

INDUSTRY OVERVIEW

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Overview of Macau

The MSAR was established on December 20, 1999 following more than 400 years of administration by Portugal. Macau is located on the southeast coast of mainland China to the west of Guangdong Province. Macau consists of the Macau peninsula and the islands of Taipa and Coloane and the reclaimed area of Cotai. Three bridges link the Macau peninsula to Taipa while the two islands are connected by the land reclamation area known as Cotai.

Macau is the only region in China to offer legalized casino gaming. Historically, Macau's gaming industry was controlled pursuant to a monopoly, which ended formally in 2002 when the Macau Government launched an international tender process and granted three concessions to Galaxy, SJM and Wynn Macau. The Macau Government subsequently and successively authorized three subconcessions. In December 2002, Galaxy, the Macau Government and VML, our subsidiary, entered into the Subconcession Contract, which allows us to develop and operate gaming facility projects in Macau independently from Galaxy. The two other Subconcessionaires are Melco Crown and MGM Grand Paradise.

Following the liberalization of its gaming laws, Macau has become the largest gaming market in the world based on casino gaming revenue, surpassing Las Vegas in 2006 and growing by over 90.0% between 2006 and 2008, based on information published by the DICJ and the Nevada Gaming Control Board. The growth in the gaming market in Macau has contributed to the strong growth in Macau's GDP.

Recently, the Macau Government announced its intention to review the size and growth of the Macau gaming industry, including the number of gaming tables currently in operation in an effort to prevent over-expansion of the gaming industry. In connection with this review, the Macau Government announced its intention to obtain scientific studies and research that would allow for a substantiated decision on this matter but has not yet announced any firm timelines or details of such a review. The Macau Government also recently announced its intention to change the entry-age limit for casinos from 18 years old to 21 years old. See "Risk Factors—"Gaming is a highly regulated industry in Macau and adverse changes or developments in gaming laws or regulations could be difficult to comply with or significantly increase our costs."

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According to the DSEC, 30.2 million people visited Macau in 2008, representing a CAGR of 16.0% from 16.7 million visitors in 2004 when the Sands Macao first opened. Tourism and gaming account for the majority of Macau's GDP. In 2008, tourism GDP totaled US\$17.4 billion, representing 81.1% of GDP. Of the tourism GDP, gaming GDP accounted for US\$13.4 billion, or 76.8%, of such expenditures. The following table illustrates Macau's total GDP and tourism and gaming GDP from 2004 to the six months ended June 30, 2009:

| | For the year ended December 31, | | | | | For the six months ended June 30, 2009 |
|---------------------------------------|-------------------------------------|--------|--------|--------|--------|--|
| | 2004 | 2005 | 2006 | 2007 | 2008 | |
| | (US\$ millions, except percentages) | | | | | |
| Total GDP | 10,279 | 11,524 | 14,214 | 18,682 | 21,483 | 9,629 |
| Year-on-year Change, nominal | — | 12.1% | 23.3% | 31.4% | 15.0% | — |
| Tourism GDP ⁽¹⁾ | 7,881 | 8,409 | 10,162 | 13,946 | 17,422 | 7,991 |
| Tourism GDP as a % of Total GDP | 76.7% | 73.0% | 71.5% | 74.7% | 81.1% | 83.0% |
| Gaming GDP ⁽²⁾ | 5,375 | 5,788 | 7,023 | 10,225 | 13,383 | 6,304 |
| Gaming GDP as a % of Tourism GDP ... | 68.2% | 68.8% | 69.1% | 73.3% | 76.8% | 78.9% |

Source: DSEC. Converted from MOP at the exchange rate stated in [●].

(1) Defined as tourism expenditures of non-residents of Macau.

(2) Defined as gaming expenditures of non-residents of Macau.

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Proximity to Significant Population Mass

Macau is centrally located in the Asian region, which is home to more than three billion people. The map below shows the approximate travel times to Macau from key gateway cities in Asia.



