

BUSINESS

OVERVIEW

We are the leading developer, owner and operator of integrated resorts and casinos in Macau as measured by EBITDA for the year ended December 31, 2008 and the six months ended June 30, 2009.⁽¹⁾ We are the largest operator of integrated resorts in Macau which contain not only gaming areas but also meeting space, convention and exhibition halls, retail and dining areas and entertainment venues. We believe that our integrated resorts are unique to Macau and are what differentiate us from our competitors. VML, our subsidiary, holds one of six concessions or subconcessions permitted by the Macau Government to operate casinos or gaming areas in Macau. Macau is the largest gaming market in the world as measured by casino gaming revenue and is the only location in China offering legalized casino gaming.

We own The Venetian Macao, the Sands Macao, and the Plaza. We also own one of the largest convention and exhibition halls in Asia, Macau's largest entertainment venue, The CotaiArena™, and one of three major high-speed ferry companies operating between Hong Kong and Macau. Our luxury and mid-market retail malls feature over 380 shops with well-known retail brands such as Calvin Klein, Cartier, Chanel, Esprit, Gucci, Hermès, Louis Vuitton, Nike and Prada, as well as the Malo Clinic and Spa, one of Asia's largest medical and beauty spas. As of June 30, 2009, our properties featured a combined 3,554 suites and hotel rooms, 1,098 table games, 3,631 slot machines, over 60 different restaurants and food outlets, as well as other integrated resort amenities.

Our business strategy is to develop Cotai and to leverage our integrated resort business model to create Asia's premier gaming, leisure and convention destination. Our ultimate plans for Cotai include five interconnected integrated resorts, which leverage a wide range of branded hotel and resort offerings to attract different segments of the market. When complete, we expect our Cotai Strip development to contain over 20,000 hotel rooms, approximately 1.6 million square feet of MICE space, over 2.0 million square feet of retail malls, six theaters and other amenities. We believe our business strategy and development plan will allow us to achieve more consistent demand, longer average lengths of stay in our hotels and higher margins than more gaming-centric facilities.

Our properties are designed to cater to a broad range of customers, including the following:

- Leisure customers who visit resort destinations for quality accommodations, retail, dining, entertainment, spas and sightseeing, and who may opt to game as part of that experience;
- MICE organizers who seek an environment which attracts more buyers and exhibitors to trade shows and exhibitions because of the quality and ambiance of the venue, business-friendly accommodations, dining and other resort facilities;
- MICE participants who attend trade shows, exhibitions and conventions in venues that offer them quality business-friendly accommodations, entertainment, dining and retail facilities;
- Mass market players, who represent the highest profit margin gaming segment, and are characterized by non-rolling chip and slot machine play; and
- VIP and premium players, who enjoy our private Paiza Club gaming rooms, luxury accommodations and amenities, and are characterized by rolling chip play.

In May 2004, we opened the Sands Macao to target the mass market segment. The Sands Macao was the first Las Vegas-style casino in Macau, and currently contains a mix of gaming areas for mass market, VIP and premium players, and entertainment and dining facilities. In August 2007, we opened Macau's largest integrated resort, The Venetian Macao, and in August 2008, we opened Macau's first luxury branded integrated resort, the Plaza, a boutique luxury integrated resort featuring a Four Seasons Hotel and the Plaza Casino. In July 2009, we opened our ultra-exclusive Paiza mansions at the Plaza. These mansions are individually designed and made available by invitation only.

⁽¹⁾ Based on publicly available information, including company financial reports.

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Our next phase of expansion is the integrated resort on Parcels 5 and 6 in Cotai, for which we are in the final stages of obtaining a draft land concession from the Macau Government. At just under 13.3 million square feet, upon completion, the integrated resort on Parcels 5 and 6 will be a significant expansion of our footprint in Cotai. We expect to complete construction of Parcels 5 and 6 in three phases. Phases I and II of the integrated resort are expected to feature approximately 6,000 hotel rooms, approximately 1.2 million square feet of retail, entertainment and dining facilities, MICE space and a multi-purpose theater. The integrated resort will also feature approximately 300,000 square feet of gaming space, which, subject to Macau Government approval, will be sufficient to accommodate up to 670 tables and 2,200 slot machines. Phase I is expected to consist of two hotel towers with over 3,700 Sheraton-, Shangri-La- and Traders-branded hotel rooms, as well as completion of the structural works for an adjacent 2,300-room Sheraton hotel tower. These hotel brands have over 47 sales, marketing and reservation offices worldwide, which we will be able to leverage to drive mid week MICE and leisure traveler business. Phase I will also consist of the completion of the gaming space, a multi-purpose theater and partial opening of the retail and MICE facilities. The total cost to complete Phase I, excluding interest expense, is expected to be approximately US\$2.0 billion. Phase II consists of the internal fit-out of the second Sheraton-branded hotel tower as well as the completion and fit-out of the remaining retail facilities. The total cost to complete Phase II, excluding interest expense, is expected to be approximately US\$190.0 million. Phase III, which is to commence at a future date as demand and market conditions warrant, is expected to include a luxury St. Regis-branded hotel and apart-hotel tower. The total cost to complete Phase III, excluding interest expense, is expected to be approximately US\$443.0 million. We began construction of Parcels 5 and 6 in 2006 and suspended construction in November 2008 due to the global economic downturn. We plan to restart construction of Phases I and II with a portion of the proceeds from [●], together with supplemental financing that we are currently seeking to obtain from a group of lenders. We do not intend to restart construction until such supplemental financing is committed or arranged, and currently estimate that it will take approximately 18 months to complete construction of Phase I and another six months thereafter to complete the internal fit-out of the adjacent Sheraton hotel tower in Phase II. The remaining retail facilities of Phase II are expected to be completed within 24 months after the adjacent Sheraton hotel tower is completed. As of June 30, 2009, we had capitalized construction costs of approximately US\$1.7 billion (HK\$13.2 billion) on the development of Parcels 5 and 6 and, if supplemental financing is obtained, we expect to spend an additional US\$2.2 billion to complete Phases I and II.

Once construction of Parcels 5 and 6 is completed, we will develop Parcel 3, for which we currently have a land concession from the Macau Government, followed by Parcels 7 and 8, for which we have not yet received the land concession. Parcel 3 is presently planned to include an additional 3,900 branded hotel rooms and will be connected to the Plaza and the convention and exhibition hall at The Venetian Macao. We expect Parcels 7 and 8 to also contain an integrated resort that will be similar in size and scope to the integrated resort located on Parcels 5 and 6.

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Our total net revenues for the year ended December 31, 2008 were US\$3,053.3 million with an adjusted EBITDAR of US\$686.0 million, a 55.3% and 33.4% increase, respectively, over the same period in 2007. For the six months ended June 30, 2009, our total net revenues were US\$1,500.6 million (HK\$11,629.5 million) with an adjusted EBITDAR of US\$337.7 million (HK\$2,616.8 million). For the six months ended June 30, 2008, our total net revenues were US\$1,490.6 million with an adjusted EBITDAR of US\$349.2 million. The following table sets forth summary financial information for our operations for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,		
	2006	2007	2008	2008	2009	2009
	US\$	US\$	US\$	US\$	US\$	HK\$
	(in millions, except percentages)					
Net revenues						
Casino	1,265.2	1,846.2	2,669.7	1,325.4	1,317.1	10,207.7
Rooms	0.1	49.3	140.0	67.5	55.5	429.9
Food and beverage	12.9	28.1	54.3	24.5	25.4	197.2
Mall	—	24.8	123.0	48.4	64.1	496.9
Convention, ferry, retail and other	2.9	17.9	66.4	24.8	38.4	297.7
Total net revenues	<u>1,281.1</u>	<u>1,966.2</u>	<u>3,053.3</u>	<u>1,490.6</u>	<u>1,500.6</u>	<u>11,629.5</u>
Profit for the year/period	<u>375.8</u>	<u>196.1</u>	<u>175.7</u>	<u>114.0</u>	<u>58.0</u>	<u>449.3</u>
Adjusted EBITDAR ⁽¹⁾ (unaudited)	<u>457.7</u>	<u>514.3</u>	<u>686.0</u>	<u>349.2</u>	<u>337.7</u>	<u>2,616.8</u>
Adjusted EBITDAR Margin	<u>35.7%</u>	<u>26.2%</u>	<u>22.5%</u>	<u>23.4%</u>	<u>22.5%</u>	<u>22.5%</u>

- (1) Adjusted EBITDAR is used by management as the primary measure of operating performance of our Group's properties and to compare the operating performance of our Group's properties with that of its competitors. However, adjusted EBITDAR should not be considered in isolation; construed as an alternative to profit or operating profit; as an indicator of our IFRS operating performance, other combined operations or cash flow data; or as an alternative to cash flow as a measure of liquidity. Adjusted EBITDAR presented in this document may not be comparable to other similarly titled measures of other companies. In addition, our adjusted EBITDAR presented in this document may differ from adjusted EBITDAR presented by LVS for its Macau segment in its filings with the U.S. Securities and Exchange Commission. For a quantitative reconciliation of adjusted EBITDAR to its most directly comparable IFRS measurement, operating profit for the years ended December 31, 2006, 2007 and 2008, for the six months ended June 30, 2008 and 2009 and for the three months ended September 30, 2008 and 2009, see "Financial Information—Summary of Results of Operations—Adjusted EBITDAR."

As part of our business strategy, we intend to focus on the high-margin mass market gaming segment while continuing to provide luxury amenities and high service levels to our VIP and premium players, which have historically accounted for a substantial portion of our gross gaming revenue. According to the DICJ, for the six months ended June 30, 2009, our three existing Macau properties enjoyed an approximately 24.6% share of Macau gaming revenue. Over the same period, we derived approximately 12.2% of our total net revenues from non-gaming operations and 44.0% of our gross gaming revenue, or 81.9% of gross gaming profit, from mass market players. In line with our strategy, this percentage represents a material improvement in mass market play over the year ended December 31, 2008. For the year ended December 31, 2008, we derived approximately 12.6% of our total net revenues from non-gaming operations and 43.1% of our gross gaming revenue, or 72.4% of gross gaming profit, from mass market players.

