



**Melco Crown Entertainment**

新濠博亞娛樂

**Melco Crown Entertainment Limited**

**新濠博亞娛樂有限公司\***

*(Incorporated in the Cayman Islands with Limited Liability)*

**(Stock Code: 6883)**

## **AUDIT COMMITTEE CHARTER**

### **of the Audit Committee**

**(Amended and Restated)**

This Audit Committee Charter (this “**Charter**”) was adopted by the Board of Directors (the “**Board**”) of Melco Crown Entertainment Limited (the “**Company**”).

### **I. Purpose**

The purpose of the Audit Committee (the “**Committee**”) is to assist the Board in overseeing and monitoring:

- (i) the integrity of the financial statements of the Company;
- (ii) the qualifications and independence of the Company’s independent auditors;
- (iii) the performance of the independent auditors;
- (iv) the integrity of the Company’s systems of internal accounting and financial controls;
- (v) legal and regulatory issues relating to the financial statements of the 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;
- (vi) the disclosure, in accordance with the Company’s relevant policies, of any material information regarding the quality or integrity of the Company’s financial statements, which is brought to its attention by the Disclosure Committee; and
- (vii) the integrity and effectiveness of the Company’s internal audit function and risk management policies, procedures and practices.

\* *For identification purpose only*

The policies and procedures of the Committee shall remain flexible in order to best react to changing conditions.

In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board, in relation to matters that the Board believes are appropriate for consideration by the Committee and consistent with this Charter, as amended from time to time, and the Company's Memorandum and Articles of Association, as amended from time to time (the "**Articles**"). The powers and responsibilities delegated by the Board to the Committee in this Charter or otherwise shall be exercised and carried out by the Committee as it deems appropriate without requirement of Board approval, and any decision made by the Committee (including any decision to exercise or refrain from exercising any of the powers delegated to the Committee hereunder) shall be at the Committee's sole discretion.

Notwithstanding the foregoing, the Committee's responsibilities are limited to oversight. It is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosure are complete and accurate and in accordance with generally accepted accounting principles and applicable laws, rules and regulations. These are the responsibilities of management (the "**Management**") and the independent auditor.

Furthermore, auditing literature, particularly Statement of Accounting Standards No. 71, defines the term "review" to include a particular set of required procedures to be undertaken by independent auditors. The members of the Committee are not independent auditors, and the term "review" as used in this Charter is not intended to have that meaning and should not be interpreted to suggest that the Committee members can or should follow the procedures required of auditors performing reviews of financial statements.

## **II. Membership**

The Committee shall consist of at least three members of the Board, each of whom, as determined by the Board, (a) satisfies the independence requirements of the Nasdaq for audit committee members, Rule 10A-3(b)(1) under the Securities Exchange Act of 1934 (the "**Exchange Act**") and The Rules (the "**Listing Rules**") Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and (b) has experience, in the business judgment of the Board, that would be helpful in addressing the matters delegated to the Committee.

In addition, each Committee member must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. Members of the Committee are not required to be engaged in the accounting and auditing profession and, consequently, some members may not be expert in financial matters, or in matters involving auditing or accounting. However, as required under the Listing Rules, at least one member

of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. In addition, at least one member of the Committee shall be an "audit committee financial expert" within the definition adopted by the Securities and Exchange Commission (the "SEC"). In addition, the Board has in the Corporate Governance Guidelines provided that in the case of the chair (the "Chair") of the Committee, special focus shall be on his/her qualifications meeting the definition of "audit committee financial expert" as promulgated by the SEC under Exchange Act, as well as his/her extensive experience gained in Nasdaq or other US listed companies. The Board attaches a particular preference and focus on experience gained from Nasdaq or other US listed companies' audit committee.

The initial members of the Committee, including the Chair, shall be appointed by the Board and thereafter the members of the Committee, including the Chair of the Committee, shall be appointed by the Board after consideration of the recommendation of the Nominating and Corporate Governance Committee. Members of the Committee shall serve at the pleasure of the Board for such term or terms as the Board may determine. Committee members may be removed from the Committee, with or without cause, by the Board.

