acceptable to Licensor and Licensee (the “**Accounting Referee**”). Such person shall act as an expert and not as an arbitrator. If within forty-five (45) days after receipt by either party of the Dispute Notice, the parties are unable to agree on an Accounting Referee, then each party shall pick an internationally recognized “big-four” firm of certified public accountants and such firms shall select the Accounting Referee, provided that the Accounting Referee so elected by such firms shall be independent of Licensor and Licensee and their respective Affiliates and shall not have a business relationship with any of such parties. The parties shall use reasonable efforts to cause the Accounting Referee to promptly resolve such issues. Such determination shall be made within thirty (30) calendar days after the date on which the Accounting Referee receives notice of the dispute, or as soon thereafter as possible. Such determination shall be final and binding upon the parties and shall not be subject to appeal. The fees, costs and expenses of the Accounting Referee in conducting such review (if any) shall be shared fifty percent (50%) by Licensor and fifty percent (50%) by Licensee. If Licensor and Licensee are unable to agree on an Accounting Referee, the dispute shall be governed by Section 19(B) below.

If the final resolution of Fees as provided above results in an additional payment to Licensor by Licensee and/or its Affiliates, then Licensee and/or its Affiliates shall pay any additional amounts due to Licensor, together with Interest thereon from the relevant due date, and reimburse Licensor for its share of the fees, costs and expenses of the Accounting Referee, within fifteen (15) days of the date on which the final determination is agreed or determined. If the final resolution of the fees as provided above determines that Licensee is not obligated to pay any additional Fee, the Licensor shall reimburse Licensee for its share of the fees, costs and expenses of the Accounting Referee within fifteen (15) days of the date on which the final determination is agreed or determined.

(B) Other Disputes.

(1) Except for disputes, disagreements, controversies or claims (a “**Dispute**”) related to or based on Licensee’s use of the Licensed Marks and disputes relating to the calculation of fees paid or payable by Licensee and/or its Affiliates to Licensor, which are subject to Section 19(A), all Disputes between Licensor and Licensee arising out of or relating to this Agreement or the validity or enforcement of any provision of this Agreement, shall be resolved by arbitration administered by the Hong Kong International Arbitration Centre (the “**Arbitration Body**”) as provided in this Section 19(B) and the Commercial Arbitration Rules of such body (the “**Arbitration Rules**”) in effect as of the commencement of the applicable arbitration proceeding, except to the extent the then current Arbitration Rules are inconsistent with the provisions of this Section 19(B), in which event the terms hereof shall control. The arbitration shall be governed by the Laws of Hong Kong and this Section 19(B), the award of the arbitration tribunal shall be final and binding and judgment upon the award entered by the arbitrators may be entered in any court having jurisdiction.

(2) If either party hereto asserts that a Dispute has arisen, such asserting party shall give written notice (or notice as otherwise provided herein) thereof to the other party promptly following the asserting party having become aware that a Dispute has arisen. Any arbitration pursuant to this Section shall be conducted exclusively in Hong Kong.

(3) The arbitration shall be conducted by three (3) arbitrators, which arbitrators shall be selected in accordance with the Arbitration Rules, and at least one (1) of whom shall have had experience in the management and/or operation of hotels, or as a consultant in connection with the management and/or operation of hotels.

(4) In connection with any arbitration proceeding pursuant to this Section 19(B), (a) no arbitrator shall have been employed or engaged by a party hereto within the previous five (5) year period, (b) each arbitrator shall be neutral and independent of the parties to this Agreement, (c) no arbitrator shall be affiliated with any party’s auditors, (d) no arbitrator shall be employed by any hotel operator or an Affiliate of any hotel operator, and (e) no arbitrator shall have a conflict of interest with (including, without limitation, any bias towards or against) a party hereto. As used in this Agreement, the term “arbitrator” or “arbitrators” shall mean the one (1) member arbitration panel or the three (3) member arbitration panel, as applicable, described herein.

(5) The award of the arbitrators shall be accompanied by a statement of the reasons upon which the award is based. The arbitrators shall not have the power to modify this Agreement. Except in connection with claims by third parties for which a party is entitled to indemnification pursuant to this Agreement, the award may not include, and the parties hereto specifically waive, any right to an award of multiple, exemplary or punitive damages.

(6) The arbitrators may consolidate proceedings with respect to any Dispute under this Agreement with proceedings with respect to any related controversy under this Agreement. However, except as specifically set forth in the preceding sentence: (i) arbitration will be conducted on an individual, not a class-wide, basis; (ii) only Licensor (and/or its Affiliates and their respective officers, directors, owners, employees, agents and representatives, as applicable) and Licensee (and/or its Affiliates and their respective officers, directors, owners, employees, agents and representatives, as applicable) may be the parties to any arbitration proceedings described in this Section; and (iii) no such arbitration proceeding shall be consolidated with any other arbitration proceeding involving Licensor and/or any other Person or involving Licensee and/or any other Person.

(7) The parties hereto will cooperate in the exchange of documents relevant to any Dispute. Deposition or interrogatory discovery may be conducted only by agreement of such parties or if ordered by the arbitrators. In considering a request for such deposition or interrogatory discovery, the arbitrators shall take into account that the parties hereto are seeking to avoid protracted discovery in connection with any arbitration proceeding hereunder.

(8) Licensor and Licensee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable Law or this Agreement, whichever expires earlier. Licensor and Licensee further agree that, in connection with any arbitration proceeding, each party must submit or file any claim which would constitute a counterclaim in respect of a claim in relation to which arbitration proceedings have been commenced within the same proceeding as the claims to which it relates. Any such counterclaim which is not submitted or filed will be forever barred.

(9) Notwithstanding anything to the contrary contained herein, Licensor and Licensee each have the right when deemed necessary to prevent irreparable injury pending resolution by arbitration of the actual Dispute to obtain temporary restraining orders and temporary or preliminary injunctive relief, from a court of competent jurisdiction; provided that Licensor and Licensee must contemporaneously submit their Dispute for arbitration on the merits.

(10) Subject to any injunctions or court orders during the course of the arbitration tribunal's adjudication of this dispute, this Agreement shall continue to be performed except with respect to the part in dispute and under adjudication.

(C) Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act 15 U.S.C. Sections 1051 et seq.), this Agreement shall, by this express agreement of the parties, be governed by, and construed and enforced in accordance with the Laws of Hong Kong, China, without regard to the conflicts of law provisions of the Laws of Hong Kong, China.

The parties hereto each hereby consents to the application of Hong Kong law to the construction, interpretation and enforcement of this Agreement, and to the application of Hong Kong law to the procedural aspects of any suit, action or proceeding relating thereto, including but not limited to legal process, execution of judgments and other legal remedies.

(D) Injunctive Relief. In connection with seeking temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction as provided in Section 19(B)(9), or in judicial proceedings related to Licensee's use of the Licensed Marks, Licensee and its Affiliates, and their respective officers, directors, employees, and licensees agree to entry without bond of temporary and permanent injunctions and orders of specific performance enforcing any of the provisions of this Agreement.

(E) Consent to Jurisdiction. Licensee and Licensor agree that all judicial actions arising under this Agreement or otherwise as a result of the relationship between Licensee and Licensor that are not subject to arbitration or that pursuant to Section 19(B)(9) are carried on with a contemporaneous arbitration must be commenced, as applicable, in the courts of Hong Kong, the People's Republic of China. Licensee and Licensor irrevocably submit to the jurisdiction of those courts and waive any objection Licensee or Licensor might have to either the jurisdiction of or venue in those courts. Licensor appoints: Clarson Services Limited, 41st Floor, Bank of China Tower, 1 Garden Road, Hong Kong to accept service in any proceedings which may be commenced pursuant to or in connection with this Agreement in the Hong Kong courts, or, to the extent required, before the Arbitration Body. Licensee appoints: RB Secretariat Limited, 20th Floor, Alexandra House, 16-20 Chater Road, Hong Kong to accept service in any proceedings which may be commenced pursuant to or in connection with this Agreement in the Hong Kong courts, or, to the extent required, before the Arbitration Body. A party must maintain such agent for service and may only change such agent with the written consent of the other party.

(F) Costs and Attorneys' Fees. Licensee and Licensor agree that if either party seeks to enforce this Agreement in an arbitration, judicial or other proceeding, the prevailing party shall be entitled to its reasonable costs and expenses (including attorneys' fees) incurred in connection with such arbitration, judicial or other proceeding.

(G) Waiver of Punitive Damages and Jury Trial. Except for the parties' respective indemnification obligations under Section 20 with respect to any third party Claims, Licensor and Licensee waive to the fullest extent permitted by Law any right to or claim for any multiple, punitive or exemplary damages against the other and agree that, in the event of a dispute between Licensor and Licensee, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. Licensor and Licensee irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them.

(H) Limitations of Claims. Except for claims arising from Licensee's nonpayment or underpayment of amounts Licensee owes Licensor or its Affiliates, any and all claims arising out of or relating to this Agreement or Licensor's relationship with Licensee will be barred unless a proceeding is commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claim.

20. INDEMNIFICATION

(A) Indemnification by Licensee. Licensee shall Indemnify Licensor and its Affiliates and all of their respective directors, officers, employees, agents and representatives from and against all actions, suits, claims, proceedings, investigations, audits, demands, assessments, fines, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) ("**Claims**") incurred by any of them by reason of: (i) any breach by Licensee of any covenant or agreement made by it in this Agreement, (ii) any act or omission of Licensee or any officer, employee or agent of Licensee, whether or not incurred or committed in the operation of the Hotel, (iii) any failure by Licensee to provide all of the services contracted for in connection with the operations of the Hotel, to honor and fulfill all obligations of Licensee under any contract, commitment or obligation of Licensee, (iv) any failure by Licensee or its Affiliates or any officer, employee or agent of Licensee or its Affiliates, to obtain and maintain the applicable approvals, licenses and Permits required by any applicable Governmental Authority or Licensee, (v) any violation by Licensee or its Affiliates of any approvals, licenses or Permits relating to the Hotel, or (vi) the operation of the Hotel, including any death or personal injury or property damage occurring at the Hotel.

(B) Indemnification by Licensor. Licensor shall indemnify Licensee and its directors, officers, employees, agents and representatives from any Claims arising out of Licensor's gross negligence, willful misconduct or breach of its obligations, representations or warranties under this Agreement.

(C) Method of Asserting Claims. Whenever any Claim shall arise for indemnification under this Section 20, the indemnified party will give prompt written notice to the indemnifying party of such Claim, stating the nature, basis and (to the extent known) amount thereof, and shall cooperate fully in the defense, settlement or compromise of such Claim; provided that failure to give prompt notice shall not jeopardize the right of the indemnified party to indemnification unless such failure shall have materially prejudiced the ability of the indemnified party to defend such Claim. The indemnifying party shall have the sole right to select counsel for the defense of such Claim, subject to the approval of the indemnified party (which approval shall not be unreasonably withheld) and to control the defense, settlement or compromise of such Claim. The indemnified party shall have the right to participate in (but not control) the defense of any such Claim, with its counsel and at its own expense. The indemnified party shall not settle or compromise any Claim by a third party for which it is entitled to indemnification hereunder without the prior written consent of the indemnifying party. The indemnifying party shall obtain the prior written approval of the indemnified party (which approval may not be unreasonably withheld) before ceasing to defend against such third party claim or entering into any settlement or compromise of such third party claim involving injunctive or similar equitable relief being asserted against any indemnified party and no indemnifying party will, without prior written consent of each indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened Claim, action or cause of action, suit or proceeding in respect of which indemnification may be sought thereunder (whether or not any such indemnified party is a party to such Claim, action or cause of action, suit or

proceeding), unless such settlement, compromise or consent includes an unconditional release of all such indemnified parties from all liability arising out of such Claim, action, suit or proceeding.

(D) Survival. The provisions of this Section 20 shall survive the termination of this Agreement for any reason.

21. CONDEMNATION AND CASUALTY

(A) Condemnation. Licensee shall, at the earliest possible time, give Licensor notice of any proposed taking by confiscation, condemnation, compulsory acquisition, or similar proceeding. If such taking is substantial enough in Licensee's or Licensor's reasonable judgment to render impractical the continued operation of the Hotel in accordance with Management Standards, this Agreement shall be terminated by either Licensor or Licensee to the other with effect from such time to be agreed and such termination shall be without any fee, cost, penalty or other liability (but subject to any obligations which, by the terms hereof, survive the termination). If such taking is non-substantial, the parties shall agree on a plan for repair, and Licensee shall promptly make whatever repairs and restoration may be necessary to make the Hotel conform substantially to the condition, character, and appearance immediately prior to such taking, according to plans and specifications approved as required by this Agreement. Licensee shall take all measures necessary to ensure that the resumption of normal operation of the Hotel is not unreasonably delayed.

(B) Casualty. If the Hotel is damaged or destroyed by fire or other cause and such damage or destruction necessitates the closing of the Hotel for a period in excess of thirty (30) days, Licensee shall have the right to terminate this Agreement if it elects not to repair or rebuild the Hotel upon written notice to Licensor given within sixty (60) days of such closing of the Hotel; provided, however, if subsequent to such notice and prior to the date on which the Term of this Agreement would otherwise have ended pursuant to this Agreement if such notice of termination had not been given, Licensee, any of its Affiliates, or any member of Licensee has a majority interest in or operates a hotel at the Licensed Location (the "**Other Hotel**"), which Other Hotel is not operated pursuant to a license or franchise from Licensor or any of its Affiliates, then in such event, Licensee shall be deemed to have wrongfully terminated this Agreement and Licensor shall be entitled to payment of a Termination Fee computed as provided in Section 15(B) based upon the period prior to the damage or destruction causing the closing.

22. GENERAL PROVISIONS

(A) Entire Agreement. This Agreement, together with the Manuals and the documents referred to herein, and the attachments hereto, if any, constitute the entire, full and complete agreement between Licensor and Licensee concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced Licensee to execute this Agreement. No representations, inducements, promises, or agreements, oral or otherwise, not embodied in this Agreement or attached hereto (unless of subsequent date) were made by either party, and none shall be of any force or effect with reference to this Agreement or otherwise. Except as otherwise provided in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

(B) Notices. Except as otherwise provided in this Agreement, all notices, demands, requests, consents, approvals and other communications (collectively “**Notices**”), required or permitted to be given hereunder, or which are to be given with respect to this Agreement, shall be in writing and personally delivered, or sent by facsimile (with a confirming copy mailed by registered mail as described herein), or by a recognized overnight courier service, or by registered mail, postage prepaid, return receipt requested, addressed to the party to be so notified as follows:

If to Licensee, to: Melco Hotels and Resorts (Macau) Limited
 The Centrium
 Level 38, 60 Wyndham Street
 Hong Kong
 Attention: Company Secretary
 Telephone No.: +852 3151 3777
 Facsimile No.: +852 3162 3740

If to Licensor, to: Hard Rock Holdings Limited
 c/o Hard Rock Café International (USA), Inc.
 6100 Old Park Lane
 Orlando, Florida 32835
 Telephone No.: (407) 445-7625
 Facsimile No.: (407) 445-7630
 Attention: President and General Counsel

Notices shall be deemed received on the date of delivery if personally delivered, two (2) business days after sending if sent by facsimile or overnight courier service, or seven (7) business days after sending if sent by registered mail.

(C) Independent Contractor Status. This Agreement does not create a fiduciary relationship between the parties hereto, and Licensee is and shall, at all times, remain an independent contractor. Nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other party for any purpose. During the term of this Agreement, Licensee shall hold itself out to the public only as an independent contractor operating the business pursuant to a license from Licensor.

(D) Survival. Any covenant, representation, warranty, term or provision of this Agreement which, in order to be effective, must survive the termination of this Agreement, shall survive any such termination.

(E) Severability. Except as expressly provided to the contrary elsewhere herein, each section, part, term and/or provision of this Agreement shall be considered severable and shall be construed as independent of any other section, part, term and/or provision of this Agreement. If, for any reason, all or any part of any section, part, term and/or provision herein is held to be invalid,

unenforceable, or in conflict with any applicable Law by a court or properly convened arbitrators having valid jurisdiction in an unappealed final decision to which Licensor is a party or by which Licensor may be bound, such shall not impair the operation of, or have any other effect upon, any other section, part, term and/or provision of this Agreement as may remain otherwise valid and enforceable, and the latter shall continue to be given full force and effect and bind the parties hereto, and said invalid sections, part, terms and/or provisions shall be deemed limited by construction in scope and effect to the minimum extent possible to render the same valid and enforceable.

(F) No Third Party Beneficiary. Except as provided herein, no provision of this Agreement is intended or shall be construed to provide or create any third party beneficiary right or any other right of any kind in any client, customer, affiliate, insurer, lender, shareholder, partner, officer, director, employee or agent of any party hereto, or in any other Person, and all terms and provisions hereof shall be personal solely among the parties to this Agreement and their proper successors and assigns.

(G) Waivers and Amendments. No failure by any party hereto to insist upon the strict performance of any covenant, agreement, term or condition of this Agreement, or to exercise any right or remedy consequent upon the breach thereof, shall constitute a waiver of any such breach or any subsequent breach of such covenant, agreement, term or condition. No covenant, agreement, term or condition of this Agreement, and no breach thereof, shall be waived, altered or modified except by written instrument signed by the party to be charged therewith. No waiver of any breach of any covenant, agreement, term or provision of this Agreement shall affect or alter this Agreement, but each and every covenant, agreement, term and condition of this Agreement shall continue in full force and effect.

(H) Consents and Approvals.

(1) All consents and approvals which may be given under this Agreement shall be in writing. Unless a different standard is specified in a particular term or provision of this Agreement, any provision of this Agreement which specifies that a consent or approval by a party shall not be "unreasonably withheld or delayed", must be "reasonably" given, or words of similar effect, shall entitle that party, in granting or withholding any such consent or approval, to consider the economic considerations of that party, the application of that party's policies and procedures, public relations and publicity concerns of the parties, and Laws applicable to the parties.

(2) If, pursuant to this Agreement, any consent or approval by either party which may not be unreasonably withheld is alleged to have been unreasonably withheld, conditioned or delayed, then any dispute as to whether such consent or approval has been unreasonably withheld, conditioned or delayed shall be settled by arbitration in accordance with Section 19 hereof. In the event there shall be a final determination that such consent or approval was unreasonably withheld, conditioned or delayed so that such consent or approval should have been granted, the consent or approval shall be deemed granted and the party requesting such consent or approval shall not be entitled to damages or any other relief resulting therefrom.

(3) Informational Materials. In furtherance of the respective rights of the parties contained within this Agreement, including, without limitation, any right of approval or consent, or, in the case of Licensee, to exploit the Licensed Rights granted hereunder to Licensee, subject to this Agreement each party shall be entitled to receive from the other all materials and information in the possession or control of the other party reasonably requested to enable the requesting party to exercise the rights granted to such requesting party hereunder.

(I) Expenses. Except to the extent otherwise provided herein, each party hereto will bear its own costs, expenses and fees, including, without limitation, the fees and expenses of their respective legal counsel, in connection with the negotiation, preparation and execution of this Agreement, and in connection with all due diligence reviews and investigations conducted by such party prior to the execution of this Agreement.

(J) Assignment. Subject to the provisions of Section 17 hereof, this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, legal representatives, successors and permitted assigns of the parties hereto.

(K) Headings. The section and other headings contained herein are for convenience of reference only, and are not intended to define, limit or describe the scope or intent of any provision of this Agreement.

(L) Language. All manuals, materials and other information and assistance furnished by Licensor under the provisions hereof shall be expressed in the English language. The parties hereto confirm that it is their wish that this Agreement as well as all other documents relating hereto, including notices, have been and shall be drawn up in the English language only.

(M) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(N) Public Announcements. No notices to third parties or other publicity, including press releases, concerning the existence of this Agreement or any of the transactions contemplated hereby shall be made by a party hereto or their respective Affiliates unless agreed to by the other party (any such consent not to be unreasonably withheld), except to the extent required by Law.

(O) No Solicitation. Licensor and Licensee, on behalf of itself and its Affiliates, each agree not to, directly or indirectly, solicit the employment of any individual who has an active management position with the other party hereto or any of its Affiliates, without the written consent of the other party hereto, which consent may be granted or withheld in the other party's sole discretion.

(P) Cumulative Remedies. All rights and remedies of the parties hereto are cumulative of each other and of every other right or remedy such parties may otherwise have at law or in equity, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

23. PARTIES ACKNOWLEDGEMENTS AND REPRESENTATIONS

Each party acknowledges that the other party has made no warranties or representations except as specifically provided in this Agreement and that it did not rely on any promises, representations or agreements about the other party or the license not expressly contained in this Agreement in making its decision to sign this Agreement. Each party further represents and warrants that the other party and its representatives have not made any promises, representations or agreements, oral or written, except as expressly contained in this Agreement. Each party assumes no liability or obligation to the other party, by providing any waiver, approval, consent or suggestion in connection with this Agreement.

Each party acknowledges that the business venture contemplated by this Agreement involves substantial business risks, and its success will be largely dependent upon its ability as an independent businessman. Each party expressly disclaims the making of, and the other party acknowledges that it has not received, any warranty or guaranty, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

Each party acknowledges that it has read and understood this Agreement, the attachments hereto, if any, and agreements relating thereto, if any, and that it has had ample time and opportunity to consult with advisors and legal counsel of its own choosing about the potential benefits and risks of entering into this Agreement. Each party acknowledges that it has had an opportunity to negotiate, and has fully negotiated, the essential stipulations of this Agreement and that such stipulations were not unilaterally imposed on it by the other party.

24. REGISTRATION OF LICENSOR IN MACAU

(a) Unless the Licensor's and Licensee's respective local counsel in Macau both advise otherwise, Licensor shall register its business as a service provider with the Direcção dos Serviços de Finanças de Macau (the "**Macau Finance Department**") as soon as reasonably practicable after the date hereof. Licensor acknowledges that it is a condition to the payment of any Fee hereunder that Licensee receives a certified true copy of the relevant registration certificate issued by the Macau Finance Department with respect to the registration of Licensor. Licensor shall after such registration duly file the required annual tax returns in respect of all its income/fees arising from the businesses as conducted in Macau, or any taxes, levies, imposts, deductions, charges, withholdings and duties (including stamp and transaction duties), together with any related interest, penalties, fines and other statutory charges (collectively "**Taxes**") that may be levied by the Macau Finance Department due to the development or deemed development of such businesses in Macau.

(b) If applicable, Licensor must, upon request, immediately deliver to Licensee the certified copy of the registration application referred in Section 24(a) with acknowledgement of receipt by the Macau Finance Department, which shall be kept in Licensee's files.

(c) Licensor undertakes to inform Licensee of all relevant tax matters in connection with the development or deemed development of its businesses in Macau by virtue of this Agreement, including but not limited to the amount of Taxes levied in relation to the development or deemed development of its businesses in Macau as contemplated under this Agreement and the time of

payment of such Taxes. Licensor shall be responsible for payment of all relevant Taxes (including but not limited to any interests for late payment, fines or penalties) levied by the Macau Finance Department in relation to the development or deemed development of Licensor's businesses in Macau as contemplated under this Agreement and all costs in relation to the registration application and filing of the annual tax returns as referred in Section 24(a) above.

(d) Any of the Taxes required by law to be deducted in respect of sums payable under this Agreement by Licensee to Licensor, including, for the avoidance of doubt, the Fees, shall be for the account of Licensor (with Licensee being under no obligation to gross-up any payment made to Licensor).

EXHIBIT A

HARD ROCK HOLDINGS LIMITED, TRADEMARKS IN MACAU

<u>MARK</u>	<u>APP. NO.</u>	<u>APP. DATE</u>	<u>REG. NO.</u>	<u>REG. DATE.</u>	<u>GOODS/SERVICES</u>
HARD ROCK CASINO & Design	N/21816	March 30, 2006			Clothing
HARD ROCK CASINO & Design	N/21817	March 30, 2006			Casino and live music services
HARD ROCK CASINO & Design	N/21818	March 30, 2006			Restaurant and hotel services
HARD ROCK CASINO	N/21688	March 27, 2006			Clothing
HARD ROCK CASINO	N/21689	March 27, 2006			Casino and live music services
HARD ROCK CASINO	N/21690	March 27, 2006			Restaurant and hotel services
HARD ROCK HOTEL & CASINO	N/25344	Nov 20, 2006			Clothing
HARD ROCK HOTEL & CASINO	N/25345	Nov 20, 2006			Casino and live music services
HARD ROCK HOTEL & CASINO	N/25346	Nov 20, 2006			Restaurant and hotel services
HARD ROCK HOTEL/CASINO	N/25552	Nov 29, 2006			Clothing
HARD ROCK HOTEL/CASINO	N/25553	Nov 29, 2006			Casino and live music services
HARD ROCK HOTEL/CASINO	N/25554	Nov 29, 2006			Restaurant and hotel services

The following word marks may also be used in association with the Licensed Marks described above:

Love All, Serve All

Save the Planet

Take Time to Be Kind

All is One

No Nuclear Weapons or Drugs

EXHIBIT B

RETAIL LEASE AGREEMENT TERMS

A. White Box Requirements

General

1. Landlord acknowledges the market theme of rock 'n roll music and entertainment played and promoted in and through the "Hard Rock Café" throughout the world. Landlord further acknowledges and agrees that the Landlord shall not attempt to restrict or impede Tenant's use of the Premises in furtherance of its rock 'n roll music and entertainment theme, provided Tenant's promotion of this rock 'n roll music and entertainment theme complies with the applicable Laws and is not conducted in such a way as to become a nuisance to any other Tenants, taking into consideration and allowing for the nature of and style of Tenant's business.
2. Landlord shall provide a lease area that is free from any hazardous substances or materials. Landlord shall provide any and all certificates that may be required by the local jurisdiction or any other governing agency.
3. Landlord shall provide access to all adjacent and remote spaces as required for the completion of the Hard Rock tenant build out.
4. Landlord shall provide Hard Rock staff access to Hotel employee washrooms.
5. Landlord shall provide sufficient space and accommodation, in accordance with the requirements of the local jurisdiction or any other governing agency, for the access, handling, interim storage and delivery of all merchandise to the Hard Rock premise.
6. Landlord shall provide adequate refuse disposal facilities for the removal of all trash and waste generated by Hard Rock.
7. Landlord shall provide every available assistance in obtaining all required local jurisdiction and any other governing agency approvals necessary for the construction and operation of the Hard Rock retail.
8. Landlord shall obtain the local jurisdiction and any other government agency approvals for all agreed Hard Rock exterior signage including but not limited to signs, awnings, flags, icons and marquees. Landlord shall provide electrical service and all structural supports for the Hard Rock signs. The signage will be supplied and installed by the Hard Rock.
9. Landlord shall designate an area for temporary construction trailer and material storage, receiving and handling for use by Tenant in connection with its construction of Tenant improvements.
10. To ensure A/V compatibility with related public spaces, Landlord shall provide one 1" conduit and input feed from the hotel main A/V room. Hard Rock will terminate the wire to its audio rack to allow for connectivity with the hotel A/V system.

Shell Specification

1. Landlord shall provide a premise that includes all exterior windows, storefronts and doors and which is structurally sound and watertight. The premise shall comply with the local jurisdiction's requirements or any other governing agency for the intended use. Landlord shall be responsible for maintaining the integrity of the exterior skin, windows and envelope of the building.
2. Landlord shall provide all fire separations between the Hard Rock premise and all adjacent areas as required by the local jurisdiction and any other governing agency.
3. Landlord shall provide all shell demising walls in a paint ready condition.
4. Landlord shall provide all acoustical attenuation between tenant demises.
5. Adequate means of escape shall be provided from the premise based on the local regulations and the known Hard Rock use of the space.
6. Landlord shall provide a flat and level concrete floor slab consistent with ACI standards for new restaurant construction, without dips, spalling, or defects. Slab shall be a hard trowel finish suitable for the future application of concrete stain floor finishes. Slab shall not be treated with any penetrating cure or seal compound. All control joints shall be neatly cut with no excessive spalling.
7. Landlord shall have a structural engineer registered in Macau certify that the floor's structural system is adequate to support a live load of 100 lbs. per square foot. Landlord shall provide slab placement during Tenant's construction, as required by Tenant's construction schedule.
8. Landlord shall provide a fully accessible and adequately illuminated route for the public into the Hard Rock leased space.
9. Landlord shall route all hotel systems and utilities to avoid conflict with Hard Rock improvements.

Services

1. Landlord shall provide fire protection service to the Hard Rock lease space. The fire service systems will be in compliance with requirements under Macau law and the sprinkler system will be in accordance with Loss Prevention Council Rules for Automatic Sprinklers for proper flow at required pressure to accommodate total fire protection coverage of the Hard Rock leased space. Podium fire protection is designed to IBC standards, levels above are designed to Macau Fire Brigade standards. Hard Rock to make adjustments to the fire protection system as required coordinating with its design.
2. Landlord shall provide new central HVAC equipment to meet Hard Rock's specifications and all required structural supports and ducting to the Premises. Landlord shall provide sufficient roof or ancillary space for Hard Rock's equipment, exhaust fans and make-up air units and shall provide screening for the equipment as may be required by the local jurisdiction, development agreements or as needed to satisfy design requirements.
3. Landlord shall provide metered power to a switch room in or adjacent to the premises at a capacity comparable to an electrical service sized at 200 AMP 120v single Phase for a premise area of 1,000 SF.

4. Landlord shall provide two (2) 1" conduit for phone cables and fiber optic to the premises.

B. Material Terms

**Standard Lease
Terms**

Term	10 yrs (Co terminus with Hotel Licence)	
Commencement	When Hotel opens for business	
Surrender	Broom clean normal wear & tear. Landlord's improvements only	
Rent	7% of sales	
% Rent		
	Exclusions	
	Credit Card Charges	
	Off site Sales	
	Transfers	
	Charitable costs	
	Bad debts	
	Employee discounts	
	Payable	
	Monthly	(year end adjustments plus interest)
Expenses		
Use	Restaurant/nightclub with/without bar & merch	
Landlord's work	Standard HRC white box spec	
Tenant Improvements and fit-out costs	Tenant expense subject to Landlord payment of 50% up to maximum Landlord contribution of USD\$1,000,000	
Signage	Local jurisdiction's approval before lease signed or full cancellation	

Maintenance & Repairs		Landlord responsible for structure, weatherprf & common areas Self help rights
Damage & Restoration		Tenant termination right if untenable for 90 days
Condemnation	Termination	5% Tenant's Floor area Access Parking 30% Landlord's floor area
Default & Termination	By Tenant	Differentiate between monetary non-monetary Written notice Reasonable cure period Min occupancy standard for Landlord
Assignment & Subletting	Automatic	To affiliated company
	Permission	Landlord's consent not to be unreasonably withheld
Insurance	By Landlord	As per Hotel License.
Tenants Rights	Cancellation	Business license Liquor license Landlord over 90 days late with work Breaches Landlord covenants
Other Items		No relocation without protection
License		Tenant to enter into license agreement with Licensor for use of Licensed Marks

*** END OF EXHIBIT B***

EXHIBIT C

FORM OF MEMORABILIA LEASE

Attached hereto.

C-1

EXHIBIT D

CAFÉ LEASE AGREEMENT TERMS

A. White Box Requirements

General

1. Landlord acknowledges the market theme of rock 'n roll music and entertainment played and promoted in and through the "Hard Rock Café" throughout the world. Landlord further acknowledges and agrees that the Landlord shall not attempt to restrict or impede Tenant's use of the Premises in furtherance of its rock 'n roll music and entertainment theme, provided Tenant's promotion of this rock 'n roll music and entertainment theme complies with the applicable Laws and is not conducted in such a way as to become a nuisance to any other Tenants, taking into consideration and allowing for the nature of and style of Tenant's business.
2. Landlord shall provide a lease area that is free from any hazardous substances or materials. Landlord shall provide any and all certificates that may be required by the local jurisdiction or any other governing agency.
3. Landlord shall provide access to all adjacent and remote spaces as required for the completion of the Hard Rock Café tenant build out.
4. Landlord shall provide a flat and level concrete floor slab consistent with ACI standards for new restaurant construction, without dips, spalling, or defects.
5. Landlord shall provide sufficient space and accommodation, in accordance with the requirements of the local jurisdiction or any other governing agency, for access, handling, delivery of all food and merchandise to the Hard Rock Café and for interim storage.
6. Landlord shall provide adequate refuse disposal facilities for the removal of all trash and waste generated by the Hard Rock Café.
7. Landlord shall provide every available assistance in obtaining all required local jurisdiction and any other governing agency approvals necessary for the construction and operation of the Hard Rock Café.
8. Landlord shall obtain the local jurisdiction and any other government agency approvals for all agreed Hard Rock Café exterior signage including but not limited to signs, awnings, flags, icons and marquees. Landlord shall provide electrical service and all structural supports for the Hard Rock Café signs. The signage will be supplied and installed by the Hard Rock Café.
9. Landlord shall designate an area for temporary construction trailer and material storage, receiving and handling, for use by Tenant in connection with its construction of Tenant improvements.

Shell Specification

1. Landlord shall provide a building that includes all exterior windows, storefronts and doors and which is structurally sound and watertight. The building shall comply with the local jurisdiction's requirements or any other governing agency for the intended use. Landlord shall be responsible for maintaining the integrity of the exterior skin, windows and skin of the building.
2. Landlord to provide all fire separations between the Hard Rock Café and all adjacent areas as required by the local jurisdiction and any other governing agency.
3. Landlord shall provide fire rated shafts, ductwork within shaft and all fire rated assemblies up to the roof (including roof curbs and flashing) or exterior in accordance with the local jurisdiction or any other governing agency for the Hard Rock Café grease exhaust system, make-up air system, dishwasher exhaust, HVAC system, and restroom exhaust.
4. Landlord shall provide all shell demising walls in a paint ready condition.
5. Landlord shall provide all acoustical attenuation between tenant demises.
6. Adequate means of escape shall be provided from the shell based on the local regulations and the known Hard Rock Café use of the space.
7. Landlord shall have a structural engineer registered in Macau certify that the floor's structural system is adequate to support a live load of 100 lbs. per square foot and an additional dead load of 35 lbs. per square foot. Landlord shall provide slab placement during Tenant's construction, as required by Tenant's construction schedule.
8. To the extent that the Project is located in a multi-tenant or multi-purpose development, Landlord shall, at its expense, include Hard Rock Café signage in such of the public directories located within the development as the Landlord reasonably determines. Landlord will permit, subject to reasonable approval, the use of supplemental directional signage provided and installed by Hard Rock Café.
9. Landlord shall provide a fully accessible and adequately illuminated route for the public into the Hard Rock Café leased space.

Services

1. Landlord shall provide potable water supply at adequate PSI and capacity in compliance with the local jurisdiction's requirements or any other governing agency to the Hard Rock Café leased premises.
2. Landlord shall provide a metered gas supply within the premises at a location coordinated with Hard Rock's design. All work shall be in compliance with the local jurisdiction's requirements or any other governing agency. The gas supply shall provide adequate capacity for reasonable cooking loads for a typical Hard Rock Café of similar size. .
3. Landlord to provide a sanitary sewer line in compliance with the local jurisdiction's requirements or any other governing agency. Sewer shall be adequate in capacity and supplied within the premises at a location coordinated with the Hard Rock design.
4. Landlord to provide a grease interceptor sized as required by the local jurisdiction or any other governing agency for the anticipated load.

5. Landlord shall provide fire protection service to the Hard Rock Café lease space. Whenever possible, service shall be sized in accordance with NFPA 13 and Factory Mutual Standards for proper flow at required pressure to accommodate total fire protection coverage of the Hard Rock Café leased space. Podium fire protection is designed to IBC standards, levels above are designed to Macau Fire Brigade standards. Hard Rock to make adjustments to the fire protection system as required coordinating with its design.
6. Landlord shall provide new central HVAC equipment to meet Hard Rock's specifications and all required structural supports and ducting to the Premises. Landlord shall provide sufficient roof or ancillary space for Hard Rock's refrigeration equipment, exhaust fans and make-up air units and shall provide screening for the equipment as may be required by the local jurisdiction, development agreements or as needed to satisfy design requirements.
7. Landlord shall provide metered power to a switch room in or adjacent to the premises at a capacity comparable to an electrical service sized at 800 AMP 480v 3 Phase for a premise area of 8,000 SF. The service may decrease or increase up to 20% based on the calculated demand load of the Hard Rock Café.
8. Landlord shall provide conduit for phone cables and fiber optic to the premises.
9. Landlord shall allow for the installation of a satellite dish (complete with all necessary planning consents) at a technically suitable location at roof level. A dedicated and fully accessible cable riser shall be provided to link between the roof mounted dish and the electrical switch room.

B. Material Terms

Standard Lease Terms

Term

10 yrs (Co terminus with Hotel License)

Commencement

When Hotel opens for business

Surrender

Broom clean normal wear & tear. Landlord's improvements only

Rent

7% of sales

% Rent

Exclusions

Credit Card Charges
 Off site Sales
 Transfers
 Charitable costs
 Bad debts
 Employee discounts

	Payable		(year end adjustments plus interest)
Expenses		Monthly	
Use	CAM	Define	(Right to Audit)
Landlord's work		Restaurant/nightclub with/without bar & merch	
Tenant Improvements and fit-out costs		Standard HRC white box spec	
Signage		Tenant expense subject to Landlord payment of 50% up to maximum Landlord contribution of USD\$2,000,000	
Maintenance & Repairs		Local jurisdiction's approval before lease signed or full cancellation	
Damage & Restoration		Landlord responsible for structure, weatherprf & common areas Self help rights	
Condemnation		Tenant termination right if untenable for 90 days Full rent abatement	
Default & Termination	Termination	5% Tenant's Floor area Access Parking 30% Landlord's floor area	
	By Tenant	Differentiate between monetary non-monetary Written notice Reasonable cure period Min occupancy standard for Landlord	

Assignment & Subletting

Automatic To affiliated company
Permission Landlord's consent not to be unreasonably withheld

Insurance

By Landlord As per Hotel License

Tenants Rights

Cancellation Business license
Liquor license
Landlord over 90 days late with work
Breaches landlord covenants

Other Items

No relocation without protection

License

Tenant to enter into license agreement with Licensor for use of Licensed Marks

*** End of Exhibit D***

EXHIBIT E

CONCEPTUAL DESIGN DRAWINGS

The Conceptual Design Drawings conceived to date are those prepared by Arquitectonica and Gettys Group and scheduled for review by Licensor and Licensee in Macau on January 10, 2007. The program statistics set forth below depict programmatic components for the Hotel, but do not reflect an approved design. The design necessary to assemble the program elements into a Comprehensive Project Design will be accomplished during the ensuing design phases, subject to Licensor's approval, as provided in Section 5(A) of the Agreement.

The Hotel will include the following components:

- Hotel tower containing approximately 366 rooms, including two rock star suites
- Feature pool containing large resort pool, hot tubs, play area, cabanas and pool bar
- Lobby with group check in and VIP check in
- Lobby bar/lounge
- 3 meal restaurant
- Fitness center with changing and treatment rooms
- Hard Rock Hotel retail store
- Hotel restrooms
- Meeting rooms and pre-function areas
- Hard Rock Café
- Hard Rock Café retail store
- Hard Rock Café restrooms
- With contiguous corridors to Hard Rock Casino
- Rooftop SkyBar, with dedicated elevator lift
- Sufficient Back of House for operations of the Hard Rock programmatic elements

Without limiting Licensor's rights under this Agreement, Licensee specifically acknowledges and agrees that the following elements of the Comprehensive Project Design require the approval of Licensor ("**Approval Items**"):

- (i) floor treatment and railing to delineate Hard Rock Hotel area;
- (ii) location of internal signage and directional signage within the Hotel;
- (iii) design and content of exterior signage, including use and display of Licensed Marks; provided that the size and positioning of exterior signage shall be consistent with exterior signage of the other hotels in the "City of Dreams" complex, including Crown and Hyatt;
- (iv) Guest Room and public space FF&E
- (v) Hard Rock Elements; and
- (vi) interior design of corridors/passageways connecting the Hotel and the Casino, or connecting the Hotel to any adjacent public space.

EXHIBIT F

LICENSED LOCATION

PART OF THE CITY OF DREAMS LAND, ON WHICH THE HARD ROCK HOTEL & CASINO WILL BE CONSTRUCTED, BEING THAT PART IDENTIFIED ON THE PLANS ANNEXED TO THIS EXHIBIT F.

[graphics omitted]

EXHIBIT G-1

2006 TECHNICAL SERVICES EXPENSES

Expenses to be reimbursed by Licensee for costs relating to both the Hotel and the Casino incurred through December 31, 2006 are as follows:

Travel (Airfare, Taxi, Parking)	\$ 9,374.06
Lodging	\$ 5,253.17
Meals	\$ 1,088.68
Phone	\$ 118.38
	\$15,834.29

EXHIBIT G-2

TECHNICAL SERVICES BUDGET

G-2-1

Hard Rock Casino and Hotel - Macau
Hard Rock Project Development - Technical Services
Estimate of Reimbursable Expenses
27-Dec-06

The following reimbursable expenses are based on travel in support of Technical Services from January 2007 through February 2009 according to the attached detail.