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KEY STRENGTHS

We believe that we have a number of key strengths that differentiate our business from that of our competitors, including the following:

- ***Diversified, high quality integrated resort offerings with substantial non-gaming amenities.*** We have designed our properties in anticipation of growing acceptance in Macau of Las Vegas-style integrated resorts, where visitors not only seek a gaming experience but also a multi-night resort destination. Our properties include:

Hotels: We have an array of high quality room products, managed and operated either by us or by Four Seasons. We offer Paiza suites and Paiza mansions to certain of our VIP and premium players, while simultaneously accommodating the hotel needs of business and leisure travelers with our suites and other room product offerings. We believe that offering a diversified range of room products increases the attractiveness of our properties and extends the average length of stay. Following the opening of The Venetian Macao in August 2007, the average length of stay for our customers in Macau increased from approximately 1.3 nights in 2007 to 1.4 nights in 2008. For the six months ended June 30, 2009, The Venetian Macao's average length of stay was approximately 1.6 nights overall and approximately 1.8 nights for MICE participants.

MICE: The Venetian Macao has been named by CEI Asia as the "Best MICE Hotel in Asia" in each of the two years since we opened in August 2007. Our 1.2 million square feet of MICE facilities are capable of hosting large trade shows, conventions, exhibitions and corporate meetings. Convention and group meeting visitors typically generate mid-week demand, have relatively longer lengths of stay and are a significant source of repeat visitation and non-gaming spending. Our key MICE-related achievements in 2008 include hosting more than 25 trade shows, more than 875 group meetings and over 250,000 MICE participants.

Malls: The Grand Canal Shoppes at The Venetian Macao, together with The Shoppes at Four Seasons, consist of approximately 1.2 million square feet of retail space which feature a variety of high-end designers such as Cartier, Chanel, Gucci, Hermès, Louis Vuitton, and Prada and mass appeal retailers such as Calvin Klein, Coach, Diesel, Esprit, Mango, and Nike. The malls also consist of a 1,000-seat food court and more than 60 restaurants and food outlets, including a diverse range of cuisines from around the world and several Michelin Guide-rated restaurants. We believe that our retail and dining areas will increase multi-night visitation and retail traffic in a manner similar to that experienced in Las Vegas following the opening of the integrated resort and related retail facilities at The Venetian Las Vegas, with the added advantage that Macau may attract customers as a luxury-tax-exempt region. We regard the scope and diversity of our retail and dining areas as key to increasing mass market visitation to Macau and to attracting an increased share of this segment to our properties.

Entertainment: The Venetian Macao contains The CotaiArena™ and other theater facilities that host world-class sporting events, concerts, a Cirque du Soleil show and other performances designed to increase the appeal of Macau among non-gaming visitors. We have had a significant number of entertainment offerings at The Venetian Macao, including concerts, sporting events, cultural and television broadcast events. During 2008 and the six months ended June 30, 2009, over 350,000 people and approximately 225,000 people, respectively, attended entertainment events at our properties.

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- **Substantial cash flow from existing operations and a significant development pipeline.** For the year ended December 31, 2008 and for the six months ended June 30, 2009, our properties generated adjusted EBITDAR of US\$686.0 million and US\$337.7 million (HK\$2,616.8 million), respectively. We believe that our significant cash flow from operations will enable us to reinvest in our properties and, in conjunction with supplemental financing, continue to help fund our development pipeline. Our plans for Cotai include first completing the integrated resort on Parcels 5 and 6 and then subsequently developing the integrated resorts on Parcels 3, 7 and 8. We believe that our future development pipeline is among the largest in Macau and will enhance our future cash flow.
- **Established brands with broad regional and international market awareness and appeal.** Our premium gaming and resort offerings have enabled us to capture significant market share as measured by gaming revenues. Our market position is supported by our first-mover status in building Las Vegas-style casino, hotels and integrated resorts, which improved the recognition of our Company and the "Venetian" and "Sands" brands in Macau. We believe that the strength of our brands is demonstrated by the average daily rates at our properties, which are above market averages. For example, in the six months ended June 30, 2009, we achieved average daily rates of US\$209 for The Venetian Macao, compared to Macau's average daily rates of US\$122.
- **Experienced management team with proven track record.** We have a proven, experienced nine-person management team which has an average of approximately 23 years of experience in the hotel, gaming and convention, development and asset management industries. Our senior management team, which has a combination of international as well as significant local experience, places us in a strong competitive position to capitalize on future opportunities in Macau.

We also have a significant in-house development and construction staff, the nine most senior of whom average more than 27 years of work experience, including an average of over four years with our Company. This team has been integral in the construction of all our existing properties and is expected to lead our future construction projects on Cotai.

- **Significant benefits from our on-going relationship with LVS.** LVS, which will have a majority ownership interest in our Company after [●], is a strategic Shareholder with extensive industry knowledge and has successfully operated the convention-based, integrated resort business model in Las Vegas. By virtue of the Shared Services Agreement to be executed in conjunction with [●], we will continue to have access to LVS's trademarks and brands and will be able to leverage LVS's expertise and economies of scale in procurement, construction and operation services; procurement of insurance coverage; information technology services; transportation services and administrative services.

BUSINESS STRATEGIES

Building on our key strengths, we seek to enhance our position as the leading developer and operator of integrated resorts and casinos in Macau by continuing to implement the following business strategies:

- **Develop and diversify our integrated resort offerings in Cotai to include a full complement of products and services to cater to different market segments.** Our ultimate plans for Cotai include five integrated resorts, MICE space, additional retail, dining and entertainment facilities and a range of hotel offerings to cater to different segments of the market. We plan to diversify our existing base of five-star hotel rooms on Cotai with four- and three-star hotel rooms. After completion of our remaining integrated resorts in Cotai, we expect to have, among others, Sheraton-, Shangri-La- and Traders-branded hotel rooms. We intend to leverage the recognition and the sales, marketing and reservation capabilities of these premier hotel brands to attract a new segment of customers to our properties. We believe our partnership with renowned hotel management partners, our diverse integrated resort offerings and the convenience and accessibility of our properties will further increase the appeal of our properties to both the business and leisure customer segments.

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- ***Leverage our scale of operations to create and maintain an absolute cost advantage.*** Management expects to benefit from lower unit costs due to the economies of scale inherent in its operations. Opportunities for lower unit costs include, but are not limited to, lower utility costs, more efficient staffing of hotel and gaming operations, laundry, transportation, marketing and sales, and procurement. In addition, our scale allows us to consolidate certain back office functions and, where appropriate, to relocate these functions to Zhuhai, China. Zhuhai labor rates are approximately one-third of those in Macau. As of September 30, 2009, we have over 150 employees in Zhuhai and expect this number to increase significantly in the near term.
- ***Focus on the high-margin mass market gaming segment while continuing to provide luxury amenities and high service levels to our VIP and premium players.*** Our properties cater not only to VIP and premium players but also to mass market customers, which comprise our most profitable gaming segment. We believe that the mass market segment will continue to be a fast-growing segment as a result of the introduction of more high quality gaming facilities and non-gaming amenities in the market. As of June 30, 2009, our properties contained approximately 849,000 square feet of gaming space consisting of 1,098 table games and 3,631 slot machines, 797 tables of which were dedicated to mass market play. Our management estimates that our mass market table revenues typically generate a gross margin that is approximately four times higher than that of our typical VIP player table revenues. Additionally, because mass market players do not receive extensive complimentary services, including provision of hotel rooms, meals or other products or services, they contribute significantly to our non-gaming revenues.

At the same time, we are focused on growing our share of the premium players segment via direct marketing efforts and by leveraging our Paiza brand and luxury amenities that enable us to differentiate our properties from those of our competitors, who typically rely more on Gaming Promoters for their VIP players. To attract premium players, we offer them accommodations in our exclusive Paiza suites and Paiza mansions, complete with private gaming and concierge services. Our management estimates that our premium player table revenues generate a gross margin that is approximately 1.0 to 1.5 times higher than our typical VIP player table revenues.

- ***Monetize our non-core assets to reduce net investment through the sale of retail malls and the sale or co-op of luxury apart-hotels.*** Our integrated resorts include retail facilities and apart-hotels. These assets can be sold to increase our financial flexibility and improve our returns on invested capital. The sale of these assets does not diminish the ability of the retail facilities and apart-hotels to attract traffic to our properties. Below is a description of our retail malls and the apart-hotel tower, which is anticipated to be branded and serviced by Four Seasons, as well as the potential methodologies to monetize the apart-hotel:

Retail Malls: We have existing retail malls at The Venetian Macao (The Grand Canal Shoppes) and the Plaza (The Shoppes at Four Seasons) and additional malls planned at our other Cotai Strip projects. We plan to sell these retail malls when we believe market conditions support appropriate and optimized valuations. In connection with any future negotiation with respect to the sale of the retail malls, we will endeavor to maintain operational influence in the form of product positioning and certain consent and approval rights through binding agreements that would be entered into with any purchaser of the retail malls, which could include approval of the classes and types of stores permitted in the retail mall. In addition, as part of our negotiations with the potential buyers, we will endeavor to require the buyer to commit to operating the retail malls in accordance with the "Venetian" theme or other applicable up-scale or high-end theme, and at a level of quality and service which would continue to complement our adjoining properties.

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Apart-Hotel: We are currently constructing an apart-hotel tower, which is anticipated to be branded and serviced by Four Seasons, and expect to complete construction in the fourth quarter of 2009. We plan to monetize this apart-hotel tower through one of the following methods:

- sale of the entire apart-hotel tower as one unit;
- sale of exclusive rights to use individual apart-hotel units under a cooperative scheme; or
- if we obtain approval to sub-divide the apart-hotel tower into separate lots for each unit, sale of individual condominium-titled apartments.