No member of the Committee may accept any consulting, advisory or other compensatory fee from the Company other than for service as a member of the Board and its committees.

A former partner of the Company's existing auditing firm is prohibited from acting as a member of the Committee for a period of one (1) year commencing on the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.

### **III. Structure and Operations**

The Chair (or in his or her absence, a member designated by the Chair or nominated by the other members of the Committee) shall preside at each meeting of the Committee and set the agenda for each Committee meeting. The Chair shall provide notice of any Committee meetings to each member at least three (3) days prior to the scheduled date of such meeting and set forth the date, place, and agenda of the meeting. The notice requirements may be waived with the written or oral consents thereon of all of the members. The presence of more than 50% of all members shall constitute a quorum. The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution or other Committee action. The affirmative vote of a majority of the members of the Committee by email is acceptable in certain circumstances designated by the Committee.

The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Articles or this Charter.

The Committee shall meet at least once during each fiscal quarter and more frequently as the Chair deems desirable. The Committee shall meet separately, periodically, with Management, with the internal auditor and with the independent auditor. A meeting of the Committee may be conducted in person or via telephone conference where all meeting participants can hear one another. Minutes of the meetings shall be kept by a person designated by the Chair. Draft and final versions of the minutes of meetings shall be sent to all Committee members for their comments and records respectively, in both cases within a reasonable time after the meetings.

All non-management directors that are not members of the Committee may attend and observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. The Committee may, at its discretion, include in its meetings members of the Company's Management, representatives of the independent auditor, the internal auditor, any other financial personnel employed or retained by the Company or any other persons whose presence the Committee believes to be necessary or appropriate. Notwithstanding the foregoing, the Committee may also exclude from its meetings any person who is not a Committee member, including, but not limited to, any non-management director that is not a member of the Committee.

## **IV. Duties and Responsibilities**

The Committee's duties and responsibilities shall include each of the items enumerated in this Section IV and such other matters as may from time to time be delegated to the Committee by the Board.

### **A. Interaction with the Independent Auditor**

1. *Appointment and Oversight.* The Committee shall be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the independent auditor and to approve the remuneration and terms of engagement of the independent auditor and be responsible for the resignation or dismissal of the independent auditor. The Committee shall be directly responsible for the oversight of the work of the independent auditor (including resolution of any disagreements between Management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company, and the independent auditor shall report directly to the Committee. The Committee shall discuss with the independent auditor the nature and scope of the audit and reporting obligations, before the

audit commences. The Committee shall consider a tendering process for the appointment of the independent auditor every five years and shall undertake a performance evaluation of the independent auditor on an annual basis, in such manner as the Committee deem appropriate.

2. *Pre-Approval of Services.* The Committee shall be responsible to develop and implement policy on the engagement of an independent auditor to supply non-audit services. The Committee should report to the Board, identifying only matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken. Before the independent auditor is engaged by the Company or its subsidiaries to render audit or non-audit services, the Committee shall pre-approve the engagement. For this purpose, the independent auditor should include any entity that is under common control, ownership or management with its audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of its audit firm nationally or internationally. Committee pre-approval of audit and non-audit services will not be required if the engagement for the services is entered into pursuant to pre-approval policies and procedures established by the Committee regarding the Company's engagement of the independent auditor, provided the policies and procedures are detailed as to the particular service, the Committee is informed of each service provided and such policies and procedures do not include delegation of the Committee's responsibilities under the Exchange Act to the Company's Management. The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals, provided such approvals are presented to the Committee at a subsequent meeting. If the Committee elects to establish pre-approval policies and procedures regarding non-audit services, the Committee must be informed of each non-audit service provided by the independent auditor. Committee pre-approval of non-audit services (other than review and attest services) also will not be required if such services fall within available exceptions established by the SEC. The Committee shall have the sole authority to approve any compensation payable by the Company for any approved audit or non-audit services to any such independent auditor, including the fees, terms and conditions for the performance of such services.
3. *Independence of Independent Auditor.* The Committee shall, at least annually, review and monitor the quality control procedures, the independent auditor's independence, the objectivity and the effectiveness of the audit process in accordance with applicable standards and the experience and qualifications of the independent auditor's senior personnel that are providing audit services to the Company. In conducting its review, the Committee shall, at least annually:

- (i) Obtain a written report by the independent auditor describing, to the extent permitted under applicable auditing standards:
  - (A) the independent auditor's internal quality-control procedures;
  - (B) any material issues raised by the most recent quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues; and
  - (C) all relationships between the independent auditor and the Company; and
- (ii) Review the foregoing report and the independent auditor's work throughout the year and evaluate the independent auditor's qualifications, performance and independence, including a review and evaluation of the lead partner on the independent auditor's engagement with the Company, and present its conclusions to the Board and, if so determined by the Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the independent auditor.
- (iii) The Committee shall ensure that the independent auditor prepare and deliver, at least annually, a written statement delineating all relationships between the independent auditor and the Company, consistent with Independence Standards Board Standard 1. The Committee shall actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that, in the view of the Committee, may impact the objectivity and independence of the independent auditor. If the Committee determines that further inquiry is advisable, the Committee shall take appropriate action in response to the independent auditor's report to satisfy itself of the auditor's independence.
- (iv) The Committee shall confirm with the independent auditor that the independent auditor is in compliance with the partner rotation requirements established by the SEC.
- (v) The Committee shall, if applicable, consider whether the independent auditor's provision of any permitted information technology services or other non-audit services to the Company is compatible with maintaining the independence of the independent auditor.

4. *Conduct of Audit.* The Committee shall annually obtain from the independent auditor written assurance that the audit was conducted in a manner consistent with Section 10A of the Exchange Act.

**B. Financial Statements and Audit**

5. *Meetings with Management, the Independent Auditor and the Internal Auditor.*
  - (i) The Committee shall review the Company's financial and accounting policies and practices.
  - (ii) The Committee shall meet with the Company's auditor at least twice a year and discuss with the independent auditor the nature and scope of the audit. The Committee shall meet with Management, the independent auditor and the internal auditor in connection with each annual audit to discuss the nature and scope of the audit, the procedures to be followed, the reporting obligations and the staffing of the audit before the audit commences.
  - (iii) The Committee shall review and discuss the Management and the independent auditor any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities of which the Committee is made aware that do not appear on the financial statements of the Company and that may have a material current or future effect on the Company's financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses.
  - (iv) The Committee shall monitor the integrity of financial statements of the Company and the Company's annual reports and accounts, half-year reports and quarterly reports, review and discuss the annual audited financial statements and reports, half-year reports and quarterly reports, and significant financial reporting judgments contained therein with Management. During such review, the Committee shall focus on any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from audit, the going concern assumptions and any qualifications, compliance with accounting standards, and compliance with the Listing Rules and other legal requirements in relation to financial reporting. The members of the Committee must liaise with the Board and senior Management and the Committee must meet, at least twice a year, with the independent auditor. The Committee shall also consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's

staff responsible for accounting and financial reporting function, compliance officer or auditors.

- (v) The Committee shall review, and discuss as appropriate with Management, the internal auditors and the independent auditor, the report of the independent auditor required by Section 10A(k) of the Exchange Act.

