

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Information Pack.

OUR INDUSTRY

Certain information and statistics set out in this section and elsewhere in this document relating to the Macau economy and the industry in which we operate is derived from various official and unofficial sources, including information obtained from DSEC and information provided by EIU. None of the reports cited in this document was commissioned by the Company or its connected persons.

We believe that the sources of the information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. No independent verification has been carried out on such information and statistics verified by our Company. Our Company makes no representation as to the accuracy of such information and statistics.

MACAU GAMING MARKET OVERVIEW

Macau is the world’s largest gaming market measured by gross gaming revenues, and the only location in China to offer legalized casino gaming. The Macau market generated HK\$105.6 billion in gross gaming revenues in 2008, more than double the HK\$46.7 billion generated by the Las Vegas Strip during the same period. Macau generated HK\$49.9 billion in gross gaming revenues in the first six months of 2009. In 2008, Macau attracted 22.9 million visitors, principally from mainland China and Hong Kong. In addition, Macau reported HK\$64,678.1 daily gross win per gaming table in 2008, approximately three times the HK\$21,531.4 reported for the Las Vegas Strip for the same period. From 2003 through the end of 2008, gross gaming revenues have experienced a CAGR of 30.6% (an increase of almost four times from HK\$27.8 billion in 2003), while visitation has grown at a CAGR of 14.0% (from 11.9 million visitors in 2003). While the global economic crisis is expected to result in slower growth in 2009, we expect, based on available 2009 data, that Macau’s total gross gaming revenues will be broadly consistent with 2008 levels and that the Macau market will continue to develop through capital investments in new casino resorts and enhancements in infrastructure.

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

Macau gaming market information

	2003	2004	2005	2006	2007	2008	5-Year CAGR	2007-2008
Macau								
Macau nominal GDP								
(HK\$bn)	61.7	80.6	90.2	110.4	145.1	166.9	22.0%	15.0%
Gross gaming revenues								
(HK\$bn)	27.8	40.2	44.7	55.0	80.6	105.6	30.6%	31.0%
Average number of tables	424	1,092	1,289	2,204	3,610	4,229	58.4%	17.2%
Total visitation (mm)	11.9	16.7	18.7	22.0	27.0	22.9	14.0%	-15.0%
China IVS (mm)	0.6	3.5	5.3	5.8	7.2	6.8	61.8%	-5.7%
% of IVS to total visitation	5.1%	21.1%	28.5%	26.3%	26.5%	29.5%		

Source: DICJ, DSEC

Notes:

- Number of tables for 2003 and 2004 are year-end numbers.
- 2008 visitor numbers were revised by DSEC and show a significant drop compared to previous non-revised numbers due to methodological changes made. DSEC visitor numbers are based on counts of visitors taken at ports of entry to Macau. Expatriates working in Macau are processed together with tourists visiting Macau at these points of entry. DSEC had therefore previously included expatriates resident in Macau in its visitor numbers. From 2008 forward, DSEC has excluded these individuals from the visitor count. The number of visitors to Macau in 2008 based on DSEC’s previous methodology is 30,185,740, an increase of 11.8% from 27,003,370 in 2007.

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Information Pack.

OUR INDUSTRY

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

China is the main source of Macau’s visitors, accounting for 50.6% of 2008 arrivals with Hong Kong accounting for a further 30.6% of 2008 arrivals. Total visitors to Macau under China’s Individual Visit Scheme (“IVS”) expanded at a CAGR of 61.8% from 2003 to 2008. Mainland China’s economic development, together with an increasingly affluent population, drive Macau’s economic growth.

