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FINANCIAL INFORMATION

The following discussion should be read in conjunction with our audited combined financial information, including the notes thereto, as set forth in Appendix IA, “Accountant’s Report — WM Cayman Holdings Limited II.” Our financial information has been prepared in accordance with IFRS.

SELECTED COMBINED FINANCIAL DATA

Wynn Macau, Limited was incorporated in the Cayman Islands on 4 September 2009. Upon completion of the Reorganization, Wynn Macau, Limited will acquire all of the outstanding capital stock of WM Cayman Holdings Limited II. The combined statements of comprehensive income data for each of the fiscal years ended 31 December 2006, 2007 and 2008 and for the six months ended 30 June 2008 and 2009, and the combined statements of financial position data as at 31 December 2006, 2007 and 2008 and 30 June 2009, have been taken from Appendix IA, “Accountant’s Report — WM Cayman Holdings Limited II.” The combined financial data have been prepared in accordance with IFRS and have been audited by Ernst & Young, our independent auditors.

Because the Reorganization has not been completed as at the date of this document, the combined financial data presented is the financial data of WM Cayman Holdings Limited II. The companies now comprising the group of companies controlled by WM Cayman Holdings Limited II were under common control both before and after the Finance Reorganization and the Reorganization. The combined financial data have been prepared as if the post-Reorganization structure had been in existence throughout the periods presented, or since their respective dates of incorporation or establishment, whichever is the shorter period.

Wynn Macau, Limited has not engaged in any material transactions since its incorporation other than entering into the Acquisition Agreement. Consequently, the *pro forma* combined statements of comprehensive income data for Wynn Macau, Limited would not differ from the combined statements of comprehensive income data of WM Cayman Holdings Limited II presented herein, and the only differences between the *pro forma* combined statements of financial position for Wynn Macau, Limited and the combined statements of financial position of WM Cayman Holdings Limited II presented herein relate to equity and additional paid-in capital. Accordingly, and consistent with the rest of this document, we have used “we,” “us,” “our” and similar terms throughout the financial information section when describing the combined financial data presented herein.

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The following table presents our combined statements of comprehensive income for the years ended 31 December 2006, 2007 and 2008 and for the six months ended 30 June 2008 and 2009.

	Year Ended 31 December			Six Months Ended 30 June	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$	HK\$
	(unaudited)				
	(in thousands)				
Combined statements of comprehensive income:					
Operating Revenues					
Casino	2,070,265	10,198,366	13,883,379	7,559,482	6,265,395
Rooms ⁽¹⁾	70,501	203,159	138,142	69,948	54,992
Food and beverage ⁽¹⁾	73,364	179,717	161,976	84,363	63,671
Retail and other ⁽¹⁾	79,338	276,943	527,079	249,824	276,295
Total operating revenues	2,293,468	10,858,185	14,710,576	7,963,617	6,660,353
Operating costs and expenses					
Gaming taxes and premiums	1,038,184	5,067,806	7,004,281	3,829,701	3,166,619
Staff costs	678,069	1,426,437	1,717,616	843,592	817,881
Other operating expenses	714,041	1,944,336	2,882,624	1,446,170	1,197,451
Depreciation and amortization	174,486	484,210	696,663	346,106	358,644
Property charges and other	82,990	497,232	78,036	65,312	13,549
Total operating costs and expenses	2,687,770	9,420,021	12,379,220	6,530,881	5,554,144
Operating profit/(loss)	(394,302)	1,438,164	2,331,356	1,432,736	1,106,209
Finance revenues	100,575	235,371	94,229	58,981	3,189
Finance costs	(126,262)	(273,163)	(320,039)	(142,534)	(191,241)
Gain on sale of subconcession right, net	6,995,474	—	—	—	—
Net foreign currency differences	(12,684)	4,085	(33,015)	890	1,641
Change in fair value of interest rate swaps	2,459	(12,654)	(90,251)	(337)	6,112
	6,959,562	(46,361)	(349,076)	(83,000)	(180,299)
Profit before tax	6,565,260	1,391,803	1,982,280	1,349,736	925,910
Income tax benefit/(expense)	(689,010)	(17,067)	57,364	36,878	(22,234)
Net Profit attributable to equity holders of the parent	5,876,250	1,374,736	2,039,644	1,386,614	903,676
Others comprehensive income					
Currency translation reserve	1,008	1,406	15,852	92	(162)
Total comprehensive income attributable to equity holders of the parent	5,877,258	1,376,142	2,055,496	1,386,706	903,514
Adjusted EBITDA⁽²⁾	339,205	2,449,150	3,138,215	1,855,532	1,497,775

(1) *Promotional Allowances.* Promotional allowances are excluded from revenues in the accompanying combined statements of comprehensive income prepared in accordance with IFRS. Management also evaluates non-casino revenues on an adjusted basis, which is consistent with how Wynn Resorts, Limited presents such information in its financial statements prepared in accordance with U.S. GAAP. The following table presents a reconciliation of net non-casino revenues as reported in our combined statements of comprehensive income to gross non-casino revenues calculated on the adjusted basis. The adjusted non-casino revenues as presented below are used for management reporting purposes and are not representative of revenues as determined under IAS 18.

	Year Ended 31 December			Six Months Ended 30 June	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$	HK\$
	(unaudited)				
	(in thousands)				
Room revenues	70,501	203,159	138,142	69,948	54,992
Promotional allowances	45,040	215,594	314,652	159,039	154,688
Adjusted room revenues	115,541	418,753	452,794	228,987	209,680
Food & beverage revenues	73,364	179,717	161,976	84,363	63,671
Promotional allowances	40,048	155,270	250,883	122,552	124,621
Adjusted food and beverage revenues	113,412	334,987	412,859	206,915	188,292
Retail and other revenues	79,338	276,943	527,079	249,824	276,295
Promotional allowances	9,454	5,134	9,872	3,144	4,000
Adjusted retail and other revenues	88,792	282,077	536,951	252,968	280,295

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- (2) *Adjusted EBITDA.* Adjusted EBITDA is earnings before finance costs, taxes, depreciation, amortization, pre-opening costs, property charges and other, share-based compensation, and other non-operating income. Adjusted EBITDA is presented exclusively as a supplemental disclosure because our Directors believe that it is widely used to measure the performance, and as a basis for valuation, of gaming companies. Our Directors use Adjusted EBITDA as a measure of our operating performance and to compare our operating performance with that of our competitors. We also present Adjusted EBITDA because it is used by some investors as a way to measure a company’s ability to incur and service debt, make capital expenditures and meet working capital requirements. Gaming companies have historically reported EBITDA as a supplement to financial measures in accordance with generally accepted accounting principles, in particular, U.S. GAAP or IFRS. In order to view the operations of their casinos on a more stand-alone basis, gaming companies have historically excluded from their EBITDA calculations pre-opening expenses and property charges, which do not relate to the management of specific casino resorts. However, Adjusted EBITDA should not be considered an alternative to operating profit as an indicator of our performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure determined in accordance with IFRS. Unlike net profit, Adjusted EBITDA does not include depreciation or finance costs and therefore does not reflect current or future capital expenditures or the cost of capital. We compensate for these limitations by using Adjusted EBITDA as only one of several comparative tools, together with IFRS measurements, to assist in the evaluation of operating performance. Such IFRS measurements include operating profit, net profit, cash flows from operations and cash flow data. Also, our calculation of Adjusted EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited. Our Adjusted EBITDA presented above also differs from the Adjusted EBITDA presented by Wynn Resorts, Limited for its Macau segment in its filings with the United States Securities and Exchange Commission. For a quantitative reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurement, operating profit for 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, see “— Description of Selected Statements of Comprehensive Income Line Items — Adjusted EBITDA.”

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The following table presents our combined statements of financial position as at 31 December 2006, 2007 and 2008 and as at 30 June 2009.

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
	(in thousands)			
ASSETS				
Non-current assets				
Property and equipment and construction in progress . . .	5,249,777	6,384,426	7,047,193	7,765,125
Leasehold interest in land	408,387	390,329	372,273	473,382
Deposits for acquisition of property and equipment . . .	66,329	2,206	6,952	14,182
Goodwill	399,518	400,925	398,345	398,365
Other non-current assets	62,816	164,481	164,058	159,052
Deferred tax assets	84,433	87,338	83,537	70,231
Total non-current assets	6,271,260	7,429,705	8,072,358	8,880,337
Current assets				
Inventories	115,950	114,499	199,468	166,725
Trade and other receivables	155,589	342,033	208,079	251,863
Prepayments and other current assets	41,877	54,235	52,188	66,064
Amounts due from related companies	63,905	79,210	113,575	93,776
Restricted cash	4,697,704	—	—	—
Cash and cash equivalents	475,890	5,533,563	2,544,291	6,280,303
Total current assets	5,550,915	6,123,540	3,117,601	6,858,731
TOTAL ASSETS	11,822,175	13,553,245	11,189,959	15,739,068
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Other reserves	635,484	659,653	691,862	710,923
Currency translation reserve	(239)	1,167	17,019	16,857
Retained earnings	4,934,084	6,308,820	28,624	373,221
Total equity attributable to equity holders of the parent	5,569,329	6,969,640	737,505	1,101,001
Non-current liabilities				
Interest-bearing loans and borrowings	3,675,098	4,044,759	7,972,912	11,693,000
Construction retention payable	21,247	17,812	53,863	67,214
Land premiums payable	91,785	47,025	—	—
Interest rate swaps	11,404	—	97,175	91,064
Other long-term liabilities	—	—	37,358	37,359
Deferred tax liabilities	87,984	97,129	73,327	57,780
Total non-current liabilities	3,887,518	4,206,725	8,234,635	11,946,417
Current liabilities				
Accounts payable	646,054	730,159	486,774	517,272
Land premiums payable	57,776	44,760	47,025	133,940
Other payables and accruals	884,880	1,383,590	1,572,560	1,818,814
Amount due to related companies	91,158	111,028	102,995	213,159
Interest rate swaps	—	24,157	—	—
Income tax payable	685,460	83,186	8,465	8,465
Total current liabilities	2,365,328	2,376,880	2,217,819	2,691,650
Total liabilities	6,252,846	6,583,605	10,452,454	14,638,067
TOTAL EQUITY AND LIABILITIES	11,822,175	13,553,245	11,189,959	15,739,068

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

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with the combined financial statements and the related notes included elsewhere in this document. Certain statements in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” are forward-looking statements. See “Forward-looking Statements.”

Overview

Wynn Macau, Limited, led by our Chairman of the Board of Directors, Chief Executive Officer and President, Mr. Stephen A. Wynn, is a leading developer, owner and operator of destination casino gaming and entertainment resort facilities. We focus exclusively on the largest gaming market in the world – Macau. WRM, which will be our wholly owned subsidiary at the time of the completion of the Reorganization, owns and operates the destination casino resort “Wynn Macau” and holds one of the six concessions or subconcessions currently authorized to own and operate casinos in Macau.