OUR EXISTING OPERATIONS

Our operations consist of The Venetian Macao, the Sands Macao, the Plaza and the other operations that support these properties, including our high-speed CotaiJet ferry service between Hong Kong and Taipa. The following table sets forth data on our existing operations as of June 30, 2009:

	<u>The Venetian Macao</u>	<u>Sands Macao</u>	<u>Plaza</u>	<u>Total</u>
Opening date.....	August 2007	May 2004	August 2008	—
Hotel rooms.....	2,841	289	360	3,490
Paiza suites.....	64	—	—	64
Paiza mansions.....	—	—	19	19
MICE (square feet).....	1,200,000	—	25,000	1,225,000
Theater / arena.....	1,800-seat theater 15,000-seat arena	650-seat theater —	— —	— —
Total retail (square feet).....	1,000,000	—	211,000	1,211,000
Number of shops.....	302	—	83	385
Number of restaurants and food outlets.....	59	6	3	68
Total gaming facility (square feet) ..	550,000	229,000	70,000	849,000
Gaming units:				
Tables.....	599	405	94	1,098
Slots.....	2,191	1,176	264	3,631

The Venetian Macao

In August 2007, we opened The Venetian Macao, the anchor property of our Cotai Strip development, located approximately three kilometers from the TTFT on Macau's Taipa Island. As of June 30, 2009, The Venetian Macao included approximately 550,000 square feet of casino and gaming areas spread across exclusive VIP rooms and an expansive mass market gaming floor. As of June 30, 2009, The Venetian Macao featured 599 table games and 2,191 slot machines. The mass market gaming floor is divided into four uniquely designed areas: Red Dragon, Golden Fish, Phoenix and Imperial House. The Venetian Macao, with a theme similar to that of The Venetian Las Vegas, features replicas of many famous sites in Venice, Italy, including St. Mark's Square, the Campanile Tower and Doge's Palace. During the six months ended June 30, 2009, The Venetian Macao had a total of approximately 14.1 million visits.

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Our total net revenues derived from The Venetian Macao for the six months ended June 30, 2009 were US\$930.9 million (HK\$7,214.6 million), as compared to total net revenues of US\$949.0 million for the same period in 2008 and US\$651.6 million and US\$1,941.6 million for the years ended December 31, 2007 and 2008, respectively. The following table sets forth key operating results of The Venetian Macao for the periods indicated:

	For the year ended December 31,		For the six months ended June 30,		
	2007 ⁽¹⁾	2008	2008	2009	2009
	US\$ (in millions, except percentages and hotel statistics)	US\$	US\$	US\$	HK\$
Total net revenues	651.6	1,941.6	949.0	930.9	7,214.6
Adjusted EBITDAR ⁽²⁾ (unaudited)	144.7	497.2	249.7	230.9	1,789.3
Adjusted EBITDAR margin	22.2%	25.6%	26.3%	24.8%	24.8%
Gaming statistics:					
Non-rolling chip table games drop	1,115.8	3,530.1	1,731.6	1,623.3	12,580.6
Non-rolling chip table games win percentage	17.3%	19.9%	19.9%	23.2%	23.2%
Rolling chip volume	17,071.5	36,893.8	18,599.8	18,590.1	144,073.3
Rolling chip win percentage	2.6%	3.0%	3.0%	2.7%	2.7%
Slot handle	490.1	1,941.9	819.9	1,093.8	8,477.0
Slot hold percentage	7.9%	8.0%	8.3%	7.5%	7.5%
Hotel statistics:					
Average daily rate	221	226	228	209	1,620
Occupancy rate	85.7%	85.3%	79.4%	76.7%	76.7%
Revenue per available room	190	193	181	160	1,240
Retail mall statistics:					
Occupancy rate	49.2%	76.8%	67.7%	76.7%	76.7%

(1) The Venetian Macao commenced operations in August 2007.

(2) Adjusted EBITDAR is defined in "Financial Information—Summary of Results of Operations—Adjusted EBITDAR."

In addition to gaming facilities, The Venetian Macao features a 39-floor five-star hotel tower with over 2,900 suites. Standard suites consist of a raised sleeping area and bathroom as well as a sunken living / working area. We believe that these designs are responsive to the needs of regional leisure and business travelers as well as players, and help attract more multi-night leisure or business visitors to Macau, as typically seen in Las Vegas. The Venetian Macao also offers 64 Paiza suites that range from 2,300 to 8,000 square feet. Each Paiza suite in The Venetian Macao offers a living room, a dining room, at least two bedrooms and private concierge service. Some larger suites include private massage rooms, gyms, pools, and media / karaoke rooms.

The Venetian Macao also provides a broad selection of entertainment options and amenities, which cater to mass market customers, including families, and also targets VIP and premium players with special products and services, such as the Paiza Club. The Venetian Macao has approximately 1.0 million square feet of retail and dining areas at the Grand Canal Shoppes, consisting of 302 stores and over 50 restaurants, including a food court. Visitors and guests can access The Grand Canal Shoppes at The Venetian Macao from several different locations, including the main road through Cotai, The Venetian Macao hotel and The Venetian Macao gaming floor. Offerings include a wide variety of shops, ranging from well-known international brands such as Agnès b, Calvin Klein, Coach, Diesel, Emporio Armani and Lacoste, to mid-end retail offerings such as Esprit, Mango, Nike, United Colors of Benetton and Zara. The mall has an extensive selection of high-end jewelry and watch retailers such as Tiffany & Co., Franck Muller, Charriol, Piaget and Mikimoto. The mall also features The Manchester United Experience store, Manchester United Football Club's first licensed merchandising outlet in Asia, selling team footballs, clothing, accessories and other memorabilia. The second floor of the store includes interactive sporting displays with 360-degree, high-definition screens

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installed, allowing customers to experience football skills training and virtual tours of the Manchester United Football Club, including Old Trafford Stadium. The restaurants and stores are set along streetscapes reminiscent of historical streetscapes in Venice. The common areas within the retail space include St. Mark's Square and a series of three canals and gondola rides, similar to The Grand Canal Shoppes at The Venetian Las Vegas. The Venetian Macao also contains Asia's first Malo Clinic and Malo Clinic Spa, an 85,000-square foot facility owned and managed by the Lisbon-based MALO CLINIC Health Group, which opened in July 2009 and offers comprehensive medical treatments and spa services.

In addition, The Venetian Macao features a convention center and meeting room complex of approximately 1.2 million square feet. These MICE facilities provide a flexible and expansive space that can be configured to provide small, mid-size or large meeting rooms and/or accommodate large-scale multi-media events or trade shows. MICE events typically take place on weekdays, thereby drawing traffic during the portion of the week when hotels and casinos in Macau normally experience lower demand relative to weekends and holidays when occupancy and room rates are typically at their peak due to leisure travel. We hosted six trade shows during the six months ended June 30, 2009. In 2008, we hosted over 25 trade shows and 875 corporate groups, representing over 250,000 visitors. The Venetian Macao also has a 15,000-seat arena, The CotaiArena, that has hosted a wide range of entertainment and sporting events, and a 1,800-seat theater that currently features Zaia, an original production and the first resident show in Asia from Cirque Du Soleil, an entertainment company based in Montreal, Quebec, Canada.

Sands Macao

We opened the Sands Macao in May 2004. The Sands Macao was the first Las Vegas-style casino in Macau and currently contains a mix of gaming areas for mass market, VIP and premium players, and entertainment and dining facilities. The Sands Macao is situated on the Macau peninsula near the New Macau Maritime Ferry Terminal on a waterfront parcel centrally located between the Gongbei border gate and the central business district in Macau. This location provides the Sands Macao access to a large customer base, particularly the approximately 9.2 million visitors who arrived in Macau by sea at either the TTFT, the inner harbor or the New Macau Maritime Ferry Terminal in 2008 according to DSEC statistics. During the six months ended June 30, 2009, the Sands Macao had a total of approximately 3.5 million visits.

As of June 30, 2009, the Sands Macao contained 289 suites, which are furnished with modern and luxurious amenities and decorated with stylish dark wood paneling and high-end furniture. These rooms are made available primarily for our VIP or premium players, typically on a complimentary basis. As of June 30, 2009, the Sands Macao also included approximately 229,000 square feet of gaming space and had 405 table games and 1,176 slot machines.

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Our total net revenues derived from the Sands Macao for the six months ended June 30, 2009 were US\$458.6 million (HK\$3,554.2 million), as compared to total net revenues of US\$536.5 million for the same period in 2008 and US\$1,281.1 million, US\$1,314.5 million and US\$1,032.1 million for the years ended December 31, 2006, 2007 and 2008, respectively. The following table sets forth key operating results of the Sands Macao for the periods indicated. The suites at the Sands Macao are primarily provided to gaming patrons on a complimentary basis and therefore related statistics have not been included.

	For the year ended December 31,			For the six months ended June 30,		
	2006	2007	2008	2008	2009	2009
	US\$	US\$	US\$	US\$	US\$	HK\$
	(in millions, except percentages and hotel statistics)					
Total net revenues	1,281.1	1,314.5	1,032.1	536.5	458.6	3,554.2
Adjusted EBITDAR ⁽¹⁾						
(unaudited)	457.7	374.1	214.4	119.6	111.4	863.0
Adjusted EBITDAR margin	35.7%	28.5%	20.8%	22.3%	24.3%	24.3%
Gaming statistics:						
Non-rolling chip table games						
drop	4,178.7	3,525.6	2,626.9	1,381.3	1,208.4	9,365.1
Non-rolling chip table games						
win percentage	18.6%	18.7%	18.9%	19.8%	19.1%	19.1%
Rolling chip volume	17,115.0	26,325.3	25,182.2	11,789.8	9,845.3	76,301.1
Rolling chip win percentage . .	3.2%	3.0%	2.6%	2.7%	2.7%	2.7%
Slot handle	1,048.8	1,181.1	1,039.4	514.0	577.2	4,473.3
Slot hold percentage	7.7%	6.9%	7.8%	8.2%	6.7%	6.7%

(1) Adjusted EBITDAR is defined in "Financial Information—Summary of Results of Operations—Adjusted EBITDAR."

In addition to gaming facilities and hotel accommodations, the Sands Macao also includes restaurants, spa facilities, entertainment areas and other amenities. The dining venues feature popular regional cuisine and include a Cantonese restaurant, a Macanese/Portuguese restaurant and an upscale western-style steakhouse.