CHINA GDP AND DEMOGRAPHICS

One of the drivers of Macau’s growth in both gaming and non-casino revenues has been China’s rapid economic growth. According to EIU, China’s GDP has grown at a CAGR of 16.4% over the past five years, with nominal GDP growing from HK\$15,477 billion in 2003 to more than HK\$33,068 billion in 2008. The middle class in China continues to expand rapidly, with the number of households with disposable income in excess of HK\$77,501 per annum reaching 20.8 million as at 2008. The growing middle class is complemented by the high savings rates and low level of personal debt. Savings in China is currently estimated to be 51% of income, totaling HK\$25,131 billion in 2008, as compared to total consumer loans of HK\$4,225 billion. The high savings rate relative to personal debt is expected to increase spending on overseas travel and other entertainment, including gaming and non-gaming offerings. In November 2008, China announced a HK\$4.5 trillion stimulus package with investment in transportation links and infrastructure highlighted as one of the package’s primary goals. In January 2009, the National Development and Reform Commission (NDRC) introduced a 2008 – 2020 national development blueprint for the southern Pearl River Delta. These policy measures focus on strengthening business cooperation between the Pearl River Delta, Hong Kong and Macau and developing the region into a globally competitive one.

MACAU GAMING MARKET TRANSFORMATION

In late 2001, in a bid to improve the size, scope and quality of Macau’s casinos and consolidate its position as a gaming center in the region, the Macau government initiated a bidding process to grant three new gaming concessions. In 2002, WRM was awarded the first gaming concession, followed by SJM and Galaxy. A subsequent process allowed each concessionaire to grant one subconcession. There are now six companies licensed to operate casinos in Macau. The increase in the number of full-service casino resorts has not only contributed to a four-fold increase in gross gaming revenues from 2003 through 2008, but has also transformed Macau’s gaming market into one that features a diverse range of non-gaming offerings. The market is increasingly evolving to appeal to new, premium-focused customers attracted by high-end, previously limited retail, entertainment, and leisure offerings, leading to additional revenue opportunities. As the market continues to evolve, we believe that developers of such Las Vegas-style resorts will be the prime beneficiaries and experience superior growth.

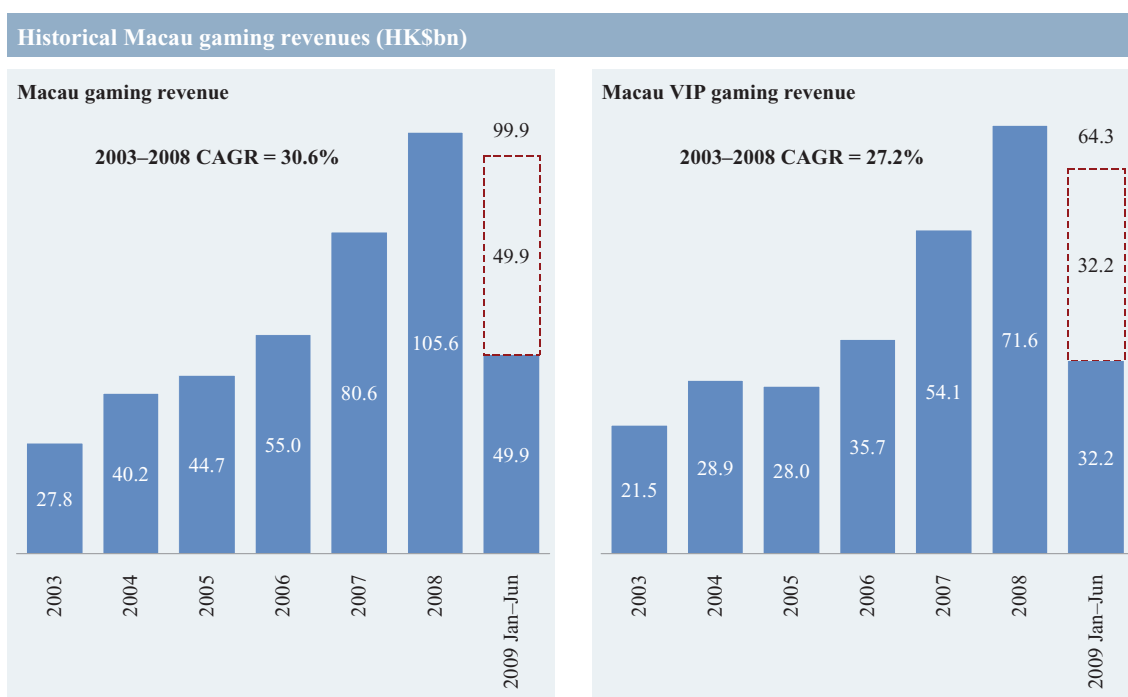
Historically, Macau has catered primarily to VIP patrons, who typically wager higher stakes and prefer baccarat. Junket operators have historically maintained the majority of VIP customer relationships, although the new concessionaires and subconcessionaires have been increasingly successful in marketing directly to this segment. In this regard, concessionaires and subconcessionaires have benefited from changes in Macau law which permit casinos to lend directly to customers and junket operators and to enforce their debts. The entry of international gaming operators, coupled with favorable regional economic trends has led to strong growth in both the overall and VIP gaming markets.