Wynn Macau opened to the public on 6 September 2006 at the center of casino activities on the urban Macau peninsula. In December 2007, Wynn Macau completed an expansion, adding more gaming space and additional food and beverage and retail amenities. As at 30 June 2009, Wynn Macau occupied approximately 16 acres of land in Macau and featured a casino of approximately 205,000 square feet offering 24-hour gaming with a full range of games and 600 luxury rooms and suites. We have commenced construction of Encore at Wynn Macau, a further expansion of Wynn Macau that will add a fully integrated resort hotel with, among other offerings, approximately 400 luxury suites and four villas. We currently expect Encore at Wynn Macau to open in the first half of 2010.

For the year ended 31 December 2008, our total operating revenues were HK\$14,710.6 million, and our profit was HK\$2,039.6 million. For the six months ended 30 June 2009, our total operating revenues were HK\$6,660.4 million, and our profit was HK\$903.7 million.

Existing Operations

Wynn Macau

Wynn Macau opened on 6 September 2006 and an expansion of the resort was completed in December 2007.

Wynn Macau features a full range of table games, slot machines and private gaming salons.

The following table presents certain additional information about the number of casino games available at Wynn Macau as at the dates indicated.

Casino gaming at Wynn Macau

	As at 31 December			As at 30 June
	2006	2007	2008	2009
VIP table games	54	104	143	149
Mass market table games	167	283	228	209
Slot machines	366	1,190	1,250	1,220
Poker tables	0	0	8	11

The decrease in the number of mass market table games at Wynn Macau, as demonstrated in the table above, is due to Wynn Macau’s business strategy of shifting allocation of certain mass market gaming space to focus more on the VIP segment.

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Wynn Macau also offers 600 luxury rooms and suites, five casual and fine dining restaurants, a retail promenade of approximately 46,000 square feet featuring high-end, brand-name retail stores and boutiques, a performance lake, a rotunda show, recreation and leisure facilities, and lounges and meeting facilities.

Wynn Macau is currently being expanded and reconfigured to add new VIP areas with approximately 35 additional high-limit slot machines and approximately 29 VIP table games located in private gaming salons. The expansion and reconfiguration is expected to open in the first quarter of 2010. We continue to refine our offerings in response to client demand and, since the opening of Wynn Macau, have continued to use innovative capital investment to increase revenues and profitability.

Development Projects

Encore at Wynn Macau

We are in the process of constructing Encore at Wynn Macau. While the new resort will be a destination in itself, it will also be complemented by and fully integrated with the existing operations at Wynn Macau. We believe we will further solidify Wynn Macau’s position as a premier destination for VIP clients in Macau as well as enhance our offerings to premium mass market clients with the addition of Encore at Wynn Macau’s:

- VIP rooms and gaming areas, including approximately 37 VIP table games and approximately 20 high-limit slot machines, which will set a new standard of luxury gaming for our VIP players;
- Premium mass market gaming areas, including 24 premium mass market table games and 75 premium mass market slot machines;
- Approximately 400 luxury suites of approximately 1,000 square feet each;
- Four villas of approximately 7,000 square feet each connecting to a private gaming salon;
- A sky casino;
- Retail space for three new premium retail outlets; and
- Two new restaurants.

We expect to open Encore at Wynn Macau in the first half of 2010. The total budget is approximately HK\$5,037.4 million, including amounts under the guaranteed maximum price construction contract of HK\$3,131.8 million representing the major hard construction costs. As at 30 June 2009, approximately HK\$2,398.2 million of construction costs had been incurred and completion of the project is funded through a combination of existing cash balances and cash flow from operations. With the expansion of Wynn Macau and the opening of Encore at Wynn Macau, Wynn Macau’s aggregate VIP table games will increase from approximately 149 to approximately 215 tables, an increase of 44%, allowing us to serve additional junket-driven and in-house VIP gaming.

Cotai and Other Opportunities

We have identified a site of approximately 52 acres in Cotai and Palo Real Estate Company Limited (which will be our indirect wholly owned subsidiary at the time of the completion of the Reorganization) has submitted an application to the Macau government to obtain the right to lease this parcel; no payments or deposits were made to the Macau government when submitting the application. We are awaiting final approval of this application. The application, if approved, would allow us to construct an integrated casino and five-star resort of up to approximately 4.8 million square feet (including space for gaming, accommodation, food and beverage, retail, leisure and convention/meeting areas).

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On 1 August 2008, Palo Real Estate Company Limited entered into an agreement with Tien Chiao, to make a one-time payment in the amount of US\$50 million (HK\$387.5 million) in consideration of the latter’s relinquishment of certain rights with respect to its business interests in the potential Cotai project.

We have not decided whether we will proceed with the potential Cotai project. No construction timeline, budget or capital expenditure estimate has been made and no funding arrangements have been put in place for the potential Cotai project. The application submitted does not contain any binding undertakings or conditions with respect to the potential project. The proposed draft land concession agreement prepared by the Macau government in connection with the application contains several undertakings and conditions standard for any land concession in Macau, including the obligation to develop the land within a certain period of time, in this case, the development and construction of a hotel complex of a certain size within five years, but such proposals have not yet been finalized with the Macau government and are not binding. Thus, the specific parameters of any potential Cotai project, including whether such project is to be built at all, are subject to change.

We believe our management’s experience, disciplined approach to development and prudent capital management put us in a strong position to evaluate Macau’s evolving gaming market and selectively take advantage of opportunities in Cotai and elsewhere in Macau.

Factors Affecting Our Results of Operations and Financial Condition

Tourism

The levels of tourism and overall gaming activity in Macau are key drivers of our business. Both the Macau gaming market and visitation to Macau have grown significantly in the last few years. In addition to Encore at Wynn Macau, several other hotels and casinos including Melco Crown’s City of Dreams and SJM’s Oceanus and L’Arc have opened or are expected to open in 2009 and 2010. We have benefited from the rise in visitation to Macau over the past several years, although recently such visitation numbers have been impacted by various factors such as the global economic slowdown.

Gaming clients traveling to Macau typically come from nearby regions in Asia including Hong Kong, mainland China, Taiwan, South Korea and Japan, with approximately 90% of visitors to Macau in 2008 coming from Hong Kong, mainland China and Taiwan. We believe that visitation and gross gaming revenues growth for the Macau market have been, and will continue to be, driven by a combination of factors, including the level of regional wealth in Asia which, should it continue to increase, is expected to lead to a large and growing middle class with rising disposable income; Macau’s proximity to major Asian population centers; infrastructure improvements that are expected to facilitate more convenient travel to and within Macau; and the increasing supply of better quality casino, hotel and entertainment offerings in Macau. For a discussion of factors affecting tourism in Macau, see “Risk Factors.”

Current Economic and Operating Environment

Economic conditions have a significant impact on our business. We benefited materially from the generally strong economic environment in 2006, 2007 and the first half of 2008. Beginning in the second half of 2008 and continuing into 2009, a number of factors, including a slowdown in the global economy, contracting credit markets, reduced consumer spending, visa restrictions imposed by China and H1N1 influenza, have negatively impacted the gaming industry in Macau and our business. We have carefully managed our labor force and aggressively negotiated with many of our vendors to secure lower rates on existing contracts, and are continually reviewing the cost and efficiencies at our property and corporate office to identify further opportunities to reduce costs during these uncertain economic times. Nevertheless, our operating environment remained relatively stable across the first and second quarters of 2009.

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Competition

Since the liberalization of Macau’s gaming industry in 2002, there has been a significant increase in the number of gaming operators and casino properties in Macau. Currently, there are six gaming operators in Macau, including WRM. The three concessionaires are WRM, Galaxy and SJM. The three subconcessionaires are Venetian Macau, Melco Crown, and MGM Grand Paradise. As at 31 May 2009, there are approximately 30 casinos in Macau, including 19 operated by SJM. Casino operators are not subject to any limit on the number of casinos that may be operated under their concession or subconcession agreements. Each of the current six operators have commenced casino operating activities and have expansion plans announced or underway. For additional information on Macau’s gaming market, see “Industry Overview.”

Gaming Promoters

A significant amount of our casino play is brought to us by gaming promoters. Gaming promoters have historically played a critical role in the Macau gaming market and are important to Wynn Macau’s casino business.

Gaming promoters introduce high-spending VIP players to Wynn Macau and often assist those clients with their travel and entertainment arrangements. In addition, gaming promoters often grant credit to their players. In exchange for their services, Wynn Macau pays the gaming promoters a fixed percentage of the gross gaming win generated by each gaming promoter. The bulk of these commissions are netted against casino revenues, with the rest being included in other operating expenses. Approximately 80% of these commissions are netted against casino revenues, because such commissions approximate the amount of the commission returned to the VIP players by the gaming promoters, and approximately 20% are included in other operating expenses, which approximate the amount of the commission ultimately retained by the gaming promoters for their compensation. The total amounts of commissions netted against casino revenues during the three years ended 31 December 2008 and the six months ended 30 June 2009 are approximately HK\$475.7 million, HK\$2,578.9 million, HK\$3,779.2 million and HK\$1,703.4 million for the years ended 31 December 2006, 2007 and 2008 and for the six months ended 30 June 2009, respectively. Additionally, gaming promoters each receive a monthly allowance based on a percentage of the turnover their clients generate, such allowance is available for room, food and beverage and other expenses for discretionary use with clients. We also sometimes advance commissions to gaming promoters at the beginning of each month to facilitate their working capital requirements. The total amounts of net commissions outstanding, which is the difference between the amounts of advance commissions to and commissions payable to gaming promoters, are HK\$24.0 million, HK\$22.3 million and HK\$65.7 million, as at 31 December 2006 and 2008 and as at 30 June 2009, respectively. As at 31 December 2007, there was no advance commission outstanding and there were no net commissions outstanding from gaming promoters included as a component of trade receivables in the combined statement of financial position during the three years ended 31 December 2008 and the six months ended 30 June 2009. We believe our relationships with our gaming promoters are good. Our commission levels have remained stable throughout our operating history, and we have not needed to increase the levels of commissions we advance to junket operators in order to continue to attract their business.

High-End Credit Play

We selectively extend credit to players contingent upon our marketing team’s knowledge of the players, their financial background and payment history. We follow a series of credit procedures and requires from each recipient of credit various signed documents that are intended to ensure that, if permitted by applicable law, the debt can be legally enforced in the jurisdiction where the player resides. In the event the player does not reside in a jurisdiction where gaming debts are legally enforceable, we often can assert jurisdiction over assets the player maintains in jurisdictions where gaming debts are recognized. In addition, we typically require a “front money” deposit from credit players, collateralizing a percentage of the credit we grant to a player.

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Number and Mix of Table Games and Slot Machines

The mix of VIP table games, mass table games and slot machines in Wynn Macau changes from time to time as a result of marketing and operating strategies in response to changing market demand and industry competition. The shift in the mix of Wynn Macau’s games will affect casino profitability.

Critical Accounting Policies

The preparation of our financial statements and certain 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 client loyalty rewards, self insurance, contingencies, litigation and other items. 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.

Construction and Property and Equipment Estimates

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight line basis to write off the cost of each item of property and equipment to its residual value over the shorter of the remaining term of the gaming concession (for designated gaming assets and space) or land concession (for all other assets), as applicable, or their estimated useful lives.

