The following is a text of a report prepared for the sole purpose of incorporation in this document, received from the auditors and reporting accountants of WM Cayman Holdings Limited II, Ernst & Young, Certified Public Accountants, Hong Kong:

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[Date]

The Board of Directors
WM Cayman Holdings Limited II
J.P. Morgan Securities (Asia Pacific) Limited
Morgan Stanley Asia Limited
UBS AG, Hong Kong Branch

Dear Sirs,

We set out below our report on the financial information of WM Cayman Holdings Limited II ("WM Cayman Holdings Limited II") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2006, 2007 and 2008 [and the six-month ended 30 June 2009] (the "Relevant Periods") [and the six-month ended 30 June 2008 (the "30 June 2008 Financial Information")], prepared on the basis of presentation set forth in Section II below.

WM Cayman Holdings Limited II was incorporated in the Cayman Islands on 8 September 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands.] The principal activity of WM Cayman Holdings Limited II is investment holding. The Group is principally engaged in the operating a hotel and casino which conducts gaming activities, betting and games of chance in casinos in Macau. On [Date], WM Cayman Holdings Limited II became the holding company of the subsidiaries now comprising the Group pursuant to the corporate reorganization (the "Group Reorganization") as set out in Appendix VI.

WM Cayman Holdings Limited II had not carried on any business since the date of its incorporation, save for the acquisition of the subsidiaries pursuant to the Group Reorganization as set out in [Appendix VI] to document. As at the date of this report, no audited financial statements have been prepared for WM Cayman Holdings Limited II since the date of its incorporation as WM Cayman Holdings Limited II has not been involved in any significant business transactions other than the Group Reorganization. We have performed an independent review in all relevant transactions of WM Cayman Holdings Limited II in relation to the Group Reorganization for the period since the date of incorporation to the date of this report. The Group has adopted 31 December as its financial year end date.

As at the date of this report, WM Cayman Holdings Limited II had direct or indirect interests in the following subsidiaries, all of which are private companies (or, if incorporated outside Hong Kong, have characteristics substantially similar to a private company incorporated in Hong Kong). The particulars of the subsidiaries are set out below:

Company name	Place and date of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wynn Resorts International, Ltd. (Note (a))	Isle of Man 22 April 2002	GBP2,000	100	—	Investment holding
Wynn Resorts (Macau) Holdings, Ltd. (Note (a))	Isle of Man 22 April 2002	GBP2,000	—	100	Investment holding
Wynn Resorts Macau, Limited	Hong Kong 26 April 2002	HK$100	—	100	Investment holding
Wynn Resorts (Macau) S.A. ("WRM") (Note (b))	Macau 17 October 2001	MOP200,100,000	—	100	Operating of a hotel and casino resort
Palo Real Estate Company Limited	Macau 29 March 2007	MOP1,000,000	—	100	Development, design and preconstruction activities

The above table lists the subsidiaries of the Group which, in the opinion of the directors of WM Cayman Holdings Limited II, principally affected the results of the Group for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of WM Cayman Holdings Limited II, result in particulars of excessive length.

Notes:

(a) No statutory audited financial statements have been prepared as these companies are not subject to any statutory audit requirements under their jurisdictions of incorporation.

(b) 10% of the shares were held by a Macau-resident investor which entitle the holder to 10% of the voting rights and the rights to maximum dividend or payment upon dissolution of one MOP. The remaining 90% shares held by the Group are entitled to 90% of voting rights and 100% of profit participation or economic interest.

For the purpose of this report, the directors of WM Cayman Holdings Limited II have prepared the combined financial statements of the Group for the three years ended 31 December 2006, 2007 and 2008 and [the six-month period ended 30 June 2009] (the "Combined Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs").

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods, and the combined statements of financial position of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 together with the notes thereto (collectively the "Financial Information") have been prepared based on the Combined Financial Statements on the basis set out in note 2 under Section II "Notes to Financial Information" below, for the purposes of preparing this report for inclusion in this document.

The directors are responsible for the preparation and the true and fair presentation of the Financial Information and the contents of this document in which this report is included. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and consistently applied, that the judgments and estimates made are prudent and reasonable.

It is our responsibility to form an independent opinion on the Financial Information, based on our audit, and to report our opinion to you.

Procedures performed in respect of the Relevant Periods

For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountant (the "HKICPA"), and have carried out such additional procedures as are necessary in accordance with applicable auditing guidelines issued by the HKICPA. No adjustments were considered necessary to adjust the Combined Financial Statements to conform to the accounting polices referred to in note 2.2 of section II below for the Relevant Periods.

Procedures performed in respect of the 30 June 2008 Financial Information

For the purpose of this report, we have also performed a review of the 30 June 2008 Financial Information for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on such information based on our review. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an opinion on the 30 June 2008 Financial Information.

Opinion in respect of the Relevant Periods

In our opinion, the Financial Information prepared on the basis of presentation set out in note 2 under Section II "Notes to Financial Information" below gives, for the purpose of this report, a true and fair view of the combined results and combined cash flows of the Group for each of the Relevant Periods and of the combined state of affairs of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009.

Review conclusion in respect of the 30 June 2008 Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30 June 2008 Financial Information does not give a true and fair view of the combined results and combined cash flows of the Group for the six-month period ended 30 June 2008 in accordance with IFRSs.

I. FINANCIAL INFORMATION

Combined statements of comprehensive income

	Notes	Year Ended 31 December 2006 HK$'000	Year Ended 31 December 2007 HK$'000	Year Ended 31 December 2008 HK$'000	Six Months Ended 30 June 2008 HK$'000 (unaudited)	Six Months Ended 30 June 2009 HK$'000
Operating revenues						
Casino		2,070,265	10,198,366	13,883,379	7,559,482	6,265,395
Rooms		70,501	203,159	138,142	69,948	54,992
Food and beverage		73,364	179,717	161,976	84,363	63,671
Retail and other		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	3.1	678,069	1,426,437	1,717,616	843,592	817,881
Other operating expenses	3.2	714,041	1,944,336	2,882,624	1,446,170	1,197,451
Depreciation and amortization	3.3	174,486	484,210	696,663	346,106	358,644
Property charges and other	3.4	82,990	497,232	78,036	65,312	13,549
		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	3.5	100,575	235,371	94,229	58,981	3,189
Finance costs	3.6	(126,262)	(273,163)	(320,039)	(142,534)	(191,241)
Gain on sale of subconcession right, net	4	6,995,474	—	—	—	—
Net foreign currency differences		(12,684)	4,085	(33,015)	890	1,641
Change in fair value of interest rate swaps	5	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)	6	(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
Other 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

Combined statements of financial position

	Notes	As at 31 December 2006 HK$'000	As at 31 December 2007 HK$'000	As at 31 December 2008 HK$'000	As at 30 June 2009 HK$'000
ASSETS					
Non-current Assets					
Property and equipment and construction in progress	8	5,249,777	6,384,426	7,047,193	7,765,125
Leasehold interest in land	9	408,387	390,329	372,273	473,382
Deposits for acquisition of property and equipment		66,329	2,206	6,952	14,182
Goodwill	10	399,518	400,925	398,345	398,365
Other non-current assets	11	62,816	164,481	164,058	159,052
Deferred tax assets	6	84,433	87,338	83,537	70,231
		6,271,260	7,429,705	8,072,358	8,880,337
Current Assets					
Inventories	12	115,950	114,499	199,468	166,725
Trade and other receivables	13	155,589	342,033	208,079	251,863
Prepayments and other current assets	14	41,877	54,235	52,188	66,064
Amounts due from related companies	25	63,905	79,210	113,575	93,776
Restricted cash		4,697,704	—	—	—
Cash and cash equivalents	15	475,890	5,533,563	2,544,291	6,280,303
		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	16	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
		5,569,329	6,969,640	737,505	1,101,001
Non-current liabilities					
Interest-bearing loans and borrowings	18	3,675,098	4,044,759	7,972,912	11,693,000
Construction retention payable	8	21,247	17,812	53,863	67,214
Land premiums payable	19	91,785	47,025	—	—
Interest rate swaps	5	11,404	—	97,175	91,064
Other long-term liabilities	6	—	—	37,358	37,359
Deferred tax liabilities	6	87,984	97,129	73,327	57,780
		3,887,518	4,206,725	8,234,635	11,946,417
Current liabilities					
Accounts payable	20	646,054	730,159	486,774	517,272
Land premiums payable	19	57,776	44,760	47,025	133,940
Other payables accruals	21	884,880	1,383,590	1,572,560	1,818,814
Amount due to related companies	25	91,158	111,028	102,995	213,159
Interest rate swaps	5	—	24,157	—	—
Income tax payable	6	685,460	83,186	8,465	8,465
		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

Combined statements of changes in equity

		Attributable to equity holders of the parent				
	Notes	Issued Capital*** HK$'000	Other Reserves* HK$'000	Retained Earnings/ (Accumulated Losses)* HK$'000	Currency Translation Reserve* HK$'000	Total Equity HK$'000
At 1 January 2006		—	571,545	(660,034)	(1,247)	(89,736)
Exchange differences on translating foreign operations and total income and expense recognized directly in equity for the year		—	—	—	1,008	1,008
Net Profit for the year		—	—	5,876,250	—	5,876,250
Total comprehensive income and expenses for the year		—	—	5,876,250	1,008	5,877,258
Share-based payments	17	—	15,371	—	—	15,371
Statutory reserve**		—	48,568	(48,568)	—	—
Interim dividend	7	—	—	(233,564)	—	(233,564)
At 31 December 2006 and 1 January 2007		—	635,484	4,934,084	(239)	5,569,329
Exchange differences on translating foreign operations and total income and expense recognized directly in equity for the year		—	—	—	1,406	1,406
Net Profit for the year		—	—	1,374,736	—	1,374,736
Total comprehensive income and expense for the year		—	—	1,374,736	1,406	1,376,142
Share-based payments	17	—	24,169	—	—	24,169
At 31 December 2007 and 1 January 2008		—	659,653	6,308,820	1,167	6,969,640
Exchange differences on translating foreign operations and total income and expense recognized directly in equity for the year		—	—	—	15,852	15,852
Net Profit for the year		—	—	2,039,644	—	2,039,644
Total comprehensive income and expense for the year		—	—	2,039,644	15,852	2,055,496
Share-based payments		—	32,209	—	—	32,209
Interim dividend	7	—	—	(8,319,840)	—	(8,319,840)
At 31 December 2008 and 1 January 2009		—	691,862	28,624	17,019	737,505
Exchange differences on translating foreign operations and total income and expense recognized directly in equity for the year		—	—	—	(162)	(162)
Net Profit for the year		—	—	903,676	—	903,676
Total comprehensive income and expense for the year		—	—	903,676	(162)	903,514
Share-based payments		—	19,061	—	—	19,061
Interim dividend	7	—	—	(559,079)	—	(559,079)
At 30 June 2009		—	710,923	373,221	16,857	1,101,001

* These reserve accounts comprise the combined reserves of HK$5,569 million, HK$6,969 million, HK$737 million and HK$[1,101] million in the combined statement of financial position at 31 December 2006, 2007, 2008 and 30 June 2009, respectively. Other reserves at 1 January 2006 include cumulative share based payments of HK$16.8 million and issued capital of HK$554.7 million, which is composed of HK$194.3 million of issued capital of Wynn Resorts (Macau) S.A. and HK$360.4 million of issued capital of Wynn Resorts International, Ltd.