Visitors traveling to Macau generally come from mainland China and other locations in Asia, such as Hong Kong and Taiwan. According to the DSEC statistics, 81.2% of visitors to Macau during 2008 came from mainland China and Hong Kong. Since July 2003, residents from mainland China have been allowed to apply for a visa to visit Macau and Hong Kong on an individual basis under the facilitated individual travel ("FIT") scheme. Following implementation of the FIT scheme, the number of mainland Chinese tourists has significantly increased and mainland China has become one of Macau's most important markets for tourism. According to the Macau Yearbook 2008, by the end of 2007, the FIT scheme had been extended to residents of all of Guangdong Province, Beijing, Shanghai and other major cities which may be approved from time to time. In June 2008, however, news media began reporting that certain PRC authorities were imposing additional restrictions on exit visa applicants for travel to Macau from mainland China. Under the measures, residents of certain cities within mainland China are only allowed to apply for a visa once every two months, instead of once every two weeks. In addition, residents of mainland China visiting Hong Kong may no longer visit Macau on the same visa, but instead must obtain a separate visa for any visit to Macau. See "Risk Factors—Risks Relating to the Gaming Industry in Macau—Policies and measures adopted from time to time by the PRC government could materially and adversely affect our operations." Although total visitation in Macau has declined in 2009 as a result of the visa restrictions imposed in 2008, recent disruptions in the global financial markets and the outbreak of swine flu, we expect that visitation from mainland China, Hong Kong and Taiwan will continue to be strong because of a growing middle class with a high propensity to game.

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Although starting from a very low base and still only accounting for a small percentage of total visitation, in 2008, visitors from Southeast Asia grew 24.7% compared to 2007. This included visitors from Thailand, whose numbers increased 79.1% from 2007 to 2008. Similarly, in 2008, visitors from other parts of Asia grew 51.9% compared to 2007. From 2007 to 2008, this growth included visitors from India, South Korea and Japan, which grew 81.1%, 24.1% and 22.5%, respectively. We believe that the increasing appeal of Macau, led primarily by the development of world-class integrated resorts, economic growth throughout Asia, and expanding infrastructure development will enable Macau to attract visitors from an increasingly wider radius. The following table presents information on visitor arrivals to Macau by place of residence from 2004 to the six months ended June 30, 2009:

| | For the year ended December 31, | | | | | | | | | | For the six months ended June 30, 2009 | |
|---------------------------------|---------------------------------|--------|----------|--------|----------|--------|----------|--------|---------------------|--------|--|--------|
| | 2004 | | 2005 | | 2006 | | 2007 | | 2008 ⁽¹⁾ | | | |
| | Visitors | % | Visitors | % | Visitors | % | Visitors | % | Visitors | % | Visitors | % |
| | (in millions) | | | | | | | | | | | |
| Mainland | | | | | | | | | | | | |
| China | 9.5 | 57.2% | 10.5 | 55.9% | 12.0 | 54.5% | 14.9 | 55.1% | 11.6 | 50.6% | 5.1 | 49.5% |
| Hong Kong..... | 5.1 | 30.3% | 5.6 | 30.0% | 6.9 | 31.6% | 8.2 | 30.3% | 7.0 | 30.6% | 3.3 | 32.1% |
| Taiwan | 1.3 | 7.7% | 1.5 | 7.9% | 1.4 | 6.5% | 1.4 | 5.3% | 1.3 | 5.7% | 0.6 | 6.0% |
| Southeast | | | | | | | | | | | | |
| Asia ⁽²⁾ | 0.3 | 1.6% | 0.4 | 2.1% | 0.7 | 3.2% | 1.2 | 4.4% | 1.5 | 6.4% | 0.6 | 6.3% |
| Other Asia ⁽³⁾ | 0.2 | 1.3% | 0.3 | 1.7% | 0.4 | 1.9% | 0.6 | 2.2% | 0.7 | 3.3% | 0.3 | 3.1% |
| Others ⁽⁴⁾ | 0.3 | 2.0% | 0.4 | 2.3% | 0.5 | 2.3% | 0.7 | 2.7% | 0.8 | 3.4% | 0.3 | 3.2% |
| Total | 16.7 | 100.0% | 18.7 | 100.0% | 22.0 | 100.0% | 27.0 | 100.0% | 22.9 | 100.0% | 10.4 | 100.0% |

Source: DSEC Visitor Arrivals by Place of Residence.

- (1) On February 24, 2009, the DSEC amended its methodology for the computation of visitor arrivals by excluding visitors such as imported workers and foreign students. Therefore, the number of visitor arrivals in 2008 was revised from 30.2 million to 22.9 million. The DSEC did not revise the figures published for previous years, which affects the year-on-year comparability of the data above. To allow a direct comparison of year-on-year visitor arrivals prior to 2007, the number of arrivals in 2008 would total 30.2 million.
- (2) Includes Philippines, Indonesia, Malaysia, Singapore, Thailand and other Southeast Asian countries.
- (3) Includes India, Japan, South Korea and other East and South Asian countries not already listed separately.
- (4) Includes the Americas, Europe, Oceania, Africa and the Middle East.