The following table presents a summary of the principal annual rates used for the purpose of calculating depreciation.

Annual rates for depreciation

Buildings	10 to 25 years
Vehicles	5 years
Furniture, fixtures and equipment	3 to 20 years
Leasehold and other temporary improvements	1 to 5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

The asset’s residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

WRM’s leasehold interest in land in Macau under the land concession contract entered into in August 2004 is being amortized over 25 years, to reflect the initial term of the concession contract, which currently terminates in August 2029. Depreciation on the majority of the assets comprising Wynn Macau, however, commenced in September of 2006, when Wynn Macau opened.

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Costs of repairs and maintenance are charged to expenses when incurred. The cost and accumulated depreciation of property and equipment retired or otherwise disposed of are eliminated from the respective accounts and any resulting gain or loss is included in operating profit or loss.

We also evaluate our property and equipment and other long-lived assets for impairment on at least an annual basis. For assets to be disposed of, we recognize the asset at the lower of carrying value or fair market value less costs of disposal, as estimated based on comparable asset sales, solicited offers, or a discounted cash flow model. For assets to be held and used, we review for impairment whenever indicators of impairment exist. If any such indication exists, we estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. If it is not possible to estimate the recoverable amount of an individual asset, we determine the recoverable amount of the cash-generating unit to which the asset belongs.

Allowance for Estimated Doubtful Accounts Receivable

A substantial portion of our outstanding receivables relates to casino credit play. Credit play, through the issuance of markers, represents a significant portion of the table games volume. We maintain strict control over the issuance of credit and aggressively pursue collection from those clients who fail to pay their balances in a timely fashion. These collection efforts may include the mailing of statements and delinquency notices, personal contacts, the use of outside collection agencies, and litigation.

We closely consider the likelihood and difficulty of enforceability, among other factors, when issuing credit to clients. In addition to our internal credit and collection departments, we have a network of legal, accounting and collection professionals to assist us in our determinations regarding enforceability and our overall collection efforts.

We regularly evaluate our reserve for bad debts based on a specific review of client accounts as well as management's prior experience with collection trends in the casino industry and current economic and business conditions. While collection efforts remain active, it is our current policy to fully reserve all accounts over six months old. To date, we have had minimal write-offs of our casino accounts receivable. The gaming tax in Macau is calculated as a percentage of gross gaming win without deduction for bad debts.

As our client payment experience evolves, we will continue to refine our estimated reserve for bad debts. Accordingly, the associated provision for doubtful accounts expense may fluctuate. Because individual client account balances can be significant, the reserve and the provision can change significantly between periods, as information about a certain client becomes known or as changes in a region's economy or legal system occur.

Derivative Financial Instruments

We seek to manage our market risk, including interest rate risk associated with variable rate borrowings, through balancing fixed-rate and variable-rate borrowings and the use of derivative financial instruments. Derivative financial instruments are recognized as assets or liabilities, with changes in fair value affecting profit (loss) for the year. As at 30 June 2009, we were party to two interest rate swaps. We recorded a gain of approximately HK\$6.1 million for the six months ended 30 June 2009 due to the net increase in the fair value of our interest rate swaps from 31 December 2008 to 30 June 2009. As at 30 June 2009, we held the interest rate swaps as a non-current liability of approximately HK\$91.1 million.

Share-Based Compensation

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments in the form of common shares of the parent, Wynn Resorts, Limited.

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In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, these goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

The cost of equity-settled transactions with employees, for awards granted after 7 November 2002, is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in Note 17 to Appendix IA, “Accountant’s Report — WM Cayman Holdings Limited II.”

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the “vesting date”). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statements of financial position date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the statements of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statements of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statements of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statements of financial position date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Significant Judgmental Accruals

We estimate liabilities for certain client loyalty program reward redemptions, contingencies, claims and litigation and other items, as appropriate. Management determines the adequacy of these estimates by reviewing the expected trends and from industry experience and adjusts the assumptions utilized as necessary.

Description of Selected Statements of Comprehensive Income Line Items

Casino revenues

The Wynn Macau gaming segment represented 94.5% of our operating revenues for the six months ended 30 June 2009, including both the table game and slot machine segments. Casino revenues exclude the rebates and commissions paid to table games players. Wynn Macau generates casino revenues from three segments: VIP

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table games, mass market table games and slot machines. Wynn Macau’s VIP table games revenues are generated through our contracted gaming promoters and by Wynn Macau’s In-house VIP Program. Our mass market revenues are generated by table games clients who come to the property independent of a gaming promoter or Wynn Macau’s in-house marketing relationships. Slot machine revenues are based on the amount of handle (representing the total amount wagered) that is retained by Wynn Macau.

Certain key operating statistics specific to the gaming industry are included in our discussion of our operational performance for the periods in which combined financial data is presented. Casinos generally record gross table games win as a percentage of either drop or turnover and gross slot win as a percentage of handle. In our casino operations at Wynn Macau, we separate table play into two distinct segments. Our VIP casino segment records gross table games win as a percentage of turnover, whereas our mass market casino segment records gross table games win as a percentage of drop. We record gross table games win as revenue after deduction of commissions and discounts.

Room revenues

Wynn Macau currently operates 600 hotel rooms, including 240 rooms in its Wynn Club tower. Hotel revenues are derived from the cash rental of rooms and suites and are recognized when rooms are occupied.

Food and beverage revenues

Revenues from this segment are derived from the cash food and beverage sales in our restaurants and bars and are recognized when the service is provided.

Retail and other

Retail revenues are generated through sales from our owned stores (primarily the Wynn & Co. Watches store) and lease income from stores that pay Wynn Macau a lease amount based either on a percentage of sales or a pre-determined rental fee individually established based on the particular brand, income potential, size of the store and other criteria.

Other revenues are generated by businesses including the spa and salon, telephone revenues and meeting space rental revenues.

Operating costs and expenses

Operating costs and expenses primarily consist of gaming taxes and premiums, staff costs and other operating expenses.

Gaming taxes and premiums

Concessionaires are subject to a special gaming tax of 35% of gross gaming revenues, and must also make an annual contribution of up to 4% of gross gaming revenues to the Macau government for the urban development, business promotion and social security of Macau. Concessionaires are obligated to withhold applicable tax, according to the rate in effect as set by the government, from any commissions paid to gaming promoters.

Staff costs

Staff costs primarily consist of wages and salaries, staff quarters and training expenses which we incur from our operations, share-based payment expenses and retirement plan contributions which we incur as incentives to staff and social security costs required under the local legislation.

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Other operating expenses

Other operating expenses are mainly composed of junket commissions, royalty fees, provision for accounts receivable doubtful accounts, operating lease rental expense for the land, buildings, equipment, as well as cost of sales for food and beverage, advertising, entertainment, traveling and office expenses which we incur from our operations.

Depreciation and amortization

Depreciation and amortization mainly arise from depreciation of property, plant and equipment and leasehold land.

Property charges

We make enhancements and refinements to our properties in response to our evaluation of the financial and operating performance of our properties and feedback from our clients. Costs relating to assets retired or abandoned as a result of these enhancements and remodeling efforts are expensed as property charges.

Finance revenues

Finance revenues consist of interest income earned on money market cash investments, U.S. Treasury Bills and cash held at the bank.

Finance costs

Finance costs consist of interest expense on loans from shareholders, interest expense from bank facilities, commitment fees on undrawn amounts of facilities and amortization of debt financing costs, net of capitalized interest.

Gain on sale of subconcession right

Gain on sale of subconcession right represents proceeds, net of related costs on the sale of our subconcession right in 2006. For further information on the Subconcession Agreement, see “WRM’s Concession — Subconcession Agreement.”

Change in fair value of interest rate swaps

We entered into two agreements to swap a portion of the underlying interest rate risk on current and future term loan borrowings under our credit facilities since November 2005. The changes in the fair value of our interest rate swaps are recorded in the statements of comprehensive income as an increase or decrease in swap fair value and the fair value of our interest rate swaps are recorded as either assets or liabilities.

Income taxes

Our subsidiaries file income tax returns in Macau and various other jurisdictions as required by law. We are exempt from income tax in the Isle of Man and the Cayman Islands. Concessionaires are subject to a 12% Complementary Tax in Macau on profits for which WRM has received a 5-year exemption on its casino gaming profits that expires in 2011. Our non-gaming profits remain subject to the Macau Complementary Tax and casino winnings remain subject to the Macau special gaming tax and other levies (amounting to 39% in the aggregate) in accordance with the Concession Agreement.

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Net profit attributable to equity holders of the parent

Net profit attributable to equity holders of the parent represents the net income generated from us that will be attributable to equity holders of the Group.

Adjusted EBITDA

Adjusted EBITDA is earnings before finance costs, taxes, depreciation, amortization, pre-opening costs, property charges and other, share-based compensation, and other non-operating income. Adjusted EBITDA is presented exclusively as a supplemental disclosure because our Directors believe that it is widely used to measure the performance, and as a basis for valuation, of gaming companies. Our Adjusted EBITDA presented herein also differs from the Adjusted EBITDA presented by Wynn Resorts, Limited for its Macau segment in its filings with the Securities and Exchange Commission.

The following table sets forth a quantitative reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurements, operating profit for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$	HK\$
	(in thousands)				
	(unaudited)				
Operating profit/(loss)	(394,302)	1,438,164	2,331,356	1,432,736	1,106,209
Add/(less)					
Depreciation and amortization	174,486	484,210	696,663	346,106	358,644
Pre-opening costs ⁽¹⁾	460,660	5,375	(49)	15	312
Property charges and other	82,990	497,232	78,036	65,312	13,549
Share-based payment	15,371	24,169	32,209	11,363	19,061
Adjusted EBITDA	<u>339,205</u>	<u>2,449,150</u>	<u>3,138,215</u>	<u>1,855,532</u>	<u>1,497,775</u>

(1) We incurred pre-opening costs in connection with Wynn Macau, prior to its opening on 6 September 2006. Pre-opening costs as at 31 December 2006 consisted primarily of direct salaries and wages and other costs including legal and consulting fees, insurance, utilities and advertising. Pre-opening costs for the years ended 31 December 2007 and 2008 and the six months ended 30 June 2008 and 2009 primarily consisted of costs related to the construction of Encore at Wynn Macau.

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Review of Historical Operating Results

Summary Breakdown Table

The following table presents certain selected statements of comprehensive income line items and certain other data.