6. *Separate Meetings with the Independent Auditor.*

The Committee shall review and discuss with Management and the independent auditor:

- (i) prior to the annual audit, the scope, planning and staffing of the annual audit;
- (ii) the matters required to be discussed by Statement on Auditing Standards 61, as it may be modified or supplemented, relating to the conduct of the audit;
- (iii) significant issues regarding accounting and auditing principles and practices and financial statement presentations, including all critical accounting policies and estimates, any significant changes in the Company's selection or application of accounting principles, significant or unusual items to be reflected in the report and accounts and any significant issues and findings as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies and any major investigations of internal control matters;
- (iv) analyses prepared by Management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
- (v) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements;
- (vi) any significant changes to the Company's auditing and accounting principles and practices suggested by the independent auditor, internal audit personnel or Management;
- (vii) Management's internal control report prepared in accordance with rules promulgated by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act;

- (viii) any material queries raised by the independent auditor to Management in respect of the accounting records, financial accounts or systems of control and Management's response; and
  - (ix) all other material written communications between the independent auditor and Management of the Company, such as any Management letter, Management representation letter, reports on observations and recommendations on internal controls, independent auditor's engagement letter, independent auditor's independence letter, schedule of unadjusted audit differences and a listing of adjustments and reclassifications not recorded, if any. The Committee shall ensure that the Board will provide a timely response to the issues raised in the independent auditor's management letter.
7. *Recommendation to Include Financial Statements in Annual Report.* The Committee shall, based on the review and discussions in paragraph 5 above, and based on the disclosures received from the independent auditor regarding its independence and discussions with the auditor regarding such independence pursuant to paragraph 3 above, determine whether to recommend to the Board that the audited financial statements be included in the Company's Annual Report on Form 20-F for the fiscal year subject to the audit.

### **C. Internal Audit**

8. *Appointment and Oversight.* The Committee shall review the appointment and termination of senior internal audit personnel, and review all significant reports to Management and findings of major investigations of internal control matters prepared by internal audit personnel, and Management's responses. The Committee shall undertake a performance evaluation of Internal Audit annually, in such manner as the Committee deem appropriate, and should report the results of its performance evaluation to the Chief Executive Officer.
9. *Role and Responsibilities.* The Committee shall approve the Internal Audit Charter, which shall define the role and responsibilities of the internal audit function. The Committee shall annually review and reassess the adequacy of the Internal Audit Charter and recommend to the Board for approval such changes as the Committee believes are appropriate. The Committee shall also ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function.
10. *Audit Plan.* The Committee shall approve the annual audit plan. Any significant amendments to such plan after the Committee has given its approval shall be re-submitted to the Committee for its approval.

11. *Separate Meetings with the Internal Auditor.* The Committee shall meet periodically with the Company's internal auditor to discuss the responsibilities, budget and staffing of the Company's internal audit function and any issues that the internal auditor believes warrant audit committee attention. The Committee shall discuss with the internal auditor any significant reports to Management prepared by the internal auditor and any responses from Management.

#### **D. Other Powers and Responsibilities**

12. The Committee shall review all related party transactions as reported to the Committee, on an ongoing basis and all such transactions must be approved by the Committee, without further approval by the Board except for those which are non-exempt connected transactions. Related party transactions requiring the approval of the Committee are those that are "material" to the Company or to the relevant related party. The Committee may by decision made in writing delegate its approval power in relation to related party transactions to the Chair.
13. The Committee shall also review the Company's financial controls, internal control and risk management systems, and to discuss with Management the system of internal control and ensure that Management has discharged its duty to have an effective internal control system including the adequacy of resources, staff qualifications and experience, the Company's accounting and financial reporting function, and their training programs and budget.
14. The Committee shall discuss with Management and the independent auditor any correspondence from or with regulators or governmental agencies, any employee complaints or any published reports that raise material issues regarding the Company's financial statements, financial reporting process, accounting policies or internal audit function.
15. The Committee shall discuss with the Company's Chief Legal Officer or outside counsel any legal matters brought to the Committee's attention that could reasonably be expected to have a material impact on the Company's financial statements.
16. The Committee shall request assurances from Management, the independent auditor and the Company's internal auditors that the Company's foreign subsidiaries and foreign affiliated entities, if any, are in conformity with applicable legal requirements, including disclosure of affiliated party transactions.
17. The Committee shall establish and oversee procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters or suspected violations of applicable laws, rules, regulations or policies of the Company, as set forth in the "Procedure for Handling Complaints and Whistleblowing".