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Regional Economic Growth

In 2008, China's GDP (in current prices) totaled US\$4.4 trillion (RMB30.1 trillion) compared to US\$2.3 trillion (RMB15.7 trillion) in 2004, representing a CAGR of 17.1%. In addition, regional Chinese economies surrounding Macau, such as Guangdong Province, have also exhibited substantial growth. We believe that the continuing strong economic performance of the economies of mainland China, particularly Guangdong Province, and Hong Kong will help support future development of tourism and gaming projects in Macau. The following table illustrates the annual growth rate of GDP for mainland China, including Guangdong Province, and Hong Kong from 2004 to the six months ended June 30, 2009:

| | For the year ended December 31, | | | | | For the six months ended June 30, 2009 |
|-----------------------------------|--|-------|-------|-------|-------|--|
| | 2004 | 2005 | 2006 | 2007 | 2008 | |
| | (US\$ in billions, except percentages) | | | | | |
| Total China GDP..... | 2,334 | 2,675 | 3,094 | 3,643 | 4,389 | 2,045 |
| Year-on-year Change, nominal..... | — | 14.6% | 15.7% | 17.7% | 20.5% | — |
| Total Hong Kong GDP..... | 167 | 178 | 190 | 208 | 216 | 100 |
| Year-on-year Change, nominal..... | — | 7.0% | 6.7% | 9.5% | 3.8% | — |
| Total Guangdong Province GDP..... | 275 | 327 | 382 | 454 | 521 | 242 |
| Year-on-year Change, nominal..... | — | 18.5% | 16.9% | 18.8% | 14.9% | — |

Sources: National Bureau of Statistics of China, Statistics Bureau of Guangdong Province and Hong Kong Census and Statistics Department. Converted from Hong Kong dollars and RMB at the exchange rate stated in [●].

Accessibility of Macau

Visitors from southeastern China, Hong Kong, Taiwan and other locations in Asia can reach Macau in a relatively short period of time using a variety of transportation methods. One of the major methods of transportation to Macau from Hong Kong is the ferry service, including our CotaiJet ferry service, which commenced operation in late 2007. Our CotaiJet ferry service and the TurboJet ferry service operate 24 hours a day and take approximately one hour to travel between Hong Kong and Macau, with departures occurring at 15 to 30-minute intervals during peak times. Visitors from more distant locations in Asia can take advantage of short travel times by air to Macau, Zhuhai, Shenzhen, Guangzhou or to Hong Kong (followed by a car, ferry or helicopter trip to Macau). Several airline carriers currently fly directly to Macau International Airport from many major cities in Asia. In 2009, several airlines announced plans for new direct routes to Macau from countries such as Vietnam, South Korea, Japan and India.

We believe that improved transportation to and within Macau will also contribute to growth in visitation and mass market gaming. According to the National Development and Reform Commission, the PRC Government has expressed support for a more open, modern and integrated transportation system within the region as outlined in its Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020). The PRC Government's plan lists as transportation priorities the Hong Kong-Zhuhai-Macau Bridge, the eastern passage between Shenzhen and Hong Kong, the loop expressway of the Pearl River Delta, the Zhongshan-Shenzhen passage across the estuary of the Pearl River and a number of railways. Below is a summary of certain announced infrastructure improvement projects:

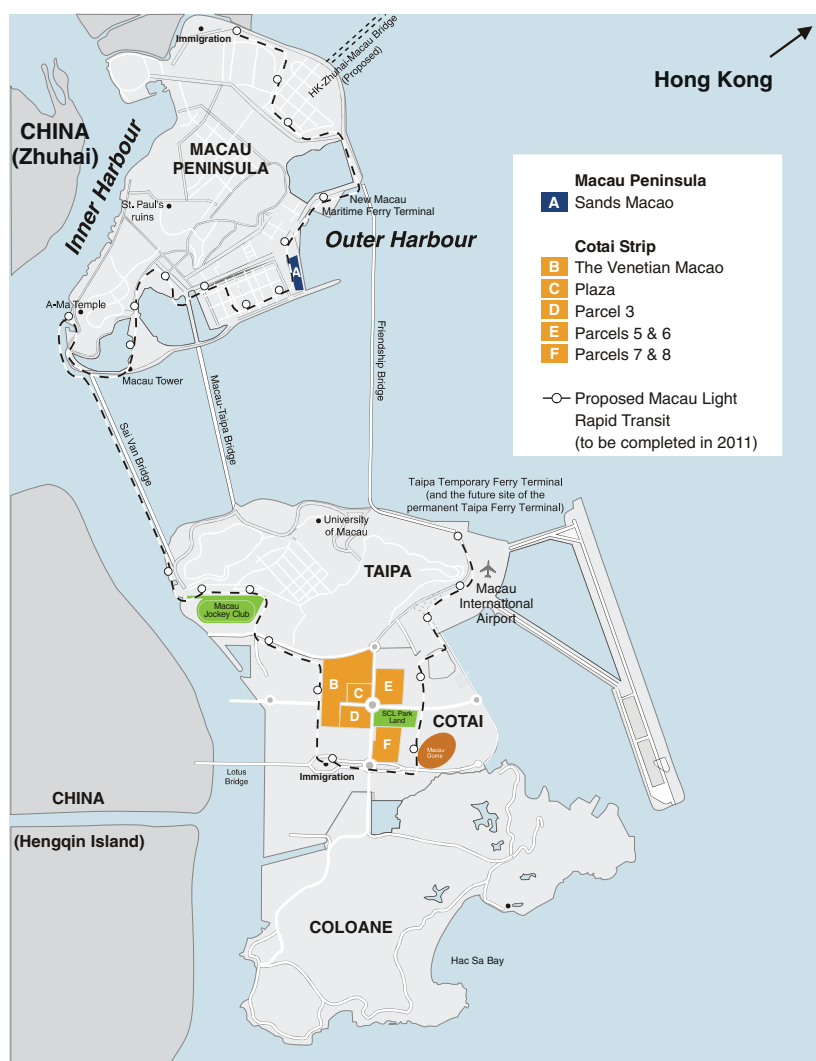
- the new Taipa Ferry Terminal, which is expected to be completed by 2012, will be the second permanent ferry terminal in Macau, together with the existing terminal on the Macau peninsula. It is expected to have sixteen 400-passenger berths, three 1,200-passenger berths and a heliport;
- the proposed Hong Kong-Zhuhai-Macau bridge, which is expected to be completed between 2015 and 2016, will link Hong Kong's Lantau Island to Zhuhai via Macau and would reduce travel time by car from central Hong Kong to Macau from 4.5 hours to only 40 minutes;

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- the proposed Guangzhou-Zhuhai High Speed Railway, which is expected to be completed by 2015, will result in travel time from Guangzhou to Macau of 40 to 50 minutes;
- the proposed Macau Light Rapid Transit, which is expected to commence construction in June 2010 and be completed in 2011, will link the ferry terminals to key locations via 12 stops on the Macau peninsula and 11 stops on Cotai and Taipa; and
- the addition of new routes and air service between key feeder markets and the Macau International Airport.

Macau's Casino Gaming Industry

According to the DICJ, the Macau gaming market currently has 32 gaming facilities, 22 of which are located on the Macau peninsula. The Macau peninsula is connected to mainland China and was historically the only gaming destination in Macau. The 32 gaming facilities vary greatly in terms of size of operations and amenities offered. The majority of casinos on the Macau peninsula were constructed prior to the implementation of the concession system in 2002 and are characterized by casinos spread across multiple floors with very few non-gaming amenities. Following the opening of the Sands Macao in 2004, more facilities on the Macau peninsula have begun to introduce more modern casinos and non-gaming amenities in an attempt to broaden the appeal of Macau to a wider audience of potential customers. Cotai is an area of new gaming development in Macau and features large-scale, integrated resorts. These facilities tend to have more significant non-gaming and leisure areas than many of those on the Macau peninsula.



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The table below shows the year-on-year change in the number of casinos and slot machines in Macau for the periods indicated:

| | As of December 31, | | | | | As of |
|-------------------------------|--------------------|-------|-------|--------|---------|---------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | June 30, 2009 |
| Casinos | 15 | 17 | 24 | 28 | 31 | 32 |
| Year-on-year Change (%) | — | 13.3% | 41.2% | 16.7% | 10.7% | — |
| Gaming Tables | 1,092 | 1,388 | 2,762 | 4,375 | 4,017 | 4,390 |
| Year-on-year Change (%) | — | 27.1% | 99.0% | 58.4% | (8.2)% | — |
| Slot Machines | 2,254 | 3,421 | 6,546 | 13,267 | 11,856 | 13,509 |
| Year-on-year Change (%) | — | 51.8% | 91.3% | 102.7% | (10.6)% | — |

Source: DICJ.