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$	HK\$
	(in thousands, except for averages, daily win figures and number of tables and slot machines)				
Total casino revenues ⁽¹⁾	2,070,265	10,198,366	13,883,379	7,559,482	6,265,395
Rooms ⁽²⁾	70,501	203,159	138,142	69,948	54,992
Food and beverage ⁽²⁾	73,364	179,717	161,976	84,363	63,671
Retail and other ⁽²⁾	79,338	276,943	527,079	249,824	276,295
Total Operating Revenues	2,293,468	10,858,185	14,710,576	7,963,617	6,660,353
VIP table games turnover	63,318,470	293,141,793	431,598,422	242,200,804	180,750,040
VIP gross table games win ⁽¹⁾	1,545,912	9,126,075	12,953,380	7,236,163	5,549,043
Mass market table games drop	5,035,900	15,516,144	17,726,121	9,508,627	7,622,771
Mass market gross table games win ⁽¹⁾	862,266	2,953,907	3,474,671	1,834,663	1,663,954
Slot machine handle	2,607,151	13,098,815	23,481,120	11,247,314	14,278,314
Slot machine win ⁽¹⁾	137,836	697,244	1,225,229	593,591	712,152
Average number of gaming tables ⁽³⁾⁽⁵⁾	217	259	377	382	368
Daily gross win per gaming table ⁽⁴⁾⁽⁵⁾	94,739	127,993	118,921	130,512	108,199
Average number of slots ⁽³⁾	368	521	1,243	1,250	1,233
Average daily win per slot ⁽⁴⁾	3,201	3,663	2,694	2,609	3,191

(1) Total casino revenues do not equal the sum of “VIP gross table games win,” “mass market gross table games win” and “slot machine win” because table games win is calculated before commissions and discounts, and only recorded as revenue *after* the relevant commissions and discounts have been deducted. The following table presents a reconciliation of the sum of “VIP gross table games win,” “mass market gross table games win” and “slot machine win” to total casino revenues.

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$	HK\$
	(unaudited)				
	(in thousands, except for averages)				
VIP gross table games win	1,545,912	9,126,075	12,953,380	7,236,163	5,549,043
Mass market gross table games win	862,266	2,953,907	3,474,671	1,834,663	1,663,954
Slot machine win	137,836	697,244	1,225,229	593,591	712,152
Poker revenues	—	—	9,258	—	43,601
Commissions and discounts	(475,749)	(2,578,860)	(3,779,159)	(2,104,935)	(1,703,355)
Total Casino Revenues	2,070,265	10,198,366	13,883,379	7,559,482	6,265,395

(2) *Promotional Allowances.* Promotional allowances are excluded from revenues in the accompanying combined statements of comprehensive income prepared in accordance with IFRS. Management also evaluates non-casino revenues on an adjusted basis, which is also consistent with how Wynn Resorts, Limited presents such information in its financial statements prepared in accordance with U.S. GAAP. The following table presents a reconciliation of net non-casino revenues as reported in our combined statements of comprehensive income to gross non-casino revenues calculated on the adjusted basis. The adjusted non-casino revenues as presented below are used for management reporting purposes and are not representative of revenues as determined under IAS 18.

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	Year Ended 31 December			Six Months Ended 30 June	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$	HK\$
			(in thousands)	(unaudited)	
Room revenues	70,501	203,159	138,142	69,948	54,992
Promotional allowances	45,040	215,594	314,652	159,039	154,688
Adjusted room revenues	<u>115,541</u>	<u>418,753</u>	<u>452,794</u>	<u>228,987</u>	<u>209,680</u>
Food & beverage revenues	73,364	179,717	161,976	84,363	63,671
Promotional allowances	40,048	155,270	250,883	122,552	124,621
Adjusted food and beverage revenues	<u>113,412</u>	<u>334,987</u>	<u>412,859</u>	<u>206,915</u>	<u>188,292</u>
Retail and other revenues	79,338	276,943	527,079	249,824	276,295
Promotional allowances	9,454	5,134	9,872	3,144	4,000
Adjusted retail and other revenues	<u>88,792</u>	<u>282,077</u>	<u>536,951</u>	<u>252,968</u>	<u>280,295</u>

- (3) For purposes of this table, we calculate average number of gaming tables and average numbers of slots as the average of the number of gaming tables or slot machines in service on each day in the period.
- (4) Daily gross win per gaming table and daily win per slot are presented in this table on the basis of the average number of gaming tables and average number of slots, respectively, over the number of days we were open in the applicable period. As at 30 June 2009, we had 11 poker gaming tables; the revenues from these poker gaming tables are included in the total table games win figure used in calculating daily gross win per gaming table numbers above. In addition, the total table games win figures used herein do not correspond to casino revenues figures in our financial statements, because figures in our financial statements are calculated net of commissions and discounts and the total table games win herein are calculated before commissions and discounts.
- (5) Includes poker tables and poker revenues.

Discussion of Results of Operations

Financial results for the six months ended 30 June 2008 compared to financial results for the six months ended 30 June 2009

Operating Revenues

Total operating revenues decreased by 16.4% from HK\$7,963.6 million for the six months ended 30 June 2008 to HK\$6,660.4 million in the six months ended 30 June 2009. This decrease was due to a combination of factors, including the recent downturn in the Chinese and global economies, government restrictions on Chinese citizens traveling from mainland China to Macau and the outbreak of the H1N1 influenza.

Casino Revenues

Casino revenues decreased by 17.1%, from HK\$7,559.5 million (94.9% of total operating revenues) in the six months ended 30 June 2008 to HK\$6,265.4 million (94.1% of total operating revenues) in the six months ended 30 June 2009 due to lower volumes in our VIP and mass market gaming operations partially offset by increased volume and win in our slot segment.

VIP casino gaming operations. VIP table games turnover decreased by 25.4% from HK\$242,200.8 million in the six months ended 30 June 2008 to HK\$180,750.0 million in the six months ended 30 June 2009 and VIP gross table games win decreased by 23.3% from HK\$7,236.2 million in the six months ended 30 June 2008 to HK\$5,549.0 million in the six months ended 30 June 2009. The decreases were primarily due to the results of the general effects of the economic downturn. The effect on revenues was partly offset by a increase in VIP gross table games win as a percentage of turnover (calculated before discounts and commissions) from 2.99% in the six months ended 30 June 2008 to 3.07% in the six months ended 30 June 2009 (win percentages are at the upper end of the expected range of 2.7% to 3.0%).

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Mass market casino gaming operations. Mass market table games drop decreased by 19.8% from HK\$9,508.6 million in the six months ended 30 June 2008 to HK\$7,622.8 million in the six months ended 30 June 2009 and mass market gross table games win decreased by 9.3% from HK\$1,834.7 million in the six months ended 30 June 2008 to HK\$1,664.0 million in the six months ended 30 June 2009. The decrease reflects the general effects of the economic downturn, including lower numbers of visitors. Such decreases were slightly offset by an increase in the mass market gross table games win percentage (calculated before discounts) from 19.3% in the six months ended 30 June 2008 to 21.8% in the six months ended 30 June 2009 (win percentages for the six months ended 30 June 2009 slightly exceeded the expected range of 18% to 20%).

Slot machine gaming operations. Slot machine handle increased by 26.9% from HK\$11,247.3 million in the six months ended 30 June 2008 to HK\$14,278.3 million in the six months ended 30 June 2009. Slot machine win increased by 20.0% from HK\$593.6 million in the six months ended 30 June 2008 to HK\$712.2 million in the six months ended 30 June 2009. The increases resulted primarily from increased high-end play by several individual players of high-end slot machines during the first half of 2009. Slot machine win per unit per day increased by 22.3% from HK\$2,609 in the six months ended 30 June 2008 to HK\$3,191 in the six months ended 30 June 2009.

Non-casino Revenues

Net non-casino revenues, which include room, food and beverage and retail revenues, decreased by 2.3%, from HK\$404.1 million in the six months ended 30 June 2008 to HK\$395.0 million in the six months ended 30 June 2009. The components and reasons are as follows:

Room revenues. Our room revenues, which exclude promotional allowances in our combined statements of comprehensive income, decreased by 21.4% from HK\$69.9 million for the six months ended 30 June 2008 to HK\$55.0 million in the six months ended 30 June 2009. The decrease in revenues was primarily due to a decrease in visitors and a decrease in the average daily rate.

Management also evaluates room revenues on adjusted basis which includes promotional allowances, which is also consistent with the manner in which Wynn Resorts, Limited presents such information in its financial statements. Adjusted room revenues which includes promotional allowances decreased by 8.4% from HK\$229.0 million in the six months ended 30 June 2008 to HK\$209.7 million in the six months ended 30 June 2009.

The following table presents additional information about our adjusted room revenues which includes promotional allowances.

Adjusted room revenues information

	For the six months ended 30 June	
	2008	2009
Adjusted Average Daily Rate (includes promotional allowances of HK\$1,502 in the six months ended 30 June 2008 and HK\$1,521 in the six months ended 30 June 2009)	HK\$2,156	HK\$2,057
Occupancy	88.2%	85.0%
Adjusted REVPAR (includes promotional allowances of HK\$1,324 in the six months ended 30 June 2008 and HK\$1,293 in the six months ended 30 June 2009)	HK\$1,901	HK\$1,748

Food and beverage. Our food and beverage revenues decreased by 24.5% from HK\$84.4 million in the six months ended 30 June 2008 to HK\$63.7 million in the six months ended 30 June 2009. The decrease in revenues was primarily due to a decrease in visitors.

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Management also evaluates food and beverage revenues on an adjusted basis which includes promotional allowances, which is also consistent with how Wynn Resorts, Limited presents such information in its financial statements. Adjusted food and beverage revenues which include promotional allowances decreased by 9.0% from HK\$206.9 million in the six months ended 30 June 2008 to HK\$188.3 million in the six months ended 30 June 2009.

Retail and other. Our retail and other revenues increased by 10.6% from HK\$249.8 million in the six months ended 30 June 2008 to HK\$276.3 million in the six months ended 30 June 2009. The increase in retail and other revenues is primarily due to an increase in lease revenues from retail stores.

Management also evaluates retail and other revenues on an adjusted basis which includes promotional allowances, which is also consistent with how Wynn Resorts, Limited presents such information in its financial statements. Adjusted retail and other revenues which include promotional allowances increased by 10.8% from HK\$253.0 million in the six months ended 30 June 2008 to HK\$280.3 million in the six months ended 30 June 2009.

Operating Costs and Expenses

Gaming taxes and premiums. Gaming taxes and premiums decreased by 17.3% from HK\$3,829.7 million in the six months ended 30 June 2008 to HK\$3,166.6 million in the six months ended 30 June 2009. This decrease was primarily due to a decrease in gross gaming revenues.

Staff costs. Staff costs decreased by 3.0% from HK\$843.6 million in the six months ended 30 June 2008 to HK\$817.9 million in the six months ended 30 June 2009. The decrease was primarily due to a reduction in employee headcount due to attrition, partially offset by higher salaries in effect during the six months ended 30 June 2009 resulting from salary increases implemented in mid-2008. In addition, we recorded a decrease in retirement plan contributions from HK\$23.4 million to HK\$4.4 million due to the suspension of voluntary employer contributions to the Provident Fund in the first quarter of 2009.

Other operating expenses. Other operating expenses decreased by 17.2% from HK\$1,446.2 million in the six months ended 30 June 2008 to HK\$1,197.5 million in the six months ended 30 June 2009. The decrease in other operating costs was primarily due to a decrease in junket commission expense reflecting lower gross gaming revenues and the effect of various cost-control measures we implemented during the six months ended 30 June 2009.