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Information Pack.

OUR INDUSTRY

Macau gross gaming revenues and VIP gross gaming revenues increased rapidly from 2003 through 2008, growing at CAGRs of 30.6% and 27.2%, respectively. Beginning in late 2008, Macau began to experience the effects of the global economic slowdown as well as changes in Chinese visa policies affecting mainland Chinese citizens’ ability to visit Macau and, in 2009, the outbreak of H1N1 influenza. However, we expect, based on available 2009 data, that Macau’s gross gaming revenues will be broadly consistent with 2008 levels and that the Macau market will continue to develop through capital investments in new casino resorts and enhancements in infrastructure.

The following graph shows Macau gross gaming revenues and Macau VIP gross gaming revenues for the years 2003 through 2008 and for the stated periods of 2009.



Source: DICJ

Note: 2009 full-year revenues are presented on an annualized basis, assuming average monthly revenues for full 2009 equal the actual average recorded from 1 January 2009 through 30 June 2009. The annualized 2009 revenues are not a projection of actual 2009 revenues, which could differ materially from the annualized figures.

For additional information concerning Macau gaming revenues, such as the contribution of casino to non-casino gaming revenue in Macau, the breakdown in both revenue and numbers of gaming tables, slot machines and casinos, and breakdown of gaming revenues by game types, please visit the DICJ website at www.dicj.gov.mo/EN/index.htm. Please note that the content of the website does not constitute part of this document.

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

Significant resorts operating on the Macau peninsula include the Hotel Lisboa and the Grand Lisboa, each owned by SJM, the Sands Macau, owned by Venetian Macau S.A. and the Waldo Hotel/Casino, owned by Galaxy. More

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Information Pack.

OUR INDUSTRY

recent developments on the Macau peninsula include Galaxy’s Star World hotel casino and MGM Grand Paradise Limited’s MGM Grand Macau, both of which opened in 2007.

Significant resorts operating in Cotai include The Venetian, which opened in 2007, and the Four Seasons, which opened in 2008, both owned by Venetian Macau S.A. New casino openings and expansions in 2009, including the opening of Melco Crown’s City of Dreams in June 2009 in Cotai and the expected openings of SJM’s L’Arc and Oceanus on the Macau peninsula in the second half of 2009, are expected to result in an increase in the total gaming capacity in Macau. Venetian Macau S.A. had also commenced construction of Phases 5 and 6 of its Cotai development. Although such construction is currently suspended, Phases 5 and 6 are expected to include internationally recognized hotels and significant additional gaming space. The completion of these projects will result in a significant increase in the number of gaming tables, slot machines and hotel rooms in the Macau market.

Since late 2008, suspensions or delays in the construction of a number of significant projects have been announced. Specifically, Venetian Macau S.A. has announced the suspension of Phases 5 and 6 of its Cotai development, although it is currently seeking financing to complete construction. Moreover, Galaxy has announced the delay of its staged opening of Galaxy World Mega Resort in Cotai. Furthermore, SJM has announced that it will defer plans to redevelop the Lisboa casino. While these actions have currently slowed the rate of increase in gaming space and hotel rooms in the near term, and should help to mitigate the impact of global financial uncertainty on Macau’s competitive landscape, to the extent any or all of these deferred projects commence operations, it could lead to a significant increase in the number of gaming tables, slot machines and hotel rooms in the Macau market.

Macau visitors currently spend only a fraction of what their U.S. counterparts spend on non-casino revenues. For the year ended 31 December 2008, Macau’s MICE (Meetings, Incentives, Conferences and Exhibitions) revenues were just 25% of the HK\$60.9 billion generated by Las Vegas. As such, we believe there is significant long-term growth potential for Macau’s non-gaming segment given the continued development of world-class facilities and its proximity to the growing MICE market in Greater China. We believe that as the non-gaming segment grows in Greater China, visitors to Macau will on average stay longer per visit and spend more on both gaming and non-gaming activities during their time in Macau.