** In accordance with the provisions of the Macau Commercial Code, WM Cayman Holdings Limited II's subsidiaries are required to transfer a minimum of 10% of the annual net profit to a legal reserve until that reserve equals 25% of their initial capital. WM Cayman Holdings Limited II's subsidiaries met this statutory requirement during the year ended 31 December 2006 and continue to maintain the required reserve. This reserve is not distributable to the respective shareholders.

*** WM Cayman Holdings Limited II has only issued [2] shares.

Combined statements of cash flows

	Notes	Year Ended 31 December 2006 HK$'000	2007 HK$'000	2008 HK$'000	Six Months Ended 30 June 2008 HK$'000 (unaudited)	2009 HK$'000
Operating activities						
Profit before tax		6,565,260	1,391,803	1,982,280	1,349,736	925,910
Adjustment to reconcile profit before tax to net cash flows						
Non-cash:						
Depreciation of property and equipment	8	156,428	466,152	678,607	337,080	349,615
Amortization of leasehold interest in land	9	18,058	18,058	18,056	9,026	9,029
Property charges and other		82,990	497,232	78,036	65,312	13,549
Provision for doubtful accounts	13	1,471	119,832	193,110	45,222	21,326
Share-based payments expense	17	15,371	24,169	32,209	11,363	19,061
Decrease/(increase) in fair value of interest rate swaps	5	(2,459)	12,654	90,251	337	(6,112)
Gain on sale of sub-concession right, net	4	(6,995,474)	—	—	—	—
Finance revenues		(100,575)	(235,371)	(94,229)	(58,981)	(3,189)
Finance costs	3.6	126,262	273,163	320,039	142,534	191,241
Net foreign currency difference		1,731	10,909	(14,127)	138	(2,484)
Working capital adjustments:						
Decrease/(increase) in inventories	12	(172,786)	15,530	(76,818)	(11,709)	37,598
Increase in trade and other receivables	13	(157,045)	(299,540)	(22,750)	(166,881)	(108,342)
Decrease/(increase) in prepayments and other current assets	14	(28,189)	(12,358)	2,047	(17,982)	(13,876)
Increase/(decrease) in accounts payable	20	153,304	238,367	(88,228)	49,897	9,872
Increase in other payables and accruals	21	864,517	497,323	113,512	193,893	253,655
Increase/(decrease) in net amounts due from related companies	25	37,141	9,266	(42,117)	79,186	132,270
Income tax paid		—	(613,101)	—	—	—
Net cash flows generated from operating activities		566,005	2,414,088	3,169,878	2,028,171	1,829,123
Investing activities						
Purchase of property and equipment, net of construction retention payables		(3,037,974)	(2,210,082)	(1,546,266)	(679,959)	(1,059,625)
Proceeds from sale of property and equipment		—	14,907	3,195	505	5,275
Principal payments for leasehold interest in land	19	(69,795)	(57,775)	(44,760)	(22,103)	(23,223)
Restricted cash		(4,439,722)	4,697,704	—	—	—
Purchase of other non-current assets		(5,980)	(117,208)	10,032	—	—
Interest received		100,575	228,560	57,808	64,602	46,421
Proceeds from the sale of sub-concession right, net	4	6,995,474	—	—	—	—
Net cash flows generated from/(used in) investing activities		(457,422)	2,556,106	(1,519,991)	(636,955)	(1,031,152)
Financing activities						
Proceeds from borrowings	18	3,246,312	4,448,853	3,899,698	—	3,893,528
Repayment of borrowings	18	(2,422,408)	(4,030,198)	—	—	(194,680)
Interest paid		(217,889)	(230,771)	(201,888)	(143,500)	(201,728)
Payment of debt issue costs		(5,158)	(100,405)	—	—	—
Interest rate swap transaction		—	—	(17,129)	—	—
Interim dividend paid	7	(233,564)	—	(8,319,840)	—	(559,079)
Net cash flows generated from/(used in) financing activities		367,293	87,479	(4,639,159)	(143,500)	2,938,041
Net increase/(decrease) in cash and cash equivalents		475,876	5,057,673	(2,989,272)	1,247,716	3,736,012
Cash and cash equivalents at 1 January		14	475,890	5,533,563	5,533,563	2,544,291
Cash and cash equivalents at 31 December/30 June	15	475,890	5,533,563	2,544,291	6,781,279	6,280,303

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

WM Cayman Holdings Limited II is a limited liability company incorporated in the Cayman Islands on 8 September 2009. The registered office address is [ ]. Particulars of the companies comprising the Group have been set out in the foregoing section.

[In the opinion of the directors, WM Cayman Holdings Limited II is wholly owned by Wynn Group Asia, Inc., a company incorporated in the State of Nevada in the United States of America. The ultimate parent company of WM Cayman Holdings Limited II is Wynn Resorts, Limited ("Wynn Resorts", or "WRL"), a publicly-traded company incorporated in the United States of America.]

WM Cayman Holdings Limited II's subsidiary, WRM owns and operates, a hotel and casino resort ("Wynn Macau") which conducts gaming activities, betting and games of chance in casinos in Macau under a concession contract signed with the Macau Government on 24 June 2002. The 20-year concession period commenced on 27 June 2002 and will expire on 26 June 2022.

[WM Cayman Holdings Limited II]'s subsidiary, WRM is also constructing Encore at Wynn Macau ("Encore"), a second hotel tower and additional related amenities to be integrated with the current facilities at Wynn Macau. Encore at Wynn Macau is expected to open in 2010.

2.1 BASIS OF PRESENTATION AND REORGANIZATION

Pursuant to the Group Reorganization as more fully described in [Appendix VI] to this document, WM Cayman Holdings Limited II became the holding company of the subsidiaries now comprising the Group on [ ] 2009. The Group Reorganization involved business combinations of entities under common control and the Group is regarded and accounted for as a continuing group. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting.

The Financial Information has been prepared as if the current Group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or registration, where there is a shorter period. The combined statements of financial position of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 have been prepared to present the assets and liabilities of the Group as at the respective dates as if the current group structure had been in existence at those dates.

All significant intra-group transactions and balances have been eliminated on combination.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared in accordance with IFRSs which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee. All IFRSs effective for the accounting periods commencing from 1 January 2006, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention except for the revaluation of derivative financial instruments, which are carried at fair value. The Financial Information is presented in Hong Kong dollars ("HK$") with all values rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Subsidiaries

A subsidiary is an entity whose financial and operating policies WM Cayman Holdings Limited II controls, directly or indirectly, so as to obtain benefits from its activities.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognized in the combined statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Minority shareholders are treated as equity participants and, therefore, all acquisitions of minority interests by the Group in subsidiary companies are accounted for using the parent entity extension method. Under this method, the assets and liabilities of the subsidiary are not restated to reflect their fair values at the date of the acquisition. The difference between the purchase price and the minorities' share of the assets and liabilities reflected within the consolidated statement of financial position at the date of the acquisition is recorded as goodwill.

Foreign currency translation

The combined financial statements are presented in Hong Kong dollars, which is WM Cayman Holdings Limited II's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Related parties

A party is considered to be related to the Group if:

(a) the party directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a jointly-controlled entity or an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after items of property and equipment have been brought into use, such as repairs and maintenance, are normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

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 principle annual rates used for this purpose are as follows:

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

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

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 the statement of comprehensive income in the year the asset is derecognized.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Leasehold interest in land and land premiums payable

Land lease premiums payable under operating leases are initially stated at cost as non-current liabilities and subsequently reclassified as current liabilities and then recognized on the straight-line basis over the lease terms. The payments made on entering into or acquiring the land-use right are classified as leasehold interest in land and are amortized over the lease term in accordance with the expected pattern of consumption of the economic benefits embodied in the land-use right.

Borrowing costs

Borrowing costs, including applicable portions of interest attributable to construction in progress, which are assets that require substantial time for construction, are capitalized and added to the cost of the applicable assets. Such capitalization of borrowing costs ceases when construction is substantially completed or the related assets are placed into service. All other borrowing costs are recognized as an expense when incurred.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case the receivable amount is determined for the cash generating unit to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. If it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Such increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Impairment loss reversals are recognized in the statement of comprehensive income.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment of financial assets

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out, average or specific identification methods. Net realizable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and short term investments in the statement of financial position comprise cash at banks and on hand and short term investments with an original maturity of three months or less. For the purpose of the combined statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through the statement of comprehensive income'.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Pensions and other post employment benefits

The Group operates a defined contribution retirement benefits scheme (the "Scheme") for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

Share-based payment transactions

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 ultimate parent company, Wynn Resorts, Limited.

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, they 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.

Equity-settled transactions

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.

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 of 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.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duties.

Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in customers' possession. Revenues are recognized net of certain sales incentives. Accordingly, the Group's casino revenues are reduced by discounts, commissions and points earned in customer loyalty programs.

Rooms, food and beverage, retail and other operating revenues are recognized when services are performed or the retail goods are sold. Deposits received from customers in advance on rooms or other services are recorded as liabilities until services are provided to the customers.

The retail value of accommodation, food and beverage, and other services furnished to guests without charge is excluded from total operating revenues in the accompanying combined statements of comprehensive income. The amount of such promotional allowances excluded from total operating revenues is as follows:

	Year Ended 31 December			Six Months Ended 30 June	
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2008 HK$'000	2009 HK$'000
				(unaudited)	
Rooms	45,040	215,594	314,652	159,039	154,688
Food and beverage	40,048	155,270	250,883	122,552	124,621
Retail and other	9,454	5,134	9,872	3,144	4,000
Total	94,542	375,998	575,407	284,735	283,309

Other revenue includes rental income which is recognized on a time proportion basis over the lease terms. Contingent rental income is recognized when the right to receive such rental income is established according to the lease agreements.

Finance revenue is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

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 statement 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 statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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 statement 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 statement 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 statement 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.

Gaming taxes and premiums

According to the gaming concession granted by the Macau government and the relevant legislation, the Group is required to pay 35% gaming tax on gross gaming win, which represents net wins from casino operations. The Group is also required to pay an additional 4% of gross gaming win as public development and social related contributions. On a monthly basis, the Group also makes certain variable and fixed payments to the Macau government based on the number of slot machines and table games in its possession. These expenses are reported as "gaming taxes and premiums" in the combined statements of comprehensive income.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps to swap risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. All gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss as none of the derivatives qualify for hedge accounting.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Fine art and diamond

The Group's fine art and a diamond are stated at cost less accumulated impairment. The amount represents the aggregate cost of artwork and the diamond. The artwork and diamond impairment is assessed based on the cash generating unit to which it belongs, which is usually the property in its entirety. No impairment change has been taken for artwork or the diamond for the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2008 and 2009.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because WM Cayman Holdings Limited II's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Statutory reserve

In accordance with the provisions of the Macau Commercial Code, WM Cayman Holdings Limited II's subsidiaries are required to transfer a minimum of 10% of the annual net profit to a legal reserve until that reserve equals 25% of their initial capital. [WM Cayman Holding Limited II's] subsidiaries met this statutory requirement during the year ended 31 December 2006 and continue to maintain the required reserve. This reserve is not distributable to the respective shareholders.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 3 (Revised)	Business Combinations[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 39 Amendments	Financial Instruments: Recognition and Measurement — Eligible Hedged Items[1]
IFRIC-Int 17	Distributions of Non-cash Assets to Owners[1]
IFRIC-Int 18	Transfers of Assets from Customers[1]

Apart from the above, the IASB has also issued *Improvements to IFRS 5* which primarily with a view to removing inconsistencies and clarify wording and is effective for the annual periods on or after 1 July 2009.