Depreciation and amortization. Depreciation and amortization increased by 3.6% from HK\$346.1 million in the six months ended 30 June 2008 to HK\$358.6 million in the six months ended 30 June 2009. This increase was due to additional assets placed in service during the six months ended 30 June 2009.

Property charges and other. Property charges and other decreased by 79.3% from HK\$65.3 million in the six months ended 30 June 2008 to HK\$13.5 million in the six months ended 30 June 2009. Property charges during the six months 30 June 2009 relate primarily to losses on sales of obsolete gaming equipment. During the six months ended 30 June 2008, we incurred HK\$27.9 million in charges related primarily to the abandonment of certain existing floor space to begin construction of a new restaurant. Remaining property charges during 2008 related to abandonments from various other renovation projects. In response to our evaluation of our property and the reactions of our guests, we continue to remodel and make enhancements at our property.

As a result of the foregoing, total operating costs and expenses decreased by 15.0% from HK\$6,530.9 million in the six months ended 30 June 2008 to HK\$5,554.1 million in the six months ended 30 June 2009.

Finance Revenues

Finance revenues decreased by 94.6% from HK\$59.0 million in the six months ended 30 June 2008 to HK\$3.2 million in the six months ended 30 June 2009, primarily due to a significant decrease in the average interest rates earned on invested cash balances compared to the prior year period.

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Finance Costs

Finance costs increased by 34.2% from HK\$142.5 million in the six months ended 30 June 2008 to HK\$191.2 million in the six months ended 30 June 2009. Finance costs increased in the six months ended 30 June 2009 primarily due to an additional approximately US\$1 billion (HK\$7.6 billion) in borrowings from the Group's existing revolving credit facility. As at 30 June 2009, approximately HK\$5,580.2 million of the additional bank borrowings is included in our cash and cash equivalents bank balance with the remainder of the borrowings used to fund the continued construction of Encore at Wynn Macau. For more detailed information, see “— Liquidity and Capital Resources.”

Change in Fair Value of Interest Rate Swaps

As required under the terms of our various credit facilities, we have entered into agreements which swap a portion of the interest on our loans from floating to fixed rates.

The fair value of our interest rate swaps are recorded as either assets or liabilities. Changes in the fair value of our interest rate swaps are recorded as an increase or decrease in swap fair value during each year. We recorded an expense of HK\$0.3 million for the six months ended 30 June 2008 resulting from a decrease in the fair value of our interest rate swaps from 31 December 2007 to 30 June 2008. We recorded a gain of HK\$6.1 million in the six months ended 30 June 2009 resulting from an increase in the fair value of our interest rate swaps from 31 December 2008 to 30 June 2009.

Income Tax Expense /Benefit

In the six months ended 30 June 2008, our income tax benefit was HK\$36.9 million compared to an income tax expense of HK\$22.2 million in the six months ended 30 June 2009. The income tax benefit in the six months ended 30 June 2008 reflected the reversal of previously established reserves against unfavorable tax outcomes. The income tax expense in the six months ended 30 June 2009 primarily reflects the accrual of a recently negotiated payment in lieu of the dividend tax for all periods from 2006 through June 2009.

Net Profit Attributable to Equity Holders of the Parent

As a result of the foregoing, net profit attributable to equity holders of the parent decreased by 34.8% from HK\$1,386.6 million in the six months ended 30 June 2008 to HK\$903.7 million in the six months ended 30 June 2009.

Financial results for the year ended 31 December 2007 compared to financial results for the year ended 31 December 2008

Operating Revenues

Total operating revenues increased by 35.5% from HK\$10,858.2 million in 2007 to HK\$14,710.6 million in 2008. This increase is due to the full year effect of the expansion of Wynn Macau completed in December 2007, (which added approximately 75,000 square feet of additional gaming space), overall market growth in 2008 and the growth of our VIP business due in part to an increased number of junket operators.

Casino Revenues

Casino revenues increased by 36.1%, from HK\$10,198.4 million (93.9% of total operating revenues) in 2007 to HK\$13,883.4 million (94.4% of total operating revenues) in 2008. The components and reasons are as follows:

VIP casino gaming operations. VIP table games turnover increased by 47.2% from HK\$293,141.8 million in 2007 to HK\$431,598.4 million in 2008 and VIP gross table games win increased by 41.9% from HK\$9,126.1 million in 2007 to HK\$12,953.4 million in 2008. The increases were primarily due to an increase in the number of VIP tables in service in 2008 and higher levels of junket-driven business, in line with overall market growth. The effect on revenues was partly offset by a decrease in VIP gross table games win as a percentage of turnover

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(calculated before discounts and commissions) from 3.1% in 2007 to 3.0% in 2008 (win percentages are around the expected range of 2.7% to 3.0%).

Mass market casino gaming operations. Mass market table games drop increased by 14.2% from approximately HK\$15,516.1 million in 2007 to HK\$17,726.1 million in 2008 and mass market gross table games win increased by 17.6% from HK\$2,953.9 million in 2007 to HK\$3,474.7 million in 2008. The increases reflect several factors, including growth in the market and an increase in the number of mass market tables in service in 2008. Revenues also reflected an increase in the mass market gross table games win percentage (calculated before discounts) from 19.0% in 2007 to 19.6% in 2008 (win percentages are at the upper end of the expected range of 18% to 20%).

Slot machine gaming operations. Slot machine handle increased by 79.3%, from HK\$13,098.8 million in 2007 to HK\$23,481.1 million in 2008. Slot machine win increased by 75.7% from HK\$697.2 million in 2007 to HK\$1,225.2 million in 2008. The increases resulted primarily from the significant increase in our number of slot machines in 2008. Consequently, total gross slot win increased but slot machine win per unit per day decreased by 26.5% from HK\$3,663 in 2007 to HK\$2,694 in 2008.

Non-casino Revenues

Net non-casino revenues, which include room, food and beverage and retail revenues, increased by 25.4%, from \$659.8 million (6.1% of total operating revenues) in 2007 to HK\$827.2 million (5.6% of total operating revenues) in 2008. The increase in revenues was largely due to expansion of retail space and increased visitation in 2008.

Room revenues. Our room revenues, which excludes promotional allowances in our combined statements of comprehensive income, decreased by 32.0% from HK\$203.2 million in 2007 to HK\$138.1 million in 2008. The decrease reflects increased promotional allowances due to increased VIP business, which resulted in fewer rooms available for paying customers.

Management also evaluates room revenues on an adjusted basis which includes promotional allowances, which is also consistent with the manner in which Wynn Resorts, Limited presents such information in its financial statements. Adjusted room revenues which includes promotional allowances increased by 8.1% from HK\$418.8 million in 2007 to HK\$452.8 million in 2008.

The following table presents additional information about our adjusted room revenues which includes promotional allowances.

Adjusted room revenues information

	For the Year ended 31 December	
	2007	2008
Adjusted Average Daily Rate (includes promotional allowances of HK\$1,010 in 2007 and HK\$1,490 in 2008)	HK\$ 1,957	HK\$ 2,139
Occupancy	88.8%	87.3%
Adjusted REVPAR (includes promotional allowances of HK\$897 in 2007 and HK\$1,301 in 2008)	HK\$ 1,739	HK\$ 1,867

Food and beverage. Our food and beverage revenues decreased by 9.9% from HK\$179.7 million in 2007 to HK\$162.0 million in 2008. The decrease reflects increased promotional allowances due to increased VIP business.

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Management also evaluates food and beverage revenues on an adjusted basis which includes promotional allowances, which is also consistent with how Wynn Resorts, Limited presents such information in its financial statements. Adjusted food and beverage revenues which includes promotional allowances increased by 23.2% from HK\$335.0 million in 2007 to HK\$412.9 million in 2008, reflecting increased visitation.

Retail and other. Our retail and other revenues increased by 90.3% from HK\$276.9 million in 2007 to HK\$527.1 million in 2008. The increase is due to the opening of additional retail outlets with the expansion of Wynn Macau.

Management also evaluates retail and other revenues on an adjusted basis which includes promotional allowances, which is also consistent with how Wynn Resorts, Limited presents such information in its financial statements. Adjusted retail and other revenues which includes promotional allowances increased by 90.4% from HK\$282.1 million in 2007 to HK\$537.0 million in 2008, reflecting greater retail space and increased visitation.

Operating Costs and Expenses

Gaming taxes and premiums. Gaming taxes and premiums increased by 38.2% from HK\$5,067.8 million in 2007 to HK\$7,004.3 million in 2008. This increase is primarily due to increased gross gaming win from 2007 to 2008. Wynn Macau is subject to a 35% gaming tax on gross gaming win. In addition, the Group is also required to pay 4% of the gross gaming win for public development and social facilities.

Staff costs. Staff costs increased by 20.4% from HK\$1,426.4 million in 2007 to HK\$1,717.6 million in 2008. The increase was primarily due to both an increase in the number of our staff as a result of Wynn Macau's expansion, which opened at the end of 2007, and higher salaries for a majority of our staff.

Other operating expenses. Other operating expenses increased by 48.3% from HK\$1,944.3 million in 2007 to HK\$2,882.6 million in 2008. The increase in other operating costs reflected general growth in the business, including higher junket commission expense due to higher casino volume (although commission rates remained stable), in-house marketing expenses, royalty fees and support services.

Depreciation and amortization. Depreciation and amortization increased by 43.9% from HK\$484.2 million in 2007 to HK\$696.7 million in 2008. This increase was due to a full year of depreciation expense associated with the casino and retail expansion which was completed in December 2007.

Property charges and other. Property charges and other decreased by 84.3% from HK\$497.2 million in 2007 to HK\$78.0 million in 2008. The charges in each period represent costs related to assets retired or abandoned in connection with the expansion and remodeling of the property that occurred in December 2007.

As a result of the foregoing, total operating costs and expenses increased by 31.4% from HK\$9,420.0 million in 2007 to HK\$12,379.2 million in 2008.

Finance Revenues

Finance revenues decreased by 60.0% from HK\$235.4 million in 2007 to HK\$94.2 million in 2008, reflecting lower interest rates in 2008.

Finance Costs

Finance costs increased by 17.2% from HK\$273.2 million in 2007 to HK\$320.0 million in 2008. Finance costs increased in 2008 primarily due to our drawdown of HK\$3,893.2 million of cash under our credit facilities in the second half of 2008 which was partially offset by lower interest rates in 2008.

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Change in Fair Value of Interest Rate Swaps

As required under the terms of our various credit facilities, we have entered into agreements which swap a portion of the interest on our loans from floating to fixed rates.

The fair value of our interest rate swaps are recorded as either assets or liabilities. Changes in the fair value of our interest rate swaps are recorded as an increase or decrease in swap fair value during each year. We recorded an expense of HK\$12.7 million for 2007 resulting from the decrease in the fair value of our interest rate swaps in 2007. We recorded an expense of HK\$90.3 million in 2008 resulting from the decrease in the fair value of our interest rate swaps in 2008.