Airfare	\$335,500
Lodging	\$117,200
Meals, Auto, Misc	\$ 50,000
Dwg Reproduction, Misc. Expenses	\$ 13,000
	\$515,700

Hard Rock Casino and Hotel - Macau
Hard Rock Project Development - Technical Services
Estimate of Reimbursable Expenses
27-Dec-06

Month	International Travel					Domestic US Travel					Misc Expenses	TOTAL COST
	# Flights	Airfare	# Rm Nights	Lodging	Meals, auto, misc.	# Flights	Airfare	# Rm Nights	Lodging	auto, misc.		
Unit Cost		\$ 7,500		\$ 500	\$ 200		\$ 500		\$ 400	\$ 200		
Jan-07	2	\$ 15,000	8	\$ 4,000	\$ 1,600	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 23,400
Feb	2	\$ 15,000	8	\$ 4,000	\$ 1,600	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 23,400
Mar	2	\$ 15,000	8	\$ 4,000	\$ 1,600	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 23,400
Apr	2	\$ 15,000	8	\$ 4,000	\$ 1,600	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 23,400
May	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Jun	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Jul	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Aug	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Sep	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Oct	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Nov	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Dec	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Jan-08	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Feb	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Mar	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Apr	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
May	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Jun	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Jul	3	\$ 22,500	12	\$ 6,000	\$ 2,400	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 33,700
Aug	3	\$ 22,500	12	\$ 6,000	\$ 2,400	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 33,700
Sep	3	\$ 22,500	12	\$ 6,000	\$ 2,400	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 33,700
Oct	3	\$ 22,500	12	\$ 6,000	\$ 2,400	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 33,700
Nov	3	\$ 22,500	12	\$ 6,000	\$ 2,400	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 33,700
Dec	3	\$ 22,500	12	\$ 6,000	\$ 2,400	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 33,700
Jan-09	2	\$ 15,000	8	\$ 4,000	\$ 1,600	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 23,400
Feb	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Totals		\$322,500		\$86,000	\$ 34,400		\$13,000		\$31,200	\$15,600	\$13,000	\$ 515,700

CASINO TRADEMARK LICENSE AGREEMENT
BY AND BETWEEN
HARD ROCK HOLDINGS LIMITED
AND
MELCO PBL GAMING (MACAU) LIMITED
DATED AS OF JANUARY 22, 2007

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CASINO TRADEMARK LICENSE AGREEMENT

THIS CASINO TRADEMARK LICENSE AGREEMENT (the "**Agreement**") is made and executed as of January 22, 2007 (the "**Effective Date**"), by and between **HARD ROCK HOLDINGS LIMITED**, a corporation of the United Kingdom ("**Licensor**"), and **MELCO PBL GAMING (MACAU) LIMITED** (formerly known as PBL ENTERTAINMENT MACAU LIMITED), a Macau company ("**Licensee**").

RECITALS

A. Licensor licenses qualified Persons to develop and operate casinos, under the name "Hard Rock Casino" and certain other trademarks, trade names, service marks, logos, slogans, trade dress, commercial symbols, and other intellectual property rights designated by Licensor from time to time.

B. Licensee is desirous of operating a casino using the Licensed Marks (as hereinafter defined) as a part of a Hotel/Casino complex in connection with a hotel owned by Licensee's Affiliate that will be known as Hard Rock Hotel/Casino Macau and has requested that Licensor grant to the Licensee the rights contained in this Agreement for, inter alia, use of the Licensed Marks at, or in relation to, the Licensed Location (as hereinafter defined).

C. Licensee and Licensor desire to enter into this Agreement to have a Hard Rock Casino (as hereinafter defined) developed and operated at the Licensed Location upon the terms and conditions set forth herein.

TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual covenants and obligations contained herein, the grant by Licensor to Licensee of the rights to utilize the Licensed Marks as contained herein, and for other good and valuable consideration, the receipt and sufficiency of all of which is hereby acknowledged by each party hereto, Licensor and Licensee hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION

(A) **Definitions.** For purposes of this Agreement, the definitions set forth in this Agreement in Exhibit A or otherwise herein shall apply.

(B) **General Interpretation.** Where used in this Agreement, the following expressions shall have the following meanings respectively unless the context or specific language otherwise requires or acknowledges: (i) the singular includes the plural and vice versa; (ii) headings are for ease of reference and do not affect the construction of this document; (iii) a reference to a statute shall include all amendments for the time being in force and any other statute enacted in substitution therefor and all regulations, proclamations, ordinances and by-laws for the time being in force under that statute; (iv) a reference to money means the lawful currency of the United States of America; (v) if the day on which any act, matter or thing is to be done under or pursuant to this document is not a Business Day, that act, manner or thing, if it involves a payment other than a payment which is due on demand,

shall be done on the preceding Business Day; and in all other cases, shall be done no later than the next Business Day.

2. GRANT: SCOPE

(A) **Grant.** Licensor hereby grants to Licensee, upon and subject to the terms and conditions contained in this Agreement, and Licensee hereby accepts, the right and license to develop, operate, own, manage and promote the Casino under and upon the terms of this Agreement, using and in accordance with the Licensed Marks at the Licensed Location.

(B) **Scope.** All rights granted herein to Licensee to utilize the Licensed Marks are limited to the establishment, operation and promotion of the Casino at and from and in relation to the Licensed Location to be operated as an element of a Hard Rock Hotel/Casino facility in conjunction with a Hotel License with respect to the adjacent Hotel to the extent specifically provided for in this Agreement. Licensee may not otherwise commercialize or utilize, whether or not for profit, any of the Licensed Marks. Licensee may not use any trademarks, trade names, service marks, commercial symbols or logos containing the name “Hard Rock” unless they are Licensed Marks except as otherwise specifically provided in this Agreement. The rights granted to Licensee hereunder shall not entitle Licensee to sell Branded Merchandise from the Licensed Location or any other location, and Licensee acknowledges that Branded Merchandise may be sold at the Licensed Location only by Licensor or its Affiliates or by a Person duly licensed by Licensor or its Affiliates to sell Branded Merchandise. Licensor authorizes Licensee to utilize the Licensed Marks solely and exclusively in the advertising and marketing of the Casino as a Hard Rock Casino and/or an element of the “Hard Rock Hotel/Casino” and in no other manner and for no other purpose, and such use shall be in strict compliance with this Agreement, including but not limited to, the Brand Guidelines established by Licensor.

(C) **Reserved Rights.**

(1) Licensor reserves all rights not specifically granted to Licensee pursuant to this Agreement. During the term of the Agreement Licensor shall not operate, manage or grant a license for the operation of another Hard Rock Casino within Macau (the “**Territory**”) and except for the Hotel License, the Hard Rock Café (as defined in the Hotel License) to be located in the Hotel and the Hard Rock Hotel Retail Shop (as defined in the Hotel License) to be located in the Hotel, Licensor and its Affiliates will not license any other facility located in the Territory to utilize any trademark or trade name that embodies the words “Hard Rock” without the prior written consent of Licensee. Except for such limitations, Licensee acknowledges that there are no exclusive rights being granted under this Agreement nor limitations assumed or agreed to by Licensor. Therefore, nothing in this Agreement shall prevent Licensor or its Affiliates from (i) developing or licensing others to develop Hard Rock Hotels with or without casinos, Hard Rock themed timeshare, Hard Rock Beach Clubs, Hard Rock Cafes, Hard Rock Live, any other resorts, casinos and/or hotel/casinos, and other facilities using any names or marks (including the Licensed Marks) anywhere in the world outside the Territory, and (ii) promoting and protecting all such facilities anywhere in the world. In addition to the foregoing, nothing in this Agreement shall

prevent Licensor, or its Affiliates from (a) selling, or licensing third parties to sell, Branded Merchandise, or (b) owning, developing (or licensing others to develop) or operating, anywhere in the world (i) any form of on-line merchandising or gaming (no matter where a Person logs in for such on-line merchandising or gaming service); (ii) any form of lodging, restaurant, merchandising or gaming activities conducted on or from a vessel; or (iii) any resort, hotel, casino, hotel/casino, restaurant or other facilities of any kind located anywhere in the world (including within the Territory) that are not branded with the "Hard Rock" name. Licensee acknowledges and agrees that no rights are or will be granted in this Agreement for the development, construction, operation or maintenance or other interest in any "Hard Rock Cafe" or "Hard Rock Beach Club", which rights are retained by Licensor or one of its Affiliates.

(2) Notwithstanding any exclusivity provided for or agreed to under this Agreement and the restrictions that Licensor has agreed to hereunder, Licensee acknowledges and agrees that Leisure Ventures Pte Ltd, a Singapore corporation has the right to develop, operate, manage or franchise a Hard Rock Hotel in the Territory pursuant to a currently existing agreement with an Affiliate of Licensor, and that any development, franchise, licensing or operation of a Hard Rock Hotel in the Territory pursuant to such right shall not constitute a breach under or give rise to any claim under or right to terminate this Agreement.

(D) Restrictions.

(1) The rights granted to Licensee do not include any rights to use or otherwise identify the Licensed Marks with any businesses or facilities other than as herein granted respecting the Casino at and from and/or in relation to the Licensed Location and in relation to the Hotel under the Hotel License to Hotel Licensee of even date herewith and pursuant to Section 9(G). Licensee shall not use or register any trademark which is confusingly similar to the Licensed Marks or use the Licensed Marks in any manner which creates a unitary or composite trademark with the trademark of any third party.

(2) Except for a facility that has been duly licensed by or is operated by Licensor or its Affiliates, neither Licensee nor its Affiliates shall, or shall permit any third party to, at any time, construct, operate or maintain at the Casino any business that (i) is confusingly similar to a Hard Rock Café, provided, however, nothing contained herein shall prohibit the Licensee, its Affiliates or any third party from offering for sale within the Casino any generic dish or beverage such as a hamburger or milkshake); (ii) offers a menu substantially similar to the menu offered by Hard Rock Cafés; (iii) contains any memorabilia similar to that found in a Hard Rock Café; (iv) displays rock-n-roll artwork, photographs or memorabilia or otherwise includes a music theme in the décor; or (v) is named with reference to a Licensed Mark or includes "Hard Rock," "Rock-n-Roll" or other modern musical reference in its name.

(E) Other Agreements. This Agreement, the Memorabilia Lease and the Hotel License must be executed contemporaneously and the Hotel License must remain in full force and effect during the Term of this Agreement. This Agreement is conditional upon Licensee entering into the Memorabilia Lease and Hotel Licensee entering into the Hotel License, simultaneously with the execution of this Agreement. This Agreement must remain in full force and effect during the term of the Hotel License.

3. **TERM**

This Agreement shall be effective and binding from the date of its execution, as set forth on the first page hereof, and shall continue for a term of ten (10) Operating Years after the Opening Date ("**Term**"), unless sooner terminated as provided herein; and the parties intend this Agreement and the Hotel License to be co-terminus.

4. **COMPENSATION TO LICENSOR**

(A) **Fees**. Licensee hereby agrees to pay to Licensor, commencing on the Opening Date, a fee equal to (x) \$5.00 (USD) per Electronic Gaming Machine located at the Casino per day and (y) \$40.00 (USD) per Gaming Table located at the Casino per day (the "**Gaming License Fee**"); provided that the Gaming License Fee shall be no less than \$1,330.00 (USD) per day and the Casino shall contain not less than two hundred fifty (250) Gaming Positions, including at least two (2) Gaming Tables.

(B) **Payment of Fees**. The Gaming License Fee will be payable to Licensor monthly in arrears, within thirty (30) days after the end of each month. The Gaming License Fee and all other fees, contributions, expenses and reimbursements due from Licensee hereunder (collectively, "**Fees**") shall be paid by wire transfer of immediately available funds to an account designated in writing from time to time by Licensor. All amounts are payable in United States dollars. In the event that the Project Casino is not operating, other than as a result of the fault of Licensee during any entire day during the Operating Period and there are no business interruption insurance proceeds available to pay the Fees relating to such day, Fees shall be abated for each entire day after the first such day of non-operation. Nothing in this clause requires Licensee to purchase business interruption insurance.

(C) **Currency**. All payments hereunder to be calculated in the currency of the Territory and converted to United States Dollars for payment to Licensor shall be converted at the spot currency rate announced by Citibank as of 9:00 a.m. (Eastern Standard Time) as of the business date immediately preceding the date on which payment is transmitted. However, if a payment is transmitted after the date payment is due, the currency exchange rate used shall be (i) the rate as of the date payment was due or (ii) the rate as of the date the payment is transmitted, whichever rate produces the larger amount in United States Dollars.

(D) **Withholding Taxes**. In the event that any amount payable by Licensee to Licensor or its Affiliates hereunder are subject to withholding or other taxes that Licensee is required to deduct from such payments, Licensee shall remit the tax to the appropriate governmental agency and shall provide Licensor a copy of each withholding tax remittance notice which it files with such agency. Furthermore, Licensee shall promptly deliver to Licensor receipts of applicable governmental authorities for all such taxes withheld or paid. Licensee shall be responsible for and shall indemnify and hold Licensor and its Affiliates harmless against any

penalties, interest and expenses incurred by or assessed against Licensor or its Affiliates as a result of Licensee's failure to withhold such taxes or to remit them to the appropriate taxing authority. Licensee shall fully and promptly cooperate with Licensor to provide such information and records as Licensor may request in connection with any application by Licensor to any taxing authority for tax credits, exemptions or refunds available for any withholding or other taxes paid or payable by Licensor. In the event Licensor is required to refund to Licensee any amounts paid hereunder pursuant to the terms and conditions of this Agreement, Licensor shall not be required to refund that portion of those amounts which were withheld by Licensee in order to comply with any applicable tax law; provided that if Licensee is entitled to a refund from the appropriate taxing authority of the portion withheld (and not refunded to Licensor), Licensor shall reasonably cooperate with Licensee to provide, at Licensee's sole cost and expense, such information and document necessary for Licensee to obtain the refund.

(E) **Legal Restrictions.** If at any time, any legal restriction shall be imposed upon the purchase of United States Dollars or the transfer to or credit of a non-resident entity with payments in United States Dollars, Licensee shall notify Licensor immediately. Licensee shall use its best efforts to obtain any consents or authorizations which may be necessary in order to permit timely payments in United States Dollars of all amounts payable hereunder. While such restrictions are in effect, Licensor may require Licensee to deposit all amounts due but unpaid as a result of such a restriction in any type of account, in any bank or institution in the Territory designated by Licensor and in any currency designated by Licensor that is available to Licensee. Licensor shall be entitled to all interest earned on such deposits. If such legal restrictions prevent the payment by Licensee of amounts due hereunder in United States Dollars the parties must negotiate in good faith alternative payment terms which will allow the Licensee to make payments under this Agreement in an alternative currency. In the event such restrictions prevent payment by Licensee of amounts due hereunder in United States Dollars for a period of twelve (12) consecutive months or more, Licensor may, at its sole and exclusive option, terminate this Agreement effective upon delivery of written notice thereof to Licensee.

(F) **All Fees Are Nonrefundable.** No Fees or other sums payable hereunder shall be refundable to Licensee other than as specifically provided herein.

(G) **Month Defined.** For purposes of this Section, a "month" shall mean a calendar month, that period between the Effective Date and the last day of the month in which this Agreement was executed, and that period following the end of the last full calendar month during the term of this Agreement and the last day that this Agreement is in effect.

(H) **Late Payments.** Unpaid amounts due and owing from Licensee shall bear interest, pro rata per day, on the past due balance at the Interest Rate.

(I) **All Fees Exclusive of Taxes.** Subject to Section 4(D), all Fees payable to Licensor under this Agreement are exclusive of any taxes (including, but not limited to, any sales, value added or goods and services tax) or other governmental charges imposed or payable in connection with the rights granted to Licensee under this Agreement, or in connection with the payment of such Fees. All such taxes or charges shall be payable by Licensee in addition to such Fees.

(J) **Licensee May Not Withhold Payments Due to Licensor.** Licensee agrees that it will not withhold payment of any amounts owed to Licensor on the grounds of Licensor's alleged nonperformance of any of its obligations under this Agreement or for any other reason, and Licensee specifically waives any right it has at Law or in equity to offset any funds Licensee may owe Licensor or to fail or refuse to perform any of its obligations under this Agreement. Licensee may preserve any rights it has to assert non-performance by Licensor by paying Fees "under protest", and if Licensee has secured a final non-appealable judgment under this Agreement or arbitral award referred to in Section 19(B)(1) that has not been paid within thirty (30) days of entry thereof, Licensee may offset any sums due hereunder against such obligation.

5. DEVELOPMENT/OPERATION OF CASINO

(A) Development.

(1) Licensee shall acquire (either in freehold or by leasehold estate under a Lease) and develop the Licensed Location and the Casino, and with all reasonable diligence, construct, complete, furnish and equip the Casino which shall in no event be of a lesser quality than as set forth in the Hard Rock System, the Manuals and the Comprehensive Project Design (as defined in the Development Rider). The Casino shall be designed, planned, constructed and furnished as provided for under the Development Rider that is attached hereto as Exhibit D.

(2) Licensor shall provide Technical Services in connection with the development, construction, equipping and operation of the Casino as provided in the Technical Services Rider attached as Exhibit E.

(B) Financing.

(1) Licensee hereby acknowledges and agrees that Licensor has not made any agreements or commitments of any kind, whether express or implied, to Licensee that Licensor or any of its Affiliates will provide a completion guaranty or any other financial assistance to Licensee in connection with its financing of the Casino.

(2) Licensee shall have the right with notice to Licensor to encumber, pledge, grant, or convey its rights, title and interest in and to its interests in this Agreement by way of a security agreement, a pledge and/or, collateral assignment (collectively, a "**Pledge**") to secure the payment of any loan or loans obtained by Licensee to finance or refinance the Casino (such loan or loans may include financing for other development on the City of Dreams Land). The beneficiary of a Pledge, such as the security trustee or a secured party of a security agreement, is referred to herein as a "**Secured Party**." Pursuant to any such agreements, no Fees or any payments due to Licensor or its Affiliates shall be subordinated to any Pledge or right of the Secured Party, and Licensor shall not be obligated to forbear from pursuing its remedies hereunder or waive, suspend or modify its rights hereunder.

(3) Licensor agrees with Licensee that Licensor shall, at the request of Licensee or a Secured Party made from time to time and at any time, enter into a lender's rights agreement with any Secured Party identified by Licensee, which lender's rights agreement shall be consistent with the terms and provisions contained in this Section that apply to the Secured Parties and Pledges and shall be in a form mutually and reasonably acceptable to Licensor and such Secured Party.

(4) A Secured Party (and/or any Affiliate of Secured Party) shall, upon a Pledge becoming enforceable in accordance with the terms thereof, have the right and power to enforce its rights under a Pledge and obtain title to the Casino under any land mortgage in favor of the Secured Party with respect to the City of Dreams Land. In the event of such enforcement described in the foregoing sentence, the Secured Party (or its Affiliate) shall have the option to assume this Agreement on the condition that the Secured Party pays Licensor all accrued but unpaid Fees. In the event that a Secured Party (or an Affiliate of a Secured Party) obtains title to the Casino, such Secured Party (or its Affiliate) shall have the right to transfer title to the Casino and the Licensee's interest in this Agreement without the need to request or obtain the Licensor's consent; provided that such transferee is not a Competitor or an Affiliate of a Competitor and has the necessary experience, expertise and capacity to be licensed as is necessary to own the Casino as a first class casino; such transferee, or its Affiliates, parent or sponsor, has a net worth of at least Twenty-Five Million Dollars (\$25,000,000.00), all accrued and unpaid Fees are brought current and such transferee assumes this Agreement.

(5) In the event the Secured Party (or its Affiliate) or any transferee described in this Section fails to assume this Agreement as herein provided and pay the unpaid Fees specified hereunder, Licensor shall have the right to immediately terminate this Agreement and any rights of Licensee, a Secured Party or such transferee with respect to the Licensed Marks, shall immediately cease and terminate; and notwithstanding any other provision of this Agreement to the contrary, Licensor shall have the right to immediately, at Licensee's expense, remove all elements comprising the Licensed Marks from the Casino. Licensor shall be entitled to enter upon the Casino to accomplish such removal, and this right shall survive termination of this Agreement.

(C) **Restaurant.** Current Conceptual Design Package does not include a Restaurant in the Casino and in the event Licensee wishes to modify the Conceptual Design Drawings to include a Restaurant, Licensor shall have the right to approve whether there shall be a Restaurant in the Casino and the type, the concept and the design elements of any Restaurant. Any Restaurant that is permitted by Licensor shall not be operated by a Competitor and shall be operated in a fashion that complies with the Hard Rock System. Licensor shall have approval rights over any Restaurant Lease, management agreement or operating agreement.

(D) **Licensor's Option to Assign Pre-Opening Coordinator.** Subject to the remainder of this clause, Licensor shall have the right, but not the obligation, to assign a full time or part time, pre-opening coordinator or coordinators to act as Licensor's

representative during the Pre-Opening Period (the “**Pre-Opening Coordinator(s)**”) at Licensor’s expense, except as otherwise specifically agreed by Licensee. Before appointing the Pre-Opening Coordinator(s), Licensor must obtain Licensee’s approval of the identity of the Pre-Opening Coordinator(s) (such approval not to be unreasonably withheld). The function of the Pre-Opening Coordinator(s) during the Pre-Opening Period shall be as follows:

- (1) to consult with Licensee in connection with pre-opening scheduling, the processing of any required approvals of Licensor and Licensee;
- (2) to serve as liaison with Licensee in connection with compliance with the requirements of all Licensor approvals prior to Opening Date; and
- (3) generally to assist in the coordination of pre-opening and grand opening activities between Licensee and Licensor and to evaluate the Casino within thirty (30) days prior to the Opening Date to determine its compliance with the Hard Rock System.

Licensee shall provide the Pre-Opening Coordinator(s) with full cooperation and all information in Licensee’s possession or under Licensee’s control (so far as that information relates to the functions and duties of the Pre-Opening Coordinator(s)) to ensure that the Pre-Opening Coordinator(s) has the capability to fulfill the functions assigned herein to the Pre-Opening Coordinator(s).

Licensee hereby acknowledges that Licensor acts only in an advisory capacity for purposes of this Section 5(D), and Licensor shall not be responsible for the adequacy or coordination of any plans or specifications, the structural integrity of any structures or the systems thereof, compliance with applicable Laws, including, without limitation, any building code of any Governmental Authority, or any insurance requirement, or for the obtaining of any necessary Permits, all of which shall be the sole responsibility, and at the sole risk, of Licensee.

(E) **Pre-Opening Program.** Licensor and Licensee shall cooperate with each other to develop a written pre-opening program for the Casino in conjunction with the pre-opening program for the Hotel not less than nine (9) months prior to the Target Opening Date specifying, in reasonable detail: (i) any services by Licensor which Licensor reasonably believes are necessary prior to the Opening Date with respect to the Hard Rock Elements; (ii) the estimated costs to be incurred by Licensor in providing such services which the Licensee would have to agree to bear during the Pre-Opening Period; (iii) sales and promotion efforts by Licensor or its Affiliates during the Pre-Opening Period; (iv) required opening festivities; and (v) an estimate of other pre-opening costs and expenses relating to the foregoing. Licensee shall be solely responsible for payment of all such pre-opening costs and expenses which are approved by Licensee.

(F) **Sale of Securities.**

(1) If Licensee or any of its Affiliates shall, at any time or from time to time, “sell” or “offer to sell” any “securities” issued by it through the medium of any “prospectus” or otherwise, it shall do so only in compliance with all applicable securities

laws, and Licensee shall not make any representations that implies in any way that (a) either Licensor, or any of its Affiliates, or any of their respective officers, directors, agents or employees, shall in any way be deemed an “issuer” or “underwriter” of said “securities,” or that (b) Licensor, its Affiliates and said officers, directors, agents and employees have assumed or shall have any liability or responsibility for any financial statements, prospectuses or other financial information contained in any “prospectus” or similar written or oral communication.

(2) Licensee shall deliver to Licensor three (3) draft copies of any relevant sections of a “prospectus” or similar communications that refer to or contain the Licensed Marks, any description of this Agreement and/or Licensee’s relationship with Licensor hereunder, other than simply identifying the existence of this Agreement or the existence of the Casino, Hotel, or Hard Rock Café in the “City of Dreams” complex without a description of the terms of this Agreement or the nature of the relationship between Licensor and Licensee, delivered in connection with the sale or offer by Licensee of any “securities” not less than (30) days prior to the filing thereof with any Governmental Authority or the delivery thereof to any prospective purchaser. In the event there are any nonmaterial changes to any sections of the materials previously approved by Licensor in accordance with this Section, Licensee shall redeliver to Licensor three (3) draft copies of all relevant sections of the materials that contain such nonmaterial changes, and Licensor shall review and approve or disapprove such nonmaterial changes in a reasonable period of time, having regard to the timetable of Licensee with respect to its financing. Notwithstanding the above, Licensor shall have the right in its sole discretion to approve the inclusion of any references to the Licensed Marks in such materials. Licensee agrees to indemnify, defend and hold Licensor and its Affiliates and their respective officers, directors, agents and employees harmless of and from any and all liabilities, costs, damages, claims or expenses arising out of or related to the “sale” or “offer” of any “securities” of Licensee. All terms used in this Section 5 (F) shall have the same meaning as in the Securities Act of 1933 of the United States, as amended. Licensor’s approval of the Licensed Marks contained in such materials shall not constitute any judgment or determination by Licensor that such description is in compliance with applicable disclosure requirements. Licensor acknowledges and agrees that Licensee and its Affiliate may file a copy of this Agreement with the Securities Exchange Commission in compliance with applicable Laws.

(3) Licensee and its Affiliates may use the Licensed Marks in any “prospectus” or similar communication described in this section only in accordance with this Agreement and the Brand Guidelines.

6. CERTAIN REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF LICENSOR AND LICENSEE

(A) **Representations and Warranties of Each Party**. As an inducement to enter into this Agreement and to carry out the agreements set forth herein, each party hereby represents and warrants, as of the date hereof, to, and agrees with, the other party:

(1) Such warranting party (the “**Warrantor**”) is a corporation, partnership or limited liability company duly organized, validly existing, and in good standing under the Laws of its respective jurisdiction of organization.

(2) The Warrantor has full corporate power and authority to execute and deliver this Agreement, and all of the other agreements and instruments contemplated hereby, to consummate the transactions contemplated hereby and thereby, and to comply with the terms, conditions, and provisions hereof and thereof.

(3) The execution, delivery, and performance of this Agreement and the Memorabilia Lease by the Warrantor (or its Affiliates, as the case may be) have been duly authorized and approved by the board of directors or equivalent body of the Warrantor or any such Affiliate, as the case may be, and do not require any further authorization or consent of the Warrantor, any such Affiliate, or the stockholders thereof. Each of this Agreement and the Memorabilia Lease constitutes, or shall constitute, the legal, valid, and binding agreement of the Warrantor (or its applicable Affiliate, as the case may be), enforceable in accordance with its respective terms, except as such enforceability may be limited by: (1) applicable bankruptcy, insolvency, reorganization, moratorium, equitable principles, or similar Laws affecting legal or equitable rights generally; or, (2) the possibility that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the tribunal before which any proceeding therefor may be brought.

(4) Neither the execution and delivery of this Agreement or any other agreement or instrument contemplated hereby, nor the consummation of any of the transactions contemplated hereby or thereby, nor compliance with or fulfillment of the terms, conditions, and provisions hereof or thereof, in each case by Warrantor (or its applicable Affiliate, as the case may be) will conflict with, result in a breach of the terms, conditions, or provisions of, or constitute a default, an event of default, or an event creating rights of acceleration, termination, or cancellation, or a loss of rights under, or, in the case of Licensor only, result in the creation or imposition of any encumbrance upon any of the Licensed Marks (except for the rights thereto granted to Licensee herein and therein), under the organizational or governing documents of Warrantor (or its applicable Affiliate, as the case may be), or under any note, instrument, agreement, mortgage, lease, license, franchise, permit, judgment, order, award, or decree to which Warrantor (or its applicable Affiliate, as the case may be) is a party or is bound.

(B) **Infringements of or By the Licensed Marks**. Licensor warrants that Licensee's use of the Licensed Marks pursuant to the terms hereof will not infringe upon, constitute a misappropriation or adverse use of, or unfair competition with (collectively, an “**Infringement**”), of the intellectual property rights of any other Person.

(C) **System Modification**. During the term of this Agreement, Licensor shall be at liberty from time to time to modify the Hard Rock System so as to ensure that the standards and quality of facilities and customer services provided in the Casino operated under the Hard Rock System, in the sole and exclusive judgment of Licensor, meet the contemporary requirements of the target markets for such casinos and provide features which distinguish the Casino operated under the Hard Rock System from those

operated by others, including but not limited to, Licensor's Competitors. Licensor agrees to provide Licensee with written notice of any modification to the Hard Rock System prior to requiring Licensee to comply with such modifications.

(D) **Compliance.** Licensee covenants, confirms and warrants that the proposed facility will operate in full compliance with all applicable Laws.

7. LEASE

(A) **Lease of Licensed Location.** If Licensee is leasing any portion of the Licensed Location as a tenant, Licensee represents and warrants that it has and shall during the term of this Agreement have, the right to use and possess the Licensed Location for the purposes set forth herein.

(B) **Sublease of Licensed Location.** If Licensee is leasing or subleasing any portion of the Licensed Location to any third party, Licensee shall provide Licensor with a copy of any such lease, and such lease must comply with this Agreement and shall be subject to the approval of Licensor, not to be unreasonably withheld or delayed; provided, however, Licensor shall not have approval rights with respect to any such tenant or subtenant that is an Affiliate of Licensee or Hotel Licensee, except that the terms of the lease and sublease remain subject to Licensor's approval.

8. PERSONNEL; MANAGEMENT

(A) **Appointment of General Manager.** Prior to the Opening Date, Licensee shall appoint a "General Manager" for the Casino.

(B) **Training of Management Personnel.** Licensee shall require the Person appointed as General Manager of the Casino and not more than two other key management personnel to attend such initial training of at least two (2) full days with respect to Licensor's methods, procedures and protocols, at Licensee's expense, as may be required from time to time by Licensor, at a location to be designated by Licensor. Such initial training shall include, without limitation, the Rock 101 training program. Licensee shall require each Person described in this Section 8(B) to attend such further periods of training, but no more than three (3) full days per calendar year (excluding travel time), at Licensee's expense, as may be required from time to time by Licensor, at a location to be designated by Licensee. If Licensor acting reasonably has assessed that any Person described in this Section 8(B) does not meet the required standards of Licensor then Licensor must notify Licensee of those Persons who have been assessed as not meeting the required standards and those areas of competence in which the Person has not met the required standards and basis for Licensor's assessment. No earlier than thirty (30) days after so notifying Licensee, Licensor may require those Persons to attend further training provided by Licensor at no additional charge or expense to Licensee, provided Licensee shall pay all of the travel and lodging expenses for its employees being trained. Licensor will use reasonable efforts to minimize disruption of Casino operations in the provision of training for such Persons.

(C) **Training of Replacement Managing Personnel.** In the event any of the Persons described in Section 8(B) ceases to be employed in such capacity by Licensee, all approval and training requirements specified in Section 8(B) shall be equally applicable to each employee replacing each such Person in such position. Licensee shall use its reasonable efforts to promptly fill any vacant Casino management position.

(D) **Full Staffing; Additional Training.** Licensee will retain as Casino employees all such staff as may be required from time to time in Licensee's discretion for the proper operation of the Casino in accordance with the terms of this Agreement and the Manuals and will ensure that such staff (and all replacements of each member thereof) are competently trained and have received training, at its expense, relating to the Hard Rock style and brand in accordance with the training materials developed by Licensor and provided at Licensee's cost. All employees of Licensee are solely employees of Licensee, not of Licensor. Licensee is not Licensor's agent for any purpose in regards to Licensee's employees or otherwise. If and whenever reasonably required by Licensor, and at Licensee's expense, but not more than once in any calendar year, each Casino employee that interfaces with the public or supervises those that do shall attend, at Licensee's facilities, such initial and additional training with respect to Licensor's methods, procedures and protocols relating to the Hard Rock System as may be required by Licensor from time to time. Such training shall be at the cost of Licensee and shall be carried out by Licensee at such locations as Licensee may determine. Licensee will reasonably cooperate and require that its staff reasonably cooperate with such training. Licensor may, at its cost, attend and participate in such Hard Rock training, provided, however, that if Licensee requests Licensor's participation in such training and Licensor elects to so participate, Licensee shall reimburse Licensor for its costs in connection therewith.

9. ADVERTISING

(A) **Advertising Prior to Opening Date.** Licensee will, prior to the Opening Date and at Licensee's expense, carry out or cause to be carried out advertising for the opening of the Casino. Licensee shall utilize all reasonable commercial efforts to diligently promote the Casino by advertisements on television and radio and in newspapers, magazines, telephone or trade directories, distributions to customers and potential customers in the most effective manner, point-of-service advertising material, and other forms of publication.

(B) **Advertising After Opening Date.** Licensee will, subject to the provisions of this Section, during each Fiscal Year, use its reasonable endeavors to advertise, market and promote the Casino. Advertising, marketing and publicity under this provision may include, but not be limited to, (i) media (television, radio and print) advertising, (ii) bus and air programs, (iii) direct mail programs, including the value of goods and services provided, (iv) promotions and giveaways including tournaments, special events, and drawings, (v) coupon promotions, (vi) customer transportation reimbursement, (vii) customer gifts, and (viii) complimentary goods and services provided to customers.

(C) **Cooperation with Licensor's Advertising Campaigns.** During the Term of this Agreement and at any time after the Opening Date, Licensee shall, at Licensor's request, cooperate reasonably with Licensor and Licensor's Affiliates, and other licensees of Licensor and Licensor's Affiliates, in any advertising campaign, sales promotion program or other special advertising activity in which Licensor may engage or specify from time to time in relation to the promotion of Hard Rock Hotels or Hard Rock Hotel and Casinos in the target market for the larger entertainment complex in which the Hotel and Casino form part as reasonably determined by Licensee and provided that Licensee has approved (acting reasonably) the said advertising campaign, sales promotion program or other special advertising activity.

(D) **Cooperation with Licensor.** Licensee shall publicize such information and details of Licensor's business operations and that of Licensor's Affiliates and other licensees of Licensor and Licensor's Affiliates in such places in the Casino as Licensor shall, subject to Licensee's approval not to be unreasonably withheld or delayed, from time to time reasonably require.

(E) **No Donations or Contributions.** Licensee will not, except with the Licensor's prior written consent in each instance, make political or religious donations or contributions or subscriptions of any variety utilizing Casino's name or any Licensed Marks, and will not, except with the Licensor's prior written consent in each instance, permit any portion of the Casino or the Licensed Location to be used by any political party or religious organization or for any political or religious purpose that is endorsed or promoted by the Casino.

(F) **Advertising Guidelines.** Licensee must submit any advertising or promotional materials with respect to the Casino that are not in strict conformance with Licensor's guidelines as prescribed in the Manuals, or otherwise in writing, to Licensor for Licensor's prior written consent.

(G) **Licensee's Cross Promotions.** Licensee and Licensor shall meet no later than one hundred eighty (180) days prior to the Opening Date and at least quarterly after the Opening Date, to discuss Licensee's cross-promotion efforts in connection with:

- (1) marketing the Casino in conjunction with the adjacent Hotel;
- (2) advertising within the Casino other facilities of the larger entertainment complex of which the Casino forms part;
- (3) advertising the Casino in other areas of the larger entertainment complex of which the Casino forms part; and
- (4) advertising the Casino on any website operated by Licensee or its Affiliate.

During such meeting, Licensee and Licensor shall cooperate to prepare and update guidelines for use of the Licensed Marks and any other logo or image related to the Licensed Marks in connection with Licensee's cross promotion efforts which guidelines shall be

subject to Licensor's approval. Such guidelines shall include depictions of the graphic use of the Licensed Marks and other trademarks or tradenames in a cross promotion; shall not depict that the Hard Rock Casino sponsors or is sponsored by any other Person and shall not cause confusion with respect to the "Hard Rock" brand or the Licensed Marks. Licensee must follow the guidelines approved by Licensor in connection with its cross promotion efforts. Any uses of the Licensed Mark or related logos or images not consistent with the guidelines approved by Licensor are subject to Licensor's prior written approval.

(H) **Internet.** Other than as provided in this Agreement, Licensee shall not in any manner utilize the Licensed Marks on or in connection with any Internet Site, including but not limited to any utilization or display of the Licensed Marks or any derivation thereof or any trademarks, trade names, service marks, logos or designs confusingly similar thereto, or in any buried computer code, meta-tags or otherwise, except as specifically permitted herein. For purposes of this Agreement, the term "**Internet Site**" shall include any world wide web site, USENET, newsgroup, bulletin board or other online service or any successor thereto at any electronic domain name, address or location, or any other form of online service or electronic domain name, address or location, or any other form of online service or electronic commerce whatsoever.

Licensor and its Affiliates may develop and maintain, or license the development and maintenance of, one or more Internet Site(s) for Hard Rock Hotels, Hard Rock Casinos, Hard Rock Hotel/Casinos, Branded Merchandise and other products and other Hard Rock businesses as Licensor, in its sole discretion, shall determine (each a "**Hard Rock Internet Site**"). Upon request from Licensor, Licensee shall provide (or shall procure the provision) to Licensor any information respecting the Casino required by Licensor for inclusion in a Hard Rock Internet Site or any other Internet Site designed by Licensor. Licensee shall not be entitled to participate in any manner in any revenues (and shall not be liable for any costs and expenses) resulting from the offer and sale of Branded Merchandise on any Internet Site, or by reason of any link from any Licensee Internet Site (as defined in the following paragraph) to a Hard Rock Internet Site. At Licensor's request, each advertisement of the Casino shall prominently display the Internet Uniform Resource Locator (URL) of a Hard Rock Internet Site designated by Licensor to Licensee. Licensee shall have the right to have the Casino featured on Licensor's Internet Site, in the same manner as Licensor includes other Hard Rock Casinos, whether owned or licensed by Licensor, and free of charge.

Licensee shall have the right to develop one or more Internet Sites for the Casino, which may, subject to Licensor's approval, use in their domain names the Licensed Marks, provided that all such domain names shall be and become the property of Licensor, and shall be registered in the name of Licensor, and shall be considered Licensed Marks pursuant to the terms of this Agreement. The format and content of such Internet Site shall be subject to Licensor's approval. Subject to Section 9(G), such Internet Site shall be used by Licensee only for promotion of the Casino. Licensee shall not sell or offer for sale Branded Merchandise or conduct any other business, including, without limitation, online gaming operations on any such Internet Site. Licensee may link any such Internet Site to a Hard Rock Internet Site or an Internet Site operated by the Licensee or its Affiliate provided that the Licensee has complied with

its obligations under section 9(G) and there is no direct link from any Internet Site containing the Licensed Marks in its domain name, or any webpage containing the Licensed Marks or related logos or symbols, to any online gaming site. Licensor shall, at its cost, provide links from its Internet Sites to Licensee's Internet Site for the Casino, giving the same prominence and positioning of the link as Licensor gives to its links to other Hard Rock Casinos.

In the event that Licensee develops an Internet Site for the Casino (a "**Licensee Internet Site**"), Licensee may include a simple link from that site to a Hard Rock Internet Site designated by Licensor to Licensee, provided that (i) the Hard Rock Internet Site shall not be framed or otherwise made to appear as a part of the Licensee Internet Site or any other Internet Site; (ii) such link shall not be designed so as to imply any endorsement by Licensor or the Hard Rock Internet Site with the Licensee Internet Site or any other Internet Site; and (iii) there are no other links on the Licensee Internet Site to any other Internet Sites that (a) are offering any merchandise utilizing any Branded Merchandise or otherwise utilizing in any manner any Licensed Marks for the sale of any merchandise (other than the Hard Rock Internet Site), or are otherwise utilizing any Licensed Marks unless Licensee shall have obtained Licensor's prior written approval to any links to such Internet Sites; or (b) are operated by or on behalf of or otherwise promote any products or services of any person or entity that would in Licensor's judgment be prejudicial to Licensor or the Licensed Marks.

10. STANDARDS OF QUALITY AND OPERATION

(A) **Operation of Casino Must Meet Standards.** Licensee will, at all times, operate the Casino as provided for herein consistently in accordance with the Management Standard required of Licensee hereunder and in accordance with the Hard Rock System and Manuals. Licensee shall have the sole and exclusive right to supervise, direct and control the management and operation of the Casino, and such right may not be assigned or delegated, except with the Licensor's consent which consent shall not be unreasonably withheld or delayed.

(B) **Licensee's Obligations.** Licensee shall:

- (1) Refrain from using the Casino, or any portion thereof for any purpose other than operating a Casino pursuant to provisions herein;
- (2) Maintain in the Casino, a minimum of two hundred fifty (250) Electronic Gaming Positions, including, at least two (2) Gaming Tables in operation at all times;
- (3) Provide Hard Rock Casino promotional materials and other Hard Rock literature in the Casino, as requested by Licensor;
- (4) Refrain from making any material alteration to the Casino, or vary the design, décor, fixtures, fittings, or FF&E of the Casino (other than any specialized casino equipment including slot machines and gaming equipment as which Licensor's approval shall be required with respect to signage, decoration and other attributes that are Hard Rock Elements) in any such case with respect to Approval Items without obtaining Licensor's prior written approval in accordance with procedures that are equivalent to

those specified in Exhibit D; provided, however, that Licensee will make such alterations or variations to such elements as Licensor shall require from time to time by generally applicable amendments to the Manuals, or issuance of other guidelines or directives;

(5) Not broadcast or otherwise distribute via any medium (including, but not limited to, television, radio, videotape, DVD, “webcasting” or any other streaming of video or audio via the internet) any image, sound, production or other visual, audio or electronic transmission of any type from the Casino without Licensor’s prior written approval; and

(6) Notwithstanding anything to the contrary contained herein, decorate, maintain, refurbish and repair the Hard Rock Corridors so that the memorabilia, lighting fixtures, flooring and wall coverings are consistent with the décor and design of the Casino.