Plaza

In August 2008, we opened the Plaza, located adjacent and connected to The Venetian Macao in our Cotai Strip development. We believe that the Plaza complements The Venetian Macao by providing a five-star luxury hotel and resort experience to our high-end customers. The Plaza consists of the Four Seasons Hotel, which includes 360 suites managed and operated by Four Seasons, the Plaza Casino (including the Plaza mansions), The Shoppes at Four Seasons, several restaurants and bars, a fitness center, swimming pool and spa as well as conference, banquet and other related facilities operated by us. As of June 30, 2009, the Plaza Casino had approximately 70,000 square feet of gaming space, 94 table games and 264 slot machines, and included exclusive VIP rooms designed for VIP and premium players. The Plaza was designed specifically to provide an intimate luxury experience for high-end table games customers with special products and services, such as the exclusive Plaza mansions. During the six months ended June 30, 2009, the Plaza had a total of approximately 2.2 million visits.

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Our total net revenues derived from the Plaza for the six months ended June 30, 2009 were US\$95.7 million (HK\$741.6 million). The following table sets forth key operating results of the Plaza for the periods indicated:

	For the year ended December 31,		For the six months ended June 30,	
	2008		2008 ⁽¹⁾	2009
	US\$		US\$	US\$
	(in millions, except percentages and hotel statistics)		US\$	HK\$
Total net revenues	62.5	—	95.7	741.6
Adjusted EBITDAR ⁽²⁾ (unaudited)	7.3	—	9.8	76.1
Adjusted EBITDAR margin	11.7%	—	10.3%	10.3%
Plaza Casino gaming statistics:				
Non-rolling chip table games drop	99.8	—	167.5	1,298.1
Non-rolling chip table games win percentage	21.1%	—	25.2%	25.2%
Rolling chip volume	630.1	—	1,125.2	8,720.3
Rolling chip win percentage	4.5%	—	3.2%	3.2%
Slot handle	38.2	—	100.0	775.0
Slot hold percentage	5.6%	—	5.7%	5.7%
Four Seasons Hotel statistics:				
Average daily rate	344	—	293	2,271
Occupancy rate	32.0%	—	41.5%	41.5%
Revenue per available room	110	—	122	946
Retail mall statistics:				
Occupancy rate	88.7%	—	86.7%	86.7%

(1) The Plaza commenced operations in August 2008.

(2) Adjusted EBITDAR is defined in "Financial Information—Summary of Results of Operations—Adjusted EBITDAR."

Hotel rooms at the Four Seasons Hotel are spread over 14 floors and range in size from 575 to 4,000 square feet. The Four Seasons Hotel also includes a luxurious spa and fitness center, and high-end retail space of approximately 211,000 square feet. The Shoppes at Four Seasons is Macau's largest luxury shopping mall and features a mix of more than 80 luxury branded stores, some of which had not previously established stores in Macau, as well as high-quality dining facilities. Offerings include brands such as Brioni, Canali, Cartier, Chanel, Emporio Armani, Gucci, Hermès, La Perla, Louis Vuitton, Valentino and Versace. The Shoppes at Four Seasons also include a variety of exclusive customer services, including a mall concierge, image consultants, private shoppers, hotel delivery service and complimentary limousine transportation. The mall is connected to The Grand Canal Shoppes at The Venetian Macao.

The Plaza also features the Paiza mansions, which we operate and manage and which are generally provided to VIP and premium players on a complimentary basis. Each of the mansions averages approximately 7,000 square feet, are individually designed and located in a separate structure from the main hotel tower directly above the Plaza Casino with direct access to the Plaza Casino. The mansions include a full complement of ultra-exclusive amenities for our most important customers.

In addition, the Plaza will include an apart-hotel tower, consisting of approximately 1.0 million square feet of luxury apart-hotel units and common areas and is expected to be branded and serviced by Four Seasons. Following the completion of the structural works for the apart-hotel tower in the fourth quarter of 2009, we intend to monetize this apart-hotel tower through one of the above-mentioned methods. See "Business Strategies." As of June 30, 2009, we had capitalized construction costs of US\$307.0 million (HK\$2,379.3 million) with respect to the apart-hotel tower. We expect to spend approximately US\$147.0 million (HK\$1,139.3 million) on additional costs to complete the apart-hotel tower, including furniture, fixtures and equipment, pre-opening costs and additional land premiums, and to pay outstanding construction payables.

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OUR DEVELOPMENT PROJECTS

We have submitted plans to the Macau Government for three integrated resort developments on an area of approximately 320,000 square meters (which we refer to as Parcels 3, 5, 6, 7 and 8). The following map indicates the location of our existing and planned Cotai Strip properties:



We expect these integrated resorts on Parcels 3, 5, 6, 7 and 8 to include hotels, MICE facilities, casinos or gaming areas, showrooms, theaters, shopping malls and other amenities.

Given the recent challenging conditions in the capital markets and the global economy, we suspended these development projects. As of June 30, 2009, we had capitalized construction costs of approximately US\$1.9 billion for non-completed projects, including US\$1.7 billion for our projects on Parcels 5 and 6 and US\$115.7 million for our projects on Parcels 7 and 8. See “Risk Factors—Risks Relating to Our Cotai Strip Development.”

We currently intend to develop our other Cotai Strip properties as follows:

- **Parcels 5 and 6.** Parcels 5 and 6 will together comprise an integrated resort located across the street from The Venetian Macao and the Plaza, and which we expect will be connected to our other existing and future Cotai Strip properties via elevated, covered pedestrian bridges. Upon completion of Phases I and II, the integrated resort is expected to feature approximately 6,000 hotel rooms, approximately 1.2 million square feet of retail, entertainment and dining facilities, MICE space and a multi-purpose theater. The integrated resort will also feature approximately 300,000 square feet of gaming space, which, subject to Macau Government approval, will be sufficient to accommodate up to 670 tables and 2,200 slot machines. We have entered into management agreements with Shangri-La to manage hotels under its Shangri-La and Traders brands, and with Starwood to manage two hotel towers under its Sheraton brand and a luxury hotel and apart-hotel tower under its St. Regis brand.

Phase I is expected to consist of two hotel towers with over 3,700 Sheraton-, Shangri-La- and Traders-branded hotel rooms, as well as completion of the structural works for an adjacent 2,300 room Sheraton hotel tower. Phase I will also consist of the completion of the gaming

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space, which is expected to include approximately 670 tables and 2,200 slot machines, a multi-purpose theater, and a partial opening of the retail and MICE facilities. The total cost to complete Phase I, excluding interest expense, is expected to be approximately US\$2.0 billion.

Phase II consists of the internal fit-out of the second Sheraton-branded hotel tower, as well as completion and fit-out of the remaining retail facilities. The additional Sheraton hotel tower is expected to take another six months to complete and the remaining retail facilities are expected to be completed within 24 months after the adjacent Sheraton hotel tower is completed. The total cost to complete Phase II, excluding interest expense, is expected to be approximately US\$190.0 million.

Phase III is expected to include a luxury St. Regis-branded hotel and apart-hotel tower. The total cost to complete Phase III, excluding interest expense, is expected to be approximately US\$443.0 million. Consistent with our strategy to monetize non-core assets, we plan to sell the retail mall located within our integrated resort project on Parcels 5 and 6. Subject to Macau Government approval, we also plan to monetize the St. Regis apart-hotel units. See “—Business Strategies.”

In November 2008, we suspended construction on Parcels 5 and 6. We plan to restart construction of Phases I and II with a portion of the proceeds from [●], together with supplemental financing that we are currently seeking to obtain from a group of lenders. We do not intend to restart construction until such supplemental financing is committed or arranged and currently estimate that it will take approximately 18 months to complete construction of Phase I and another six months thereafter to complete the internal fit-out of the additional Sheraton hotel tower in Phase II. We expect to commence construction of Phase III at a future date as demand and market conditions warrant.

As of June 30, 2009, we had capitalized construction costs of approximately US\$1.7 billion (HK\$13.2 billion) on the development of Parcels 5 and 6 and, if supplemental financing is obtained, we expect to spend an additional US\$2.2 billion to complete Phases I and II. Our management agreements with Starwood impose certain development deadlines and opening obligations on us. As a result of the delays described above, we have not met certain of these deadlines and obligations. See “Risk Factors—Risks Relating to Our Cotai Strip Development.”

- **Parcel 3.** Parcel 3 is expected to contain an integrated resort that will be connected to the Plaza and the The Venetian Macao, and may contain up to 3,900 hotel rooms, gaming areas and other integrated resort amenities. These plans are based on initial designs conceptualized in 2005, which we have continued to refine and update during the course of its overall design and development. We commenced pre-construction and had capitalized construction costs of US\$35.6 million (HK\$275.9 million) as of June 30, 2009, which consisted primarily of consultant costs, in particular for architect and interior designer consultant costs. As of the Latest Practicable Date, we have obtained a soil investigation license and a temporary hoarding license for Parcel 3. We are unable to provide any details on necessary financing, the estimated total development costs or the time required to complete the integrated resort on Parcel 3. We only intend to commence construction of Parcel 3 after the completion of Parcels 5 and 6, after necessary government approvals are obtained, regional and global economic conditions improve, conceptual designs are further refined, future demand warrants and additional financing is secured. See also “Risk Factors—Risks Relating to Our Cotai Strip Development.”
- **Parcels 7 and 8.** Parcels 7 and 8 are expected to contain an integrated resort similar in size and scope to the integrated resort located on Parcels 5 and 6. These plans are based on initial conceptual designs, which we will continue to refine and update during the course of its overall design and development. We have commenced pre-construction on Parcels 7 and 8 and had capitalized construction costs of US\$115.7 million (HK\$896.7 million) as of June 30, 2009, which consisted primarily of site preparation, piling and architect and interior designer consultant costs. As of the Latest Practicable Date, we have obtained soil investigation licenses, a ground improvement works license and a revalidation of ground investigation works

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license for Parcels 7 and 8. In addition to these licenses, we have applied for the land concession for Parcels 7 and 8 and must obtain construction licenses and architectural plan approval, in order to commence construction on Parcels 7 and 8. We are unable to provide any details on the necessary financing, the estimated total development costs or the time required to complete the integrated resort on Parcels 7 and 8. We only intend to commence construction after necessary government approvals are obtained, regional and global economic conditions improve, conceptual designs are further refined, future demand warrants and additional financing is secured. See “—Land Concessions” below.

As Parcels 5, 6, 7 and 8 are not designated by the Macau Government for our Group’s projects that formed part of the investment obligations that VML agreed to pursuant to the Subconcession Contract or pursuant to any other agreement, our Group has separately engaged in discussions with the Macau Government to obtain land concessions for these parcels.