Income Tax Expense / Benefit

In 2008, our income tax benefit was HK\$57.4 million compared to an income tax expense of HK\$17.1 million in 2007. This was primarily due to a decrease in deferred tax liability and income tax payable. Our income tax expense in 2007 reflects an increase in provision for tax contingencies as well as an increase in deferred tax provision as a result of our assessment of the expected realization of net deferred taxes in 2006 and 2007. This increase was primarily associated with the gain on sale of our subconcession in 2006. In 2008, however, we reduced our provision for tax contingencies to reflect the expected reduction in realization of deferred tax assets.

Net Profit Attributable to Equity Holders of the Parent

As a result of the foregoing, net profit attributable to equity holders of the parent increased by 48.4% from HK\$1,374.7 million in 2007 to HK\$2,039.6 million in 2008.

Financial results for the year ended 31 December 2006 compared to financial results for the year ended 31 December 2007

Operating Revenues

Total operating revenues increased by 373.4% from HK\$2,293.5 million in 2006 to HK\$10,858.2 million in 2007. This increase was primarily due to Wynn Macau having been open for a full year in 2007 compared to 117 days of operation in 2006 and significant market growth.

Casino Revenues

Casino revenues increased by 392.6%, from HK\$2,070.3 million (90.3% of total operating revenues) in 2006 to HK\$10,198.4 million (93.9% of total operating revenues) in 2007. The components and reasons are as follows:

VIP casino gaming operations. VIP table games turnover increased by 363.0% from HK\$63,318.5 million in 2006 to HK\$293,141.8 million in 2007 and VIP gross table games win increased by 490.3% from HK\$1,545.9 million in 2006 to HK\$9,126.1 million in 2007. The increases were primarily due to Wynn Macau's being open for a full year in 2007, as described above. Revenues also reflect an increase in VIP gross table games win as a percentage of turnover (calculated before discounts and commissions) from 2.4% in 2006 to 3.1% in 2007 (the 3.1% figure is slightly above the expected range of 2.7% to 3.0%).

Mass market casino gaming operations. Mass market table games drop increased by 208.1% from approximately HK\$5,035.9 million in 2006 to HK\$15,516.1 million in 2007 and mass market gross table games win increased by 242.6% from HK\$862.3 million in 2006 to HK\$2,953.9 million in 2007. The mass market gross table games win percentage (calculated before discount) increased from 17.1% in 2006 to 19.0% in 2007 (the 19.0% range is within of the expected range of 18% to 20%).

Slot machine gaming operations. Slot machine handle increased by 402.4% from HK\$2,607.2 million in 2006 to HK\$13,098.8 million in 2007. Slot machine win increased from HK\$137.8 million in 2006 to HK\$697.2 million in 2007. The slot machine win per unit per day increased by 14.4% from HK\$3,201 in 2006 to HK\$3,663

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in 2007. These increases reflect Wynn Macau’s full year of operations in 2007 and increased market awareness, acceptance and popularity of slot machines.

Non-casino Revenues

Total non-casino revenues increased by 195.4% from HK\$223.2 million (9.7% of total operating revenues) in 2006 to HK\$659.8 million (6.1% of total operating revenues) in 2007. This increase is due to the reasons discussed below:

Room revenues. Our room revenues, which excludes promotional allowances in our combined statements of comprehensive income, increased by 188.2% from HK\$70.5 million in 2006 to HK\$203.2 million in 2007. The increase reflects a full year of operations for Wynn Macau in 2007.

Management also evaluates room revenues on an adjusted basis which includes promotional allowances, which is also consistent with how Wynn Resorts, Limited presents such information in its financial statements. Adjusted room revenues which includes promotional allowances increased by 262.4% from HK\$115.5 million in 2006 to HK\$418.8 million in 2007.

The following table presents additional information about our adjusted room revenues which includes promotional allowances.

Adjusted room revenues information

	For the Year ended 31 December	
	2006	2007
Adjusted Average Daily Rate (includes promotional allowances of HK\$796 in 2006 and HK\$1,010 in 2007)	HK\$ 1,852	HK\$ 1,957
Occupancy	80.6%	88.8%
Adjusted REVPAR (includes promotional allowances of HK\$642 in 2006 and HK\$897 in 2007)	HK\$ 1,493	HK\$ 1,739

Food and beverage. Our food and beverage revenues increased by 145.0% from HK\$73.4 million in 2006 to HK\$179.7 million in 2007. The increase reflects a full year of operations for Wynn Macau in 2007.

Management also evaluates food and beverage revenues on an adjusted basis which includes promotional allowances, which is also consistent with how Wynn Resorts, Limited presents such information in its financial statements. Adjusted food and beverage revenues which includes promotional allowances increased by 195.4% from HK\$113.4 million in 2006 to HK\$335.0 million in 2007.

Retail and other. Our retail and other revenues increased by 249.1% from HK\$79.3 million in 2006 to HK\$276.9 million in 2007. The increase reflects a full year of operations of Wynn Macau in 2007.

Management also evaluates retail and other revenues on an adjusted basis which includes promotional allowances, which is also consistent with how Wynn Resorts, Limited presents such information in its financial statements. Adjusted retail and other revenues which includes promotional allowances increased by 217.7% from HK\$88.8 million in 2006 to HK\$282.1 million in 2007.

Operating Costs and Expenses

Gaming taxes and premiums. Gaming taxes and premiums increased 388.1% from HK\$1,038.2 million in 2006 to HK\$5,067.8 million in 2007. This increase is primarily a result of increased gross gaming win, primarily

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attributable to Wynn Macau’s full year of operations in 2007 as compared to 117 days in 2006. Wynn Macau is subject to a 35% gaming tax on gross gaming win. In addition, the Group is also required to pay 4% of the gross gaming win for public development and social facilities.

Staff Costs. Staff costs increased 110.4% from HK\$678.1 million in 2006 to HK\$1,426.4 million for 2007. The increase in staff costs year over year from 2006 to 2007 is primarily attributable to Wynn Macau’s full year of operations in 2007 as compared to 117 days in 2006.

Other operating expenses. Other operating expenses increased by 172.3% from HK\$714.0 million in 2006 to HK\$1,944.3 million in 2007. The increase is due to a full year of operations at Wynn Macau in 2007 which significantly impacted all operating expenses.

Depreciation and amortization. Depreciation and amortization increased 177.5% from HK\$174.5 million in 2006 to HK\$484.2 million in 2007. A full year of depreciation was recorded in 2007, whereas in 2006 the assets were placed into service and began depreciation in September of that year.

Property charges and other. Property charges and other increased 499.1% from HK\$83.0 million in 2006 to HK\$497.2 million in 2007. The charges for 2007 largely represent costs related to the assets retired or abandoned in connection with the expansion and remodeling of the Wynn Macau property that WRM accrued in December 2007.

In December 2006, Wynn Macau donated an early Ming dynasty vase to the Macau Museum. We purchased the vase in May 2006 for approximately HK\$79.0 million. The vase had been on public display at Wynn Macau prior to its donation to the museum. The HK\$79.0 million expense for the donation of the Ming Vase is included in property charges and other for the year ended 31 December 2006.

As a result of the foregoing, total operating costs and expenses increased by 250.5% from HK\$2,687.8 million in 2006 to HK\$9,420.0 million in 2007.

Finance Revenues

Finance revenues increased 134.0% from HK\$100.6 million in 2006 to HK\$235.4 million in 2007. The increase is largely due to the interest income earned on the proceeds of the sale of a subconcession in 2007 compared to only four months of interest in 2006. Additionally, interest income increased from the money market investments as additional cash was available for short term investment from the operations of Wynn Macau.

Finance Costs

Finance costs increased 116.3% from HK\$126.3 million in 2006 to HK\$273.2 million in 2007. Finance costs increased in 2007 primarily due to a decrease in the levels of interest that had been capitalized in accordance with our accounting policies during the construction phase at Wynn Macau and prior to its opening. Interest expense from bank facilities also increased as the amount of debt outstanding grew, but was slightly offset by the decrease in rates.

Gain on Sale of Subconcession Right

As authorized by the Macau government, WRM entered into the Subconcession Agreement with PBL on 4 March 2006 to operate casino games and a hotel casino resort. Under the terms of this agreement, Melco Crown Gaming (Macau) Limited paid WRM US\$900 million. The proceeds from this transaction, net of related costs, were recorded as a gain on the sale of subconcession right in our statements of comprehensive income for the year ended 31 December 2006. For further information on the Subconcession Agreement, see “WRM’s Concession — Subconcession Agreement.”

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Change in Fair Value of Interest Rate Swaps

As required under the terms of our various credit facilities, we have entered into agreements which swap a portion of the interest on our loans from floating to fixed rates.

We recorded income of HK\$2.5 million for the year ended 31 December 2006 resulting from the increase in the fair value of our interest rate swaps from 31 December 2005 to 31 December 2006. We recorded an expense of HK\$12.7 million in 2007 resulting from the decrease in the fair value of our interest rate swaps in 2007.

Income Tax Expense / Benefit

Our income tax expense decreased by 97.5% from HK\$689.0 million in 2006 to HK\$17.1 million in 2007. The income tax expense in 2006 was primarily attributable to the income generated by the non-recurring transfer of a right to negotiate with the Macau government for a subconcession.

Net Profit Attributable to Equity Holders of the Parent

As a result of the foregoing, we recorded net profit attributable to equity holders of the parent of HK\$5,876.3 million in 2006 (which includes the effect of WRM's entering into the Subconcession Agreement as described above) compared to a net profit of HK\$1,374.7 million in 2007.

Liquidity and Capital Resources

Capital Resources

Since Wynn Macau opened in 2006, we have generally funded our working capital and recurring expenses as well as capital expenditures from cash flow from operations and cash on hand. Remaining requirements after opening Wynn Macau have been primarily funded through long-term borrowings from our lending syndicate. Prior to opening Wynn Macau in 2006, we were totally dependent on the borrowings.

Our cash balances at 31 December 2008 were HK\$2,544.3 million. This cash is available for operations, new development activities, enhancements to Wynn Macau, and to support the development and construction of Encore at Wynn Macau. In addition in early February 2009, Wynn Macau drew down the entire remaining amounts available pursuant to the credit facilities. We repaid HK\$193.7 million principal amount in June 2009; accordingly, as at 30 June 2009, we have HK\$193.7 million available under the credit facilities.

We expect to declare an interim dividend of approximately HK\$450 million. After completion of the Reorganization, we expect to have cash balances of approximately HK\$[●] million.

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The following table presents a summary of the Company’s cash flows for each of the three years in the period ended 31 December 2008 and for the six months ended 30 June 2008 and 30 June 2009.

Company cash flows

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
				(in millions)	
Net cash from operating activities	566.0	2,414.1	3,169.9	2,028.2	1,829.1
Net cash generated from/(used in) investing activities	(457.4)	2,556.1	(1,520.0)	(637)	(1,031.2)
Net cash provided from/(used in) financing activities	367.3	87.5	(4,639.2)	(143.5)	2,938.1
Net increase/(decrease) in bank and cash balances	475.9	5,057.7	(2,989.3)	1,247.7	3,736.0
Bank and cash balances at beginning of period	—	475.9	5,533.6	5,533.6	2,544.3
Bank and cash balances at end of period	475.9	5,533.6	2,544.3	6,781.3	6,280.3

Cash from operating activities

Our net cash from operating activities is primarily affected by operating income generated by Wynn Macau, interest and other financing costs paid, non-cash charges included in operating income and changes in working capital. Net cash from operating activities was HK\$1,829.1 million in the six months ended 30 June 2009, HK\$3,169.9 million in 2008, HK\$2,414.1 million in 2007 and HK\$566.0 million in 2006 (during which there were 117 days of operations).