(C) Quality Notices.

(1) Subject to any applicable Law and Licensee’s security procedures, Licensor shall have the right to engage in regular surveillance of the management and operation of the Casino and compliance by Licensee with the Hard Rock System, and Licensee shall permit duly authorized representatives of Licensor to have access to all areas of Casino for such inspection purposes. Licensee shall also cooperate with such representative and provide all information requested by such representative in order for such representative to complete the inspection.

(2) In the event that Licensor should note any failure by Licensee to maintain in any respect the quality standards set forth herein, Licensor shall notify Licensee in writing as provided herein of the particular failure or deficiency noted, and Licensee shall promptly and in all events within thirty (30) days after such notice correct the same, provided that if the nature of such failure is such that more than thirty (30) days is required to correct such failure or deficiency, then Licensee shall be in compliance with this paragraph if within such thirty (30) day period it promptly takes appropriate steps to correct such failure or deficiency and thereafter diligently pursues those steps to completion.

(D) Gaming.

(1) Licensee represents and warrants that (i) either it or any of its Affiliate has or will on the Opening Date have, and during the Term, shall perform all things and acts that are necessary on its part to maintain all necessary licenses, permits, permissions, consents, right and authority under the Laws of Macau and under all Laws, rules, regulations and other requirements of any kind of any Governmental Authority with jurisdiction over Licensee or the Licensed Location to engage in Casino gaming operations as contemplated by this Agreement; and (ii) that the execution of this Agreement shall not require or obligate Licensor to seek or obtain any license, permit, permission, consent or approval of any such Governmental Authority. Licensee shall not own, operate, advertise or promote at the Licensed Location or in connection with the Casino any business, activity, service, website or

other business that promotes or implements gaming over the internet or over the telephone or otherwise by electronic communication if such activity violates or would violate any applicable Law, rule or regulation of Hong Kong, China, the United States, Canada, the United Kingdom or any other jurisdiction by accepting players from such jurisdictions.

(2) Licensee shall during the Term of this Agreement actively monitor all applicable Laws relating to gaming matters. In the event Licensee becomes aware of any such Laws that may be applicable to Licensor with respect to the Casino or this Agreement, Licensee shall inform Licensor of such Laws. Licensor shall make all required filings required under such Laws and use all commercially reasonable efforts to comply with such Laws. The cost of any such filings shall be borne by Licensor. In the event that any gaming Laws shall impose material obligations or liabilities on Licensor that in its discretion determines cannot be effectively mitigated by indemnification from Licensee, Licensor shall be entitled to terminate this Agreement in accordance with section 15(A)(14) provided that the Licensor does not use any regulatory issue as a subterfuge to terminate this Agreement in bad faith.

11. ADDITIONAL COVENANTS OF LICENSEE

(A) **Keep Casino Open; Obtain and Maintain Necessary Permits.** Subject to Force Majeure and unless otherwise required by the applicable Laws or Government Authority, Licensee will continuously during the Term hereof keep the Casino open. Licensee will obtain and maintain such gaming, liquor and other licenses and other Permits as shall be necessary to operate the Casino in accordance with the terms hereof, including, without limitation, all required Permits in respect of gaming activities conducted at the Casino. The risk of obtaining and maintaining any Permits required to develop and/or to operate the Casino and/or the Licensed Location as contemplated herein shall be upon Licensee, and Licensor assumes no responsibility therefor.

(B) **Maintain Confidentiality.** A party shall not divulge, either during or following the termination of this Agreement, directly or indirectly, without the other party's prior written consent, any Confidential Information of the other party and shall comply with the following confidentiality obligations. Each party shall require its employees, or other representatives, with access to any such Confidential Information to execute and deliver to the other party a Confidentiality Agreement in a form acceptable to that party.

(C) **Confidential Information.** Neither party will acquire any interest in the Confidential Information of the other party learned by that party other than the right to utilize the same in connection with the ownership and operation of the Hotel and Casino during the Term of this Agreement. The use or duplication of a party's Confidential Information in any other business will constitute an unfair method of competition with the other party, its Affiliates and that party's other licensees and businesses. A party (the "**Disclosing Party**") will disclose its Confidential Information to the other party (the "**Receiving Party**") solely on the condition that the Receiving Party and its Affiliates agree, and the Receiving Party, individually and on behalf of its Affiliates hereby agrees, that the Receiving Party and/or its Affiliates: (i) will not use the Disclosing Party's Confidential Information in any other business or

capacity; (ii) will maintain the absolute confidentiality of the Disclosing Party's Confidential Information during and after the Term of this Agreement; (iii) will not make unauthorized copies of any portion of the Disclosing Party's Confidential Information which is disclosed in written or other tangible form; and (iv) will adopt and implement all reasonable procedures the Disclosing Party prescribes from time to time to prevent unauthorized use or disclosure of the Disclosing Party's Confidential Information, including, without limitation, restrictions on disclosure thereof by the Receiving Party's employees and Affiliates who may have access to the Disclosing Party's Confidential Information, the use of non-disclosure clauses in employment and other agreements with such persons, and the execution of confidentiality agreements in a form acceptable to the Disclosing Party, by persons having access to such Confidential Information. Notwithstanding any other provision of this Agreement to the contrary, (i) provided that a party or its Affiliates have in place a confidentiality agreement that governs disclosure of non-public information with potential parties to an acquisition agreement regarding such party or its Affiliates, the parties may make Confidential Information available to potential acquirers and their lenders for use in evaluating a possible acquisition transaction, (ii) the parties may disclose Confidential Information to Government Authorities as may be required by applicable Law and (iii) inclusion of Customer's names and addresses in Licensor's databases shall be permitted without any obligation to remove such information or restrict its use after termination.

(D) **Prohibition Against Soliciting Employees of Licensor.** Without the Licensor's prior written approval, Licensee and its Affiliates, will not, directly or indirectly, solicit the employment of any Person who has an active management position with Licensor or any of its Affiliates.

(E) **Maintenance of Interior and Exterior of Casino.** Licensee will, at all times, maintain the interior and exterior of the Licensed Location and the Casino, and all contents thereof, in a high standard of decoration, repair, cleanliness and orderliness consistent with the Management Standard and the standards of the Hard Rock System and Manuals. Licensee shall make such replacements and renewals to FF&E and repairs to the Casino's physical facilities as are necessary to maintain the Casino at such standards. Licensee acknowledges that Licensor bears no responsibility for any renovations at the Casino and that Licensee in all respects bears the responsibility for the conduct and adequacy of each renovation.

(F) **Only Approved Signage May Be Used at Casino.** Licensee shall not erect or alter any sign or other medium of display or advertisement upon the Casino that is an Approval Item without, in each case, obtaining the prior written consent of Licensor. Each such alteration, erection, or installation shall be made only in accordance with plans, drawings, and specifications previously submitted to and approved in writing by Licensor.

(G) **Prompt Payment of Amounts Due.** Licensee will pay to Licensor, Licensor's Affiliates, and all suppliers of Licensee, any and all amounts due any such Person promptly and in accordance with the agreed or, if not previously agreed, customary, terms of payment.

(H) **Maintain Possession of Manuals.** Licensor shall, at Licensee's request, provide up to five (5) physical copies of the Manuals for use by Licensee, its Affiliates (as required in connection with the Casino) or their respective staffs. Licensee will maintain the Manuals at the Casino at all times. Licensee will not copy the Manuals, or any portion thereof, without Licensor's prior written permission which shall not be unreasonably withheld or delayed and will not permit any member of Licensee's staff or any other Person with access thereto to do so. Licensee will inform Licensor immediately if any of the Manuals, or any portion thereof, is copied, stolen, removed from the Casino, lost, or damaged. Licensor shall provide Licensee with all updates and revisions of the Manuals applicable to the Casino. Licensee shall at all times ensure that Licensee's copy of the Manuals is kept up-to-date, and in the event of any dispute or to the contents of the Manuals the master copy of the Manuals maintained by Licensor at Licensor's principal office shall be controlling.

(I) **Anti-Counterfeiting Program.** Upon request of Licensor, Licensee will participate in any anti-counterfeiting program relating to goods and merchandise utilizing the Licensed Marks developed by Licensor that is relevant to the Casino and its suppliers.

(J) **Corporate Compliance.** Licensee shall upon request provide Licensor with samples of all products and materials (including any advertising, marketing or promotional materials) on, or in relation to which the Licensed Marks are used. Licensee shall not sell, distribute or otherwise dispose of any materials or products which Licensor determines do not comply with the requirements of this Agreement.

(K) **Hotel Licensee's Default.** In the event Hotel Licensee is in default under the Hotel License and Licensor is entitled to damages by reason of Hotel Licensee's default, Licensee agrees to pay to Licensor after five (5) days prior written notice the amount of such damages under the Hotel License to the extent that Hotel Licensee fails to pay such amounts to Licensor. The foregoing shall not be deemed a waiver of any of Licensor's rights hereunder or under the Hotel License or any other rights available at Law or in equity.

(L) **Licensor Actions.** To the extent Licensor is advised by Licensee of any applicable Laws pursuant to Section 10(D)(2) herein, Licensor shall not undertake any action that would result in the Casino not being in compliance with applicable Law; and Licensee will not be required to comply with the Hard Rock System to the extent that such compliance results in a breach of applicable Laws, including but not limited to gaming Laws.

(M) **Approved Products.** Licensor reserves the right from time to time to approve specifications of operating supplies and equipment used or sold at the Casino to ensure such operating supplies and equipment are substantially similar to the level of service and quality practiced by first class full service facilities earning a "four star" rating by a recognized rating body in the hospitality industry.

12. PROTECTION AND ACKNOWLEDGMENT OF THE LICENSED MARKS

(A) **Licensed Marks Exclusive Property of Licensor.** Subject to this Agreement, Licensee recognizes and acknowledges the exclusive rights of Licensor to the Licensed Marks and all other intellectual property rights related thereto or derived therefrom and acknowledges that all such rights are subject to the total control in their exercise by Licensor and its Affiliates. For all purposes of the relationship between Licensor and Licensee created hereunder, Licensor shall be deemed to be the sole and exclusive owner of all right, title and interest in and to the Licensed Marks in all forms and embodiments thereof, subject only to the specific rights granted to Licensee hereunder. Licensee agrees that its use of the Licensed Marks, and all associated goodwill generated thereby, inures to the sole benefit of Licensor and its Affiliates in accordance with their rights in the Licensed Marks and shall be deemed to be used by Licensor. Licensee specifically acknowledges that the rights granted to it pursuant to this Agreement shall not prevent or prohibit Licensor or any licensee thereof to commercialize or otherwise utilize (and retain all profits from) the Licensed Marks or any other intellectual property right of Licensor in any endeavor, except as otherwise provided in Section 2(B) hereof. Except as specifically provided in this Agreement, Licensor makes no representation and gives no warranty of whatsoever nature or kind with respect to the validity of, or its rights, title and no warranty of whatsoever nature or kind with respect to the validity of, or its rights, title and interest in or to, the Licensed Marks and expressly disclaims any implied warranty against infringement.

(B) **Licensee Has No Right of Ownership in Licensed Marks.** Except as provided herein, nothing contained in this Agreement shall be construed to confer upon Licensee any right to the Licensed Marks registered in the name of Licensee as proprietor or to vest in Licensee any right of ownership to the Licensed Marks, and Licensee shall not, directly or indirectly, register or cause to be registered, in any country or with any Governmental Authority or use any trademark, trade name, service mark or other intellectual property right consisting of, related to, similar to and/or deceptively similar to, any of the Licensed Marks or any other intellectual property right of Licensor or any Affiliate of Licensor.

(C) **Licensee Will Not Challenge Licensor's Ownership of the Licensed Marks.** During the Term and thereafter, Licensee will not, and will not assist any Person to: (i) challenge the validity of Licensor's or its Affiliates' ownership of, or right to license, the Licensed Marks or any registration or application for registration therefor; (ii) contest the fact that Licensee's rights under this Agreement are solely those of a licensee and terminate upon termination or expiration of this Agreement; and (iii) represent in any manner that it has any title or right to the ownership, registration or use of the Licensed Marks in any manner except as set forth in this Agreement.

(D) **Licensee to Cooperate Where Requested.** In the event, at any time during the term of this Agreement, Licensor or its Affiliates apply or decide to apply for registration of a trademark, trade name, service mark or other intellectual property right that is or may become a part of the Licensed Marks, Licensee will, at Licensor's cost to the extent of any out-of-pocket costs of Licensee,

render to them all requested reasonable assistance, in obtaining and thereafter maintaining registration thereof (including, without limitation, the execution of all necessary registered user or similar agreements) with applicable Governmental Authorities.

(E) **Licensee's Covenants.** Licensee shall use the Licensed Marks only in compliance with applicable Laws as permitted by this Agreement. Licensee shall not use or exploit the Licensed Marks outside the Licensed Location except the Licensee may engage in, and use the Licensed Marks for, the promotion, advertising or marketing of the Casino anywhere in the world. Licensee shall not have any right to assign, sublicense or franchise any of the Licensed Marks to any other Persons; provided, however, that Licensee's or Hotel Licensee's wholly-owned Affiliates may utilize the Licensed Marks to perform any obligations of the Licensee under this Agreement where the Licensee has delegated those obligations to that Affiliate. Licensor and its Affiliates shall retain the sole right to apply for the registration or renewal of trademarks and service marks or other proprietary rights for the Licensed Marks anywhere in the world, including the Territory, and Licensee shall cooperate with Licensor and its Affiliates (at Licensee's expense) in connection with such applications and renewals.

(F) **Casino Name.** Licensee will operate the Casino only under the Licensed Marks under the name **Hard Rock Hotel & Casino Macau or Hard Rock Hotel & Casino City of Dreams Macau.**

(G) **Licensee's Duties.** Licensee shall:

(1) Not use any Licensed Marks as part of its corporate name or the name of any Affiliate.

(2) Not cause or permit anything within Licensee's control to occur which may damage, endanger, or reduce the value of the Licensed Marks or any other trademark, trade name, service mark, or other intellectual property right of Licensor or any Affiliate of Licensor, or Licensor's or such Affiliate's title thereto, or the rights of any other licensee of Licensor or any Affiliate of Licensor thereto, or assist or suffer any other Person to do so.

(3) Not interfere in any manner with, nor attempt to prohibit, the use or registration by Licensor, with applicable Governmental Authorities of the Licensed Marks or any other trademark, trade name, service mark or other intellectual property right of Licensor or any Affiliate thereof.

(4) Not use any name or mark similar to or capable of being confused with any of the Licensed Marks or any other trademark, trade name, service mark, or other intellectual property right of Licensor or any Affiliate thereof.

(5) Take such action in relation to the Licensed Marks as Licensor may, from time to time, require, in order to protect or promote the same, including, without limitation, the marking of any advertising material, signs, or other items bearing the Licensed Marks, in such manner as Licensor may require.

(6) Give notice on all business stationery, merchandise cards, purchase order forms, guest checks, maintenance requests, invitations, employment applications and on such other items, and in such other places, as Licensor may, from time to time require, that the Casino is operated under license from Licensor pursuant to this Agreement and such other notices as Licensor may deem reasonably necessary to inform third parties that Licensor does not accept liability for the acts, omissions, debts, or defaults of Licensee; and promotional material and advertisements will, if Licensor requires, include a statement that the Casino is operated under license from Licensor and such other information as Licensor may deem necessary to inform third parties that it does not accept liability for the acts, omissions, debts, or defaults of Licensee.

(H) **Licensee's Duties Regarding Infringement.** Licensee will immediately notify Licensor in writing of any actual or suspected Infringement of the Licensed Marks, any claim in the nature of Infringement against Licensor, any claim that the Licensed Marks are invalid, infringe third party rights, cause deception, confusion, or otherwise attack the Licensed Marks, Licensee, or any Affiliate thereof, involving the Licensed Marks, or any use thereof by Licensor, Licensee, or any Affiliate thereof (collectively, all of the foregoing shall be referred to in this Section 12(H) as an "**Infringement Claim**"), of which Licensee becomes aware. Licensee will, where requested by Licensor and at Licensor's cost to the extent of any out-of-pocket expenses incurred by the Licensee and any other costs or expenses approved by Licensor, lend all reasonably necessary assistance in any such action Licensor or any Affiliate thereof may institute, against any Person involved or suspected of being involved in the Infringement of the Licensed Marks, as described herein, at or proximate to the Licensed Location, or any Infringement Claim action Licensor or any Affiliate thereof may defend. Licensee shall not make any admissions in respect of such matters and shall provide Licensor with all relevant information in its possession regarding any infringement claim. All damage or settlement awards, if any, received in connection with any Infringement Claim action, after reimbursement (pro rata) to Licensor and Licensee of their respective attorneys' fees and other costs of maintaining any such action, shall be for the account of Licensor. Licensor shall, at all times, in its discretion have full control over the conduct of any Infringement Claim action and the settlement thereof, except in the case where Licensee or its Affiliate is a named defendant in any such action as it relates to Licensee, in which event Licensor and Licensee shall have joint control of such action, but neither party hereto shall, in connection with any such action, assert any legal position or effect any settlement which would be in contravention of the other party's rights hereunder or to Licensor's and its Affiliates' rights to the Licensed Marks. Licensor shall have the right to join or intervene in any action commenced or defended by Licensee hereunder.

(I) **Licensee's Exclusive Rights.** Licensee hereby acknowledges the exclusive rights of Licensor and its Affiliates:

(1) to the Licensed Marks and all parts thereof, including, without limitation, all amendments and modifications thereto and all advertising matter, slogans, and similar items and ideas which may, from time to time, be used to promote the same including any such advertising slogans, advertising matter and similar promotional programs that are developed by Licensee with respect to the Casino that utilize the Licensed Marks or are specifically related to the Hard Rock brand (e.g. "Rock your World");

(2) to make such additions or modifications to the Licensed Marks or the Hard Rock System, including, without limitation, the addition, renewal, or substitution of other intellectual property rights as may from time to time, in Licensor's sole judgment, be necessary to promote, improve, or protect the Licensed Marks or the Hard Rock System, and to amend or revise the Manuals; and

(3) to take all actions Licensor deems reasonably necessary to protect and promote the Licensed Marks, the Hard Rock System, and the operations and goodwill of the Casino, including but not limited to any statutory or common law right to bring infringement proceedings.

(J) **Licensee's Improvements to be Licensed to Licensor.** If, at any time during the period of this Agreement, Licensee or any employee or representative thereof shall invent, discover, or make any improvements to the Licensed Marks, the Hard Rock System, the Manuals or any ideas, Concepts (including their names, logos, distinctive interior and exterior designs), programmatic elements, color schemes, including decoration and design of any staff uniform), techniques, manuals, or improvement which may otherwise be applicable specifically to a Hard Rock Casino, it shall promptly disclose to Licensor of the same, together with all details necessary for a proper understanding of the same, and all such improvements shall be deemed to be Licensor's and Licensor's Affiliates' sole and exclusive property, part of the Hard Rock System and work made-for-hire for Licensor and its Affiliates. To the extent any item does not qualify as a "work made-for-hire" for Licensor and its Affiliates, by this paragraph, Licensee hereby assigns ownership of that item, and all related rights to that item, to Licensor and its Affiliates and agree to take whatever action (including signing assignments or other documents) Licensor requests that evidence Licensor's and its Affiliates' ownership or to help Licensor or its Affiliates obtain intellectual properties rights in the item.

(K) **Licensed Marks to be used only with operation of the Casino.** Licensee shall not use the Licensed Marks or any variation thereof except in connection with the operation of the Casino as provided for herein.

(L) **Licensor's Warranty.** Licensor represents and warrants to Licensee, on a continuing basis, that:

- (1) Licensor owns, or has the right to license, the Licensed Marks;
- (2) Licensor has (and will have at all relevant times) the right to grant a license to use the Licensed Marks to Licensee; and
- (3) the use of the Licensed Marks by Licensee in accordance with this Agreement will not infringe the intellectual property rights or any other rights of any other Person.

13. MARKETING INFORMATION

Licensee shall make available to Licensor, subject to applicable Laws and Licensor's obligations under Sections 11(B), (C) and 16(A), marketing information and marketing and customer analyses of the Casino that Licensee prepares or utilizes, such as, but not limited to, utilization rates and Customer Profile Data, excluding, however, any gaming data, and shall provide to Licensor access to database information regarding customers and potential customers developed by Licensee by means of its customer communications programs, surveys or otherwise.

14. REQUIRED INSURANCE

(A) **Obligations of Tenants, Subtenants and Contractors.** If Licensee enters into any lease or sublease for premises at the Casino or any contract for redevelopment or renovation or similar work at, or materials for the Casino, said lease, sublease or contract shall require the tenant, subtenant or contractor to maintain insurance satisfying all of the requirements of this Section 14, including all applicable coverages listed herein, in the Hotel License or such other insurance as may be commercially reasonable under the circumstances. If any such leases, subleases or contracts were entered into prior to the commencement of the Term, and the terms of those leases or subleases will not expire or the contract work will not be completed prior to the commencement of the Term, then Licensee covenants and agrees that, on or before the commencement of the Term, it will either cause such tenants, subtenants and contractors to obtain the insurance required by this Section 14, including all applicable coverages listed above, or Licensee will obtain such insurance, at Licensee's expense, on behalf of such tenants, subtenants and contractors.

(B) **Schedules and Certificates of Insurance.** Licensee shall promptly provide Licensor with certificates of insurance evidencing all insurance coverages required of Licensee pursuant to this Section 14, and Licensee shall immediately provide, upon renewal, expiration, change, or cancellation of any insurance coverage, a new certificate of insurance to Licensor. All insurance policies shall name Licensor and its Affiliates as additional insureds.

(C) **General Requirements for Insurance.** All insurance required hereunder shall be provided with policies meeting the criteria of the Hotel License, provided that coverage may be under blanket policies of Licensee and its Affiliates.

(D) **Waiver.** Licensor, Licensee and their respective Affiliates shall not assert against the other, and each does hereby waive with respect to the others, any claims for any losses, damages, liabilities or expenses (including attorneys' fees) incurred or sustained by any of them on account of damage or injury to persons or property arising out of the ownership, operation and/or maintenance of the Casino, to the extent that the same would be covered and paid by the insurance required to be carried hereunder.

(E) **Coverage.** At all times during the term of this Agreement, Licensee, at its sole cost and expense, shall procure and maintain in full force and effect insurance coverages with respect to the Licensed Location and the Casino meeting the insurance criteria specified in the Hotel License.

(F) **Defense of Claims.** All liability insurance policies procured and maintained by Licensee pursuant to this Section 14 will require the insurance carrier to provide and pay for attorneys to defend any legal actions, lawsuits, or claims brought against Licensee, Licensor, or any of their respective officers, directors, agents, or employees.

15. TERMINATION

(A) **Termination by Licensor for Cause.** Upon the occurrence of any Licensee Event of Default, Licensor may, at its option, and without waiving its rights hereunder or any other rights available at Law or in equity, including its rights to damages, terminate this Agreement and all of Licensee's rights hereunder effective immediately upon the date Licensor delivers written notice of termination, upon such other date as may be set forth in such notice of termination, or upon the occurrence of or the lapse of the specified cure period following, any one of the following "**Licensee Events of Default:**"

(1) If Licensee applies for or consents to the appointment of a receiver (other than for a bona fide restructuring or amalgamation not involving insolvency, judicial manager, trustee or liquidator of all or a substantial part of its assets, files a voluntary petition in bankruptcy, or admits in writing its inability to pay its debts as they come due, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or files an answer admitting the material allegations of a petition filed against Licensee in any bankruptcy, reorganization or insolvency proceeding, or if any order, judgment or decree shall be entered by any court of competent jurisdiction on the application of a creditor, adjudicating Licensee a bankrupt or insolvent or approving a petition seeking reorganization of Licensee or appointing a receiver, trustee or liquidator of Licensee or of all or a substantial part of the assets of Licensee, and any such order, judgment, or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days;

(2) If Licensee fails to make any payment due hereunder within ten (10) days after Licensor's written notice that such payment is past due;

(3) If Licensee is convicted of or pleads guilty (or the equivalent) to a felony, or any other crime or offense (even if not a crime), that is reasonably likely, in Licensor's reasonable opinion, to affect adversely the Hard Rock System, any Hard Rock Casino, the Licensed Marks, or the goodwill associated therewith;

(4) If Licensee is failing to maintain any Permits or to comply with any Laws applicable to the operation of the Casino which would materially adversely affect the Licensed Marks or the ability of Licensee to comply with the provisions of this Agreement, and Licensee does not cure such failure within thirty (30) days of Licensee's receipt of notice of such failure, or such longer period as permitted by the applicable Laws or Government Authority (up to a maximum of 180 days), provided that in the case

of any failure of Licensee to maintain any Permits applicable to the operation of the Casino not owing to or constituting a breach or default of Licensee under this Agreement, no damages or compensation for such termination shall be payable by Licensee;

(5) If Licensee defaults on any of its obligations under any other agreement with Licensor or its Affiliates with respect to the Casino or the Hotel, including without limitation, Hotel License or the Memorabilia Lease, and such default is not cured in accordance with the terms of such other agreement or waived by Licensor in writing;

(6) If the Casino is closed to the public for more than one hundred eighty (180) consecutive days for any reason whatsoever, provided that in the case of any closure of the Casino for more than one hundred eighty (180) consecutive days not owing to or constituting a breach or default of Licensee under this Agreement, no damages or compensation for such termination shall be payable by Licensee;

(7) If there is any violation by Licensee of any transfer provision contained in Section 17 of this Agreement;

(8) If Licensee's right to possession of the Licensed Location shall be terminated at any time for any cause whatsoever, or if a Lease is terminated or expires, provided that in the case of any termination of Licensee's right to possession of the Licensed Location or any termination or expiration of the Lease not owing to or constituting a breach or default of Licensee under this Agreement or the Lease, no damages or compensation for such termination shall be payable by Licensee;

(9) If Licensee violates: (i) the non-competition covenants contained in Section 18(A) of this Agreement; or (ii) any covenant of confidentiality or nondisclosure contained in this Agreement that causes a material adverse effect for Licensor (other than pursuant to the terms hereof or for the purpose of performing the obligations of this Agreement);

(10) If Licensee makes, or has made, any materially false statement or report to Licensor in connection with (i) this Agreement or (ii) any information furnished to Licensor prior to entering into this Agreement;

(11) If there are three (3) or more substantially similar defaults under this Agreement by Licensee during any twelve (12) month period, or five (5) or more substantially similar defaults under this Agreement by Licensee during any thirty-six (36) month period during the Term;

(12) If the Hotel License is terminated for any reason other than the fault of the Licensor thereunder, including but not limited to any termination of the Hotel License as a result of cessation of operations of the Project Casino or the Casino or if Hotel Licensee shall at any time cease to be an Affiliate of Licensee;

(13) If Licensee fails to perform or commits a breach of any other non-monetary covenant, obligation, term, condition, warranty or certification herein and fails to cure such noncompliance or deficiency within thirty (30) days after Licensor's

written notice thereof, provided that in the event a cure within such thirty (30) day period is not possible, no termination shall be permitted by Licensor if Licensee promptly commences cure within such thirty (30) day period and diligently pursues the same; or

(14) If Licensor shall reasonably determine, based upon written advice of Governmental Authorities with jurisdiction over Licensor, or an opinion of experienced and reputable independent gaming counsel for Licensor, that the continued existence of this Agreement would result in Licensor or its Affiliates (i) losing a gaming license then held by it, or (ii) being denied a gaming license otherwise available to it because of Licensor's relationship to Licensee as a result of this Agreement.

(B) **Licensee's Termination Without Cause.** At any time after the third (3rd) Fiscal Year after the Opening Date, Licensee and Hotel Licensee may upon ninety (90) days prior written notice signed by both of them elect to simultaneously terminate this Agreement and the Hotel License by payment of a Termination Fee to Licensor. The "**Termination Fee**" with respect to this Agreement shall mean a cash payment equal to the discounted value, using an 8% per annum discount rate, of ninety percent (90%) of the average of the monthly Fees paid to Licensor under this Agreement for the twenty-four (24) month period ending on the last day of the month which is prior to the termination date specified in the notice delivered under this Section 15(B) multiplied by the number of months remaining in the Term. Payment of such Termination Fee shall be made by wire transfer to an account specified by Licensor, and it shall be a condition to the effectiveness of any termination under this Section 15(B) that such Fee shall have been paid to Licensor and the Hotel License simultaneously terminated and the Termination Fee under such agreement paid in full.

(C) **Termination by Licensee for Cause.** Upon the occurrence of any Licensor Event of Default, Licensee may, at its option, and without waiving its rights hereunder or any other rights available at Law or in equity, including its rights to damages, terminate this Agreement and all of Licensor's rights hereunder effective immediately upon the date Licensee delivers written notice of termination, upon such other date as may be set forth in such notice of termination, or upon the occurrence of or the lapse of the specified cure period following, any one of the following "**Licensor Events of Default**:"

(1) If Licensor applies for or consents to the appointment of a receiver, judicial manager, trustee or liquidator of all or a substantial part of its assets, files a voluntary petition in bankruptcy, or admits in writing its inability to pay its debts as they come due, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or files an answer admitting the material allegations of a petition filed against Licensor in any bankruptcy, reorganization or insolvency proceeding, or if any order, judgment or decree shall be entered by any court of competent jurisdiction on the application of a creditor, adjudicating Licensor a bankrupt or insolvent or approving a petition seeking reorganization of Licensor or appointing a receiver, trustee or liquidator of Licensor or of all or a substantial part of the assets of Licensor, and any such order, judgment, or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days;

(2) If Licensor is convicted of or pleads guilty (or the equivalent) to a felony, or any other crime or offense (even if not a crime), that is reasonably likely, in Licensee's reasonable opinion, to affect adversely the Casino or Licensee's goodwill or rights under this Agreement;

(3) If Licensor is failing to maintain any Permits required to be held by it or to comply with any Laws applicable to Licensor regarding the operation of the Casino which would materially adversely affect the Licensed Marks or the ability of Licensee to comply with the provisions of this Agreement and Licensor does not cure such failure within thirty (30) days of Licensor's receipt of notice of such failure, or such longer period permitted by the applicable Laws or Government Authority (up to a maximum of 180 days), provided that in the case of any failure of Licensor to maintain any Permits applicable to the operation of the Casino required to be held by Licensor not owing to or constituting a breach or default of Licensor under this Agreement, no damages or compensation for such termination shall be payable by Licensor;

(4) If Licensor defaults on any of its obligations under any other agreement with Licensee or its Affiliates, including without limitation, the Hotel License or Memorabilia Lease, and such default is not cured in accordance with the terms of such other agreement or waived in writing;

(5) If Licensor violates any covenant of confidentiality or nondisclosure contained in this Agreement that causes a material adverse effect on Licensee;

(6) If Licensor makes, or has made, any materially false statement or report to Licensee in connection with (i) this Agreement or (ii) any information furnished to Licensee prior to entering into this License Agreement;

(7) If the Hotel License is terminated as a result of a default by Licensor under the Hotel License;

(8) If Licensor fails to perform or commits a breach of any other non-monetary covenant, obligation, term, condition, warranty or certification herein and fails to cure such noncompliance or deficiency within thirty (30) days after Licensee's written notice thereof, provided that in the event cure within such thirty (30) day period is not possible, no termination shall be permitted by Licensee if Licensor promptly commences cure within such thirty (30) day period and diligently pursues the same; or

(9) If Licensee shall reasonably determine based upon written advice of Governmental Authorities with jurisdiction over Licensee, or an opinion of experienced and reputable independent gaming counsel for Licensee, that the continued existence of this Agreement would result in Licensee or its Affiliates (i) losing a gaming license then held by it, (ii) being denied a gaming license otherwise available to it because of Licensee's relationship to Licensor as a result of this Agreement, or (iii) being subjected to material adverse effects if this Agreement continues to exist.

(D) **Non-exclusivity of Remedies.** Neither the termination of this Agreement, nor the exercise of any other right or remedy by a party hereto, shall terminate the right of either party hereto to commence appropriate arbitration, or, if applicable hereunder, litigation proceedings to remedy the breach of this Agreement by the other party, and shall also not affect the right of Licensor or any of its Affiliates to any payment which becomes due hereunder following termination of this Agreement. The parties shall have and enjoy all rights and remedies available to them in the event of any breach of this Agreement.

16. LICENSEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

(A) **Termination of Use of Licensed Marks; Other Obligations.** Upon expiration or termination of this Agreement for any reason, Licensee's right to use the Licensed Marks will terminate immediately except as set forth in this Section 16, and this Agreement shall cease and neither party shall have any further claim against the other whatsoever in respect of any matter or thing under this Agreement, except that all obligations of the parties under this Agreement which accrue or are due with respect to periods prior to, or as of, such termination or expiration, and all obligations which expressly survive the expiration or termination of this Agreement, including, without limitation, the provisions of Sections 11(C), 16, 19, 20 and 22 of this Agreement, shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. In addition, Licensee will: (i) promptly upon demand therefor by Licensor pay any and all Fees and amounts due and owing to Licensor or any Affiliate of Licensor under this Agreement; (ii) return to Licensor all materials containing any Licensor Confidential Information, including, without limitation, the Manuals; and (iii) comply with other applicable provisions of this Agreement. Notwithstanding any other provisions to the contrary contained in this Agreement, or the Hotel License or any other agreement, (a) Licensor may continue to use the Customer Profile Data, except in connection with the advertisement or promotion of a Casino in the Territory and (b) nothing shall limit Licensor's rights to use the Hotel Guest Profile Data (as defined in the Hotel License) pursuant to the terms of the Hotel License. Upon expiration or termination of this Agreement, Licensor shall (x) return to Licensee all materials containing Licensee Confidential Information as required by this Agreement; and (y) comply with other applicable provisions of this Agreement.

(B) **Alteration of the Licensed Location.** Upon expiration or termination of this Agreement for any reason, Licensee shall, within thirty (30) days thereof at its expense, remove any signage bearing the Licensed Marks; and within ninety (90) days of the date thereof Licensee shall alter, modify and change both the exterior and interior appearance of the Casino and the Licensed Location to remove all elements containing the Licensed Marks or Hard Rock Elements from the Casino. At a minimum, such alterations, modifications and changes to the Casino will include: (i) removing all exterior and interior signage containing any Licensed Mark; (ii) repainting and, where applicable, recovering both the exterior and interior of the Casino to remove distinctive colors and designs from the walls; (iii) removing all fixtures and other distinctive decor items, music-related memorabilia and icons and distinctive furnishings, (iv) changing the staff uniforms; and (v) immediately discontinuing the use or display of the Licensed Marks, including all usage of the Licensed Marks in connection with the advertisement and promotion of the Casino. Subject to section 4(B), until any signage bearing the Licensed Marks shall be removed, Licensee shall, each day, pay Licensor an amount equal to the Gaming License Fee in effect upon the termination date.

17. **TRANSFER**

(A) **Assignment By Licensor.** This Agreement shall inure to the benefit of any assignee or other legal successor to the interests of Licensor herein. Licensor is free to transfer and assign all of its rights and obligations under this Agreement to any person or business entity. Upon such assignment and assumption, Licensor shall have no further obligation to Licensee.

(B) **Sale or Assignment By Licensee.** The rights of Licensee pursuant to this Agreement are personal to Licensee. Licensor has granted a license to Licensee in reliance upon Licensee's and its principals' individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, subject to Section 5(B) and other than to a Melco Affiliate, Licensee shall not, directly or indirectly, sell, assign or otherwise transfer its ownership interest in the Casino or in this Agreement, in whole or in part in each instance, without Licensor's prior written approval, which may not be unreasonably withheld. In the event that Licensor does not approve the sale, assignment or transfer of the Casino by Licensee, Licensee may terminate this Agreement on thirty (30) days written notice to Licensor upon payment of a Termination Fee computed as provided in Section 15(B). Licensor agrees, however, that Licensee may on notice to Licensor, sell, assign or otherwise transfer, without Licensor's consent, its ownership interest in the Casino along with all of the assets of the Casino and/or its rights under this Agreement, in whole or part, as part of a sale, assignment or transfer of the whole or a substantial part of the "City of Dreams" complex in which the Casino is located, including the Casino to a single person that is not a Competitor of Licensor and has a net worth of not less than \$100 Million U.S. Dollars at the time of such transaction that acquires the Casino and Casino License. Licensee shall in a timely manner provide Licensor with the necessary information regarding any proposed transfer to permit Licensor to evaluate the proposed transferee and the transfer. In the event that Licensee sells the Hotel, Casino and all or a substantial part of the "City of Dreams" complex to a Person that is a Competitor of Licensor, Licensor shall have the right by written notice to Licensee to terminate this Agreement and upon such termination Licensee shall pay to Licensor a fee equal to the Termination Fee computed as provided in Section 15(B). In the event that Licensee sells the Hotel, Casino and all or a substantial part of the City of Dreams complex to a Person who is not a Competitor of Licensor but does not at the time of the transaction satisfy the \$100 Million U.S. Dollar net worth test set forth above, Licensor shall have the right by written notice to terminate this Agreement and upon such a termination Licensee shall pay to Licensor a fee equal to fifty percent (50%) of the Termination Fee computed as provided in Section 15(B).

(C) **Effect of Sale or Lease.**

(1) It is the intent of the parties hereto that the Casino shall at all times during the Term of this Agreement be operated in accordance with the Hard Rock System and the terms of this Agreement. Accordingly, in the event that Licensor consents

to a sale or lease and assignment of this Agreement pursuant to Section 17(B) above, the prospective purchaser shall deliver to Licensor as a condition to such sale or assignment an executed written instrument, reasonably satisfactory in form and substance to Licensor and its counsel, expressly assuming and agreeing to perform all of the terms and provisions of this Agreement and providing a release by the assigning Licensee.

(2) Licensor's consent to any sale or assignment of this Agreement shall not constitute a waiver of any claims Licensor or any Affiliate of Licensor may have against Licensee, nor shall it be deemed a waiver of Licensor's right to demand strict compliance with any of the terms or conditions of this Agreement by Licensee.

(3) Any sale or transfer in violation of the provisions of this Section 17 shall be void and of no force and effect.

18. **NON-COMPETITION**

(A) **During the Term.**

(1) During the term of this Agreement, Licensee and its Affiliates shall not, directly or indirectly, own, operate, or have any other interest in: (A) a restaurant, or casino located in Macau which is owned, operated or licensed by a Competitor, or (B) a Planet Hollywood restaurant, or casino located in Macau, or (C) a Music-Themed hotel, or casino located in the Territory. For purposes hereof, "Music-Themed" shall mean a facility (including a casino or hotel) that includes in its name, is licensed or endorsed by, or has a substantial portion of its design based on, or is otherwise identified with a musician, musical personality, a musical group and includes the display of memorabilia bearing the image of such musician, musical personality or musical group.

(2) Licensee shall not operate or permit any other Person to operate at the Licensed Location: (a) a restaurant owned, operated or licensed by a Competitor, or (b) a gift shop or other clothing or merchandise store (including any such sales at the Restaurant) which sells clothing depicting the geographic location of the Casino or merchandise bearing the trademarks of a Competitor. Licensee shall include or cause to be included in any leases at the Casino a clause prohibiting or preventing the use or operation thereof in a manner which would violate the provisions of this Section, and Licensor shall be deemed to be a third party beneficiary of such lease clause with the right to enforce it against the tenant. For the avoidance of doubt, any breach of such lease clause not owing to the action of Licensee or any Affiliate of Licensee shall not be deemed a breach of this Agreement by Licensee unless Licensee prevents Licensor from asserting its rights to prohibit such violation by a tenant.

(B) **Upon Transfer, Termination or Expiration.** Upon expiration or termination of this Agreement, or upon a transfer by Licensee of its interest in the Casino or its rights under this Agreement, Licensee agrees that, for one (1) year beginning on the effective date of the expiration, termination or transfer, neither Licensee nor its Affiliates will directly or indirectly own, operate, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in, a Music-Themed casino or hotel at the Licensed Location or at a location situated within the Territory.

(C) **Necessity of Non-competition Restriction; Injunctive Relief.** Licensee agrees the provisions of this Section 18 are necessary to protect the legitimate business interests of Licensor, its Affiliates and other licensees of Licensor and its Affiliates (collectively, the “**Protected Persons**”), including, without limitation, and as applicable, preventing the unauthorized dissemination of marketing, promotional and Confidential Information to competitors thereof and preventing damage to and/or loss of goodwill associated with the Licensed Marks and other intellectual property rights of Licensor. Licensee specifically acknowledges that damages alone cannot adequately compensate for a violation by Licensee of the requirements of this Section 18, and that injunctive relief is essential for the protection of the Protected Persons. Licensee agrees that if Licensor alleges any violation of any covenant contained within this Section 18, the Licensor will have the right (notwithstanding Section 19 hereof) to petition a court of competent jurisdiction for injunctive relief, in addition to all other remedies that may be available.