Following the liberalization of Macau's gaming industry, total gaming revenue in Macau increased from approximately US\$5.4 billion in 2004 to approximately US\$13.7 billion in 2008, reflecting a CAGR of 26.0%. These revenues are generated primarily by casino gaming, consisting of table games and slot machines, and to a lesser extent, non-casino gaming activities, including greyhound racing, horse racing, sports lotteries and instant lotteries. The following table sets forth gaming revenues in Macau from 2004 to the six months ended June 30, 2009:

| | For the year ended December 31, | | | | | For the |
|-------------------------------|--|---------|---------|--------|--------|--------------------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | six months ended June 30, 2009 |
| | (US\$ in millions, except percentages) | | | | | |
| Casino Gaming Revenue | 5,172 | 5,756 | 7,078 | 10,378 | 13,597 | 6,428 |
| Year-on-year Change | — | 11.3% | 23.0% | 46.6% | 31.0% | — |
| Non-casino Gaming Revenue ... | 267 | 136 | 112 | 103 | 132 | 56 |
| Year-on-year Change | — | (49.0)% | (17.4)% | (8.2)% | 27.9% | — |
| Total Gaming Revenue | 5,439 | 5,892 | 7,190 | 10,481 | 13,728 | 6,484 |
| Year-on-year Change | — | 8.3% | 22.0% | 45.8% | 31.0% | — |

Source: DICJ. Converted from MOP at the exchange rate stated in [●].

In 2006, casino gaming revenue in Macau surpassed that of Las Vegas, making Macau the largest gaming market in the world as measured by casino gaming revenue. In 2008, Macau's casino gaming revenue was more than twice as large as that of Las Vegas and over three times as large as that of Atlantic City. The following table shows the casino revenue of Macau compared to that of Las Vegas and Atlantic City from 2004 to the six months ended June 30, 2009:

| | For the year ended December 31, | | | | | CAGR | For the |
|---------------------|--|-------|-------|--------|--------|-----------|--------------------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004-2008 | six months ended June 30, 2009 |
| | (US\$ in millions, except percentages) | | | | | | |
| Macau | 5,172 | 5,756 | 7,078 | 10,378 | 13,597 | 27.3% | 6,428 |
| Las Vegas | 5,334 | 6,034 | 6,688 | 6,828 | 6,126 | 3.5% | 2,731 |
| Atlantic City | 4,738 | 4,957 | 5,167 | 4,889 | 4,500 | (1.3)% | 1,926 |

Sources: DICJ, Nevada Gaming Control Board and New Jersey Casino Control Commission. Macau gaming revenue converted from MOP at the exchange rate stated in [●].

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Mass Market, VIP and Premium Players

The Macau gaming market consists of three segments: mass market, VIP and premium players. Historically, gaming operators in Macau focused on VIP players, however, gaming operations have now begun to focus on the fast-growing mass market segment:

- ***Mass Market Players.*** The mass market segment consists of both table games and slot machines played on public mass gaming floors for lower stakes. The mass market segment is generally viewed as a higher-margin component of the overall gaming market versus the VIP player segment due to the commission costs of operating the VIP player segment. Mass market gaming revenues have grown significantly since the introduction in 2004 of casino properties that cater to the mass market. According to the DICJ, from 2004 to December 31, 2008, mass market table and slot operations have grown at a CAGR of 27.9% and 72.4%, respectively. Mass market table and slot operations accounted for approximately 29.7% and 6.0%, respectively, of total casino gaming revenue in Macau for the six months ended June 30, 2009.
- ***VIP Players.*** VIP players in Macau are typically wealthy persons who play mostly in dedicated VIP rooms or designated gaming areas. VIP players are sourced by Gaming Promoters. Many VIP players in Macau rely on Gaming Promoters to make travel and other arrangements for them to play at a particular casino or gaming area, provide concierge services and arrange their purchases of chips. Gaming Promoters also often extend credit to VIP players that they source and bring to the casinos or gaming areas. In accordance with general industry practice, Gaming Promoters typically commit to certain casino-specified minimum rolling chip purchases per VIP room per month. In return for their services, the gaming operator typically pays a commission to the Gaming Promoter based on either gaming wins or losses or the rolling chip volume of the VIP players they direct to the casinos or gaming areas. The obligation to pay commissions to Gaming Promoters means that although this segment accounts for a large proportion of total gaming revenues, margins are lower than those of the mass market segment. VIP players typically receive various forms of complimentary services, including transportation, accommodation and food and beverage services from the Gaming Promoters or casinos. These complimentary services also affect the margins associated with the rolling chip segment of the business.
- ***Premium Players.*** Premium players are players brought in through the direct marketing efforts of the gaming operators who select VIP rooms based on their relationship with or preference for a particular gaming operator. As such, premium players have potentially higher margins compared to VIP players. Like VIP players, premium players typically receive various forms of complimentary services from gaming operators.