1 Effective for annual periods beginning on or after 1 July 2009

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest for a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rate*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

The Group expects to adopt IFRS 3 (Revised) and IAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

The amendment to IAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, the amendment did not have any financial impact on the Group.

IFRIC-Int 17 standardizes practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The Interpretation clarifies that (i) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to IAS 10 *Events after the Balance Sheet Date* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

IFRIC 18 is applicable to entities that receive from a customer, property, plant and equipment (or cash to acquire it) that the entity must use either to connect the customer to a network, or to provide the customer with ongoing access to a supply of goods and services, or to do both. The IFRIC provides guidance on the measurement of such assets at initial recognition as well as the accounting for the resulting revenues. As the Group currently have no such transactions, IFRIC 18 is not applicable to the Group and therefore is unlikely to have any material financial impact on the Group.

The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on its results of operations and financial position.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. Key sources of estimation uncertainty and critical judgements in applying the Group's accounting policies which have a significant effect on the financial statements are set out below.

Useful lives of property and equipment

The useful lives of assets are based on management's estimation. Management considers the impact of changes in technology, customer service requirements, availability of capital funding and required return on assets and equity to determine the optimum useful life expectation for each of the individual categories of property, plant, and equipment. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives and what their condition will be like at that time. 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.

Impairment of non-financial assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that an impairment exists. The Group applies the impairment assessment to its separate cash-generating units. This requires management to make significant judgements concerning the existence of impairment indicators, identification of separate cash-generating units, remaining useful lives of assets and estimates of projected cash flows and fair value less costs to sell. Management judgement is also required when assessing whether a previously recognized impairment loss should be reversed. Where impairment indicators exist, the determination of the recoverable amount of a cash-generating unit requires management to make assumptions to determine the fair value less costs to sell and value in use.

Key assumptions on which management has based its determination of fair value less costs to sell include the existence of binding sale agreements, and for the determination of value in use include projected revenues, gross margins, and average revenue per asset component, capital expenditure, expected customer bases and market share.

Impairment of accounts receivable

Management evaluates the reserve for its bad debts based on a specific review of customer accounts as well as experience with collection trends in the casino industry and current economic and business conditions. As customer payment experience evolves, management will continue to refine the estimated reserve for bad debts. Accordingly, the associated provision for doubtful accounts charge may fluctuate. Because individual customer account balances can be significant, the reserve and the provision can change significantly between periods, as information about a certain customer becomes known or as changes in a region's economy or legal system occur.

Segment Reporting

The Group currently operates in one business segment in the management of its casino, hotel, and food and beverage operations. A single management team reports to the chief operating decision-makers who comprehensively manages the entire business. Accordingly, the Group does not have separately reportable segments.

Fair value estimation — financial assets and liabilities

Financial assets and liabilities are recognized or disclosed at fair values. The fair value of financial instruments traded in active markets is based on quoted market prices. In assessing the fair value of non-traded instruments, discounted cash flows or market assessments are used. The nominal values less any estimated credit realizable value adjustments for financial assets and liabilities with a maturity of less than one year, including prepayments, accruals and other payables or current borrowings, are assumed to approximate their fair values. Management determines these assumptions by reviewing current market rates, making industry comparisons and reviewing conditions relevant to the Group.

Fair value estimation — Black-Scholes valuation model

The Group uses the Black-Scholes valuation model to value the ultimate parent company's grants of options issued. The Black-Scholes valuation model uses assumptions of expected volatility, risk-free interest rates, the expected term of options granted, and expected rates of dividends. Changes in these assumptions could materially affect the estimated fair value. Expected volatility is based on implied and historical factors related to Wynn Resorts' common stock. Expected term represents the weighted average time between the option's grant date and its exercise date. The risk-free interest rate used is equal to the U.S. Treasury yield curve at the time of grant for the period equal to the expected term.

Income taxes

Income taxes represent the sum of income taxes currently payable and any deferred taxes. The calculation of deferred income taxes and any associated allowance is subject to a significant amount of judgment. The Group's income tax reports may be examined by governmental authorities in Macau. Accordingly, the Group reviews any potentially unfavorable tax outcome and when an unfavorable outcome is identified as probable and can be reasonably estimated, an allowance is established.

3. OTHER REVENUES AND EXPENSES

3.1 Staff costs

	Year Ended at 31 December			Six Months Ended 30 June	
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2008 HK$'000 (unaudited)	2009 HK$'000
Wages and salaries	576,799	1,203,722	1,458,437	722,292	716,720
Other costs and benefits*	56,361	131,603	158,412	75,427	71,168
Expense of share-based payments	15,371	24,169	32,209	11,363	19,061
Retirement plan contributions	9,609	35,662	48,451	23,373	4,444
Employee relations and training	17,234	26,547	15,477	8,616	3,481
Social security costs	2,695	4,734	4,630	2,521	3,007
	678,069	1,426,437	1,717,616	843,592	817,881

* Includes operating staff rental expense of approximately HK$4.1 million, HK$4.7 million, HK$7.3 million, HK$3.6 million and HK$3.5 million for the years ended 31 December 2006, 2007 and 2008 and for the six months ended 30 June 2008 and 2009, respectively.

3.2 Other Operating Expenses

	Year Ended at 31 December			Six Months Ended 30 June	
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2008 HK$'000 (unaudited)	2009 HK$'000
Junket commissions	113,097	531,371	829,026	458,309	381,338
Royalty fees	59,226	284,898	572,084	310,743	259,414
Corporate support services and other	78,201	98,880	75,610	51,858	37,781
Other support services	64,959	78,982	83,393	37,938	36,411
Cost of sales	71,548	198,533	322,402	158,852	140,309
Provision for doubtful accounts	1,471	119,832	193,110	45,222	21,326
Advertising and promotions	35,106	95,684	156,754	65,899	62,607
Operating supplies and equipment	65,940	156,136	137,180	69,318	50,939
Utilities and fuel	39,849	95,511	129,969	62,366	53,928
Auditors' remuneration	1,712	2,079	2,392	1,873	1,170
Other*	182,932	282,430	380,704	183,792	152,228
	714,041	1,944,336	2,882,624	1,446,170	1,197,451

* Includes operating rental expense of approximately HK$18.2 million, HK$31.1 million, HK$42.2 million, HK$19.9 million and HK$22.3 million for the years ended 31 December 2006, 2007 and 2008 and for the six months ended 30 June 2008 and 2009, respectively.

3.3 Depreciation and amortization

	Year Ended 31 December			Six Months Ended 30 June	
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2008 HK$'000 (unaudited)	2009 HK$'000
Depreciation of property and equipment	156,428	466,152	678,607	337,080	349,615
Amortization of leasehold interest in land	18,058	18,058	18,056	9,026	9,029
	174,486	484,210	696,663	346,106	358,644

3.4 Property charges and other

	Notes	Year Ended 31 December			Six Months Ended 30 June	
		2006 HK$'000	2007 HK$'000	2008 HK$'000	2008 HK$'000 (unaudited)	2009 HK$'000
Asset abandonment losses	(a)	4,015	491,977	67,653	63,936	4,289
Donation of Ming Vase	(b)	78,975	—	—	—	—
Loss of disposal of assets and other assets		—	5,255	10,383	1,376	9,260
		82,990	497,232	78,036	65,312	13,549

Notes:

(a) Asset abandonment losses related to the property and equipment and construction in progress abandoned as a result of renovating certain assets of Wynn Macau in response to customer preferences and changes in market demand.

Property charges and other for the year ended 31 December 2008 included the following: (i) approximately HK$28.2 million related to the abandonment of certain existing floor space to be used in the construction of a new restaurant; and (ii) approximately HK$39.4 million related to miscellaneous renovations and abandonments throughout Wynn Macau.

Property charges and other for the year ended 31 December 2007 include the following: (i) approximately HK$79.8 million related to the abandonment of costs related to portions of the main kitchen, warehouse, and restaurants to enable the main casino to be connected with the expansion; (ii) approximately HK$78.2 million related to the abandonment of a parking garage to make way for Encore at Wynn Macau; (iii) approximately HK$172.8 million related to the abandonment of certain expansion casino space for rearrangement and rebuilding optimal casino space and for conversion to a retail arcade; (iv) approximately HK$121.2 million related to the abandonment of a theatre; and (v) approximately HK$39.9 million related to miscellaneous renovations and abandonments throughout Wynn Macau.

Property charges and other for the year ended 31 December 2006 include renovating certain areas of Wynn Macau in response to customer preferences and changes in market demand.

(b) During 2006, the Group purchased an early Ming dynasty vase from its affiliate and displayed the vase for a short time at Wynn Macau. The Group thereafter donated the vase to the Macau Museum. The cost of the donation represents the original cost of purchase of the vase which approximated the fair value of the vase at the time of the donation.

3.5 Finance revenues

	Year Ended 31 December			Six Months Ended 30 June	
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2008 HK$'000 (unaudited)	2009 HK$'000
Interest income — cash and cash equivalents	100,575	235,371	82,437	58,981	3,189
Interest income — loans receivable from affiliates	—	—	11,792	—	—
	100,575	235,371	94,229	58,981	3,189

Finance revenues for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 consist solely of the interest income from cash in banks, loans receivables from affiliates, money market funds and U.S. treasury bills.

3.6 Finance costs

	Year Ended 31 December			Six Months Ended 30 June	
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2008 HK$'000 (unaudited)	2009 HK$'000
Interest on loans from shareholders	120,603	—	—	—	—
Interest	185,387	290,975	292,833	118,554	201,933
Unused bank fees	61,449	43,020	38,954	22,073	4,407
Amortization of debt financing costs	38,571	40,988	42,659	21,285	21,374
Less: Capitalized interest	(279,748)	(101,820)	(54,407)	(19,378)	(36,473)
	126,262	273,163	320,039	142,534	191,241

For the years ended 31 December 2006, 2007 and 2008, and the six months ended 30 June 2008 and 2009, interest was capitalized using a weighted average cost of 8.7%, 8.9%, 6.8%, 7.5% and 4.0%, respectively.

4. SALE OF SUBCONCESSION RIGHT

On 4 March 2006, the Group entered into an agreement with Publishing & Broadcasting, Ltd. ("PBL"), an independent third party, pursuant to which the Group agreed to sell to PBL for US$900.0 million (approximately HK$7.0 billion) the right to negotiate with the government of Macau for a sub-concession to allow PBL to operate casinos in Macau.