19. **DISPUTE RESOLUTION**

(A) **Accounting/Fee Disputes.** Any dispute regarding the calculation of Fees paid or payable by Licensee and/or its Affiliates shall be resolved in the following manner: Licensor and Licensee shall use their reasonable efforts with the assistance of their respective independent public accountants to resolve such dispute. If such persons are unable to resolve the dispute within thirty (30) calendar days after receipt by either party of a notice identifying the nature of such dispute (the “**Dispute Notice**”), then the issues raised by the Dispute Notice shall be resolved by any internationally recognized “big-four” firm of certified public accountants mutually acceptable to Licensor and Licensee (the “**Accounting Referee**”). Such person shall act as an expert and not as an arbitrator. If within forty-five (45) days after receipt by either party of the Dispute Notice, the parties are unable to agree on an Accounting Referee, then each party shall pick an internationally recognized “big-four” firm of certified public accountants and such firms shall select the Accounting Referee, provided that the Accounting Referee so selected by such firms shall be independent of the Licensor and the Licensee and their respective Affiliates and shall not have a business relationship with any of such parties. The parties shall use reasonable efforts to cause the Accounting Referee to promptly resolve such issues. Such determination shall be made within thirty (30) calendar days after the date on which the Accounting Referee receives notice of the dispute, or as soon thereafter as possible. Such determination shall be final and binding upon the parties and shall not be subject to appeal. The fees, costs and expenses of the Accounting Referee in conducting such review (if any) shall be shared fifty percent (50%) by Licensor and fifty percent (50%) by Licensee. If Licensor and Licensee are unable to agree on an Accounting Referee, the dispute shall be governed by Section 19(B) below.

If the final resolution of Fees as provided above results in an additional payment to Licensor by Licensee and/or its Affiliates, then Licensee and/or its Affiliates shall pay any additional amounts due to Licensor, together with Interest thereon from the relevant due date, and reimburse Licensor for its share of the fees, costs and expenses of the Accounting Referee, within fifteen (15) days of

the date on which the final determination is agreed or determined. If the final resolution of Fees as provided above determines that Licensee is not obligated to pay any additional Fee, the Licensor shall reimburse Licensee for its share of the Fees, costs and expenses of the Accounting Referee within fifteen (15) days of the date on which the final determination is agreed or determined.

(B) Other Disputes.

(1) Except for disputes, disagreements, controversies or claims (a “**Dispute**”) related to or based on Licensee’s use of the Licensed Marks or by Licensor with respect to its rights under Section 18 or disputes relating to the calculation of fees paid or payable by Licensee and/or its Affiliates to Licensor, which are subject to Section 19(A), all Disputes between Licensor and Licensee arising out of or relating to this Agreement or the validity or enforcement of any provision of this Agreement, shall be resolved by arbitration administered by the Hong Kong International Arbitration Centre (“**Arbitration Body**”) as provided in this Section 19(B) and the Commercial Arbitration Rules of such Body (the “**Arbitration Rules**”) in effect as of the commencement of the applicable arbitration proceeding, except to the extent the then current Arbitration Rules are inconsistent with the provisions of this Section 19(B), in which event the terms hereof shall control. The arbitration shall be governed by the Laws of Hong Kong, China and this Section 19(B), the award of the arbitration tribunal shall be final and binding and judgment upon the award entered by the arbitrators may be entered in any court having jurisdiction.

(2) If either party hereto asserts that a Dispute has arisen, such asserting party shall give written notice (or notice as otherwise provided herein) thereof to the other party promptly following the asserting party having become aware that a Dispute has arisen. Any arbitration pursuant to this Section shall be conducted exclusively in Hong Kong.

(3) The arbitration shall be conducted by three (3) arbitrators, which arbitrators shall be selected in accordance with the Arbitration Rules, and at least one (1) of whom shall have had experience in the management and/or operation of Casinos, or as a consultant in connection with the management and/or operation of Casinos.

(4) In connection with any arbitration proceeding pursuant to this Section 19(B), (a) no arbitrator shall have been employed or engaged by a party hereto within the previous five (5) year period, (b) each arbitrator shall be neutral and independent of the parties to this Agreement, (c) no arbitrator shall be affiliated with any party’s auditors, (d) no arbitrator shall be employed by any Casino operator or an Affiliate of any Casino operator, and (e) no arbitrator shall have a conflict of interest with (including, without limitation, any bias towards or against) a party hereto. As used in this Agreement, the term “arbitrator” or “arbitrators” shall mean the one (1) member arbitration panel or the three (3) member arbitration panel, as applicable, described herein.

(5) The award of the arbitrators shall be accompanied by a statement of the reasons upon which the award is based. The arbitrators shall not have the power to modify this Agreement. Except in connection with claims by third parties for which a party is entitled to indemnification pursuant to this Agreement, the award may not include, and the parties hereto specifically waive, any right to an award of multiple, exemplary or punitive damages.

(6) The arbitrators may consolidate proceedings with respect to any Dispute under this Agreement with proceedings with respect to any related controversy under this Agreement. However, except as specifically set forth in the preceding sentence: (i) arbitration will be conducted on an individual, not a class-wide, basis; (ii) only Licensor (and/or its Affiliates and their respective officers, directors, owners, employees, agents and representatives, as applicable) and Licensee (and/or its Affiliates and their respective officers, directors, owners, employees, agents and representatives, as applicable) may be the parties to any arbitration proceedings described in this Section; and (iii) no such arbitration proceeding shall be consolidated with any other arbitration proceeding involving Licensor and/or any other Person or involving Licensee and/or any other Person.

(7) The parties hereto will cooperate in the exchange of documents relevant to any Dispute. Deposition or interrogatory discovery may be conducted only by agreement of such parties or if ordered by the arbitrators. In considering a request for such deposition or interrogatory discovery, the arbitrators shall take into account that the parties hereto are seeking to avoid protracted discovery in connection with any arbitration proceeding hereunder.

(8) Licensor and Licensee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable Law or this Agreement, whichever expires earlier. Licensor and Licensee further agree that, in connection with any arbitration proceeding, each party must submit or file any claim which would constitute a counterclaim in respect of a claim in relation to which arbitration proceedings have been commenced within the same proceeding as the claims to which it relates. Any such counterclaim which is not submitted or filed will be forever barred.

(9) Notwithstanding anything to the contrary contained herein, Licensor and Licensee each have the right when deemed necessary to prevent irreparable injury pending resolution by arbitration of the actual Dispute to obtain temporary restraining orders and temporary or preliminary injunctive relief, from a court of competent jurisdiction; provided that Licensor and Licensee must contemporaneously submit their Dispute for arbitration on the merits.

(10) Subject to any injunctions or court orders during the course of the arbitration tribunal's adjudication of this dispute, this Agreement shall continue to be performed except with respect to the part in dispute and under adjudication.

(C) **Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act 15 U.S.C. Sections 1051 *et seq.*), this Agreement shall, by this express agreement of the parties, be governed by, and construed and enforced in accordance with the Laws of Hong Kong, China, without regard to the conflicts of law provisions of the Laws of Hong Kong, China. The parties hereto each hereby consents to the application of Hong Kong law to the construction, interpretation and enforcement of

this Agreement, and to the application of Hong Kong law to the procedural aspects of any suit, action or proceeding relating thereto, including but not limited to legal process, execution of judgments and other legal remedies.

(D) **Injunctive Relief**. In connection with seeking temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction as provided in Section 19(B)(9), or in judicial proceedings related to Licensee's use of the Licensed Marks, Licensee and its Affiliates, and their respective officers, directors, employees, and licensees agree to entry without bond of temporary and permanent injunctions and orders of specific performance enforcing any of the provisions of this Agreement.

(E) **Consent to Jurisdiction**. Licensee and Licensor agree that all judicial actions arising under this Agreement or otherwise as a result of the relationship between Licensee and Licensor that are not subject to arbitration or that pursuant to Section 19(B)(9) are carried on with a contemporaneous arbitration must be commenced, as applicable, in the courts of Hong Kong, the People's Republic of China. Licensee and Licensor irrevocably submit to the jurisdiction of those courts and waive any objection Licensee or Licensor might have to either the jurisdiction of or venue in those courts. Licensor appoints: Clarson Services Limited, 41st Floor, Bank of China Tower, 1 Garden Road, Hong Kong to accept service in any proceedings which may be commenced pursuant to or in connection with this Agreement in the Hong Kong courts, or, to the extent required, before the Arbitration Body. Licensee appoints: RB Secretariat Limited, 20th Floor, Alexandra House, 16-20 Chater Road, Hong Kong to accept service in any proceedings which may be commenced pursuant to or in connection with this Agreement in the Hong Kong courts, or, to the extent required, before the Arbitration Body. A party must maintain such agent for service and may only change such agent with the written consent of the other party.

(F) **Costs and Attorneys' Fees**. Licensee and Licensor agree that if either party seeks to enforce this Agreement in an arbitration, judicial or other proceeding, the prevailing party shall be entitled to its reasonable costs and expenses (including attorneys' fees) incurred in connection with such arbitration, judicial or other proceeding.

(G) **Waiver of Punitive Damages and Jury Trial**. Except for the parties' respective indemnification obligations under Section 20 with respect to any third party Claims, Licensor and Licensee waive to the fullest extent permitted by Law any right to or claim for any multiple, punitive or exemplary damages against the other and agree that, in the event of a dispute between Licensor and Licensee, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. Licensor and Licensee irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them.

(H) **Limitations of Claims**. Except for claims arising from Licensee's nonpayment or underpayment of amounts Licensee owes Licensor or its Affiliates, any and all claims arising out of or relating to this Agreement or Licensor's relationship with Licensee will be barred unless a proceeding is commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claim.

20. **INDEMNIFICATION**

(A) **Indemnification by Licensee**. Licensee shall Indemnify Licensor and its Affiliates and all of their respective directors, officers, employees, agents and representatives from and against all actions, suits, claims, proceedings, investigations, audits, demands, assessments, fines, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) ("**Claims**") incurred by any of them by reason of: (i) any breach by Licensee of any covenant or agreement made by it in this Agreement, (ii) any act or omission of Licensee or any officer, employee or agent of Licensee, whether or not incurred or committed in the operation of the Casino, (iii) any failure by Licensee to provide all of the services contracted for in connection with the operations of the Casino, to honor and fulfill all obligations of Licensee under any contract, commitment or obligation of Licensee, (iv) any failure by Licensee or its Affiliates or any officer, employee or agent of Licensee or its Affiliates, to obtain and maintain the applicable approvals, licenses and Permits required by any applicable Governmental Authority or Licensee, (v) any violation by Licensee or its Affiliates of any approvals, licenses or Permits relating to the Casino, or (vi) the operation of the Casino, including any death or personal injury or property damage occurring at the Casino.

(B) **Indemnification by Licensor**. Licensor shall indemnify Licensee and its directors, officers, employees, agents and representatives from any Claims arising out of Licensor's gross negligence, willful misconduct or breach of its obligations or representations under this Agreement.

(C) **Method of Asserting Claims**. Whenever any Claim shall arise for indemnification under this Section 20, the indemnified party will give prompt written notice to the indemnifying party of such Claim, stating the nature, basis and (to the extent known) amount thereof, and shall cooperate fully in the defense, settlement or compromise of such Claim; provided that failure to give prompt notice shall not jeopardize the right of the indemnified party to indemnification unless such failure shall have materially prejudiced the ability of the indemnified party to defend such Claim. The indemnifying party shall have the sole right to select counsel for the defense of such Claim, subject to the approval of the indemnified party (which approval shall not be unreasonably withheld) and to control the defense, settlement or compromise of such Claim. The indemnified party shall have the right to participate in (but not control) the defense of any such Claim, with its counsel and at its own expense. The indemnified party shall not settle or compromise any Claim by a third party for which it is entitled to indemnification hereunder without the prior written consent of the indemnifying party. The indemnifying party shall obtain the prior written approval of the indemnified party (which approval may not be unreasonably withheld) before ceasing to defend against such third party claim or entering into any settlement or compromise of such third party claim involving injunctive or similar equitable relief being asserted against any indemnified party and no indemnifying party will, without prior written consent of each indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened Claim, action or cause of action, suit or proceeding in respect of which indemnification may be sought thereunder (whether or not any such indemnified party is a party to such Claim, action or cause of action, suit or proceeding), unless such settlement, compromise or consent includes an unconditional release of all such indemnified parties from all liability arising out of such Claim, action, suit or proceeding.

(D) **Survival.** The provisions of this Section 20 shall survive the termination of this Agreement for any reason.

21. **CASUALTY**

If the Casino is damaged or destroyed by fire or other cause and such damage or destruction necessitates the closing of the Casino for a period in excess of thirty (30) days, Licensee shall have the right to terminate this Agreement if Licensee elects not to repair or rebuild the Casino upon written notice to Licensor given within sixty (60) days of such closing of the Casino; provided, however, if subsequent to such notice and prior to the date on which the Term of this Agreement would otherwise have ended pursuant to this Agreement if such notice of termination had not been given, Licensee, any of its Affiliates, or any member of Licensee has a majority interest in or operates a casino at the Licensed Location (the “**Other Casino**”), which Other Casino is not operated pursuant to a license or franchise from Licensor or any of its Affiliates, then in such event, Licensee shall be deemed to have wrongfully terminated this Agreement and Licensor shall be entitled to payment of a Termination Fee computed as provided in Section 15(B) based upon the period prior to the damage or destruction causing the closing and terminates this Agreement and the Hotel License.

22. **GENERAL PROVISIONS**

(A) **Entire Agreement.** This Agreement, together with the Manuals and the documents referred to herein, and the attachments hereto, if any, constitute the entire, full and complete agreement between Licensor and Licensee concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced Licensee to execute this Agreement. No representations, inducements, promises, or agreements, oral or otherwise, not embodied in this Agreement or attached hereto (unless of subsequent date) were made by either party, and none shall be of any force or effect with reference to this Agreement or otherwise. Except as otherwise provided in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

(B) **Notices.** Except as otherwise provided in this Agreement, all notices, demands, requests, consents, approvals and other communications (collectively “**Notices**”), required or permitted to be given hereunder, or which are to be given with respect to this Agreement, shall be in writing and personally delivered, or sent by facsimile (with a confirming copy mailed by registered mail as described herein), or by a recognized overnight courier service, or by registered mail, postage prepaid, return receipt requested, addressed to the party to be so notified as follows:

If to Licensee, to: Melco PBL Gaming (Macau) Limited
The Centrium
Level 38, 60 Wyndham Street
Hong Kong
Attention: Company Secretary
Telephone No.: +852 3151 3777
Facsimile No.: +852 3162 3740

Hard Rock Holdings Limited
Hard Rock Café International (USA), Inc.
6100 Old Park Lane
Orlando, Florida 32835
Telephone No.: (407) 445-7625
Facsimile No.: (407) 445-7630
Attention: President and General Counsel

Notices shall be deemed received on the date of delivery if personally delivered, two (2) business days after sending if sent by facsimile or overnight courier service, or seven (7) business days after sending if sent by registered mail.

(C) **Independent Contractor Status.** This Agreement does not create a fiduciary relationship between the parties hereto, and Licensee is and shall, at all times, remain an independent contractor. Nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other party for any purpose. During the term of this Agreement, Licensee shall hold itself out to the public only as an independent contractor operating the business pursuant to a license from Licensor.

(D) **Survival.** Any covenant, representation, warranty, term or provision of this Agreement which, in order to be effective, must survive the termination of this Agreement, shall survive any such termination.

(E) **Severability.** Except as expressly provided to the contrary elsewhere herein, each section, part, term and/or provision of this Agreement shall be considered severable and shall be construed as independent of any other section, part, term and/or provision of this Agreement. If, for any reason, all or any part of any section, part, term and/or provision herein is held to be invalid, unenforceable, or in conflict with any applicable Law by a court or properly convened arbitrators having valid jurisdiction in an unappealed final decision to which Licensor is a party or by which Licensor may be bound, such shall not impair the operation of, or have any other effect upon, any other section, part, term and/or provision of this Agreement as may remain otherwise valid and enforceable, and the latter shall continue to be given full force and effect and bind the parties hereto, and said invalid sections, part, terms and/or provisions shall be deemed limited by construction in scope and effect to the minimum extent possible to render the same valid and enforceable.

(F) **No Third Party Beneficiary.** Except as provided herein, no provision of this Agreement is intended or shall be construed to provide or create any third party beneficiary right or any other right of any kind in any client, customer, affiliate, insurer, lender, shareholder, partner, officer, director, employee or agent of any party hereto, or in any other Person, and all terms and provisions hereof shall be personal solely among the parties to this Agreement and their proper successors and assigns.

(G) **Waivers and Amendments.** No failure by any party hereto to insist upon the strict performance of any covenant, agreement, term or condition of this Agreement, or to exercise any right or remedy consequent upon the breach thereof, shall constitute a waiver of any such breach or any subsequent breach of such covenant, agreement, term or condition. No covenant, agreement, term or condition of this Agreement, and no breach thereof, shall be waived, altered or modified except by written instrument signed by the party to be charged therewith. No waiver of any breach of any covenant, agreement, term or provision of this Agreement shall affect or alter this Agreement, but each and every covenant, agreement, term and condition of this Agreement shall continue in full force and effect.

(H) **Consents and Approvals.**

(1) All consents and approvals which may be given under this Agreement shall be in writing. Unless a different standard is specified in a particular term or provision of this Agreement, any provision of this Agreement which specifies that a consent or approval by a party shall not be “unreasonably withheld or delayed”, must be “reasonably” given, or words of similar effect, shall entitle that party, in granting or withholding any such consent or approval, to consider the economic considerations of that party, the application of that party’s policies and procedures, public relations and publicity concerns of that party and Licensee, and Laws applicable to the parties.

(2) If, pursuant to this Agreement, any consent or approval by either party which may not be unreasonably withheld is alleged to have been unreasonably withheld, conditioned or delayed, then any dispute as to whether such consent or approval has been unreasonably withheld, conditioned or delayed shall be settled by arbitration in accordance with Section 19 hereof. In the event there shall be a final determination that such consent or approval was unreasonably withheld, conditioned or delayed so that such consent or approval should have been granted, the consent or approval shall be deemed granted and the party requesting such consent or approval shall not be entitled to damages or any other relief resulting therefrom.

(3) **Informational Materials.** In furtherance of the respective rights of the parties contained within this Agreement, including, without limitation, any right of approval or consent, or, in the case of Licensee, to exploit the Licensed Marks granted hereunder to Licensee subject to this Agreement, each party shall be entitled to receive from the other all materials and information in the possession or control of the other party reasonably requested to enable the requesting party to exercise the rights granted to such requesting party hereunder.

(I) **Expenses.** Except to the extent otherwise provided herein, each party hereto will bear its own costs, expenses and fees, including, without limitation, the fees and expenses of their respective legal counsel, in connection with the negotiation, preparation

and execution of this Agreement, and in connection with all due diligence reviews and investigations conducted by such party prior to the execution of this Agreement.

(J) **Assignment.** Subject to the provisions of Section 17 hereof, this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, legal representatives, successors and permitted assigns of the parties hereto.

(K) **Language.** All manuals, materials and other information and assistance furnished by Licensor under the provisions hereof shall be expressed in the English language. The parties hereto confirm that it is their wish that this Agreement as well as all other documents relating hereto, including notices, have been and shall be drawn up in the English language only.

(L) **Headings.** The section and other headings contained herein are for convenience of reference only, and are not intended to define, limit or describe the scope or intent of any provision of this Agreement.

(M) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(N) **Public Announcements.** No notices to third parties or other publicity, including press releases, concerning the existence of this Agreement or any of the transactions contemplated hereby shall be made by a party hereto or their respective Affiliates unless agreed to by the other party (any such consent not to be unreasonably withheld), except to the extent required by Law.

(O) **No Solicitation.** Licensor and Licensee, on behalf of itself and its Affiliates, each agree not to, directly or indirectly, solicit the employment of any individual who has an active management position with the other party hereto or any of its Affiliates, without the written consent of the other party hereto, which consent may be granted or withheld in the other party's sole discretion.

(P) **Cumulative Remedies.** All rights and remedies of the parties hereto are cumulative of each other and of every other right or remedy such parties may otherwise have at law or in equity, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

23. **ACKNOWLEDGEMENTS AND REPRESENTATIONS**

Each party acknowledges that the other party has made no warranties or representations except as specifically provided in this Agreement and that it did not rely on any promises, representations or agreements about the other party or the license not expressly contained in this Agreement in making its decision to sign this Agreement. Each party further represents and warrants that the other party and its representatives have not made any promises, representations or agreements, oral or written, except as expressly contained in this Agreement. Each party assumes no liability or obligation to the other party, by providing any waiver, approval, consent or suggestion in connection with this Agreement.

Each party acknowledges that the business venture contemplated by this Agreement involves substantial business risks, and its success will be largely dependent upon its ability as an independent businessman. Each party expressly disclaims the making of, and the other party acknowledges that it has not received, any warranty or guaranty, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

Each party acknowledges that it has read and understood this Agreement, the attachments hereto, if any, and agreements relating thereto, if any, and that it has had ample time and opportunity to consult with advisors and legal counsel of its own choosing about the potential benefits and risks of entering into this Agreement. Each party acknowledges that it has had an opportunity to negotiate, and has fully negotiated, the essential stipulations of this Agreement and that such stipulations were not unilaterally imposed on it by the other party.

24. REGISTRATION OF THE LICENSOR IN MACAU

(a) Unless the Licensor's and Licensee's respective local counsel in Macau both advise otherwise, Licensor shall register its business as a service provider with the Direcção dos Serviços de Finanças de Macau (the "**Macau Finance Department**") as soon as reasonably practicable after the date hereof. Licensor acknowledges that it is a condition to the payment of any Fee hereunder that Licensee receives a certified true copy of the relevant registration certificate issued by the Macau Finance Department with respect to the registration of Licensor. Licensor shall after such registration duly file the required annual tax returns in respect of all its income/fees arising from the businesses as conducted in Macau, or any taxes, levies, imposts, deductions, charges, withholdings and duties (including stamp and transaction duties), together with any related interest, penalties, fines and other statutory charges (collectively "**Taxes**") that may be levied by the Macau Finance Department due to the development or deemed development of such businesses in Macau.

(b) If applicable, Licensor must, upon request, immediately deliver to Licensee the certified copy of the registration application referred in Section 24(a) with acknowledgement of receipt by the Macau Finance Department, which shall be kept in Licensee's files.

(c) Licensor undertakes to inform Licensee of all relevant tax matters in connection with the development or deemed development of its businesses in Macau by virtue of this Agreement, including but not limited to the amount of Taxes levied in relation to the development or deemed development of its businesses in Macau as contemplated under this Agreement and the time of payment of such Taxes. Licensor shall be responsible for payment of all relevant Taxes (including but not limited to any interests for late payment, fines or penalties) levied by the Macau Finance Department in relation to the development or deemed development of Licensor's businesses in Macau as contemplated under this Agreement and all costs in relation to the registration application and filing of the annual tax returns as referred in Section 24(a) above.

(d) Any of the Taxes required by law to be deducted in respect of sums payable under this Agreement by Licensee to Licensor, including, for the avoidance of doubt, the Fees, shall be for the account of Licensor (with Licensee being under no obligation to gross-up any payment made to Licensor).

EXHIBIT A

DEFINITIONS

“**Accounting Referee**” shall have the meaning set forth in Section 19(A) hereof.

“**Affiliate**” shall mean, with respect to any Person, any other Person which, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. For all purposes hereof, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person, or the power to veto major policy decisions of any Person, whether through the ownership of voting securities, by contract, or otherwise. For all purposes hereof, “Affiliates” of Licensee shall include, without limitation, Melco International Development Limited and its Affiliates and Publishing and Broadcasting Limited and its Affiliates.

“**Agreement**” shall have the meaning set forth in the first paragraph hereof.

“**Approval Items**” shall have the meaning set forth in Section A(1) of Exhibit D.

“**Arbitration Body**” shall have the meaning set forth in Section 19(B)(1) hereof.

“**Arbitration Rules**” shall have the meaning set forth in Section 19(B)(1) hereof.

“**Brand Guidelines**” means the guidelines established by Licensor prescribing the permitted form and manner in which the Trademarks may be used, or any amended version thereof provided by Licensor to Licensee from time to time.

“**Branded Merchandise**” shall mean those, and only those, items of personal property, products and merchandise utilizing or bearing the Licensed Marks, whether utilizing the name of the Casino or not.

“**Budget**” shall have the meaning set forth in Section 2 of Exhibit E.

“**Business Day**” shall mean a day (other than Saturday and Sunday) on which banks generally are open in Hong Kong for a full range of business.

“**Casino**” shall mean the Hard Rock Casino to be constructed and operated by Licensee at the Licensed Location. The Casino shall include all improvements and related amenities and structures constructed on the Licensed Location (including, without limitation, the Casino building and all operating systems therein) and all FF&E and other fixed assets installed in such improvements.

“**City of Dreams Land**” shall mean the block of land of approximately 113,325 square metres on Taipa Island adjacent to Taipa-Coloane Causeway and Cotai reclamation area being the block on which the City of Dreams resort will be constructed.

“**Claims**” shall have the meaning set forth in Section 20(A) hereof.

“Competitor” shall mean a Person that owns, operates or manages, directly or indirectly, a facility operated as (a) a Planet Hollywood; or (b) a Motown Cafe, House of Blues or other similar restaurant chain (i) operating under the same name in six or more Metropolitan Areas, (ii) with music theme-related icons or memorabilia displayed throughout the premises in a museum or collection type manner (but excluding self promotional items of a single individual), and (iii) which derives greater than ten percent (10%) of its gross revenues from the sales of merchandise.

“Comprehensive Project Design” shall have the meaning set forth in the Development Rider.

“Concept” shall have the meaning set forth in the Development Rider.

“Conceptual Design Drawings” shall have the meaning set forth in the Development Rider.

“Conceptual Design Package” shall mean the final conceptual design phase as described in the Hard Rock Development Standards.

“Confidential Information” shall mean either Licensor Confidential Information or Licensee Confidential Information as the context requires.

“Construction Documents” shall mean the construction documents phase as described in the Hard Rock Development Standards.

“Controlling Interest” means the possession of ownership interests or contract or other rights that constitute the power, directly or indirectly, to direct or cause the direction of the management and policies of any Person.

“Customer Profile Data” means all personal guest profile, including demographic information, and information regarding guest preferences and gaming data.

“Design Development” means the design development phase as described in the Hard Rock Development Standards.

“Development Rider” shall refer to the Development Rider in the Form of Exhibit D.

“Dispute” shall have the meaning set forth in Section 19(B)(1) hereof.

“Dispute Notice” shall have the meaning set forth in Section 19(A) hereof.

“Effective Date” shall have the meaning set forth in the first paragraph hereof.

“Electronic Gaming Machine” shall mean any slot machine, video poker machine or other similar electronic or mechanical legally licensed gaming device or apparatus and one (1) Electronic Gaming Machine shall equal one (1) Gaming Position.

“**Event of Default**” shall mean a Licensee Event of Default or a Licensor Event of Default as defined in Section 15(A) and 15(C), respectively, as the context requires.

“**Fees**” shall the meaning set forth in Section 4(B) hereof.

“**FF&E**” shall mean all furniture, fixtures and equipment (other than Operating Equipment and Operating Supplies) located at or used in connection with the Casino, including without limitation: (i) all furniture, furnishings, built-in furniture, carpeting, draperies, decorative millwork, decorative lighting, doors, cabinets, hardware, partitions (but not permanent walls), televisions and other electronic equipment, interior plantings, interior water features, artifacts and artwork, and interior and exterior graphics; (ii) communications equipment; (iii) all fixtures and specialized casino equipment, including slot machines and gaming equipment; (iv) telephone and call accounting systems; (v) point-of-sale accounting equipment, front and back office accounting, computer, duplicating systems and office equipment; (vi) cleaning and engineering equipment and tools; (vii) vehicles; (viii) recreational equipment; and (ix) all other similar items which are used in the operation of the Casino, excluding, however, any personal property which is owned by subtenants, licensees, concessionaires or contractors or used by any of them under any lease, license or similar agreement between any of them with a third party.

“**Force Majeure**” shall mean war, terrorism, epidemic, riots, civil commotion, labor disputes, strikes, lockouts, inability to obtain labor or materials, fire, hurricane, windstorm, flooding, or other acts or elements, accidents, government restrictions or appropriation or other causes, whether like or unlike the foregoing, beyond the control of a party hereto. Such events will only be considered “force majeure” events if the occurrence of any such event renders a party unable to perform, in whole or in part, its obligations under this Agreement.

“**Gaming License Fee(s)**” means the fee(s) Licensee will pay for the duration of this Agreement to Licensor under Section 4 hereof.

“**Gaming Position**” shall mean one (1) Electronic Gaming Machine or 1/7th of a Gaming Table or any multiple or combination of either or both, as the context requires.

“**Gaming Tables**” shall mean any licensed location for poker, roulette, blackjack, dice, mimi baccarat, baccarat or other multi-participant gaming activities, and a Gaming Table shall equal 7 Gaming Positions.

“**Governmental Authority**” means any foreign, federal, state or local governmental or tribal entity or authority, or any department, commission, board, bureau, agency, court or instrumentality thereof having jurisdiction over the Licensed Location or the Casino.

“**Hard Rock Café**” means a café, restaurant or similar establishment offering food and beverages under the “Hard Rock” trademark.

“**Hard Rock Casino**” means a casino within a property or resort named or identified with the Licensed Marks. The term “Hard Rock Casino” shall include the casino buildings and structures at any time constructed and situated on the land, whether owned or leased, comprising that location, and all facilities, structures and improvements relating thereto, including, without limitation, any lobbies, kitchen, dining rooms, restaurants, meeting and banquet rooms and facilities, bars, landscaping, parking areas, roadways and walkways.

“Hard Rock Corridors” shall mean the corridors and passageways that are not within the main footprint of the Casino or the Hotel but connect the Hotel to the Casino or the Hard Rock Café to the Casino or the Hotel.

“Hard Rock Development Standards” means the development standards dated September 21, 2006 with respect to Hard Rock Hotels provided by Licensor to Licensee, as amended from time to time with mutual consent of the parties hereto.

“Hard Rock Elements” shall mean those aural or visual aspects of the Hard Rock Casino which uniquely identify a facility as being a Hard Rock Casino, including but not limited to (1) the use of distinctive exterior and interior designs, layouts, concepts, decor, music-related memorabilia and icons, and staff uniforms; (2) the process for training employees in all customer service and interface positions; (3) the electronic visual and audio aspects of the Hard Rock Casino, including but not limited to music and video selection; (4) advertising and marketing standards for the uses and presentation of the Licensed Marks, including such usage in connection with media events, television, radio and print, and coordination of public relations activities; (5) distinctive furniture, distinctive carpeting, decorative millwork, decorative lighting, acoustics, graphics, signage and audio visual equipment; and (6) any other use or display of the Licensed Marks.

“Hard Rock System” shall mean those procedures, standards, specifications, controls, systems, manuals, guides, and other distinguishing elements or characteristics which Licensor and its Affiliates have developed in connection with the operation of Hard Rock Casinos, including, without limitation, the Licensed Marks, the Manuals, the Hard Rock Development Standards, the Management Standards and the Hard Rock Elements, as such may from time to time be modified by Licensor. Licensee acknowledges and agrees that Licensor and its Affiliates have the exclusive rights to and in the Hard Rock System (and all parts thereof).

“Hotel” shall mean the Hard Rock Hotel to be developed and operated by the Hotel Licensee under the Hotel License, in conjunction with the Casino.

“Hotel License” shall mean that Hotel Trademark License Agreement of even date herewith between Licensor and Hotel Licensee.

“Hotel Licensee” shall mean Melco Hotels and Resorts (Macau) Limited.

“Indemnify” means to defend, indemnify against, hold harmless from, and reimburse for.

“Infringement Claim” shall have the meaning set forth in Section 12(H).

“Interest Rate” means, with respect to any date, the prime rate listed in the Money Rates Section of the Wall Street Journal published on such date plus two percent (2%) per annum, provided that in no event shall the Interest Rate exceed the maximum rate permitted by applicable laws.

“**Law(s)**” means any and all laws, judgments, decrees, orders, rules, regulations or official legal interpretations of any Governmental Authority.

“**Lease**” shall have the meaning set forth in Section 7(A).

“**Licensed Location**” or “**Location**” means the location where the Casino is to be located, and includes the freehold or long-term leasehold interest in the Licensed Location, plus such real property, all structures located or constructed thereon, all FF&E, and all appurtenances to any of the foregoing, together with all connecting passageway and corridors to the Hotel, all easements, entrances, exits, rights of ingress and egress thereto, and all improvements thereon or thereto. Exhibit B attached hereto contains the address and a detailed description of the Licensed Location.

“**Licensed Marks**” or “**Trademarks**” shall mean those marks as depicted (and subject to the restrictions) set forth in Exhibit C hereto and any other trademark, service mark and commercial symbol specifically designated from time to time by Licensor for use by Licensee for the Casino.

“**Licensee**” means MELCO PBL GAMING (MACAU) LIMITED (formerly known as PBL ENTERTAINMENT (MACAU) LIMITED), a Macau corporation.

“**Licensee Confidential Information**” shall mean any information or material that relates to the Licensee and its Affiliates that is not generally disclosed to the public, or which is designated as confidential by Licensee, including without limitation (i) all information, knowledge or data relating to new products and entertainment concepts, (ii) strategic plans, pricing policies, recipes (other than generic recipes) and the testing thereof, (iii) ideas, trade secrets, training programs and techniques, proprietary ideas and concepts, marketing and advertising techniques and plans, design, sourcing and providing goods and services, (iv) Customer Profile Data and any customer research results of Licensee pertaining to gaming data, other than Hotel Guest Profile Data (as defined in the Hotel License) (v) operating results and financial performance of the Casino, and (vi) the terms of this Agreement; provided, however, that Licensee Confidential Information shall not include information or material that: (i) is or becomes generally available to the public other than as a result of a breach of the confidentiality provisions hereunder by the party receiving it hereunder, (ii) is or becomes available to Licensee from a third party which, to the knowledge of Licensor is entitled to disclose it without restriction, or (iii) was known to Licensor from previous business experience before Licensee provided it to Licensor (directly or indirectly) or (iv) Licensor Confidential Information, including, without limitation, any information relating to the Hard Rock System and the Manuals. Notwithstanding the foregoing, Licensee acknowledges and agrees that Licensor may disclose the terms of this Agreement to its Affiliates, the Government Authority and its contractors and other professionals engaged by it on a need to know basis for or in relation to the development and construction of the Casino and the applicable stock exchanges in relation to the listing of securities of Licensee or any of its Affiliates.

“**Licensee Event of Default**” shall have the meaning specified in Section 15(A).

“Licensor Confidential Information” any information or material that relates to the development and operation of Hard Rock Casinos that is not generally disclosed to the public, or which is designated as confidential by Licensor, including, without limitation, (i) the Hard Rock System and related Manuals and all information, components and elements set forth therein, (ii) all information, knowledge or data relating to new products and entertainment concepts, (iii) strategic plans, pricing policies, recipes (other than generic recipes) and the testing thereof, (iv) ideas, trade secrets, training programs and techniques, proprietary ideas and concepts, marketing and advertising techniques and plans, design, sourcing and providing goods and services, (v) Customer Profile Data and any customer research results of Licensor, other than any Customer Profile Data and any customer research results of Licensee to the extent containing gaming data (vi) operating results and financial performance of Hard Rock Casinos (other than the Casino), and (vii) the terms of this Agreement; provided, however, that Confidential Information shall not include information or material that: (i) is or becomes generally available to the public other than as a result of a breach of the confidentiality provisions hereunder by the party receiving it hereunder, (ii) is or becomes available to Licensee from a third party which, to the knowledge of Licensee is entitled to disclose it without restriction, or (iii) was known to Licensee from previous business experience before Licensor provided it to Licensee (directly or indirectly). Notwithstanding the foregoing, Licensee acknowledges and agrees that Licensor may disclose to prospective purchasers of Licensor or its Affiliates or the Licensed Marks the terms of this Agreement.

“Licensor Event of Default” shall have the meaning specified in Section 15(C).

“Management Standard” shall mean the standard of operation, frequency of repairs made, cleanliness, quality of materials used, degree of training and retraining for employees and other similar considerations, as defined by Licensor’s standard of practice as determined by Licensor from time to time.

“Manuals” shall mean, collectively, all operating manuals, training manuals and all accompanying workbooks developed by Licensor or a third party and approved by Licensor, to implement the Hard Rock System pursuant to this Agreement, as amended, supplemented, or otherwise modified from time to time by Licensor.

“Melco Affiliate” shall mean an Affiliate of Licensee or an Affiliate of Hotel Licensee in which Licensee and/or Hotel Licensee shares controlling ownership interest. For purposes hereof, "controlling ownership interest" means at least 51% voting equity interest.

“Memorabilia Lease” shall mean that certain Memorabilia Lease by and between Hard Rock Café International (STP), Inc., as lessor, and Licensee, as lessee, whereby Hard Rock Café International (STP), Inc. shall lease “rock and roll” memorabilia to Licensee for display in the Casino, in the form attached hereto as **Exhibit F**.

“Metropolitan Area” shall mean metropolitan areas with a central city or an urbanized area having a minimum population of fifty thousand (50,000) with a total metropolitan population of at least one hundred thousand (100,000) and including all communities that have strong economic and social ties to the central city.

“Music Themed Casino” means a Casino that has in its name, is licensed or endorsed by, or has a substantial portion of its design based on, or is otherwise identified with music, any genre of music (e.g. blues, jazz or rock ‘n roll, any musician, musical personality or musical group).

“Notice(s)” shall have the meaning set forth in Section 22(B) hereof.

“Opening Date” shall mean the date the Casino is opened for business to the public for business as a Hard Rock Casino with one hundred percent (100%) of the Hotel’s guest rooms and public space being open to the public, in each case with all required liquor, gaming and other licenses and Permits, the deadline of which is set forth in paragraph K of Exhibit D.

“Operating Equipment” means all china, glassware, silverware, linens, towels, uniforms, gambling equipment and similar items, as described by the Manuals, used in, or held in storage for use in (or, if the context so dictates, required in connection with), the operation of the Casino in accordance with the requirements of this Agreement.

“Operating Period” means the period beginning with the Opening Date and continuing for the Term of this Agreement.

“Operating Supplies” means all consumable items, as described in the Manuals, used in, or held in storage for use in (or, if the context so dictates, required in connection with), the operation of the Casino in accordance with the requirements of this Agreement, including, without limitation, soap, cleaning material, matches, napkins, cards, stationery, chips and similar items.

“Operating Year” shall mean a twelve (12) month calendar year period, except that the first Operating Year shall be that period commencing with the Opening Date and ending on the last day of the calendar year after the Opening Date, and the last Operating Year shall end on the day prior to the tenth (10th) anniversary of the Opening Date.

“Permits” means any and all licenses, permits, approvals, variances, waivers or consents from any Governmental Authority.

“Person” shall mean (i) an individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, estate, trust, unincorporated association or other entity, (ii) any Governmental Authority, and (iii) a fiduciary acting in such capacity on behalf of any of the foregoing.

“Pledge” shall have the meaning set forth in Section 5(B)(2).

“Pre-Opening Coordinators” shall have the meaning set forth in Section 5(D).

“Pre-Opening Period” means the period from the date hereof until the Opening Date.

“Project Casino” shall mean the gaming facility that is located on the City of Dreams Land, of which the Casino is a component.

“Restaurant” shall mean any restaurant, other than the Hard Rock Café, located at the Licensed Location.

“Schematic Design” means the schematic design phase as described in the Hard Rock Development Standards.

“Target Opening Date” shall have the meaning set forth in Exhibit D, Section J.

“Term” shall have the meaning set forth in Section 3 hereof.

“Termination Fee” shall have the meaning specified in Section 15(B) hereof.

“Territory” shall have the meaning specified in Section 2(C).

“Warrantor” shall have the meaning as set forth in Section 6(A)(1) hereof.

EXHIBIT B

LICENSED LOCATION

Part of the City of Dreams Land on which the Hard Rock Hotel and Casino will be constructed, being that part identified on the plans annexed to this Exhibit B.

[graphics omitted]

EXHIBIT C

LICENSED MARKS

Set forth below are the Licensed Marks that may be used at the Casino.

<u>MARK</u>	<u>APP. NO.</u>	<u>APP. DATE</u>	<u>REG. NO.</u>	<u>REG. DATE.</u>	<u>GOODS/SERVICES</u>
HARD ROCK CASINO & Design	N/21816	March 30, 2006			Clothing
HARD ROCK CASINO & Design	N/21817	March 30, 2006			Casino and live music services
HARD ROCK CASINO & Design	N/21818	March 30, 2006			Restaurant and hotel services
HARD ROCK CASINO	N/21688	March 27, 2006			Clothing
HARD ROCK CASINO	N/21689	March 27, 2006			Casino and live music services
HARD ROCK CASINO	N/21690	March 27, 2006			Restaurant and hotel services
HARD ROCK HOTEL & CASINO	N/25344	Nov 20, 2006			Clothing
HARD ROCK HOTEL & CASINO	N/25345	Nov 20, 2006			Casino and live music services
HARD ROCK HOTEL & CASINO	N/25346	Nov 20, 2006			Restaurant and hotel services
HARD ROCK HOTEL/CASINO	N/25552	Nov 29, 2006			Clothing
HARD ROCK HOTEL/CASINO	N/25553	Nov 29, 2006			Casino and live music services
HARD ROCK HOTEL/CASINO	N/25554	Nov 29, 2006			Restaurant and hotel services

The following word marks may also be used in association with the Licensed Marks described above:

Love All, Serve All
Save the Planet
Take Time to Be Kind
All is One
No Nuclear Weapons or Drugs

EXHIBIT D

DEVELOPMENT RIDER

The following terms and conditions are part of the Casino Trademark License Agreement (the “**Agreement**”) dated as of January __, 2007 relating to the Macau Hard Rock Casino to be located at the Licensed Location and shall supplement and complement, and to the extent they are in conflict with shall amend, modify and control over, the terms and conditions in the body of the Agreement.

(A) Licensee Responsible for Development.