18. The Committee, through its Chair, shall report regularly to, and review with, the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, 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 performance and independence of the Company's independent auditor, the performance of the Company's internal audit function or any other matter the Committee determines is necessary or advisable to report to the Board.
19. The Committee shall review any material information regarding the quality or integrity of the financial statements of the Company which is brought to its attention by the Disclosure Committee and, in consultation with such members of the Disclosure Committee which it considers appropriate, decide whether such information should be disclosed to the public in accordance with the Company's relevant policies and/or whether a filing should be made with the relevant authorities.
20. The Committee shall:
  - (i) assess, together with the Internal Auditor and senior Management, and approve any policies and procedures to identify, accept, mitigate, allocate or otherwise manage various types of risks presented from time to time by Management;
  - (ii) periodically evaluate such policies and procedures in light of developments in the Company's business; and
  - (iii) make recommendations to the Board with respect to the risk management process.
21. The Committee shall report to the Board periodically on all matters for which the Committee has responsibility.
22. The Committee shall undertake and review with the Board an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this Charter and set forth the goals and objectives of the Committee for the upcoming year. Such evaluation shall include an assessment of whether the Committee members have sufficient time and resources to properly discharge their duties and responsibilities as members of the Committee. The Committee shall conduct such performance evaluation in such manner as the Committee and the Board deem appropriate, and may report the results of its performance evaluation through an oral report by the Chair of the Committee or any other member of the Committee designated by the Committee to make this report.

23. The Committee shall annually review and reassess the adequacy of this Charter and recommend to the Board for approval such changes as the Committee believes are appropriate.
24. The Committee shall exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board.
25. The Committee shall review the corporate governance report to be included in the Company's financial reports required under the Listing Rules to ensure that the information contained therein concerning the Committee is accurate and complete.
26. In the event of any overlap between the duties and responsibilities of the Committee (which is concerned with the legal and regulatory oversight of the financial statements of the 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 or auditing matters), those of the Company's Nominating and Corporate Governance Committee (which is concerned with matters outside the purview of the two other committees) and those of the Company's Compensation Committee, (which is concerned with compensation matters), all three committees shall use their best efforts to cooperate in the performance of such duties and responsibilities.
27. The Committee shall (i) review arrangements by which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and (ii) act as the key representative body for overseeing the Company's relations with the independent auditor.
28. The Committee should make available its charter, explaining its role and the authority delegated to it by the Board by including it on the Stock Exchange's website and the Company's website.

## **V. Delegation of Duties**

The Committee may create one or more subcommittees and may delegate, in its discretion, all or a portion of its duties and responsibilities to such subcommittee. The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals of audit and non-audit services pursuant to Section 10A(i)(3) of the Exchange Act and any related rules promulgated thereunder

by the SEC, which pre-approvals shall be presented to the full Committee at the next scheduled meeting.

## **VI. Authority and Resources**

The Committee may, without further approval by the Board, obtain such advice and assistance, including, without limitation, the performance of special audits, reviews and other procedures, from outside accounting, legal or other advisors as the Committee determines to be necessary or advisable in connection with the discharge of its duties and responsibilities hereunder. Any accounting, legal or other advisor retained by the Committee may, but need not, be in the case of an outside accountant, the same accounting firm employed by the Company for the purpose of rendering or issuing an audit report on the Company's annual financial statements, or in the case of an outside legal or other advisor, otherwise engaged by the Company for any other purpose.

The Company shall pay to any independent auditor employed by the Company for the purpose of rendering or issuing an audit report or performing other audit, review or attest services and to any outside accounting, legal or other advisor retained by the Committee pursuant to the preceding paragraph such compensation, including, without limitation, usual and customary expenses and charges, as shall be determined by the Committee. The Company shall pay ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee may conduct or authorize investigations into any matters within the scope of the powers and responsibilities delegated to the Committee.

Issue No. 9

Approval Date: 21 March, 2012