Operating profit was HK\$1,106.2 million for the six months ended 30 June 2009 compared to HK\$1,432.7 million for the six months ended 30 June 2008. Net cash from operating activities in the six month period ended 30 June 2009 decreased primarily due to the decrease in operating profit.

Operating profit was HK\$2,331.4 million in 2008 compared to HK\$1,438.2 million in 2007. Net cash from operating activities in 2007 was also affected by taxes paid to the Macau government of HK\$613.1 million in 2007, principally relating to WRM’s entering into the Subconcession Agreement in 2006. The remainder of the year-on-year increase relates principally to smaller growth in our working capital requirements in 2008. The increase in net cash from operating activities in 2007 over 2008 resulted from Wynn Macau’s having operated for a full year in 2007 compared to 117 days in 2006.

Cash generated from (used in) investing activities

Net cash used in investing activities was HK\$1,031.2 million in the six months ended 30 June 2009, compared to net cash used in investing activities of HK\$637 million in the corresponding period of 2008. Net cash used in investing activities was HK\$1,520.0 million in 2008 compared to net cash HK\$2,556.1 million generated in 2007. In 2006, net cash used in investing activities was HK\$457.4 million.

In all periods discussed, the purchase of property and equipment was a major component of cash flows used in investing activities including the original construction of Wynn Macau during 2006, the expansion of Wynn Macau which opened in 2007, and the current construction of Encore at Wynn Macau began in 2008.

Offsetting capital expenditures during 2006 was HK\$6,995.5 million in proceeds received from the sale of the subconcession discussed previously.

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Cash from financing activities

Net cash provided from financing activities was HK\$2,938.1 million during the six months ended 30 June 2009 compared to HK\$143.5 million net cash used in financing activities in the corresponding period of 2008. Net cash used in financing activities was HK\$4,639.2 million during 2008 compared to net cash of HK\$87.5 million generated in 2007. Net cash flows provided by financing activities was HK\$367.3 million in 2006.

During 2008, we paid a dividend of HK\$8,319.8 million to our parent company which was partly offset by proceeds from borrowings. In the six months ended 30 June 2009, we drew down HK\$3,893.5 million, which was offset by a dividend payment of HK\$559.1 million.

The significant difference between net cash flow in 2008 and net cash flow in 2007 is primarily due to a refinancing in 2007 (there was no similar refinancing in 2008), and the payment of a large dividend in 2008.

Indebtedness

The following table presents a summary of our indebtedness as at 31 December 2006, 2007 and 2008 and 30 June 2009.

Indebtedness information

	As at 31 December			As at
	2006	2007	2008	31 July 2009
	HK\$	HK\$	HK\$	HK\$
	(in thousands)			
Senior revolving credit facility	—	—	3,893,211	7,819,542
Senior term loan facility	3,746,964	4,290,015	4,282,298	4,410,782
Total	3,746,964	4,290,015	8,175,509	12,230,324
Other bank borrowings	113,973	—	—	—

The Company has unutilized available banking facilities of approximately US\$25.0 million (HK\$193.8 million) as at 31 July 2009.

Save as disclosed in this section, as of the 31 July 2009 we did not have any outstanding loan capital issued or agreed to be issued, borrowings or other similar indebtedness, overdrafts, liabilities under acceptances or acceptance credits or hire purchase commitments, debentures, mortgages, charges, banking facilities, guarantees, mortgages, charges, banking facilities, guarantees or finance leases.

Our Directors confirm that there has been no material adverse change in our Group’s indebtedness and contingent liabilities since 31 July 2009.

Wynn Macau Credit Facilities

Overview

On 27 June 2007, WRM and certain of our other subsidiaries amended the existing Wynn Macau Credit Facilities and entered into other related amendments and agreements with a syndicate of lenders. The amendments increased the size of the facilities under WRM’s existing senior bank facilities from HK\$6.0 billion to HK\$12.0 billion, in a combination of Hong Kong dollar and U.S. dollar facilities, including a HK\$4.3 billion fully funded senior term loan facility, and a HK\$7.8 billion senior revolving credit facility. The facilities may be used for a variety of purposes, including the construction of Encore at Wynn Macau, investments in other projects in Macau and general corporate purposes.

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We have the ability to increase secured debt by increasing the total facilities by up to an additional US\$50 million.

As at 30 June 2009, we have total bank and other borrowings under these facilities of HK\$11,874.2 million, of which HK\$3,239.4 million is denominated in U.S. dollars and HK\$8,634.8 million is denominated in Hong Kong dollars.

In July 2009, as part of the Finance Reorganization (see “History and Corporate Structure”), WRM requested and obtained from its lenders under the Wynn Macau Credit Facilities certain consents necessary to permit the Finance Reorganization. As a result, WM Cayman Holdings Limited II has become the highest level obligor, guarantor and chargor under the facilities and Wynn Group Asia, Inc. ceased to be an obligor, guarantor or chargor under the facilities.

Wynn Macau, Limited is not a party to the Wynn Macau Credit Facilities and has no rights or obligations thereunder.

Principal and Interest

The term loans under the facilities mature in June 2014, and the revolving loans under the facilities mature in June 2012. The principal amount of the term loans is required to be repaid in quarterly installments, commencing in September 2011.

Borrowings currently bear interest at LIBOR or HIBOR (depending on the currency of the borrowing) plus a margin of 1.75%. Beginning in the first full quarter after Encore at Wynn Macau opens, the margin will be subject to a margin ratchet which may increase or decrease the margin to between 1.25% and 2.00% depending on WRM’s leverage ratio.

General Covenants

The facilities contain customary covenants restricting the activities of the Obligor Group (which does not include Wynn Macau, Limited), including but not limited to, the incurrence of additional indebtedness, the incurrence or creation of liens on property, sale and leaseback transactions, the ability to dispose of assets and the making of loans or other investments, entering into mergers, consolidations, liquidations or amalgamations, forming or acquiring subsidiaries, amending, modifying or terminating certain material contracts, permits and governing documents, entering into transactions with affiliates, changing fiscal periods, entering into business activities other than certain permitted activities and, selling or discounting receivables, in each case, subject to certain permitted exceptions.

Financial Covenants

WRM is required to maintain a specified leverage ratio which as at 31 December 2008, was to be no greater than 4.75 to 1, and an interest coverage ratio of no less than 2.00 to 1. The leverage ratio is required to be no greater than 5.00 to 1 for all reporting periods in 2009 and thereafter steadily decreases to 3.50 to 1. WM Cayman Holdings Limited II and certain of our other subsidiaries are not generally permitted to incur financial indebtedness.

Compliance with Covenants

The Directors confirm that there is no material non-compliance with the financial covenants or general covenants contained in the credit facilities set forth above during the three years ended 31 December 2008 and the six months ended 30 June 2009 and since 30 June 2009.

Mandatory Prepayment

The facilities contain mandatory prepayment provisions, which include, among other matters, prepayment of 50% of excess cash flow (as defined in the Wynn Macau Credit Facilities) if the applicable leverage ratio is greater than 4.00 to 1 for each relevant period.

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Dividend Restrictions

WRM and its subsidiaries are subject to restrictions on payment of dividends or distributions or other amounts to their shareholders or to other affiliates, unless certain financial and non-financial criteria have been satisfied. Provided certain conditions are met, WRM is permitted to distribute retained earnings. The conditions to be satisfied for distribution of earnings include:

- Compliance with applicable legal requirements;
- No event of default occurring under the facilities;
- Compliance with the applicable leverage ratio and interest coverage ratio financial covenants; and
- Such payments may be made once in each fiscal quarter (and in respect of the first fiscal quarter in a fiscal year, only after borrowings under the facilities have been prepaid to the extent required by the application of the excess cash flow mandatory prepayment provisions).

Events of Default

The facilities contain customary events of default, such as failure to pay, breach of covenant, insolvency proceedings, material adverse effect and cross default provisions. Events of default also include certain breaches of the terms of the Concession Agreement, and the taking of certain formal measures or administrative intervention by the Macau government in respect of the Concession Agreement or the concession for the land on which Wynn Macau is located.

The facilities also include a change of control event of default which includes:

- Mr. Wynn (together with Mr. Okada of Aruze Corp. and certain other related parties, including any 80% (or more) owned subsidiary, trust, estate or immediate family members of Mr. Wynn or Mr. Okada) ceasing to control at least 20% of the voting power of Wynn Resorts, Limited;
- Mr. Wynn (together with his related parties but excluding Mr. Okada and Mr. Okada’s related parties) ceasing to control at least 10% of the voting power of Wynn Resorts, Limited; and
- Wynn Resorts, Limited ceasing to own or control at least 51% of WRM (or ceasing to have the ability to direct the management of WRM).

Security and Guarantees

Collateral for the facilities consists of substantially all of the assets of WRM. Certain of our direct and indirect subsidiaries have executed guarantees and pledged their interests in WRM in support of the obligations under the facilities. Although, for reasons of Macau law, the Concession Agreement is not subject to such security, lenders do have certain cure rights and consultation rights with the Macau government upon an enforcement by the lenders.

Second Ranking Lender

WRM is also party to a bank guarantee reimbursement agreement with BNU to secure a guarantee in favor of the Macau government as required under our Concession Agreement. The amount of this guarantee is currently MOP300 million (HK\$291.3 million) and it lasts until 180 days after the end of the term of the Concession Agreement. The guarantee assures WRM’s performance under the Concession Agreement, including the payment of premiums, fines and indemnities for breach. The guarantee is secured by a second priority security interest in the collateral package.

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Current net assets

The following table sets out our current assets, current liabilities and net current assets as at 31 July 2009:

	As at 31 July 2009
	HK\$
	(in thousands)
Current Assets	
Inventories	173,962
Trade and other receivables	252,763
Prepayments and other current assets	64,223
Amounts due from related companies	135,987
Deferred tax asset	2,783
Cash and cash equivalents	6,900,554
Total current assets	7,530,272
Current liabilities	
Accounts payable	640,606
Land premium payable	133,941
Other payable and accrued liabilities	2,281,138
Amount due to related companies	260,089
Interest rate swaps	—
Income tax payable	8,465
Total current liabilities	3,324,239
Net current assets	4,206,033

Trade and other receivables

We recorded changes to trade and other receivables HK\$157.0 million for 2006, HK\$299.5 million for 2007, HK\$22.8 million for 2008 and HK\$108.3 million for the six months ended 30 June 2009. These changes are within the normal range of fluctuations given the opening of Wynn Macau in September 2006 and the Wynn Macau casino floor expansion in December 2007. The majority of the trade and other receivables balance is from VIP clients.