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The following table shows Macau casino gaming revenue by segment from 2004 to the six months ended June 30, 2009:

| | For the year ended December 31, | | | | | For the |
|------------------------------------|--|--------------|--------------|---------------|---------------|--------------------------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | six months ended June 30, 2009 |
| | (US\$ in millions, except percentages) | | | | | |
| VIP Baccarat ⁽¹⁾ | 3,723 | 3,608 | 4,598 | 6,970 | 9,222 | 4,139 |
| Year-on-year Change | — | -3.1% | 27.4% | 51.6% | 32.3% | — |
| Mass Market Baccarat | 748 | 1,306 | 1,489 | 2,064 | 2,658 | 1,463 |
| Year-on-year Change | — | 74.7% | 14.0% | 38.7% | 28.8% | — |
| Other Mass Market Table Gaming ... | 622 | 686 | 735 | 894 | 1,010 | 443 |
| Year-on-year Change | — | 10.3% | 7.1% | 21.7% | 13.0% | — |
| Slot Machine | 80 | 156 | 257 | 449 | 707 | 383 |
| Year-on-year Change | — | 95.3% | 64.2% | 75.1% | 57.3% | — |
| Total | <u>5,172</u> | <u>5,756</u> | <u>7,078</u> | <u>10,378</u> | <u>13,597</u> | <u>6,428</u> |
| Year-on-year Change | — | 11.3% | 23.0% | 46.6% | 31.0% | — |

Source: DICJ. Macau gaming revenue converted from MOP at the exchange rate stated in [●].

(1) Includes revenue from both VIP and premium players.

Macau's Hotel, Convention and Retail Industries

Prior to the liberalization of the Macau gaming industry, many of the casino properties were gaming-centric facilities that contained a relatively limited offering of non-gaming amenities. Conversely, recent developments have consisted of larger properties that offer a variety of non-gaming services such as high quality hotel room options, retail and dining areas, MICE space and entertainment amenities in addition to traditional gaming areas. According to statistics reported by the DSEC, visitor spending on non-gaming services accounted for 23.2% and 21.1% of total visitor spending on services in Macau for 2008 and the six months ended June 30, 2009, respectively. In comparison, according to statistics reported by the Nevada Gaming Control Board, non-gaming spending accounted for 60.3% of total spending in Las Vegas for the 12 months ended June 30, 2008. We expect that, over time, non-gaming services will represent a larger percentage of total visitor spending in Macau, similar to the trend of non-gaming spending in Las Vegas.

The Macau Hotel and Convention Market

According to the Macau Statistics and Census Service, there were 54 hotels, containing approximately 16,928 rooms, in operation in Macau as of December 31, 2008. This represented an increase from 39 hotels, containing approximately 8,608 rooms in operation as of December 31, 2004. We believe that the introduction of additional high quality hotels, in combination with MICE space, will continue to enhance Macau's reputation as a world-class tourist and business destination and to contribute to an increase in the average length of stay in Macau.

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Following the opening of The Venetian Macao, Macau's first integrated resort, and other new developments, overnight hotel visitation increased from 23.0% of total visitation to Macau in 2004 to 28.0% of total visitation at the end of 2008, with an average length of stay of 1.4 nights in 2008. The following table shows total available guest rooms, total hotel guests, average length of stay, occupancy and ADR statistics for the Macau hotel market from 2004 to the six months ended June 30, 2009:

| | As of or for the year ended December 31, | | | | | As of or for the six months ended June 30, 2009 |
|---|--|--------|--------|--------|--------|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | |
| Total available guest rooms ⁽¹⁾ | 9,168 | 10,872 | 12,978 | 16,148 | 17,490 | 18,128 |
| Total hotel guests (in millions) ⁽²⁾ . . | 4.0 | 4.1 | 4.7 | 5.7 | 6.5 | 3.1 |
| Average length of stay (nights) . . . | 1.2 | 1.2 | 1.2 | 1.3 | 1.4 | 1.4 |
| Occupancy (%) | 75.6% | 70.9% | 72.3% | 77.2% | 74.5% | 66.9% |
| ADR (US\$) ⁽³⁾ | — | 78 | 85 | 98 | 104 | 122 |

Source: DSEC and Macau Government Tourist Office. Converted from MOP at the exchange rate stated in [●].