(1) Licensee has or shall acquire rights to the Licensed Location as provided in the Agreement (either in freehold or by leasehold estate under a Lease) and shall design and develop the Casino at the Licensed Location, and shall, with all reasonable diligence, design, construct, complete, furnish and equip the Casino which shall in no event be of a lesser quality than as set forth in the Hard Rock System, the Manuals and the Comprehensive Project Design (as defined below). Attached as Annex D-1 is a description of Conceptual Design Drawings for the Casino which have been agreed to by Licensee and Licensor as of the date of the Agreement (collectively, the “**Conceptual Design Drawings**”) as describing the overall programmatic design for the Casino. The Conceptual Design Drawings identify the overall scope and scale of the project, but do not reflect a comprehensive project design, which shall be prepared by Licensee during the design phases for the Casino in accordance with all of the Conceptual Design Drawings and the requirements of this Agreement and the Hard Rock System (the “**Comprehensive Project Design**”). Licensee and Licensor (acting reasonably and without delay) shall mutually agree upon the Conceptual Design Package and Schematic Design phases of Comprehensive Project Design. Thereafter, Licensee shall in preparation of the Design Development and Construction Documents, take into consideration reasonable comments from Licensor. Notwithstanding the foregoing, Licensee acknowledges and agrees that Licensor shall have the right to approve in its sole discretion any part of the Comprehensive Project Design that relates to the Approval Items described in Annex D-1. To the extent not specified in the Comprehensive Project Design required by the Hard Rock System or specifically subject to Licensor approval under this Development Rider, including Approval Items set forth in Annex D-1, Licensee shall consult with Licensor in relation to the design elements and concepts to be included in the Casino. Licensee shall be solely responsible and solely at risk to make certain the Casino, as constructed and operated, comply in all respect with all applicable Laws and all other requirements of all Governmental Authorities.

(2) The Casino shall be designed and developed in substantial accordance with the Comprehensive Project Design having regard at all times to the fact that the Casino shall be one element of a larger complex. The minimum number of Gaming Positions within the Casino shall not be less than Two Hundred Fifty (250) including a minimum number of Gaming Tables not less than two (2), without Licensor’s prior written consent, in its sole discretion. The Comprehensive Project Design for the Casino shall provide, and the Casino shall be constructed immediately adjacent to the Hard Rock Hotel to be developed by Hotel Licensee and the construction process for such Hotel shall be governed by the terms of a Development Rider to the Hotel License that is substantially similar to this Exhibit D.

(3) Notwithstanding any provision of this Agreement to the contrary, Licensor shall have full discretionary approval rights, in its sole discretion, over all aspects of the development of the Casino which involve Hard Rock Elements to the extent not covered by the Casino System or Manuals. “**Hard Rock Elements**” shall mean those aural or visual aspects of the Hard Rock Casino which uniquely identify a facility as being a Hard Rock Casino, including but not limited to (1) the use of distinctive exterior and interior designs, layouts, concepts, decor, music-related memorabilia and icons, and staff uniforms; (2) the process for training employees in all customer service and interface positions; (3) the electronic visual and audio aspects of the Hard Rock Casino, including but not limited to music and video selection; (4) advertising and marketing standards for the uses and presentation of the Trademarks, including such usage in connection with media events, television, radio and print, and coordination of public relations activities; (5) distinctive furniture, distinctive carpeting, decorative millwork, decorative lighting, acoustics, graphics, signage and audio visual equipment; and (6) any other use or display of the Trademarks.

(B) Site Review and Approval Rights. Licensee acknowledges and agrees that the selection of the Licensed Location for the Casino or the failure of Licensor to object to the Licensed Location, does not constitute an assurance, representation or warranty by Licensor of any kind, express or implied, as to the suitability (commercially or otherwise) of the Licensed Location for the Casino or for any other purpose. Both Licensor and Licensee acknowledge that application of criteria that may have been effective with respect to any other site and premises may not be predictive of commercial or other potential for all sites and that, subsequent to the selection of a site, demographic and/or economic factors, such as competition from other similar businesses, could change, thereby altering the potential of the Licensed Location. Such factors are unpredictable and are beyond Licensor’s control, and Licensor shall not be responsible for the failure of a site approved by Licensor to meet expectations as to revenue, income or operational criteria. Licensee further acknowledges and agrees that acceptance of a site of a Hard Rock Casino is based on its own independent investigation of the suitability of the Licensed Location.

(C) Financing/Budget.

(1) Licensee shall keep Licensor fully advised as to the detailed construction schedule for the Casino. Licensee acknowledges and agrees that the Hotel must open for operations simultaneously with the Casino.

(2) Licensee hereby acknowledges and agrees that Licensor has not made any agreements or commitments of any kind, whether express or implied, to Licensee that Licensor or any of its Affiliates will provide a completion guaranty or any other financial assistance to Licensee in connection with its financing of the Casino.

(D) New Concepts. If Licensor or Licensee develops one or more room, restaurant, bar, café, club, entertainment venue, live music venue, or gaming venue Concepts for use specifically at the Casino, such Concepts, including their names, logos, distinctive

interior and exterior designs, programmatic elements, layouts, décor, color schemes, memorabilia, icons, décor and staff uniforms, in each case, shall be deemed to be Hard Rock Elements and become part of the Trademarks. Licensee shall only be entitled to use such Concepts at the Licensed Location during the term of this Agreement and any other rights to use such Concepts shall be the sole property of Licensor. All Concepts, and the right to obtain any relevant trademark or copyright protection in respect thereof, shall be licensed or transferred by the appropriate Person who developed those Concepts to Licensor free of charge, with full right to use, commercialize, and sublicense the same except for use, commercialization or sublicense of the same which would be inconsistent with Licensee's rights pursuant to this Agreement. Licensee shall at no incremental cost to Licensee, provide such assistance as Licensor may require for obtaining any relevant protection in respect to any such Concept.

(E) Reports. At the reasonable request of Licensor, Licensee shall make available to Licensor copies of all reports, studies, draw requests schedules and other documents and materials of Licensee, its contractors, suppliers and consultants relating to the design, construction and furnishing of the Casino; and Licensor may have a representative attend (personally or by phone) any regularly scheduled construction meeting or similar meeting regarding the development of the Casino.

(F) Restaurant Concept. Licensor shall have the right to approve, the type, the Concept and the design elements of any Restaurant, and Licensee acknowledges that any Restaurant shall not be designed or developed to be operated by a Competitor.

(G) Additional Approvals. Licensee shall also timely submit to Licensor for Licensor's approval (such approval not to be unreasonably withheld or delayed) prior to construction, purchase or hire, as applicable, the following:

(1) All preliminary and final plans and specifications for the Casino and all FF&E but excluding specialized casino equipment including but not limited to slot machines and gaming equipment (other than their signage, decoration and other attributes thereof that are Hard Rock Elements) and surveillance systems, including, without limitation, all Concepts (to the extent not designed and developed by Licensor or an Affiliate of Licensor) preliminary and final designs, site plans, floor plans and layouts, and artist renderings relating to the construction of the Casino.

(2) The identity and qualifications of all designers, architects and other consultants creating Hard Rock Elements proposed to be utilized by Licensee for preparation of the preliminary and final plans and specifications for the Hard Rock Elements of the Casino.

(3) All Operating Equipment and Operating Supplies for the Casino, to the extent they involve Hard Rock Elements.

(4) All such other information regarding the development and construction of the Casino as Licensor shall reasonably request.

Licensor shall have the right, in its sole discretion, to disapprove any of the foregoing items within fourteen (14) Business Days of written submission by Licensee. All items submitted by Licensee to Licensor hereunder shall fully comply with all requirements applicable thereto as specified in the Manuals. If Licensor disapproves any item, Licensor shall provide to Licensee in reasonable detail the reasons therefor, together with general suggestions for revisions.

(H) Disputes. The parties agree to use their reasonable efforts to promptly resolve any Disputes regarding any approvals relating to the development of the Casino. If the parties are unable to resolve any Dispute within five (5) Business Days, then either party shall have the right to submit such Dispute to arbitration as provided in Section 19 of the Agreement (other than matters which are not subject to arbitration as provided herein).

(I) Licensor Only an Advisor. Licensee hereby acknowledges that Licensor acts only in an advisory capacity for purposes of this Rider, and Licensor shall not be responsible for the adequacy or coordination of any plans or specifications, the structural integrity of any structures or the systems thereof, compliance with applicable Laws, including, without limitation, any handicapped access requirements, any building code of any Governmental Authority, or any insurance requirement, or for the obtaining of any necessary Permits, all of which shall be the sole responsibility, and at the sole risk, of Licensee. Upon request by Licensor, Licensee shall supply Licensor with copies of all other certificates of architects, contractors, engineers and designers, and such other similar verifications and information as Licensor shall reasonably request.

(J) Target Opening Date. Licensee shall use its best effort to have the Casino be in operation and open to the public not later than December 1, 2008 (the "**Target Opening Date**"), and shall thereafter remain continuously open during the Term of this Agreement. Licensee acknowledges and agrees that the Hotel must be in operation and open to the public simultaneously with the Casino.

(K) Opening Date. If the Opening Date does not occur within eighteen (18) months after Target Opening Date for any reason, including Force Majeure, Licensor shall have the right to terminate the Agreement, by delivering written Notice to Licensee. Additionally, Licensee shall immediately pay to Licensor all accrued fees under this Agreement and reimburse Licensor for all professional, travel and out-of-pocket expenses incurred by Licensor in connection with this Agreement.

(L) Limitations of Prior Approvals. Notwithstanding any other term or provision of this Agreement, the approval of any item by Licensor in accordance with this Agreement shall not constitute a waiver by Licensor of its right to insist upon strict compliance by Licensee with any of the other terms of this Agreement, or prevent Licensor from requiring Licensee to alter, remove, replace or repair any other item which was not previously approved by Licensor and which does not comply with the requirements of this Agreement or any applicable law.

ANNEX D-1

CONCEPTUAL DESIGN DRAWINGS

The Conceptual Design Drawings conceived to date are those prepared by Bates Smart. The program statistics set forth below depict programmatic components for the Casino, but do not reflect an approved design. The design necessary to assemble the program elements into a Comprehensive Project Design will be accomplished during the ensuing design phases, subject to Licensor's approval, as provided in Section 5(A) of the Agreement.

The Casino will include the following components:

- Approximately 17,000 net square feet of gaming area immediately adjacent to the Hotel
- At least 250 Gaming Positions including at least 2 Gaming Tables
- Adequate casino amenities such as cage, guest services, etc, to provide a gaming experience equal to that of the main gaming floor
- A bar adjacent to or internal to the Hard Rock gaming floor

Without limiting Licensor's rights under this Development Rider, Licensee specifically acknowledges and agrees that the following elements of the Comprehensive Project Design require the approval of Licensor ("**Approval Items**"):

- (i) floor treatment and/or railing to delineate Hard Rock Casino area;
- (ii) location of internal signage and directional signage within the Casino;
- (iii) design and content of exterior signage, including use and display of Licensed Marks;
- (iv) Hard Rock Elements; and
- (v) interior design of corridors/passageways connecting the Hotel and the Casino, or connecting the Casino to any adjacent public space.

EXHIBIT E

TECHNICAL SERVICES RIDER

The following terms and conditions are part of the Casino Trademark License Agreement between Licensor and Licensee ("**Agreement**") dated as of January __, 2007, relating to the Hard Rock Hotel/Casino Macau to be located at the Location and shall supplement and complement, and to the extent they are in conflict with, shall amend, modify and control over the terms and conditions in the body of the Agreement.

1. **Services.** Licensor will, upon Licensee's written request and upon reimbursement of expenses as provided below, render the following technical advisory services to Licensee prior to the Opening Date (the "**Technical Services**");

(i) advice in formulating or refining of the Concepts for the Casino, the preliminary plans and specifications for the construction of the Casino and all related Casino facilities, including landscaping, and in formulating or refining preliminary layouts, drawings, and designs for the interior of the Casino and the furnishing and equipping thereof, and, in connection therewith, Licensor may recommend to Licensee layouts and other criteria and specifications for the facilities to be included in the Casino;

(ii) advice as to architects, contractors, engineers, designers, decorators, landscape architects, purchasing agents and such other specialists and consultants as shall be necessary for completing the Casino, provided, however, that Licensee shall not be obligated to utilize any such Person recommended by Licensor, and Licensor shall have no liability or responsibility for any act or omission of any such Person utilized by Licensee; and

(iii) advice in preparing budgets for the initial purchase of FF&E and operating supplies for the Casino.

It is the intention of the parties hereto that responsibility for implementation of each of the foregoing items is upon Licensee, but that Licensor shall remain available to assist Licensee in such implementation. Licensor shall have no liability or obligation for the performance of third Persons or for compliance of the Casino with applicable Laws.

2. **Reimbursement.** Prior to the beginning of each calendar quarter, Licensor and Licensee shall mutually agree upon a budget (the "**Budget**") for Licensor's anticipated actual costs incurred by Licensor, including, without limitation, travel, accommodations and other reasonable expenses incurred by Licensor in providing Technical Services (but not salaries or overhead), to be reimbursed by Licensee within thirty (30) days following invoice therefor. Notwithstanding the foregoing, Licensor and Licensee agree that the Budget for such costs for both the Casino and the Hotel through February 2009 is set forth on Annex E-2. To the extent that the aggregate of the actual costs anticipated by Licensor will exceed the Budget, Licensor shall obtain Licensee's prior approval not to be unreasonably withheld or delayed in order for such amounts to be reimbursed by Licensee. Notwithstanding the foregoing, Licensee acknowledges and agrees that Licensor has provided certain Technical Services prior to the date hereof. In connection therewith,

Licensee agrees to reimburse Licensor for costs incurred by Licensor during the period commencing September 1, 2006 ending the date of this Agreement in connection with Technical Services provided by Licensor prior to the date hereof in respect of both the Casino and the Hotel, as set forth in Annex E-1.

3. Purchasing. Licensor, where practical and in its sole discretion, shall make available to Licensee, Licensor's experience, expertise and sources for the purchase of required FF&E and operating supplies, and other necessary items, and may recommend to Licensee a firm or firms from which such items may be purchased. Any such purchase through Licensor's facilities shall be subject to such price mark-ups or other charges as to which Licensor and Licensee may mutually agree in each instance. Any such purchase through sources recommended by Licensor shall include an acknowledgment, in form acceptable to Licensor, specifying that the seller is not contracting with Licensor, and that Licensor is not responsible for any payment or performance by Licensee. Licensee shall not be obligated to purchase such items from the firms or sources recommended by Licensor; provided, however, that, prior to purchasing from non-recommended sources, Licensee shall submit to Licensor such samples and/or other information with respect to the proposed purchases as shall be necessary to assure Licensor that the quality, design, and safety of such items, together with their compliance with applicable Law, is (to the extent reasonably practicable) at least equal to that available from sources recommended by Licensor, and that the design, appearance, and all other aspects thereof conform to the requirements of this Agreement.

4. Delegation. In rendering the Technical Services, Licensor shall have the right, at its sole discretion, to delegate to, or be assisted by, third Persons, and, accordingly, some or all of such Technical Services which Licensor undertakes to provide under this Agreement may be provided by such third Persons. Licensor must ensure that any such third Person has the relevant skill, expertise and competency to perform the Technical Services. Licensor will, at all times, retain responsibility for ensuring that its obligations in relation to the provision of the Technical Services are fulfilled even if it has appointed a third Person under this Agreement. Licensor may, upon Notice to Licensee, require Licensee to pay directly to any such third Person any portion or all of any payment due to Licensor hereunder.

ANNEX E-1

2006 TECHNICAL SERVICES EXPENSES

Expenses to be reimbursed by Licensee for costs incurred for both the Casino and the Hotel through December 31, 2006 are as follows:

Travel (Airfare, Taxi, Parking)	\$ 9,374.06
Lodging	\$ 5,253.17
Meals	\$ 1,088.68
Phone	\$ 118.38
	\$15,834.29

Annex E-1-1

ANNEX E-2

TECHNICAL SERVICES BUDGET

**Hard Rock Casino and Hotel - Macau
Hard Rock Project Development - Technical Services
Estimate of Reimbursable Expenses
27-Dec-06**

The following reimbursable expenses are based on travel in support of Technical Services from January 2007 through February 2009 according to the attached detail.

Airfare	\$335,500
Lodging	\$117,200
Meals, Auto, Misc	\$ 50,000
Dwg Reproduction, Misc. Expenses	\$ 13,000
	\$515,700

Annex E-2-1

Hard Rock Casino and Hotel - Macau
Hard Rock Project Development - Technical Services
Estimate of Reimbursable Expenses
27-Dec-06

Month	International Travel				Domestic US Travel				Misc Expenses	TOTAL COST		
	# Flights	Airfare	# Rm Nights	Lodging	Meals, auto, misc.	# Flights	Airfare	# Rm Nights			Lodging	auto, misc.
Unit Cost		\$ 7,500		\$ 500	\$ 200		\$ 500		\$ 400	\$ 200		
Jan-07	2	\$ 15,000	8	\$ 4,000	\$ 1,600	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 23,400
Feb	2	\$ 15,000	8	\$ 4,000	\$ 1,600	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 23,400
Mar	2	\$ 15,000	8	\$ 4,000	\$ 1,600	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 23,400
Apr	2	\$ 15,000	8	\$ 4,000	\$ 1,600	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 23,400
May	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Jun	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Jul	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Aug	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Sep	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Oct	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Nov	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Dec	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Jan-08	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Feb	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Mar	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Apr	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
May	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Jun	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Jul	3	\$ 22,500	12	\$ 6,000	\$ 2,400	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 33,700
Aug	3	\$ 22,500	12	\$ 6,000	\$ 2,400	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 33,700
Sep	3	\$ 22,500	12	\$ 6,000	\$ 2,400	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 33,700
Oct	3	\$ 22,500	12	\$ 6,000	\$ 2,400	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 33,700
Nov	3	\$ 22,500	12	\$ 6,000	\$ 2,400	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 33,700
Dec	3	\$ 22,500	12	\$ 6,000	\$ 2,400	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 33,700
Jan-09	2	\$ 15,000	8	\$ 4,000	\$ 1,600	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 23,400
Feb	1	\$ 7,500	4	\$ 2,000	\$ 800	1	\$ 500	3	\$ 1,200	\$ 600	\$ 500	\$ 13,100
Totals		\$322,500		\$86,000	\$ 34,400		\$13,000		\$31,200	\$15,600	\$13,000	\$ 515,700

Annex E-2-2

EXHIBIT F

FORM OF MEMORABILIA LEASE

Attached hereto.

F-1

MEMORABILIA LEASE (CASINO)

THIS MEMORABILIA LEASE (the "Lease"), is made and executed as of January 22, 2007 (the "Effective Date") by and between **HARD ROCK CAFE INTERNATIONAL (STP), INC.**, a New York corporation ("Lessor"), and **MELCO PBL GAMING (MACAU) LIMITED**, a Macau corporation ("Lessee"):

RECITALS:

I. Lessor is the owner of a collection of rock and roll memorabilia.

II. Lessee has entered into a License Agreement (as hereinafter defined) and desires to lease from Lessor articles of memorabilia for display and exhibition at the Casino (as hereinafter defined) operated pursuant to the License Agreement.

III. Lessor desires, upon and subject to the terms and conditions specified in this Lease, to lease to Lessee the right to use the Property (as hereinafter defined) in connection with the operation of the Casino by Lessee.

IV. Lessee acknowledges that Lessor would not lease the Property to Lessee, as provided for herein, unless Lessee agrees to comply with all of the terms and conditions of this Lease binding upon Lessee, including, without limitation, Lessee's obligations hereunder to pay all rental fees and all other amounts payable by Lessee as specified in this Lease.

V. Lessee has had full and adequate opportunity to read and review this Lease and to be thoroughly advised of the terms and conditions hereof, and has, to Lessee's satisfaction, determined that it is in Lessee's best interest to lease the Property.

NOW, THEREFORE, in consideration of the foregoing recitals, of the mutual covenants and obligations contained herein, of the grant by Lessor to Lessee of the Lease of the Property, as contemplated herein, and for other good and valuable consideration, the receipt and sufficiency of all of which is hereby acknowledged by each party hereto, Lessor and Lessee hereby agree as follows:

SECTION 1. CERTAIN DEFINITIONS.

(A) **Certain Terms Defined.** Except as otherwise specifically provided for in this Lease, the following terms shall have the definitions specified in this Section 1:

"Adjusted for Inflation" shall mean an amount adjusted for inflation by being increased by the greater of (i) three percent (3%) or (ii) an adjustment based upon the "Inflation Index" (as defined below). The amount of the adjustment under (ii) shall be determined by multiplying the amount which is the subject of the escalation by a fraction the denominator of which is the "Inflation Index" for the month from which such adjustment shall be made (the "Base Month"), and the numerator of which is the "Inflation Index" for the month immediately prior to the month in which the adjustment for inflation shall be made (the "Adjustment Month"), provided that if the Inflation Index for the Base Month is less than the Inflation Index for the Adjustment

Month, the amount to be adjusted will be multiplied by one (1) for purposes of making calculations hereunder. In the event an amount is to be Adjusted for Inflation and there is no reference to the Base Month, the Base Month shall be the month that includes the Effective Date. For purposes of this paragraph, the Inflation Index shall mean the U.S. City Average Price Index for All Urban Consumers for All Items (Base Year 1982-1984) as published by the United States Department of Labor, Bureau of Labor Statistics; provided that if such index is discontinued or is unavailable, then the parties will substitute therefor a comparable index for use in calculating changes in the cost of living or purchasing power of consumers published by any other governmental agency, major bank, financial institution or university or by another recognized financial publication, with such adjustments as shall be reasonably necessary to produce substantially the same results as would have been obtained under the unavailable index.

“Affiliate” means, with respect to any Person, shall mean, with respect to any Person, any other Person which, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. For all purposes hereof, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person, or the power to veto major policy decisions of any Person, whether through the ownership of voting securities, by contract, or otherwise.

“Appraised Value” means the appraised value set forth in **Schedule A** for each item of the Property, as determined by Lessor.

“Casino” shall mean the Hard Rock Casino to be constructed and operated by Lessee at the Premises, which shall have contiguous corridors to the Hotel.

“Governmental Authority” means any foreign, federal, state, provincial, or local governmental or tribal entity or authority, or any department, commission, board, bureau, agency, court, or instrumentality thereof including any tax or regulatory authority, which has control over the Casino, or the location of the Casino.

“Hard Rock Casino” means a Casino within a property or resort named or identified with the Licensed Marks. The term “Hard Rock Casino” shall include the building and structure at any time constructed and situated on the land, whether owned or leased, comprising that location, and all facilities, structures and improvements relating thereto.

“Hard Rock Corridors” shall mean the corridors and passageways that are not within the main footprint of the Hotel or the Casino but connect the Hotel to the Casino or the Hard Rock Café (as defined in the Hotel License Agreement) to the Hotel or the Casino.

“Hard Rock Hotel” means a hotel, lodge or inn or similar establishment within a property or resort named or identified with the Licensed Marks which is an all-inclusive place for overnight lodging. The term “Hard Rock Hotel” shall include the hotel buildings and structures at any time constructed and situated on the land, whether owned or leased, comprising that location, and all facilities, structures and improvements relating thereto, including, without limitation, any lobbies, kitchen, dining rooms, restaurants, meeting and banquet rooms and facilities, bars, swimming pools, theaters, health clubs, landscaping, parking areas, roadways and walkways: provided that the term “Hard Rock Hotel” shall not include time-share and condominium components (whether as part of a rental pool or otherwise) or housing and extended-stay facilities.

“Hotel” shall mean the Hard Rock Hotel establishment operated on the Premises pursuant to the Hotel License Agreement, which shall have contiguous corridors to a Hard Rock Casino.

“Hotel License Agreement” shall mean that Hotel Trademark License Agreement of even date herewith between Hard Rock Holdings Limited and Lessee.

“Indemnify” means to indemnify against, hold harmless from, and reimburse for.

“Interest Rate” means, with respect to any date, the prime rate listed in the “Money Rates” section of the Wall Street Journal (or other similar publication, in the event the Wall Street Journal is no longer published) published on such date plus two percent (2.0%) per annum, provided that in no event shall the Interest Rate exceed the maximum rate permitted by the applicable Law(s).

“Law” means any and all laws, judgments, decrees, orders, rules, regulations, or official legal interpretations of any Governmental Authority.

“Lessee” shall have the meaning set forth at page one of this Lease.

“Lessor” shall have the meaning set forth at page one of this Lease.

“License Agreement” shall mean that Casino Trademark License Agreement, dated of even date hereof by and between Hard Rock Holdings Limited and Lessee for the Premises.

“Licensed Marks” shall mean those marks as depicted (and subject to the restrictions) set forth in Exhibit C to the License Agreement and any other trademark, service mark and commercial symbol specifically designated from time to time by Licensor (as defined in the License Agreement) for use by Lessee for the Casino.

“Month” shall mean a calendar month (Gregorian), that period between the date this Lease was executed and the last day of the month in which this Lease was executed, and that period following the end of the last full calendar month during the term of this Lease and the last day that this Lease is in effect.

“Notices” shall have the meaning set forth in Section 23 hereof.

“Permits” means any and all licenses, permits, approvals, variances, waivers, or consents.

“Person” means (i) an individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, estate, trust, unincorporated association or other entity, (ii) any Governmental Authority, and (iii) a fiduciary acting in such capacity on behalf of any of the foregoing.

“Premises” means the real property upon which the Casino is located, and includes such real property, all structures located thereon, all furniture, fixtures, and equipment, and all appurtenances to any of the foregoing, together with all easements, entrances, exits, rights of ingress and egress thereto, and all improvements thereon or thereto.

“Property” means that personal property identified in Schedule A to this Lease, and all additions, substitutions, and amendments to such Schedule A during the term of this Lease and any extension thereof.

SECTION 2. DESCRIPTION AND SUPPLY OF LEASED PROPERTY.

(A) **Description.** The Property to be leased hereunder is that personal property set forth on Schedule A to this Lease from time to time, and which property shall be selected by the Lessor in consultation with the Lessee, at a date no later than ninety (90) days prior to the opening of the Hotel for business, at which time Schedule A shall be completed and incorporated and made a part hereof for all purposes.

(B) **Supply.** The Property specified in Schedule A shall be supplied by Lessor to Lessee as provided under this Lease at a date no later than thirty (30) days prior to the anticipated opening of the Casino, provided that Licensee must ensure that the Casino area where the Property is to be located is, as reasonably determined by Lessor, dust free, secure, weather-tight, free of interference from other trades, air-conditioned and has completed memorabilia display cases to Licensor’s satisfaction.

SECTION 3. TERM OF LEASE.

The term hereof shall commence upon the date of execution of this Lease, and, unless terminated earlier as provided for herein, shall continue for as long as the License Agreement is in full force and effect. This Lease shall terminate automatically, without prejudice to any accrued rights and liabilities of the parties prior to termination, concurrently with any termination of the License Agreement.

SECTION 4. PAYMENT OF RENT.

(A) **Rent.** During the first twelve (12) months after shipment of the Property, the annual rental fee for the use of the Property shall be equal to Twenty Thousand Dollars (\$20,000.00) (in United States Dollars) per year, as Adjusted for Inflation. The annual rental fee shall be payable in equal Monthly installments, but shall be prorated on a daily basis for Months which constitute partial calendar months. The first installment shall be paid immediately prior to shipment of the Property to Lessee, and thereafter each installment shall be due and payable on the first (1st) day of each succeeding Month.

(B) **Payment and Calculation of Annual Rental Fee and Other Payments.** All annual rental fees and other payments hereunder due or to become due to Lessor shall be paid in United States Dollars.

(C) **All Payments Free and Clear of Charges.** All rental fees and other amounts payable by Lessee pursuant to this Lease shall be free and clear of any tax exchange, transfer, or similar charges (except those imposed by Lessor's Financial institution), it being specifically understood by Lessee that the responsibility for payment of any such tax exchange, transfer, or similar charge (except those imposed by Lessor's financial institution) is solely that of Lessee.

(D) **Method of Payment.** All rental fees and other amounts payable by Lessee pursuant to this Lease shall be paid by wire transfer of immediately available funds to an account designated in writing from time to time by Lessor.

(E) **Late Payments.** Unpaid amounts due and owing from Lessee hereunder shall bear interest, pro rata per day, on the past due balance at the Interest Rate from the date such sums first become due until paid.

(F) **Lights and Hardware.** Lessee will purchase brass memorabilia lights and all hardware required for the memorabilia installation. Lessor shall assist Lessee in purchasing the items directly by providing Lessee purchase specifications. Payment is due within thirty (30) days of Lessor's submission of expenses.

SECTION 5. INSTALLATION AND LOCATION OF PROPERTY.

(A) **Installation.** The parties shall mutually agree on an installation schedule. Lessee shall not install the Property in the Casino or on the Premises without first consulting with Lessor. In connection with the installation of the Property, Lessee shall, at its cost, construct locking display boxes and niches and install special lighting for the Property in accordance with Lessor's standards and specifications. Lessor shall have the right to supervise and install all of the Property with an installation team (one (1) designer and five (5) installers) selected by the Lessor. Lessee shall pay all reasonable out of pocket costs and expenses associated with installation of the Property (not including salaries and overhead), including but not limited to customs, duties, taxes, travel, per diem (\$40 US/day), airfare and suitable four (4) star hotels for Lessor's installation team. Upon installation team's arrival, estimated per diem is to be paid in full by Lessee.

(B) **Relocation.** Lessee shall not, without the prior written consent of Lessor, permit the Property to be removed from the Casino. Lessor may at its own expense remove Property and replace with reasonable substitute Property pursuant to Lessor's standard rotation policy. Unless otherwise approved in writing by Lessee, the substitute Property shall be substantially equal in quality and value to the Property for which it is being substituted. Lessor shall have the right to supervise, at its own expense, and to specify the terms and conditions of, any movement of the Property, including, without limitation, the right to contract for all services necessary, in Lessor's reasonable discretion, to safely move and to insure such Property.

SECTION 6. USE OF PROPERTY.

(A) **Rights of Lessee.** Lessee shall be entitled to the right of the use and possession of the Property during the Lease term. The Property shall be used only for the purpose of protected and supervised display within the Casino and the Hard Rock Corridors in accordance with generally accepted museum standards for preservation and protection against loss or damage.

(B) **Duties of Lessee.** Lessee must use the Property for decoration and display as installed by Lessor in a careful and proper manner, and shall not knowingly permit any Property to be used in violation of any applicable Law, the effect of which violation could adversely affect either the value of the Property or Lessor's title thereto.

(C) **Restriction on Use.** Lessee shall not use the Property in any manner that will result in a cancellation of any applicable insurance policy, even if such use may be in furtherance of Lessee's business purpose.

SECTION 7. IDENTIFICATION OF PROPERTY.

If, at any time during the term of this Lease, Lessor supplies Lessee with labels, plates, or other markings stating that the Property is owned by Lessor, Lessee, at Lessee's expense, shall affix and keep such labels, plates, or other markings in a prominent place on the Property, and, in connection therewith, shall follow any and all reasonable instructions regarding the same received from Lessor or any Affiliate thereof.

SECTION 8. MAINTENANCE PERFORMED BY LESSEE.

(A) **Maintenance and Repairs.** Upon Lessor's delivery of the Property to Lessee, Lessee, at its sole expense, shall assume all obligation and liability concerning possession of the Property, and for its use, condition, and storage during the Lease term, any continuation or extension thereof. Thereafter, Lessee shall, at all times and at Lessee's sole expense, insure the Property and maintain the Property in good order, repair, condition, and working order. Lessor, at its cost, shall arrange for insurance of Property for transport from Lessor to Lessee.

(B) **Alterations.** Without the prior written consent of Lessor, Lessee shall not make any alteration, repair, addition, or improvement to the Property. All additions to and improvements of the Property of any kind shall immediately become Lessor's property and subject to the terms of this Lease without any reimbursement to Lessee for the same. Lessee shall not remove, alter, disfigure, or cover up any numbering, lettering, or insignia displayed on or adjacent to the Property. Lessor shall have the right to supervise any repair or other work done on the Property.

SECTION 9. LESSOR'S RIGHT OF INSPECTION AND REPAIR.

Lessor has the right, on reasonable notice to Lessee, to enter the Casino during Lessee's regular business hours for the purpose of inspecting the Property in order to make a determination of its condition and manner of use. If any Property covered by this Lease is not being properly maintained or utilized according to the provisions of this Lease, Lessor has the right, but not the obligation, to have it repaired or maintained at a service facility at the expense of Lessee.

SECTION 10. OWNERSHIP.

(A) **Lessor Sole Owner.** This Lease constitutes a lease of the Property described in **Schedule A** and not a sale or the creation of a security interest. Lessor shall, at all times, retain sole ownership and title of the Property, and Lessee shall not have or at any time acquire any right, title, equity, or other interest in the Property, except the right to possession and use as provided for in this Lease. The Property is, and shall at all times remain, the personal property of Lessor, notwithstanding that any part of it may now be, or may become, in any manner attached to, or embedded in, or permanently resting on, real property or any building on real property, or attached in any manner to what is permanent as by means of cement, plaster, nails, bolts, screws, or otherwise. Lessee agrees to Indemnify Lessor for any loss or expense due to a lien or claim on such Property by the owner of the Casino or by any other lienholder, claimant or the equivalent. Lessee shall, at any time, upon request by Lessor, use commercially reasonable endeavors to deliver to Lessor a statement in writing executed by the owner and/or any other lienholder of the Premises disclaiming any interest in the Property and acknowledging Lessor's sole ownership and title thereto.

(B) **Donated Memorabilia.** Any items of memorabilia associated with the music industry that are donated or presented to Lessee as owner or operator of the Casino or otherwise acquired or received by Lessee for less than full or reasonable value at any time during the term of this Lease or any extension thereof shall be deemed and shall immediately become the property of Lessor, unless otherwise agreed by the parties hereto in writing. Lessee shall immediately notify Lessor in writing of any such receipt or acquisition of memorabilia. All such donated memorabilia shall, immediately upon receipt by Lessee be included as a part of the Property for all purposes of this Lease, except that Lessee shall not be required, during the term of this Lease, to pay any rental amount in connection with any such donated memorabilia.

SECTION 11. DELIVERY AND ACCEPTANCE OF PROPERTY.

Lessor and Lessee each have, or immediately prior to installation will have, inspected the Property. Lessee hereby accepts possession of the same for purposes of this Lease on an "as is" basis.

SECTION 12. RISK OF LOSS OR DAMAGE.

(A) **Loss or Damage.** Lessee assumes all risk of loss of and damage to the Property from any cause whatsoever. Subject to the remainder of this Section, no loss or damage to the Property will impair any obligation of Lessee under this Lease, which will continue in full force and effect. If any Property under this Lease becomes lost, stolen, destroyed, confiscated, or damaged beyond repair satisfactory to Lessor, Lessee shall pay Lessor in cash the "Appraised Value" as set forth in **Schedule A**, less any net proceeds of insurance received by Lessor for loss or damage of such Property. Upon such payment, this Lease will terminate with respect to such items of the Property so paid for, and Lessee shall become entitled to such items of the Property, as owner, on an "as is" basis, without warranty by Lessor, express or implied.

(B) **Notification to Lessor.** If any Property under this Lease is damaged, lost, stolen, confiscated, or destroyed, Lessee shall promptly notify Lessor of the occurrence and shall file, at its expense, all necessary reports, including those reports required by Law, all interested insurance companies, and/or by Lessor.

SECTION 13. INSURANCE.

Lessee shall, at its own expense, maintain in full force and effect at all times during the Lease term, comprehensive insurance against loss, theft, damage, confiscation, or destruction of the Property for the full Appraised Value of each item of Property, in an amount not less than the amount set forth opposite each item on **Schedule A**, and in an aggregate amount of not less than the total Appraised Value set forth on **Schedule A** and all additions and substitutions thereto. Lessor shall notify Lessee of any additions to the Property affected in accordance with the terms of this Lease and revaluation of the Property carried out and the results of such revaluation, and Lessee shall insure the Property to its full Appraised Value on any such addition and/or revaluation. The policies shall provide that they may not be cancelled or altered without at least thirty (30) days prior written notice to Lessor, and the loss payable endorsement shall provide that all amounts payable by reason of loss of or damage to the Property shall be payable only to Lessor in United States Dollars. Lessee, upon request from Lessor, shall furnish Lessor with a certificate of insurance evidencing all insurance coverages required of Lessee pursuant to this Section, and shall immediately provide Lessor a new certificate of insurance upon renewal, expiration, change or cancellation of any insurance coverages required under this Section.

SECTION 14. TAXES AND FEES.

(A) **Obligation of Lessee.** Lessee is liable for, and is required to pay on or before their due dates, all sales taxes, use taxes, personal property taxes, ad valorem taxes, license fees, Permit fees, and any other taxes or governmental charges whatsoever imposed on the Property or based on the amount of rent to be paid under this Lease or assessed in connection with this Lease, or the transportation of the Property, together with all penalties and interest incurred in connection therewith, except for taxes imposed on the aggregate gross income of Lessor. To the extent practicable, Lessee will cause all billings of such taxes to Lessor to be made to Lessor in care of Lessee, and will, from time to time, on request of Lessor, submit written evidence of the payment of all governmental obligations described in this section. If the Property is taxable under any property tax or similar tax law, on each property tax return required to be filed, Lessee will include the Property covered by this Lease, and all substitutions or additions, as Property owned by Lessee for purposes of tax assessments. It is expressly agreed that Lessee will not, without obtaining written permission of Lessor, assert on Lessee's behalf, or on behalf of Lessor, any immunity from taxation based on the tax-exempt status, if any, of Lessor.

(B) **Reimbursement of Lessor.** If any taxing or other Governmental Authority requires that a tax or other governmental charge as set forth in this section be paid to such taxing or other Governmental Authority directly by Lessor, Lessee shall, on notice from Lessor, pay to Lessor the amount of the tax or other charge.

SECTION 15. SHIPMENT AND RETURN OF PROPERTY.

(A) **Shipment.** Lessee shall pay all shipping costs, freight, duties, tariffs, import/export fees, ad valorem taxes, other taxes, custom charges, license fees, permit fees, and storage costs incurred with respect to the shipment of the Property from or by Lessor to Lessee and its return. Lessor shall specify and approve in writing all movers and carriers and methods of movement and shipment of the Property. Lessor will designate the location or locations from which the Property is to be shipped. Lessor, at its expense, shall insure the Property in the amount and with an insurance carrier designated by Lessor against loss or damage during transport to

Lessee. Lessor shall have the right to supervise the packing, loading, moving, unloading, and unpacking of the Property and to designate the quality of packing materials and shipping containers. Lessee shall also pay all shipping of unused memorabilia and all crates are to be returned to Lessor. All shipping should have climate controlled conditions whether it is stored temporarily or in route to the designated location.

(B) **Lessee's Duty to Return.** On termination of this Lease, Lessee shall, at Lessee's expense, return the Property to Lessor in good repair, by loading the Property on board such carrier as Lessor shall specify or approve in writing, and shipping the Property by climate controlled air freight to the destination designated by Lessor. Lessee, at Lessee's expense, shall fully insure the Property in the amount and with an insurance carrier designated by Lessor in its sole discretion against loss or damage during transport, with Lessor as loss payee. Lessor shall have the right to supervise the packing, loading, moving, unloading, and unpacking of the Property. The Property shall be packed with at least such care and with such quality containers and packing materials as used in its shipment from Lessor to Lessee.

(C) **Right of Lessor to Repossess.** If, upon the termination of this Lease, Lessee fails or refuses to return the Property to Lessor, Lessor shall have the right to take possession of the Property, and, for that purpose, to enter into the Premises where the Property is located, without being liable to Lessee for such removal in any suit, action, or other proceeding. Lessee shall reimburse Lessor for all of Lessor's expenses in connection with any such repossession of the Property.

SECTION 16. HOLDING OVER.

The failure of Lessee to return the Property on the termination of this Lease, with or without the consent of Lessor, shall result in the creation of a Month to Month lease at a Monthly rental of one-twelfth (1/12th) of the annual rental fee in effect immediately prior to the commencement of such Month to Month lease, without affecting Lessee's obligations to pay all other payments due from Lessee hereunder. Such amount shall be payable on the first (1st) day of each Month in which the Lessee holds over. It is the intention of the parties hereto that interest shall not accrue on the payments required hereunder except to the extent the same are not made when due, in which event the same shall bear interest at the Interest Rate from the date due until paid. Should a Month to Month lease be created under the provisions of this section, such lease may subsequently be terminated by either party hereto by that party giving thirty (30) days written notice of the intention to terminate the lease to the other party. This provision does not give Lessee any right to hold over at the expiration of the Lease term, and all other terms and conditions of this Lease shall remain in force during any Month to Month tenancy created by any holding over by Lessee. Nothing in this Section 16 shall be deemed to infringe Lessor's right to demand return of the Property on termination or expiration of this Lease.

SECTION 17. INDEMNITY.

(A) **Indemnity of Lessor.** Unless caused by Lessor's gross negligence or willful act or omission, Lessee shall Indemnify Lessor and its Affiliates and all of their respective directors, officers, employees, agents and representatives from and against any and all claims, actions, proceedings, costs, damages, and liabilities, including, without limitation, reasonable attorney's fees, court and arbitration costs, and costs of investigation (whether pre-hearing, during hearing, or upon appeal) arising out of, connected with, or resulting, directly or indirectly, from the enforcement of this Lease, including without limitation, the recovery of any claim under any

insurance policy covering the Property, and from any use of the Property by Lessee, including, without limitation, the manufacture, selection, transportation, delivery, possession, use, operation, or return of the Property.