Our Macau legal advisor is of the opinion that although we have commenced development on Parcels 5 and 6 without a land concession to these land parcels, we commenced development on Parcels 5 and 6 with the authorization of the Macau Government, including authorization through the grant of relevant construction licenses prior to commencing development. Based on our experience with Parcels 1 and 2, in which we commenced development with Macau Government authorization before the land concession was received, but nonetheless subsequently obtained the land concession, our Macau legal advisor is of the opinion that the Macau Government will adopt the same procedure as with Parcels 1 and 2 in the granting of land concessions for Parcels 5, 6, 7 and 8. In the event that we do not secure the land concession for Parcels 5, 6, 7 and 8, however, we will not be entitled to any occupier or compensation rights for the buildings or other developments erected on the land.

See “Risk Factors—Risks Relating to Our On-going Operations—Our current substantial debt or the incurrence of additional debt to finance our planned development projects could impair our financial condition, results of operations and cash flows.”

LAND CONCESSIONS

Land concessions in Macau generally have 25-year terms, with automatic extensions of 10 years thereafter in accordance with Macau law. There are common rates based on land use, which are generally applied to determine the cost of these land concessions. See “Regulation—Land Use and Title Process Laws in Macau.” We have received land concessions from the Macau Government to build the Sands Macao and Parcels 1, 2 and 3 in our Cotai Strip development, including the parcels on which The Venetian Macao (Parcel 1) and the Plaza (Parcel 2) are located. While we do not own these land parcels in Macau, the land concession grants us exclusive use of the land for a term of 25 years, starting from April 18, 2007, and is renewable at our option and in accordance with Macau law. As specified in the land concessions, we are required to pay premiums for each parcel, which are either payable in a single lump sum upon acceptance of the land concession by the Macau Government or in seven semi-annual installments, provided that the outstanding balance is due upon the completion of the corresponding integrated resort, as well as annual rent for the term of the land concession, which may be revised every five years by the Macau Government.

In October 2008, the Macau Government amended our land concession to separate the retail and hotel portions of the Plaza parcel and allowed us to subdivide the parcel into four separate components, consisting of retail, hotel (including gaming areas), apart-hotel tower and parking areas. In consideration for the amendment, we paid an additional land premium of approximately US\$17.8 million. At the time when we decide to sell The Grand Canal Shoppes, we will apply to the Macau Government to amend the land concession to separate the retail and hotel portions of The Venetian Macao to permit the sale of The Grand Canal Shoppes. In consideration for the amendment, we expect to pay an additional land premium.

Parcel 3: Under our original land concession relating to Parcel 3, we were required to complete the development of Parcel 3 by August 2011. The Macau Government has agreed to provide us with

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an extension to complete the development of Parcel 3 by April 17, 2013. We have obtained clarification from the Macau Government through a letter dated August 20, 2009, that although the land concession in relation to Parcel 3 is part of the same land concession contract as Parcels 1 and 2, it is considered to be legally autonomous from the land concessions for Parcels 1 and 2 and any hypothetical event of default relating to Parcel 3 will not cause a breach of the land concession for Parcels 1 and 2.

Parcels 5 and 6: We have received a draft land concession contract for Parcels 5 and 6 and expect to formalize the land concession in due course following the usual MSAR land grant process. Following receipt and acceptance by us of the draft land concession for Parcels 5 and 6 from the Macau Government, the land concession could be finalized within one to two months, depending on the timing for authorization and publication by the Macau Government in the Macau Official Gazette. The estimated land premium for Parcels 5 and 6 is calculated based on the type of development proposed for the land parcels. Based on discussions with the Public Works Department, we expect the total land premium for Parcels 5 and 6 to be MOP1.9 billion (US\$0.2 billion).

Parcels 7 and 8: We do not have all the necessary Macau Government approvals that we will need in order to develop Parcels 7 and 8. Although we have commenced construction or pre-construction for our Cotai Strip projects on Parcels 7 and 8, we have not yet obtained a land concession for these parcels from the Macau Government. We intend to negotiate the land concession for Parcels 7 and 8 upon successfully obtaining the land concession for Parcels 5 and 6 and believe we will be successful in obtaining it. However, in the event we are unable to obtain a concession for the land underlying Parcels 7 and 8, we could lose all or a substantial part of our US\$115.7 million (HK\$896.7 million) in capitalized construction costs related to our developments on Parcels 7 and 8 as of June 30, 2009. See "Risk Factors—Risks Relating to Our Cotai Strip Development." At this stage, we are unable to estimate the expected timeline for obtaining the land concession for Parcels 7 and 8 or the amounts of land premium to be assessed.

As of June 30, 2009, there was no land premium paid or payable by our Group for Parcels 5, 6, 7 and 8.

As of the Latest Practicable Date, there has been no dispute as to the ownership of Parcels 1, 2, 3, 5, 6, 7 and 8. As the above land parcels are developed under separate land concessions which contain completion deadlines established for those particular parcels, our Macau legal advisor has advised us that there are no cross-defaults between the different land concession agreements for these land parcels. Our Macau legal advisor is also of the opinion that there is no legal impediment to our ability to obtain definitive land concessions for Parcels 5, 6, 7 and 8, provided that we reach an agreement with the Macau Government and successfully complete and conclude all land concession formalities, including the payment of land premium.

OTHER OPERATIONS

As part of our goal of driving visitation to Cotai and improving the customer experience in Macau, we have made targeted investments to help develop Macau's transportation infrastructure. Our transportation operations consist of our high-speed CotaiJet ferry service between Hong Kong and Macau, airplane service available for VIP and premium players, CotaiShuttle bus service, CotaiLimo™ service and a travel agency.

CotaiJet Ferry Services

In November 2007, we launched our high-speed CotaiJet ferry service between MFT in Hong Kong and TTFT near our Cotai Strip development. Our CotaiJet ferry service currently provides 40 daily round trip sailings. With our 14 ferries, we have the ability to run ferries on 15-minute intervals as needed to meet demand. We transferred approximately 9,700 passengers per day for the year ended December 31, 2008 and approximately 12,700 passengers per day for the six months ended June 30, 2009.

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The CotaiJet service is fully managed and operated on our behalf by Cotai Chu Kong Shipping Management Services Co., Ltd. of Hong Kong using catamarans owned by our wholly owned indirect subsidiaries. Each custom-built catamaran has the capacity to carry more than 400 passengers and operates at top speeds of approximately 42 knots.

We operate our passenger ferry service pursuant to an agreement with the Macau Government. The scope of the agreement is to operate ferries which transport passengers between the TTFT, in the MSAR and the MFT in Hong Kong. The initial term of the agreement is for a period of 20 years, starting from October 29, 2007. The term may be extended by agreement. The parties undertake to meet in the third year before the end of the initial term to discuss and agree to the terms of any extension of the initial term. The terms and conditions in the agreement may be reviewed during the 10th year prior to the expiration of the initial term and after the first five years of the initial term in order to make any necessary changes to the terms of the operation of the passenger ferry service, or to the terms governing the use of port infrastructure and terminals for passengers in Macau. The Macau Government and Cotai Ferry Company Limited have agreed to negotiate any revisions to the agreement in good faith and to allow Cotai Ferry Company Limited to be bound by the same terms and conditions that the Macau Government adopts in relation to the other operators of ferry passenger services to and from Macau.

The Macau Port Authority has jurisdiction over the execution of the agreement. The operation of the ferry services by Cotai Ferry Company Limited is also accompanied and permanently supervised by a delegate from the Macau Government nominated by dispatch from the Chief Executive of the MSAR.

There are currently eight similar contracts, with different operators, for passenger ferry service between the MSAR and other destinations in the Pearl River Delta, including Hong Kong, via different routes. The rights given to the operators are non-exclusive and the Macau Government may enter into similar contracts with other operators for the same services or routes at its discretion. Currently, Cotai Ferry Company Limited is the only operator operating a route to and from the TTFT to MFT in Hong Kong. The award of our ferry agreement has been challenged by a competitor, see "—Legal Proceedings" and "Risk Factors—Risks Relating to Our Cotai Strip Development."

Airplanes

Through a Shared Services Agreement with LVS, we have access to a fleet of 14 corporate configured airplanes, three of which are currently stationed full-time in Asia. All airplanes are owned by various entities controlled by our Controlling Shareholder and are operated by Sands Aviation LLC, an affiliate of our Company. We can deploy these airplanes to bring VIP and premium players from around the globe to our properties in Macau.

CotaiShuttle Bus Service

We operate a fleet of 79 (62 owned, 17 rented) complimentary shuttle buses that transport passengers between our properties and from the New Macau Maritime Ferry Terminal, the TTFT and the Macau International Airport to our properties every five to 10 minutes during peak periods. These shuttle buses are also supported by an additional 30 coaches. The CotaiShuttle also runs to and from two border checkpoints with mainland China, the Gongbei Border Gate and the Lotus Bridge, transporting visitors directly to and between our properties every five to eight minutes during peak periods. Certain bus service routes, such as those from the New Macau Maritime Ferry Terminal and TTFT and between our properties, run 24 hours per day and help us direct visitors to our properties. Over 5.0 million passengers arrived at The Venetian Macao, the Sands Macao and the Plaza on our complimentary shuttle bus service in the six months ended June 30, 2009. In addition, a free shuttle bus service operates between our Cotai properties and the City of Dreams. This service will cease once pedestrian bridges have been constructed to connect the Cotai properties. All of these routes maintain a regular schedule although exact operating hours are dependent on the specific route. Most routes operate for at least 16 hours every day.

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CotaiLimo

Our CotaiLimo service fleet consists of 71 limousines and operates 24 hours per day and includes three signature vehicles, a Maybach 62, a Bentley Arnage and a Rolls Royce Phantom EWB, which are provided on an exclusive basis to our VIP and premium players. Fleet deployment is managed through a centralized dispatch office for all pre-booked services while additional vehicles are on standby at various locations to provide "on demand" services. As a result of the conversion of some vehicles to dual plate limousines, which would allow such vehicles to operate in both Macau and mainland China, we expect that cross-border business, which we currently outsource, can be provided internally in the near future.