(1) Total available rooms as of year end. Includes both hotel rooms and guest houses.

(2) Includes guests that stay in hotel rooms and guest houses.

(3) Based on three-, four- and five-star hotels in Macau.

We believe the average length of stay in Macau will continue to improve and Macau will ultimately develop into a hotel market similar to Las Vegas. According to the "2008 Las Vegas Visitor Profiles Study" published by the Las Vegas Convention and Visitors Authority, visitors in 2008 stayed on average 3.5 nights in Las Vegas. Convention facilities in Macau are still limited in size as compared to other regional convention markets. The largest convention facility in Macau is located at The Venetian Macao, which opened in August 2007 and contains 1.2 million square feet of meeting, convention and exhibition space. According to the Macau Government Tourist Office, meeting and convention attendance in Macau has grown at a CAGR of 81.6% from 2004 to 2008. Despite this growth, however, Macau hosted fewer than 400,000 conventioners in 2008. Conversely, according to the Las Vegas Convention and Visitors Authority, conventioners totaled 5.9 million in Las Vegas during the same period. Furthermore, according to the Hong Kong Tourism Board, overnight MICE arrivals in Hong Kong totaled approximately 1.2 million in 2008.

According to the DSEC, during the six months ended June 30, 2009, a total of 730 MICE events were held at various venues in Macau, comprising 694 meetings/conferences and 36 exhibitions. These events were attended by 211,287 participants and the average length of stay by visitors attending these events was 2.0 days. The following table shows the number of MICE events and participants in Macau from 2004 to the six months ended June 30, 2009:

| | For the year ended December 31, | | | | | For the six months ended June 30, 2009 |
|-----------------------------------|---------------------------------|--------|--------|---------|---------|--|
| | 2004 | 2005 | 2006 | 2007 | 2008 | |
| Total Number of MICE Events . . . | 278 | 305 | 360 | 1,177 | 1,240 | 730 |
| Year-on-year Change (%) . . . | — | 9.7% | 18.0% | 227.0% | 5.4% | — |
| Total MICE Participants | 33,501 | 43,531 | 57,089 | 301,979 | 364,320 | 211,287 |
| Year-on-year Change (%) . . . | — | 29.9% | 31.1% | 429.0% | 20.6% | — |

Source: DSEC.

According to the National Development and Reform Commission's Outline of the Plan for the Reform and Development of the Pearl River Delta, the region will seek to grow its convention and exhibition industries through the creation and global marketing of specialized conventions and exhibitions, and through increased cooperation between Macau, Hong Kong and the Pearl River Delta. We expect future developments to create a critical mass of high quality accommodations and other amenities which we believe will enable Macau to develop into a leading MICE destination.

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Retail Market

The retail market in Macau is growing and becoming an increasingly important part of the Macau economy. Retailers benefit from Macau's luxury goods tax-exemption (like Hong Kong but unlike mainland China), making Macau a relatively attractive and inexpensive place to shop for mainland Chinese visitors. Existing retail areas of scale total approximately 1,643,000 gross square feet and include:

| Opened | Retail Area | Property | Square Footage ⁽¹⁾ |
|--------|-----------------------------|--------------------|-------------------------------|
| 2007 | The Grand Canal Shoppes | The Venetian Macao | 1,000,000 |
| 2008 | The Shoppes at Four Seasons | Plaza | 211,000 |
| 2009 | The Boulevard | City of Dreams | 175,000 ⁽²⁾ |
| 2009 | New Yaohan | New Yaohan | 257,000 |

- (1) Square footage for The Grand Canal Shoppes and The Shoppes at Four Seasons represent net square footage. Square footage for The Boulevard and New Yaohan represent gross square footage.
- (2) Includes both phases. Currently, only Phase I (85,000 square feet) is open. Phase II (90,000 square feet) is expected to open in December 2009.