(B) **Indemnity of Lessee.** Unless caused by Lessee's gross negligence or willful act or omission, Lessor shall Indemnify Lessee and its Affiliates and all of their respective directors, officers, employees, agents and representatives from and against any and all claims, actions, proceedings, costs, damages, and liabilities, including, without limitation, reasonable attorney's fees, court and arbitration costs, and costs of investigation (whether pre-hearing, during hearing, or upon appeal) arising out of, connected with, or resulting, directly or indirectly, from the enforcement of this Lease and any breach of Lessor of a warranty outlined in Section 24.

SECTION 18. INSPECTION OF LESSEE'S RECORDS AND CASINO.

Lessor shall have the right to inspect the Casino and the Lessee's insurance records related to the Property for, among other purposes, purposes of security, maintenance and suitable display of the Property, and for those purposes, to enter into the Casino to examine the Property during normal business hours, on reasonable prior notice of Lessor's intention to do so. Notwithstanding the foregoing, Lessee shall immediately provide Lessor copies of any incident and/or damage reports related to the Property.

SECTION 19. ASSIGNMENT.

(A) **Assignment by Lessor.** Lessor may assign this Lease or any rights under it at any time without Lessee's consent, provided that the assignee is capable of fulfilling Lessor's obligations hereunder, but Lessee shall be obligated to any assignee of Lessor only after written notice of such assignment from Lessor. In the event of any assignment, Lessor's assignee shall have all of the rights, powers, privileges, and remedies of Lessor set forth in this Lease.

(B) **Assignment by Lessee.** Except in connection with a permitted assignment or pledge (and to the same assignee) of all Lessee's rights under the License Agreement, Lessee shall not assign, transfer, or pledge this Lease, or any part of, or any interest in, the Property, sublet or lend any part of the Property, or permit any part of the Property to be used by any Person other than Lessee or Lessee's employees and solely for the permitted uses specified herein. Upon a pledge of this Agreement as herein provided, the pledgee shall have similar rights and obligations with respect hereto as are given to the pledgee of the License Agreement as respects foreclosure, payment of accrued obligations and assumptions hereof.

SECTION 20. DEFAULT AND TERMINATION.

(A) **Termination by Lessor.** This Lease may, upon Notice to Lessee, be terminated by Lessor under any of the following circumstances:

(1) **Breach by Lessee.** Except as otherwise provided in this Section 20, in the event Lessee fails to keep, observe, or perform any of the material requirements imposed upon Lessee pursuant to this Lease, and such default remains uncured for a period of thirty (30) days after Notice of such default is given by Lessor to Lessee.

(2) **Lessee's Bankruptcy or Insolvency.** Lessee shall apply for or consent to the appointment of a receiver, judicial manager, trustee, or liquidator of Lessee or all or a substantial part of its assets, files a voluntary petition in bankruptcy, or

admits in writing its inability to pay its debts as they come due, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization (other than voluntary reorganization for corporate or administrative purposes) or arrangement with creditors or to take advantage of any insolvency law, or files an answer admitting the material allegations of a petition filed against Lessee in any bankruptcy, reorganization, or insolvency proceeding, or if any order, judgment, or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating Lessee as bankrupt or insolvent or approving a petition seeking reorganization of Lessee or appointing a receiver, trustee, or liquidator of Lessee or of all or a substantial part of the assets of Lessee, and any such order, judgment, or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days.

(3) **Cancellation of Insurance Policy.** In the event any insurance policy required to be maintained by Lessee as provided for under the terms of this Lease expires or is cancelled, and is not renewed or replaced by a substantially equivalent policy within thirty (30) days following notice to renew or replace given by Lessor to Lessee.

(4) **Involuntary Transfer by Operation of Law.** In the event Lessee suffers any involuntary transfer by operation of Law of any interest in this Lease.

(5) **Unauthorized Assignment, Etc.** In the event Lessee takes any action prohibited by Section 19 of this Lease.

(6) **Termination of License Agreement.** Immediately upon the termination of the License Agreement, and if such termination is as the result of a default thereunder by Lessee, the termination hereunder shall be deemed to be as a result of Lessee's default hereunder.

(B) **Termination by Lessee for Breach.** This Lease may, upon Notice to Lessor, be terminated by Lessee in the event Lessor fails to keep, observe, or perform any of the material requirements imposed upon Lessor pursuant to this Lease, and such default remains uncured for a period of thirty (30) days after notice of such default is given by Lessee to Lessor.

(C) **Lessor's Right to Cure Default.** Should Lessee fail to make any payment or to do any act as provided in this Lease, Lessor shall have the right, but not the obligation, without notice to or demand on Lessee, and without releasing Lessee from any obligation under this Lease, to make or to do the same, and to pay, purchase, contest, or compromise any encumbrance, charge, or lien that, in the reasonable judgment of Lessor, appears to affect the Property, and, in exercising any such right, incur any liability and expend reasonable amounts it may believe necessary. All expenses so incurred by Lessor shall be, without demand, immediately due and payable by Lessee. Lessor's exercise of its rights under this Section 20(C) shall be without prejudice to Lessor's right to terminate this Lease for any default of this Lease, as provided in Section 20(A) above, including any default cured by Lessor pursuant to this Section 20(C).

(D) **Lessor's Right to Repossess Property.** Lessor may, after ten (10) days following the termination of this Lease, without notice or demand on Lessee, repossess the Property without legal process. Lessee agrees that, upon default or any termination, Lessor or Lessor's agent may enter upon the Premises where the Property is located and repossess and remove the same.

(E) **Lessee's Obligation for Lessor's Costs.** Upon default or other termination of this Lease, Lessee shall reimburse Lessor for all reasonable expenses of repossession and enforcement of Lessor's rights and remedies, including, without limitation, reasonable attorneys fees, court and arbitration costs, and costs of investigation (whether pre-hearing, during hearing, or upon appeal), storage, export charges, packing and transportation costs, and insurance during transport.

(F) **Remedies Cumulative.** The remedies of the parties set forth in this section are cumulative to the extent permitted by Law, and may be exercised partially, concurrently, or separately with any other rights or remedies. The exercise of one remedy by a party shall not be deemed to preclude the exercise of any other remedy. In the event of a default by Lessee, Lessor's damages shall be taken into account the term of the License Agreement prior to such default and any likely extensions thereunder.

(G) **Failure to Enforce Not Waiver.** Any failure or delay on the part of a party to exercise any right or remedy under this Lease shall not operate as a waiver. The failure of a party to require performance of any term, covenant, or provision of this Lease by the other party shall not constitute a waiver by such party under this Lease. No forbearance by a party to exercise any right or remedy under this Lease shall be construed as a waiver, but all rights and remedies shall continue in effect as if no forbearance had occurred. No covenant or condition of this Lease applicable to a party may be waived except by the written consent of the other party. Any such written waiver of any term of this Lease shall be effective only in the specific instance and for the specific purpose given.

SECTION 21. SALE OR ENCUMBRANCE.

(A) **Sale or Disposal.** Lessee shall not part with possession or control of, sell or attempt to sell, mortgage, or encumber any of the Property, or otherwise dispose of any interest therein or in this Lease.

(B) **Encumbrance.** Lessee shall not pledge, encumber, create a security interest in, or permit any lien, charge, or encumbrance (other than workmen's liens, liens for personal property taxes, and other similar immaterial liens, in each case not yet due and payable), amounts to become due in respect of which are not then due and payable to become effective on any of the Property. Lessee shall immediately notify Lessor of any lien, charge, or other encumbrance, or any attachment or judicial process, affecting the Property. Lessee must promptly pay or satisfy any obligation from which any lien, charge, or encumbrance arises, and shall otherwise keep the Property and all right, title, and interest therein, free and clear of all liens, charges, and encumbrances. Lessee shall deliver to Lessor appropriate satisfactions, waivers, or evidence of payment of any lien, charge, or encumbrance. Lessee shall Indemnify Lessor for any loss of the Property due to such a lien, charge, or encumbrance being placed on or against any of the Property.

SECTION 22. REPRODUCTION.

Lessee shall not reproduce any of the Property or allow any of the Property to be reproduced in any manner. Lessee agrees to fully cooperate with Lessor in the event Lessor decides to reproduce any of the Property or to cause any of the Property to be reproduced by a third party for any reason. It is expressly understood that in the event Lessor causes to be removed from the Premises any item of Property, the annual rental fee with respect to such removed item of Property shall be reduced to the extent of the time that such item is absent from the Premises.

SECTION 23. NOTICES.

Except as otherwise provided in this Agreement, all notices, demands, requests, consents, approvals and other communications (collectively "Notices"), required or permitted to be given hereunder, or which are to be given with respect to this Agreement, shall be in writing and personally delivered, or sent by facsimile (with a confirming copy mailed by registered mail as described herein), or by a recognized overnight courier service, or by registered mail, postage prepaid, return receipt requested, addressed to the party to be so notified as follows:

If to Lessee:	Melco PBL Gaming (Macau) Limited Level 38 The Centrium 60 Wyndham Street Central Hong Kong Attention: Company Secretary
If to Lessor, to:	Hard Rock Café International (STP), Inc. 6100 Old Park Lane Orlando, Florida 32835 USA Attention: President
with copy to:	Hard Rock Café International (USA), Inc. 6100 Old Park Lane Orlando, Florida 32835 USA Attention: General Counsel

Notices shall be deemed received on the date of delivery if personally delivered, two (2) business days after sending if sent by facsimile or overnight courier service, or seven (7) business days after sending if sent by registered mail.

SECTION 24. WARRANTIES.

The sole warranty being made by Lessee hereunder is that Lessor has the right to lease the Property to Lessee pursuant to the terms hereof and that the display of the Property at the Casino pursuant to the terms hereof will not violate any intellectual property rights that may be held by third-parties. Lessor makes no representation or warranty as to Lessee's right to reproduce or photograph the Property. Lessee agrees to obtain all authorizations and/or releases prior to reproducing or photographing the Property.

SECTION 25. LIMITATION OF WARRANTIES.

Lessor is not a manufacturer of the Property or a dealer in similar property and, except as provided in Section 24, has not made and does not make any representation, warranty, or covenant, express or implied, with respect to the condition, quality, durability,

suitability, authenticity, or merchantability of the Property. Lessor shall not be liable to Lessee for any liability, loss, or damage caused or alleged to be caused, directly or indirectly, by the Property, by any inadequacy of, or defect in, the Property, or by any incident in connection with the use of the Property by Lessee.

Upon paying rent, in accordance with Section 4 hereof, and all other amounts payable by Lessee hereunder and Lessee's keeping and performing the terms, covenants, conditions and provisions of this Lease, Lessor covenants and agrees that Lessee may lawfully and quietly hold and enjoy the Property during the term without hindrance, molestation, or interruption notwithstanding anything to the contrary herein.

SECTION 26. SUBSTITUTION.

Lessor reserves the absolute right to recover, from time to time, at Lessee's expense and upon sixty (60) days prior notice to Lessee, any item of Property listed on the attached **Schedule A**, provided that Lessor provides Lessee with a reasonable substitute item after consultation with Lessee. Such a substitution shall not be considered an amendment of this Lease and shall not affect the terms of this Lease, except that a notation of such substitution shall be made to **Schedule A**. Notwithstanding the foregoing, Lessor may, upon its substitution of Property, require a written amendment under the provisions of Section 26 of this Lease.

SECTION 27. AMENDMENT AND MODIFICATION.

Additional Property may from time to time be added to this Lease, as agreed upon by the parties. Any additional Property shall be added to the attached **Schedule A** in an amendment describing such Property, the rental, the term of the leasing period, and the Appraised Value of such additional Property. All such amendments to the attached **Schedule A** effected pursuant to this Section 26 must be in writing and signed by both parties.

SECTION 28. HEADINGS.

The section and other headings contained herein are for convenience of reference only, and are not intended to define, limit, or describe the scope or intent of any provision of this Lease.

SECTION 29. SURVIVAL OF COVENANTS.

Any covenant, representation, warranty, term, or provision of this Lease which, in order to be effective, must survive the termination of this Lease, shall survive any such termination.

SECTION 30. SEVERABILITY.

Except as expressly provided to the contrary elsewhere herein, each section, part, term, and/or provision of this Agreement shall be considered severable and shall be construed as independent of any other section, part, term, and/or provision of this Agreement. If, for any reason, all or any part of any section, part, term, and/or provision of this Lease is held to be invalid, unenforceable, or in conflict with any applicable Law by a court or properly convened arbitrators having valid jurisdiction in an unappealable final decision to which Lessor is a party or by which Lessor may be bound, the same shall not impair the operation of, or have any other

effect upon, any other section, part, term, and/or provision of this Lease as may remain otherwise valid and enforceable, and the latter shall continue to be given full force and effect and bind the parties hereto, and said invalid sections, parts, terms, and/or provisions shall be deemed limited by construction in scope and effect to the minimum extent possible to render the same valid and enforceable. In the event any such invalid or unenforceable section, part, term, or provision involves the payment of moneys hereunder, the parties shall mutually amend this Lease so as to eliminate or modify, as appropriate, the invalid or unenforceable section, part, term, or provision, while preserving the integrity of such payments so as to permit each party hereto to receive the full economic benefits bargained for herein.

SECTION 31. NO WARRANTIES OR GUARANTEES.

Except as set forth in Sections 24 and 25, Lessor makes no warranties or guarantees upon which Lessee may rely, and assumes no liability or obligation to Lessee by providing any waiver, approval, consent, or suggestion to Lessee in connection with this Lease or by reason of any delay or denial of any request therefore. Lessee, in executing this Lease, has not relied upon any representation or warranty of Lessor that the business operations to be conducted at the Casino will be successful, or that any specific level of profit will be achieved.

SECTION 32. INTEREST CHARGES.

In the event, pursuant to the terms of this Lease, interest charges accrue in favor of any payee, amounts received by such payee following the initial date of any interest accrual shall first be applied to accrued and unpaid interest.

SECTION 33. ENTIRE AGREEMENT.

This Lease, the documents referred to herein, and the attachments hereto, if any, constitute the entire, full, and complete agreement between Lessor and Lessee concerning the subject matter hereof, and supersede all prior agreements between the parties hereto related thereto, no other representations having induced Lessee to execute this Lease. No representations, inducements, promises, or agreements, oral or otherwise, not embodied in this Lease were made by either party, and none shall be of any force or effect with reference to this Lease. Except as otherwise provided in this Lease, no amendment, change, or variance from this Lease shall be binding on either party unless mutually agreed to by the parties in writing and executed by their authorized officers or agents.

SECTION 34. SECURITIES FILING.

Licensor acknowledges and agrees that Licensee and its Affiliate may file a copy of this Agreement with the Securities Exchange Commission in compliance with applicable Laws.

SECTION 35. ARBITRATION AND GOVERNING LAW.

Disputes relating to this Lease shall be governed by dispute resolution provisions under Section 19 of the License Agreement, which are incorporated herein by reference thereto. Licensee agrees to be bound by the arbitration obligations under Section 19 of the License Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section 19 of the License Agreement in accordance with its terms.

This Lease shall be governed by the law governing the License Agreement.

[Signatures pages follow]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed, effective as of the date first set forth above.

Signed in the presence of:

/s/

Signed in the presence of:

/s/
Sylvia Sun

LESSOR:
HARD ROCK CAFÉ INTERNATIONAL (STP), INC.

By: /s/
Name: Jay Wolskzak
Its: Vice President

LESSEE:
MELCO PBL GAMING (MACAU) LIMITED

By: /s/
Name: Frank Tsui
Its: Director

SCHEDULE A

Description Of Leased Property
As of _____, 2006

<u>Name</u>	<u>Category</u>	<u>Name</u>	<u>Group</u>	<u>Appraised Value</u>
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[Property to be selected as provided in Section 2(A)]

MEMORABILIA LEASE (HOTEL)

THIS MEMORABILIA LEASE (the "Lease"), is made and executed as of January 22, 2007 (the "Effective Date") by and between **HARD ROCK CAFE INTERNATIONAL (STP), INC.**, a New York corporation ("Lessor"), and **MELCO HOTELS AND RESORTS (MACAU) LIMITED**, a Macau corporation ("Lessee"):

RECITALS:

I. Lessor is the owner of a collection of rock and roll memorabilia.

II. Lessee has entered into a License Agreement (as hereinafter defined) and desires to lease from Lessor articles of memorabilia for display and exhibition at the Hotel (as hereinafter defined) operated pursuant to the License Agreement.

III. Lessor desires, upon and subject to the terms and conditions specified in this Lease, to lease to Lessee the right to use the Property (as hereinafter defined) in connection with the operation of the Hotel by Lessee.

IV. Lessee acknowledges that Lessor would not lease the Property to Lessee, as provided for herein, unless Lessee agrees to comply with all of the terms and conditions of this Lease binding upon Lessee, including, without limitation, Lessee's obligations hereunder to pay all rental fees and all other amounts payable by Lessee as specified in this Lease.

V. Lessee has had full and adequate opportunity to read and review this Lease and to be thoroughly advised of the terms and conditions hereof, and has, to Lessee's satisfaction, determined that it is in Lessee's best interest to lease the Property.

NOW, THEREFORE, in consideration of the foregoing recitals, of the mutual covenants and obligations contained herein, of the grant by Lessor to Lessee of the Lease of the Property, as contemplated herein, and for other good and valuable consideration, the receipt and sufficiency of all of which is hereby acknowledged by each party hereto, Lessor and Lessee hereby agree as follows:

SECTION 1. CERTAIN DEFINITIONS.

(A) **Certain Terms Defined.** Except as otherwise specifically provided for in this Lease, the following terms shall have the definitions specified in this Section 1:

"Adjusted for Inflation" shall mean an amount adjusted for inflation by being increased by the greater of (i) three percent (3%) or (ii) an adjustment based upon the "Inflation Index" (as defined below). The amount of the adjustment under (ii) shall be determined by multiplying the amount which is the subject of the escalation by a fraction the denominator of which is the "Inflation Index" for the month from which such adjustment shall be made (the "Base Month"), and the numerator of which is the "Inflation Index" for the month immediately prior to the month in which the adjustment for inflation shall be made (the "Adjustment Month"), provided that if the Inflation Index for the Base Month is less than the Inflation Index for the Adjustment Month, the amount to be adjusted will be multiplied by one (1) for purposes of making calculations hereunder. In the event an

amount is to be Adjusted for Inflation and there is no reference to the Base Month, the Base Month shall be the month that includes the Effective Date. For purposes of this paragraph, the Inflation Index shall mean the U.S. City Average Price Index for All Urban Consumers for All Items (Base Year 1982-1984) as published by the United States Department of Labor, Bureau of Labor Statistics; provided that if such index is discontinued or is unavailable, then the parties will substitute therefor a comparable index for use in calculating changes in the cost of living or purchasing power of consumers published by any other governmental agency, major bank, financial institution or university or by another recognized financial publication, with such adjustments as shall be reasonably necessary to produce substantially the same results as would have been obtained under the unavailable index.

“Affiliate” means, with respect to any Person, any other Person which, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. For all purposes hereof, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person, or the power to veto major policy decisions of any Person, whether through the ownership of voting securities, by contract, or otherwise.

“Appraised Value” means the appraised value set forth in **Schedule A** for each item of the Property, as determined by Lessor.

“Casino” shall mean the Hard Rock Casino to be constructed and operated by Lessee at the Premises, which shall have contiguous corridors to the Hotel.

“Governmental Authority” means any foreign, federal, state, provincial, or local governmental or tribal entity or authority, or any department, commission, board, bureau, agency, court, or instrumentality thereof including any tax or regulatory authority, which has control over the Hotel, or the location of the Hotel.

“Hard Rock Casino” means a Casino within a property or resort named or identified with the Licensed Marks. The term “Hard Rock Casino” shall include the building and structure at any time constructed and situated on the land, whether owned or leased, comprising that location, and all facilities, structures and improvements relating thereto.

“Hard Rock Corridors” shall mean the corridors and passageways that are not within the main footprint of the Hotel or the Casino but connect the Hotel to the Casino or the Hard Rock Café (as defined in the License Agreement) to the Hotel or the Casino.

“Hard Rock Hotel” means a hotel, lodge or inn or similar establishment within a property or resort named or identified with the Licensed Marks which is an all-inclusive place for overnight lodging. The term “Hard Rock Hotel” shall include the hotel

buildings and structures at any time constructed and situated on the land, whether owned or leased, comprising that location, and all facilities, structures and improvements relating thereto, including, without limitation, any lobbies, kitchen, dining rooms, restaurants, meeting and banquet rooms and facilities, bars, swimming pools, theaters, health clubs, landscaping, parking areas, roadways and walkways: provided that the term "Hard Rock Hotel" shall not include time-share and condominium components (whether as part of a rental pool or otherwise) or housing and extended-stay facilities.

"Hotel" shall mean the Hard Rock Hotel establishment operated on the Premises pursuant to the License Agreement, which shall have contiguous corridors to a Hard Rock Casino.

"Indemnify" means to indemnify against, hold harmless from, and reimburse for.

"Interest Rate" means, with respect to any date, the prime rate listed in the "Money Rates" section of the Wall Street Journal (or other similar publication, in the event the Wall Street Journal is no longer published) published on such date plus two percent (2.0%) per annum, provided that in no event shall the Interest Rate exceed the maximum rate permitted by the applicable Law(s).

"Law" means any and all laws, judgments, decrees, orders, rules, regulations, or official legal interpretations of any Governmental Authority.

"Lessee" shall have the meaning set forth at page one of this Lease.

"Lessor" shall have the meaning set forth at page one of this Lease.

"License Agreement" shall mean that Hotel Trademark License Agreement, dated of even date hereof by and between Hard Rock Holdings Limited and Lessee for Premises.

"Licensed Marks" shall mean those marks as depicted (and subject to the restrictions) set forth in Exhibit A to the License Agreement and any other trademark, service mark and commercial symbol specifically designated from time to time by Licensor (as defined in the License Agreement) for use by Lessee for the Hotel.

"Month" shall mean a calendar month (Gregorian), that period between the date this Lease was executed and the last day of the month in which this Lease was executed, and that period following the end of the last full calendar month during the term of this Lease and the last day that this Lease is in effect.

"Notices" shall have the meaning set forth in Section 23 hereof.

"Permits" means any and all licenses, permits, approvals, variances, waivers, or consents.

“Person” means (i) an individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, estate, trust, unincorporated association or other entity, (ii) any Governmental Authority, and (iii) a fiduciary acting in such capacity on behalf of any of the foregoing.

“Premises” means the real property upon which the Hotel is located, and includes such real property, all structures located thereon, all furniture, fixtures, and equipment, and all appurtenances to any of the foregoing, together with all easements, entrances, exits, rights of ingress and egress thereto, and all improvements thereon or thereto.

“Property” means that personal property identified in **Schedule A** to this Lease, and all additions, substitutions, and amendments to such **Schedule A** during the term of this Lease and any extension thereof.

SECTION 2. DESCRIPTION AND SUPPLY OF LEASED PROPERTY.

(A) **Description.** The Property to be leased hereunder is that personal property to be set forth on **Schedule A** to this Lease from time to time, and which property shall be selected by the Lessor in consultation with the Lessee, at a date no later than ninety (90) days prior to the opening of the Hotel for business, at which time **Schedule A** shall be completed and incorporated and made a part hereof for all purposes.

(B) **Supply.** The Property specified in **Schedule A** shall be supplied by Lessor to Lessee as provided under this Lease at a date no later than thirty (30) days prior to the anticipated opening of the Hotel, provided that Licensee must ensure that the Hotel area where the Property is to be located is, as reasonably determined by Lessor, dust free, secure, weather-tight, free of interference from other trades, air-conditioned and has completed memorabilia display cases to Licensor’s satisfaction.

SECTION 3. TERM OF LEASE.

The term hereof shall commence upon the date of execution of this Lease, and, unless terminated earlier as provided for herein, shall continue for as long as the License Agreement is in full force and effect. This Lease shall terminate automatically, without prejudice to any accrued rights and liabilities of the parties prior to termination, concurrently with any termination of the License Agreement.

SECTION 4. PAYMENT OF RENT.

(A) **Rent.** During the first twelve (12) months after shipment of the Property, the annual rental fee for the use of the Property shall be equal to Thirty Thousand Dollars (\$30,000.00) (in United States Dollars) per year, as Adjusted for Inflation. The annual rental fee shall be payable in equal Monthly installments, but shall be prorated on a daily basis for Months which constitute partial calendar months. The first installment shall be paid immediately prior to shipment of the Property to Lessee, and thereafter each installment shall be due and payable on the first (1st) day of each succeeding Month.

(B) **Payment and Calculation of Annual Rental Fee and Other Payments.** All annual rental fees and other payments hereunder due or to become due to Lessor shall be paid in United States Dollars.

(C) **All Payments Free and Clear of Charges.** All rental fees and other amounts payable by Lessee pursuant to this Lease shall be free and clear of any tax exchange, transfer, or similar charges (except those imposed by Lessor's Financial institution), it being specifically understood by Lessee that the responsibility for payment of any such tax exchange, transfer, or similar charge (except those imposed by Lessor's financial institution) is solely that of Lessee.

(D) **Method of Payment.** All rental fees and other amounts payable by Lessee pursuant to this Lease shall be paid by wire transfer of immediately available funds to an account designated in writing from time to time by Lessor.

(E) **Late Payments.** Unpaid amounts due and owing from Lessee hereunder shall bear interest, pro rata per day, on the past due balance at the Interest Rate from the date such sums first become due until paid.

(F) **Lights and Hardware.** Lessee will purchase brass memorabilia lights and all hardware required for the memorabilia installation. Lessor shall assist Lessee in purchasing the items directly by providing Lessee purchase specifications. Payment is due within thirty (30) days of Lessor's submission of expenses.

SECTION 5. INSTALLATION AND LOCATION OF PROPERTY.

(A) **Installation.** The parties shall mutually agree on an installation schedule. Lessee shall not install the Property in the Hotel or on the Premises without first consulting with Lessor. In connection with the installation of the Property, Lessee shall, at its cost, construct locking display boxes and niches and install special lighting for the Property in accordance with Lessor's standards and specifications. Lessor shall have the right to supervise and install all of the Property with an installation team (one (1) designer and five (5) installers) selected by the Lessor. Lessee shall pay all reasonable out of pocket costs and expenses associated with installation of the Property (not including salaries and overhead), including but not limited to customs, duties, taxes, travel, per diem (\$40 US/day), airfare and suitable four (4) star hotels for Lessor's installation team. Upon installation team's arrival, estimated per diem is to be paid in full by Lessee.

(B) **Relocation.** Lessee shall not, without the prior written consent of Lessor, permit the Property to be removed from the Hotel. Lessor may at its own expense remove Property and replace with reasonable substitute Property pursuant to Lessor's standard rotation policy. Unless otherwise approved in writing by Lessee, the substitute Property shall be substantially equal in quality and value to the Property for which it is being substituted. Lessor shall have the right to supervise, at its own expense, and to specify the terms and conditions of, any movement of the Property, including, without limitation, the right to contract for all services necessary, in Lessor's reasonable discretion, to safely move and to insure such Property.

SECTION 6. USE OF PROPERTY.

(A) **Rights of Lessee.** Lessee shall be entitled to the right of the use and possession of the Property during the Lease term. The Property shall be used only for the purpose of protected and supervised display within the Hotel and the Hard Rock Corridors in accordance with generally accepted museum standards for preservation and protection against loss or damage.

(B) **Duties of Lessee.** Lessee must use the Property for decoration and display as installed by Lessor in a careful and proper manner, and shall not knowingly permit any Property to be used in violation of any applicable Law, the effect of which violation could adversely affect either the value of the Property or Lessor's title thereto.

(C) **Restriction on Use.** Lessee shall not use the Property in any manner that will result in a cancellation of any applicable insurance policy, even if such use may be in furtherance of Lessee's business purpose.

SECTION 7. IDENTIFICATION OF PROPERTY.

If, at any time during the term of this Lease, Lessor supplies Lessee with labels, plates, or other markings stating that the Property is owned by Lessor, Lessee, at Lessee's expense, shall affix and keep such labels, plates, or other markings in a prominent place on the Property, and, in connection therewith, shall follow any and all reasonable instructions regarding the same received from Lessor or any Affiliate thereof.

SECTION 8. MAINTENANCE PERFORMED BY LESSEE.

(A) **Maintenance and Repairs.** Upon Lessor's delivery of the Property to Lessee, Lessee, at its sole expense, shall assume all obligation and liability concerning possession of the Property, and for its use, condition, and storage during the Lease term, any continuation or extension thereof. Thereafter, Lessee shall, at all times and at Lessee's sole expense, insure the Property and maintain the Property in good order, repair, condition, and working order. Lessor, at its cost, shall arrange for insurance of Property for transport from Lessor to Lessee.

(B) **Alterations.** Without the prior written consent of Lessor, Lessee shall not make any alteration, repair, addition, or improvement to the Property. All additions to and improvements of the Property of any kind shall immediately become Lessor's property and subject to the terms of this Lease without any reimbursement to Lessee for the same. Lessee shall not remove, alter, disfigure, or cover up any numbering, lettering, or insignia displayed on or adjacent to the Property. Lessor shall have the right to supervise any repair or other work done on the Property.

SECTION 9. LESSOR'S RIGHT OF INSPECTION AND REPAIR.

Lessor has the right, on reasonable notice to Lessee, to enter the Hotel during Lessee's regular business hours for the purpose of inspecting the Property in order to make a determination of its condition and manner of use. If any Property covered by this Lease is not being properly maintained or utilized according to the provisions of this Lease, Lessor has the right, but not the obligation, to have it repaired or maintained at a service facility at the expense of Lessee.

SECTION 10. OWNERSHIP.

(A) **Lessor Sole Owner.** This Lease constitutes a lease of the Property described in **Schedule A** and not a sale or the creation of a security interest. Lessor shall, at all times, retain sole ownership and title of the Property, and Lessee shall not have or at any time acquire any right, title, equity, or other interest in the Property, except the right to possession and use as provided for in this Lease.

The Property is, and shall at all times remain, the personal property of Lessor, notwithstanding that any part of it may now be, or may become, in any manner attached to, or embedded in, or permanently resting on, real property or any building on real property, or attached in any manner to what is permanent as by means of cement, plaster, nails, bolts, screws, or otherwise. Lessee agrees to Indemnify Lessor for any loss or expense due to a lien or claim on such Property by the owner of the Hotel or by any other lienholder, claimant or the equivalent. Lessee shall, at any time, upon request by Lessor, use commercially reasonable endeavors to deliver to Lessor a statement in writing executed by the owner and/or any other lienholder of the Premises disclaiming any interest in the Property and acknowledging Lessor's sole ownership and title thereto.

(B) **Donated Memorabilia.** Any items of memorabilia associated with the music industry that are donated or presented to Lessee as owner or operator of the Hotel or otherwise acquired or received by Lessee for less than full or reasonable value at any time during the term of this Lease or any extension thereof shall be deemed and shall immediately become the property of Lessor, unless otherwise agreed by the parties hereto in writing. Lessee shall immediately notify Lessor in writing of any such receipt or acquisition of memorabilia. All such donated memorabilia shall, immediately upon receipt by Lessee be included as a part of the Property for all purposes of this Lease, except that Lessee shall not be required, during the term of this Lease, to pay any rental amount in connection with any such donated memorabilia.

SECTION 11. DELIVERY AND ACCEPTANCE OF PROPERTY.

Lessor and Lessee each have, or immediately prior to installation will have, inspected the Property. Lessee hereby accepts possession of the same for purposes of this Lease on an "as is" basis.

SECTION 12. RISK OF LOSS OR DAMAGE.

(A) **Loss or Damage.** Lessee assumes all risk of loss of and damage to the Property from any cause whatsoever. Subject to the remainder of this Section, no loss or damage to the Property will impair any obligation of Lessee under this Lease, which will continue in full force and effect. If any Property under this Lease becomes lost, stolen, destroyed, confiscated, or damaged beyond repair satisfactory to Lessor, Lessee shall pay Lessor in cash the "Appraised Value" as set forth in **Schedule A**, less any net proceeds of insurance received by Lessor for loss or damage of such Property. Upon such payment, this Lease will terminate with respect to such items of the Property so paid for, and Lessee shall become entitled to such items of the Property, as owner, on an "as is" basis, without warranty by Lessor, express or implied.

(B) **Notification to Lessor.** If any Property under this Lease is damaged, lost, stolen, confiscated, or destroyed, Lessee shall promptly notify Lessor of the occurrence and shall file, at its expense, all necessary reports, including those reports required by Law, all interested insurance companies, and/or by Lessor.

SECTION 13. INSURANCE.

Lessee shall, at its own expense, maintain in full force and effect at all times during the Lease term, comprehensive insurance against loss, theft, damage, confiscation, or destruction of the Property for the full Appraised Value of each item of Property, in an amount not less than the amount set forth opposite each item on **Schedule A**, and in an aggregate amount of not less than the total Appraised Value set forth on **Schedule A** and all additions and substitutions thereto. Lessor shall notify Lessee of any additions to the

Property affected in accordance with the terms of this Lease and revaluation of the Property carried out and the results of such revaluation, and Lessee shall insure the Property to its full Appraised Value on any such addition and/or revaluation. The policies shall provide that they may not be cancelled or altered without at least thirty (30) days prior written notice to Lessor, and the loss payable endorsement shall provide that all amounts payable by reason of loss of or damage to the Property shall be payable only to Lessor in United States Dollars. Lessee, upon request from Lessor, shall furnish Lessor with a certificate of insurance evidencing all insurance coverages required of Lessee pursuant to this Section, and shall immediately provide Lessor a new certificate of insurance upon renewal, expiration, change or cancellation of any insurance coverages required under this Section.

SECTION 14. TAXES AND FEES.

(A) **Obligation of Lessee.** Lessee is liable for, and is required to pay on or before their due dates, all sales taxes, use taxes, personal property taxes, ad valorem taxes, license fees, Permit fees, and any other taxes or governmental charges whatsoever imposed on the Property or based on the amount of rent to be paid under this Lease or assessed in connection with this Lease, or the transportation of the Property, together with all penalties and interest incurred in connection therewith, except for taxes imposed on the aggregate gross income of Lessor. To the extent practicable, Lessee will cause all billings of such taxes to Lessor to be made to Lessor in care of Lessee, and will, from time to time, on request of Lessor, submit written evidence of the payment of all governmental obligations described in this section. If the Property is taxable under any property tax or similar tax law, on each property tax return required to be filed, Lessee will include the Property covered by this Lease, and all substitutions or additions, as Property owned by Lessee for purposes of tax assessments. It is expressly agreed that Lessee will not, without obtaining written permission of Lessor, assert on Lessee's behalf, or on behalf of Lessor, any immunity from taxation based on the tax-exempt status, if any, of Lessor.

(B) **Reimbursement of Lessor.** If any taxing or other Governmental Authority requires that a tax or other governmental charge as set forth in this section be paid to such taxing or other Governmental Authority directly by Lessor, Lessee shall, on notice from Lessor, pay to Lessor the amount of the tax or other charge.

SECTION 15. SHIPMENT AND RETURN OF PROPERTY.

(A) **Shipment.** Lessee shall pay all shipping costs, freight, duties, tariffs, import/export fees, ad valorem taxes, other taxes, custom charges, license fees, permit fees, and storage costs incurred with respect to the shipment of the Property from or by Lessor to Lessee and its return. Lessor shall specify and approve in writing all movers and carriers and methods of movement and shipment of the Property. Lessor will designate the location or locations from which the Property is to be shipped. Lessor, at its expense, shall insure the Property in the amount and with an insurance carrier designated by Lessor against loss or damage during transport to Lessee. Lessor shall have the right to supervise the packing, loading, moving, unloading, and unpacking of the Property and to designate the quality of packing materials and shipping containers. Lessee shall also pay all shipping of unused memorabilia and all crates are to be returned to Lessor. All shipping should have climate controlled conditions whether it is stored temporarily or in route to the designated location.

(B) **Lessee's Duty to Return.** On termination of this Lease, Lessee shall, at Lessee's expense, return the Property to Lessor in good repair, by loading the Property on board such carrier as Lessor shall specify or approve in writing, and shipping the Property by climate controlled air freight to the destination designated by Lessor. Lessee, at Lessee's expense, shall fully insure the Property in the amount and with an insurance carrier designated by Lessor in its sole discretion against loss or damage during transport, with Lessor as loss payee. Lessor shall have the right to supervise the packing, loading, moving, unloading, and unpacking of the Property. The Property shall be packed with at least such care and with such quality containers and packing materials as used in its shipment from Lessor to Lessee.

(C) **Right of Lessor to Repossess.** If, upon the termination of this Lease, Lessee fails or refuses to return the Property to Lessor, Lessor shall have the right to take possession of the Property, and, for that purpose, to enter into the Premises where the Property is located, without being liable to Lessee for such removal in any suit, action, or other proceeding. Lessee shall reimburse Lessor for all of Lessor's expenses in connection with any such repossession of the Property.

SECTION 16. HOLDING OVER.

The failure of Lessee to return the Property on the termination of this Lease, with or without the consent of Lessor, shall result in the creation of a Month to Month lease at a Monthly rental of one-twelfth (1/12th) of the annual rental fee in effect immediately prior to the commencement of such Month to Month lease, without affecting Lessee's obligations to pay all other payments due from Lessee hereunder. Such amount shall be payable on the first (1st) day of each Month in which the Lessee holds over. It is the intention of the parties hereto that interest shall not accrue on the payments required hereunder except to the extent the same are not made when due, in which event the same shall bear interest at the Interest Rate from the date due until paid. Should a Month to Month lease be created under the provisions of this section, such lease may subsequently be terminated by either party hereto by that party giving thirty (30) days written notice of the intention to terminate the lease to the other party. This provision does not give Lessee any right to hold over at the expiration of the Lease term, and all other terms and conditions of this Lease shall remain in force during any Month to Month tenancy created by any holding over by Lessee. Nothing in this Section 16 shall be deemed to infringe Lessor's right to demand return of the Property on termination or expiration of this Lease.

SECTION 17. INDEMNITY.

(A) **Indemnity of Lessor.** Unless caused by Lessor's gross negligence or willful act or omission, Lessee shall Indemnify Lessor and its Affiliates and all of their respective directors, officers, employees, agents and representatives from and against any and all claims, actions, proceedings, costs, damages, and liabilities, including, without limitation, reasonable attorney's fees, court and arbitration costs, and costs of investigation (whether pre-hearing, during hearing, or upon appeal) arising out of, connected with, or resulting, directly or indirectly, from the enforcement of this Lease, including without limitation, the recovery of any claim under any insurance policy covering the Property, and from any use of the Property by Lessee, including, without limitation, the manufacture, selection, transportation, delivery, possession, use, operation, or return of the Property.

(B) **Indemnity of Lessee.** Unless caused by Lessee's gross negligence or willful act or omission, Lessor shall Indemnify Lessee and its Affiliates and all of their respective directors, officers, employees, agents and representatives from and against any and all claims, actions, proceedings, costs, damages, and liabilities, including, without limitation, reasonable attorney's fees, court and arbitration costs, and costs of investigation (whether pre-hearing, during hearing, or upon appeal) arising out of, connected with, or resulting, directly or indirectly, from the enforcement of this Lease and any breach of Lessor of a warranty outlined in Section 24.

SECTION 18. INSPECTION OF LESSEE'S RECORDS AND HOTEL.

Lessor shall have the right to inspect the Hotel and the Lessee's insurance records related to the Property for, among other purposes, purposes of security, maintenance and suitable display of the Property, and for those purposes, to enter into the Hotel to examine the Property during normal business hours, on reasonable prior notice of Lessor's intention to do so. Notwithstanding the foregoing, Lessee shall immediately provide Lessor copies of any incident and/or damage reports related to the Property.

SECTION 19. ASSIGNMENT.

(A) **Assignment by Lessor.** Lessor may assign this Lease or any rights under it at any time without Lessee's consent, provided that the assignee is capable of fulfilling Lessor's obligations hereunder, but Lessee shall be obligated to any assignee of Lessor only after written notice of such assignment from Lessor. In the event of any assignment, Lessor's assignee shall have all of the rights, powers, privileges, and remedies of Lessor set forth in this Lease.

(B) **Assignment by Lessee.** Except in connection with a permitted assignment or pledge (and to the same assignee) of all Lessee's rights under the License Agreement, Lessee shall not assign, transfer, or pledge this Lease, or any part of, or any interest in, the Property, sublet or lend any part of the Property, or permit any part of the Property to be used by any Person other than Lessee or Lessee's employees and solely for the permitted uses specified herein. Upon a pledge of this Agreement as herein provided, the pledgee shall have similar rights and obligations with respect hereto as are given to the pledgee of the License Agreement as respects foreclosure, payment of accrued obligations and assumptions hereof.

SECTION 20. DEFAULT AND TERMINATION.

(A) **Termination by Lessor.** This Lease may, upon Notice to Lessee, be terminated by Lessor under any of the following circumstances:

(1) **Breach by Lessee.** Except as otherwise provided in this Section 20, in the event Lessee fails to keep, observe, or perform any of the material requirements imposed upon Lessee pursuant to this Lease, and such default remains uncured for a period of thirty (30) days after Notice of such default is given by Lessor to Lessee.

(2) **Lessee's Bankruptcy or Insolvency.** Lessee shall apply for or consent to the appointment of a receiver, judicial manager, trustee, or liquidator of Lessee or all or a substantial part of its assets, files a voluntary petition in bankruptcy, or admits in writing its inability to pay its debts as they come due, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization (other than voluntary reorganization for corporate or administrative purposes) or arrangement with creditors or to take advantage of any insolvency law, or files an answer admitting the material allegations of a

petition filed against Lessee in any bankruptcy, reorganization, or insolvency proceeding, or if any order, judgment, or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating Lessee as bankrupt or insolvent or approving a petition seeking reorganization of Lessee or appointing a receiver, trustee, or liquidator of Lessee or of all or a substantial part of the assets of Lessee, and any such order, judgment, or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days.