Cotai Ticketing

Our Cotai Ticketing operations were established in 2007 and provide all ticketing requirements for events and services at The Venetian Macao and the Sands Macao. Cotai Ticketing currently sells tickets for the CotaiArena, "Zaia," Sands Theater events, Venetian Ballroom events, Venetian pool parties, Gondola rides and the CotaiJet ferry. Our Cotai Ticketing operations consist of eight box office locations across The Venetian Macao, one box office at the Sands Macao and a call center based in Macau with three language options and both a Macau and Hong Kong direct phone number. We also sell tickets online 24-hours a day at our website, www.CotaiTicketing.com, which is available in numerous language options.

Travel Agencies

We have our own travel agency, Cotai Travel Services. We have also developed partnerships with a large number of tour / travel companies throughout Asia. These agencies assist with reservations and booking for travel to Macau and for various shows and other activities and entertainment amenities at our properties in Cotai.

MARKETING

We advertise through several types of media and undertake various marketing activities to promote our operations. These activities capitalize upon our well-recognized Sands, Venetian and Paiza brands, our product offerings and our network of relationships with travel service providers. We seek to attract customers through the following marketing activities and plans:

- **Advertising.** We have an internal advertising team responsible for promoting our properties and marketing preferred products and services to potential customers in the region. Advertising includes newspapers, magazines, billboards, radio and television spots (to the extent permitted by Macau and other applicable laws) and handouts that promote general market awareness of our properties and brands.
- **Casino marketing.** We engage in extensive marketing to our players, subject to the requirements of Macau and other applicable laws. We have developed gaming patron databases in order to attract new and repeat premium players as well as marketing strategies to attract mass market customers. Where permitted, we actively engage in direct marketing and telemarketing targeted at specific market segments. In addition, we engage in database marketing which focuses on the premium players in our rolling chip segment.
- **Cotai Rewards Club.** We operate the Cotai Rewards Club, which gives members rewards including complimentary gifts, restaurant discounts and invitations to exclusive events at The Venetian Macao and the Sands Macao.
- **Media and public relations.** We utilize the local, regional and international media as a tool to market our properties to a large number of people across several market segments. Such publicity includes press releases or conferences relating to our projects and operations before our openings or our continued daily operations. We have a dedicated public relations team that develops and maintains our media relationships. Members of the media and public relations team specialize in communicating with the media on matters that are of public interest and also

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work to ensure that accurate and timely messages are communicated to the public on matters which are important for our brand image.

- ***Paiza Club.*** As part of our premium branding strategy and our efforts to cater to "high-end" gaming customers, we operate the Paiza Club, which is a membership club reserved for our VIP and premium players. Invitation-only benefits for Paiza Club members include private limousine, helicopter and jetfoil service, 24-hour concierge service, private entrances and club lounges, privileged access to VIP rooms and exclusive VIP suites, 24-hour butler service and food and beverage services.
- ***Sales network.*** We have a staff of 66 sales team members in Macau and other regions throughout Asia, 31 of whom focus on MICE sales for corporate and leisure customers. Our sales staff works in conjunction with experts in operations, information technology and other departments to develop messages and invitations for our target market segments. Our sales people are compensated on an incentive basis based on revenue attributable to their clients.
- ***Special events.*** We also host different types of entertainment events and exclusive functions designed to attract customers to our properties, including parties at peak period times or during special occasions. We target various market segments with customer-specific events, which are designed to cater to our customers' needs and expectations, with the objective of cultivating repeat customer visitation and developing long-term customer relationships. We issue invitations by conducting direct mail and e-mail campaigns, as well as by placing personal phone calls and making personal visits to select customers.

Participation in LVS-operated International Marketing and MICE Sales

In addition to our existing sales force and MICE sales force, LVS provides us with regional marketing and sales services in markets outside of mainland China, Macau, Hong Kong and Taiwan. As part of our on-going relationship with LVS, these services are provided at cost and allocated between our properties and those of LVS based on the benefits received. LVS has a sales team across the U.S., Japan, South Korea, India and Singapore. These employees are involved in marketing all of the properties of LVS Group, including our properties. To ensure the impartial representation of both LVS's properties and our properties, LVS's operational guidelines specify that its sales force is required to present all of our respective properties to prospective customers, and any leads are then booked or sent to our properties for follow up. In addition, all sales compensation is based on gross sales so as not to create an advantage or disadvantage for us or LVS. At all times, we maintain the right to establish our own regional and/or global sales and marketing network should management believe it to be in our best interests. Pursuant to the Shared Services Agreement, we will reimburse LVS for a pro rata portion of such employees' compensation based on the percentage of gross sales.

GAMING CUSTOMERS

Our gaming customers include premium players, mass market players and Gaming Promoters who help source our VIP players. For the years ended December 31, 2006, 2007 and 2008 and for the six months ended June 30, 2009, respectively, our top five gaming customers accounted for approximately 19.3%, 30.1%, 13.1% and 21.9%, respectively, of our gross revenues. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our single largest gaming customer accounted for approximately 8.5%, 13.2%, 10.5% and 10.2%, respectively, of our gross revenues.

Premium and Mass Market Players

Unlike VIP players, premium and mass market players come to our properties for a variety of reasons, including our direct marketing efforts, brand recognition, selection of VIP rooms, the quality and comfort of our mass market gaming floors, and our non-gaming offerings. Premium and mass

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market players account for a significant portion of our total gross profit as no commission costs are payable, unlike in the VIP player segment.

Gaming is conducted on a cash basis, and we generally only grant credit to our players on a very limited basis such as to selected premium players. See "Risk Factors—Risks Relating to Our On-going Operations—We may be exposed to credit risk as a result of extending credit to certain of our premium players and our Gaming Promoters." We generally do not charge interest nor require any security. Repayment terms as well as gaming credit can vary case-by-case. Absent special approval, the credit period granted to our players is typically seven days, with the credit typically repaid within 15 days. As of June 30, 2009, we had established a bad debt provision of US\$25.2 million relating to the extension of credit to individual players.

Gaming Promoters

VML engages Gaming Promoters to promote its VIP rooms primarily due to their knowledge of the Macau gaming market and operations, experience in the logistics of sourcing and attracting VIP players and their extensive customer relations network. Gaming Promoters are independent third parties that include both individuals and corporate entities (which must consist of solely non-corporate shareholders pursuant to Macau law). Gaming Promoters are officially licensed in Macau by the DICJ and identified by our International Marketing Department either because they are a known business operating in Macau or because they approached us directly to offer their services. As of December 31, 2006, 2007 and 2008 and as of June 30, 2009, VML engaged 16, 38, 34 and 29 Gaming Promoters, respectively.

VML typically enters into Gaming Promoter agreements for up to one year, unless the agreement is terminated or breached. Gaming Promoter agreements are non-exclusive and Gaming Promoters are therefore free to contract with other gaming operators in Macau. The agreement is valid as long as the Gaming Promoter has a valid license issued by the DICJ. The Gaming Promoter agreements may be terminated (i) by either party without cause upon 30 days advance written notice; (ii) upon a finding of the Gaming Promoter's unsuitability by the DICJ unless the bureau orders otherwise; (iii) in the event of dishonesty, gross negligence or willful malfeasance in the performance of Gaming Promoter duties and obligations; or (iv) if any party to the agreement cannot carry out its obligations under the agreement and this results in a material breach of the terms of the agreement.

Gaming Promoters are responsible for a significant portion of our gaming revenues. During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, gross gaming revenue attributable to Gaming Promoters accounted for approximately US\$482.5 million, US\$1,131.3 million, US\$1,518.0 million and US\$653.3 million (HK\$5,063.0 million), respectively, representing approximately 34.4%, 51.3%, 46.8% and 41.3% of our gross gaming revenue, respectively. We believe that we have formed strong relationships with some of the top Gaming Promoters in Macau and have built a network of selected Gaming Promoters that help us market our properties and source and assist in managing their VIP players at our properties. Under standard arrangements utilized in Macau, we provide Gaming Promoters with exclusive access to one or more VIP rooms and support from dealers and other casino or gaming staff, while the Gaming Promoter supplies the casino or gaming area with VIP players and guarantees a minimum amount of rolling chip purchases per month. The minimum amount of rolling chip purchases on a monthly or annual basis serves as target levels of chip sales to the relevant Gaming Promoters. However, such target levels of chips do not constitute any form of guaranteed income to VML.

VML's Gaming Promoters are compensated through commission arrangements which are calculated on a monthly basis. We generally offer our Gaming Promoters commission payment structures that are calculated by reference to revenue or monthly rolling chip turnover volumes. Under the revenue-based arrangements, the Gaming Promoter participates in the gaming operator's gaming wins or losses from the VIP players brought in by the Gaming Promoter. Wins and losses are typically

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split in favor of the gaming operator in proportions of 55.0% to 45.0%. Under the rolling chip turnover volume model, commission rates on monthly rolling chip turnover volumes vary between 1.0% to 1.3%.

In July 2009, all Concessionaires and Subconcessionaires entered into an agreement to cap Gaming Promoter commissions. Under this agreement, commission payments to Gaming Promoters cannot exceed 1.25% of rolling chip volumes regardless of the commission structure adopted. As a result of the amendments made to Administrative Regulation No. 6/2002 by the recently enacted Administrative Regulation 27/2009 dated August 10, 2009, the Secretary of Economy and Finance of the Macau Government now has the authority to issue a dispatch implementing the 1.25% Gaming Promoter commission cap, as agreed between all Concessionaires and Subconcessionaires, which is expected to become effective on December 1, 2009. The amendment sets forth standards for what constitutes a commission to Gaming Promoters, including all types of payments, either monetary or in specie, that are made to Gaming Promoters such as food and beverage, hotel and other services and allowances. The amendment also imposes obligations on Gaming Promoters, Concessionaires and Subconcessionaires to report regularly to the DICJ and imposes fines or other sanctions for non-compliance with the commission cap or the monthly obligations to report and detail the amount of commissions paid to Gaming Promoters. In anticipation of the implementation of the commission cap, we began implementing the necessary internal control systems to ensure compliance with the additional reporting obligations and rules pursuant to Administrative Regulation 27/2009.