Based on our management's experience, we believe that the build-out of integrated resorts on Cotai will drive retail spending in a manner similar to that experienced in Las Vegas following the opening of integrated resorts and related retail facilities such as The Grand Canal Shoppes at The Venetian in Las Vegas. The following table illustrates the growth in total shopping spending by visitors to Macau from 2004 to the six months ended June 30, 2009:

| | For the year ended December 31, | | | | | CAGR | For the |
|--|--|-------|-------|-------|-------|-----------|------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004-2008 | six months ended |
| | (US\$ in millions, except percentages) | | | | | | June 30, 2009 |
| Total shopping spending ⁽¹⁾ | 1,409 | 1,457 | 1,906 | 2,224 | 2,638 | 17.0% | 756 |

Source: DSEC Visitor Expenditure Survey. Converted from MOP at the exchange rate stated in [●].

- (1) Shopping spending as calculated by the DSEC consists of spending for clothing, jewelry, local food products, cosmetics, electrical equipment, shoes, handbags, wallets and others.

According to DSEC Tourism Statistics, total shopping spending, driven by the substantial growth in visitation and the development of Las Vegas-style casinos and integrated resort destinations beginning in 2004, has increased at a CAGR of 17.0% from approximately US\$1,409 million in 2004 to US\$2,638 million in 2008.

Competition

The gaming operators in Macau currently consist of the six Concessionaires or Subconcessionaires:

- VML, our subsidiary, which currently operates three gaming facilities, The Venetian Macao, the Sands Macao and the Plaza Casino at the Plaza;
- Galaxy, which currently operates five gaming facilities in Macau, including StarWorld Hotel, and is developing the Galaxy Mega Resort, which is adjacent to The Venetian Macao;
- Melco Crown, which currently operates three gaming facilities, including the Altira and City of Dreams, a property located across the street from The Venetian Macao;
- MGM Grand Paradise Limited, which currently operates one gaming facility, the MGM Grand Macau;
- SJM, which currently operates 20 gaming facilities in Macau, including the Lisboa and the Grand Lisboa; and
- Wynn Macau, which currently operates one gaming facility, the Wynn Macau.

INDUSTRY OVERVIEW

In addition, some of these gaming operators have planned or are currently developing projects, which will increase future casino supply and intensify competition. The Macau market also faces competition from casinos located in other areas of Asia and from other major gaming centers worldwide. See "Risk Factors—Risks Relating to the Gaming Industry in Macau—We face intense competition in the gaming industry in Macau, which could have a material adverse effect on our business, financial condition, results of operations and cash flows." The relative scale of our properties and gaming operations and those of the other operators is shown in the table below:

| Operator | Number of Casinos | | | Gaming Tables ⁽¹⁾ | | | Slot Machines ⁽²⁾ | | |
|-------------|--------------------|-----------|---------------|------------------------------|--------------|---------------|------------------------------|---------------|---------------|
| | As of December 31, | | As of | As of December 31, | | As of | As of December 31, | | As of |
| | 2007 | 2008 | June 30, 2009 | 2007 | 2008 | June 30, 2009 | 2007 | 2008 | June 30, 2009 |
| VML | 2 | 3 | 3 | 1,450 | 1,202 | 1,098 | 5,134 | 4,260 | 4,291 |
| Other..... | 26 | 28 | 29 | 2,925 | 2,815 | 3,292 | 8,133 | 7,596 | 9,218 |
| Total | <u>28</u> | <u>31</u> | <u>32</u> | <u>4,375</u> | <u>4,017</u> | <u>4,390</u> | <u>13,267</u> | <u>11,856</u> | <u>13,509</u> |

Source: DICJ.

(1) Includes VIP rooms and mass market gaming tables.

(2) As of December 31, 2007 and 2008 and as of June 30, 2009, VML had 4,237, 3,445 and 3,631 slot machines, respectively, which were active on the floor.

Based on the publicly available data shown in the table below, we estimate that our three existing Macau properties enjoy approximately 23.9% and 24.6% of the share of Macau gaming revenue for the year ended December 31, 2008 and the six months ended June 30, 2009, respectively. This market share exceeds those of several of our competitors in Macau.

| Company | For the year ended December 31, 2007 | | For the year ended December 31, 2008 | | For the six months ended June 30, 2009 | |
|--|---|---------------|---|---------------|--|---------------|
| | Gaming Revenue | % | Gaming Revenue | % | Gaming Revenue | % |
| (US\$ in millions, except percentages) | | | | | | |
| VML | 2,198 | 21.2% | 3,246 | 23.9% | 1,584 | 24.6% |
| Others | 8,179 | 78.8% | 10,350 | 76.1% | 4,844 | 75.4% |
| Total | <u>10,377</u> | <u>100.0%</u> | <u>13,596</u> | <u>100.0%</u> | <u>6,428</u> | <u>100.0%</u> |

Source: DICJ.