DRIVERS OF THE MACAU GAMING MARKET

The growth of the Macau gaming market has been facilitated by a number of drivers and initiatives, including favorable population demographics and economic growth across each of the Asian feeder markets, a focus on the VIP gaming customer segment, and a commitment by central and local governments to infrastructure developments and improvements.

Close proximity to two billion of the world’s population

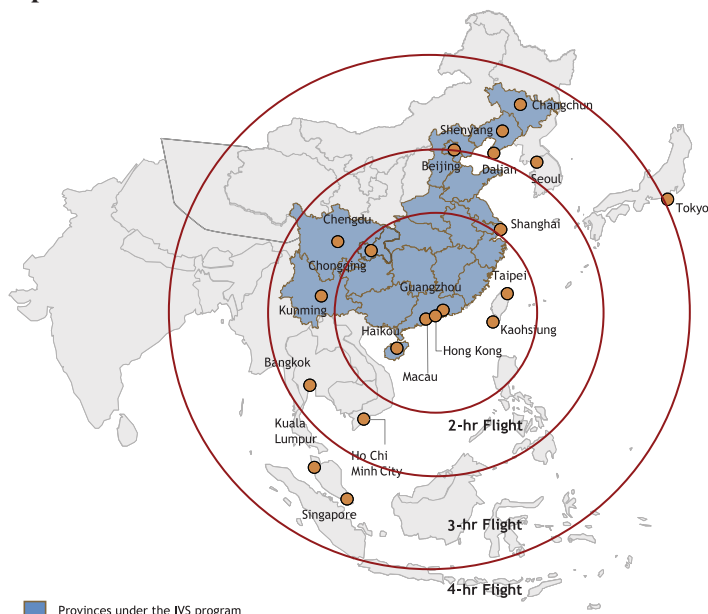
Macau shares a border with Guangdong, China’s most populous and wealthiest province and is approximately one hour from Hong Kong via high-speed ferry. Approximately two billion people live within an approximately four-hour flight path of Macau. The relatively easy access from major population centers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

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Information Pack.

OUR INDUSTRY

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

Population information



Countries within a four hour flight	2008 population (mm)
China	1,328
Indonesia	238
Japan	127
Philippines	93
Vietnam	86
Thailand	67
Myanmar	49
Korea	49
Malaysia	28
Taiwan	23
Hong Kong	7
Laos	6
Singapore	5
Total	2,105

Source: EIU

Note: Population numbers denote actuals for China, Malaysia and Singapore and estimates for all other countries.

The following table presents certain information regarding the economic strength of countries and regions close to Macau.

Economic strength of selected countries and regions

	2008 Visitation for Macau		2008 Population (mm)	GDP CAGR 2003-2008
	Visitation ('000)	% Total		
China	11,595	50.6%	1,328	16.4%
Hong Kong	7,009	30.6%	7	6.3%
Taiwan	1,316	5.7%	23	3.3%
Japan	367	1.6%	127	0.7%
Korea	280	1.2%	49	5.9%
East Asia — others	5	0.0%	NM	NM
East Asia subtotal	20,572	89.8%		
Other	2,336	10.2%		
Total	22,908	100.0%		

Source: Macau Statistics and Census Services, EIU

Note: NM means no meaningful data available

Visitation growth from China, Macau’s primary source of visitors, has been supported by the implementation of the IVS. Following its implementation in 2003, mainland Chinese citizens from select large urban centers and economically developed regions were able to obtain permits to travel to Macau on their own without belonging to a tour group. As at December 2008, the IVS has expanded to cover 49 cities and more than 290 million Chinese citizens, representing approximately 22% of the most affluent people in China in 2008. Nonetheless, it is estimated that under 3% of those eligible to visit Macau under IVS did so in 2008 (6.8 million IVS travelers).

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Information Pack.