In addition to commissions, our Gaming Promoters historically received food and beverage allowances and hotel and transportation allowances rather than cash payments to encourage them to provide complimentary tickets, entertainment and hotel accommodation to their VIP players in order to induce them to play in VML's VIP rooms. The amounts expensed from allowances provided to VML's Gaming Promoters for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were US\$13.8 million, US\$32.6 million, US\$38.2 million and US\$16.6 million (HK\$128.4 million), respectively. Under the agreement to cap commissions and Administrative Regulation 29/2009, these allowances must be included in the 1.25% cap on Gaming Promoter commissions.

VML's Gaming Promoters may utilize their respective employees and other collaborators, to assist in the operation and promotion of VIP rooms. VML does not have a commercial, legal or other relationship with such collaborators and does not pay them any fees. Under VML's Gaming Promoter agreements, VML's Gaming Promoters agree to fully comply with all applicable Macau laws and regulations as well as VML's rules and procedures, including, but not limited to, those relating to gaming, Gaming Promoter licensing, gaming credit extension, internal controls and anti-money laundering laws and regulations. VML has established complaint channels for reporting any misconduct by its Gaming Promoters and their collaborators, supervises and monitors activities in its VIP rooms, and has set up surveillance systems in its VIP rooms to prevent any misconduct by its Gaming Promoters. See "Internal Controls and Anti-money Laundering." As a result of such supervision and monitoring, the Company has terminated relationships or declined to execute agreements with Gaming Promoters due to concerns over one or more of the following: repeated untimely filing of ROVEs, identification of a major player of a Gaming Promoter as a politically exposed person through database searches, unresolvable concerns regarding suspected side betting transactions between a Gaming Promoter and one of its players or suspected abuse of our complimentary privileges. The Company has not been subject to investigation, sanction, fine or penalty in this respect.

VML is not liable or jointly liable for any misconduct on the part of its Gaming Promoters that occurs outside of its casinos or gaming areas. During the Track Record Period, our Group was not subject to any material investigation, sanction, fine or penalty due to violations of Macau gaming laws by our Gaming Promoters.

Our Macau legal advisor has (i) reviewed the DICJ's confirmation dated September 16, 2009, which confirms full compliance by VML with the Subconcession Contract and that no default or event of default exists thereunder; (ii) made due inquiry of VML's anti-money laundering legal and regulatory

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framework; (iii) examined the agreements executed between VML and its five largest Gaming Promoters in terms of income contribution, as well as a random sample of VML's agreements with its remaining Gaming Promoters; (iv) inquired of several of our senior officers in relation to the modus operandi of VML's compliance checks; and (v) confirmed the nonexistence of noticed investigations by the DICJ in relation to non-compliance of VML or any Gaming Promoter engaging in business activities with VML, and is of the opinion that VML's business operations with its Gaming Promoters comply with relevant Macau laws and regulations. In addition, PwC Ltd. has assessed the control procedures on reporting the practice of criminal activities, including money laundering, by the Gaming Promoters and has concluded that nothing has come to its attention that caused it to believe that VML's anti-money laundering control procedures did not comply in all material respects with the relevant anti-money laundering statutes and guidelines in Macau for the period from July 1, 2007 to June 30, 2009. See "Summary of the Review of Anti-money Laundering Procedures, Systems and Controls" in Appendix V to this document.

From time to time, VML may extend interest-free credit to its Gaming Promoters for short-term, renewable periods, as stipulated in VML's credit agreements with its Gaming Promoters. The repayment period is typically within one month following the granting of the credit. This repayment deadline aligns with the month-end settlement deadline for local Gaming Promoters and the trip-end settlement for foreign Gaming Promoters wherein VML determines the money owed to the respective parties. This deadline provides VML with the opportunity, as stipulated in the contract, to deduct the remaining amount of credit owed from money owed to the Gaming Promoter. This credit is granted based on the performance and financial background of the relevant Gaming Promoters and that of the Gaming Promoter's guarantor, if different. Although the amount of such credit may exceed accrued commissions payable to the Gaming Promoters, it is generally secured by personal cheques from guarantors or other forms of security such as bank guarantees or letters of credit from the Gaming Promoters to VML. Credit may be granted to Gaming Promoters who have good credit histories and track records of large business volumes that may likely exceed one month of commissions payable. VML's finance and credit departments provide monthly reports, with aging analyses, on the status of credits granted to VML's Gaming Promoters. Pursuant to its Gaming Promoter contracts, VML reserves the unilateral right to make any changes in the amount of credit issued to a Gaming Promoter. In the event that a Gaming Promoter fails to repay credit granted by VML, VML has the right, pursuant to its Gaming Promoter agreements, to withhold accrued commissions payable to the Gaming Promoter to offset the credit extended until full repayment is made. The balance of VML's advances to its Gaming Promoters as of December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 was US\$2.6 million, US\$0.4 million, US\$95.7 million and US\$102.7 million (HK\$796.0 million), respectively. The balance of VML's advances to its Gaming Promoters has increased in relation to the opening of new properties and granted more advances to secure gaming promotion services from Gaming Promoters in the Track Record Period. The balance due from VML's Gaming Promoters as of December 31, 2006, 2007 and 2008, as a percentage of gross revenue from Gaming Promoters was 0.5%, 0.0%, and 6.3%, respectively. The balance due from VML's Gaming Promoters as of the six months ended June 30, 2008 and 2009, as a percentage of gross revenue from Gaming Promoters was 7.3% and 15.7%, respectively. As of the Latest Practicable Date, our Group has collected US\$[82.8] million of the US\$102.7 million (HK\$796.0 million) of advances that were outstanding as of June 30, 2009.

A Credit Committee composed of members from the finance, legal, gaming operations, and casino marketing departments establishes and oversees credit policies and procedures. The credit committee meets on a regular basis to monitor and manage the disposition of the credit accounts to ensure credit policies and procedures are effective and being followed and to take any necessary follow-up action to recover overdue debts and to minimize credit risk. The VML credit department, credit collection department, and credit committee review the recoverable amount of each individual advance and receivable from VML's Gaming Promoters at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. As a result, our Directors consider our exposure to credit risk on these advances and receivables to be significantly reduced.

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Our Macau legal advisor has confirmed that VML is legally entitled to extend credit for gaming pursuant to the Law No. 5/2004, enacted on June 14, 2004 ("Gaming Credit Law") and such credit is enforceable in Macau courts. During the Track Record Period, VML did not experience any material default with respect to credit extended to its Gaming Promoters. As of June 30, 2009, however, we had a bad debt provision of US\$93,161 for one foreign Gaming Promoter.

SUPPLIERS

We depend on our suppliers to provide primarily construction, engineering and consulting services. In 2006, 2007, 2008 and the six months ended June 30, 2009, our five largest suppliers accounted for approximately 52.2%, 31.8%, 30.0% and 26.4%, respectively, of our total product and services purchases. In 2006, 2007, 2008 and the six months ended June 30, 2009, our single largest supplier accounted for approximately 22.6%, 9.5%, 8.8% and 10.0%, respectively, of our total products and services purchases. In general, suppliers grant us credit periods of 35 to 60 days.

EMPLOYEES

As of September 30, 2009, we had 15,732 full-time employees, including 4,216 dealers at our casinos and gaming areas. We hire temporary employees on an as-needed basis. Most of our workforce has been recruited from Macau but we also employ experienced casino or gaming staff recruited from outside Macau. The following table sets forth the number of our employees as of the date indicated:

	As of December 31,			As of September 30,
	2006	2007	2008	2009
Management and Administrative	170	381	408	426
Gaming.....	5,726	9,335	8,871	7,804
Hotel	157	1,217	1,222	1,092
Retail.....	3	51	60	50
Food and Beverage	1,234	3,136	2,806	2,297
Property Operations	10	1,772	1,683	1,450
Marketing.....	41	59	123	85
MICE.....	26	114	47	43
Others.....	1,354	2,934	3,278	2,485
Total	8,721	18,999	18,498	15,732

The Macau Government has granted us permission to hire foreign workers subject to a quota. Our quota is also used by our contractors for the construction of our Cotai Strip projects but we remain ultimately liable for all employer obligations relating to these employees, including for payment of wages and taxes and compliance with labor and workers' compensation laws. See "Risk Factors—Risks Relating to Our On-going Operations—We may have financial and other obligations to foreign workers managed by our construction contractors under government labor quotas."

We are not aware of any union activity. Generally, we believe that we have good relations with our employees. See also "Risk Factors—Risks Relating to Our On-going Operations—We depend on the continued services of key management personnel; and we may not be able to attract and retain professional staff necessary for our existing and future properties in Macau."

As of the Latest Practicable Date, our Group was in compliance with all currently applicable labor and employment regulations. We currently have in place internal control systems and risk management procedures to monitor compliance with labor, employment and other applicable regulations. Going forward, our Company, through its legal department, will continue to monitor all labor issues to ensure compliance with all applicable labor and employment regulations.

INTELLECTUAL PROPERTY

We have registered or applied to register numerous trademarks in connection with our properties, facilities and development projects. We have also entered into trademark license agreements with members of the LVS Group that give us access to certain trademarks owned by the LVS Group. These

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trademarks are brand names under which we market our properties and services. We consider these brand names to be important to our business since they have the effect of developing brand identification and awareness. We believe that the name recognition, reputation and image that we have developed attract customers to our facilities. It is our intent to pursue and maintain our trademark registrations and our trademark agreements with the LVS Group consistent with our goals for brand development and identification, and enforcement of our trademark rights. See “Connected Transactions.”

INFORMATION TECHNOLOGY

We believe that we operate one of the most advanced information technology systems in the Macau gaming market. Our information technology team is responsible for ensuring all systems and applications are running at their optimal levels. Our information technology team consists of departments ranging from security and compliance to infrastructure, with a set of proven and highly integrated solutions for the day-to-day operation of our integrated resorts and gaming areas. Our information technology infrastructure includes firewalls, virus protection, intrusion protection and monitoring which works in conjunction with redundant servers for all major applications. In line with our strategic goal of improving the cost-effectiveness of our operations, we intend to continue to develop these systems to provide further operational efficiencies. We will also focus on upgrading our systems and infrastructure for compliance and to further integrate our applications in order to allow the business to function efficiently and effectively. We also aim to provide a stable and reliable platform that will allow employees and guests to more readily understand our integrated resort offerings and options for gaming and to provide a convenient and reliable way for our guests to book reservations.