On 8 September 2006, the government of Macau approved the sale of the sub-concession right. On 11 September 2006, the Group completed the sale to PBL and received a cash payment of US$900.0 million (approximately HK$7.0 billion). As a result of the sale and the sub-concession awarded to PBL by the government of Macau, the Group has no continuing rights or obligations with respect to the sub-concession. The proceeds from this sale, net of related costs, were recorded as a gain on the sale of sub-concession right in the statement of comprehensive income for the year ended 31 December 2006.

5. INTEREST RATE SWAPS

In November 2005, the Group entered into two agreements to swap a portion of the underlying interest rate risk on current and future term loan borrowings under the Group's credit facilities. In August 2008, the Group terminated these interest rate swaps and entered into new interest rate swaps which will terminate in August 2011. Under the first terminated swap agreement, the Group paid a fixed interest rate of 4.84% on borrowings up to a maximum of approximately US$198.2 million (approximately 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, the Group 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 WRM credit facility at approximately 6.59% and 6.52%, respectively. In connection with this termination, the Group 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, the Group pays a fixed interest rate of 3.632% on U.S. dollar borrowings of approximately US$153.8 million (approximately HK$1.2 billion) 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, the Group pays 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 receipts 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 carrying value of these interest rate swaps on the statement of financial position approximates their fair value. The fair value approximates the amount the Group 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, and the six months ended 30 June 2008 and 2009 were charged to the profit and loss account.

6. INCOME TAX BENEFIT/(EXPENSE)

The major components of income tax benefit/(expense) for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 are:

	Year Ended 31 December			Six Months Ended 30 June	
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2008 HK$'000 (unaudited)	2009 HK$'000
Income tax benefit/(expense)					
Current	(685,459)	(10,827)	37,363	29,445	(24,475)
Deferred	(3,551)	(6,240)	20,001	7,433	2,241
	(689,010)	(17,067)	57,364	36,878	(22,234)

The change for the Relevant Periods is reconciled to profit before taxation as follows:

	Year Ended 31 December						Six Months Ended 30 June			
	2006 HK$'000	%	2007 HK$'000	%	2008 HK$'000	%	2008 HK$'000 (unaudited)	%	2009 HK$'000	%
Profit before taxation	6,565,260		1,391,803		1,982,280		1,349,736		925,910	
Tax at the applicable income tax rate	(787,831)	(12)	(167,016)	(12)	(237,874)	(12)	(162,078)	(12)	(111,109)	(12)
Adjustment for specific provinces or enacted by local authority	(10)	—	(20)	—	(5,263)	(0.3)	55	—	(19,048)	(2.1)
Income not subject to tax	17,546	0.3	209,011	15	362,553	18.3	207,463	15.4	158,450	17.1
Expenses not deductible for tax	—	—	—	—	(1,284)	(0.1)	(6,277)	(0.5)	(609)	(0.1)
Macau dividend tax	—	—	—	—	—	—	—	—	(24,473)	(2.6)
Tax loss not recognized	86,729	1.3	(48,214)	(3.5)	(82,473)	(4.1)	(23,756)	(1.8)	(26,520)	(2.9)
Others	(5,444)	(0.1)	(10,828)	(0.8)	21,705	1.1	21,471	1.6	1,075	0.1
Expense and effective tax for the year	(689,010)	(10.5)	(17,067)	(1.3)	57,364	2.9	36,878	2.7	(22,234)	(2.5)

Deferred income tax as at 31 December 2006, 2007 and 2008 and 30 June 2009 relates to the following:

	Combined Statement of financial position				Combined Statement of comprehensive income				
	As at 31 December			As at 30 June	Year Ended 31 December			Six Months Ended 30 June	
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	2008 HK$'000 (unaudited)	2009 HK$'000
Deferred tax liability									
Property, equipment and other	(87,984)	(97,129)	(73,327)	(57,780)	87,984	9,145	(23,802)	(14,795)	(15,547)
	(87,984)	(97,129)	(73,327)	(57,780)					
Deferred income tax asset									
Interest rate swap market value adjustment	1,368	2,888	11,662	10,928	(1,368)	(1,520)	(8,774)	(39)	734
Allowance for doubtful accounts .	112	1	12	3	(112)	111	(11)	1	9
Pre-opening costs and other	82,953	39,661	131	184	(82,953)	43,292	39,530	18,016	(53)
Tax loss carryforward	—	44,788	71,732	59,116	—	(44,788)	(26,944)	(10,616)	12,616
	84,433	87,338	83,537	70,231					
Deferred income tax expense/ (benefit) .					3,551	6,240	(20,001)	(7,433)	(2,241)
Deferred tax (liabilities)/asset, net	(3,551)	(9,791)	10,210	12,451					

As at 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, the Group incurred Macau tax losses of approximately nil, HK$1,132.4 million and HK$966.2 million and HK$323.7 million and HK$109.3 million, respectively. The tax losses for 2007 and 2008 expire on 31 December 2010 and 2011 and the tax losses for the period ended 30 June 2008 and 2009 expire on 31 December 2011 and 2012, respectively. Tax losses incurred during the Group's development stage were capitalized as pre-opening expenses for Macau tax purposes and are deducted over a three year period that began in 2006.

As at 31 December 2006, 2007 and 2008 and 30 June 2008 and 2009, deferred tax assets, relating to pre-opening expenses and the tax loss carry forward, amounting to nil, HK$48.2 million and HK$179.1 million and HK$119.5 million and HK$205.7 million, respectively, were not recognized as the Group determined it was not probable that future taxable profit will be available against which the deferred tax asset could be utilized.

On 11 September 2006, the Group recorded a gain on the sale of the sub-concession right in Macau (See Note 4 "Sale of Sub-concession Right"). Accordingly the group determined that a substantial portion of the previously unrecognized deferred tax assets became recoverable.

Effective 6 September 2006, WRM received a 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits ("Tax Holiday"). Accordingly, the Group was exempted from the payment of approximately HK$43.9 million, HK$206.9 million and HK$189.6 million, HK$160.3 million and HK$117.5 million in such taxes for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively. The Group's non-gaming profits remain subject to the Macau Complementary Tax and its casino winnings remain subject to the Macau Special Gaming tax and other levies in accordance with its concession agreement.

During June 2009, Wynn Macau, S.A. entered into an agreement with the Macau Special Administrative Region that provides for an annual payment of MOP7.2 million (approximately HK$7.0 million) to the Macau Special Administrative Region in lieu of complementary tax on dividend distributions from the gaming profits to its shareholders. The term of this agreement is five-years, which coincides with the Tax Holiday which began with the year 2006. The agreement explicitly state that MOP21.6 million (approximately HK$21.0 million) is due upon execution of the agreement for 2006 to 2008, and the remaining payments are due by 31 January of each year remaining on the Tax Holiday. Therefore, included in the tax provision for the six months ended 30 June 2009 are the amounts accrued for the years 2006 through June 2009.

The Group is exempt from income tax in the Isle of Man. The Group's subsidiaries file income tax returns in Macau and various foreign jurisdictions as required by law. The Group's income tax returns are subject to examination by tax authorities in the locations where it operates. As at 30 June 2009, the Group has filed income tax returns for the years 2002 to 2008. The Group's 2006 to 2008 Macau income tax returns remain subject to examination by the Macau Finance Bureau.

Quarterly, the Group reviews any potentially unfavorable tax outcome and when an unfavorable outcome is identified as probable and could be reasonably estimated, the Group then establishes a tax reserve for such possible unfavorable outcome. Estimating potential tax outcomes for any uncertain tax issue is highly judgmental and may not be indicative of the ultimate settlement with the tax authorities. As at 31 December 2008 and 30 June 2009, the Group has provided a reserve of HK$37.4 million and HK$37.4 million with respect of these items. The Group believes that it has adequately provided reasonable reserves for reasonable and foreseeable outcomes related to uncertain tax matters. As a result of the lack of authoritative guidance regarding the computation of the Group's complementary tax exemption, the Group establishes reserves for its estimates of additional tax exposures if successfully challenged by the Macau tax authorities. In 2006 and 2007, the reserve for these tax contingencies of HK$80.4 million and HK$83.2 million, respectively, was included as a component of income taxes payable and was subsequently reclassified to a long-term liability in 2008 due to the estimated settlement date of these tax contingencies.

7. DIVIDENDS PAID

	Year Ended 31 December			Six Month Ended 30 June	
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2008 HK$'000 (unaudited)	2009 HK$'000
Dividend paid	233,564	—	8,319,840	—	559,079
Payment per share	116,782	—	4,159,920	—	279,539

In 2006, the Group declared and paid a cash distribution of HK$233.6 million (approximately US$30 million) from proceeds of the sale of the sub-concession right described in note 4.

In 2008, the Group declared and paid a cash distribution of HK$8.3 billion (approximately US$1.1 billion) from the income generated through its operations.

In 2009, the Group declared and paid a cash distribution of HK$559.1 million (approximately US$72.1 million) from the income generated through its operations.

The Group expects to declare a cash distribution of HK$450 million (approximately US$58 million) from the income generated through its operations.

8. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

On 6 September 2006, the Group opened Wynn Macau. During 2007, the Group opened the expansion areas of Wynn Macau. Accordingly, assets were transferred from the construction in progress account to property and equipment and depreciation commenced. A summary of the property and equipment composition and the resort under construction and the activities during the year/period is set forth below.

	Buildings & Improvements HK$'000	Furniture Fixtures & Equipment HK$'000	Leasehold Improvements HK$'000	Construction In Progress HK$'000	Total Property and Equipment HK$'000
Cost or valuation:					
At 1 January 2006	—	12,924	30,379	2,028,867	2,072,170
Additions	—	1,143,714	20,040	2,185,704	3,349,458
Transfers	3,156,593	84,288	—	(3,240,881)	—
Abandonments	(4,015)	—	—	—	(4,015)
At 31 December 2006	3,152,578	1,240,926	50,419	973,690	5,417,613
Additions	6,838	44,341	4,081	2,057,976	2,113,236
Transfers	1,843,147	544,049	—	(2,387,196)	—
Abandonments/Disposal	(270,890)	(53,149)	—	(201,090)	(525,129)
At 31 December 2007	4,731,673	1,776,167	54,500	443,380	7,005,720
Additions	—	108,556	5,063	1,308,986	1,422,605
Transfers	60,824	308	—	(61,132)	—
Abandonments/Disposal	(70,232)	(11,553)	(1,089)	(7,592)	(90,466)
At 31 December 2008	4,722,265	1,873,478	58,474	1,683,642	8,337,859
Additions	255	36,312	—	1,049,804	1,086,371
Transfers	25,870	547	(723)	(25,694)	—
Abandonments/Disposal	(1,084)	(24,862)	(8,175)	(4,289)	(38,410)
At 30 June 2009	4,747,306	1,885,475	49,576	2,703,463	9,385,820
Depreciation and Impairment:					
At 1 January 2006	—	1,506	9,902	—	11,408
Depreciation charged for the year	54,917	82,858	18,653	—	156,428
At 31 December 2006	54,917	84,364	28,555	—	167,836
Depreciation charged for the year	192,713	264,200	9,239	—	466,152
Abandonments/Disposal	(8,518)	(4,176)	—	—	(12,694)
At 31 December 2007	239,112	344,388	37,794	—	621,294
Depreciation charged for the year	306,224	365,162	7,221	—	678,607
Abandonments/Disposal	(4,711)	(3,435)	(1,089)	—	(9,235)
At 31 December 2008	540,625	706,115	43,926	—	1,290,666
Depreciation charged for the period	155,629	189,553	4,433	—	349,615
Abandonments/Disposal	(708)	(10,766)	(8,112)	—	(19,586)
At 30 June 2009	695,546	884,902	40,247	—	1,620,695
Net book value:					
At 30 June 2009	4,051,760	1,000,573	9,329	2,703,463	7,765,125
At 31 December 2008	4,181,640	1,167,363	14,548	1,683,642	7,047,193
At 31 December 2007	4,492,561	1,431,779	16,706	443,380	6,384,426
At 31 December 2006	3,097,661	1,156,562	21,864	973,690	5,249,777

Construction retention represents amounts payable to contractors for work completed but withheld by the Group until certain construction milestones are met.