Changes to trade and other receivables consist of changes to items such as finance revenues, interest received and bad debt expenses. The following table sets out the reconciliation of changes to individual items comprising trade and other receivables to changes in the total amount of trade and other receivables as set forth in Appendix IA, “Accountant’s Report — WM Cayman Holdings Limited II.”

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Reconciliation of Trade Receivables and Other Receivables

	For the year ended 31 December			For the six months ended 30 June
	2006	2007	2008	2009
	HK\$	HK\$	HK\$	HK\$
	(in thousands)			
Finance revenues ⁽¹⁾	100,575	235,371	94,229	3,189
Interest received ⁽²⁾	(100,575)	(228,560)	(57,808)	(46,421)
Change in receivables	157,045	299,540	22,750	108,342
Bad debt expense	(1,471)	(119,832)	(193,110)	(21,326)
Other changes	—	(159)	—	—
Foreign exchange	15	84	(15)	—
Total	<u>155,589</u>	<u>186,444</u>	<u>(133,954)</u>	<u>43,784</u>
Trade and other receivables per balance sheet				
At the end of the period	155,589	342,033	208,079	251,863
At the beginning of the period	—	155,589	342,033	208,079
Net Change	<u>155,589</u>	<u>186,444</u>	<u>(133,954)</u>	<u>43,784</u>

Notes:

- (1) *Finance revenues.* Finance revenues consist of interest income earned on money market cash investments, U.S. Treasury Bills, cash in banks, and loans receivable from affiliates.
- (2) *Interest received.* Interest received consists of cash received for interest from money market cash investments, U.S. Treasury Bills, cash in banks, and loans receivable from affiliates.

There was a substantial increase in provision for doubtful accounts of HK\$1.5 million for 2006, HK\$119.8 million for 2007, HK\$193.1 million for 2008 and HK\$21.3 million for the six months ended 30 June 2009. As customer payment experience evolves, management will continue to refine the estimated reserve for bad debts and the fact that such increase is the normal result of continual growth in the business of Wynn Macau over the three years ended 31 December 2008 and the six months ended 30 June 2009. For more information on doubtful accounts receivable, see “Financial Information — Allowance for Estimated Doubtful Accounts Receivable.”

The trade receivables balance as at 30 June 2009 was HK\$251.9 million.

Accounts payable

The accounts payable balance as at 30 June 2009 was HK\$517.3 million.

Quantitative and Qualitative Disclosures about Market Risks

Market risk is the risk of loss arising from adverse changes in market rates and conditions, such as inflation, interest rates, and foreign currency exchange rates.

The cash received from gaming activities is primarily in Hong Kong dollars. The Group reports gross gaming win to the Macau government in Patacas and the gaming taxes are paid in Hong Kong dollars. Our costs and expenses are primarily denominated in Patacas and Hong Kong dollars. The value of a Pataca is directly linked to the value of a Hong Kong dollar, which is linked to the value of a U.S. dollar. Accordingly, we do not expect fluctuations in the values of these currencies to have a material impact on our operations. We do not hedge our foreign exchange risk.

Interest Rate Risks

One of our primary exposures to market risk is interest rate risk associated with our credit facilities that bear interest based on floating rates. We attempt to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings supplemented by hedging activities as considered necessary. We

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cannot assure you that these risk management strategies will have the desired effect, and interest rate fluctuations could have a negative impact on our results of operations.

In November 2005, we entered into two agreements to swap a portion of the underlying interest rate risk on current and future term loan borrowings under our credit facilities. In August 2008, we terminated these interest rate swaps and entered into new interest rate swaps which will terminate in August 2011. Under the first terminated swap agreement, we paid a fixed interest rate of 4.84% on borrowings up to a maximum of approximately US\$198.2 million (HK\$1.54 billion) in exchange for receipts on the same amounts at a variable interest rate based on the applicable London Inter-bank Offered Rate (“LIBOR”) at the time of payment. Under the second terminated swap agreement, we paid a fixed interest rate of 4.77% on borrowings up to a maximum of approximately HK\$1.1 billion, in exchange for receipts on the same amounts at a variable interest rate based on the applicable Hong Kong Interbank Offered Rate (“HIBOR”) at the time of payment. The terminated interest rate swaps fixed the interest rates on the U.S. dollar and the Hong Kong dollar borrowings under the Wynn Macau Credit Facilities at approximately 6.59% and 6.52%, respectively. In connection with this transaction, we paid to the counterparties of the terminated swaps a cash settlement payment of approximately HK\$17.0 million.

Effective August 2008, under the first new swap agreement, we pay a fixed interest rate of 3.632% on U.S. dollar borrowings of approximately US\$153.8 million (HK\$1,191.3 million) incurred under the US\$550 million term loan facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable LIBOR at the time of payment. Under the second new swap agreement, we pay a fixed interest rate of 3.39% on Hong Kong dollar borrowings of approximately HK\$991.6 million incurred under the US\$550 million term loan facilities in exchange for receipt on the same amount at a variable interest rate based on the applicable HIBOR at the time of payment. These interest rate swaps fix the interest rates on the U.S. dollar and the Hong Kong dollar term loan borrowings at approximately 5.382% and 5.14%, respectively.

The Group entered into an interest rate swap agreement on 17 August 2009, with an effective date of 27 November 2009, to hedge a portion of the underlying interest rate risk on borrowings under the Wynn Macau Credit Facilities. Under this new swap agreement, beginning 27 November 2009, the Group will pay a fixed interest rate of 2.15% on borrowings of approximately HK\$2.3 billion incurred under the Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable HIBOR at the time of payment. This interest rate swap fixes the interest rate on HK\$2.3 billion of borrowings under the Wynn Macau Credit Facilities at approximately 3.9%, which is the fixed interest rate of 2.15% plus a margin of 1.75%. This interest rate swap agreement matures in June 2012.

The carrying value of these interest rate swaps on the statements of financial position approximates their fair value. The fair value approximates the amount we would pay if these contracts were settled at the respective valuation dates. Fair value is estimated based upon current, and predictions of future, interest rate levels along a yield curve, the remaining duration of the instruments and other market conditions, and therefore, is subject to significant estimation and a high degree of variability of fluctuation between periods. These transactions do not qualify for hedge accounting. Accordingly, changes in the fair values during the years ended 31 December 2006, 2007 and 2008 were charged to the profit and loss account.

Our liabilities under the swap agreements are secured by the same collateral package securing the Wynn Macau Credit Facilities.

Off Balance Sheet Arrangements

We have not entered into any transactions with special purpose entities nor do we engage in any transactions involving derivatives except for interest rate swaps. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity.

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Other Liquidity Matters

We expect that Wynn Macau will fund its operations and capital expenditure requirements from operating cash flow and cash on hand. However, we cannot be sure that operating cash flows will be sufficient for the purpose. We may refinance all or a portion of our indebtedness on or before maturity. We cannot be sure that we will be able to refinance any of the indebtedness on acceptable terms or at all.

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

In the ordinary course of business, in response to market demands and client preferences and in order to increase revenues, we have made and will continue to make enhancements and refinements to Wynn Macau. We have incurred and will continue to incur capital expenditures related to these enhancements and refinements.

Taking into consideration our financial resources, including our cash and cash equivalents and internally generated funds, we believe that we have sufficient liquid assets to meet our working capital and operating requirements for a period of 12 months following the date of this document.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, see Note 25 to Appendix IA, “Accountant’s Report — WM Cayman Holdings Limited II.” Our Directors confirm that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

FINANCIAL INDEPENDENCE

As at the latest practicable date, the Group had no non-trade balances due to Directors, no non-trade balances due from Directors and no non-trade balances due from related parties.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 30 June 2009 (the date to which our latest combined financial results were prepared as set out in Appendix IA, “Accountant’s Report — WM Cayman Holdings Limited II”).

FORECAST FOR THE YEAR ENDING 31 DECEMBER 2009

Our Directors believe that, on the bases and assumptions set out in Appendix III, “Profit Forecast,” and in the absence of unforeseen circumstances, our forecast combined profit attributable to equity holders of the Company for the year ending 31 December 2009 is expected to be not less than HK\$1,467.5 million as follows:

Forecast

Forecast combined profit attributable to equity holders of our Company for the year ending 31 December 2009 ⁽¹⁾	not less than HK\$1,467.5 million
Unaudited pro forma basic forecast earnings per Share ⁽²⁾	not less than HK\$0.29
Unaudited pro forma fully diluted forecast earnings per Share ⁽³⁾	not less than HK\$0.29

Notes:

- (1) The bases and assumptions on which the forecast combined profit attributable to equity holders of our Company for the year ending 31 December 2009 are set out in Appendix III, “Profit Forecast.” Our Directors have prepared a profit forecast only for the year ending 31 December 2009, as the factors described under “Risk Factors — Risks Relating to Our Business” and “Financial

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Information — Factors Affecting Our Results of Operations and Financial Condition” make any forecast for a longer period subject to too many uncertainties.

The forecast combined profit attributable to equity holders of our Company for the year ended 31 December 2009 should not be used in any way as an indication or forecast of our Company’s performance for another period, including for the full year ending 31 December 2010.

The forecast combined profit attributable to equity holders of our Company for the year ending 31 December 2009 has taken into account share-based compensation expenses expected to be charged to that period totaling HK\$38.9 million.

(2) The unaudited pro forma basic forecast earnings per Share is based on the forecast combined profit attributable to equity holders of our Company for the year ending 31 December 2009, assuming that the Reorganization was completed on 30 June 2009 and a total of 5,000,000,000 Shares were in issue and outstanding during the entire six months period. This calculation assumes that the Over-Allotment Option would not have been exercised.

(3) The unaudited pro forma fully diluted earnings per Share is based on the forecast combined profit attributable to equity holders of the Company for the year ending 31 December 2009. We have made these assumptions as we are unable to reliably assess the average fair value of the Group during the relevant period, and such average fair value number would be required if we were to calculate the dilutive potential Shares using the treasury stock method. If the treasury stock method had been applied, both the numbers of dilutive potential Shares under the two schemes and impact on the pro forma fully diluted earnings per Share would have been smaller.

DISTRIBUTABLE RESERVES

Under the Companies Law, the share premium of the Company may be distributed, subject to the provisions of the Company’s Memorandum or Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

PROPERTY INTERESTS

For details relating to our property interests, see Appendix IV, “Property Valuation.” Knight Frank Petty Limited, an independent property valuation firm, has valued the properties owned and leased by us as at 30 June 2009. The text of its letter, summary of values and valuation certificate are set out in Appendix IV, “Property Valuation.”

The following table presents the reconciliation of the net book value of the relevant property interests, including land use rights, as at 30 June 2009 to their fair value as at 30 June 2009 as stated in Appendix IV, “Property Valuation.”

Property interests reconciliation

	HK\$ (in millions)
Net book values as at 31 December 2008	
Buildings	[●]
Land use rights	[●]
	[●]
Movements for the six months ended 30 June 2009	
Depreciation (unaudited)	[●]
	[●]
Net book values as at 30 June 2009	[●]
Valuation surplus as at 30 June 2009	[●]
	[●]
Valuation as at 30 June 2009	[●]