(3) **Cancellation of Insurance Policy.** In the event any insurance policy required to be maintained by Lessee as provided for under the terms of this Lease expires or is cancelled, and is not renewed or replaced by a substantially equivalent policy within thirty (30) days following notice to renew or replace given by Lessor to Lessee.

(4) **Involuntary Transfer by Operation of Law.** In the event Lessee suffers any involuntary transfer by operation of Law of any interest in this Lease.

(5) **Unauthorized Assignment, Etc.** In the event Lessee takes any action prohibited by Section 19 of this Lease.

(6) **Termination of License Agreement.** Immediately upon the termination of the License Agreement, and if such termination is as the result of a default thereunder by Lessee, the termination hereunder shall be deemed to be as a result of Lessee's default hereunder.

(B) **Termination by Lessee for Breach.** This Lease may, upon Notice to Lessor, be terminated by Lessee in the event Lessor fails to keep, observe, or perform any of the material requirements imposed upon Lessor pursuant to this Lease, and such default remains uncured for a period of thirty (30) days after notice of such default is given by Lessee to Lessor.

(C) **Lessor's Right to Cure Default.** Should Lessee fail to make any payment or to do any act as provided in this Lease, Lessor shall have the right, but not the obligation, without notice to or demand on Lessee, and without releasing Lessee from any obligation under this Lease, to make or to do the same, and to pay, purchase, contest, or compromise any encumbrance, charge, or lien that, in the reasonable judgment of Lessor, appears to affect the Property, and, in exercising any such right, incur any liability and expend reasonable amounts it may believe necessary. All expenses so incurred by Lessor shall be, without demand, immediately due and payable by Lessee. Lessor's exercise of its rights under this Section 20(C) shall be without prejudice to Lessor's right to terminate this Lease for any default of this Lease, as provided in Section 20(A) above, including any default cured by Lessor pursuant to this Section 20(C).

(D) **Lessor's Right to Repossess Property.** Lessor may, after ten (10) days following the termination of this Lease, without notice or demand on Lessee, repossess the Property without legal process. Lessee agrees that, upon default or any termination, Lessor or Lessor's agent may enter upon the Premises where the Property is located and repossess and remove the same.

(E) **Lessee's Obligation for Lessor's Costs.** Upon default or other termination of this Lease, Lessee shall reimburse Lessor for all reasonable expenses of repossession and enforcement of Lessor's rights and remedies, including, without limitation, reasonable attorneys fees, court and arbitration costs, and costs of investigation (whether pre-hearing, during hearing, or upon appeal), storage, export charges, packing and transportation costs, and insurance during transport.

(F) **Remedies Cumulative.** The remedies of the parties set forth in this section are cumulative to the extent permitted by Law, and may be exercised partially, concurrently, or separately with any other rights or remedies. The exercise of one remedy by a party shall not be deemed to preclude the exercise of any other remedy. In the event of a default by Lessee, Lessor's damages shall be taken into account the term of the License Agreement prior to such default and any likely extensions thereunder.

(G) **Failure to Enforce Not Waiver.** Any failure or delay on the part of a party to exercise any right or remedy under this Lease shall not operate as a waiver. The failure of a party to require performance of any term, covenant, or provision of this Lease by the other party shall not constitute a waiver by such party under this Lease. No forbearance by a party to exercise any right or remedy under this Lease shall be construed as a waiver, but all rights and remedies shall continue in effect as if no forbearance had occurred. No covenant or condition of this Lease applicable to a party may be waived except by the written consent of the other party. Any such written waiver of any term of this Lease shall be effective only in the specific instance and for the specific purpose given.

SECTION 21. SALE OR ENCUMBRANCE.

(A) **Sale or Disposal.** Lessee shall not part with possession or control of, sell or attempt to sell, mortgage, or encumber any of the Property, or otherwise dispose of any interest therein or in this Lease.

(B) **Encumbrance.** Lessee shall not pledge, encumber, create a security interest in, or permit any lien, charge, or encumbrance (other than workmen's liens, liens for personal property taxes, and other similar immaterial liens, in each case not yet due and payable), amounts to become due in respect of which are not then due and payable to become effective on any of the Property. Lessee shall immediately notify Lessor of any lien, charge, or other encumbrance, or any attachment or judicial process, affecting the Property. Lessee must promptly pay or satisfy any obligation from which any lien, charge, or encumbrance arises, and shall otherwise keep the Property and all right, title, and interest therein, free and clear of all liens, charges, and encumbrances. Lessee shall deliver to Lessor appropriate satisfactions, waivers, or evidence of payment of any lien, charge, or encumbrance. Lessee shall Indemnify Lessor for any loss of the Property due to such a lien, charge, or encumbrance being placed on or against any of the Property.

SECTION 22. REPRODUCTION.

Lessee shall not reproduce any of the Property or allow any of the Property to be reproduced in any manner. Lessee agrees to fully cooperate with Lessor in the event Lessor decides to reproduce any of the Property or to cause any of the Property to be reproduced by a third party for any reason. It is expressly understood that in the event Lessor causes to be removed from the Premises any item of Property, the annual rental fee with respect to such removed item of Property shall be reduced to the extent of the time that such item is absent from the Premises.

SECTION 23. NOTICES.

Except as otherwise provided in this Agreement, all notices, demands, requests, consents, approvals and other communications (collectively "Notices"), required or permitted to be given hereunder, or which are to be given with respect to this Agreement, shall be in writing and personally delivered, or sent by facsimile (with a confirming copy mailed by registered mail as described herein), or by a recognized overnight courier service, or by registered mail, postage prepaid, return receipt requested, addressed to the party to be so notified as follows:

If to Lessee:	Melco Hotels and Resorts (Macau) Limited Level 38 The Centrium 60 Wyndham Street Central Hong Kong Attention: Company Secretary
If to Lessor, to:	Hard Rock Café International (STP), Inc. 6100 Old Park Lane Orlando, Florida 32835 USA Attention: President
with copy to:	Hard Rock Café International (USA), Inc. 6100 Old Park Lane Orlando, Florida 32835 USA Attention: General Counsel

Notices shall be deemed received on the date of delivery if personally delivered, two (2) business days after sending if sent by facsimile or overnight courier service, or seven (7) business days after sending if sent by registered mail.

SECTION 24. WARRANTIES.

The sole warranty being made by Lessee hereunder is that Lessor has the right to lease the Property to Lessee pursuant to the terms hereof and that the display of the Property at the Hotel pursuant to the terms hereof will not violate any intellectual property rights that may be held by third-parties. Lessor makes no representation or warranty as to Lessee's right to reproduce or photograph the Property. Lessee agrees to obtain all authorizations and/or releases prior to reproducing or photographing the Property.

SECTION 25. LIMITATION OF WARRANTIES.

Lessor is not a manufacturer of the Property or a dealer in similar property and, except as provided in Section 24, has not made and does not make any representation, warranty, or covenant, express or implied, with respect to the condition, quality, durability, suitability, authenticity, or merchantability of the Property. Lessor shall not be liable to Lessee for any liability, loss, or damage caused or alleged to be caused, directly or indirectly, by the Property, by any inadequacy of, or defect in, the Property, or by any incident in connection with the use of the Property by Lessee.

Upon paying rent, in accordance with Section 4 hereof, and all other amounts payable by Lessee hereunder and Lessee's keeping and performing the terms, covenants, conditions and provisions of this Lease, Lessor covenants and agrees that Lessee may lawfully and quietly hold and enjoy the Property during the term without hindrance, molestation, or interruption notwithstanding anything to the contrary herein.

SECTION 26. SUBSTITUTION.

Lessor reserves the absolute right to recover, from time to time, at Lessee's expense and upon sixty (60) days prior notice to Lessee, any item of Property listed on the attached **Schedule A**, provided that Lessor provides Lessee with a reasonable substitute item after consultation with Lessee. Such a substitution shall not be considered an amendment of this Lease and shall not affect the terms of this Lease, except that a notation of such substitution shall be made to **Schedule A**. Notwithstanding the foregoing, Lessor may, upon its substitution of Property, require a written amendment under the provisions of Section 26 of this Lease.

SECTION 27. AMENDMENT AND MODIFICATION.

Additional Property may from time to time be added to this Lease, as agreed upon by the parties. Any additional Property shall be added to the attached **Schedule A** in an amendment describing such Property, the rental, the term of the leasing period, and the Appraised Value of such additional Property. All such amendments to the attached **Schedule A** effected pursuant to this Section 26 must be in writing and signed by both parties.

SECTION 28. HEADINGS.

The section and other headings contained herein are for convenience of reference only, and are not intended to define, limit, or describe the scope or intent of any provision of this Lease.

SECTION 29. SURVIVAL OF COVENANTS.

Any covenant, representation, warranty, term, or provision of this Lease which, in order to be effective, must survive the termination of this Lease, shall survive any such termination.

SECTION 30. SEVERABILITY.

Except as expressly provided to the contrary elsewhere herein, each section, part, term, and/or provision of this Agreement shall be considered severable and shall be construed as independent of any other section, part, term, and/or provision of this Agreement. If, for any reason, all or any part of any section, part, term, and/or provision of this Lease is held to be invalid, unenforceable, or in conflict with any applicable Law by a court or properly convened arbitrators having valid jurisdiction in an unappealable final decision to which Lessor is a party or by which Lessor may be bound, the same shall not impair the operation of, or have any other effect upon, any other section, part, term, and/or provision of this Lease as may remain otherwise valid and enforceable, and the latter shall continue to be given full force and effect and bind the parties hereto, and said invalid sections, parts, terms, and/or provisions shall be deemed limited by construction in scope and effect to the minimum extent possible to render the same valid and enforceable.

In the event any such invalid or unenforceable section, part, term, or provision involves the payment of moneys hereunder, the parties shall mutually amend this Lease so as to eliminate or modify, as appropriate, the invalid or unenforceable section, part, term, or provision, while preserving the integrity of such payments so as to permit each party hereto to receive the full economic benefits bargained for herein.

SECTION 31. NO WARRANTIES OR GUARANTEES.

Except as set forth in Sections 24 and 25, Lessor makes no warranties or guarantees upon which Lessee may rely, and assumes no liability or obligation to Lessee by providing any waiver, approval, consent, or suggestion to Lessee in connection with this Lease or by reason of any delay or denial of any request therefore. Lessee, in executing this Lease, has not relied upon any representation or warranty of Lessor that the business operations to be conducted at the Hotel will be successful, or that any specific level of profit will be achieved.

SECTION 32. INTEREST CHARGES.

In the event, pursuant to the terms of this Lease, interest charges accrue in favor of any payee, amounts received by such payee following the initial date of any interest accrual shall first be applied to accrued and unpaid interest.

SECTION 33. ENTIRE AGREEMENT.

This Lease, the documents referred to herein, and the attachments hereto, if any, constitute the entire, full, and complete agreement between Lessor and Lessee concerning the subject matter hereof, and supersede all prior agreements between the parties hereto related thereto, no other representations having induced Lessee to execute this Lease. No representations, inducements, promises, or agreements, oral or otherwise, not embodied in this Lease were made by either party, and none shall be of any force or effect with reference to this Lease. Except as otherwise provided in this Lease, no amendment, change, or variance from this Lease shall be binding on either party unless mutually agreed to by the parties in writing and executed by their authorized officers or agents.

SECTION 34. SECURITIES FILING.

Licensor acknowledges and agrees that Licensee and its Affiliate may file a copy of this Agreement with the Securities Exchange Commission in compliance with applicable Laws.

SECTION 35. ARBITRATION AND GOVERNING LAW.

Disputes relating to this Lease shall be governed by dispute resolution provisions under Section 19 of the License Agreement, which are incorporated herein by reference thereto. Licensee agrees to be bound by the arbitration obligations under Section 19 of the License Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section 19 of the License Agreement in accordance with its terms.

This Lease shall be governed by the law governing the License Agreement.

[Signatures pages follow]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed, effective as of the date first set forth above.

Signed in the presence of:

/s/

Signed in the presence of:

/s/
Sylvia Sun

LESSOR:
HARD ROCK CAFÉ INTERNATIONAL (STP), INC.

By: /s/
Name: Jay Wolskzak
Its: Vice President

LESSEE:
MELCO HOTELS AND RESORTS (MACAU) LIMITED

By: /s/
Name: Frank Tsui
Its: Director

SCHEDULE A
Description Of Leased Property
As of _____, 2006

Name	Category	Name	Group	Appraised Value
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[Property to be selected as provided in Section 2(A)]

**Melco PBL Investments Limited
Walker House
Mary Street
PO Box 908GT
George Town
Grand Cayman**

The Directors
PBL Asia Limited
Walker House
Mary Street
PO Box 908GT
George Town
Grand Cayman

The Directors
Melco PBL Gaming (Macau) Limited
Avenida Dr. Mario Soares No. 25
Edificio Montepio 1 andar
Comp. 13
Macau SAR

Ms. Manuela Antonio
Avenida Dr. Mario Soares No. 25
Edificio Montepio 1 andar
Comp. 13
Macau SAR

15 December 2006

Dear Sirs / Madam,

Shareholders Agreement relating to Melco PBL Gaming (Macau) Limited dated 22 November 2006 (the "Agreement")

We refer to the Agreement and to our recent discussions and hereby confirm that we have agreed to terminate the Agreement with effect from 15 December 2006.

To signify your agreement to terminate the Agreement, please sign below and return a copy of this letter to us.

Yours sincerely

/s/

Director

For and on behalf of Melco PBL Investments Limited

We, PBL Asia Limited, hereby agree to the terms and conditions of this letter.

/s/

Director

For and on behalf of PBL Asia Limited

Date: 15 December 2006

We, Melco PBL Gaming (Macau) Limited, hereby agree to the terms and conditions of this letter.

/s/

Director

For and on behalf of Melco PBL Gaming (Macau) Limited

Date: 15 December 2006

I, Manuela Antonio, hereby agree to the terms and conditions of this letter.

/s/ Manuela Antonio

Manuela Antonio

Date: 15 December 2006

Macau, 15 December, 2006

LAWRENCE YAU LUNG HO

Avenida Xian Xing Hai

Edificio Zhu Kuan, 19.º andar,

Macau

Att. Mr Lawrence Yau Lung Ho

Re: Appointment of Managing Director of Melco PBL Gaming (Macau), Limited

Dear Sir,

As of this date, Melco PBL Gaming (Macau), Limited (hereinafter referred to as the “Company”), a company incorporated under the laws of the Macau Special Administrative Region of the People’s Republic of China (“Macau SAR”), registered with the Macau Commercial Registry under no. 24325 with registered office at Avenida Dr. Mário Soares, no. 25, Edificio Montepio, 1o andar, compartimento 13, is the holder of a subconcession to exploit games of chance and other games in casino in the Macau SAR (hereinafter the “Subconcession”).

Pursuant to article 19 of Law 16/2001, the Company must appoint a managing director (hereinafter referred to as the “MD”) who shall be a Macau SAR permanent resident and shall hold at least 10% of the issued share capital of the Company. In accordance with the law, the MD must be a person with a sound reputation, and the appointment has to be approved by the Macau SAR Government.

In order to meet the legal requirement mentioned above, the Company appointed Ms Manuela Antonio (who is an experienced lawyer practising in the Macau SAR for the last twenty years and a person of unblemished character) as managing director. In light of the fact that (i) Melco International Development Limited is now an indirect shareholder in the Company (ii) the Company wishes to appoint you as MD (iii) the Government of the Macau SAR has approved your appointment as managing director and (iv) Ms Manuela Antonio has agreed to step down as managing director to allow you to be appointed, we have invited you to hold the position of MD of the Company to replace Ms Manuela Antonio, pursuant to your agreement with the terms and conditions set out below.

Managing Director Shareholding

On 15th December, 2006, Ms Manuela Antonio transferred 1,000,000 Class A shares in the Company to you, which constitutes 10 per cent of the issued share capital in the Company and 10 per cent of the voting power of the Company.

The rights attaching to the “A” Class shares are more fully set out in the Company’s Articles of Association as set out in Attachment 1.

The MD hereby acknowledges that he has no entitlement to the capital of the Company other than as set out above and as set out in the Company’s Articles of Association and the MD will not make any claims in this regard. Furthermore, if requested by the Company, the MD shall enter into a share pledge or other security documentation required by persons or entities providing finance to the Company or its related entities in a form as reasonably required by the Company (subject to the approval of the Government of Macau SAR). The MD shall not be held liable for any obligations and/or undertakings arising from charges or other security on the MD Shares or other obligations and/or undertakings resulting from other documentation which may be required by persons or entities providing finance to the Company executed by the MD upon request by the Company and shall be held harmless and with right of recourse against the Company for any liability therefore incurred.

The MD acknowledges that the shareholders of the Company (including the MD) will enter into the Company's Shareholders Agreement (substantially in the form as set out in Attachment 2) to take effect as of the same date. The Company's Shareholder Agreement must be submitted to the Macau SAR Government for approval. In case of any inconsistency between the Company's Shareholders Agreement hereto attached as Attachment 2 and the Shareholders Agreement approved by the Macau SAR Government, the latter shall prevail.

The share certificates received for the MD Shares shall be kept by Melco PBL Investments Limited ("MPBL") together with the irrevocable power of attorney, substantially in the form attached hereto as Attachment 3 (the "PoA") to be signed by the MD, whereby the MD shall grant powers to the Company and/or MPBL to endorse and transfer the MD Shares to MPBL (or its designee) under the terms and conditions herein below mentioned, upon approval from the Macau SAR Government. The Company shall seek the Macau SAR Government's approval of the PoA separately.

It is as well acknowledged by the MD that the MD holds the MD Shares subject to this letter agreement, the Company's Articles of Association, the Company's Shareholders Agreement and Macau SAR law, and that the MD is prohibited from transferring the MD Shares to a third party without prior written consent from MPBL and approval from the Macau SAR Government. The MD warrants to MPBL and the Company that during the period that the MD holds the MD Shares no other person will have any interest in, or claim on, the MD shares whatsoever.

Managing Director Role and Term

The role of the MD as managing director of the Company shall be that as set forth in the Macau SAR law, the Company's Articles of Association and Company Shareholders Agreement and the Resolutions of the Board of Directors of the Company (as set out in Attachment 4) until the termination of the delegation of powers in accordance with this letter, the Company's Articles of

Association and the Macau SAR law. The Company shall seek the Macau SAR Government's approval of the Resolutions of the Board of Directors separately. In case of any inconsistency between the Resolutions of the Board of Directors hereto attached as Attachment 4 and the Resolutions of the Board of Directors approved by the Macau SAR Government, the latter shall prevail.

The MD agrees that he, as well as the other Company Directors, will act on the instructions of the Board of Directors of the Company and will do all things reasonably requested by the Board of Directors.

The powers to be delegated to the MD by the Board of Directors are:

- (i) to assist in implementing the Company's management and policies;
- (ii) to represent the Company in accordance with guidelines from the Board of Directors;
- (iii) to represent the Company in relation to third parties, the Government of the Macau SAR (and its authorities, agencies and bodies) in accordance with the guidelines established by the Board of Directors;
- (iv) to sign, submit and deliver such documents as the Board of Directors shall reasonably request;
- (v) to coordinate the preparation of the Board of Directors meetings; and
- (vi) to execute specific acts and tasks as the Board of Directors may reasonably request.

The delegation of powers referred to above shall not prejudice the entitlement of the Board to pass any resolutions with respect to the same matter.

If the MD is directed to perform an act (or not to perform an act) in the MD's capacity as managing director by the Chairman or the Board of Directors, the Company acknowledges and agrees that MD will not be deemed as being personally liable to the Company or to any other person for that act or omission and shall be held harmless and with right of recourse against the Company for any liability therefore incurred.

The MD shall be under no obligation to do anything in the MD's position as managing director of the Company that is or would be contrary to the laws and regulations of the Macau SAR.

Notwithstanding the term stipulated in the Resolutions of the Board of Directors of the Company hereto attached as Attachment 4, PBL, the Company and the MD agree that the delegation of powers to the MD as managing director of the Company shall be ongoing unless determined otherwise by the board of directors of the Company.

Replacement

Upon the conclusion of the term of the delegation of powers to the MD herein agreed, the Company shall, subject always to the approval of the Macau SAR Government (i) renew the said delegation; or (ii) delegate the managing directors' powers to a person to be appointed by the Company in accordance with the Macau SAR law.

The MD shall serve as managing director until the Macau SAR Government has approved the delegation of powers to a new managing director.

Termination

During the term of the delegation of powers the MD as managing director as referred to above, termination by the Company of the MD's appointment shall only be possible if:

- (i) it is done with the consent of the MD and provided that the Macau SAR Government has given its approval to the termination; or
- (ii) the Macau SAR Government gives notice to the Company that the MD must resign as managing director of the Company and the Company then gives notice of termination to the MD and the effective date of such termination.

Upon termination of the MD's delegation of powers (as referred to above), in consideration for the payment of one (1) Pataca (MOP\$1.00) by MPBL to the MD (receipt of which is hereby acknowledged by the MD), the MD grants to MPBL the right to require the MD to transfer the MD Shares for an aggregate consideration of MOP\$1.00. Pursuant to the authorization of the Macau SAR Government, MPBL will nominate a person to be the transferee of the MD Shares.

MPBL or the Company are only authorized to make use of the PoA to transfer the MD Shares, if 8 (eight) days after the request for transfer of the MD Shares to MPBL (or its designee approved by the Macau SAR Government), the MD has not executed such transfer.

Miscellaneous

No modification, amendment, or waiver of any provision herein shall be effective unless it is agreed in writing by all parties hereto.

All costs and expenses incurred by the MD in connection with the appointment as managing director of the Company, including but not limited to the MD's acceptance of this letter, the consummation of the transfer of the MD Shares and the performance of any of the MD's duties as shareholder and managing director shall be paid by the Company and/or MPBL.

Each of the parties hereto acknowledges that the parties will make available to one another certain documentation, information and other matters in connection with this letter and their respective businesses (collectively, the "Information"). Each of the parties hereto undertakes and agrees that (except to the extent necessary to comply with the requirements of applicable law, rules and regulations or the rules and regulations of any stock exchange upon which the securities of any party or any of its affiliates are listed), whether or not any such Information is strictly confidential or proprietary, not to make any use of the Information for any purpose other than in accordance with this letter.

This letter agreement shall be binding on and inure to the benefit of the parties and their respective successors and permitted assigns, provided however that the MD is not permitted to transfer any of her rights or assign any of his obligations under this letter agreement without the prior written consent of MPBL.

Each party must do all things reasonably necessary to give effect to the matters set out in this letter agreement.

This letter agreement shall be governed by the laws of the Macau SAR and the parties hereto irrevocably submit to the exclusive jurisdiction of the courts of the Macau SAR.

For and on behalf of Melco PBL Investments Limited

/s/

Director

/s/

Director

For and on behalf of Melco PBL Gaming (Macau) Limited

/s/

Director

/s/

Director

I acknowledge and agree with the contents of this letter, and accept the appointment as Managing Director of Melco PBL Gaming (Macau), Limited under the terms and conditions set out herein.

/s/

Lawrence Yau Lung Ho

**ATTACHMENT 1
ARTICLES OF ASSOCIATION**

**ATTACHMENT 2
SHAREHOLDERS AGREEMENT**

ATTACHMENT 3
POWER OF ATTORNEY
(English version– for reference only)

By this Power of Attorney given on the [date], I, Lawrence Yau Lung Ho, married of age, of Canadian Nationality, with address at Avenida Xian Xing Hai, Edificio Zhu Kuan, 19.º andar, Macau SAR, in respect of the shares of Melco PBL Gaming (Macau) Limited registered or to be registered in my name from time to time (hereinafter the “Shares”);

Hereby appoint and constitute Melco PBL Investments Limited, a company incorporated under the laws of the Cayman Islands, with registered address at Walker House, Mary Street, PO Box 908GT, George Town, Grand Cayman, Cayman Islands (hereinafter the “Attorney”) to be my true and lawful attorney in respect of the Shares, being the Attorney authorized, for and on my behalf and in my name, to perform and to execute all or any of the following deeds and acts, pursuant to the authorization of the Macau SAR Government, in accordance with Law 16/2001:

- a) at any time as the Attorney may think expedient to transfer and absolutely dispose of the Shares with all related rights in such manner and upon such conditions as the Attorney shall think fit, including but not limited to endorse the share certificates, and to arrange and to settle with the transferee or transferees the terms of transfer and the relevant consideration, and also to arrange when the transfer shall be completed;
- b) to receive from the transferee or transferees or their assigns the transfer consideration and to give good receipt and discharge for the same;
- c) to pledge or in any way charge the Shares with all related rights in such manner and upon such conditions as the Attorney shall think fit; and
- d) to sign, execute, register or otherwise render perfect or cause to be signed executed and registered and perfected according to the laws in force in Macau from time to time, any agreement, deed, conveyance, assurance or other instrument and any notarial act which in the opinion of the Attorney shall be necessary or expedient for any of the aforesaid mentioned purposes.

The Attorney hereby appointed may use this Power of Attorney to do business “with himself” and to subrogate it, with or without restrictions, one time or more times, in whole or in part, but shall appoint a lawyer whenever necessary to submit cases in Court.

This Power of Attorney is also granted for the benefit of the Attorney, under the terms of Article 258, paragraph 3 of the Civil Code, and therefore cannot be revoked without the prior consent of the Attorney.

ATTACHMENT 4

**RESOLUTIONS OF THE BOARD OF DIRECTORS OF
MELCO PBL GAMING (MACAU) LIMITED
(English version – for reference only)**

On [•] day of [•] of the year two thousand and six, at [•], an extraordinary meeting of the Board of Directors of the company MELCO PBL GAMING (MACAU) LIMITED (the “Company”) was held in the head office of the Company located in Macau at Avenida Dr. Mário Soares, no. 25, Edifício Montepio, 1st floor, room 13, duly convened.

The following directors were present: [•],[•],[•],[•], and [•], and the Secretary of the Company Mr. Francisco de Mascarenhas Gaivão.

Being all the Directors present, and the consequent existence of quorum, the Director [•] took the Chair and Mr. Francisco de Mascarenhas Gaivão was the Secretary.

Agenda;

- 1) Appointment of the Managing Director of the Company; and
- 2) Delegation of Powers from the Board of Directors to the Managing Director.

The session was declared open and the Chairman informed that pursuant to Ms. Manuela Antonio’s request to step down and in accordance with to Ofício [•], of [•], issued by [•] of the Macau SAR Government, the proposed appointment of the Managing Director and the proposed delegation of powers, both submitted by the Company on [•] with the [•] of the Government of the Macau SAR were authorized. Being so, it was unanimously resolved that:

- (a) The appointment of Lawrence Yau Lung Ho, married, with office address at Avenida Xian Xing Hai, Zhu Kuan, 19th Floor, current Group B director, as Managing Director of the Company;

-
- (b) Delegate the following powers, for the term of the mandate to which she was elected as stipulated in the Articles of Association, to the appointed Managing Director:
- (i) to assist in implementing the Company's management and policies;
 - (ii) to represent the Company in accordance with guidelines from the Board of Directors;
 - (iii) to represent the Company in relation to any public entities, inter alia the Government of Macau SAR in accordance with guidelines established by the Board of Directors;
 - (iv) to sign, submit and deliver documents SAR in accordance with guidelines established by the Board of Directors;
 - (v) coordinate the preparation of the Board of Directors meetings; and
 - (vi) to execute specific acts and tasks as the Board of Directors may direct.

The substitution of the now appointed Managing Director shall be made in accordance with the Articles of Association, and under the terms foreseen in the legal regime applicable to the Company, as subconcessionaire for the operation of games of fortune and other games in casino in the Macau SAR.

As there was no further business, the Chairmen declared the meeting closed.

The Chairman

The Secretary

**SHAREHOLDERS' AGREEMENT
RELATING TO
MELCO PBL GAMING (MACAU) LIMITED**

PBL ASIA LIMITED

MELCO PBL INVESTMENTS LIMITED

HO, LAWRENCE YAU LUNG

MELCO PBL GAMING (MACAU) LIMITED

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DATE: 15 December, 2006

PARTIES

1. **PBL ASIA LIMITED**, an exempted company incorporated under the laws of the Cayman Islands of Walker House, Mary Street, P O Box 908GT, George Town, Grand Cayman, Cayman Islands (“**PBLSub**”)
2. **MELCO PBL INVESTMENTS LIMITED** a company incorporated under the laws of the Cayman Islands of Walker House, Mary Street, P O Box 908GT, George Town, Grand Cayman, Cayman Islands (“**Melco PBL**”)
3. **HO, LAWRENCE YAU LUNG**, an individual with professional address at 38/F., The Centrium, 60 Wyndham Street, Central, Hong Kong (the “**Managing Director**”)
4. **MELCO PBL GAMING (MACAU) LIMITED**, a company incorporated under the laws of Macau SAR of Avenida Dr. Mário Soares No 25 Edificio Montepio 1º, Comp. 13, Macau SAR registered with the Macau Commercial Registry under number 24325 (the “**Company**”)

WHEREAS

- (A) The Company was incorporated on 10 May 2006.
- (B) On 8th September 2006 the Government of Macau SAR, Wynn Resorts (Macau) Limited and the Company entered into the Subconcession pursuant to which the Company is entitled, subject to the laws of Macau SAR, to engage in the exploitation of games of chance and other games in casino in Macau SAR.
- (C) The Company is a company limited by shares incorporated in Macau SAR. At the date hereof the Company’s registered capital, which is fully paid up is one billion Patacas (MOP1,000,000,000) divided and represented by (i) 2,800,000 Class A Shares of one hundred Patacas (MOP100) each, which Class A Shares (a) represent twenty eight per cent (28%) of the issued share capital of the Company; (b) a nominal right to receive a Class A Dividend of an aggregate amount of up to one Pataca (MOP1) per year from the Company, and (c) a nominal right to receive a Class A Capital Distribution of an aggregate amount of up to one Pataca (MOP1) upon a return of capital or the liquidation of the Company; and (ii) 7,200,000 Class B Shares of one hundred Patacas (MOP100) each which Class B Shares together (x) represent seventy-two per cent (72%) of the issued share capital of the Company (y) a right to receive all dividends and capital distributions of the Company, whether before or upon the liquidation of the Company, after payment of the Class A Dividend and, as applicable, the Class A Capital Distribution.

-
- (D) The Managing Director is the registered holder of 1,000,000 Class A Shares representing ten per cent (10%) of the issued share capital of the Company.
 - (E) PBLSub is the registered holder of 1,800,000 Class A Shares representing eighteen per cent (18%) of the issued share capital of the Company and Melco PBL is the registered holder of 7,200,000 Class B Share representing seventy two per cent (72%) of the issued share capital of the Company.
 - (F) The terms of this Agreement shall be submitted to the Government of the Macau SAR for approval.

THE PARTIES AGREE

1. **THE DICTIONARY**

1.1 **Dictionary**

The Dictionary in Attachment A:

- (a) defines some of the capitalised terms used in this Agreement; and
- (b) sets out rules of interpretation which apply to this Agreement.

2. **THE COMPANY**

2.1 **Nature of Business**

The business of the Company is:

- (a) to exploit games of chance and other games in casino in Macau SAR all in accordance with the terms of the Subconcession and the laws of Macau SAR; and
- (b) any other correlated activity determined by the Board from time to time to the extent permitted by the laws of the Macau SAR and authorized by the Macau SAR Government.

2.2 **Place of Business**

The Company shall maintain its head office within Macau SAR.

2.3 Name of Company

The Company will be known as “新濠博亞博彩(澳門)股份有限公司”, in Chinese, “Melco PBL Gaming (Macau) Limited” in English and “Melco PBL Jogos (Macau), S.A.” in Portuguese.

2.4 Conduct of the Business

The Company will conduct its affairs in accordance with the Subconcession, the Gaming Concessions Legal Regime for the exploitation of games of chance and other games in casino in the Macau SAR comprising Law no. 16/2001, Regulation no.26/2001 and all other complementary applicable laws and regulations and other Gaming Authorizations from the Gaming Authority and other applicable laws of Macau SAR.

2.5 Operation in accordance with the Articles and this Agreement

The Company shall operate pursuant to the terms of the Articles and this Agreement. To the extent that the terms of this Agreement conflict with mandatory provisions of the Articles under the laws of Macau SAR, the terms of the Articles shall prevail. Each Shareholder agrees to vote all Shares and take all other actions available to it which are necessary or appropriate to ensure the Articles do not conflict with the provisions of this Agreement and to give effect to the terms and intent of this Agreement.

2.6 Term of this Agreement

This Agreement will continue until terminated:

- (a) in accordance with this Agreement; or
- (b) by written agreement among the parties;

but shall not terminate on the expiry of the Subconcession merely by virtue of such expiry. This Agreement shall cease to apply to a Person when that Person ceases to be a Shareholder.

2.7 Shareholding

Capital of the Company

- (a) The entire registered capital of the Company is one billion Patacas (MOP1,000,000,000) divided into 10,000,000 Shares of one hundred Patacas (MOP100) par value each and is represented exclusively by registered nominative shares of which 2,800,000 are Class A Shares and 7,200,000 are Class B Shares. Each Share entitles the holder thereof to identical voting rights in the Company. All of the Shares are duly authorized by the Government of Macau SAR, validly issued, and registered in the name of the Shareholders in the amounts set forth in clause 2.7(d).

Class A Shares

- (b) The Class A Shares, in the aggregate, represent twenty eight per cent (28%) of the authorised issued share capital of the Company. The holders of the Class A Shares, as a group, are entitled to an annual dividend in an amount in the aggregate of up to one Macau Pataca (MOP1) (the “**Class A Dividend**”) and a preferential distribution in the event of the liquidation of the Company or return of capital to the Class A Shares in an amount in the aggregate of up to one Macau Pataca (MOP1) (the “**Class A Capital Distribution**”), and shall be entitled to no other dividends, distributions, return of capital, liquidation proceeds, return of par value, or other sum of any type from the Company. Class A Shares representing ten per cent (10%) of the authorised issued share capital of the Company will be held by the Managing Director and the Managing Director shall have no obligation to contribute further capital to the Company and in the event that any payment of dividend, distribution, return of capital, liquidation proceeds, par value, or emolument of any type other than the Class A Dividend (or part thereof) or the Class A Capital Distribution (or part thereof) shall ever be received by the Managing Director in respect of the Class A Shares, the Managing Director shall immediately account for and pay such dividend, distribution, capital, liquidation proceeds, par value, or emolument to the holders of the issued and outstanding Class B Shares, in proportion to their ownership thereof.

Class B Shares

- (c) The Class B Shares in the aggregate represent (a) seventy two per cent (72%) of the authorized issued share capital of the Company, and (b) one hundred per cent (100%) of the rights to receive dividends and other distributions from, and capital of, the Company, after payment of the Class A Dividend and the Class A Capital Distribution in respect of Class A Shares. The holders of the Class B Shares, in proportion to their ownership thereof, shall be entitled to receive any dividends, distributions, capital, liquidation proceeds, par value, or other emoluments that may at any time be paid to or received by the holders of the Class A Shares, except the Class A Dividend and the Class A Capital Distribution.

Shareholders Proportion

(d) The shareholding structure of the Company is as follows:

<u>Shareholder</u>	<u>Number of Shares</u>	<u>Percentage Holding</u>
Managing Director	1,000,000 Class A Shares	10%
PBLSub	1,800,000 Class A Shares	18%
Melco PBL	7,200,000 Class B Shares	72%

2.8 Exercise of Powers

Each Shareholder agrees to take all reasonable steps which are within its power and are necessary to procure that its voting rights as a Shareholder in the Company and where applicable, the voting rights of Directors nominated by it to the Board, are exercised in a manner to ensure that the Company acts in conformity with this Agreement and the Subconcession.

2.9 Legends on Share Certificates; Safekeeping of Share Certificates

All certificates representing Shares or other direct or indirect interests in the Company or any Affiliated Company shall be kept under the control of Melco PBL or its designee. Each certificate representing the Shares, now or hereafter held by the Shareholders or their respective permitted transferees and successors shall be stamped with certain legends required by the laws of the Macau SAR and a legend in substantially the following form in Portuguese and English, respectively:

“A transmissão e oneração das acções, e dos direitos inerentes às mesmas, representados por este título estão sujeitas: (a) às restrições legais imperativas aplicáveis, nomeadamente, as decorrentes da Lei n.º 16/2001 da Região Administrativa Especial de Macau e (b) às restrições nos termos do Acordo Parassocial, conforme venha a ser alterado, cuja cópia está arquivada no Escritório de Advogados da Dra. Manuela António. Qualquer transmissão ou oneração das acções, e dos direitos inerentes, representados por este título em violação do supra disposto não produzirá efeitos em relação à Sociedade nem confere ao adquirente ou interessado o direito ao averbamento de tal transmissão no Livro de Registo de Acções, o qual será recusado pela Sociedade.”

“The transfer and encumbrance of, and rights in, the shares represented by this certificate are (a) subject to the mandatory legal restrictions including, inter alia, those arising from Law No. 16/2001 of the Macau SAR and (b) restricted under the terms of a

Shareholders' Agreement, as amended from time to time, a copy of which is on file at the office of Manuela Antonio, Lawyers in Macau SAR. Any transfer or encumbrance of, and rights in, the shares represented by this certificate in violation of the abovementioned restrictions will be of no effect towards the Company and will not entitle the transferee or the interested party to register such transfer in the share register book of the Company and shall be refused registration by the Company."

3. BOARD OF DIRECTORS

3.1 Number of Directors

The Board of Directors must pursue the general interests of the Company as well as assure the management of its business. The Directors will be an odd number, consisting of the Managing Director (as defined in clause 3.2)(who will be a category "B" director) and a number of other directors (with all directors being elected by the General Meeting and approved by the Government of Macau SAR), with the intention that the Directors (other than the Managing Director) are nominated by Melco PBL.

3.2 Managing Director

To the extent required by the laws of Macau SAR, the Company is required at all times to have at least one (1) Director who is a permanent resident of Macau SAR and who shall be designated as the "managing director" of the Company in accordance with the rules set forth in Article 19 of Law No. 16/2001 and shall hold ten (10) per cent of the issued share capital of the Company. The Managing Director shall have such delegated management authority as the Board shall from time to time resolve subject always to approval from the Macau SAR Government and to Article 466.3 of the Macau Commercial Code, and the Managing Director's authority shall not exceed the authority so delegated.

The Shareholders have designated and the Government of Macau SAR has approved Ho, Lawrence Yau Lung to serve as the Managing Director. The Managing Director shall serve as Managing Director under the terms of the Engagement Letter.

3.3 Term and Removal of Directors

- (a) The Board of Directors are elected by the General Meeting for three years and may be re-elected one or more times.
- (b) A Director may be removed by the General Meeting notwithstanding the currency of the Director's three year term.
- (c) A Director may resign his or her office on notice to the Board.

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- (d) A Director shall be removed in the event that the Director becomes under any legal disability or is subject to an adverse determination by the Gaming Authority or by other relevant Regulatory Authority.

3.4 **Chairperson**

- (a) The Chairperson will be appointed by the Board. The members of the Board have agreed that Lawrence Ho shall serve as Chairperson.
- (b) In the definitive absence of the Chairperson, the Board of Directors shall proceed with his replacement until the next General Meeting, by electing among its members a new Chairperson.
- (c) In the definitive absence of any Director, the first substitute director shall replace him.

3.5 **Notice to the Gaming Authority**

The appointment or removal of a person as a Director must be notified to the Gaming Authority and the appointment of a person as a Director shall only take effect on the requisite approval of the Gaming Authority.

3.6 **Quorum for Board meeting**

- (a) Subject to clause 3.6(c), the quorum for a meeting of Directors is a simple majority but in case never less than four Directors present or represented (being at least two category "A" Directors and at least two category "B" Directors).
- (b) A Board meeting is adjourned to the same time and place on the same day the following week if a quorum is not present at that Board meeting unless otherwise determined by the Board.
- (c) If a quorum is not present at the reconvened Board meeting, that meeting is adjourned to the same time and place on the next Business Day. The Directors present or represented at the second reconvened Board meeting make up a quorum save in the case of matters referred to in clause 5.3, resolutions in respect of which remains subject to clause 5.3.

3.7 **Notice of meetings**

- (a) Each Director must receive at least five Business Days notice indicating the objective, hour and place of the Board meeting (including notice that the meeting may be adjourned as set out in clause 3.6) unless all Directors agree otherwise. A Board meeting may be held in the Macau SAR.

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- (b) The Board can only pass a resolution on a matter if notice of the general nature of the matter is included in the notice of meeting, unless all Directors agree in writing otherwise (whether or not all such Directors attend the meeting of the Board which considers the relevant resolution).

4. GENERAL MEETINGS

- (a) The Shareholders agree that the President of the General Meeting shall be Lawrence Ho.
- (b) Subject to clause 4(c), no business may be transacted at any general meeting, except the election of a Chairperson and the adjournment of the meeting, unless a quorum of members is present when the meeting proceeds to business and remains present throughout the meeting.
- (c) The quorum for a General Meeting is one or more Shareholders present or represented holding at least seventy per cent (70%) of the duly authorised and registered share capital of the Company.

5. DECISION MAKING

5.1 Voting by Directors

Each Director has one vote. The Chairperson does not have a casting vote.

5.2 Directors' resolutions

All resolutions at meetings of the Board are valid if at least a simple majority of two category "A" Directors (present or represented) and at least two category "B" Directors (present or represented) vote in favour of the relevant resolution including in relation to those decisions listed in clause 5.3 and clause 5.4.