9. LEASEHOLD INTEREST IN LAND

The Group has the leasing right for certain land under a 25-year concession granted by the Macau government in return for the paying of premiums as described in note 19. In 2004, the Group also paid approximately HK$140 million to an unrelated third party for its relinquishment of rights to a portion of land.

Leasehold interest activity is as follows:

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Cost:				
At beginning of the year/period	451,495	451,495	451,495	451,495
Addition	—	—	—	110,138
At end of the year/period	451,495	451,495	451,495	561,633
Amortization:				
At beginning of the year/period	25,050	43,108	61,166	79,222
Amortization charge for the year/period	18,058	18,058	18,056	9,029
At end of the year/period	43,108	61,166	79,222	88,251
Net book value:	408,387	390,329	372,273	473,382

10. GOODWILL

In September 2004, the Group acquired all of the 17.5% indirect ownership interests in WRM held by third parties, in exchange for 1,333,333 shares of Wynn Resorts' common stock. Mr. Wong Chi Seng, one of the third parties, retained a direct 10% voting and social interest in WRM and agreed to continue to serve as Executive Director. The acquired shares provide in the aggregate a nominal preferential annual dividend and capital distribution rights of up to one Macau pataca. As a result of the acquisition, WRM became a wholly owned indirect subsidiary of the Group.

In accordance with the Group's accounting policy for acquisition's of minority interests, the assets and liabilities of WRM were not restated to reflect their fair values at the date of the acquisition. The difference between the purchase price and the minorities' share of the assets and liabilities reflected within the combined statements of financial position of HK$398.4 million at the date of the acquisition was recorded as goodwill.

Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill with indefinite lives is based on value in use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating unites were based on the best estimation of the Group.

The Group believes that any reasonably possible change in the key assumptions on which the recoverable amount of goodwill is based would not cause the carrying amounts to exceed its recoverable amount.

11. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following as at 31 December 2006, 2007 and 2008 and 30 June 2009:

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Fine art and diamond	4,959	122,167	130,567	130,567
Memberships	1,020	1,020	1,020	1,020
Other consumables	56,837	41,294	32,471	27,465
	62,816	164,481	164,058	159,052

12. INVENTORIES

Inventories consist of the following as at 31 December 2006, 2007 and 2008 and 30 June 2009:

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Retail merchandise	58,788	76,421	159,403	127,158
Operating supplies	44,046	22,642	23,048	23,737
Food and beverage	13,116	15,436	17,017	15,830
Total inventories at the lower of cost and net realizable value	115,950	114,499	199,468	166,725

13. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following as at 31 December 2006, 2007 and 2008 and 30 June 2009:

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Casino	116,159	423,179	446,392	477,771
Hotel	39,936	32,349	48,062	72,165
Other	965	7,730	3,509	13,137
	157,060	463,258	497,963	563,073
Less: allowance for doubtful accounts	(1,471)	(121,225)	(289,884)	(311,210)
	155,589	342,033	208,079	251,863

An aged analysis of receivables, is as follows:

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Within 30 days	135,592	268,113	145,780	183,945
Between 31 to 60 days	16,325	52,140	18,566	44,432
Between 61 to 90 days	4,495	60,611	86,776	12,053
Over 90 days	648	82,394	246,841	322,643
	157,060	463,258	497,963	563,073
Less: allowance for doubtful accounts	(1,471)	(121,225)	(289,884)	(311,210)
Net of allowance for doubtful accounts	155,589	342,033	208,079	251,863

Substantially all of the trade and other receivables as at 31 December 2008 were repayable within 14 days.

As at 30 June 2009, trade and other receivables at nominal value of HK$311.2 million (31 December 2008: HK$289.9 million; 2007: HK$121.2 million; 2006: HK$1.5 million) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Individually Impaired HK$'000	Collectively Impaired HK$'000	Total HK$'000
At 1 January 2006	—	—	—
Charge for the year	—	1,471	1,471
At 31 December 2006	—	1,471	1,471
Charge for the year	—	119,832	119,832
Unused amounts reversed	—	(78)	(78)
At 31 December 2007	—	121,225	121,225
Charge for the year	—	193,110	193,110
Amounts written off	—	(24,451)	(24,451)
At 31 December 2008	—	289,884	289,884
Charge for the period	—	21,326	21,326
At 30 June 2009	—	311,210	311,210

14. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consist of the following as at 31 December 2006, 2007 and 2008 and 30 June 2009:

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Prepayments	20,787	37,136	34,602	51,998
Deposits	21,090	17,099	17,586	14,066
	41,877	54,235	52,188	66,064

The carrying amounts of prepayments and other current assets approximate their fair values.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as at 31 December 2006, 2007 and 2008 and 30 June 2009:

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Cash on hand	475,890	648,411	693,886	729,924
Cash at banks and short-term deposits	—	4,885,152	1,850,405	5,550,379
	475,890	5,533,563	2,544,291	6,280,303

Cash at banks earned interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits as at 30 June 2009 is HK$[6.3] billion (2008: HK$2.5 billion; 2007: HK$5.5 billion; 2006: HK$0.5 billion). As at 31 December 2006, HK$4.7 billion was restricted by agreements governing the Group's bank loans for the payment of budgeted construction costs and for debt service.

16. ISSUED CAPITAL AND RESERVES

Common Stock

WM Cayman Holdings Limited II is authorized to issue up to [ ] shares of its common stock, approximately HK$[ ] par value per share (the "Common Stock"). As at 31 December 2006, 2007 and 2008 and 30 June 2009, [ ] shares of WM Cayman Holdings Limited II's Common Stock were outstanding. Except as otherwise provided by WM Cayman Holdings Limited II's articles of incorporation or Cayman law, each holder of the Common Stock is entitled to one vote for each share held of record on each matter submitted to a vote of stockholders. Holders of the Common Stock have no cumulative voting conversion, redemption or preemptive rights or other rights to subscribe for additional shares. Subject to any preferences that may be granted to the holders of WM Cayman Holdings Limited II's preferred stock, each holder of Common Stock is entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available therefore, as well as any distributions to the stockholders and, in the event of liquidation, dissolution or winding up of WM Cayman Holdings Limited II, is entitled to share ratably in all assets of WM Cayman Holdings Limited II remaining after payment of liabilities.

Other reserves

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the other reserves of WM Cayman Holdings Limited II included share based payments of approximately HK$15.4 million, HK$24.2 million and HK$32.2 million and HK$19.1 million respectively and a statutory reserve of HK$48.6 million for the year ended 31 December 2006. In accordance with the provisions of the Macau Commercial Code, WM Cayman Holdings Limited II's subsidiaries in Macau are required to transfer a minimum of 10% of the annual net profit to legal reserve until that reserve equals 25% of the subsidiaries' initial capital investment. The Group met this statutory requirement during the year ended 31 December 2006. This statutory reserve is not distributable to the respective shareholders.

17. SHARE-BASED PAYMENT PLAN

Wynn Resorts established the 2002 Stock Incentive Plan (the "Stock Plan") which provides for the grant of (i) incentive stock options, (ii) compensatory (i.e. non qualified) stock options, and (iii) non-vested shares of Wynn Resorts' common stock for employees, directors and independent contractors or consultants of Wynn Resorts and its subsidiaries, including the Group. However, only employees are eligible to receive incentive stock options.

A maximum of 9,750,000 shares of Wynn Resorts' common stock has been reserved for issuance under the Stock Plan. As at 30 June 2009, 697,212 (31 December 2008: 3,124,212; 2007: 4,430,712; 2006: 4,380,212) shares remain available for the grant of stock options or non-vested shares of Wynn Resorts common stock.

During 2008, the Group recognized approximately HK$32.2 million (2007: HK$24.2 million, 2006: HK$15.4 million) and the six months ended 30 June 2008 and 2009, HK$11.3 million and HK$19.1 million, respectively, of equity-settled, share-based payment expense relating to stock options and non-vested shares of Wynn Resorts' common stock. The Group classifies this share-based payment expense in the same financial statement line items as cash compensation, and therefore such expense was included in staff cost, with a corresponding increase to other reserves.

Stock options for the Group

Options are granted with exercise prices equal to the current market price at the date of grant. The Stock Plan provides for a variety of vesting schedules, including: immediate; 10% each year over ten years; 25% each year over four years; 33.33% for each of the third, fourth and fifth years; cliff vesting at a determined date; and others to be determined at the time of grant. All options expire ten years from the date of grant.

A summary of option activity under the Stock Plan as at 31 December 2008 and 30 June 2009 and the changes during the period then ended is presented below:

	Number Of Options	Weighted Average Exercise Price (HK$)	Weighted Average Exercise Term (Years)
Outstanding as at 1 January	287,863	422	
Granted during the year	237,500	837	
Exercised during the year	(8,612)	248	
Outstanding as at 31 December	516,751	613	7.6
Shares exercisable as at 31 December	93,309	386	5.8
Outstanding as at 1 January	516,751	613	
Granted during the period	245,000	365	
Exercised during the period	—	—	
Transfer of employee to affiliate	(81,250)	413	
Outstanding as at 30 June	680,501	548	8.3
Shares exercisable as at 30 June	111,164	421	5.6

The weighted average fair value of options granted during the years ended 31 December 2008 and the six months ended 30 June 2009 was approximately HK$487 and HK$214, respectively. There were no stock options granted during the years ended 31 December 2006 or 2007. The total intrinsic value of the options exercised for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 was HK$73.9 million, HK$31.1 million, HK$17.3 million and nil, respectively. No tax benefits were recognized since these tax benefits did not reduce taxes payable.

Non-vested shares for the Group

A summary of the status of the Stock Plan's non-vested shares as at 31 December 2008 and 30 June 2009 and changes during the period then ended is set out below:

	Number Of Shares	Weighted Average Grant Date Price (HK$)
Non-vested as at 31 December 2007	90,000	401
Granted during the year	106,250	837
Cancelled during the year	(7,500)	637
Non-vested as at 31 December 2008	188,750	712
Non-vested as at 31 December 2008	188,750	712
Granted during the period	—	—
Cancelled during the period	—	—
Non-vested as at 30 June 2009	188,750	712

Approximately HK$93.2 million and HK$85.3 million of unamortized compensation cost relating to nonvested shares of Common Stock at 31 December 2008 and 30 June 2009 will be recognized as compensation over the vesting period of the related grants through December 2016 respectively. The fair value per option was estimated on the date of grant using the following weighted-average assumptions noted in the table below. There were no stock options granted during the years ended 31 December 2006 and 2007.