INSURANCE

VML’s Subconcession Contract requires us to maintain a minimum level of insurance. We maintain all-risk property insurance which covers damage caused by a casualty loss (such as fire and natural disasters) for our operating properties and ferries, as well as additional coverage for our development projects, transportation insurance which covers the transport of gaming chips, playing cards and equipment; third party liability coverage and employee compensation and medical insurance for gaming staff. Each such policy has customary exclusions. We plan to purchase similar policies for our future properties. We also carry some business interruption insurance. See also “Risk Factors—Risks Relating to Our On-going Operations—Our insurance coverage may not be adequate to cover all possible losses that our properties could suffer. In addition, our insurance costs may increase and we may not be able to obtain the same insurance coverage in the future.”

INTERNAL CONTROLS

Our Group utilizes the same internal control and anti-money laundering policies as VML. VML’s anti-money laundering policies were modeled after the requirements of former Nevada Gaming Commission Regulation 6A and the particular requirements of Macau law. See “Internal Controls and Anti-money Laundering.” Our Group’s internal controls and anti-money laundering policies were also designed to comply with all applicable requirements under the Nevada Gaming Control Act, including the foreign gaming provisions of the Nevada Gaming Control Act, and requirements relating to our planned and on-going gaming activities and associations.

Our knowledge of the gaming regulations of Nevada, Singapore and Pennsylvania and the suitability and good character requirements is based on information from LVS’s corporate compliance team, which monitors compliance with gaming and regulatory laws in all jurisdictions in which its subsidiaries operate including Nevada, Pennsylvania and Singapore and includes a corporate compliance committee, a corporate compliance officer, and a corporate compliance department which reports to the corporate compliance officer. The compliance officers of LVS’ subsidiaries in Singapore and Pennsylvania also have a reporting relationship with the corporate compliance department and committee. In addition, our Group participates in quarterly corporate compliance committee meetings of the LVS Group, which include members of LVS’s compliance teams in Nevada, Pennsylvania and Singapore.

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Because we have our own Compliance Department and participate in the Corporate Compliance Committee where reports are made from members of the Corporate Compliance Committee regarding Nevada matters, and from the Compliance Officers in Singapore and Pennsylvania and because the Corporate Compliance Officer has knowledge of the gaming and other regulatory laws in Nevada, Pennsylvania and Singapore, neither we nor the Corporate Compliance Officer typically consult with outside legal counsel for day-to-day compliance issues. However, outside counsel may be engaged for regulatory matters if, for instance, there is any uncertainty in the interpretation or application of any regulatory requirement.

ENVIRONMENTAL MATTERS

We confirm that there were no material environmental pollution incidents discovered during the Track Record Period, and that all the required permits and environmental approvals for construction were obtained and that there was no administrative penalty imposed upon our Group as a result of violation of environmental rules and regulations. In the absence of any complaints stating otherwise, our Macau legal advisors are of the opinion that our Group complies with Macau regulations and environmental rules and regulations in force.

LEGAL PROCEEDINGS

In January 2008, Hong Kong ferry operator, Norte Oeste Expresso Ltd., filed an administrative action against an order from the Chief Executive of the MSAR, with our indirect wholly owned subsidiary, Cotai Ferry Company Limited, (previously named Cotai Waterjets (Macau) Limited) as an interested party, challenging the Macau Government's agreement with Cotai Ferry Company Limited for the operation of ferry service between Hong Kong and Cotai. The basis of the legal challenge is that under Macau law any concessions related to the provision of a public service must be awarded through a public tender process. In February 2009, the Court of Second Instance in Macau held that it was unlawful for the Macau Government to enter into the ferry agreement with Cotai Ferry Company Limited without engaging in a public tender process, and that the ferry agreement with Cotai Ferry Company Limited is void. Based on the advice of our Macau legal advisor, we believe that we have complied with all applicable laws and procedures and Macau practice. We believe that all agreements to operate ferries to and from Macau were entered into in the same fashion as the ferry agreement with Cotai Ferry Company Limited. Accordingly, we and the Macau Government have appealed the decision to the Court of Final Appeal in Macau. We have been advised by our Macau legal advisor that the appeals process could take several months. We will cooperate with the Macau Government during the appeal period to resolve this matter. We expect to continue to operate our ferry service until a decision on the appeal is rendered or the matter is otherwise resolved. If the decision is upheld by the Court of Final Appeal, the ferry agreement entered into by Cotai Ferry Company Limited may be void, absent other action by the Macau Government.

Our Macau legal advisor is of the opinion that, although uncertain, the outcome of the decision of the Court of Final Appeal is more likely to be unfavorable than favorable. As the dispute relates to the ferry agreement and no financial amount is claimed by the plaintiffs, we are unable to estimate the potential losses to our Group as a result of such an adverse ruling. We are exploring the legal rights and remedies available to protect our ferry operations and investments and, should we receive an adverse ruling, will explore all legal options with the Macau Government to try to ensure that we suffer no ferry business disruption. We expect the Macau Government to take measures to secure the continuous operations of ferry services to and from Taipa in order to protect public interest and we believe we would be permitted to continue to operate our business on this basis. If it is determined that we are unable to continue to operate our ferry service, we will attempt to develop alternative means of attracting and transporting visitors to our Cotai Strip properties. If we are unable to do so, we might suffer from a significant loss of visitors to our Cotai Strip properties, which could have a material adverse effect on our financial condition, results of operations, or cash flow. Such event could also result in a potential impairment charge on the approximately US\$244.2 million in capitalized costs

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related to our ferry operations as of June 30, 2009. Please see “Risk Factors—Risks Relating to Our Cotai Strip Development” for a discussion of the impact of the loss of our ferry agreement. For the years ended December 31, 2007 and 2008 and the six months ended June 30, 2009, which were the periods during which our CotaiJet ferry was in operation, our net revenues derived from ancillary operations, which includes ferry, convention and retail operations, amounted to US\$17.9 million, US\$66.4 million and US\$38.4 million (HK\$297.7 million), respectively.

On December 2, 2008, we received a notice of referral to arbitration from Ngo Kee (Macau) Limited (“Ngo Kee”), our independent contractor, which alleged various claims for additional costs and damages relating to valuation and measurement of the podium themed external facades, delays and prolongation of construction period and valuation of variations relating to work performed on The Venetian Macao and totaling approximately US\$74.8 million. Based on information submitted by Ngo Kee in support of its claims, our construction manager and cost consultant have assessed Ngo Kee’s entitlement to be approximately US\$6.6 million (MOP53.2 million) against the items in dispute, of which we have paid approximately US\$5.4 million (MOP43.4 million) as of September 30, 2009.⁽¹⁾ We are currently preparing to file a cross claim for liquidated damages for late completion and defective works and the matter is currently in arbitration.

On May 8, 2009, we received a notice of referral to arbitration from Prema Birkdale Horticulture (Macau) Ltd (“Prema Birkdale”), our independent contractor, relating to the valuation of work completed to the date of suspension, suspension costs, tendering costs and loss of profit relating to work performed on Parcels 5 and 6 and totaling approximately US\$5.4 million. Our construction manager and cost consultant have assessed Prema Birkdale’s entitlement to be approximately US\$1.87 million against the disputed items, which has been paid as of the Latest Practicable Date.⁽¹⁾

On October 5, 2009, we received a notice of referral to arbitration from Chun Wo—San Meng Fai JV (“Chun Wo”), our independent contractor, for additional costs and damages relating to construction of the reinforced concrete frame and space frame roof for The CotaiArena and meeting facilities at The Venetian Macao totaling approximately US\$25.1 million. Based on the information submitted by Chun Wo in support of its claims, our construction manager and cost consultant have assessed that we will not have any further liability to Chun Wo for any additional costs or damages after deductions of items that the Company considers due from Chun Wo.⁽¹⁾

We establish our contingency provisions based on the professional judgment of our cost consultants, construction managers and in-house construction and development team. The contingencies for each respective project are separately established and we consider them to be adequate to meet the contingent liabilities which may arise as a result of an unfavorable outcome to any of the above arbitrations.

On January 21, 2009, three Macau residents commenced court proceedings against VML, VCL, Venetian Travel Limited, LVS and Bank of Nova Scotia to obtain a court order declaring null and void all Macau-registered trademarks, or applications for trademark registration in Macau, containing the expression, “Cotai Strip.” The defendants have filed their reply with the court, and the suit is now pending. There is no quantifiable financial impact that would result from the loss of these trademarks. Our Macau legal advisor is of the opinion that a favorable outcome is likely and that there will be no out-of-court settlement.

⁽¹⁾ Our construction manager and cost consultant’s assessment of each contractor or claimant’s entitlement is based on their professional opinion (as administrators of the contracts) of the contractual basis of each claim and, when a contractual basis to a claim is established, the extent to which the amount claimed, if any, has been substantiated. Reasons for the differences in the amounts claimed and the assessments include, without limitation: (1) differences in the interpretation of the provisions of the relevant contracts; (2) differences in the interpretation of the relevant Macau laws; (3) differences over the proper application of principles of valuation and measurement; (4) failure by each of the contractors to establish a proper contractual or legal basis for the claims; (5) failure by the contractors to account for their own culpability; (6) failure by the contractors to satisfactorily substantiate the quantum of their claims; and (7) the Company’s assessment of the claimant’s litigation strategy, which typically involves alleging the highest number and amount of plausible claims.

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On October 16, 2009, we received a letter from counsel to Far East Consortium International Ltd. notifying us that it may pursue various claims seeking, among other things, monetary damages and entitlement to an ownership interest in Parcel 3, which was granted to us in accordance with the Subconcession Agreement. We believe such claims, which are based on a non-legally binding memorandum of agreement that expired by its terms over three years ago, are frivolous, baseless and without merit. We intend to vigorously contest any claims or lawsuits brought by Far East Consortium International Ltd. Far East Consortium International Ltd. is an affiliate of a Bondholder.

In addition to the matters described above, we are party to various legal matters and claims arising in the ordinary course of business.

Other than our disputes in relation to our ferry services, Ngo Kee, and Chun Wo described above, we believe that we are currently not involved in any litigation, arbitration or other administrative proceedings which, if decided against us, would individually or in the aggregate have a material adverse effect on our business, financial condition, results of operations or cash flows.