OUR INDUSTRY

Since May 2008, the Chinese government has adjusted its visa policy toward Macau and limited the number of visits that some mainland Chinese citizens may make to Macau in a given time period. In September 2008, it was publicly announced that mainland Chinese citizens with only a Hong Kong visa and not a Macau visa could no longer enter Macau through Hong Kong. In addition, in May 2009, China also began to restrict the operation of “below-cost” tour groups involving low up-front payments and compulsory shopping. Due to the popularity of these tours with mainland Chinese citizens, this contributed to a recent decline in the number of visitors to Macau. The number of visitors to Macau across the spectrum of high-end gaming has also been negatively impacted by the recent conditions in the global economy and credit markets and the outbreak of H1N1 influenza in 2009.

China is home to the third largest luxury goods market in the world, which in 2008 accounted for approximately HK\$66.7 billion of luxury goods consumption, including cars, fashion apparel and jewelry. It is estimated that the Chinese spend up to 70% of their travel budget on shopping, nearly double the proportion spent by U.S. citizens. Macau’s status as a free port, whereby consumers are exempt from duty and sales tax on purchased items, compares favorably to mainland China, where goods are subject to up to a 30% luxury tax.

In addition to China, visitation from other Asian countries has also exhibited rapid growth from 2003 to 2008, with visitor arrivals from Japan, Korea and countries outside East Asia growing at CAGRs of 33.8%, 48.9% and 44.3%, respectively. While visitation growth has been tempered by the recent global economic slowdown, visitors from these countries have a higher propensity to stay in Macau for multiple days and are contributing to Macau’s transformation into an overnight destination.

VIP Gaming

Macau’s gaming industry has historically focused on casino gaming, with a particular emphasis on the VIP segment. VIP clients typically focus on high-limit baccarat. Junket operators have historically maintained the majority of VIP customer relationships, although gaming operators, including ourselves, also market directly to this segment. The entry of international gaming operators, coupled with favorable regional economic trends, led to strong growth in both the overall and VIP gaming markets, which saw CAGRs of 30.6% and 27.2% between 2003 and 2008, respectively.

The following table presents certain information on Macau’s gaming industry during the periods indicated.

Macau market overview

HK\$ mm	2003	2004	2005	2006	2007	2008	Six months ended 30 June 2009	5-year CAGR from 2003-2008	2007-2008
VIP gross gaming revenues	21,532	28,916	28,023	35,712	54,138	71,623	32,150	27.2%	32.3%
Mass market table gross gaming revenues	6,076	10,636	15,469	17,269	22,977	28,492	14,802	36.2%	24.0%
Slot machine gross gaming revenues	229	621	1,214	1,993	3,489	5,488	2,977	88.7%	57.3%
Total	27,837	40,173	44,706	54,974	80,604	105,603	49,929	30.6%	31.0%

Source: DICJ

THIS INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Information Pack.

OUR INDUSTRY

INFRASTRUCTURE DEVELOPMENT AND EXPANSION

Macau is accessible by land, air and sea. In 2008, approximately 53% of visitors arrived in Macau via land (the Zhuhai border gate crossing with China and the Cotai checkpoint), 40% arrived via the ferry terminal from Hong Kong and nearby cities in China and approximately 7% arrived via the Macau International Airport.

To support expansion and to accommodate the increase in visitors to Macau, the government is undertaking significant measures to improve the existing infrastructure. In November 2008, China announced a HK\$4.5 trillion stimulus package with investment in transportation links and infrastructure highlighted as one of the package’s primary goals. In January 2009, the NDRC introduced a 2008 – 2020 national development blueprint for the southern Pearl River Delta. These policy measures focus on strengthening business cooperation between the Pearl River Delta, Hong Kong and Macau and developing the region into a globally competitive one.

Several major infrastructure developments are being planned in Macau to facilitate development of the region. Projects under discussion include expansion of the existing Gongbei Border Checkpoint from Zhuhai from 300,000 people per day (150,000 each way) to 500,000 people per day, expansion of the Macau International Airport to double the capacity to 12 million passengers per year, from its current capacity of 6 million passengers per year, and construction of the Hong Kong – Zhuhai – Macau Bridge, which would provide a link between Hong Kong, mainland China (particularly the region of Pearl River West) and Macau. Whether or when these projects will be completed is uncertain.