	31 December 2008	30 June 2009
Expected dividend yield	Nil	Nil
Expected stock price volatility	44.12%	53.5%
Risk-free interest rate	3.5%	2.7%
Expected average life of options (years)	9.4	7.6

18. INTEREST-BEARING LOANS AND BORROWINGS

	Interest Rate %	Maturity	As at 31 December 2006 HK$'000	2007 HK$'000	2008 HK$'000	As at 30 June 2009 HK$'000
Non-current:						
Wynn III 7 Year Term Loan (as amended)						
US$10,250,000 Hotel Facility	LIBOR+1.75%	June 2014	370,263	79,951	79,437	79,441
HK$639,600,000 Hotel Facility	HIBOR+1.75%	June 2014	258,596	639,600	639,600	639,600
US$143,500,000 Project Facility	LIBOR+1.75%	June 2014	1,891,704	1,119,314	1,112,111	1,112,166
HK$2,451,150,000 Project Facility	HIBOR+1.75%	June 2014	1,226,401	2,451,150	2,451,150	2,451,150
Wynn III 5 Year Revolving Credit Facility (as amended)						
US$13,000,000 Hotel Facility	LIBOR+1.75%	June 2012	—	—	50,374	98,235
HK$1,170,000,000 Hotel Facility	HIBOR+1.75%	June 2012	—	—	585,000	1,140,750
US$258,000,000 Project Facility	LIBOR+1.75%	June 2012	—	—	999,737	1,949,586
HK$4,516,200,000 Project Facility	HIBOR+1.75%	June 2012	—	—	2,258,100	4,403,295
Additional HK $158.0 million Facility	HIBOR+2.75%	June 2012	113,973	—	—	
Less: Debt financing costs, net			(185,839)	(245,256)	(202,597)	(181,223)
			3,675,098	4,044,759	7,972,912	11,693,000

The bank loans may be used for construction and development to satisfy commitments or for other uses and are repayable as follows:

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
On demand or within one year	—	—	—	—
In the second year	844,581	—	—	—
In the third year	1,027,974	—	576,478	576,481
In the fourth year	1,167,933	576,876	5,026,794	8,725,453
In the fifth year	820,449	1,134,251	1,114,207	1,114,211
After the fifth year	—	2,578,888	1,458,030	1,458,078
	3,860,937	4,290,015	8,175,509	11,874,223
Less: debt financing costs, net	(185,839)	(245,256)	(202,597)	(181,223)
	3,675,098	4,044,759	7,972,912	11,693,000

On 14 September 2004, the Group executed a definitive credit agreement and related ancillary agreements for a senior secured bank facility of HK$3.1 billion (known as the "WRM Credit Facility"). The WRM Credit Facility consisted of term loan facilities in the amount of HK$3.0 billion (in a combination of Hong Kong dollars and US dollars) and a revolving working capital facility of HK$117 million.

On 14 September 2005, to accommodate Wynn Macau's expansion, the WRM Credit Facility was amended to expand availability under the term loan facility from US$397 million (approximately HK$3.1 billion) to US$764 million (approximately HK$6.0 billion), including US$729 million (approximately HK$5.7 billion) of senior term loan facilities, a HK$117 million revolving credit facility (the "WRM Revolver"), and an additional term loan facility (the "WRM Term Loan") of HK$156 million.

On 27 June 2007, the Group amended the WRM Credit Facility dated 14 September 2005 and entered into related amendments and agreements with a syndicate of lenders. The amended agreements took effect on 29 June 2007 and expanded availability under the WRM Credit Facility from US$764 million (approximately HK$6.0 billion) to US$1.55 billion (approximately HK$12.0 billion), in a combination of Hong Kong and US dollars, including a US$550 million (approximately HK$4.3 billion) equivalent, fully-funded WRM Term Loan, and a US$1 billion (approximately HK$7.8 billion) WRM Revolver. The Group also has the ability to upsize the total secured facilities by an additional US$50 million (approximately HK$388.3 million) pursuant to the terms and provisions of the agreements. The senior credit facilities described in this paragraph are collectively referred to herein as the "WRM Credit Facilities".

The WRM Term Loan matures in June 2014, and the WRM Revolver matures in June 2012. The principal amount of the WRM Term Loan is required to be repaid in quarterly installments, commencing in September 2011. Borrowings under the WRM Credit Facilities currently bear interest at LIBOR or HIBOR plus a margin of 1.75%.

Collateral for the WRM Credit Facilities consists of substantially all of the assets of the Group. In addition, the WRM Credit Facility documentation contains affirmative and negative covenants which impose various obligations and restrictions on WRM, and in some cases, the Group.

The WRM Credit Facilities contain customary covenants restricting certain activities including, but not limited to: the incurrence of additional indebtedness, the incurrence or creation of liens on any of its property, sales and leaseback transactions, the ability to dispose of assets, and make loans or other investments. In addition, the Group is required by the financial covenants to maintain a Leverage Ratio, as defined, not greater than 4.75 to 1 as at 31 December 2008, and Interest Coverage Ratio, as defined, not less than 2.00 to 1. Management believes that the Group was in compliance with all covenants at 31 December 2008. The Leverage Ratio increases to not greater than 5.00 to 1 for all reporting periods in 2009.

In September 2004, in connection with the initial financing of the Wynn Macau project, the Group entered into a Bank Guarantee Reimbursement Agreement with Banco Nacional Ultramarino, S.A. ("BNU") to secure a guarantee in the amount of MOP700 million (approximately HK$679.6 million) that was effective until 31 March 2007. The amount of this guarantee was reduced to MOP300 million (approximately HK$291.3 million) for the period from 1 April 2007 until 180 days after the end of the term of the Concession Agreement. This guarantee, which is for the benefit of the Macau government, assures certain aspects of the Group's performance under the casino Concession Agreement, including the payment of premiums, fines and indemnity for any material failure to perform under the terms of the Concession Agreement. BNU, as issuer of the guarantee, is currently secured by a second priority security interest in the senior lender collateral package. From and after repayment of all indebtedness under the WRM Credit Facilities, the Group is obligated to promptly, upon demand by BNU, repay any claim made on the guarantee by the Macau government. Prior to 1 April 2007, BNU was paid an annual fee for the guarantee not to exceed approximately MOP12.3 million (approximately HK$11.9 million), and after 1 April 2007, MOP5.2 million (approximately HK$5.0 million).

On 4 February 2009, the Group borrowed the remaining US$500 million (approximately HK$3.8 billion) available under the WRM Revolver. Accordingly there are no amounts remaining available under the WRM Credit Facilities.

Fair Value of Long-Term Debt

The estimated fair value of the Group's debt instruments was approximately HK$9.5 billion (2008: HK$4.5 billion; 2007: HK$4.1 billion; 2006: HK$3.7 billion) with a book value of HK$11.7 billion (2008: HK$7.9 billion; 2007: HK$4.1 billion; 2006: HK$3.7 billion).

19. LAND PREMIUMS PAYABLE

The Group leases land from the Macau government under a 25-year land concession that expires in August 2029. Land premiums to the Macau government under the land concession are made as follows:

For Phase I

(i) HK$24.3 million for acceptance of the land concession contract terms in accordance with Lei no. 6/80/M Article 125 of 5 July 2004; and

(ii) HK$185.6 million in five semi-annual installments, including interest at 5% of the outstanding balance.

For Phase II

(iii) HK$122.0 million in five semi-annual installments, including interest at 5% of the outstanding balance.

A summary of the land concession requirements and payments made is as follows:

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Initial payment	24,272	24,272	24,272	24,272
Installments				
Phase I	185,583	185,583	185,583	185,583
Phase II	121,991	121,991	121,991	121,991
Encore at Wynn Macau	—	—	—	110,138
	331,846	331,846	331,846	441,984
Less: amounts paid	(182,285)	(240,061)	(284,821)	(308,044)
	149,561	91,785	47,025	133,940
Less: current portion	(57,776)	(44,760)	(47,025)	(133,940)
	91,785	47,025	—	—

Future principal payments to be made are as follows:

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Within one year	57,776	44,760	47,025	133,940
In the second year	44,760	47,025	—	—
In the third year	47,025	—	—	—
	149,561	91,785	47,025	133,940

20. ACCOUNTS PAYABLE

During the Relevant Periods, the Group normally received credit terms of 30 days. An aged analysis of accounts payable, based on the invoice date consists of the following as at 31 December 2006, 2007 and 2008 and 30 June 2009.

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Within 30 days	228,942	658,907	482,927	512,418
Between 31 to 60 days	5,384	4,467	2,385	3,153
Between 61 to 90 days	402,497	13,138	781	763
Over 91 days	9,231	53,647	681	938
	646,054	730,159	486,774	517,272

21. OTHER PAYABLES AND ACCRUALS

Other payables and accrued liabilities consist of the following as at 31 December 2006, 2007 and 2008 and 30 June 2009:

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Gaming taxes payable	280,782	503,306	459,171	462,709
Outstanding chip liability	272,162	457,000	614,875	910,977
Customer deposits	191,284	205,053	195,176	257,620
Other liabilities	140,652	218,231	303,338	187,508
	884,880	1,383,590	1,572,560	1,818,814

22. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

In April 2005, the Group established a defined contribution benefit retirement plan (the "Plan") covering all of its qualified employees. The Plan allows employees to contribute 5% of their salary to this plan. The Group matches the contribution with an amount equal to the employee's contribution. Assets of the Plan are held separately from those of the Group under the control of at trustee. The Group recorded an expense for matching contributions of approximately HK$9.6 million, HK$35.6 million, HK$48.5 million and HK$23.4 million and HK$4.4 million for the years ended 31 December 2006, 2007 and 2008 and period ended 30 June 2008 and 2009, respectively. When there are employees who leave the Plan prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

23. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

Directors' emoluments for the Relevant Periods are as follows:

	As at 31 December			As at 30 June	
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2008 HK$'000	2009 HK$'000
Salaries, allowances and benefits in kind	37,957	47,772	51,778	23,353	21,642
Bonus and non-equity incentive plan compensation	80,661	85,538	47,270	23,632	—
Stock based benefits	15,684	13,713	20,015	6,804	17,024
Total emoluments	134,302	147,023	119,063	53,789	38,666

Executive directors:

2006	Salary HK$'000	Bonus HK$'000	Non equity incentive plan* HK$'000	Stock based compensation HK$'000	Other HK$'000	Total HK$'000
Stephen A. Wynn	21,963	—	53,450	—	2,044	77,457
Marc D. Schorr	8,335	11,662	15,549	15,684	5,615	56,845
	30,298	11,662	68,999	15,684	7,659	134,302
2007						
Stephen A. Wynn	24,674	—	58,321	—	4,459	87,454
Marc D. Schorr	13,608	—	27,217	13,713	5,031	59,569
	38,282	—	85,538	13,713	9,490	147,023
2008						
Stephen A. Wynn	25,341	—	31,676	—	8,901	65,918
Marc D. Schorr	15,182	—	15,594	20,015	2,354	53,145
	40,523	—	47,270	20,015	11,255	119,063
Six months ended 30 June 2009						
Stephen A. Wynn	12,186	—	—	—	1,661	13,847
Marc D. Schorr	7,499	—	—	17,024	296	24,819
	19,685	—	—	17,024	1,957	38,666

* Non equity incentive plan represents emoluments paid under a plan approved by the Wynn Resorts Compensation Committee.