5.3 Decisions of Directors

A resolution of the board which concerns any of the following matters is only valid if at least two category "A" Directors (present or represented) and at least two category "B" Directors (present or represented) vote in favour of that resolution.

Constitution

- (a) **memorandum and articles of association:** the recommendation to the Shareholders to modify or amend the memorandum and articles of the Company or an Affiliated Company;
- (b) **Directors:** the appointment or removal of any director of an Affiliated Company;
- (c) **committees:** the creation of working committees of the Board;

Major Strategic

- (d) **Business Plan:** the adoption of a Business Plan for the Company and/or for any Affiliated Company or the authorisation of any change to, or deviation from, a Business Plan in any material respect;
- (e) **Change in Business:** any material change in the nature or scope of the business of the Company, the cessation of the business of any Affiliated Company or the entry into any new business by the Company or any Affiliated Company, except as approved in a Business Plan;
- (f) **Merger or amalgamation:** any recommendation to the Shareholders with regard to the terms of any merger or amalgamation of the Company with any other company;
- (g) **Joint Venture:** the entry into by the Company, or the amendment, release or termination of, any joint venture, partnership, agency or similar arrangement of any kind with any person;
- (h) **Disposals:** the disposal of any assets of the Company or the shares in any Affiliated Company in any Financial Year with a book value or market value of more than MOP8,000,000 (otherwise than in accordance with the Business Plan);
- (i) **Listing:** any application to the Gaming Authority for approval for the Company to seek:
 - (i) admission of the Company or an Affiliated Company to the official list of a Stock Exchange; and
 - (ii) official quotation of the shares in the Company or an Affiliated Company on that Stock Exchange;

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- (j) **Subconcession:** any dealings with or matters involving amendments to the terms of the Subconcession or application for or surrender of any Gaming Licence;

Major Financial

- (k) **dividends:** proposals to Shareholders in connection with the adoption of or change to any dividend policy or the declaration or payment of any dividend by the Company other than in accordance with any adopted dividend policy, except as approved in the Business Plan and/or Budget;
- (l) **distributions:** proposals to Shareholders in connection with the making by the Company of any capital distribution or capitalisation of any profits or the creation of, or transfer to, any reserve account;
- (m) **acquisitions of equity:** the acquisition by the Company of any Securities from any third party for a consideration of more than MOP8,000,000, except as approved in a Business Plan and/or Budget;
- (n) **expenditure:** the incurring of capital or operating expenditure of more than MOP8,000,000 by the Company in a Financial Year, except as approved in a Business Plan and/or Budget;
- (o) **material contracts:** the entry into by the Company of any agreement or arrangements, which alone or together with any other associated agreement or arrangement:
- (i) is for a duration of more than 3 years;
 - (ii) involving the Company in a liability (actual or contingent) for an amount of more than MOP8,000,000; or
 - (iii) is outside the ordinary course of business, except as approved in the Business Plan and/or Budget.
- (p) **auditor:** propose to the Shareholders the appointment or removal of the Auditor;
- (q) **accounting policies:** the establishment of or any change in a material respect to the accounting policies or practices or financial reporting system of the Company or any Affiliated Company, subject always to the accounting policies in force in the Macau SAR from time to time;

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- (r) **new issues:** the issue or offer or agreement to issue any Securities of the Company;
 - (s) **class rights:** any recommendation to Shareholders to change any rights attaching to any class of Securities of the Company;
 - (t) **capital reduction:** any buy back, redemption or cancellation of any Securities of the Company, or reduction, split, consolidation or other reconstruction of the share capital of the Company, to the extent that such action is under the control of the Directors and to the extent that such action requires Shareholder consent, any proposal to the Shareholders in relation to obtaining such consent;
 - (u) **borrowing:** the borrowing, raising or receiving of any financial accommodation (including to or from any Shareholder) by the Company, or the making of any material unscheduled repayments of any financial accommodation, except to the extent approved in a Business Plan and/or Budget;
 - (v) **provision of financial accommodation:** the provision by the Company of any financial accommodation to any person, other than in the ordinary course of business;
 - (w) **new business:** the establishment by the Company of any new business;
 - (x) **security interest:** the grant of a Security Interest over an asset of the Company otherwise than by operation of law;
 - (y) **guarantees:** the giving by the Company of a guarantee, indemnity or other assurance for a debt or obligation of another person or about the financial condition of that person, or becoming liable under any of those things;
 - (z) **related party transactions:** Except as contemplated in this Agreement:
 - (i) the entry into by the Company of any agreement or arrangement with any Shareholder or with any Related Party or Affiliate of any Shareholder or the Company, whether that agreement or arrangement is oral or in writing; or

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- (ii) the amendment, release or termination of any agreement or arrangement with any Shareholder or with any Related Party or Affiliate of any Shareholder or the Company, whether that agreement or arrangement is oral or in writing;
 - (aa) **litigation**: the commencement, defence, compromise or settlement by the Company of any litigation, arbitration, remediation or a similar procedure involving a claim of more than MOP100,000 or the waiving or enforcement of any material rights of the Company in respect of such a claim;
 - (bb) **real property**: the purchase, disposal, lease by the Company of, or any other dealing by the Company in, any real property or any interest therein involving real property with a value or commitment of more than MOP1,000,000;

Budget Process

- (cc) **budget**: the adoption of a Budget for the Company or the authorisation of any change to, or deviation from, a Budget in any material respect; and

Management

- (dd) **senior management**: the appointment, removal or the making of any material alteration to the terms of employment of the Chief Executive Officer or Chief Financial Officer of the Company provided that such executive shall be removed in the event of an adverse finding against the executive by the Gaming Authority unless otherwise unanimously agreed by the Board and by the Gaming Authority.

5.4 Amendment of financial limits

The Board may amend a financial limit in clause 5.3 by resolution passed at a duly convened Board meeting.

5.5 Shareholders' resolutions

Notwithstanding anything in this Agreement and Articles, the prior approval of Shareholders representing at least 75% of the issued share capital (whether at a General Meeting or by written resolution) is needed to:

- (a) appoint a liquidator to the Company or propose a winding up of the Company;
- (b) amend or replace the Articles;

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- (c) approve a scheme of arrangement to merge or amalgamate the Company with another Company;
 - (d) change the name of the Company;
 - (e) effect any capital reduction or buy back of Shares by the Company; or
 - (f) give effect to any matter set out in clause 5.3 where the approval of Shareholders (rather than Directors) is required by law to give effect to such matter.

5.6 **Affiliated Companies**

- (a) Each Shareholder and the Company agrees, and must use all reasonable endeavours to ensure that subject as otherwise agreed by them in writing the board and operation of each Affiliated Company (other than the Company) complies with at least the rules set out in this clause 5; and
- (b) The Board will determine the exercise by the Company of its rights and powers to effect appointments to the board and to change the board composition of each Affiliated Company (other than the Company) and to join in or oppose the appointment or proposed appointment by any third parties as directors to the board of an Affiliated Company under the articles of association of the relevant Affiliated Company or under a shareholders agreement concerning an Affiliated Company which is binding on the Company or the relevant Affiliated Company.

6. **BUDGET AND BUSINESS PLAN**

6.1 **Annual budget**

The Company must use reasonable endeavours to ensure that, before the end of any Financial Year, the Directors adopt an annual Budget for the Company in accordance with clause 5.3 for the following Financial Year in a form, and the content of which is, approved by the Directors.

6.2 **Business Plan**

The Company and each Shareholder must use reasonable endeavours to ensure that, before the end of each Financial Year, the Directors adopt a Business Plan for the Company in accordance with clause 5.3 for the following Financial Year in a form, and the content of which is, approved by the Directors.

7. SHAREHOLDER OBLIGATIONS

7.1 General Obligations

Each Shareholder will:

- (a) act in good faith to the other Shareholders in any transaction relating to the Company;
- (b) promptly pay into the company bank account all money, cheques and negotiable instruments received by the Shareholder on account of the Company;
- (c) promptly advise the other Shareholders of any matter or material information concerning the Company which may come to the Shareholder's notice; and
- (d) at all times give to the other Shareholders a full and proper account of any action the Shareholder proposes to take in respect of the Company which has not been authorised by the Shareholders and at the reasonable request of the other Shareholder, furnish a full and accurate explanation of any action the Shareholder takes which affects the Company in any way.

7.2 Managing Director Obligations

In addition to the obligations set out above, the Managing Director shall comply with his obligations as set out in the Engagement Letter.

7.3 PBLSub Obligations

PBLSub agrees that it shall vote its Class A shares in the same manner as Melco PBL votes its Class B Shares in all matters submitted for voting to the Shareholders.

8. MANAGEMENT OF THE COMPANY

8.1 Supervisory Board

- (a) The supervision of the Company's activity belongs to the supervisory board which is made up of three members of whom one shall be the Chairman, and another a substitute, all elected by the General Meeting (the "**Supervisory Board**").
- (b) The General Meeting can choose the Sole Supervisor system.

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- (c) One of the members and the substitute of the Supervisory Board will be auditors or an audit firm.
 - (d) The Sole Supervisor must be an auditor or an audit firm.
 - (e) The Supervisory Board shall meet, at least, once every three months.

8.2 **Company Secretary**

- (a) The Company Secretary shall have the powers determined by law, the Articles and the Board and also to carry out the relations between the Company and its social bodies.
- (b) The Company Secretary, appointed by the Board of Directors, must not be a member of the Board of Directors.

8.3 **Maintenance of records**

The Company must maintain books and records which enable each of the Shareholders to prepare accounts which comply with the Accounting Standards.

9. **CONFIDENTIALITY**

A party may not disclose any Confidential Information to any person, except:

- (a) to its officers, employees, professional advisers, auditors or consultants, to the extent that person requires the information for the purposes of performing their respective functions;
- (b) to its shareholders subject to first obtaining written confidentiality undertakings from those shareholders in a form agreed by the Company and those parties who are at that time entitled to appoint or remove a Director;
- (c) as required by an applicable law, regulatory authority (including gaming regulatory authorities) or applicable Stock Exchange; or
- (d) if a party is required to do so in connection with legal proceedings relating to this Agreement, or relating to any agreement to which that person is a party, provided that, except where the legal proceedings are taken by one party against another party, each other party is first consulted, and is given a reasonable opportunity to assert any right and privilege, confidentiality, or any other right which may prevail, over that party's duty of disclosure, and must use its best endeavours to ensure the Confidential Information (unless disclosed under clauses 9(a)-(d)) is kept confidential.

10. DISPOSAL OF SHARES

10.1 No Disposal of Shares

Except for the Class A Shares which shall not be disposed of save in accordance with the provisions of the Articles and the Engagement Letter (as applicable), each Shareholder must:

- (a) not create any Security Interest or agree or offer to create any Security Interest, in its Shares unless approved by Shareholders holding at least 70% of the issued share capital of the Company and the Gaming Authority; and
- (b) not Dispose or agree to Dispose of any of its Shares, or do or omit to do any act if the act or omission would have the effect of Disposing of any of its Shares unless approved by Shareholders holding at least 70% of the issued share capital of the Company.

11. DISPUTE RESOLUTION

- (a) A party must not commence court proceedings about any dispute unless it first complies with this clause 11.
- (b) A party claiming that a dispute has arisen must notify each other party giving details of the dispute.
- (c) Each party to the dispute must seek to resolve the dispute within 5 Business Days of receiving notice of the dispute or a longer period agreed by the parties to the dispute.
- (d) If the parties do not resolve the dispute under and within the time period referred to in clause 11(c), the chief executive officer of each Shareholder (or a person occupying a similar senior position if such an office is not in existence at the time) must seek to resolve the dispute for a period of up to 15 Business Days after the end of the period referred to in clause 11(c).
- (e) Nothing in this clause 11 will prejudice the right of a party to seek urgent injunctive or declaratory relief in respect of a dispute.

12. WARRANTIES

12.1 Each party severally warrants to the other parties that:

- (a) **Authority:** it has taken all necessary action to authorise the signing, delivery and performance of this Agreement and the documents required under this Agreement in accordance with their respective terms;
- (b) **Power to enter into this Agreement:** it has power to enter into this Agreement and perform its obligations under it and can do so without the consent of any other person;
- (c) **No breach:** the signing and delivery of this Agreement and the performance by it of its obligations under it complies with:
 - (i) each applicable law and authorisation;
 - (ii) its constitution or constituent documents, as applicable; and
 - (iii) each Security Interest binding on it;
- (d) **binding:** this Agreement constitutes a legal, valid and binding obligation of it enforceable in accordance with its terms by appropriate legal remedy; and
- (e) **no actions:** there are no actions, claims, proceedings or investigations pending or to the best of its knowledge threatened against it or by it which may have a material adverse effect on its ability to perform its obligations under this Agreement.

12.2 The Managing Director warrants and represents that:

- (a) The Managing Director is a permanent resident of the Macau SAR.
- (b) No Person other than the Managing Director will have any direct or indirect interest in the Class A Shares held by the Managing Director and the Managing Director will not make any promises or other obligations to any Person regarding any right to or interest in the Class A Shares held by the Managing Director.

13. GENERAL

13.1 **Notices**

- (a) Any notice or other communication given under this Agreement including, but not limited to, a request, demand, consent or approval, to or by a party to this Agreement:

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- (i) must be in legible writing and in English;
- (ii) must be addressed to the addressee at the address or facsimile number set out below or to any other address or facsimile number a party notifies the other under this clause 13:

A. if to PBLSub:

Address: Walker House, Mary Street, PO Box 908GT,
George Town
Grand Cayman
CAYMAN ISLANDS

Attention: The Directors

Facsimile: + 345 945 4757

B. if to Melco PBL:

Address: Walker House Mary Street
PO Box 908GT
George Town
Grand Cayman
CAYMAN ISLANDS

Attention: The Directors

Facsimile: + 365 945 4757

C. if to the Company:

Address: Avenida Dr. Mário Soares No 25 Edificio Montepio
1º, Comp. 13, Macau SAR

Attention: The Directors

Facsimile: +853 345 678

D. if to Managing Director:

Address: 38/F., The Centrium, 60 Wyndham Street, Central, Hong Kong

Facsimile: +852 3151 3723

- (iii) must be signed by an authorised signatory or under the common seal of a sender which is a body corporate; and
 - (iv) is deemed to be received by the addressee in accordance with clause 13.1(b).
- (b) Without limiting any other means by which a party may be able to prove that a notice has been received by another party, a notice is deemed to be received.
- (i) if sent by hand, when delivered to the addressee;
 - (ii) if by post, 5 Business Days from and including the date of postage; or
 - (iii) if by facsimile transmission, on receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent confirming that the facsimile has been successfully transmitted,
- but if the delivery or receipt is on a day which is not a Business Day or is after 4.00pm (addressee's time) it is regarded as received at 9.00 am on the following Business Day.
- (c) A facsimile transmission is regarded as legible unless the addressee telephones the sender within 2 hours after transmission is received or regarded as received under clause 13.1(b)(iii) and informs the sender that it is not legible.
- (d) In this clause a reference to an addressee includes a reference to an addressee's officers, agents or employees or a person reasonably believed by the sender to be an officer, agent or employee of the addressee.

13.2 Governing law

The Agreement shall be governed, construed and interpreted in accordance with the laws of Macau SAR. The parties hereby submit to the exclusive jurisdiction of the courts of Macau SAR.

13.3 **Invalidity**

- (a) If a provision of this Agreement, or a right or remedy of a party under this Agreement is invalid or unenforceable in a particular jurisdiction:
 - (i) it is to be read down or severed in that jurisdiction only to the extent of the invalidity or unenforceability; and
 - (ii) the validity or enforceability of that provision in another jurisdiction or the remaining provisions in any jurisdiction shall not be affected.
- (b) This clause 13.3 is not limited by any other provision of this Agreement in relation to severability, invalidity or unenforceability.

13.4 **Amendments and Waivers**

- (a) Amendment to this Agreement is subject to the approval of the Macau Government and may be made only by a written document signed by the parties provided that there is no obligation to seek a party's agreement to an amendment when that party is no longer a Shareholder.
- (b) A waiver of a provision of this Agreement or a right or remedy arising under this Agreement, including this clause 13.4, must be in writing and signed by the party granting the waiver.
- (c) A single or partial exercise of a right does not preclude a further exercise of that right or the exercise of another right.
- (d) Failure by a party to exercise a right or delay in exercising that right does not prevent its exercise or operate as a waiver.
- (e) A waiver is only effective in the specific instance and for the specific purpose for which it is given.

13.5 **Cumulative rights**

The rights and remedies of a party under this Agreement do not exclude any other right or remedy provided by law.

13.6 **Further assurances**

Each party must do all lawful things within its power that are necessary to give full effect to this Agreement and the transactions contemplated by this Agreement.

13.7 Entire agreement

This Agreement supersedes all previous agreements about its subject matter and embodies the entire agreement between the parties.

13.8 Third party rights

Only the parties to this Agreement have or are intended to have a right or remedy under this Agreement or obtain a benefit under it.

13.9 Legal Advice

Each party acknowledges that it has received legal advice about this Agreement or has had the opportunity of receiving legal advice about this Agreement.

13.10 No Assignment

A party may not assign this Agreement or otherwise transfer the benefit of this Agreement or a right or remedy under it.

SIGNED by PBL ASIA LIMITED by:

/s/
Director

Geoff Kleemann
Name of Director (print)

/s/
Director/Secretary

Anthony Klok
Name of Director/Secretary (print)

SIGNED by MELCO PBL INVESTMENTS LIMITED
by:

/s/
Director

Geoff Kleemann
Name of Director (print)

/s/
Director/Secretary

Tsui Che Yin, Frank
Name of Director/Secretary (print)

SIGNED by MELCO PBL GAMING (MACAU)
LIMITED by:

/s/
Director

Geoff Kleemann
Name of Director (print)

/s/
Director/Secretary

Tsui Che Yin, Frank
Name of Director/Secretary (print)

SIGNED by HO, LAWRENCE YAU LUNG:

/s/
Signature

Ho, Lawrence Yau Lung
Name (print)

ATTACHMENT A

DICTIONARY

Part 1 – Definitions

In this Agreement:

Accounting Standards means generally accepted and consistently applied principles and practices in Macau SAR.

Affiliate means in respect of any Person that is directly or indirectly Controlled by the first Person;

Affiliated Company means the Company and any subsidiary of the Company.

Articles means the Articles of Association of the Company in force from time to time.

Auditor means the auditor of the Company from time to time.

Board means the Board of Directors of the Company from time to time.

Budget means, in respect of the Company, the budget for carrying on the business of the Company during a Financial Year.

Business Day means a day on which banks are open for business in Macau SAR and Hong Kong, excluding a Saturday, Sunday or public holiday.

Business Plan means, in respect of the Company, a detailed Business Plan for carrying on the business of the Company during a Financial Year.

Chairperson means the chairperson of the Board from time to time appointed under clause 3.4.

Chief Executive Officer means the chief executive officer of the Company from time to time.

Chief Financial Officer means the chief financial officer of the Company from time to time.

Class A Shares means the Class A shares of MOP100 each in the capital of the Company.

Class B Shares means the Class B shares of MOP100 each in the capital of the Company.

Class A Capital Distribution has the meaning set out in clause 2.7(b).

Class A Dividend has the meaning set out in clause 2.7(b).

Confidential Information means any information arising out of or in relation to the provisions of this Agreement or information about the business of the Company or an Affiliated Company, or about the Company or a party to this Agreement in connection with this Agreement, but excluding any information which is in the public domain otherwise than as a result of the wrongful disclosure by any party.

Control (including the terms **controlled by** and **under common control with**) means, in relation to any Person, the ability of any other Person or group of Persons, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether through the ownership of more than fifty per cent (50%) of the outstanding voting securities of such Person, as trustee or executor, by contract or credit arrangement or otherwise.

Director means a director of the Company from time to time.

Dispose means to sell, transfer, assign, declare oneself a trustee of or part with the benefit of or otherwise dispose of any Share (or any property right or other interest in it or any part of it including the granting of voting rights or other social right derived from any Shares to a person other than the holder) including, without limitation, to enter into a transaction in relation to the Share (or any interest in the Share) which results in a person other than the registered holder of the Share:

- (a) acquiring or having any property or right in the Share, including, without limitation, a right arising under a declaration of trust, an agreement for sale and purchase or an option agreement or an agreement creating a charge or other Security Interest over the Share; or
- (b) acquiring or having any right to receive directly or indirectly any dividends or other distribution or proceeds of disposal payable in respect of the Share or any right to receive an amount calculated by reference to any of them; or
- (c) acquiring or having any rights of pre-emption, first refusal or other direct or indirect control over the disposal of the Share; or
- (d) acquiring or having any rights of direct or indirect control over the exercise of any social rights or voting rights of appointment attaching to the Share; or
- (e) otherwise acquiring or having property or other rights against the registered holder of the Share (or against a person who directly or indirectly controls the affairs of the registered holder of the Shares) which have the effect of placing the other person in substantially the same position as if the person had acquired the property or other rights or interest in the Share itself;

but excludes a transfer permitted by this Agreement and excludes the creation of a Security Interest authorised by the Gaming Authority or otherwise permitted under applicable laws of Macau SAR and “**Disposal**” shall be construed accordingly.

Engagement Letter means the letter agreement among Melco PBL, the Company and the Managing Director dated on or around 15 December 2006.

Gaming Authority means the Macau SAR Gambling Inspection and Coordination Bureau and the Macau SAR Gaming Commission, and other governmental, regulatory, and administrative authorities, agencies, boards, and officials responsible for or involved in the regulation of gaming or gaming activities or the interpretation or enforcement of Gaming Laws in Macau SAR.

Gaming Authorizations means the Subconcession and any licences, permits, approvals, authorities issued by any Gaming Authority necessary for the conduct of any activities under the Gaming Laws.

Gaming Laws means the Gaming Concessions Legal Regime for the exploitation of games of chance and other games in casino in the Macau SAR comprising Law no. 16/2001, Regulation no.26/2001 and all other complementary applicable laws and regulations and other Gaming Authorizations from the Gaming Authority and other applicable laws of Macau SAR.

Government Authority means a government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether of Macau SAR or foreign, federal, state, territorial or local.

General Meeting means a meeting of the Shareholders.

Macau S.A.R. means the Macau Special Administrative Region of The People's Republic of China.

Patacas or **MOP** means units of the lawful currency of Macau SAR.

Person means any general partnership, limited partnership, corporation, limited liability company, joint venture, trust, business trust, governmental agency, co-operative, association, individual or other entity, and the heirs, executors, administrators, legal representatives, successors and assigns of such a person as the context may require.

Regulatory Authority means a gaming regulatory authority including, without limitation, gaming regulatory authorities in Victoria (Australia), Western Australia (Australia), a gaming regulatory authority of the Macau S.A.R. and any gaming regulatory authority.

Related Party means, in relation to any Person, any other Person who is a connected person of that Person within the meaning of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

Securities means shares, units, debentures, convertible notes, options and other equity or debt securities.

Security Interest means a right, interest, power or arrangement in relation to an asset which provides security for the payment or satisfaction of a debt, obligation or liability including under a bill of sale, mortgage, charge, lien, pledge, trust, encumbrance, power, deposit, hypothecation or arrangement for retention of title, and includes an agreement to grant or create any of those things.

Shares means the Class A Shares and the Class B Shares.

Shareholder means a holder from time to time of Shares.

Stock Exchange means any public securities market in any country.

Subconcession means the binding trilateral agreement entered into by and between the Macau SAR, Wynn Resorts (Macau) Limited (as concessionaire for the operation of casino games of chance and other casino games in the Macau SAR, under the terms of the 24th June, 2002 concession contract by and between the Macau SAR and Wynn Resorts (Macau) Limited) and the Company, comprising a set of instruments from which shall flow an integrated web of rights, duties and obligations by and for all and each of the Macau SAR, Wynn Resorts (Macau) Limited and the Company (the nominative administrative contract known as the subconcession contract for the operation of casino games of chance and other casino games in the Macau SAR, executed by Wynn Resorts (Macau) Limited and the Company, to be the most significant instrument thereof), pursuant to the terms of which the Company is to exploit casino games of chance and other casino games in the Macau SAR as an autonomous subconcessionaire in relation to Wynn Resorts (Macau) Limited.

Part 2 - Interpretation

- (a) In this Agreement unless the context otherwise requires:
- (i) words importing the singular include the plural and vice versa;
 - (ii) words which are gender neutral or gender specific include each gender;
 - (iii) other parts of speech and grammatical forms of a word or phrase defined in this Agreement have a corresponding meaning;
 - (iv) an expression importing a natural person includes a company, partnership, joint venture, association, corporation or other body corporate and a Government Agency;
 - (v) a reference to a thing (including, but not limited to, a chose-in-action or other right) includes a part of that thing;
 - (vi) a reference to a clause, party, schedule or attachment is a reference to a clause of this Agreement, and a party, schedule or attachment to, this Agreement and a reference to this Agreement includes a schedule and attachment to this Agreement;
 - (vii) a reference to a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law judgment, rule of common law or equity or a rule of an applicable stock exchange and is a reference to that law as amended, consolidated or replaced;
 - (viii) a reference to a document includes all amendments or supplements to that document, or replacements or novations of it;
 - (ix) a reference to a party to a document includes that party's successors and permitted assigns;
 - (x) an agreement on the part of two or more persons binds them jointly and severally;
 - (xi) a reference to include, includes, including and like terms is to be construed without limitation; and
 - (xii) a reference to an agreement, other than this Agreement, includes an undertaking, agreement, agreement or legally enforceable arrangement or understanding, whether or not in writing.
- (b) Where the day on or by which something must be done is not a Business Day, that thing must be done on or by the next Business Day.
- (c) Headings are for convenience only and do not affect the interpretation of this Agreement.
- (d) This Agreement may not be construed adversely to a party just because that party prepared the Agreement.
- (e) A term or expression starting with a capital letter which is defined in this Dictionary has the meaning given to it in this Dictionary.

THIS AGREEMENT is made the 27th day of March, 2007

BETWEEN:-

- (1) **Melco PBL Entertainment (Macau) Limited**, a company incorporated in the Cayman Islands with limited liability and whose registered office is situate at Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands ("**Borrower**"); and
- (2) **Melco Leisure and Entertainment Group Limited**, a company incorporated in the British Virgin Islands with limited liability, the registered office of which is situate at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands ("**Lender**").

WHEREAS:

- A. The Lender and PBL Asia Investments Limited ("PBL Asia") are shareholders of the Borrower.
- B. The Lender and PBL Asia have agreed with the Borrower that their working capital shareholder's loans of an aggregate principal amount up to HK\$899,734,783.12 (as at 15 November 2006) provided by the Lender and PBL Asia together to the Borrower will be deemed converted into two term loans from the Lender and PBL Asia respectively, subject to the same terms and conditions.
- C. The Lender and the Borrower have agreed to enter into this Agreement to record the said agreement with respect to the converted term loan from the Lender to the Borrower and an agreement in substantially similar terms and conditions will be entered into by the Borrower and PBL Asia (as lender).

NOW IT IS HEREBY AGREED as follows:-

1. INTERPRETATION

1.1 In this Agreement:-

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong.

“Effective Date” shall have the meaning ascribed to it in Clause 2;

“Event of Default” means any of the events specified in Clause 5;

“Final Maturity Date” means the day which falls 18 months and one day from the Effective Date;

“HIBOR” means in relation to the Loan, the applicable Screen Rate, as at 11:00a.m. (Hong Kong time) on the Quotation Day for the offering of deposits in Hong Kong dollars and for a period of 3 months;

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

“HK\$” means Hong Kong dollars, the lawful currency of Hong Kong;

“Loan” means the shareholder’s loan in the principal amount of HK\$578,577,752.00 already advanced by the Lender to the Borrower as at 15 November 2006 and deemed converted into a term loan on the Effective Date in accordance with Clause 2;

“PBL Loan” means the shareholder’s loan in the principal amount of HK\$321,157,031.12 already advanced by PBL Asia to the Borrower as at 15 November 2006 and deemed converted into a term loan in accordance with an agreement between PBL Asia and the Borrower with the terms and conditions same as the terms hereof;

“Quotation Day” means, in relation to any Interest Period for which an interest rate is to be determined, the first Business Day of that Interest Period;

“Screen Rate” means the Hong Kong Interbank Offered Rate for a period comparable to the required period displayed on the appropriate page of any service provider quoted by the Lender as may be notified to the Borrower on the Quotation Day, such service provider shall be the same service provider adopted by PBL Asia for the base rate in relation to the PBL Loan.

1.2 In this Agreement, unless the contrary intention appears:-

- (a) the headings or sub-headings to or contained in Clauses are inserted for convenience only and shall not affect the construction of this Agreement;

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- (b) words importing the singular number shall include the plural and vice versa and a gender shall include all genders and the neuter; and
 - (c) the Recitals shall form part of this Agreement.

2. THE LOAN

The Lender and the Borrower hereby agree that the shareholders' loan owed by the Borrower to the Lender, the outstanding principal amount of which, as at 15 November 2006 was HK\$578,577,752.00 shall be deemed converted into a term loan effective from 15 November 2006 (the "Effective Date") upon the terms and subject to the conditions as stipulated hereunder.

3. INTEREST

- 3.1 The Loan shall bear interest at HIBOR from the Effective Date. Interest at HIBOR shall accrue on a day to day basis, and shall be calculated on the basis of the actual number of days elapsed and a 365-day year, including the first day of an Interest Period but excluding the last.
- 3.2 Interest on the Loan shall be payable in arrears on the last day of each Interest Period.
- 3.3 The Interest Periods applicable to the Loan shall be of 3 months' duration or such other duration as agreed between the Borrower and the Lender provided that:
 - (a) the first Interest Period shall commence on the Effective Date;
 - (b) each Interest Period (other than the first Interest Period) shall commence on the last day of the preceding Interest Period;
 - (c) any Interest Period which would otherwise end on a non-Business Day shall instead end on the next following Business Day, or, if that Business Day is in another calendar month, on the immediately preceding Business Day;

-
- (d) if any Interest Period commences on the last Business Day of a calendar month or on a day for which there is no numerically corresponding day in the calendar month 3 months thereafter, that Interest Period shall, subject to sub-clauses (c) and (e), end on the last Business Day of such later calendar month; and
 - (e) any Interest Period which would otherwise overrun the Final Maturity Date shall instead end on the Final Maturity Date, subject to adjustment in accordance with Clause 6.1.

4. REPAYMENT OF LOAN

- 4.1 The Loan shall be repaid in full on the Final Maturity Date.
- 4.2 Notwithstanding Clause 4.1, the Loan and all interest due thereon shall become immediately due and repayable without demand on the continuance of an Event of Default in accordance with Clause 5.
- 4.3 The Borrower may not prepay all or any part of the Loan prior to the Final Maturity Date.

5. EVENTS OF DEFAULT

In the event that:-

- (a) the Borrower shall have failed to pay any amount payable by it hereunder 30 days after such amount has become due; or
- (b) any action is taken for the winding up of the Borrower and the Borrower has not taken any steps to contest or defend the winding-up proceedings within the prescribed time limits; or
- (c) there shall be appointed a trustee, administrator, receiver or similar officer of the Borrower or a receiver or administrator of all or a substantial part of the Borrower's assets,

then and in any such event the Lender may by notice in writing to the Borrower:-

- (i) terminate the obligations of the Lender hereunder, whereupon this Agreement shall be terminated forthwith; and/or

(ii) declare the Loan and all interest thereon immediately due and repayable, whereupon the Loan and all interest due thereon shall become immediately due and repayable.

6. MISCELLANEOUS

6.1 When any payment under this Agreement would otherwise be due on a day which is not a Business Day, the due date for such payment shall instead be the next following Business Day unless such Business Day falls in the next calendar month, in which event such date shall be the immediately preceding Business Day and interest shall be adjusted accordingly.

6.2 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong and the parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong, provided that this Agreement may be enforced in any other court of competent jurisdiction.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the day and year first above written.

SIGNED BY)
) [Chop of Melco PBL Entertainment (Macau) Limited]
for and on behalf of) /s/
Melco PBL Entertainment (Macau) Limited)

SIGNED BY)
) [Chop of Melco Leisure and Entertainment Group Limited]
for and on behalf of) /s/
Melco Leisure and Entertainment Group Limited)

THIS AGREEMENT is made the 27th day of March, 2007

BETWEEN:-

- (1) **Melco PBL Entertainment (Macau) Limited**, a company incorporated in the Cayman Islands with limited liability and whose registered office is situate at Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands ("**Borrower**"); and
- (2) **PBL Asia Investments Limited**, a company incorporated in the Cayman Islands with limited liability and whose registered office is situate at Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands ("**Lender**").

WHEREAS:

- A. The Lender and Melco Leisure and Entertainment Group Limited ("Melco Leisure") are shareholders of the Borrower.
- B. The Lender and Melco Leisure have agreed with the Borrower that their working capital shareholder's loans of an aggregate principal amount up to HK\$899,734,783.12 (as at 15 November 2006) provided by the Lender and Melco Leisure together to the Borrower will be deemed converted into two term loans from the Lender and Melco Leisure respectively, subject to the same terms and conditions.
- C. The Lender and the Borrower have agreed to enter into this Agreement to record the said agreement with respect to the converted term loan from the Lender to the Borrower and an agreement in substantially similar terms and conditions will be entered into by the Borrower and Melco Leisure (as lender).

NOW IT IS HEREBY AGREED as follows:-

1. INTERPRETATION

1.1 In this Agreement:-

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong;

“Effective Date” shall have the meaning ascribed to it in Clause 2;

“Event of Default” means any of the events specified in Clause 5;

“Final Maturity Date” means the day which falls 18 months and one day from the Effective Date;

“HIBOR” means in relation to the Loan, the applicable Screen Rate, as at 11:00a.m. (Hong Kong time) on the Quotation Day for the offering of deposits in Hong Kong dollars and for a period of 3 months;

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

“HK\$” means Hong Kong dollars, the lawful currency of Hong Kong;

“Loan” means the shareholder’s loan in the principal amount of HK\$321,157,031.12 already advanced by the Lender to the Borrower as at 15 November 2006 and deemed converted into a term loan on the Effective Date in accordance with Clause 2;

“Melco Loan” means the shareholder’s loan in the principal amount of HK\$578,577,752.00 already advanced by Melco Leisure to the Borrower as at 15 November 2006 and deemed converted into a term loan in accordance with an agreement between Melco Leisure and the Borrower with the terms and conditions same as the terms hereof;

“Quotation Day” means, in relation to any Interest Period for which an interest rate is to be determined, the first Business Day of that Interest Period;

“Screen Rate” means the Hong Kong Interbank Offered Rate for a period comparable to the required period displayed on the appropriate page of any service provider quoted by the Lender as may be notified to the Borrower on the Quotation Day, such service provider shall be the same service provider adopted by Melco Leisure for the base rate in relation to the Melco Loan.

1.2 In this Agreement, unless the contrary intention appears:-

- (a) the headings or sub-headings to or contained in Clauses are inserted for convenience only and shall not affect the construction of this Agreement;

-
- (b) words importing the singular number shall include the plural and vice versa and a gender shall include all genders and the neuter; and
 - (c) the Recitals shall form part of this Agreement.

2. THE LOAN

The Lender and the Borrower hereby agree that the shareholders' loan owed by the Borrower to the Lender, the outstanding principal amount of which, as at 15 November 2006 was HK\$321,157,031.12 shall be deemed converted into a term loan effective from 15 November 2006 (the "Effective Date") upon the terms and subject to the conditions as stipulated hereunder.

3. INTEREST

- 3.1 The Loan shall bear interest at HIBOR from the Effective Date. Interest at HIBOR shall accrue on a day to day basis, and shall be calculated on the basis of the actual number of days elapsed and a 365-day year, including the first day of an Interest Period but excluding the last.
- 3.2 Interest on the Loan shall be payable in arrears on the last day of each Interest Period.
- 3.3 The Interest Periods applicable to the Loan shall be of 3 months' duration or such other duration as agreed between the Borrower and the Lender provided that:
 - (a) the first Interest Period shall commence on the Effective Date;
 - (b) each Interest Period (other than the first Interest Period) shall commence on the last day of the preceding Interest Period;
 - (c) any Interest Period which would otherwise end on a non-Business Day shall instead end on the next following Business Day, or, if that Business Day is in another calendar month, on the immediately preceding Business Day;
 - (d) if any Interest Period commences on the last Business Day of a calendar month or on a day for which there is no numerically corresponding day in the calendar month 3 months thereafter, that Interest Period shall, subject to sub-clauses (c) and (e), end on the last Business Day of such later calendar month; and

-
- (e) any Interest Period which would otherwise overrun the Final Maturity Date shall instead end on the Final Maturity Date, subject to adjustment in accordance with Clause 6.1.

4. REPAYMENT OF LOAN

- 4.1 The Loan shall be repaid in full on the Final Maturity Date.
- 4.2 Notwithstanding Clause 4.1, the Loan and all interest due thereon shall become immediately due and repayable without demand on the continuance of an Event of Default in accordance with Clause 5.
- 4.3 The Borrower may not prepay all or any part of the Loan prior to the Final Maturity Date.

5. EVENTS OF DEFAULT

In the event that:-

- (a) the Borrower shall have failed to pay any amount payable by it hereunder 30 days after such amount has become due; or
- (b) any action is taken for the winding up of the Borrower and the Borrower has not taken any steps to contest or defend the winding-up proceedings within the prescribed time limits; or
- (c) there shall be appointed a trustee, administrator, receiver or similar officer of the Borrower or a receiver or administrator of all or a substantial part of the Borrower's assets,

then and in any such event the Lender may by notice in writing to the Borrower:-

- (i) terminate the obligations of the Lender hereunder, whereupon this Agreement shall be terminated forthwith; and/or

(ii) declare the Loan and all interest thereon immediately due and repayable, whereupon the Loan and all interest due thereon shall become immediately due and repayable.

6. MISCELLANEOUS

6.1 When any payment under this Agreement would otherwise be due on a day which is not a Business Day, the due date for such payment shall instead be the next following Business Day unless such Business Day falls in the next calendar month, in which event such date shall be the immediately preceding Business Day and interest shall be adjusted accordingly.

6.2 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong and the parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong, provided that this Agreement may be enforced in any other court of competent jurisdiction.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the day and year first above written.

SIGNED BY)
) [Chop of Melco PBL Entertainment (Macau) Limited]
for and on behalf of) /s/
Melco PBL Entertainment (Macau) Limited)

SIGNED BY)
) /s/
for and on behalf of) Geoff Kleemann, Director
PBL Asia Investments Limited)

List of Subsidiaries

1. Melco PBL Holdings Limited, incorporated in Cayman Islands
2. Melco PBL International Limited, incorporated in Cayman Islands
3. Melco PBL Gaming (Macau) Limited, incorporated in Macau Special Administrative Region of the People's Republic of China
4. Melco PBL Investments Limited, incorporated in Cayman Islands
5. Great Wonders, Investments, Limited, incorporated in Macau Special Administrative Region of the People's Republic of China
6. Melco Hotels and Resorts (Macau) Limited, incorporated in Macau Special Administrative Region of the People's Republic of China
7. Melco PBL (Macau Peninsula) Limited, incorporated in British Virgin Islands
8. Melco PBL Entertainment (Greater China) Limited, incorporated in Cayman Islands (Dormant)
9. Mocha Slot Group Limited, incorporated in British Virgin Islands
10. Mocha Slot Management Limited, incorporated in Macau Special Administrative Region of the People's Republic of China
11. Mocha Slot Café Limited, incorporated in Macau Special Administrative Region of the People's Republic of China
12. Melco PBL Hotel (Crown Macau) Limited, incorporated in Macau Special Administrative Region of the People's Republic of China
13. Melco PBL Services Limited, incorporated in Hong Kong Special Administrative Region of the People's Republic of China
14. Always Prosper Investments Limited, incorporated in British Virgin Islands (Dormant)

**Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Lawrence Ho, Chief Executive Officer of Melco PBL Entertainment (Macau) Limited (the "Company"), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of Company's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 30, 2007

By: /s/ Lawrence Ho
Name: Lawrence Ho
Title: Chief Executive Officer

**Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Simon Dewhurst, Chief Financial Officer of Melco PBL Entertainment (Macau) Limited (the "Company"), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of Company's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 30, 2007

By: /s/ Simon Dewhurst
Name: Simon Dewhurst
Title: Chief Financial Officer

**Certification by the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Melco PBL Entertainment (Macau) Limited (the "Company") on Form 20-F for the year ended December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lawrence Ho, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2007

By: /s/ Lawrence Ho

Name: Lawrence Ho

Title: Chief Executive Officer

**Certification by the Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Melco PBL Entertainment (Macau) Limited (the "Company") on Form 20-F for the year ended December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Simon Dewhurst, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2007

By: /s/ Simon Dewhurst

Name: Simon Dewhurst

Title: Chief Financial Officer

[LETTERHEAD OF WALKERS]

30 March 2007

Our Ref: LY/P0540-H01168

Melco PBL Entertainment (Macau) Limited
The Penthouse
38th Floor
The Centrium
60 Wyndham Street
Central
Hong Kong

Dear Sirs

MELCO PBL ENTERTAINMENT (MACAU) LIMITED (the “Company”)

We hereby consent to the reference to our firm under the heading “Board Practices” and Item 10H in the Annual Report on Form 20-F of the Company for the year ended 31 December 2006, which will be filed with the U.S. Securities and Exchange Commission on 30 March 2007 under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under the Securities Act, or the Rules and Regulations of the Commission thereunder.

Your faithfully

/s/ Walkers
WALKERS