There are no other emoluments payable to any of the directors during the Relevant Period. The emoluments for the Group's executive directors are paid by Wynn Resorts and are charged to the Group through the corporate support services charge as described in note 25.

Five highest paid individuals' emoluments

During the Relevant Periods, the five individuals whose emoluments were the highest in the Group included no directors whose emoluments were reflected in the analysis presented above. The emoluments payable to the five highest paid individuals during the Relevant Periods were as follows:

	As at 31 December			As at 30 June	
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2008 HK$'000	2009 HK$'000
Salaries and other benefits	16,528	23,498	23,756	13,163	11,945
Bonus	11,398	17,496	21,230	28,117	22,566
Stock based benefits	9,047	18,992	22,189	9,631	15,517
Total emoluments	36,973	59,986	67,175	50,911	50,028

The emoluments were within the following bands:

	As at 31 December			As at 30 June	
	2006 Number of Individuals	2007 Number of Individuals	2008 Number of Individuals	2008 Number of Individuals	2009 Number of Individuals
HK$nil to HK$15,000,000	5	3	4	4	4
HK$16,000,001 to HK$16,500,000	—	1	—	—	—
HK$17,000,001 to HK$17,500,000	—	1	—	—	—
HK$20,000,001 to HK$26,000,000	—	—	—	1	1
HK$29,500,001 to HK$30,000,000	—	—	1	—	—
Total	5	5	5	5	5

The emoluments of those individuals have been apportioned on a basis that is considered to be reasonable estimates of the utilization of service provided or the benefit received by the Group. The apportioned emoluments of those individuals are included in the expense allocations charged by Wynn Resorts and the Group's fellow subsidiaries for the three years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009. (See note 25 "related party Disclosures").

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director of any member of the Group or in connection with the management of the affairs of any members of the Group. None of the directors waived any emoluments during the Relevant Periods.

24. COMMITMENTS AND CONTINGENCIES

Operating lease commitments — Group as lessee

The Group has entered into leases for office space for administrative offices and marketing branch offices in Macau and other countries, warehouse facilities, apartment units for executives and consultants, a dormitory used for imported labor, and for certain office equipment. These leases typically stipulate a fixed monthly payment for rent and associated management fees. The remaining terms on these leases range between one and five years. These leases also typically contain renewal or continuation clauses.

In addition to the leases described above, the Group pays rent for the use of the land on which Wynn Macau was constructed under the land concession discussed in note 19. The land concession expires in August 2029.

At 31 December 2006, 2007 and 2008 and 30 June 2009, outstanding commitments for future minimum lease payments under non-cancellable operating leases are as follows.

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Within one year	33,002	43,626	45,754	32,003
After one year but not more than five years	50,193	59,566	43,103	33,622
More than five years	52,227	49,155	46,083	46,083
	135,422	152,347	134,940	111,708

Operating lease commitments — Group as lessor

The Group has entered into leases for space at Wynn Macau's retail promenade with several high-end retailers. These non-cancelable leases have remaining terms between one and six years and typically contain provisions for minimum rentals plus additional rent based upon the net sales of the retailer.

Future minimum rents to be received at 31 December 2006, 2007 and 2008 and 30 June 2009 are as follows:

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Within one year	37,744	85,254	98,507	98,426
After one year but not more than five years	133,121	334,699	240,458	191,777
More than five years	3,539	2,532	—	—
	174,404	422,485	338,965	290,203

The operating lease rentals of certain retailers are based on the higher of a fixed rental or contingent rent based on the sales of the retailers (in some cases subject to a ceiling) pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these retailers could not be estimated reliably, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

Capital commitments

Construction has commenced on a further expansion of Wynn Macau called "Encore". Encore at Wynn Macau is expected to open in 2010, and will add a fully-integrated resort hotel to Wynn Macau with approximately 400 luxury suites and four villas along with restaurants, additional retail space and additional gaming space. The Group executed a guaranteed maximum price contract for HK$3.1 billion, including change orders, with Leighton Contractors (Asia) Limited, China State Construction Engineering (Hong Kong) Limited and China Construction Engineering (Macau) Company Limited, acting together as the general contractor for the construction of Encore at Wynn Macau. Although the project budget has still to be finalized, the Group expects total costs to be approximately HK$5.0 billion. Through 31 December 2008 and 30 June 2009, the Group had incurred approximately HK$1.5 billion and HK$2.4 billion, respectively of costs related to Encore at Wynn Macau.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group had the following capital commitments under construction contracts, construction-related consulting and other agreements and purchase orders which have not been provided for in the Group's statement of financial position:

Contracted, but not provided for	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Construction contract commitments	514,996	2,379,815	1,711,736	1,020,500
Other capital related commitments	102,529	29,292	33,393	96,855
	617,525	2,409,107	1,745,129	1,117,355

Gaming premium commitment

Pursuant to a gaming contract signed with the Macau government, the Group has committed to pay an annual premium of HK$29.1 million plus a variable premium calculated on the basis of the number of gaming tables and gaming devices operated by the Group.

Other services commitments

The Group has service agreements for signage in several cities in China, in Macau and in Hong Kong. Furthermore, the Group is obligated under several agreements for shuttle-bus services running from the People's Republic of China's border to Wynn Macau and within Macau under various agreements for maintenance, printing and other services. Under these agreements, the Group is obligated for the following future payments at 31 December 2006, 2007 and 2008 and 30 June 2009:

	As at 31 December			As at 30 June
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Within one year	35,840	115,882	157,367	169,363
After one year but not more than five years	49,183	84,937	207,834	214,457
	85,023	200,819	365,201	383,820

As at 31 December 2007 and 2008 and 30 June 2009, the Group was committed to purchases for operating items totaling HK$9.5 million, HK$28.9 million and HK$12.5 million, respectively.

On 1 August 2008, certain subsidiaries of Wynn Resorts, including a subsidiary of the Group, entered into an agreement with Tien Chiao Entertainment and Investment Company Limited ("Tien Chiao") to make a one-time payment in the amount of US$50 million (approximately HK$388 million) in consideration of Tien Chiao's relinquishment of certain rights with respect to its business interests in the potential Cotai project. The payment will be made within 15 days after the Macau government publishes the Group's rights to the land in the Macau government's official gazette. The Group has filed an application for the land with the Macau government and is awaiting final approval.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the banking facilities granted to the Group subject to guarantees given to the banks by the Group were utilized to the extent of approximately HK$3.9 billion, HK$4.3 billion, HK$8.1 billion and HK$11.9 billion, respectively.

Employment Agreements

The Group has entered into employment agreements with several executive officers, other members of management and certain key employees. These agreements, other than Mr. Wynn's, generally have three- to five-year terms and typically indicate a base salary and often contain provisions for discretionary bonuses. Certain of the executives are also entitled to a separation payment if terminated without "cause" or upon voluntary termination of employment for "good reason" following a "change of control" (as these terms are defined in the employment contracts).

Litigation

The Group does not have any material litigation as of 30 June 2009.

25. RELATED PARTY DISCLOSURES

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the outstanding balances between the Group and the related companies were as follows:

		As at 31 December			As at 30 June
Name of related company	**Relation to the Company**	**2006 HK$'000**	**2007 HK$'000**	**2008 HK$'000**	**2009 HK$'000**
Due from related companies — current					
Wynn International Marketing, LLC	Subsidiary of WRL	61,444	77,138	112,741	93,393
Wynn Hotel Sales and Marketing, LLC	Subsidiary of WRL	2,461	2,026	834	380
South China Heliport Management, Ltd.	Subsidiary of WRL	—	46	—	3
		63,905	79,210	113,575	93,776
Due to related companies — current					
Wynn Las Vegas, LLC	Subsidiary of WRL	10,331	39,599	53,942	146,136
Wynn Group Asia, Inc.	Subsidiary of WRL	30,449	30,556	—	—
Wynn Design and Development, LLC	Subsidiary of WRL	26,314	21,114	21,306	20,809
Wynn Resorts, Limited	Ultimate parent company	22,447	16,016	25,233	43,092
World Wide Wynn, LLC	Subsidiary of WRL	259	2,708	2,294	1,955
Las Vegas Jet, LLC	Subsidiary of WRL	1,358	1,035	220	1,167
		91,158	111,028	102,995	213,159

During 2006, the Group loaned Wynn Group Asia, Inc. an interesting bearing note for approximately HK$1.5 billion, bearing interest at 6.25% per annum due on demand, and another for approximately HK$622.9 million bearing interest at 7.5% per annum, due in 2012. Both notes and the related accrued interest were repaid during 2006 using the proceeds of the sale of the sub-concession right described in note 4.

In July 2008, the Group loaned Wynn Resorts US$150 million (approximately HK$1.2 billion) under a credit facility (the "WRL Loan Facility"), which allowed Wynn Resorts to borrow up to US$545 million (approximately HK$4.3 billion) from the Group at an annual interest rate of 4.75%. In December 2008, Wynn Resorts repaid the loan and outstanding interest under the terms of the WRL Loan Facility.

Unless indicated in the above table, the amounts are unsecured, interest-free and repayable on demand.

The Group had the following material transactions with related parties during the years and the six months ended 30 June 2009.

Name of Related Company	Relation to the Company	Primary Nature of Transactions	As at 31 December 2006 HK$'000	As at 31 December 2007 HK$'000	As at 31 December 2008 HK$'000	As at 30 June 2008 HK$'000	As at 30 June 2009 HK$'000
Wynn Group Asia	Subsidiary of WRL	Shareholder loans interest	120,602	—	—	—	—
Wynn IOM Holdco	Subsidiary of WRL	Sale of Ming vase to WRM	78,975	—	—	—	—
Wynn Resorts	Ultimate parent company	Corporate Support Services(i)	78,201	98,880	71,668	50,479	36,174
Wynn Resorts	Ultimate parent company	Royalty fees(ii)	59,226	284,898	572,084	310,743	259,414
Wynn International Marketing	Subsidiary of WRL	International marketing expenses(iii)	38,984	59,268	70,643	28,122	32,741
World Wide Wynn	Subsidiary of WRL	Staff secondment payroll charges(iv)	30,520	43,160	43,321	24,241	27,168
Wynn Design and Development	Subsidiary of WRL	Design/development payroll	15,681	15,548	12,160	6,209	5,890
Wynn Resorts	Ultimate parent company	Share-based payment expenses (Note 17)	15,371	24,169	32,209	11,363	19,061
Las Vegas Jet	Subsidiary of WRL	Airplane usage charges	13,695	6,909	6,777	4,816	4,260
Wynn Resorts Hotel Sales & Marketing	Subsidiary of WRL	Hotel marketing expenses(v)	12,280	12,806	9,916	6,380	1,016
Wynn Las Vegas	Subsidiary of WRL	Payroll for support services	2,510	663	—	662	1,154
Wynn Resorts	Ultimate parent company	Loan interest income	—	—	(11,792)	—	—

All of the above transactions with the exception of the sale of the Ming Vase to Wynn Resorts Macau are noted as continuing related party transactions.

Notes:

(i) Corporate support services:

Wynn Resorts provides corporate support services in large part related to assisting the Group with U.S. regulatory requirements. These services consist of a limited number of executives in relevant areas assisting the Group on U.S. regulatory and certain limited other matters. The assistance includes guidance on certain issues and ensuring that from a regulatory standpoint Wynn Resorts standard operating procedures are followed and maintained by the Group. The costs of these services are billed to the Group based on the estimated time spent by these departments on WRM.

(ii) Royalty Fees:

The Group licenses certain trademarks and service marks, other marks and works, and hotel casino design, development, and management know-how from Wynn Resorts through an Intellectual Property License Agreement ("IP Agreement") entered into by these parties on 1 January 2003, the time at which the development plan for Wynn Macau was executed. The intangible assets covered by the IP Agreement include trademarks, patents, copyrights, and domain names.

The IP Agreement originally specified a royalty payment equal to the greater of HK$3.9 million or one percent of IP gross revenues. For the purpose of each intellectual property license agreement, the term "IP gross revenues" refers to the licensee's total operating revenues as adjusted by adding back (1) commissions and discounts which were netted against operating revenues, and (2) promotional allowances. The royalty payments began after the commencement of the casino operations in Macau, and provided a right to Wynn Resorts and Wynn Holdings to renegotiate the licensing fee upon 30 days' prior notice, to ensure that the royalty payment is commensurate with the income attributable to the intellectual property conveyed by the IP Agreement. The amounts payable under the IP Agreement were increased to HK$7.7 million and 3% respectively effective 1 July 2007. Total IP gross revenues were HK$2,863.8 million, HK$13,813.0 million, HK$19,065.1 million, HK$10,353.3 million, and HK$8.647.0 million for the years ended 31 December 2006, 2007, and 2008 and for the period ended 30 June 2008 and 2009, respectively.

(iii) International marketing expenses

A subsidiary of Wynn Resorts, Wynn International Marketing provides administrative, promotional, and marketing services to attract and introduce customers outside the Macau territory to WRM as well as attract customers outside the U.S. territory to Wynn Las Vegas. These services are provided through branch offices located in various cities around the world under the direction and supervision provided by Wynn International Marketing. For the hotel casino marketing and promotion services it performs on behalf of WRM in 2006, 2007, 2008 and 2009, Wynn International Marketing charges a service fee equal to the total costs it incurs in rendering the services plus 5%.

(iv) Staff Secondment Payroll Charges

A subsidiary of Wynn Resorts, Worldwide Wynn is responsible for supplying management personnel to WRM for a pre-determined length of time through secondment arrangements. During the secondment period, employees are expected to devote their efforts and all of their business time and attention to the operations and functions of WRM. The seconded employees live and work in Macau for the duration of the secondment period. Worldwide Wynn was compensated for these services with a service fee equal to the aggregate cost plus 5% to Worldwide Wynn of the seconded employee during the period of secondment to WRM, including:

- Wages, regular and overtime;
- Bonuses and commissions;
- Vacation pay and sick leave;
- Employee benefit plans, including health insurance, life insurance, and other insurance or 401k plans;
- Employer-paid Federal, state or local taxes or workers' compensation costs and unemployment taxes; and
- Employer-reimbursed business expenses and employee international allowances.

(v) Hotel sales & marketing

Wynn Resorts Hotel Sales & Marketing provides services to attract and introduce customers to Wynn Macau, stressing the resort's luxury hotel accommodations. Wynn Resorts Hotel Marketing's primary business is to promote the luxury hotel services offered at the Wynn Macau resort to customers in China. It operates customer service outlets in China to help arrange hotel stays for individual and group travel. During 2006, 2007, 2008 and 2009, offices were located in Shanghai, Beijing, and Guangzhou. The branch offices operate under the direction and supervision provided by Wynn Resorts Hotel Sales & Marketing. For the hotel marketing and promotion services it performed on behalf of WRM in 2006, 2007, 2008 and 2009, Wynn Resorts Hotel Sales & Marketing charged a service fee equal to the total costs it incurred in rendering the services.

The transactions were carried out on terms mutually agreed between the Group and the related companies. There were no significant charges from the Group to the related companies during the years ended 31 December 2006, 2007 and 2008 and the period ended 30 June 2009. In the opinion of the Directors, the related party transactions were conducted in the ordinary and usual course of the Group's business.

In addition to the above, the Group leases living quarters for two of the Group's executives from a shareholder of the Group. This shareholder does not have profit participation shares in the Group. For the years ended 31 December 2006, 2007 and 2008, the Group incurred HK$0.27 million, HK$0.54 million, and HK$0.30 million, respectively, of rental expense relating to these executive living quarters. For the six months ended June 30, 2008 and 2009, the Group incurred HK$0.16 million and HK$0.15 million, respectively, of rental expense relating to these executive living quarters.

Wynn Resorts also provided a corporate guarantee to the Group (see note 18) and in the opinion of the directors, it is impractical to estimate the fair value of such guarantee.

All such outstanding balance between the Group and the related companies are in trade nature.

Compensation of key management personnel of the Group

	Year Ended 31 December			Six Months Ended 30 June	
	2006 HK$'000	**2007 HK$'000**	**2008 HK$'000**	**2008 HK$'000 (unaudited)**	**2009 HK$'000**
Salaries, bonuses, allowances and benefits in kind	45,783	76,971	86,937	65,146	67,220
Retirement benefits	748	793	538	633	405
Total compensation paid to key management personnel	46,531	77,764	87,475	65,779	67,625

Further details of directors' emoluments are included in note 23 above.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise bank loans and overdrafts, trade payables and loans given. The main purpose of these financial liabilities is to raise finance for the Group's construction activities and its operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps contracts. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of finance. It is, and has been throughout 2006, 2007, 2008 and 2009, the Group's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Interest rate risk

The Group's primary exposure is changes in market interest rates associated with its bank loans that bear interest based on variable rates. The Group attempts to manage interest rate risk by managing the mix of long-term fixed rate borrowings through interest rate swap arrangement and variable rate borrowings. These risk management strategies may not always have the desired effect, and interest rate fluctuations could have a negative impact on the results of operations.

Interest rate sensitivity

As at 31 December 2006, 2007 and 2008 and 30 June 2009, all of the interest bearing loans and borrowings were variable rate borrowings based on LIBOR or HIBOR plus a margin. However, the Group has entered into interest rate swaps that effectively fix the interest rate for approximately 68% of the interest bearing loans in 2006, 61% in 2007 and 27% in 2008 and 18% in June 2009 respectively. Based on borrowings at 31 December 2006, 2007 and 2008 and 30 June 2008 and 2009, an assumed 1% change in the variable rates would cause the annual interest expenses, without adjusting for amount to be capitalized, to change by HK$12.3 million, HK$16.5 million and HK$59.9 million and HK$16.5 million HK$96.9 million, respectively.

Foreign currency risk

The financial statements of foreign operations are translated into Hong Kong dollars, the Group's presentation currency, for incorporation into the combined financial statements. Assets and liabilities are translated at the foreign exchange rates ruling at the statement of financial position date. Income, expenditure and cash flow items are measured at the actual foreign exchange rate or average foreign exchange rates for the period. The Hong Kong dollar is linked to the U.S. dollar and the exchange rate between these two currencies has remained relatively stable over the past several years. However, the exchange linkages of the Hong Kong dollar and the Macau pataca to the U.S. dollar, are subject to potential changes due to, among other things, changes in governmental policies and international economic and political developments.

Foreign currency sensitivity

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group was in a net asset position where the Group had more assets than liabilities that were denominated in a currency (primarily US$) other than the functional currency. Based on the asset position at 31 December 2006, 2007 and 2008 and 30 June 2008 and 2009, an assumed 1% increase or decrease in the value of a Hong Kong dollar against the US dollar, the Group would recognize a loss or gain, respectively of HK$20.7 million, HK$29.6 million, HK$34.4 million and HK$30.4 million HK$12.0 million.

Credit risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of casino accounts receivable. The Group issues credit in the form of markers to approved casino customers following investigations of creditworthiness. The Group maintains strict controls over the issuance of markers and aggressively pursues collection from those customers who fail to pay their marker balances timely. These collection efforts may include the mailing of statements and delinquency notices, personal contacts, the use of outside collection agencies, and litigation. Markers are generally legally enforceable instruments in Macau, however markers are not legally enforceable instruments in some other countries. The collectibility of markers given by foreign customers is affected by a number of factors including changes in currency exchange rates and economic conditions in the customers' home countries.

Liquidity risk

The Group measures and monitors its liquidity structure based on the overall assets, liabilities and debt, and maintains a conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the ordinary course of business. In addition, the Group's senior bank facility's governing documents contain capital spending limits and other affirmative and negative covenants which require the maintenance of secure capital procedures.

As at 31 December 2006, 2007, 2008 and 30 June 2009, the Group only held interest rate swap at fair value with liabilities measured at fair value for level 2 of HK$11,404K, HK$24,157K, HK$97,175K and HK$91,064K, respectively, and the Group has not held any assets or liabilities measured at fair value for level 1 and level 3 during the Relevant Periods where level 1 fair value represented fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments, level 2 fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market date and level 3 fair values measured using valuation techniques in which any significant input is not based on observable market data.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it as economic conditions changes (i.e. interest rates, equity markets). To maintain a strong capital structure and in response to current economic conditions, the Group has modified debt instruments to obtain more favorable interest rates, obtain additional debt financing, and has adjusted dividend payments to shareholders.

The gearing ratio is a key indicator of the Group's capital structure. The gearing ratio is net debt divided by total capital plus net debt.

	As at 31 December			As at 30 June
	2006 HK$'000	**2007 HK$'000**	**2008 HK$'000**	**2009 HK$'000**
Interest bearing loans and borrowings, Net	3,675,098	4,044,759	7,972,912	11,693,000
Land premiums payable	149,561	91,785	47,025	133,940
Account payables	646,054	730,159	486,774	517,272
Other payables and accrued liabilities	884,880	1,383,590	1,572,560	1,818,814
Amount due to related companies	91,158	111,028	102,995	213,159
Less cash and short term deposits	(475,890)	(5,533,563)	(2,544,291)	(6,280,303)
Net debt	4,970,861	827,758	7,637,975	8,095,882
Equity	5,569,329	6,969,640	737,505	1,101,001
Total capital	5,569,329	6,969,640	737,505	1,101,001
Capital and net debt	10,540,190	7,797,398	8,375,480	9,196,883
Gearing ratio	47.2%	10.6%	91.2%	88.0%

27. SUBSEQUENT EVENTS

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 Senior 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 Senior 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 Senior Credit Facilities at approximately 3.9%. This interest rate swap agreement matures in June 2012.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong