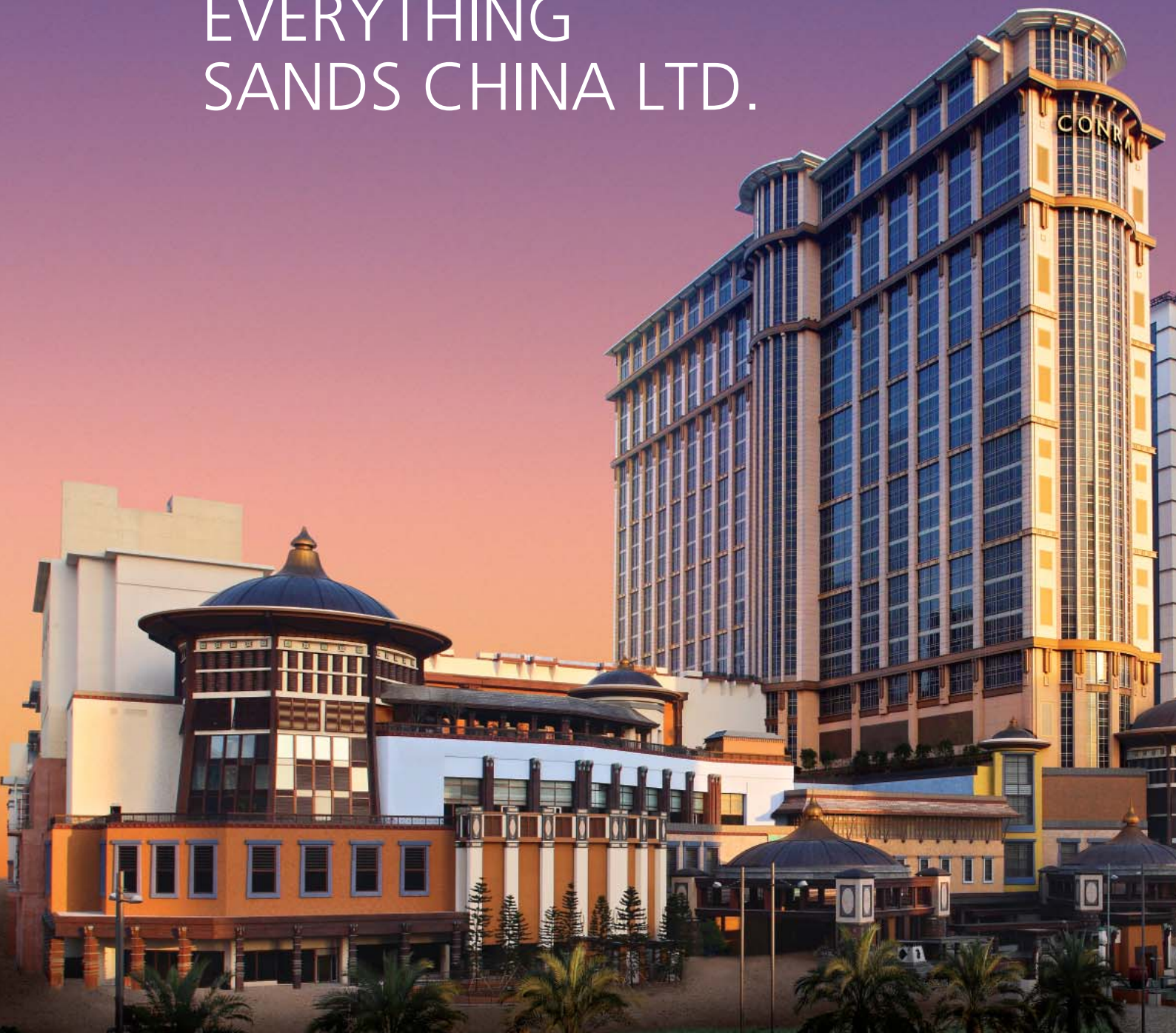




# 2012 ANNUAL REPORT

FROM **FABULOUS  
RESTAURANTS** AND  
**LUXURIOUS HOTEL SUITES**  
TO **WORLD-CLASS MICE  
AND ENTERTAINMENT**,  
COME AND DISCOVER  
EVERYTHING  
SANDS CHINA LTD.





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This Annual Report is prepared in English and Chinese. In case of inconsistency, please refer to the English version as it shall prevail.

# OUR LUXURIOUS HOTEL ROOMS AND SUITES AWAIT YOU.



# INTRODUCTION

Sands China operates the largest collection of integrated resorts in Macao. As at December 31, 2012, we had 7,210 hotel rooms and suites, 120 restaurants, 1.5 million square feet of retail, 1.5 million square feet of meeting space, two permanent theaters, a 15,000-seat arena and some of the world's largest casinos. With the completion of phase II of Sands Cotai Central in January 2013, along with our other development plans on Cotai, Sands China is uniquely positioned to be a major driver of Macao's economic diversification for years to come.

# 1. OVERVIEW

## 1.1 FINANCIAL HIGHLIGHTS

- Net revenues were US\$6,511.4 million (HK\$50,466.6 million) for the year ended December 31, 2012, an increase of US\$1,630.6 million (HK\$12,552.5 million) or 33.4%, compared to US\$4,880.8 million (HK\$37,914.1 million) for the year ended December 31, 2011.
- Operating expenses were US\$5,230.2 million (HK\$40,536.7 million) for the year ended December 31, 2012, an increase of US\$1,551.7 million (HK\$11,962.1 million) or 42.2%, compared to US\$3,678.5 million (HK\$28,574.6 million) for the year ended December 31, 2011.
- Adjusted EBITDA for the year ended December 31, 2012 was US\$1,977.7 million (HK\$15,328.2 million), an increase of US\$401.7 million (HK\$3,085.8 million) or 25.5%, compared to US\$1,576.0 million (HK\$12,242.4 million) for the year ended December 31, 2011.
- Profit for the year ended December 31, 2012 was US\$1,235.7 million (HK\$9,577.3 million), an increase of US\$102.6 million (HK\$775.4 million) or 9.1%, compared to US\$1,133.1 million (HK\$8,801.9 million) for the year ended December 31, 2011. Excluding impairment losses related to Parcels 7 and 8 and the closure of the ZAiA show at The Venetian Macao, and pre-opening expenses related to Sands Cotai Central, adjusted profit increased 27.8% to US\$1,516.5 million (HK\$11,753.6 million) for the year ended December 31, 2012, compared to US\$1,186.8 million (HK\$9,219.1 million) for the year ended December 31, 2011.

Note: The translation of US\$ amounts into HK\$ amounts has been made at the rate of US\$1.00 to HK\$7.7505 (2011: US\$1.00 to HK\$7.7680) for the purposes of illustration only.

## 1.2 HIGHLIGHTS OF 2012

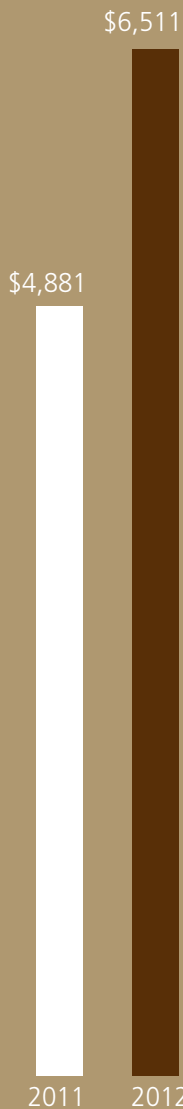
### Business

- We successfully opened Sands Cotai Central phases I and IIA on Cotai, which is the largest integrated resort development in the Company's history.
- Our CotaiJet services carried 7.5 million passengers in 2012 — an average of 20,500 per day. We provided an average of approximately 41 daily round trip sailings in 2012.
- We participated in tradeshows and launched roadshow product seminars to educate the public about Sands China's new developments, visiting 13 cities in Asia including Mumbai, Bengaluru, Hyderabad, Chennai and Delhi in India, Shanghai and Beijing in Mainland China, Tokyo and Osaka in Japan, Seoul in Korea, Bangkok in Thailand, Taipei and Hong Kong. These seminars brought our integrated product offerings of The Venetian Macao, The Plaza Macao, Sands Cotai Central and Sands Macao to life around the world. Guests were from both leisure and MICE segments and each of the events featured live entertainment from The Venetian Macao's Streetmosphere, our troupe of street performers and entertainers.

### Net Revenues

(US\$Million)

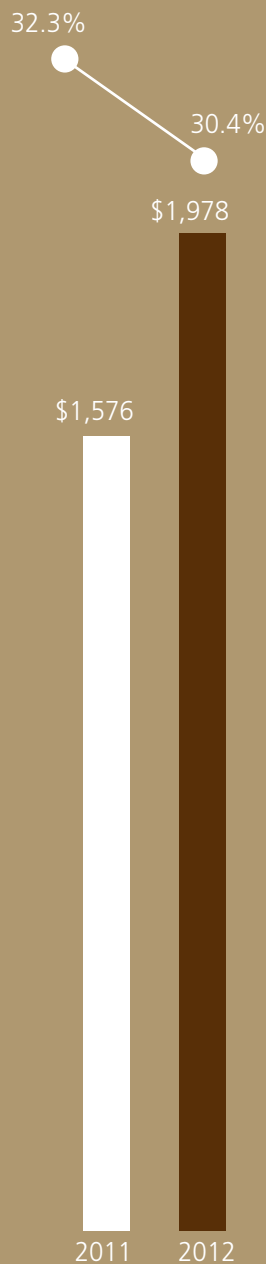
↑ **33.4%**



### Adjusted EBITDA

(US\$Million)

↑ **25.5%**

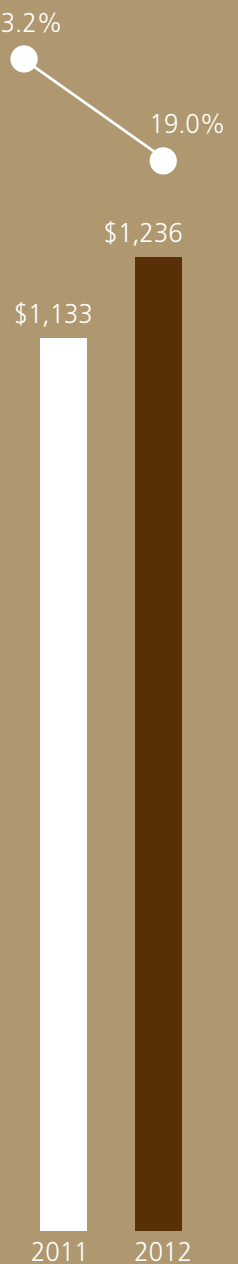


Adjusted EBITDA as a % of Net Revenues

### Profit

(US\$Million)

↑ **9.1%**



Profit as a % of Net Revenues

# 1. OVERVIEW

- Sands Cotai Central hosted the world's largest onsite travel industry familiarization event (Mega Fam) in order to showcase Macao's newest integrated resort, Sands Cotai Central. The Mega Fam included over 800 global trade and media partners who took part in the Sands Cotai Central grand opening events and were provided exclusive exposure to the Conrad, Holiday Inn and Sheraton hotel products.
- Ice World returned for the 2nd year from May to September followed by Titanic The Exhibition and The Human Bodies Exhibition in CotaiExpo beginning in October 2012. These destination events attracted more than 260,000 guests from different regions.
- The Venetian Carnival, themed as a New Orleans Mardi Gras, brought 30,000 visitors to the property during the last weekend in May and included the inaugural Jazz & Blues competition.
- Winter in Venice created the first integrated resort customer experience, with winter-themed activities in The Venetian Macao.
- The Venetian Macao and Sands Cotai Central together hosted 519 events including exhibitions, tradeshow, conferences, social and government events as well as incentive groups, attracting 1,364,000 visitors.
- The Company hosted 54 live international entertainment events attracting more than 293,000 visitors.



## Attendance

Sands China's properties are among the most visited destinations in Macao: attracting families, business visitors and entertainment seekers from around the world. More than 30% of our hotel guests are families with children and business travelers attending corporate meetings, conventions and exhibitions.

In 2012, all four of our properties, The Venetian Macao, Sands Macao, The Plaza Macao and Sands Cotai Central, attracted a combined total of 46.4 million visitors or approximately 126,800 visitors per day on average, compared to 2011 figures of 37.9 million visitors or approximately 104,000 visitors per day on average.

## Entertainment

Entertainment is at the heart of our business. Since opening in 2007, our 15,000-seat CotaiArena has established itself as one of the top live-entertainment venues in Southern China. It is the only venue in Asia ranked in Pollstar's Top 100 Arena Venues worldwide based on ticket sales. The live entertainment program at our properties, from concerts to sporting events to awards ceremonies, is a key traffic and revenue driver, and has established the Company as the leader in the field of tourism and leisure activities.

The diversity of entertainment offered by the Company sets it apart from other gaming destinations. Our entertainment offering includes lounge acts, dancers, singers, gondoliers and street performers, all of whom contribute to the overall customer experience at our properties.

The CotaiArena, Venetian Theatre, Sands Theater and Venetian and Sands Cotai Central Ballrooms hosted a total of 54 different live entertainment events over 70 event days in 2012. Taken together, these events attracted more than 293,000 visitors. The CotaiArena hosted major entertainment events during the year including concerts by top Asian stars such as Jacky Cheung, Joey Yung, Super Junior, the Voice of China and an Ultimate Fighting Championship® event.

## Meetings, Incentives, Conventions and Exhibitions

As at December 31, 2012, Sands China's properties boasted over 1.5 million square feet of MICE space specifically designed to meet the needs of meeting planners, corporate event and trade show organizers from around the world. The CotaiExpo is one of the largest exhibition centers in Asia and has hosted some of the region's biggest trade shows and events. Our experience and expertise in this industry continues to drive business and leisure tourism to Macao.

With the opening of Sands Cotai Central in 2012, our meeting and convention capabilities have expanded dramatically and we are proud to provide the same guaranteed expertise and service in our new facilities that has made CotaiExpo the region's MICE leader. With hotel brands Conrad, Holiday Inn and Sheraton, MICE organizers now have an expanded selection of accommodation choices to meet a wider demographic of event attendees.

The Venetian Macao and Sands Cotai Central together attracted 1,364,000 participants and exhibitors to Macao for MICE events throughout the year. This compares to a 2011 figure of 993,000 participants and visitors, a 37% increase year over year. This represents 1,217,000 visitors attending our 49 exhibitions and trade shows and 147,000 conference and corporate visitors attending 470 meeting and incentive events.

# 1. OVERVIEW

## Particular highlights during the year include:

- More than 182,000 people over a four-month period visited Ice World, a popular attraction that brought the winter wonderland of ice sculptures of the world-famous Harbin Ice Festival to The Venetian Macao. 18,000 square feet of space at CotaiExpo was kept at -8 degrees celsius for the duration of the event.
- The 2012 China International Auto Expo was the largest single show hosted at The Venetian Macao since its opening, welcoming 153,000 guests over just three days.

## Groups that came back to CotaiExpo in 2012 include:

- The Macao International Environmental Co-operation Forum & Exhibition (MIECF), organized annually by the Macao Government, the Macao Trade and Investment Promotion Institute (IPIM) and the Environment Council, once again attracted over 8,500 delegates from around the world to The Venetian Macao.
- 7th Asian Hairdresser Festival
- Global Gaming Expo Asia (G2E Asia) 2012
- 17th Macao International Trade & Investment Fair (MIF): 104,000 visitors, an increase in attendance of more than 9% over 2011.

## Other notable events held throughout 2012 include:

- The 3rd China Catering Expo: over 100,000 attendees
- 5th Computer & Digital Product Expo: over 83,000 attendees
- Hong Kong Trendy Buying Expo 2012 (Autumn)
- 2012 Macau Spring Real Estate Fair
- Macau International Film & TV Festival 2012

## Awards

Sands China's properties, and in particular The Venetian Macao, continue to set the standard in customer service, MICE, business and leisure travel. Since the opening of The Venetian Macao in 2007, we have received prestigious awards for being Asia's leading integrated resort for business and leisure tourism as well as for our commitment to environmental practices. Awards given to our properties in 2012 include:

### The Venetian Macao

- Trip Advisor Travelers' Choice 2012 Awards  
Top 10 Hotels for Families in China
- Macau Government Tourist Office  
5 Star Deluxe rating
- Top Travel Magazine  
Best Travel Hotel Award
- Travel & Leisure Magazine, Travel & Leisure Golf Magazine and Travel & Leisure website  
Top Entertainment Resort Award

- TTG China Travel Awards 2012  
Best Meetings & Conventions Hotel in Macau
- Travel + Leisure Magazine  
China's Top 100 Hotels Award
- Travel + Leisure India and South Asia — India's Best Awards  
The Best Luxury Resort in the World
- Macao Environmental Protection Bureau  
Macao Green Hotel Award — Gold Award
- FinanceAsia Business Travel Poll Awards 2012  
Best Hotel in Macao

#### Sands Macao

- Macau Government Tourist Office  
5 Star Deluxe rating

#### The Plaza Macao

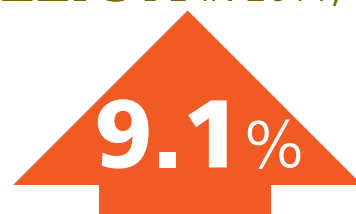
- Trip Advisor Travelers' Choice 2012 Awards  
Top 10 Hotels for Families in China
- Macau Government Tourist Office  
5 Star Deluxe rating
- 2012 Forbes Travel Guide Four-Star Hotels  
Four Seasons Hotel Macao
- 2012 Forbes Travel Guide Four-Star Spas  
The Spa at Four Seasons Hotel Macao

#### Sands Cotai Central

- Macau Government Tourist Office  
5 Star rating – Sheraton and Conrad  
4 Star rating – Holiday Inn
- Travel + Leisure China — 2012 China Travel Awards  
China's Best New Hotels (Conrad Macao)
- World Travel Awards 2012  
Asia's Leading Tourism Development Project
- World Luxury Hotel Awards  
Luxury Casino Hotel (Conrad Macao)
- TTG Travel Awards 2012  
Best New City Hotel, Asia Pacific (Conrad Macao)

# 1.3 CHAIRMAN'S STATEMENT

SANDS CHINA'S PROFIT FOR THE YEAR ENDED DECEMBER 31, 2012 WAS **US\$1,235.7 MILLION**, UP FROM **US\$1,133.1 MILLION** IN 2011, AN INCREASE OF



## Dear Shareholders

On behalf of the Board of Directors of Sands China Ltd., I am pleased to report to you at the conclusion of another very successful year for the Company. During the year, we achieved many important financial and operating objectives and delivered robust, market-leading growth in Macao, the world's largest and most profitable gaming market. We set records during the year for revenue, adjusted EBITDA and earnings growth while also generating significant returns for shareholders. The strong balance sheet and financial performance of the Company allowed the Board of Directors to declare dividends per share of HK\$1.16 in 2012 for a total of over HK\$9.3 billion in cash returned to shareholders. We are also pleased to announce that Sands China was selected as a constituent of the prestigious Hang Seng Index in 2012.

The Company's adjusted EBITDA reached a record US\$1.98 billion with adjusted EBITDA margin reaching 30.4% on US\$6.51 billion in net revenue in the 2012 year. The Venetian Macao, our flagship property on Cotai, the Four Seasons Hotel Macao and the Plaza Casino each generated record revenue and adjusted EBITDA during the year while the Sands Macao on the Macao Peninsula continued to deliver solid operating results. Strong mass gaming volumes throughout our portfolio of properties, coupled with growth in non-gaming revenue from our hotel, retail, mall and convention businesses, drove the record results and reflect the inherent benefits of our integrated resort business model.

Sands Cotai Central, our latest development on Cotai and the largest integrated resort development in the Company's history, opened its first phase on April 11, 2012. Sands Cotai Central adds approximately 5,800 hotel rooms, expansive retail shopping, food and beverage, meeting and convention, entertainment and gaming capacity to Cotai and further solidifies our presence as the leading integrated resort developer and operator in the market. On December 20, 2012, we opened a fully enclosed climate-controlled footbridge with escalators and moving walkway to enhance the inter-connectivity and accessibility between our Cotai Strip properties.

Our properties continue to generate market-leading visitation and in 2012 we welcomed over 46 million visitors to our Cotai Strip properties, including over 5 million in the month of December alone. We are incredibly proud to be contributing to the increasing visitation to Macao from across the region. Importantly, the benefits of our integrated resort business model extend far beyond our own financial success. The Company's properties and service offerings enhance Macao's appeal as a business and leisure tourism destination, helping to diversify Macao's economy and to provide meaningful employment opportunities for the people of Macao. Looking ahead, I am confident that the introduction of The Parisian Macao, our next development on Cotai, which we are targeting to open by late 2015, will meaningfully contribute to Macao's position as a leading business and leisure destination in Asia.

Importantly, we could not have achieved our record financial results without the hard work and dedication of Sands China's more than 25,000 team members and I look forward to their continued contributions in the years ahead.

Our Sands China business strategy remains straightforward: complete the successful execution of our Cotai Strip development strategy and maximize return for shareholders by leveraging our integrated resort business model and world-class amenities to generate market-leading revenue and cash flow. We look forward to sharing the Company's continued success with you and other stakeholders at the upcoming Sands China Annual General Meeting.

I thank you again for the confidence that you have placed in us.

**Sheldon G. Adelson**

*Chairman of the Board*

March 15, 2013

# 1.4 DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

Our Board of Directors consists of eleven Directors (and one Alternate Director), four of whom are Independent Non-Executive Directors. The following table sets forth certain information concerning our Directors:

Name	Age	Title
Sheldon Gary Adelson	79	Chairman and Non-Executive Director
Edward Matthew Tracy	60	Executive Director
Toh Hup Hock	47	Executive Director
Michael Alan Leven	75	Non-Executive Director
Irwin Abe Siegel	72	Non-Executive Director
Jeffrey Howard Schwartz	53	Non-Executive Director
Lau Wong, William	69	Non-Executive Director
Iain Ferguson Bruce	72	Independent Non-Executive Director
David Muir Turnbull	57	Independent Non-Executive Director
Chiang Yun	45	Independent Non-Executive Director
Victor Patrick Hoog Antink	59	Independent Non-Executive Director
David Alec Andrew Fleming	66	Alternate Director to Mr. Michael Alan Leven

### Chairman and Non-Executive Director

#### Sheldon Gary Adelson

aged 79, is the Chairman of our Board, a Non-Executive Director and the Chairman of the Nomination Committee. Mr. Adelson has been the Chairman of the board of LVS, Chief Executive Officer and a director of LVS since August 2004. Mr. Adelson has been the Chairman of the board, Chief Executive Officer and a director of Las Vegas Sands, LLC (or its predecessor) since April 1988, when Las Vegas Sands, LLC was formed to own and operate the former Sands Hotel and Casino. Mr. Adelson has extensive experience in the convention, trade show and tour and travel businesses. Mr. Adelson also has investments in other business enterprises. Mr. Adelson created and developed the COMDEX Trade Shows, including the COMDEX/Fall Trade Show, which was the world's largest computer show in the 1990s. COMDEX was sold to Softbank Corporation in April 1995. Mr. Adelson also created and developed the Sands Expo Center, which he grew into one of the largest privately owned convention and trade show destinations in the United States, before transferring it to LVS in July 2004. He has been President and Chairman of the board of Interface Group Holding Company, Inc. since the mid-1970s and Chairman of the board of LVS's affiliate Interface-Group Massachusetts, LLC and its predecessors since 1990. Mr. Adelson was appointed Chairman and Non-Executive Director on August 18, 2009.

## Executive Directors

### Edward Matthew Tracy

aged 60, is our President and Chief Executive Officer, an Executive Director and a member of the Sands China Capital Expenditure Committee. Mr. Tracy is also a director of some of our subsidiaries. Mr. Tracy served as the President and Chief Operating Officer of the Company from July 27, 2010 until July 27, 2011 and served as a Special Advisor on the Sands China Capital Expenditure Committee from March 1, 2011 until July 27, 2011. Mr. Tracy has over twenty years of hands on management and development experience in the gaming and hospitality industry. His extensive experience includes serving as Chairman and Chief Executive Officer of Capital Gaming, a multi-jurisdictional manager and developer of regional casinos. Mr. Tracy also served as Chief Executive Officer of the Trump Organization, which included all casino, hotel and entertainment entities. During his tenure at the Trump Organization, Mr. Tracy was responsible for managing over 12,500 employees, 3,000 luxury rooms and 240,000 square feet of casino space, which produced annual revenues in excess of US\$1 billion. Prior to that, Mr. Tracy served as Vice President and General Manager of the Sands Hotel and Casino in San Juan, Puerto Rico. Mr. Tracy has also served as Vice President and director of Hotel Operations for Middex Hospitality, a New York based hotel development company. Mr. Tracy began his career in the hotel industry during his five-year (1978–1982) tenure at the inception of Hotel Investors Trust in which he served in several executive hotel management positions, including Director of Operations. Mr. Tracy's experience with Hotel Investors Trust, and his subsequent experience, has provided him with thorough knowledge of hotel and casino financing, development, acquisition, operations and marketing. Mr. Tracy was appointed Executive Director on July 27, 2011.

### Toh Hup Hock

aged 47, is our Chief Financial Officer, Executive Vice President and Executive Director. Mr. Toh is currently also a director of some of our PRC, Cayman Islands, Macao and Hong Kong subsidiaries. Mr. Toh joined our Group in April 2007 and served as Senior Vice President, Finance until November 2009. Mr. Toh had a 15-year career with General Electric Company ("GE") prior to joining our Group. During his tenure at GE, Mr. Toh held a number of Chief Financial Officer and similar positions in Asia, including GE Lighting Asia, GE Consumer Products Asia, GE Consumer & Industrial Asia and GE Plastics Greater China. Mr. Toh holds a Bachelor of Science in Accounting from Murdoch University and a Masters in Business Administration from the University of Queensland. Mr. Toh is a full member of FCPA Australia. Mr. Toh was appointed Executive Director on June 30, 2010.

## Non-Executive Directors

### Michael Alan Leven

aged 75, is a Non-Executive Director and the Chairman of the Sands China Capital Expenditure Committee. Mr. Leven was our Acting Chief Executive Officer from July 23, 2010 until July 27, 2011, a Special Advisor to the Board from October 14, 2009 until July 27, 2010 and an Executive Director of the Company from July 27, 2010 until July 27, 2011. Mr. Leven is the President and Chief Operating Officer of LVS, a company listed on the Stock Exchange of New York and its wholly-owned subsidiary, Las Vegas Sands, LLC, having been appointed on April 1, 2009. Mr. Leven has been a member of LVS's board of directors since August 2004. Prior to joining LVS, Mr. Leven served as the Chief Executive Officer of the Georgia Aquarium since September 2008. From January 2006 through September 2008, Mr. Leven was the Vice Chairman of the Marcus Foundation, Inc., a non-profit foundation. Until July 2006, Mr. Leven was the Chairman, Chief Executive Officer and President of U.S. Franchise Systems, Inc., the company he founded in 1995 that developed and franchised the Microtel Inns & Suites and Hawthorn Suites hotel brands. He was previously the President and Chief Operating Officer of Holiday Inn Worldwide, President of Days Inn of America, and President of Americana Hotels. Mr. Leven was re-designated as a Non-Executive Director on July 27, 2011.

## 1.4 DIRECTORS AND SENIOR MANAGEMENT

### Irwin Abe Siegel

aged 72, is a Non-Executive Director and a member of the Audit Committee. Mr. Siegel has been a director of LVS since February 2005. He was a director of Las Vegas Sands, Inc. from February 2005 until July 2005. Mr. Siegel is a certified public accountant and was a partner (specializing in the hospitality industry) in the international accounting and consulting firm Deloitte & Touche LLP from 1973 to 2003, when he retired. From 1996 through 1999, Mr. Siegel served as the Chief Executive Officer of Deloitte & Touche LLP's operations in the former Soviet Union. Mr. Siegel has been working as a business consultant since 2003. Mr. Siegel has served on the boards of directors of many charitable and civic organizations and is a past President of the Weinstein Hospice in Atlanta, Georgia, U.S.A. Mr. Siegel was appointed Non-Executive Director on October 14, 2009.

### Jeffrey Howard Schwartz

aged 53, is a Non-Executive Director, a member of the Remuneration Committee and a member of the Sands China Capital Expenditure Committee. Mr. Schwartz has been a director of LVS since March 2009. He is Deputy Chairman of the Board, the Chairman of the Executive Committee, co-founder and director (appointed on October 18, 2010) of Global Logistic Properties Holding Limited listed on the main board of the Singapore Exchange Securities Trading Limited on October 18, 2010, which controls the largest platform of logistics facilities in Asia. Mr. Schwartz was the Chief Executive Officer and director of ProLogis, listed on the NYSE, from January 2005 through November 2008, and served as the Chairman of the Board from May 2007 through November 2008. Mr. Schwartz also served as director and Chairman of ProLogis European Properties, a company listed on both the EuroNext and Luxembourg exchanges. Mr. Schwartz was President of International Operations of ProLogis from March 2003 to December 2004, and was Asia President and Chief Operating Officer from March 2002 to December 2004. He had been associated with ProLogis in varying capacities since 1994. Mr. Schwartz was appointed Non-Executive Director on October 14, 2009.

### Lau Wong William

aged 69, is a Non-Executive Director, a member of the Audit Committee and a member of the Remuneration Committee. Mr. Lau founded The B.S.C. Group Limited ("BSC") in Hong Kong in 1970 and is currently its Chairman and Managing Director. BSC is a supplier of building materials and hotel supplies to the global hotel industry and is also a leading supplier of kitchen and bathroom products to the retail industry in Hong Kong. BSC has provided interior fitting out services to many of the hotel groups in Hong Kong and China since 1972, including to the Company. BSC owns four factories in Panyu District in Guangzhou, producing furniture, stainless steel products, art mosaics, and shower doors. BSC owns the 2,000 square meter colourliving kitchen and bathroom products retail shop in Wanchai, Hong Kong. Mr. Lau was the past chairman of Howden Asia Procurement Ltd. (previously known as MFI Procurement Asia Ltd.), a joint venture between BSC and Howden Joinery Group Plc, a company listed on the London Stock Exchange Plc. He was also the past chairman of Hochtiff Asia Procurement Co. Ltd., a joint venture between BSC and Hochtief, a company listed on Xetra in Germany. Mr. Lau is the current Chairman of Manhattan Bathroom Ltd., a joint venture between BSC and Manhattan Shower Limited, one of the United Kingdom's largest shower enclosure manufacturers. Mr. Lau brings with him a broad range of business experience, having also served as the General Manager of H. W. Turning & Co. Ltd, an appliance distribution company, and Tamaya Department Store prior to founding BSC. Mr. Lau has also served on the board of Hong Kong Realty & Trust Co. Ltd., a Hong Kong property development company, as an alternate director. Mr. Lau graduated from California Southern University with a Master of Business Administration. Mr. Lau was appointed Non-Executive Director on July 27, 2011.



## Independent Non-Executive Directors

### Iain Ferguson Bruce

aged 72, is an Independent Non-Executive Director, Chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee. Mr. Bruce joined KPMG in Hong Kong in 1964 and was elected to its partnership in 1971. He was the senior partner of KPMG from 1991 until his retirement in 1996 and served as Chairman of KPMG Asia Pacific from 1993 to 1997. He has been a member of the Institute of Chartered Accountants of Scotland since 1964 and is a fellow of the Hong Kong Institute of Certified Public Accountants. He is also a fellow of The Hong Kong Institute of Directors and a member of The Hong Kong Securities and Investment Institute. Mr. Bruce is currently an Independent Non-Executive Director of Paul Y. Engineering Group Limited, Tencent Holdings Limited, Vitasoy International Holdings Limited, Wing On Company International Limited and Goodbaby International Holdings Limited, all listed on the Stock Exchange. Mr. Bruce is also an Independent Non-Executive Director of Noble Group Limited, listed on the Singapore Exchange Limited; and of Yingli Green Energy Holding Company Limited, listed on the New York Stock Exchange. Mr. Bruce resigned as an Independent Non-Executive Director of China Medical Technologies, Inc., a company whose shares were listed on NASDAQ, on July 3, 2012. Mr. Bruce is an Independent Non-Executive Director of Citibank (Hong Kong) Limited and is the Chairman of KCS Limited. Mr. Bruce was appointed Independent Non-Executive Director on October 14, 2009. Mr. Bruce has over 47 years of experience in the accounting profession and possesses the accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

### David Muir Turnbull

aged 57, is an Independent Non-Executive Director, Chairman of the Remuneration Committee and a member of the Nomination Committee. Mr. Turnbull graduated from Cambridge University in 1976 with a Bachelor of Arts degree with honors in Economics and subsequently obtained a Master of Arts degree. He joined the Swire Group upon graduation and held a variety of senior management positions during his 30 years with the group. Mr. Turnbull also held a number of positions in companies listed on the Stock Exchange including Chairman of Swire Pacific Ltd. and Cathay Pacific Airways Ltd. from January 2005 until January 2006; Chairman of Hong Kong Aircraft Engineering Company Ltd. from March 1995 until August 2006; Non-Executive Director of The Hongkong and Shanghai Banking Corporation from January 2005 until December 2005; Non-Executive Director of Air China Ltd. from May 2005 until December 2005; and Non-Executive Director of Hysan Development Co. Ltd. from May 2005 until January 2006. In July 2008, Mr. Turnbull was appointed as the Executive Chairman of Pacific Basin Shipping Limited, listed on the Stock Exchange and has served as an Independent Non-Executive Director since May 2006. In July 2006, he was appointed as an Independent Non-Executive Director of Green Dragon Gas Limited, listed on the Alternative Investment Market, a sub-market of the London Stock Exchange ("London AIM"). In November 2008, he was appointed as the Chairman of Seabury Aviation and Aerospace Asia (Hong Kong) Ltd, a subsidiary of Seabury Group LLC. In February, 2011, he was appointed as a Non-Executive Director of Greka Drilling Limited, listed on London AIM. Mr. Turnbull was appointed Independent Non-Executive Director on October 14, 2009.

### Chiang Yun

aged 45, is an Independent Non-Executive Director and a member of the Audit Committee. With over 18 years of private equity investment experience, Ms. Chiang is one of the founding managing partners of Pacific Alliance Equity Partners, the private equity division of Pacific Alliance Group. Ms. Chiang is currently a Non-Executive Director of Goodbaby International Holdings Limited, listed on the Stock Exchange. Ms. Chiang obtained her Executive Master of Business Administration from The Kellogg Graduate School of Management of Northwestern University and Hong Kong University of Science and Technology and her Bachelor of Science degree, cum laude, from Virginia Polytechnic Institute and State University, or Virginia Tech. Ms. Chiang was appointed Independent Non-Executive Director on October 14, 2009.

## 1.4 DIRECTORS AND SENIOR MANAGEMENT

### **Victor Patrick Hoog Antink**

aged 59, is an Independent Non-Executive Director, a member of the Audit Committee, a member of the Remuneration Committee and a member of the Sands China Capital Expenditure Committee. Mr. Hoog Antink is currently the Chairman of South Bank Corporation, and the Chairman of Property Industry Foundation. Mr. Hoog Antink retired as a Chief Executive Officer of DEXUS Property Group in March 2012, a company listed on the Australian Stock Exchange (ASX: DXS), which specializes in owning, managing and developing world class office, industrial and retail properties with total assets under management of approximately 14 billion Australian dollars as at December 31, 2011. Prior to joining DEXUS Property Group in 2003, Mr. Hoog Antink was the Director of Funds Management of Westfield Holdings Limited in Sydney. Mr. Hoog Antink has also held positions with Greenprint Foundation as a Director, Property Council of Australia as National President, Shopping Centre Council of Australia as Director, McIntosh Securities Limited, Sydney as a Director in Corporate and Property, Allco Finance Group Limited, Sydney as a Director in Property Finance, Chase Corporation Limited, Sydney as a Property Director, and Hill Samuel Limited (now Macquarie Bank), Sydney as Associate Director. Mr. Hoog Antink holds a Bachelor of Commerce from the University of Queensland and a Master of Business Administration from Harvard Business School. He is a Fellow of the Australian Institute of Company Directors, a Fellow of the Institute of Chartered Accountants, Australia, a Fellow of the Australian Property Institute and a Fellow of the Royal Institute of Chartered Surveyors. Mr. Hoog Antink was appointed Independent Non-Executive Director on December 7, 2012.

### **Alternate Director (to Michael Alan Leven)**

### **David Alec Andrew Fleming**

aged 66, is our Company Secretary, General Counsel and Alternate Director to Mr. Michael Alan Leven (Non-Executive Director of the Company). From 2007 until joining the Company in January 2011, Mr. Fleming was the Deputy Legal Director of MTR Corporation Limited (the "MTRC"). He was responsible for administering all legal functions of the MTRC and, where required, secretariat oversight. From 1997 until 2007, Mr. Fleming served as the General Counsel and Company Secretary of the Kowloon-Canton Railway Corporation (the "KCRC"). He was responsible for all legal matters concerning the KCRC with particular emphasis on major projects, legislative matters and procurement. He also established and headed up the KCRC's secretariat and was responsible for administrative matters relating to the company's managing board. As Company Secretary he sat on most board committees of the KCRC including the audit committee. In his capacity as the Company Secretary of the KCRC, he was responsible for the introduction of the company's corporate governance policies, practice and procedures. Mr. Fleming has served as the representative of the MTRC and the KCRC at Hong Kong Legislative Council meetings. Throughout his legal career, Mr. Fleming has been associated with infrastructure projects ranging from small local government developments to significant world-class projects. Mr. Fleming has advised the Government of the Hong Kong SAR generally on infrastructure projects in Hong Kong. Mr. Fleming qualified as a lawyer in Adelaide, South Australia and is admitted to practice law in South Australia (1979) and England & Wales and Hong Kong (1991). Mr. Fleming was appointed Alternate Director to Mr. Michael Alan Leven on March 1, 2011.

## SENIOR MANAGEMENT

### Edward Matthew Tracy

aged 60, is our President and Chief Executive Officer, an Executive Director and a member of the Sands China Capital Expenditure Committee. Mr. Tracy served as the President and Chief Operating Officer of the Company from July 27, 2010 until July 27, 2011 and served as a Special Advisor on the Sands China Capital Expenditure Committee from March 1, 2011 until July 27, 2011.

### Toh Hup Hock

aged 47, is our Chief Financial Officer, Executive Vice President and Executive Director.

### David Ross Sisk

aged 51, is our Executive Vice President and Chief Operating Officer. Mr. Sisk is a veteran casino financial and operations executive with over 21 years of experience with major casino developers including Wynn Resorts and Caesars Palace. Prior to joining Sands China, Mr. Sisk was the Executive Vice President and Chief Financial Officer of Wynn Las Vegas and Encore. He joined Wynn Resorts 18 months before the opening of Wynn Las Vegas and played an instrumental role in establishing the management and financial structure to operate the US\$2.7 billion resort hotel and casino. Subsequently, Mr. Sisk also had a similar role in the development and opening of the US\$2.3 billion Encore resort hotel and casino. Prior to joining Wynn Resorts, Mr. Sisk worked for Caesars Palace in Las Vegas for 12 years where he was the Senior Vice President and Chief Financial Officer. Mr. Sisk is a CPA licensed to practice in Nevada and a member of both the Nevada Society of Certified Public Accountants and American Institute of Certified Public Accountants. Mr. Sisk joined the Group on July 27, 2010.

### David Alec Andrew Fleming

aged 66, is our Company Secretary, General Counsel and Alternate Director to Mr. Michael Alan Leven (Non-Executive Director of the Company).

# 1.5 BUSINESS OVERVIEW

We are the leading developer, owner and operator of integrated resorts and casinos in Macao as measured by adjusted EBITDA. We are the largest operator of integrated resorts in Macao, 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 Macao and differentiate us from our competitors. VML, our subsidiary, holds one of six concessions or subconcessions permitted by the Macao Government to operate casinos or gaming areas in Macao. Macao 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, The Plaza Macao and Sands Cotai Central. We also own CotaiExpo, one of the largest convention and exhibition halls in Asia; Macao's largest entertainment venue, the CotaiArena; and one of the two major high speed ferry companies operating between Hong Kong and Macao. Our luxury and mid-market retail malls feature approximately 600 shops with well-known retail brands such as Bottega Veneta, Calvin Klein, Chanel, Gucci, Hermès, Louis Vuitton, Montblanc, Omega, Ralph Lauren, Tiffany, Victoria's Secret and Zara. As at December 31, 2012, our properties featured 7,210 suites and hotel rooms, 19 Paiza Mansions, 1,335 table games, 5,078 slot machines, 120 different restaurants and food outlets, as well as other integrated resort amenities.

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 Macao and currently contains a mix of gaming areas for mass market, VIP and premium players, entertainment and dining facilities, and hotel rooms and suites. In August 2007, we opened Macao's largest integrated resort, The Venetian Macao, and in August 2008, we opened The Plaza Macao, a boutique luxury integrated resort featuring a Four Seasons Hotel, Shoppes at Four Seasons and the Plaza Casino. In July 2009, we completed and introduced our ultra-exclusive Paiza Mansions at The Plaza Macao. These Mansions are individually designed and are made available by invitation only. On April 11, 2012, we opened the first phase of Sands Cotai Central, the newest addition to our Cotai Strip development. This first phase features more than 600 rooms and suites under the Conrad hotel brand and more than 1,200 rooms under the Holiday Inn hotel brand. On September 20, 2012, we opened phase IIA of Sands Cotai Central, featuring approximately 1,800 rooms and suites managed by Starwood under the Sheraton hotel brand. Both phases of Sands Cotai Central also feature significant gaming, meeting, convention and retail space as well as several distinctive dining offerings. On January 28, 2013, we opened phase IIB, featuring approximately 2,100 additional rooms and suites managed by Starwood under the Sheraton brand. On December 20, 2012, we opened a fully enclosed climate-controlled footbridge with escalators and moving walkway to enhance the inter-connectivity and accessibility between our Cotai Strip properties.

Our business strategy is to develop Cotai and to leverage our integrated resort business model to create Asia's premier gaming, leisure, convention and meetings destination. Our ultimate plans for Cotai include several interconnected integrated resorts, which leverage a wide range of branded hotel and resort offerings to attract different segments of the market. When fully completed, we expect our Cotai Strip development to contain over 12,000 hotel rooms, over 1.6 million square feet of MICE space, approximately 2.0 million square feet of retail malls, theaters and other amenities. We believe our business strategy and development plan will allow us to achieve more consistent demand, longer average length of stay in our hotels and higher margins than more gaming-centric facilities.

## KEY STRENGTHS

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

- Diversified, high quality integrated resort offerings with substantial non-gaming amenities;
- Substantial cash flow from existing operations and a significant development pipeline;
- Established brands with broad regional and international market awareness and appeal;
- An experienced management team with a proven track record;
- Significant benefits from our on-going relationship with LVS; and
- A focus on high-margin mass market gaming.

## 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 Macao by continuing to implement the following business strategies:

- **Developing and diversifying 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 four integrated resorts, MICE space, additional retail, dining and entertainment facilities and a range of hotel offerings to cater to different segments of the market. Our plans include offering five, four and three-star hotel rooms on Cotai. After completion of the final phase of Sands Cotai Central, we expect to have Conrad, Holiday Inn, Sheraton and St. Regis branded hotel rooms. We have already begun 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 partnerships 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.
- **Leveraging 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 our operations. Opportunities for lower unit costs include, but are not limited to lower utility costs; more efficient staffing of hotel and gaming operations; and centralized 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 Macao.
- **Focusing 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 into the market. 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.

## 1.5 BUSINESS OVERVIEW

- **Monetizing our non-core assets to reduce net investment through the sale of retail malls and the sale or co-operativization 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 would not diminish the ability of the retail facilities and apart-hotels to attract traffic to our properties.

### OTHER OPERATIONS

As part of our goal of driving visitation to Cotai and improving the customer experience in Macao, we have made targeted investments to help develop Macao's transportation infrastructure. Our transportation operations consist of our high-speed CotaiJet ferry service between Hong Kong and Macao, 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 the Hong Kong Macau Ferry Terminal and the Taipa Temporary Ferry Terminal near our Cotai Strip development. With our 14 ferries, we have the ability to run ferries on 15-minute intervals as needed to meet demand. We transferred approximately 20,500 passengers per day for the year ended December 31, 2012, compared to approximately 17,200 passengers per day for the year ended December 31, 2011, an increase of 19%. In 2012, we provided an average of approximately 41 daily round trip sailings between Macao and Hong Kong. This equates to a grand total of 7.5 million passengers a year or approximately 625,000 per month. Our CotaiJet ferry service offered the following routes during 2012:

#### From Hong Kong

Hong Kong Macau Ferry Terminal  
Hong Kong China Ferry Terminal  
Sky Pier at Hong Kong International Airport  
Hong Kong Macau Ferry Terminal  
Hong Kong China Ferry Terminal  
Sky Pier at Hong Kong International Airport

#### To Macao

Taipa Temporary Ferry Terminal  
Taipa Temporary Ferry Terminal  
Taipa Temporary Ferry Terminal  
New Macau Maritime Ferry Terminal  
New Macau Maritime Ferry Terminal  
New Macau Maritime Ferry Terminal

#### From Macao

Taipa Temporary Ferry Terminal  
Taipa Temporary Ferry Terminal  
Taipa Temporary Ferry Terminal  
New Macau Maritime Ferry Terminal  
New Macau Maritime Ferry Terminal  
New Macau Maritime Ferry Terminal

#### To Hong Kong

Hong Kong Macau Ferry Terminal  
Hong Kong China Ferry Terminal  
Sky Pier at Hong Kong International Airport  
Hong Kong Macau Ferry Terminal  
Hong Kong China Ferry Terminal  
Sky Pier at Hong Kong International Airport

The CotaiJet service is fully managed and operated on our behalf by Chu Kong High-Speed Ferry 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 operate at top speeds of approximately 42 knots.

We operate our passenger ferry service pursuant to a 10-year license granted to us by the Macao Government on January 14, 2010.

### CotaiLimo

Our CotaiLimo service fleet consists of 116 limousines. It 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 at various locations to provide “on demand” services.

### CotaiShuttle Bus Service

We operate a fleet of 164 (79 owned, 85 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 ten minutes during peak periods. These shuttle buses are also supported by an additional 30 coaches to serve increased demand. The CotaiShuttle also runs to and from two border checkpoints with mainland China, the Gongbei Border Gate and the Lotus Flower Bridge, transporting visitors directly to and between our properties every five to eight minutes during peak periods. The services between the TTFT and our properties operate 24 hours per day to provide a connecting service for all CotaiJet ferry arrivals and help us direct visitors to our properties. Based on our operational data, 14.3 million passengers arrived at The Venetian Macao, the Sands Macao, The Plaza Macao and Sands Cotai Central on our complimentary shuttle bus service in 2012, which is a growth of 10% compared to 2011. In addition, a complimentary shuttle bus service operates between our Cotai properties and City of Dreams as well as Galaxy Macau to enhance the overall Cotai experience. All of these routes maintain a regular schedule, although exact operating hours are dependent on the specific route. Most routes operate for a minimum of 16 hours every day.

### Airplanes

Through a Shared Services Agreement with LVS, we have access to a fleet of 17 corporate configured airplanes, six of which are currently stationed permanently in Asia. All airplanes are owned by LVS or 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 Macao.

### CotaiTicketing

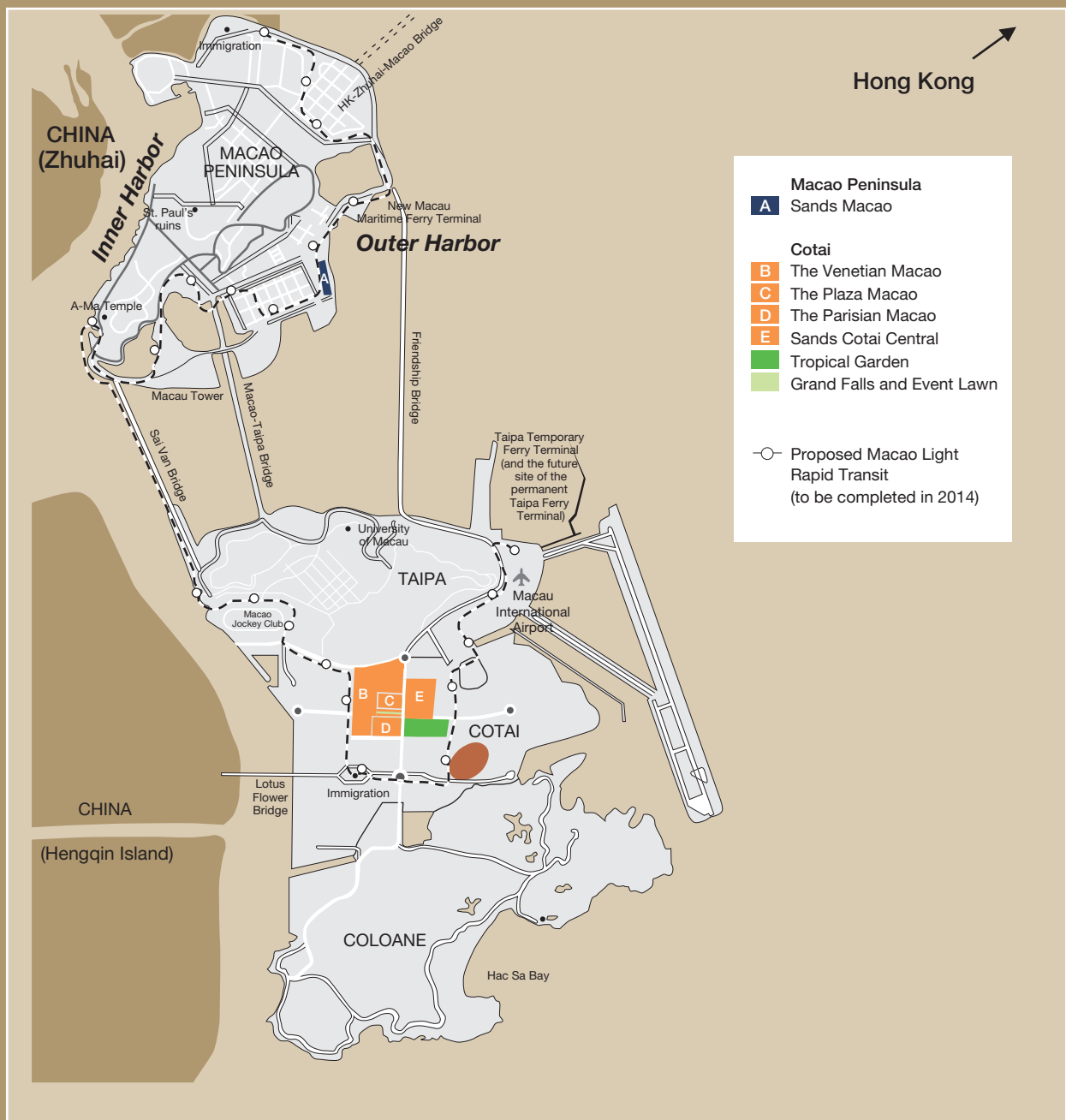
Our CotaiTicketing operations were established in 2007 and provide all ticketing requirements for events and services at all our properties. CotaiTicketing currently sells tickets for the CotaiArena™, Venetian Theatre events, Sands Theater events, Venetian Ballroom events, Venetian pool-side events, Gondola rides and the CotaiJet ferry. Our CotaiTicketing operations consist of seven box office locations across all properties and a call center based in Macao with three language options and both a Macao and Hong Kong direct phone number. We also sell tickets online 24 hours per day at our website [www.CotaiTicketing.com](http://www.CotaiTicketing.com), which is available in numerous language options.

### CotaiTravel

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

# 1.6 OUR PROPERTIES

Our operations consist of the Sands Macao on the Macao Peninsula and The Venetian Macao, The Plaza Macao and Sands Cotai Central on Cotai, along with other services that support these properties, including our high-speed CotaiJet ferries operating between Hong Kong and Macao.





The following table sets forth data on our existing operations as at December 31, 2012:

Property	The Venetian Macao	Sands Macao	The Plaza Macao	Sands Cotai Central	Total
Opening date	August 2007	May 2004	August 2008	April 2012 (Phase I) September 2012 (Phase IIA)	—
Hotel rooms	2,841	238	360	3,656	7,095
Paiza Suites	64	51	—	—	115
Paiza mansions	—	—	19	—	19
MICE (square feet)	1,200,000	—	25,000	311,000	1,536,000
Theater/arena	1,800-seat theater 15,000-seat arena	650-seat theater —	— —	— —	— —
Total retail (square feet)	1,000,000	18,000	260,000	210,000	1,488,000
Number of shops	325	14	121	91	551
Number of restaurants and food outlets	54	10	8	48	120
Total gaming facility (square feet)	374,000	249,000	108,000	296,000	1,027,000
Gaming units:					
Tables	462	269	144	460	1,335
Slots	2,013	1,086	175	1,804	5,078

### Sands Macao

We opened the Sands Macao in May 2004. The Sands Macao was the first Las Vegas-style casino in Macao 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 Macao 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 Macao. This location provides the Sands Macao access to a large customer base, particularly the approximately 11.5 million visitors who arrived in Macao in 2012 by sea at either the TTFT, the inner harbor or the New Macau Maritime Ferry Terminal according to DSEC statistics, an increase of 4% on 2011's figures. During the year ended December 31, 2012, the Sands Macao had a total of approximately 6.0 million visitors.

As at December 31, 2012, the Sands Macao contained 289 suites, which are furnished with modern and luxurious amenities and decorated with stylish dark wood paneling and high-end furnitures. As at December 31, 2012, the Sands Macao also included approximately 249,000 square feet of gaming space and had 269 table games and 1,086 slot machines or similar electronic gaming devices.

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 Japanese restaurant and an upscale western-style steakhouse.

## 1.6 **OUR** PROPERTIES

### **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 Macao's Taipa Island. As at December 31, 2012, The Venetian Macao included approximately 374,000 square feet of casino and gaming areas spread across exclusive VIP rooms and an expansive mass market gaming floor.

As at December 31, 2012, The Venetian Macao featured 462 table games and 2,013 slot machines or similar electronic gaming devices. 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 year ended December 31, 2012, The Venetian Macao had approximately 28.5 million visitors, up from 26.4 million visitors in 2011.

In addition to gaming facilities, The Venetian Macao features a 39-floor five-star hotel tower with 2,841 standard hotel suites and 64 Paiza 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 Macao, as typically seen in Las Vegas. The 64 Paiza suites 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 room, gym, pool and media/karaoke room.

The Venetian Macao also provides a broad selection of entertainment options and amenities that 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 Shoppes Grand Canal, consisting of more than 320 stores and over 50 world-class restaurants, including a food court. Visitors and guests can access Shoppes Grand Canal 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 Calvin Klein, Coach, Diesel, Emporio Armani and Fossil to mid-level retail offerings such as Mango, Massimo Dutti, Nike, Rimowa, Versace Jeans and Zara. The mall has an extensive selection of high-end jewelry and watch retailers such as Chopard, Franck Muller, Glashutte & Blancpain, Longines, Montblanc, Omega, Piaget and Tiffany & Co. 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 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 three indoor canals with gondola rides, similar to The Grand Canal Shoppes at The Venetian Las Vegas.

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 Macao normally experience lower demand relative to weekends and holidays, when occupancy and room rates are typically at their peak due to leisure travel. In 2012, we welcomed more than 1.3 million MICE visitors, a 36% year-on-year increase. The Venetian Macao also has a 15,000-seat arena, The CotaiArena™, which has hosted a wide range of entertainment and sporting events, and a 1,800-seat theater.

### The Plaza Macao

In August 2008, we opened The Plaza Macao, which is located adjacent to The Venetian Macao. The Plaza Macao includes the Four Seasons Hotel (360 rooms and suites managed by Four Seasons Hotels Inc.) and the Plaza Casino, which we own and operate and which features approximately 108,000 square feet of gaming space with 144 table games and 175 slot machines or similar electronic gaming devices; 19 Paiza Mansions; several food and beverage offerings; conference and banquet facilities; and Shoppes at Four Seasons, which comprise retail space of approximately 260,000 square feet and is connected to the mall at The Venetian Macao. The ultra-exclusive Paiza Mansions at The Plaza Macao were completed and introduced to the VIP market in July 2009.

During the year ended December 31, 2012, The Plaza Macao had a total of approximately 5.4 million visitors.

The Plaza Macao will also feature 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. We have completed the structural work of the tower and expect to monetize units within the apart-hotel tower subject to market conditions and obtaining the necessary government approvals.

### Sands Cotai Central

Sands Cotai Central is located opposite The Venetian Macao and The Plaza Macao. It is our largest integrated resort on Cotai. Sands Cotai Central consists of three hotel towers including 636 five-star rooms and suites under the Conrad brand, 1,224 four-star rooms and suites under the Holiday Inn brand and 3,863 rooms and suites under the Sheraton brand. In April 2012, we opened the first phase of Sands Cotai Central which included both the Conrad and Holiday Inn products, a variety of retail offerings, more than 300,000 square feet of meeting space, several food and beverage establishments, along with the Himalaya casino and VIP gaming areas. We opened phase IIA in September 2012 along with 1,796 rooms and suites managed by Starwood under the Sheraton brand, the Pacifica casino and additional retail, entertainment, dining and meeting facilities. We opened phase IIB in January 2013 consisting of the second Sheraton tower featuring an additional 2,067 rooms and suites.

Phase III of the project is expected to include a fourth luxury St. Regis branded hotel and mixed-use tower. The total cost to complete phase III is expected to be approximately US\$450 million. We intend to commence construction of phase III of the project as demand and market conditions warrant it.

As at December 31, 2012, Sands Cotai Central had 296,000 square feet of gaming space with 460 table games and 1,804 slot machines or similar electronic gaming devices, and included exclusive VIP rooms designed for VIP and premium players. During the year ended December 31, 2012, Sands Cotai Central had a total of approximately 6.5 million visitors.

# 1.6 OUR PROPERTIES

## Our Development Projects

We have submitted plans to the Macao Government for The Parisian Macao, an integrated resort that will be connected to The Venetian Macao and The Plaza Macao. The map below indicates the location of our existing and planned Cotai Strip properties. We have commenced construction activities and plan to own and operate the related gaming areas under our Macao gaming subconcession. In addition, we will be completing the development of some public areas surrounding our Cotai Strip properties on behalf of the Macao Government.



Note 1: We have opened phases I and II of Sands Cotai Central. We expect to commence construction of phase III as demand and market conditions warrant it.

## The Parisian Macao

The Parisian Macao, which is currently expected to open in late 2015, is intended to include a gaming area (to be operated under our gaming subconcession), hotel, a shopping mall and other amenities. We have received the requisite government approvals to start construction of The Parisian Macao and have begun on-site construction work. We expect the cost to design, develop and construct The Parisian Macao to be approximately US\$2.7 billion, inclusive of land premium payments. As at December 31, 2012, we had capitalized construction costs of US\$144.7 million for The Parisian Macao, including land.

## Parcels 7 and 8

In May 2012, we withdrew the judicial appeal filed with the Court of Second Instance in Macao in relation to the December 2, 2010 decision of the Macao Government not to approve our application for a land concession for Parcels 7 and 8. We recorded an impairment loss of US\$100.7 million during the year ended December 31, 2012, related to the capitalized construction costs of our development on Parcels 7 and 8.

## Our Land Concessions

We have received land concessions from the Macao Government to build the Sands Macao and Parcels 1, 2, 3 and 5 and 6 on Cotai, the sites on which The Venetian Macao (Parcel 1), The Plaza Macao (Parcel 2) and Sands Cotai Central (Parcels 5 and 6) are, and The Parisian Macao (Parcel 3) will be, located. We do not own these parcels; however, the land concessions, which have an initial term of 25 years and are renewable at our option in accordance with Macao law, grant us exclusive use of the land.

As specified in the land concession, we are required to pay premiums, which are either payable in a single lump sum upon acceptance of the land concession or in seven semi-annual installments, as well as annual rent for the term of the land concession, which may be revised every five years by the Macao Government. In October 2008, the Macao Government amended our land concession to allow us to subdivide Parcel 2 into four separate units under Macao's horizontal property regime, consisting of retail, hotel (including gaming areas), apart-hotel tower and parking areas.

Under our land concession for Sands Cotai Central, we are required to complete the development by May 2014 (48 months from the date the land concession became effective). The land concession for The Parisian Macao contains a similar requirement, which was extended by the Macao Government in July 2012, that the development be completed by April 2016. We expect to apply for an extension from the Macao Government to complete Sands Cotai Central, as we will be unable to meet the May 2014 deadline with respect to phase III of this project. Should we determine that we are unable to complete The Parisian Macao by April 2016, we would then also expect to apply for an extension from the Macao Government. If we are unable to meet The Parisian Macao deadline and the deadlines for either development are not extended, we could lose our land concessions for Sands Cotai Central or The Parisian Macao, which would prohibit us from operating any facilities developed under the respective land concessions. As a result, we could record a charge for all or some portion of the US\$4.08 billion or US\$144.7 million in capitalized construction costs including land, as at December 31, 2012, related to Sands Cotai Central or The Parisian Macao, respectively.

In May 2012, we withdrew the judicial appeal filed with the Court of Second Instance in Macao in relation to the December 2, 2010 decision of the Macao Government not to approve our application for a land concession for Parcels 7 and 8. The appeal was withdrawn in accordance with articles 84(d) and 86 of Macao's Administrative Litigation Procedure Code.

**120 RESTAURANTS**  
AND FOOD OUTLETS.  
SOMETHING  
**SUMPTUOUS**  
TO SUIT EVERY TASTE.



## 2. MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS OF OPERATIONS

Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

#### NET REVENUES

Our net revenues consisted of the following:

	Year ended December 31,		
	2012	2011	Percent change
	(US\$ in millions, except percentages)		
Casino	5,738.6	4,231.5	35.6%
Mall	239.1	187.2	27.7%
Rooms	226.9	186.4	21.7%
Food and beverage	106.5	81.9	30.0%
Convention, ferry, retail and other	200.3	193.8	3.4%
<b>Total net revenues</b>	<b>6,511.4</b>	<b>4,880.8</b>	<b>33.4%</b>

Net revenues were US\$6,511.4 million for the year ended December 31, 2012, an increase of US\$1,630.6 million or 33.4%, compared to US\$4,880.8 million for the year ended December 31, 2011. Net revenues increased in each segment of the business, which was due to the opening of our newest integrated resort, Sands Cotai Central, in 2012, as well as strong visitation resulting from continuous efforts in marketing and management's focus on driving the high-margin mass market gaming segment, while continuing to provide luxury amenities and high service levels to our VIP premium and junket players.

Net revenues increased  
**33.4%**  
 to US\$6,511.4 million

Our net casino revenues for the year ended December 31, 2012 were US\$5,738.6 million, an increase of US\$1,507.1 million or 35.6%, compared to US\$4,231.5 million for year ended December 31, 2011. The increase was primarily attributed to US\$950.9 million at Sands Cotai Central and an increase of US\$393.6 million at The Plaza Macao due to an increase in Rolling Chip volume driven by the expanded VIP gaming area. The increase in net casino revenues was also a reflection of the consistent growth of our higher margin mass table and slot businesses.

## 2. MANAGEMENT DISCUSSION AND ANALYSIS

The following table summarizes the results of our casino activity:

	Year ended December 31,		
	2012	2011	Change
(US\$ in millions, except percentages and points)			
<b>The Venetian Macao</b>			
Total net casino revenues	2,605.0	2,410.7	8.1%
Non-Rolling Chip drop	4,482.3	4,178.9	7.3%
Non-Rolling Chip win percentage	30.6%	27.3%	3.3pts
Rolling Chip volume	48,825.4	52,016.8	(6.1)%
Rolling Chip win percentage	3.05%	2.95%	0.10pts
Slot handle	4,946.1	3,564.6	38.8%
Slot hold percentage	5.3%	6.4%	(1.1)pts
<b>Sands Macao</b>			
Total net casino revenues	1,209.8	1,241.4	(2.5)%
Non-Rolling Chip drop	2,872.5	2,812.0	2.2%
Non-Rolling Chip win percentage	21.0%	20.5%	0.5pts
Rolling Chip volume	25,184.6	31,537.3	(20.1)%
Rolling Chip win percentage	3.14%	2.79%	0.35pts
Slot handle	2,476.7	2,055.9	20.5%
Slot hold percentage	4.3%	5.5%	(1.2)pts
<b>The Plaza Macao</b>			
Total net casino revenues	973.0	579.4	67.9%
Non-Rolling Chip drop	433.3	388.3	11.6%
Non-Rolling Chip win percentage	40.8%	40.3%	0.5pts
Rolling Chip volume	41,604.5	18,983.7	119.2%
Rolling Chip win percentage	2.79%	2.88%	(0.09)pts
Slot handle	962.5	833.5	15.5%
Slot hold percentage	5.3%	5.7%	(0.4)pts
<b>Sands Cotai Central (Note 1)</b>			
Total net casino revenues	950.9	—	—%
Non-Rolling Chip drop	1,863.9	—	—%
Non-Rolling Chip win percentage	20.8%	—	—pts
Rolling Chip volume	26,046.2	—	—%
Rolling Chip win percentage	2.83%	—	—pts
Slot handle	2,939.4	—	—%
Slot hold percentage	3.5%	—	—pts

Note 1: Phases I and IIA of Sands Cotai Central opened in April and September 2012, respectively.



Mall revenues for the year ended December 31, 2012 were US\$239.1 million, an increase of US\$51.9 million or 27.7%, compared to US\$187.2 million for the year ended December 31, 2011. The increase was primarily due to higher turnover rent derived from better sales performance from certain retailers, increased base fees for renewed contracts, as well as the opening of Shoppes Cotai Central.

Net room revenues for the year ended December 31, 2012 were US\$226.9 million, an increase of US\$40.5 million or 21.7%, compared to US\$186.4 million for the year ended December 31, 2011. The increase was primarily attributed to the opening of Sands Cotai Central as well as the growth in average daily rate and hotel occupancy at The Venetian Macao and The Plaza Macao due to continued focus on promotions and incentive schemes given to selected wholesalers.

The following table summarizes our room activity. Information in this table takes into account rooms provided to customers on a complimentary basis that are recorded at discounted rates.

	<b>Year ended December 31,</b>		
	<b>2012</b>	2011	Change
(US\$, except percentages and points)			
<b>The Venetian Macao</b>			
Gross room revenues (in millions)	<b>224.2</b>	220.1	1.9%
Occupancy rate	<b>91.9%</b>	91.4%	0.5pts
Average daily rate	<b>237</b>	232	2.2%
Revenue per available room	<b>218</b>	212	2.8%
<b>Sands Macao</b>			
Gross room revenues (in millions)	<b>24.4</b>	23.8	2.5%
Occupancy rate	<b>95.3%</b>	90.5%	4.8pts
Average daily rate	<b>245</b>	251	(2.4)%
Revenue per available room	<b>234</b>	227	3.1%
<b>The Plaza Macao</b>			
Gross room revenues (in millions)	<b>39.8</b>	32.2	23.6%
Occupancy rate	<b>80.1%</b>	69.9%	10.2pts
Average daily rate	<b>362</b>	334	8.4%
Revenue per available room	<b>290</b>	234	23.9%
<b>Sands Cotai Central (Note 1)</b>			
Gross room revenues (in millions)	<b>83.8</b>	—	—%
Occupancy rate	<b>83.4%</b>	—	—pts
Average daily rate	<b>155</b>	—	—%
Revenue per available room	<b>129</b>	—	—%

Note 1: Phases I and IIA of Sands Cotai Central opened in April and September 2012, respectively.

## 2. MANAGEMENT DISCUSSION AND ANALYSIS

Net food and beverage revenues for the year ended December 31, 2012 were US\$106.5 million, an increase of US\$24.6 million or 30.0%, compared to US\$81.9 million for the year ended December 31, 2011. The increase was primarily due to new food and beverage establishment openings at Sands Cotai Central with outlets in the existing properties also experiencing better performance due to increased property visitations.

Net convention, ferry, retail and other revenue for the year ended December 31, 2012 were US\$200.3 million, an increase of US\$6.5 million or 3.4%, compared to US\$193.8 million for the year ended December 31, 2011. The increase was primarily attributed to an increase in ferry revenue driven by strong growth in visitation to Cotai.

### Operating Expenses

Our operating expenses consisted of the following:

	<b>Year ended December 31,</b>		
	<b>2012</b>	2011	Percent change
	(US\$ in millions, except percentages)		
Casino	<b>3,709.7</b>	2,686.7	38.1%
Mall	<b>32.5</b>	31.8	2.2%
Rooms	<b>56.5</b>	37.2	51.9%
Food and beverage	<b>98.6</b>	66.9	47.4%
Convention, ferry, retail and other	<b>197.3</b>	198.6	(0.7)%
Provision for doubtful accounts	<b>58.2</b>	41.1	41.6%
General and administrative	<b>391.2</b>	247.8	57.9%
Corporate	<b>52.5</b>	31.5	66.7%
Pre-opening	<b>141.6</b>	61.2	131.4%
Depreciation and amortization	<b>354.0</b>	272.8	29.8%
Net foreign exchange gains	<b>(6.1)</b>	(1.2)	408.3%
Impairment loss	<b>143.6</b>	—	—%
Loss on disposal of property and equipment and intangible assets	<b>0.1</b>	2.9	(96.6)%
Fair value losses on financial assets at fair value through profit or loss	<b>0.4</b>	1.2	(66.7)%
<b>Total operating expenses</b>	<b>5,230.2</b>	3,678.5	42.2%

Operating expenses were US\$5,230.2 million for the year ended December 31, 2012, an increase of US\$1,551.7 million or 42.2%, compared to US\$3,678.5 million for the year ended December 31, 2011. The increase in operating expenses was primarily attributed to the opening of Sands Cotai Central, an increase in revenue at our existing properties and impairment losses related to Parcels 7 and 8 and the closure of the ZAiA show at The Venetian Macao.

Casino expenses for the year ended December 31, 2012 were US\$3,709.7 million, an increase of US\$1,023.0 million or 38.1%, compared to US\$2,686.7 million for the year ended December 31, 2011. The increase was primarily due to an increase in total gaming taxes of US\$788.8 million as a result of the opening of Sands Cotai Central and higher casino revenues at the existing properties.



Room expenses for the year ended December 31, 2012 were US\$56.5 million, an increase of US\$19.3 million or 51.9%, compared to US\$37.2 million for the year ended December 31, 2011. The increase was due to the opening of Sands Cotai Central, as well as increases in payroll expenses, travel agent commissions and hotel supplies and other supporting expenses as a result of higher hotel occupancy at the existing properties.

Food and beverage expenses for the year ended December 31, 2012 were US\$98.6 million, an increase of US\$31.7 million or 47.4%, compared to US\$66.9 million for the year ended December 31, 2011. The increase was due to the opening of Sands Cotai Central, as well as additional volume-related expenses at our existing properties.

Provision for doubtful accounts was US\$58.2 million for the year ended December 31, 2012, an increase of US\$17.1 million or 41.6%, compared to US\$41.1 million for the year ended December 31, 2011. The increase was due to increased business volume.

General and administrative expenses were US\$391.2 million for the year ended December 31, 2012, an increase of US\$143.4 million or 57.9%, compared to US\$247.8 million for the year ended December 31, 2011. The increase was due to the opening of Sands Cotai Central and increases in marketing expenses, payroll, utilities and maintenance costs for the three existing properties.



## 2. MANAGEMENT DISCUSSION AND ANALYSIS

Corporate expenses were US\$52.5 million for the year ended December 31, 2012, an increase of US\$21.0 million or 66.7%, compared to US\$31.5 million for the year ended December 31, 2011. The increase was due to royalty fees related to Sands Cotai Central, which opened in April 2012.

Pre-opening expenses were US\$141.6 million for the year ended December 31, 2012, an increase of US\$80.4 million or 131.4%, compared to US\$61.2 million for the year ended December 31, 2011. The increase was primarily related to the opening of Sands Cotai Central.

Depreciation and amortization expense was US\$354.0 million for the year ended December 31, 2012, an increase of US\$81.2 million or 29.8%, compared to US\$272.8 million for the year ended December 31, 2011, due to the opening of Sands Cotai Central, partially offset by a decrease in other properties due to some assets being fully depreciated.

Net foreign exchange gains for the year ended December 31, 2012 were US\$6.1 million, primarily associated with U.S. dollar denominated debt held in Macao. This compared with net foreign exchange gains of US\$1.2 million for the year ended December 31, 2011.

Impairment loss was US\$143.6 million for the year ended December 31, 2012, as we recorded an impairment loss of US\$100.7 million related to the capitalized construction costs of our former Cotai Strip development on Parcels 7 and 8, and an impairment loss of US\$42.9 million related to the closure of the ZAiA show at The Venetian Macao.



## ADJUSTED EBITDA<sup>(1)</sup>

The following table summarizes information related to our segments:

	Year ended December 31,		
	2012	2011	Percent change
	(US\$ in millions, except percentages)		
The Venetian Macao	1,143.9	1,023.5	11.8%
Sands Macao	349.7	350.7	(0.3)%
The Plaza Macao	287.9	217.6	32.3%
Sands Cotai Central	212.8	—	—%
Ferry and other operations	(16.6)	(15.8)	5.1%
<b>Total adjusted EBITDA</b>	<b>1,977.7</b>	1,576.0	25.5%

Adjusted EBITDA for the year ended December 31, 2012 was US\$1,977.7 million, an increase of US\$401.7 million or 25.5%, compared to US\$1,576.0 million for the year ended December 31, 2011. This strong performance was driven by the opening of Sands Cotai Central, revenue increases in all business segments and management's continued focus on driving the high-margin mass table and slot businesses while continuing to provide high service levels to our VIP premium and junket players, as well as our integrated resort business model, which drove a significant growth in the high-margin rooms, mall and other non-gaming businesses. In addition, management continued to focus on driving operational efficiencies throughout both gaming and non-gaming areas of the business, driving further improvement in adjusted EBITDA.

Adjusted EBITDA increased

**25.5%**  
to US\$1,977.7 million

- (1) Adjusted EBITDA is profit before share-based compensation, corporate expense, pre-opening expense, depreciation and amortization (net of amortization of show production costs), net foreign exchange gains/(losses), impairment loss, gain/(loss) on disposal of property and equipment and intangible assets, fair value losses on financial assets at fair value through profit or loss, interest, loss on modification or early retirement of debt and income tax expense. Adjusted EBITDA is used by management as the primary measure of operating performance of our properties and to compare the operating performance of our properties with that of our competitors. However, adjusted EBITDA 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. As a result, adjusted EBITDA as presented by us may not be directly comparable to other similarly titled measures presented by other companies.

## Interest Expense

The following table summarizes information related to interest expense:

	Year ended December 31,		
	2012	2011	Percent change
	(US\$ in millions, except percentages)		
Interest and other finance cost	107.7	189.8	(43.3)%
Less — capitalized interest	(50.2)	(137.0)	(63.4)%
<b>Interest expense, net</b>	<b>57.4</b>	52.9	8.5%

## 2. MANAGEMENT DISCUSSION AND ANALYSIS

Interest and other finance cost for the year ended December 31, 2012 were US\$107.7 million, a decrease of US\$82.1 million or 43.3%, compared to US\$189.8 million for the year ended December 31, 2011. The decrease was principally the result of a lower average borrowing rate after completing the US\$3.7 billion refinancing in November 2011.

Capitalized interest for the year ended December 31, 2012 was US\$50.2 million, a decrease of US\$86.8 million or 63.4%, compared to US\$137.0 million for the year ended December 31, 2011. The decrease was primarily due to a decreased average borrowing rate during the year and the completion of phases I and IIA of Sands Cotai Central in April and September 2012, respectively.

### Profit for the Year

Profit for the year ended December 31, 2012 was US\$1,235.7 million, an increase of US\$102.6 million or 9.1%, compared to US\$1,133.1 million for the year ended December 31, 2011. Excluding impairment losses related to Parcels 7 and 8 and the closure of the ZAiA show at The Venetian Macao, and pre-opening expenses related to Sands Cotai Central, adjusted profit increased 27.8% to US\$1,516.5 million for the year ended December 31, 2012, compared to US\$1,186.8 million for the year ended December 31, 2011.

Profit increased  
**9.1%**  
to US\$1,235.7 million

### LIQUIDITY AND CAPITAL RESOURCES

We fund our operations and development projects through cash generated from our operations and our debt financings.

On September 22, 2011, two subsidiaries of the Group, VML US Finance LLC (the "Borrower") and VML, as guarantor, entered into a credit agreement (the "2011 VML Credit Facility"), providing for up to US\$3.7 billion (or equivalent in Hong Kong dollars ("HK\$") or Macao patacas ("MOP")), which consists of a US\$3.2 billion term loan (the "2011 VML Term Facility") that was fully drawn on November 15, 2011, and a US\$500.0 million revolving facility (the "2011 VML Revolving Facility"), none of which was drawn as at December 31, 2012, that is available until October 15, 2016.

We will need to arrange additional financing to fund the balance of our Cotai Strip developments, including pursuing approximately US\$2.0 billion of financing for The Parisian Macao.

As at December 31, 2012, we had cash and cash equivalents of US\$1.95 billion, which was primarily generated from operations.

### Cash Flows — Summary

Our cash flows consisted of the following:

	Year ended December 31,	
	2012	2011
	(US\$ in millions)	
Net cash generated from operating activities	1,900.6	1,376.1
Net cash (used in)/generated from investing activities	(986.3)	3.1
Net cash (used in)/generated from financing activities	(1,466.6)	67.4
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(552.3)</b>	1,446.5
Cash and cash equivalents at beginning of year	2,491.3	1,040.8
Effect of exchange rate on cash and cash equivalents	9.4	4.0
<b>Cash and cash equivalents at end of year</b>	<b>1,948.4</b>	2,491.3

## Cash Flows — Operating Activities

We derive most of our operating cash flows from our casino, mall and hotel operations. Net cash generated from operating activities for the year ended December 31, 2012 was US\$1.90 billion, an increase of US\$524.5 million or 38.1%, as compared to US\$1.38 billion for the year ended December 31, 2011. The increase in net cash generated from operating activities was primarily due to the increase in our operating results.

## Cash Flows — Investing Activities

Capital expenditures for the year ended December 31, 2012 totaled US\$1.00 billion, including US\$815.7 million for construction activities at Sands Cotai Central and US\$165.3 million for our operations, mainly at The Venetian Macao, The Plaza Macao and Sands Macao.

## Cash Flows — Financing Activities

For the year ended December 31, 2012, net cash flows used in financing activities were US\$1.47 billion, which was primarily attributed to US\$1.20 billion in dividend payments, repayment of US\$140.3 million on the ferry financing facility and payments of US\$88.9 million for interest and US\$46.0 million for finance lease liabilities.

## CAPITAL EXPENDITURES

Capital expenditures were used primarily for new projects and to renovate, upgrade and maintain existing properties. Set forth below is historical information on our capital expenditures, excluding capitalized interest and construction payables:

	Year ended December 31,	
	2012	2011
	(US\$ in millions)	
The Venetian Macao	111.7	27.4
Sands Macao	25.0	7.7
The Plaza Macao	27.7	31.1
Sands Cotai Central	815.7	717.4
Ferry and other operations	0.9	0.8
Other developments	20.4	—
<b>Total capital expenditures</b>	<b>1,001.4</b>	<b>784.5</b>

Our capital expenditure plans are significant. In April and September 2012, we opened phases I and IIA, respectively, of Sands Cotai Central, which is part of our Cotai Strip development. Additionally, we opened phase IIB of Sands Cotai Central on January 28, 2013. We expect to commence construction of phase III at a future date as demand and market conditions warrant it. As at December 31, 2012, we had capitalized costs of US\$4.08 billion for the Sands Cotai Central project, including land.

We had commenced construction activities on The Parisian Macao, our integrated resort development on Parcel 3, and had capitalized costs of US\$144.7 million, including land, as at December 31, 2012. We have received the requisite government approvals to start construction of The Parisian Macao and have begun on-site works. We expect the cost to design, develop and construct The Parisian Macao will be approximately US\$2.7 billion, inclusive of land premium payments.

## 2. MANAGEMENT DISCUSSION AND ANALYSIS

These investment plans are preliminary and subject to change based upon the execution of our business plan, the progress of our capital projects, market conditions and the outlook on future business conditions.

### CAPITAL COMMITMENTS

Future commitments for property and equipment that are not recorded in the financial statements herein are as follows:

	<b>December 31, 2012</b>	2011
	(US\$ in millions)	
Contracted but not provided for	<b>190.8</b>	572.4
Authorized but not contracted for	<b>553.1</b>	760.4
<b>Total capital commitments</b>	<b>743.9</b>	1,332.8

### DIVIDENDS

On January 25, 2013, the Board of Directors declared an interim dividend of HK\$0.67 (equivalent to US\$0.086) per share payable to shareholders of the Company whose names appear on the register of members of the Company on February 19, 2013. This interim dividend, amounting in aggregate to HK\$5.40 billion (equivalent to US\$696.4 million), was paid on February 28, 2013.

On March 15, 2013, the Board proposed the payment of a final dividend of HK\$0.66 (equivalent to US\$0.085) per share, which is subject to approval by Shareholders in the forthcoming Annual General Meeting. Based on the ordinary shares in issue as at February 28, 2013, the total amount of the final dividend to be distributed is estimated to be approximately HK\$5.32 billion (equivalent to US\$685.6 million).

### PLEGGED OF FIXED ASSETS

We have pledged a substantial portion of our fixed assets to secure the loan facilities. As at December 31, 2012, we have pledged leasehold interests in land; buildings; building, land and leasehold improvements; furniture, fittings and equipment; construction in progress; and vehicles with an aggregate net book value of approximately US\$7.24 billion (2011: US\$6.78 billion).

### CONTINGENT LIABILITIES AND RISK FACTORS

The Group has contingent liabilities arising in the ordinary course of business. Management has made certain estimates for potential litigation costs based upon consultation with legal counsel. Actual results could differ from these estimates; however, in the opinion of management, such litigation and claims will not have a material adverse effect on the Group's financial condition, results of operations or cash flows.



We had commenced construction on The Parisian Macao and had capitalized costs of approximately US\$144.7 million including land of US\$85.2 million as at December 31, 2012. Under the terms of the land concession for The Parisian Macao, we were initially required to complete the development of The Parisian Macao by August 2011. In 2009, we were granted an extension from the Macao Government, which extended the deadline until April 2013. In July 2012, the Macao Government granted us an additional extension, which now requires the development to be completed by April 2016. The land concession for Sands Cotai Central contains a similar requirement that the corresponding development be completed by May 2014. The Group had capitalized costs of approximately US\$4.08 billion including land of US\$287.6 million as at December 31, 2012. We expect to apply for an extension from the Macao Government to complete Sands Cotai Central, as we will be unable to meet the May 2014 deadline with respect to phase III of this project. Should we determine that we are unable to complete The Parisian Macao by April 2016, we would then also expect to apply for an extension from the Macao Government. If we are unable to meet The Parisian Macao deadline and the deadlines for either development are not extended, we could lose our land concessions for Sands Cotai Central or The Parisian Macao, which would prohibit us from operating any facilities developed under the respective land concessions. As a result, the Group could record a charge for all or some portion of its capitalized construction costs including land related to Sands Cotai Central and The Parisian Macao.



**ENTERTAINMENT  
THAT IS SIMPLY OUT OF  
THIS WORLD.**



# 3. STAKEHOLDER INFORMATION

## 3.1 OUR SHAREHOLDERS

### Shareholding Analysis and our Shareholders

Share Capital (as at December 31, 2012)

Authorized Share Capital	16,000,000,000 ordinary shares of US\$0.01 each
Issued Share Capital	8,055,414,259 ordinary shares of US\$0.01 each

Shareholding Distribution

Size of Shareholding	Number of Shareholders	As at December 31, 2012		
		% of Shareholders	Number of Shares held	% of the Issued Share Capital
1–1,000	529	71.78%	244,870	0.0030%
1,001–5,000	169	22.93%	362,400	0.0045%
5,001–10,000	14	1.90%	104,800	0.0013%
10,001–100,000	20	2.71%	534,700	0.0066%
100,001–1,000,000	2	0.27%	229,750	0.0029%
Over 1,000,000	3	0.41%	8,053,937,739	99.9817%
<b>Total</b>	<b>737</b>	<b>100.00%</b>	<b>8,055,414,259</b>	<b>100.0000%</b>

Note: 47.01% of all our issued Shares were held through the Central Clearing and Settlement System ("CCASS") as at December 31, 2012

The actual number of investors holding Shares is likely to be much greater, due to ownership of Shares being held through nominees, investment funds and the CCASS.

### Shareholding by Category

Venetian Venture Development Intermediate II ("VVDI(II)")	70.2%
Institutional Investors	29.8%
Retail Investors	0.0%
<b>Total</b>	<b>100.0%</b>

From publicly available information and as far as our Directors are aware, Sands China has maintained a sufficient public float of its share capital in the Hong Kong stock market since its listing on November 30, 2009.

### 3. **STAKEHOLDER INFORMATION**

#### **CREATION OF SHAREHOLDER VALUE**

In 2012, the Company benefited from a number of key strengths that helped differentiate our business from that of our competitors, including the following:

- Providing the highest quality integrated resort offerings;
- The diversification of amenities, which provided us with a substantially higher adjusted EBITDA to sales percentage;
- Generating substantial cash flow and earnings from our existing operations;
- Maintaining an industry-leading development pipeline;
- Utilizing established brands;
- Operating very efficiently;
- Maintaining an experienced management team; and
- Deriving significant benefits from our on-going relationship with LVS.

Sands China's profit attributable to shareholders for the year ended December 31, 2012 was US\$1,235.7 million versus US\$1,133.1 million in 2011, an increase of 9.1%. Basic earnings per share for the year ended December 31, 2012 was US15.35 cents (HK\$1.19) versus US14.08 cents (HK\$1.09) in 2011, an increase of 9.0%.

Our business strategy continues to be to successfully execute our Cotai Strip developments and to leverage our integrated resort business model to create Asia's premier gaming, leisure, convention and meetings destination. Our business strategies and development plans allow us to achieve strong growth and financial performance in the future.

We are grateful to all shareholders who provide us with feedback and views. If any shareholder has comments or questions on what we are doing on his or her behalf, please contact us. Our contact information can be found on page 185. We will provide an answer to your questions. We will take your comments into account and act upon them if we believe this will improve our performance and create shareholder value.

#### **3.2 OUR LENDERS**

We have incurred, and will continue to incur, significant capital expenditures associated with the expansion of new integrated resorts in our Cotai Strip development, as part of our strategy of building critical mass at our Cotai Strip development. Through December 31, 2012, we have funded our development projects through a combination of borrowings from our credit facilities, operating cash flows and proceeds from our equity offering.

The Group entered into a new credit facility in Macao in September 2011, providing for up to US\$3.7 billion (or equivalent in HK\$ or MOP), which consists of a US\$3.2 billion term loan that was fully drawn on November 15, 2011, and a US\$500.0 million revolving facility, none of which was drawn as at December 31, 2012, that is available until October 15, 2016. Borrowings under the new facility were used to repay outstanding indebtedness under the VML and VOL credit facilities and will be used for working capital requirements and general corporate purposes, including for the development, construction and completion of certain components of Sands Cotai Central. Please refer to Note 27 to the consolidated financial statements for a summary of the material terms and conditions of these loans.

In May 2012, we repaid the US\$131.6 million outstanding balance under our ferry financing and recorded a US\$1.8 million loss on early retirement of debt during the year ended December 31, 2012.

### Shareholding by Category

Venetian Venture Development Intermediate II ("VVDI(II)")

70.2%

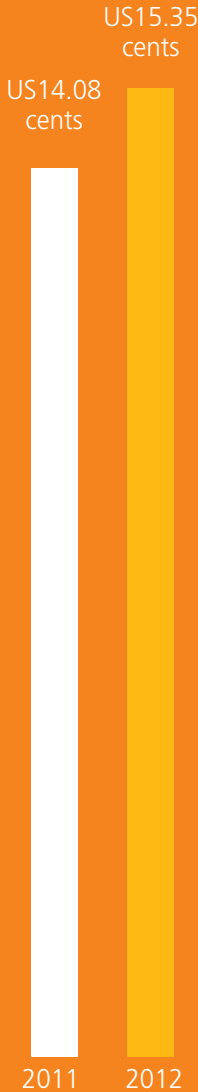
Institutional and Retail Investors

29.8%



### Basic Earnings Per Share

↑ 9.0%



## 3. **STAKEHOLDER** INFORMATION

### 3.3 OUR CUSTOMERS

#### Introduction:

Our business strategy is to develop Cotai and to leverage our integrated resort business model to create Asia's premier gaming, leisure, convention and meetings destination. Our ultimate plans for Cotai include four interconnected resorts that leverage a wide range of branded hotel and resort offerings to attract different segments of the market.

We believe our business strategy and development plan will allow us to achieve more consistent demand, longer average length of stay in our hotels and higher margins than more gaming-centric facilities.

#### Our Customers:

Our properties are designed to cater to a broad range of customers who include the following:

- Leisure customers who visit resort destinations for quality accommodation, retail, dining, entertainment, spas and sightseeing, and those who may opt to game as part of that experience;
- Conference and exhibition organizers who seek an environment that attracts more buyers and exhibitors to trade shows and exhibitions because of the size, flexibility, quality and ambiance of the venue, business-friendly accommodation, dining and other resort facilities;
- Corporate meeting and incentive group organizers who value the extensive meeting facilities enabling even the largest of meetings to be held under one roof with a wide array of 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 floors, luxury accommodation and amenities, and are characterized by Rolling Chip play.

Our customers come predominantly from within Asia, with our major markets being mainland China, Hong Kong, Taiwan, India, Japan, Korea, Thailand, Malaysia, Indonesia and Singapore. Through the implementation of targeted marketing campaigns, we expect to grow many of these markets in the coming year.

We have strong relationships with travel agents and corporate and exhibition organizers throughout the region for distribution of our leisure products and promotion of our MICE offerings. In addition, we participate in trade shows in source markets to build brand awareness and promote our services and facilities.

### 3.4 OUR EMPLOYEES

#### Talent Management

##### Attracting the Right Talent

Sands China is committed to hiring local Macao residents and in 2012 over 6,009 Macao residents accepted offers of employment with the Company. The majority of these offers were for positions in our latest Cotai Strip development — Sands Cotai Central.

The Company held 44 recruitment fairs in Macao in 2012. The majority of these job fairs took place at The Venetian Macao, but many job fairs were also held at various higher level educational institutions across Macao. In addition, job fairs outside of Macao were conducted in Nepal, South Korea, Taiwan, Thailand, Vietnam as well as Guangzhou, China in an effort to recruit the very best talent from across the region.

As responsible corporate citizens, Sands China gives crucial support to the Macao community by offering part-time job opportunities to local residents with developmental disabilities in various departments such as Human Resources, Conference and Exhibitions, Housekeeping and Food and Beverage.

##### Developing and Retaining Talent

Offering attractive and fulfilling career opportunities is important for retaining team members. We are pleased to report that in 2012 we promoted 2,129 team members (87% local Macao residents). Of this number, 396 team members were promoted to management positions (96% local Macao residents).

In 2012 our training and development teams trained over 24,500 team members who participated in a broad range of programs and disciplines, providing them with continuous training and development opportunities to improve retention and engagement. The effects of training is an enriched guest experience, increasing the likelihood that they will return and/or recommend our properties to others, whilst also helping Macao grow into an international tourism destination.

The development and retention efforts as well as the opportunities available at Sands China are advertised and promoted across Macao to ensure that they are understood by the community. In 2012, a series of “career ladder stories” were published in local newspapers highlighting the successful careers of selected team members from various departments across the organization.

#### Human Resources Initiatives

##### Communication with Team Members

The Human Resources team provides comprehensive communication to team members by developing, utilizing and encouraging the use of various modes of communication throughout the organization. The Company’s intranet platform, myNET, enables team members to retrieve valuable information such as Company policies, benefit plans, publications and announcements. In addition, myNEWS, a weekly bilingual e-newsletter distributed via email and myMAG, a quarterly bilingual magazine publication are available for team members so that they can keep abreast of the latest Company developments and news. Also, myTV, an internal television channel broadcasting the latest information related to team members and the Company is available on television screens located throughout the back-of-the-house areas.

### 3. **STAKEHOLDER** INFORMATION

Human Resources encourages open communication between the Company and its team members by offering various channels of communication such as Team Member Concierge to provide general personnel assistance at the back-of-the-house areas and Team Member Relations offering support and assistance in managing any work-related challenges faced by team members. myVOICE, an open forum for team members to express their viewpoints with the management team and Human Resources, lets team members join and voice their suggestions regarding work-related issues. The e-Enquiry on myNET is another convenient channel for team members to communicate and send their queries to the Company at anytime.

#### Employee Engagement

Engaging team members with key programs such as myWORKSHOP and myCLUB helps not only enrich their lives by offering a better work-life balance, but creates a happy working environment. myWORKSHOP offers basic computer skills workshops for team members to improve their computer skills. myCLUB offers an outlet for team members to unwind after work by joining the Sands China Dragon Boat Club and the Sands China Basketball Club.

In addition, myFESTIVAL enables team members to celebrate cultural diversity and experience cuisines from around the world such as “The Fascinating Colors of Vietnam” at the team member dining rooms. myIDEAS allows team members to share their ideas and views on how to improve the Company such as creatively renaming the six team member dining rooms across our properties. The annual employee talent show, *Start Your Show*, which is now in its third year, showcase team members talents on the big stage. In preparation of the final, 80 auditions were held and 10 finalists were selected to perform in front of a live audience of nearly 2,500 at the CotaiArena.

In 2012, Sands China conducted Employee Surveys in March, August and December. Most of the Team Members (83.8%) are satisfied with their current job and feel they have opportunities to progress in their career (74.5%) and believe that they will most likely to be working for us in the next two years (81.1%). Overall, the results indicate team members are actively engaged and proud to be working for the Company (76.3%).

#### Retention Initiatives

Human Resources provides employee retention strategies to improve commitment and enhance workforce support. The Key to Excellence Award program is a recognition program aimed at rewarding team members for their outstanding achievements and contributions. Each quarter approximately 100 winners from across the Company are selected through a nomination process to receive the awards. Furthermore, another retention initiative, myDISCOUNT enables team members to enjoy exclusive discounts in more than 110 outlets in Macao throughout the year. In 2012, seven promotional sales booths were held exclusively for employees in the back-of-the-house areas.

Lastly, the Employee Assistance Program was set up to offer emotional and psychological support to team members and their families. Through this program, team members are able to share their difficulties with professional counselors and are offered support and guidance.

#### Operational Efficiencies

As a business partner to all departments in the Company, the Human Resources team strives to collaborate with each department to maximize operational efficiencies. Some examples include taking the initiative to prevent labor disputes by holding 19 “Do’s & Don’ts” sessions with managerial level team members and above to help reinforce the Company’s practices. The team also regularly conducts labor practice audits on departments for rectification or reinforcement.



Human Resources also produces monthly Casual Labor Report data for the departments to help them better understand the utilization of their casual labor resources. In addition, to encourage team members to always offer extraordinary guest services, Human Resources plans to arrange a comprehensive video resource library to capture ideal flows of service for their reference. Moreover, as the Kaizen management philosophy is adopted by the Company, Human Resources actively and continuously seeks improvement in all services we provide to our internal and external customers.

## HR Training and Development

### Three Outstanding Training and Development Outcomes

#### 1. *Sands Cotai Central Opening*

Over 9,000 new team members from various departments participated in the Sands Cotai Central orientation program in 2012; 4,500 team members went through our introductory service program — Essentials of Key to Excellence; 1,500 team members attended Living the Brand sessions to understand how our new brands, Conrad and Holiday Inn, complement those of Sands and Venetian; in addition we delivered an On the Job Skills Building program to enhance the skills transfer process; Grooming and Languages programs to improve our guests' and players' experience were also held.

#### 2. *Developing Positive Leaders*

A new series of programs was developed and delivered based on our research of Company's leadership requirements. Six new modules were created and delivered to a range of managers including customized ones for Slot Operations, Cotai Waterjet, and Table Games. These were all based on the positive service leadership approach which was developed specifically for Sands China and was presented to senior leaders during their management orientation sessions. More than 1,200 supervisors and leaders participated in these courses including over 600 table games pit managers.

#### 3. *Solution Focussed Projects*

In order to maximize the positive outcomes of training and development and to provide strategic value to the various departments, much of the training was delivered to departments as specific interventions to support their efforts to address specific issues. Slots, Border Management, Casino Marketing, High Limits Gaming, Cotai Waterjet, Table Games, Limousine Service, Mass Player Development and Sands Rewards Club all collaborated with HR's training and development team to design programs that enhance service delivery or leadership skills.

## 2012 Team Member Profile (Full Time Team Members Only)

Number of Full-time Team Members:	24,167
Average Age:	37
Average Years of Service:	3.4
Gender Ratio:	Male 48% Female 52%
Number of Nationalities in the Management Team:	37
Total Number of Nationalities:	58
Number of Team Members of Hotel Partners:	2,323
Number of Full-time Team Members:	24,167
<b>Total Number of Team Members:</b>	<b>26,490</b>

## 3. **STAKEHOLDER INFORMATION**

### 3.5 **OUR COMMITMENT TO THE COMMUNITY**

#### **Introduction**

At Sands China we recognize that we are dependent upon the goodwill, hard work and motivation of our team members, the overwhelming majority of whom have deep roots in the local community. This is an asset that, as employers, we seek to tap for the good of our daily operations, but equally it is an energy that should — and does — flow outward to benefit the general population.

The Company and its subsidiaries have, to date, actively supported more than 200 organizations operating in various sectors of society with cash donations and other contributions in excess of MOP60 million. In addition, the Group has underwritten numerous social, sporting and cultural activities that have directly and positively affected the lives of countless members of the community. While this is a corporate achievement to be proud of, the extra ingredient has been the heartfelt participation of all team members, who in many cases have given large amounts of their own time, as well as money, to serve so many worthy causes.

Sands China will continue to be judged by the responsible attitude of our team members, and we would not have it any other way.

#### **Developing Talent**

Sands China has five core principles — 1) commitment to excellence, 2) exceeding expectations, 3) innovation, 4) trust and respect, 5) one team working together. All training programs are designed around these core values and at the same time aim to optimize the potential of local talent in the interests of the sustainable development of the industry. This understanding is diligently cultivated in our professionals and transfers naturally via our team member activities within the community.

Continuous team member training and development explains why Sands China properties continue to win awards, including the prestigious Macao Green Hotel — Gold Award, awarded to The Venetian Macao. The travel industry has also recognized The Venetian Macao as the Best Meetings & Conventions Hotel in Macau for five years running, and Trip Advisor listed it as one of the Top 10 Hotels for Families in China. Our Cotai Strip properties were collectively named as Asia's Leading Tourism Development Project by the World Travel Awards 2012, and one of our newest hotels, Conrad Macao, has already received several notable awards in its first year of operation, including the New Arrival Award by the highly-regarded Hurun Report, in its Best of the Best awards. Whilst we are proud of these achievements and recognize that they are good for business, we regard these prestigious programs and competitions as the ideal platform for investing in the people of Macao and a tailor-made device for unlocking their talent.

One significant way in which we have achieved our goal of investing in the people of Macao is through the funding of the Adelson Advanced Education Center, which seeks to promote the advancement of training and education in non-gaming business disciplines for local talent. The Company has also made arrangements with the University of Macau for their students to utilize this 15,500-square-foot offsite campus. Courses in advanced management and non-gaming areas such as tourism, MICE, Hospitality, Entertainment and Integrated Resort & Retail management are offered. These are all critical growth areas for Macao.

Another way that the Company endeavors to develop local talent is via its agreement with the Macau Management Association to jointly offer management training seminars. In 2012, the seminars in Customer Service Management Skill, Green Building and Sustainability were held. These seminars are led by academic professors from the Macau Management Association and members of the Company's management team, who are on-hand to provide and share their real-life experiences in supporting the education and continuous learning of the Macao community.

Beneficiaries of Sands China's commitment to the development of local talent include the University of Macau, Macau University of Science and Technology, Macao Polytechnic Institute, Institute for Tourism Studies, The University of Saint Joseph and Macau Institute of Management. In 2012, the Company contributed MOP690,000 to these institutions, benefitting more than 100 students. In addition to scholarships and fellowships, we provide internship programs for students from local higher education institutes.

Sands China believes that even the most vulnerable members of society should have the opportunity to develop their talents. Subsequent to a successful recruitment of 12 members of the Macao Special Olympics ("MSO") in both 2010 and 2011, they all have chosen to remain with our team and continue contributing their efforts in the Human Resources, Conventions and Exhibitions (Banquet Operations and Audio Visual teams), Housekeeping and Finance departments.

### Donations to Charity

The most direct way to help those in need is to donate money and goods, and this represents a substantial part of our community activities. Sands China is involved in a wide range of "direct aid" programs — some of them on a "one-off" basis and others on a continuing basis of "local partnership". In 2012, the Company contributed MOP8 million in direct cash donations to organizations supporting the elderly and infirm, the mentally disabled, those in various forms of rehabilitation, the abused, and children's charities among the list of 200 organizations, with some MOP38 million contributed to such causes by Sands China since 2004.

"Lucky" coins regularly dredged from The Venetian Macao canals are also given to the venerable Tung Sin Tong Charitable Society. In 2012, Sands China contributed more than MOP130,000 to this worthy cause.

Non-financial contributions by the Company are both numerous and diverse. Over 60 boxes of second-hand clothes discarded by our hotel guests were gratefully received by the Salvation Army for the benefit of those in need throughout Macao and in China in 2012. Over 120 boxes of miscellaneous items were donated over the same period by Sands Macao, The Venetian Macao and Sands Cotai Central to Caritas Macau.

There are indeed many ways of contributing to society. An increasingly large part of the Sands China product mix is entertainment, with some of the biggest names in the Western and Chinese entertainment world gracing the Cotai Arena stage. While many of these high profile shows, events and concerts are sell-out affairs, we are more than happy to give the underprivileged the chance of a lifetime to see some of the biggest stars. More than 2,600 local residents — both young and old — enjoyed watching sporting events and great concerts for free in 2012.

### 3. **STAKEHOLDER** INFORMATION

#### **Community Outreach — Sands China Care Ambassadors**

In 2012, Sands China organized more than 30 community outreach activities, all of which shared a common objective — touching the lives of the less fortunate. Children, the elderly and the vulnerable are regular participants in such activities and are often the ultimate beneficiaries. While Sands China can point to many community outreach events — Chinese New Year parties for the elderly, anniversary parties for persons with disabilities, and more — we also take pride in our community festive programs such as the painting of a Kowhaiwhai pattern by members of Fuhong Society of Macau at the grand opening of Sheraton Macao Hotel, Cotai Central.

There would be no meaningful community outreach for the Company if it were not for the hundreds of Sands China team members who take it upon themselves to get involved, often on their own time. While Sands China strongly encourages this community spirit, it is our team members who roll up their sleeves for dozens of projects such as the “One Day Volunteer”, in which Sands China Care Ambassadors — formalized as an active community force in 2009 — once again joined the Macau Youth Volunteer Association to play and have fun with mentally handicapped children and their families and helped clean the homes of the live-alone elderly.

As at December 2012, the Sands China Care Ambassadors — comprising over 370 volunteers from The Venetian Macao, Sands Macao, The Plaza Macao and Sands Cotai Central — have contributed more than 2,700 hours of community service. In fact, such has been the contribution made by Sands China Care Ambassadors that 12 of our team members were recognized with special awards by the Macau Youth Volunteer Association and the Voluntary Social Services Association of Macao in December 2012.

#### **An Energetic Community**

As a popular tourist destination, Macao is a city of festivals where you will find lively multicultural events regularly taking place somewhere or other in the territory. In addition to the many Chinese and Western events popular with tourists, local residents are recognizing the power of the community and its ability to make a difference. One of the most important community events in the charity calendars is Walk for a Million, a charity fund initiated by the readers of Macao Daily News that has drawn the community together since 1984. All funds collected are primarily used to either help low-income earners in the form of subsidies and scholarships or to provide aid to the general community in times of emergency. Over 3,000 Sands China team members participated in the 29th Walk for a Million in December 2012 and the Company donated MOP500,000.

Where it is just fun and competition for its own sake, you will generally find Sands China personnel in the thick of it. The female and male teams from Sands Macao and The Venetian Macao both participated in the 2012 Macau International Invitational Standard Dragon Boat Race, with a team taking home the medal for the 500-meter standard Dragon Boat Race of Open Category. Team members also won bragging rights in the popular annual Tray Race organized by the Macao Government Tourist Office on World Tourism Day.

## Responsible Gaming Program

Social consequences can arise from problem gambling and in order to address this concern the Company launched a comprehensive Responsible Gaming Program in April 2007 with a mandate to widely disseminate information on problem gambling, including assisting vulnerable guests to obtain professional help. The program — undertaken in an ongoing partnership with the government, experts, academics, doctors and counseling centers — seeks to effectively reduce the incidence of problem gambling by pre-empting such behavior in a proactive and participatory manner. Pursuant to a new law which regulates the casino entry age and the introduction of exclusion measures, a “Self Exclusion Program” and “Third-party Exclusion Program” have been in place since November 1, 2012 to assist problem gamblers and their family members by handling their requests that they be denied access to casinos.

Beyond distributing informative materials to patrons and team members, over 8,000 new team members attended mandatory Responsible Gaming Awareness training as part of their orientation in 2012. In addition, Sands China actively participates in responsible gaming-related academic research and sends training personnel from various departments to attend seminars and workshops to enhance and supplement their knowledge of this social issue.

In an effort to further tackle the issue of problem gambling in Macao, Sands China actively participated in the 2012 annual “Responsible Gaming Activity”, which has been co-organized by the Macao SAR Social Welfare Bureau, the Macao SAR Gaming Inspection and Coordination Bureau and the University of Macau since 2009. Activities include Responsible Gaming Information Kiosk Ambassador Training and the installation of kiosks on gaming floors to enhance the promotional and educational effects of Responsible Gaming.

To leverage our participation in the annual 2012 “Responsible Gaming Activity” program, Sands China distributed informative gifts, showed TV commercials and displayed notice boards in all back-of-house areas, aiming to further enhance team members’ knowledge of responsible gaming and to teach team members how to foster responsible gaming behavior.

Sands China has also been contributing unclaimed jackpots to organizations that provide assistance to problem gamblers and their families since 2006. In 2012, donations to non-government organizations such as Macau IFE Rehabilitation Centre for Problem Gamblers, Sheng Kung Hui Macau Social Service Coordination Office and the Young Men’s Christian Association of Macau reached MOP450,000. We contributed a further MOP500,000 to academic entities such as the Institute for the Study of Commercial Gaming of the University of Macau, which conducts research and undertakes training programs related to problem gambling.

## 3. **STAKEHOLDER** INFORMATION

### 3.6 **PRESERVING OUR ENVIRONMENT**

The Venetian Macao has the distinction of being the largest single-structure hotel building in Asia and is the seventh largest building in the world in terms of floor area. Its energy demands are proportionately large — but so are the opportunities for saving energy and protecting the environment. On a daily basis, we proactively protect the environment by recycling waste generated by our four properties.

Sands China constantly searches for new ways to use resources more efficiently such as using energy-saving lamps, improving the air conditioning systems and building automation systems. As a result, The Venetian Macao's electricity bill for the year ended December 31, 2012 was 13% less than its electricity bill during its first full year of operation in 2008, representing US\$5.6 million in energy savings.

We rigorously pursue a Green Procurement and Supply Chain Policy, which seeks to minimize the impact of products and services on the environment while achieving environmental sustainability. The Company's shuttle buses also follow the highest environmental regulations. All comply with Euro IV emission standards, meaning lower levels of pollution. Our vehicle fleet also includes some petrol-electricity powered hybrids. Our new shuttle buses serving Sands Cotai Central comply with Euro 5, the lowest emission standards.

Sands China is an active participant in community and government environment, health and safety initiatives, one of the foremost of which is the Macao Green Hotel Award program. The award — organized by the MSAR Environment Council — was first launched in 2007 and seeks to leverage the importance of environmental management and honor hotel establishments that are demonstrably committed to the green cause.

Macao Green Hotel assessment criteria covers Green Leadership and Innovation, Green Program Performance and Partner Synergy. Sands Macao was awarded the Green Hotel award 2010 and The Venetian Macao received The Green Hotel — Gold award in 2011.

As part of our effort to promote energy savings, Sands China was delighted to participate in "Earth Hour" once again in 2012. We support WWF's worldwide initiative, in which millions of individuals and thousands of cities and businesses around the globe switch off their lights for a full hour.

Sands China supported the annual "Macao Solar Challenge" organized by University of Saint Joseph. Students developed solar powered boats and raced them on the outdoor lagoon at The Venetian Macao.

We partnered with Macao Ecological Society to establish the Sands China Green Fund. President and Chief Executive Officer Edward Tracy not only presented a substantial check totaling US\$112,000, but also promised ongoing support to the organization. The money will provide for scholarships for local students taking higher-level programs in environmental studies.

Efforts to become environmentally friendly have also entered the hotel's rooms. Several devices to save water and energy have been installed across our properties.

Sands China encourages hotel guests to avoid unnecessary towel and linen changes and to turn lights off when not needed.

The Company also encourages its employees to do their part. Energy conservation and environmental awareness are promoted to team members on a regular basis, either through training and awareness initiatives or posters and videos.

**Sands China's Sustainability Initiatives in 2012**

- Launched Sands Eco360 programs across all Sands China's properties
- Installed energy saving lights
- Improved the air conditioning operation systems
- Scheduled the operation of equipment to optimize efficiencies
- Implemented an automatic irrigation system
- Ensured that recyclable materials are separated from general waste such as paper, plastic, cans and oil in all Sands China properties
- Developed a green awareness campaign targeted at Sands China team members
- Implemented a building automation project that will allow improvements in the efficiency and sustainability of Sands China's buildings

Our buildings have earned third-party environmental certifications, which demonstrate our focus on conserving natural resources and improving occupants' health and comfort.



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**LUXURY DUTY FREE  
SHOPPING.**





# 4. CORPORATE GOVERNANCE REPORT

## 4.1 CHAIRMAN'S INTRODUCTION

Good corporate governance underpins the creation of shareholder value at Sands China, and maintaining the highest standards of corporate governance is a core responsibility of the Board. An effective system of corporate governance requires that our Board approves strategic direction, monitors performance, oversees effective risk management and leads the creation of the right culture across the organisation. It also gives our investors confidence that we are exercising our stewardship responsibilities with due skill and care. I have used this year's corporate governance report to demonstrate how we have done this at Sands China.

We are committed to the continuous improvement of our corporate governance practices to support the performance of our business and enable effective oversight. Business needs, best practices we see elsewhere and regulatory change all help drive this improvement. In relation to the latter, the Listing Rules related to the Corporate Governance Code (the "Code") were revised in late 2011. Where the required changes were not already part of the Company's existing corporate governance practices, necessary changes to our practices have been made in accordance with the required implementation dates. A more recent change to the Code requires the introduction of a board diversity policy later in 2013, and this is a matter to be considered later this year.

The Company is now into its fourth year as a listed company since our public offering in November 2009, and the focus over the last year has been on the consolidation and refreshment of our practices. Ensuring high standards of governance is a key part of my role as Chairman and I believe our practices are fit-for-purpose and effectively support our business. As with last year's report, we have avoided a box-ticking description of our governance and this report explains how we apply the key principles and follow best practice, and what the Board has actually done in support of the business and to meet stakeholder expectations.

**Sheldon G. Adelson**  
*Chairman of the Board*

March 15, 2013

# 4. CORPORATE GOVERNANCE REPORT

## THE 2012 CORPORATE GOVERNANCE REPORT

To tell the story of our governance, we have set out this report in the following way:

Sections	What we cover
1. The Code and good governance	Why the Code is important to us
2. The Board	The Board's role and its composition, and the supporting governance framework
3. Key roles	What the Chairman, Chief Executive Officer, Executive and Non-Executive Directors and the Company Secretary do to support good governance
4. Activity	What we did by way of governance in 2012
5. The Committees	How the Committees have supported the work of the Board
6. Risk and internal control	The key aspects of our approach to risk management and internal control
7. Shareholders	What we have done in relation to shareholder engagement
8. Compliance disclosures and other matters	Compliance is important, and this section confirms any remaining requirements not covered in the earlier sections

### 4.2 THE CODE AND GOOD GOVERNANCE

The Board welcomes the revisions to the Code, effected in 2012. These not only set a standard for our Board to meet, but also promulgate principles and practices that will increase corporate governance standards and increase investor confidence in the stock market as a whole.

The Board views good governance as a priority for the Company: enabling effective monitoring and oversight of strategy and performance whilst, when clearly and transparently communicated, giving our investors a better understanding of how the Company is led and how oversight across the business is provided. And though we have achieved much operationally and by way of financial performance recently, we recognize the Company is still a young listed company. We expect, therefore, that our governance framework and practices will develop and evolve over time, in response to business and oversight needs. We plan to use this report each year to explain to our investors how our governance has developed and improved.

Many of the new principles and practices introduced in the amendments to the Listing Rules and the Code are already reflected in our existing governance framework. Where they are not, we have already implemented the changes in accordance with the required implementation dates. The principal amendments and the changes we have made are summarized as follows:

Rules and Code amendments	What we have done
Establish a Nomination Committee with a majority of Independent Non-Executive Directors as members	Established with formal terms of reference on March 2, 2012
Formulate a shareholder communication policy	Approved by the Board on March 2, 2012. Reviewed and confirmed its effectiveness in January 2013
Board to comprise of at least one-third Independent Non-Executive Directors Directors training and training for the Company Secretary	Complied since the appointment of Mr. Victor Patrick Hoog Antink as an Independent Non-Executive Director on December 7, 2012 Internally-facilitated briefings for Directors arranged and reading material on relevant topics issued to Directors. All Directors provided the Company with his or her training records for the year 2012 The Company Secretary confirmed compliance with the requirement to undertake no less than 15 hours of relevant professional training during the year
Monthly updates to Directors	Structured monthly updates on the Company's performance, position and prospects are provided to Directors since May 2012
Review arrangements for employees to raise concerns about possible improprieties Policy concerning Board diversity	Reviewed the Company's Whistle-blowing and Ethical Conduct Policy on March 2, 2012 and January 25, 2013 Required by September 1, 2013 and will be considered later this year

During the period from January 1, 2012 to March 31, 2012, the Company fully complied with all the code provisions and certain recommended best practices set out in the former Code.

Except as disclosed below, the Board is of the view that, the Company fully complied with all the code provisions and certain recommended best practices set out in the Code for the period from April 1, 2012 to December 31, 2012.

Under code provision A.6.7 of the Code, the Independent Non-Executive Directors and Non-Executive Directors should attend general meetings of the Company. Mr. David Muir Turnbull (Independent Non-Executive Director) and Mr. Lau Wong William (Non-Executive Director) attended the Annual General Meeting held on June 1, 2012. The remaining Independent Non-Executive Directors and Non-Executive Directors were absent from that Annual General Meeting due to business commitments.

Under code provision E.1.2 of the Code, the Chairman of the Board should attend the Annual General Meeting. The Chairman of the Board was absent from the Annual General Meeting held on June 1, 2012 due to business commitments.

## 4. CORPORATE GOVERNANCE REPORT

### 4.3 THE BOARD

The Board's main responsibility and purpose is to deliver the long-term success of the Company and to create long-term value for its shareholders. It does this by providing strategic and entrepreneurial leadership, and by exercising prudent oversight and control over the Company. As the business continues to grow through the development of the Cotai Strip developments, the Board needs to ensure that the Company has the resources — both funding and talent — to deliver success. The Board also recognizes the need for effective engagement by the Company with its key stakeholders, including all its investors.

To achieve these goals and discharge its responsibilities, the Board has defined the business and governance issues for which it needs to be responsible, and these matters reserved for the Board have separately defined. The matters reserved for the Board are periodically reviewed to ensure they are up to date. The principal matters the Board is responsible for include:

- approval of strategy
- determination of risk appetite
- setting of ethical standards
- monitoring of operational and financial performance
- engaging with shareholders
- review and approval of annual operating and capital budgets
- review and approval of initial construction budgets for projects, as well as significant modifications
- review and approval of announcements made via the Stock Exchange website
- review and approval of issuance and sale of the Company's securities
- review and approval of raising of debt by the Company, and any early repayment
- review and approval of significant acquisitions and disposals

The Board also recognizes that it sets the ethical standards for the Company, and has therefore designed a framework to ensure that the highest standards of integrity and ethical behavior are maintained by all Directors and employees. The Company maintains a Code of Business Conduct and Ethics which was updated on February 20, 2012. This is supported by a bilingual Compliance Policy Handbook that is distributed to all Directors and staff on joining the Company.

There are certain matters for which the Board is responsible that are delegated to its Committees. These are matters where particular time and attention need to be devoted to specific topics (so that regular Board meetings may not be the most effective place to consider them), have the need for specialist input, or require the demonstration of independent oversight. Accordingly, the Board has four Committees to help it discharge its responsibilities: the Audit, Remuneration, Nomination and Sands China Capital Expenditure Committees. Whilst two of the Committees have been in place since the Company's listing, the Sands China Capital Expenditure Committee was established on March 1, 2011 and the Nomination Committee was established on March 2, 2012. The Code now requires a separate Nomination Committee to be established; previously, its work was a responsibility of the Board and carried out under clearly-defined guidelines.

The Committees each have formal terms of reference which are subject to annual review to confirm the adequacy. All Committees have reporting responsibilities back to the Board and make recommendations to the Board on key decisions relating to their remit. At each Board meeting, the relevant Committee chairman reports back to the whole Board highlighting any matter which requires the Board's attention or decision.

The overall governance structure at the Company can be summarized as:

<b>Board of Directors</b> <ul style="list-style-type: none"> <li>• approves strategy</li> <li>• determines risk appetite</li> <li>• sets ethical standards</li> <li>• monitors operational and financial performance</li> <li>• engages with shareholders</li> </ul>			
↓	↓	↓	↓
Audit Committee	Remuneration Committee	Nomination Committee	Sands China Capital Expenditure Committee
<ul style="list-style-type: none"> <li>• reviews the accounting and financial reporting processes and internal control systems of the Company, its compliance with legal and regulatory requirements</li> <li>• exercises oversight over the external auditors and their audit process, and the work of internal audit</li> </ul>	<ul style="list-style-type: none"> <li>• reviews proposals about the policy and structure of remuneration of Directors, senior management and highly compensated employees</li> <li>• ensures these remuneration proposals are aligned to corporate goals and objectives</li> </ul>	<ul style="list-style-type: none"> <li>• reviews structure, size and composition of the Board in the light of the Company's strategy</li> <li>• oversees the appointment process for new Board members</li> <li>• assesses the independence of Independent Non-Executive Directors</li> </ul>	<ul style="list-style-type: none"> <li>• reviews and approves non-budgeted capital expenditure projects in excess between US\$1 million and US\$10 million (with non-budgeted spend on a project in excess of this requiring Board approval)</li> </ul>

The work of the Board during 2012 is explained on page 58 and the work of the Committees is set out on pages 65 to 68 of this Annual Report.

The work of the Board is central to the success of the Company, so we need to ensure it has the right membership. In looking at its composition, the Board looks to ensure it has the right set of skills and experience, relevant knowledge and appropriate members. For us, this means having a deep understanding of the hospitality, gaming and MICE industries, knowledge of the local business and economic environment in Macao and, more broadly in China and other relevant markets. It also means having the right balance of Executive and Non-Executive Directors, including those who are independent and bring a broad and objective perspective with a questioning mindset.

The Board comprises eleven members who, together, bring the skills and experience the Company needs to meet our long-term objectives: two Executive Directors and nine Non-Executive Directors, four of whom are considered to be independent in accordance with the independence guidelines as set out in the Listing Rules. The members of the Board and their biographies are set out under "Directors and Senior Management" on pages 12 to 17 of this Annual Report. The needs of the Company change over time and, therefore, so does the membership of the Board. The Board considers the qualifications and experiences of the candidates and the benefits such candidates bring to the Company. On this basis, Mr. Victor Patrick Hoog Antink was appointed as an Independent Non-Executive Director of the Company on December 7, 2012.

## 4. **CORPORATE GOVERNANCE REPORT**

In order to make sure the Company takes the best advantage of a director's skills and experience, new Directors undergo an induction program that involves the opportunity to meet senior managers and learn about the parts of the business for which they are responsible, as well as visits to the Company's operations and construction projects. They are also briefed by the Company's Company Secretary and external advisers about their responsibilities as Directors under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

To contribute as effectively as possible on an ongoing basis, Board members receive periodic updates that are relevant to their duties and to the business of the Company.

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the Code and adopted the terms of reference of the Board on corporate governance functions on March 2, 2012.

To ensure that we adhere to high standards of corporate governance, we have developed our own corporate governance principles and guidelines which set out how corporate governance operates in practice within the Company. This is based on the policies, principles and practices set out in the Code and draws on other best practice. It sets out the primary corporate governance-related duties of the Board which are to:

- develop and review the Company's policies and practices on corporate governance
- review and monitor the training and professional development of the Directors and senior management
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements
- develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors
- review the Company's compliance with the Code and relevant disclosure in the annual Corporate Governance Report

The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines, and the Company's compliance with the Code and disclosure in this Corporate Governance Report.

### **Directors' interests**

Directors are required to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board and withdraw from that part of the board meeting, if appropriate.

### **Appointment terms**

Each Non-Executive Director, whether independent or not, is appointed for a term of three years and is subject to retirement by rotation at least once every three years. A Director appointed to fill a casual vacancy or as an addition to the Board will be subject to re-election by shareholders at the first general meeting after their initial appointment.

### **Continuous Professional Development of Directors**

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense.

During the year ended December 31, 2012, the Company arranged a briefing on the political and business climate in the mainland China and its potential impact on the business of the Company on August 27, 2012. All Directors have attended the briefing except Mr. Victor Patrick Hoog Antink who was appointed on December 7, 2012. In addition, relevant reading materials including directors' manual and legal and regulatory updates have been provided to the Directors for their reference.

To summarise, the Directors received trainings on the following areas to develop and refresh their skills and knowledge during the year:

Directors	Training areas		
	Corporate Governance	Legal and Regulatory	Business
<b>Executive Directors</b>			
Edward Matthew Tracy	√	√	√
Top Hup Hock	√	√	√
<b>Non-Executive Directors</b>			
Sheldon Gary Adelson	√	√	√
Michael Alan Leven	√	√	√
Jeffrey Howard Schwartz	√	√	√
Irwin Abe Siegel	√	√	√
Lau Wong William	√	√	√
<b>Independent Non-Executive Directors</b>			
Iain Ferguson Bruce	√	√	√
Chiang Yun	√	√	√
David Muir Turnbull	√	√	√
Victor Patrick Hoog Antink	√	√	√
<b>Alternate Director</b>			
David Alec Andrew Fleming (Alternate Director to Michael Alan Leven)	√	√	√

## Performance Evaluation

The Board and each of the Committees carried out performance self-evaluation on an annual basis to ensure effectiveness and continuous improvement to the functioning of the Board and the Committees.

## Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2012.

## 4.4 KEY ROLES

A number of roles are key to a well-run board, particularly those of the Chairman, Chief Executive Officer and the Company Secretary. Additionally, although they are members of a unitary board, the Non-Executive Directors bring different perspectives to the Board's discussions from the Executive Directors who are involved day-to-day.

## 4. **CORPORATE GOVERNANCE REPORT**

### **Chairman**

The primary role of the Chairman is to provide leadership. He is responsible for the proper functioning of the Board and for ensuring the application of good corporate governance practices. The Chairman is responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. He also promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between Executive and Non-Executive Directors. The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information and also ensures effective communication with shareholders.

### **Chief Executive Officer**

There is a clear separation of the roles of the Chairman and the Chief Executive Officer at the Company. The primary role of the Chief Executive Officer is to focus on developing the business strategy and support plans for approval by the Board and implement the objectives and policies agreed by the Board. The executive team and senior management should support the Chief Executive Officer in doing this. The Chief Executive Officer has primary responsibility for setting an example to the Company's employees, and communicating to them the expectations of the Board in relation to the Company's culture, values and behavior. He is responsible for supporting the Chairman to make certain that appropriate standards of governance permeate through all levels of the organization and he makes certain that the Board is made aware of the Executive Directors' and senior management's views on business issues in order to ensure discussions in the boardroom remain well-informed.

### **Non-Executive Directors**

The Non-Executive Directors bring a rich mix of business experience from a broad base of business experience. Some Non-Executive Directors are not independent by virtue of their connection with our parent company, LVS. These Directors bring understanding and experience of the industries within which we operate, and therefore add considerable value to the Board's decision making. Others bring specific experience of the local market and environment. This experience, when combined with the outside perspective of the Independent Non-Executive Directors provides a powerful combination of skills and experience.

All Non-Executive Directors, whether independent or not, bring essential challenge and valuable experience to the Board's deliberations. Actual and perceived independence is a key quality we require of a significant portion of our Board. We have complied with the Listing Rules requirement that at least one-third of the Board be comprised of Independent Non-Executive Directors. All four Independent Non-Executive Directors have confirmed, in writing, their independence in accordance with the independence guidelines as set out in the Listing Rules. It is important that all Directors, but in particular Non-Executive Directors are able to devote sufficient time to the Company's business. The Board has considered the time commitment of each Director to ensure that they are spending sufficient time on the Company's affairs.

### **Independent Non-Executive Directors**

In the Company's case, with the substantial shareholding held by LVS, the Independent Non-Executive Directors have a particular responsibility to safeguard the interests of the minority shareholder notwithstanding that the Board and the majority shareholder both understand that decisions should always be made in the best interests of the Company. The Independent Non-Executive Directors conducted an annual review on the continuing connected transactions between the Company and its parent and are of the opinions that the transactions were entered into, in the usual and ordinary course of business of the Company on normal commercial terms and fair and reasonable and in the interest of shareholders as a whole.

### **Company Secretary**

The Company Secretary also plays a vital role. Working with the Chairman, he ensures there is a good and timely flow of information to Directors, both in their role as Board members and as members of individual Board Committees. He also facilitates induction activities for new Directors and assists with the continuing professional development of Board members. The Company Secretary is responsible for taking and keeping minutes of all Board and Committee meetings.



The Company Secretary also plays a particular important role in advising the Chairman on all governance-related matters. He is also available to provide advice to the Board. The Company Secretary has confirmed, in writing, that he has undertaken no less than 15 hours of relevant professional training during the year.

The Board has also established a procedure to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.

#### 4.5 ACTIVITY

The Board meets four times during a year as a minimum and, during 2012, it met ten times. The attendance of each Director at Board and Committee meetings and annual general meeting is detailed in the table below.

Name of Director	Attendance/No. of Meeting(s)				Sands China Capital Expenditure Committee	Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee <sup>(a)</sup>		
Sheldon Gary Adelson	7/10	—/—	—/—	1/1	—/—	0/1
Edward Matthew Tracy	10/10	—/—	—/—	—/—	4/4	1/1
Toh Hup Hock	9/10	—/—	—/—	—/—	—/—	0/1
Michael Alan Leven	10/10	—/—	—/—	—/—	4/4	0/1
Irwin Abe Siegel	10/10	9/9	—/—	—/—	—/—	0/1
Jeffrey Howard Schwartz	9/10	—/—	2/2	—/—	4/4	0/1
Lau Wong William <sup>(b)</sup>	10/10	0/0	0/0	—/—	—/—	1/1
Iain Ferguson Bruce <sup>(c)</sup>	10/10	9/9	2/2	1/1	3/4	0/1
David Muir Turnbull	9/10	—/—	2/2	1/1	—/—	1/1
Chiang Yun	10/10	9/9	—/—	—/—	—/—	0/1
Victor Patrick Hoog Antink <sup>(d)</sup>	1/1	0/0	0/0	—/—	0/0	0/0
David Alec Andrew Fleming (Alternate Director to Mr. Michael Alan Leven)	0/10	—/—	—/—	—/—	—/—	1/1

**Notes:**

- <sup>(a)</sup> established on March 2, 2012, the committee members are Mr. Sheldon Gary Adelson (Chairman), Mr. Iain Ferguson Bruce and Mr. David Muir Turnbull
- <sup>(b)</sup> appointed member of Audit Committee and Remuneration Committee on December 7, 2012. No Audit Committee meeting or Remuneration Committee meeting was held after December 7, 2012
- <sup>(c)</sup> resigned as member of Sands China Capital Expenditure Committee on December 7, 2012. No Sands China Capital Expenditure Committee meeting was held after December 7, 2012
- <sup>(d)</sup> appointed on December 7, 2012. No Audit Committee meeting or Remuneration Committee meeting or Sands China Capital Expenditure Committee meeting was held after December 7, 2012

Apart from regular Board meetings, the Chairman also held a meeting with the Non-Executive Directors (including Independent Non-Executive Directors) without the presence of Executive Directors during the year 2012.

## 4. CORPORATE GOVERNANCE REPORT

Agendas for each meeting are prepared by the Company Secretary in consultation with the Chairman, and based on a forward calendar that helps ensure that all relevant matters for the year ahead are considered by the Board in a timely manner. All Directors are encouraged to contribute to the agenda setting process. Information relevant to each Board meeting is sent out in good time to the Directors. In addition to board papers, information relevant to the Company's financial position and latest developments is made available to Directors to keep them up to date. Structured monthly updates on the Company's performance, position and prospects are provided to Directors since May 2012. The Directors also have access to senior management where necessary.

During the year, the Board covered a wide range of matters in relation to strategy, operations, financial performance, regulatory compliance and governance. The principal items included:

Meeting Date	Matters Considered, Reviewed and Approved/Recommended
Regularly	<ul style="list-style-type: none"> <li>• Reports of the Committees</li> <li>• Updates from the management team including updates from the construction department on the status of its development projects, including any potential delays or labor concerns, and updates from the legal department on the status of any material litigation</li> </ul>
Quarterly	<ul style="list-style-type: none"> <li>• Public announcements</li> <li>• Financial results, including the Company's IFRS results as well as its U.S. GAAP financial results for publication by LVS on the New York Stock Exchange</li> </ul>
January 31, 2012	<ul style="list-style-type: none"> <li>• Interim dividend</li> </ul>
March 2, 2012	<ul style="list-style-type: none"> <li>• Code of Business Conduct and Ethics</li> <li>• Preliminary financial results announcement for the year ended December 31, 2011</li> <li>• Terms of reference of the Board on corporate governance functions</li> <li>• Established the Nomination Committee with formal terms of reference</li> <li>• Reappointment of external auditors, PricewaterhouseCoopers</li> <li>• Amendments to the terms of reference of the Audit Committee and Remuneration Committee</li> <li>• Shareholders' Communication Policy, Directors' Disclosure Policy and Whistleblowing Policy</li> </ul>
April 20, 2012	<ul style="list-style-type: none"> <li>• Publication and dispatch of 2011 Annual Report to Shareholders</li> </ul>
July 23, 2012	<ul style="list-style-type: none"> <li>• Final dividend</li> <li>• Renewal of the appointment letters of certain Non-Executive Directors</li> </ul>
August 27, 2012	<ul style="list-style-type: none"> <li>• Interim Results for the period ended June 30, 2012</li> </ul>
December 7, 2012	<ul style="list-style-type: none"> <li>• Publication and dispatch of 2012 interim report to Shareholders</li> <li>• Appointment of Mr. Victor Patrick Hoog Antink as an Independent Non-Executive Director and a member of the Audit Committee, Remuneration Committee and Sands China Capital Expenditure Committee</li> <li>• Appointment of Mr. Lau Wong William as a member of the Audit Committee and Remuneration Committee</li> <li>• Resignation of Mr. Iain Ferguson Bruce as member of the Sands China Capital Expenditure Committee</li> <li>• 2013 Budget</li> </ul>

Draft minutes are circulated to Directors for comment shortly after a meeting and final minutes are available for review and inspection by Directors.

## 4.6 THE COMMITTEES

The Board has four Committees that undertake work on its behalf, and report back to the Board: the Audit Committee, the Remuneration Committee, the Nomination Committee and the Sands China Capital Expenditure Committee.

The roles and functions of the Committees are set out in their respective terms of reference. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the websites of the Company and of the Stock Exchange. The terms of reference of the Sands China Capital Expenditure Committee is available on the website of the Company.

### Audit Committee

The Audit Committee supports the Board by exercising oversight in relation to the Company's accounting and financial reporting processes, internal control system, the financial statements and other financial reports, financial management, the external auditors and internal audit.

The Audit Committee comprises only Non-Executive Directors, with a majority of Independent Non-Executive Directors. The members of the Committee are Mr. Iain Ferguson Bruce, Ms. Chiang Yun, Mr. Victor Patrick Hoog Antink, Mr. Irwin Abe Siegel and Mr. Lau Wong William. Mr. Iain Ferguson Bruce chairs the Committee and, together with Mr. Irwin Abe Siegel, have appropriate professional qualifications and experiences in financial matters.

The Committee shall meet at least four times per year on a quarterly basis, or more frequently as circumstances require. In 2012 the Committee met nine times. Individual attendance of each Committee member is set out on page 63 of this Annual Report. In addition to the members of the Committee, meetings were attended by the Chief Financial Officer, the Head of Internal Audit and the external auditors at the invitation of the Committee.

Its main work during 2012 included reviewing:

- the 2011 Annual Report, including the Corporate Governance Report, Directors' Report and the Financial Statements, as well as the related results announcement
- the 2012 interim report and interim results announcement
- the 2012 first and third quarters results announcement
- compliance with the Corporate Governance Code, Securities and Futures Ordinance, Companies Ordinance and Listing Rules
- legal cases brought against the Company or other members of the Group, and the actions taken by management in response
- in relation to the external auditors, their plans, reports and management letter, fees, involvement in non-audit services, and their terms of engagement
- the plans (including those for 2013), resources and work of the Company's internal auditors, the Audit Services Group

## 4. CORPORATE GOVERNANCE REPORT

- the resources, staff qualification and experience, training programs and budget of the Group's Finance department
- the adequacy and effectiveness of the Company's financial reporting system, the system of internal controls in operation, risk management system and associated procedures within the Group

PricewaterhouseCoopers (PwC) have been the Group's external auditors since 2002. The Audit Committee annually reviews the relationship the Company has with PwC. The Audit Committee is satisfied that this relationship is working well and, having also reviewed the effectiveness of the external audit process as well as the independence and objectivity of PwC, has recommended their reappointment at the forthcoming Annual General Meeting. A resolution to this effect has been included in the Notice of the Annual General Meeting.

The Committee's terms of reference were reviewed on January 25, 2013 to ensure they continue to meet the needs of the Company and to ensure compliance with the Code.

### Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board concerning the Company's structure and policy for remuneration of Directors, senior management and highly compensated employees. It also has the delegated responsibility to determine the remuneration packages for the Executive Directors and senior management.

The Remuneration Committee comprises only Non-Executive Directors, with a majority of Independent Non-Executive Directors. The members of the Committee are Mr. David Muir Turnbull (Chairman), Mr. Iain Ferguson Bruce, Mr. Victor Patrick Hoog Antink, Mr. Jeffrey Howard Schwartz and Mr. Lau Wong William. The Committee shall meet at least four times per year on a quarterly basis, or more or less frequently as circumstances require. In 2012, it met two times. Individual attendance of each Committee member is set out on page 63 of this Annual Report. In addition to the members of the Committee, the Chief Executive Officer and the Vice President of Human Resources regularly attend the meetings by invitation.

The Remuneration Committee's main work during 2012:

- reviewed and recommended to the Board in respect of the remuneration policies and structure of the Company
- determined the remuneration packages for the senior management hired during the year
- reviewed and recommended to the Board for approval the remuneration of the Independent Non-Executive Director appointed during the year
- reviewed and approved amendments to the remuneration packages for the Executive Directors and members of the senior management team
- reviewed and approved the proposed bonus awards for the Executive Directors and members of the senior management team
- reviewed and approved options granted to senior employees under the Company's Equity Award Plan

In conducting its work in relation to the remuneration of Directors and senior management, the Committee ensured that no individual was involved in determining his or her own remuneration. It also ensured that remuneration awards were determined by reference to the performance of the individual and the Company and were aligned to the market practice and conditions, Company's goals and strategy, designed to attract, retain and motivate high performing individuals, and reflected the specifics of individual roles (for example, complexity and performance).

In respect of Non-Executive Directors, the Committee has reviewed fees payable taking into account the particular nature of their duties, relevant guidance available and the requirements of the Listing Rules.

The Committee's terms of reference were reviewed on January 25, 2013 to ensure they continue to meet the needs of the Company and to ensure compliance with the Code.

### Retirement Scheme

The Company operates a retirement scheme, the VML Provident Fund Scheme. All team members who are employed on a full time basis by the Group are eligible to participate in the scheme after they have completed three months of service. Benefits payable under the scheme are calculated by reference to the Company's contributions and each team member's own contributions, together with investment returns on such contributions. Both team members' and the Company's contributions are determined based on a fixed percentage of team members' base salary. The scheme has been established and is maintained in accordance with the laws of Macao.

Mr. Edward Matthew Tracy, President and Chief Executive Officer and Executive Director, and Mr. Toh Hup Hock, Chief Financial Officer, Executive Vice President and Executive Director, do participate in the VML Provident Fund Scheme.

Specific additional disclosures required in respect of remuneration including share option scheme are included later in the Directors' Report and in Note 7 to the Consolidated Financial Statements in this Annual Report.

### Nomination Committee

The Nomination Committee is primarily responsible for reviewing the structure, size and composition of the Board, and makes recommendations to the Board in relation to appointments and reappointments at Board level, including succession planning.

The Nomination Committee was established on March 2, 2012 in response to the changes in the Listing Rules effective on April 1, 2012, but its functions were previously carried out directly by the Board under formal nomination guidelines. The Committee comprises a majority of Independent Non-Executive Directors. The members of the Committee are Mr. Sheldon Gary Adelson (Chairman), Mr. Iain Ferguson Bruce and Mr. David Muir Turnbull. The Committee shall meet at least annually or more or less frequently as circumstances require. In 2012, it met once. Individual attendance of each Committee member is set out on page 63 of this Annual Report.

On selection of candidates for directorship of the Company, the Nomination Committee make reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. External recruitment professionals might be engaged to carry out selection process when necessary.

## 4. CORPORATE GOVERNANCE REPORT

During 2012, the Nomination Committee completed the review of the structure, size and composition of the Board pursuant to code provision A.5.2 of the Code and also considered the Listing Rules amendment that requires at least one-third of the Board to be made up of Independent Non-Executive Directors and recommended to the Board the appointment of Mr. Victor Patrick Hoog Antink as an Independent Non-Executive Director of the Company.

Prior to the establishment of the Nomination Committee, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-Executive Directors.

### Sands China Capital Expenditure Committee

The Sands China Capital Expenditure Committee monitors and, where appropriate, approves non-budgeted capital expenditure with project values between US\$1 million and US\$10 million. Expenditure in excess of this limit requires Board approval.

The members of the Committee are Mr. Michael Alan Leven (Chairman), Mr. Jeffrey Howard Schwartz, Mr. Victor Patrick Hoog Antink and Mr. Edward Matthew Tracy. The Committee shall meet as required. In 2012, the Committee met four times. Individual attendance of each Committee member is set out on page 63 of this Annual Report. Its work covered the review of various capital expenditure projects such as pre-development plans for The Parisian Macao and improvements to the gaming areas at The Venetian Macao, Sands Macao, Sands Cotai Central and The Plaza Macao.

### 4.7 RISK AND INTERNAL CONTROL

All activities undertaken and decisions made by the Company involve a degree of risk. The Board plays a key role in overseeing the risks undertaken, by actively considering risks as part of the strategy setting process and as it assesses opportunities for development and growth by determining the extent of risk it wishes to take.

Risks faced by the Company fall into a number of principal categories: financial risk, political risk, market risk, compliance risk and operational risk. The Company has an established risk framework under which it identifies risks relevant to the Company's operations and activities, and assesses these risks in relation to their likelihood and potential impact. Management monitors these risks and develops a response to mitigate them to an acceptable level commensurate with the Board's risk appetite, and also reports periodically to the Board on how these risks are evolving and the actions taken to mitigate them. By monitoring the mitigation of risks, management is able to refine their approach to ensure that the approach to risk management is effective.

Supporting the risk framework is the Company's internal control framework. The Board is responsible for maintaining an adequate system of internal controls to mitigate risk and to safeguard the Company's assets. This internal control framework is reviewed annually by the Audit Committee on behalf of the Board. As part of this review, the Board has satisfied itself that the Company's accounting and financial reporting function is adequately resourced with staff of appropriate qualifications and experience, and that they receive appropriate and sufficient training and development. The Board has also satisfied itself, through the work of its Audit Committee, that the internal audit function is adequately resourced and is effective at providing assurance to the Board on the relevant risks faced by the Company, and that the external audit process has been effective.

Internal audit forms a key part of the control framework, reporting to the Audit Committee. It provides reasonable assurance that the Company's internal controls in relation to statutory compliance audits and risk-based operational audits, undertaken as part of an annual plan that is discussed with management and approved by the Audit Committee. Its work in 2012 covered areas including Gaming Operations, Cage & Count, IT audits, Sarbanes-Oxley Review, and Non-Gaming/Operational audits.

Department heads are responsible for daily operations and manage the day-to-day operational and business risks. Operating processes and procedures, including those relating to internal control, are formally documented to provide a consistent approach to managing risks. The Company has a well-established compliance program, which is designed to meet the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, whereby department heads document and maintain all key internal controls. Internal Audit, in conjunction with the external auditors, performs walk-through and detailed tests to validate the operation of internal controls, highlighting the deficiencies that need attention. Management addresses issues arising and the Audit Committee oversees management's responses to make sure that they are adequate and timely.

The Company has in place a formal Anti Money Laundering Policy which takes into account regulatory requirements and expectations, as well as industry demands, to ensure that regulatory compliance is maintained at the highest monitoring standards.

#### **4.8 SHAREHOLDERS**

The Company considers that effective communication with shareholders is essential for good investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information.

To facilitate maintaining an on-going dialogue with shareholders and to encourage shareholder engagement and participation, the Company has developed and maintains a Shareholder Communication Policy. Under this policy, the Company commits to give shareholders balanced and understandable information about the Company's performance, position and prospects. Information is made available to shareholders through a number of means, including formal announcements of information required under Listing Rules and through the constructive use of Annual General Meetings. Updated information (for example, including in relation to the Company's financial information and its corporate governance practices) as well as standing information about the Company is also made available through the Company's website ([www.sandschinaltd.com](http://www.sandschinaltd.com)).

The general meetings of the Company provide a forum for communication between the Board and Shareholders. The Chairman of the Board, as well as the Chairmen and/or other members of the Board's four Committees will, in the absence of unforeseen circumstances, attend to answer questions raised at these meetings. The external auditors will be asked to attend the Annual General Meeting to answer questions about relevant matters including the conduct of the audit, the auditors' report and auditor independence.

The Company maintains procedures for Shareholders to propose a person for election as a director of the Company. The details of these procedures are available on the Company's website.

To safeguard Shareholder interests and rights, separate resolutions will be proposed for each substantial separate issue at general meetings, including the election of directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Company's articles of association and the Listing Rules, and poll results will be posted on the Company's website and that of the Stock Exchange after each general meeting.

## 4. **CORPORATE GOVERNANCE REPORT**

### **Procedures for Shareholders to Convene an Extraordinary General Meeting**

Article 68 of the Company's articles of association provides that general meetings shall be convened on the written requisition of the following members of the Company deposited at the principal place of business of the Company in Hong Kong at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong for the attention of General Counsel and Company Secretary, specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company:

- Any two or more members; or
- Any one member which is a recognized clearing house (or its nominee(s))

If the Directors of the Company do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors of the Company provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Note: Any such written requisition from the Shareholders should be marked "Shareholders' Communication" on the envelope.

### **Procedures for Shareholders to Put Forward Proposals at General Meeting**

Within 10 days of the date on which a notice (the "Notice") is deemed to be received by Shareholders in respect of any general meeting of the Company (the "Relevant General Meeting"), two or more Shareholders holding at least one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company may together, by written notice to the Company at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong for the attention of General Counsel and Company Secretary, propose a resolution to be proposed and considered at the Relevant General Meeting in addition to the resolutions set out in the Notice. Such written notice shall be accompanied by a statement in no more than 1,000 words explaining the matters referred to, and the reasons for, any such proposed resolution. Following the receipt of such written notice and accompanying statement by the Company, the Company may, in the Company's absolute discretion (taking into account, without limitation, legal, regulatory and practical considerations relating to the issue of any supplemental notice to all Shareholders in relation to the Relevant General Meeting), include the proposed resolution in the business of (i) the Relevant General Meeting or (ii) in a general meeting of the Company that is subsequent to the Relevant General Meeting.

The Company will circulate a revised Notice including any proposed resolution and the accompanying statement to all Shareholders in accordance with the articles of association of the Company provided that if, in the Company's sole opinion (without have to give reasons therefor), the above process is being abused in any way whatsoever, the Company has absolute discretion to not include such proposed resolution in the business of the Relevant General Meeting or a subsequent general meeting of the Company.

Note: Any such written notice from the Shareholders should be marked "Shareholders' Communication" on the envelope.



## Procedures for Shareholders to Put Forward Enquiries to the Board

Shareholders are, at any time, welcome to raise questions and request information (to the extent it is publicly available and appropriate to provide) from the Board and management by writing to:

General Counsel & Company Secretary  
The Venetian Macao-Resort-Hotel, Executive Offices — L2  
Estrada da Baia de N. Senhora da Esperanca, s/n, Taipa, Macao

Note: Any such letter from the Shareholders should be marked "Shareholders' Communication" on the envelope.

The Shareholders' Communication Policy is available on the website of the Company.

## Investor Relations

During the year 2012, the Company has not made any changes to its memorandum and articles of association. The Company's memorandum and articles of association is available on the Company's website and the Stock Exchange's website.

## 4.9 COMPLIANCE DISCLOSURES AND OTHER MATTERS

The Listing Rules requires certain corporate governance disclosures to be made. This section of the report details certain disclosures that have not been covered above.

### Disclosure of Director's Information pursuant to the Listing Rule 13.51B(1)

#### Director's Emoluments

On December 7, 2012, the Remuneration Committee approved an increase to the emoluments of Mr. Toh Hup Hock, the Company's Executive Vice President, Chief Financial Officer and Executive Director. Mr. Toh Hup Hock's remuneration was increased to US\$715,464 per annum with retrospective effect from December 1, 2012 and his maximum discretionary bonus entitlement was increased to 75% of his annual salary with retrospective effect from January 1, 2012.

Save as disclosed above, as at December 31, 2012, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### Insurance cover

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and senior management arising out of corporate activities.

### Model Code for Securities transactions

The Company has adopted its own securities trading code for securities transactions (the "Company Code") by the Directors and relevant employees who are likely to be in possession of unpublished inside information of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors have confirmed that they have complied with the Company Code and, therefore, with the Model Code throughout the year 2012. No incident of non-compliance of the Company Code by the relevant employees was noted by the Company.

## 4. CORPORATE GOVERNANCE REPORT

### Quarterly Reporting

The Company publishes quarterly financial results within 45 days from the end of the relevant quarter. LVS, as a United States Securities Exchange Act 1934 reporting company, is required to file quarterly financial reports with the United States Securities and Exchange Commission. When LVS releases its press release relating to quarterly financial information (which will contain information about the Group) in the U.S., the Company will simultaneously make an announcement pursuant to Rule 13.09(2)(a) of the Listing Rules extracting key highlights of the press release pertaining to the Group. The financial information relating to the Group contained in such press release is presented in accordance with U.S. GAAP and there is no reconciliation of such information with IFRS. When LVS files its quarterly financial report (which contains financial information about the Group) on Form 10-Q, approximately two weeks after the release of its quarterly information, the Company makes an announcement pursuant to Rule 13.09(2)(a) of the Listing Rules providing a hyper-link to such Form 10-Q, which contains financial information relating to the Group presented in accordance with U.S. GAAP.

### Remuneration of Senior Management

The remuneration of the members of the senior management by band for the year ended December 31, 2012 is set out below:

	Number of members of senior management
HK\$12,000,001 (approximately US\$1,548,000) — HK\$12,500,000 (approximately US\$1,613,000)	1
HK\$14,000,001 (approximately US\$1,806,000) — HK\$14,500,000 (approximately US\$1,871,000)	1
HK\$21,500,001 (approximately US\$2,774,000) — HK\$22,000,000 (approximately US\$2,839,000)	1
HK\$24,000,001 (approximately US\$3,097,000) — HK\$24,500,000 (approximately US\$3,161,000)	1
<b>Total</b>	<b>4</b>

### External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 89 of this Annual Report. During the year ended December 31, 2012, the remuneration paid to the Company's external auditors, PwC, is set out below:

Type of Services	Amount of Fees Payable/Paid (US\$'000)
Audit Services	1,363
Non-audit Services	12
<b>Total</b>	<b>1,375</b>

## 4.10 DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited Consolidated Financial Statements of the Group for the year ended December 31, 2012.

### Principal Activities

The principal activity of the Company is investment holding and the principal activities of our subsidiaries are the development and operation of integrated resorts in Macao, which contain not only gaming areas, but also meeting space, convention and exhibition halls, retail and dining areas and entertainment venues.

### Consolidated Financial Statements

The Consolidated Financial Statements of the Group for the year ended December 31, 2012 are set out on pages 91 to 182 of this Annual Report.

### Dividends

On January 25, 2013, the Board declared an interim dividend of HK\$0.67 per share, which was paid to Shareholders on February 28, 2013. On March 15, 2013, the Board proposed the payment of a final dividend of HK\$0.66 per share, which is subject to approval by Shareholders in the forthcoming Annual General Meeting on May 31, 2013. If a final dividend is approved by Shareholders on May 31, 2013, the total dividend paid to Shareholders for the year ended December 31, 2012 will be HK\$1.33 per share.

### Share Capital

Details of movements in the share capital of the Company during the year are set out in Note 24 to the Consolidated Financial Statements.

### Purchase, Sale or Redemption of the Company's Listed Shares

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company during the year ended December 31, 2012.

### Reserves

As at December 31, 2012, the Group had a total of approximately US\$5,505.6 million in reserves. Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 96 of this Annual Report.

### Fixed Assets

Details of movements in the fixed assets of the Group are shown under Notes 13 and 14 to the Consolidated Financial Statements.

### Bank Loans and Other Borrowings

The total borrowings of the Group as at December 31, 2012 amounted to US\$3,260.6 million (2011: US\$3,409.2 million). Particulars of borrowings are set out in Note 27 to the Consolidated Financial Statements.

### Finance Costs Capitalized

Finance costs amounting to US\$50.2 million (2011: US\$137.0 million) were capitalized by the Group during the year as set out in Note 9 to the Consolidated Financial Statements.

## 4. CORPORATE GOVERNANCE REPORT

### Donations

Donations by the Group for charitable and other purposes amounted to US\$1.0 million (2011: US\$0.5 million).

### Financial Summary

A summary of the results for the year and of the assets and liabilities of the Group as at December 31, 2012 and for the previous four financial years are set out on page 183 of this Annual Report.

### Directors

The Directors of the Company during the year and as of the date of this Annual Report are:

<b>Executive Directors</b>	<b>Title</b>	<b>Note</b>
Edward Matthew Tracy	President and Chief Executive Officer	Appointed July 27, 2011
Toh Hup Hock	Chief Financial Officer and Executive Vice President	Appointed June 30, 2010
<b>Non-Executive Directors</b>		
Sheldon Gary Adelson	Chairman of the Board	Appointed August 18, 2009
Michael Alan Leven		Redesignated July 27, 2011
Jeffrey Howard Schwartz		Appointed October 14, 2009
Irwin Abe Siegel		Appointed October 14, 2009
Lau Wong William		Appointed July 27, 2011
<b>Independent Non-Executive Directors</b>		
Iain Ferguson Bruce		Appointed October 14, 2009
Chiang Yun		Appointed October 14, 2009
David Muir Turnbull		Appointed October 14, 2009
Victor Patrick Hoog Antink		Appointed December 7, 2012
<b>Alternate Director</b>		
David Alec Andrew Fleming	General Counsel, Company Secretary and Alternate Director to Michael Alan Leven	Appointed March 1, 2011

The Board has established four Committees, being the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Sands China Capital Expenditure Committee (the "Capex Committee"). The table below details the membership and composition of each of the four Committees.

Director	Audit Committee	Remuneration Committee	Nomination Committee	Capex Committee
Sheldon Gary Adelson	—	—	Chairman <sup>(4)</sup>	—
Edward Matthew Tracy	—	—	—	Member <sup>(3)</sup>
Michael Alan Leven	—	—	—	Chairman <sup>(2)</sup>
Jeffrey Howard Schwartz	—	Member <sup>(1)</sup>	—	Member <sup>(2)</sup>
Irwin Abe Siegel	Member <sup>(1)</sup>	—	—	—
Lau Wong William	Member <sup>(5)</sup>	Member <sup>(5)</sup>	—	—
Iain Ferguson Bruce	Chairman <sup>(1)</sup>	Member <sup>(1)</sup>	Member <sup>(4)</sup>	— <sup>(6)</sup>
Chiang Yun	Member <sup>(1)</sup>	—	—	—
David Muir Turnbull	—	Chairman <sup>(1)</sup>	Member <sup>(4)</sup>	—
Victor Patrick Hoog Antink	Member <sup>(5)</sup>	Member <sup>(5)</sup>	—	Member <sup>(5)</sup>

Notes:

- (1) Appointed by a resolution of the Board on October 14, 2009
- (2) Appointed by a resolution of the Board on March 1, 2011
- (3) Appointed by a resolution of the Board on July 27, 2011
- (4) Appointed by a resolution of the Board on March 2, 2012
- (5) Appointed by a resolution of the Board on December 7, 2012
- (6) Resigned by a resolution of the Board on December 7, 2012

## Director Independence

The Company has received written annual confirmation from each Independent Non-Executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules. Directors are required to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings and withdraw if appropriate.

## Directors' Service Contracts

Each of the Non-Executive and Independent Non-Executive Directors of the Company is appointed for a term of three years. The appointment may be terminated by either the Company or the Director on not less than one month's written notice. The Directors shall retire by rotation and be eligible for re-election in accordance with the articles of association of the Company.

None of the Directors offering themselves for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

There are no service contracts with Directors that are exempt under Rule 13.69 of the Listing Rules. No emoluments were paid to any Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2011: nil).

## 4. CORPORATE GOVERNANCE REPORT

On July 23, 2012, the Board approved the renewal of the appointment letter of each of Mr. Sheldon Gary Adelson, Mr. Irwin Abe Siegel, Mr. Jeffrey Howard Schwartz, Mr. Iain Ferguson Bruce, Mr. David Muir Turnbull and Ms. Chiang Yun for three years.

With the exception of the continuing connected transactions disclosed herein, no contracts of significance in relation to the Group's business to which the Company or any of its fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year ended December 31, 2012.

For the year ended December 31, 2012, details of remuneration of the Directors and Senior Management are set out in Note 7 to the Consolidated Financial Statements.

### Management Contracts

No contracts, other than employment contracts, concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year 2012.

### Interests of Directors and Chief Executives

The interests of each of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and any of the Company's associated corporations (within the meaning of Part XV of the SFO) as at December 31, 2012, as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out in the table and explanatory notes below:

Name of Director	Company	Nature of Interest	Number of Ordinary Shares	Approximate percentage of shareholding interest
Sheldon Gary Adelson	Company	Interest in a controlled corporation	5,657,814,885(L)	70.2%
Toh Hup Hock	Company	Beneficial owner	828,000(L) <sup>(5)</sup>	0.01%
David Alec Andrew Fleming (alternate director to Michael Alan Leven)	Company	Beneficial owner	812,900(L) <sup>(7)</sup>	0.01%
Edward Matthew Tracy	Company	Beneficial owner	1,085,000(L) <sup>(8)</sup>	0.01%

Name of Director	Associated Corporation	Nature of Interest	Number of Securities	Approximate percentage of shareholding interest
Sheldon Gary Adelson	LVS	Beneficial owner	68,850,821(L) <sup>(1)</sup>	8.35%
		Family Interest	353,018,106(L) <sup>(2)</sup>	42.83%
Jeffrey Howard Schwartz	LVS	Beneficial owner	118,490(L) <sup>(3)</sup>	0.01%
Irwin Abe Siegel	LVS	Beneficial owner	41,943(L) <sup>(4)</sup>	0.01%
Toh Hup Hock	LVS	Beneficial owner	60,000(L) <sup>(5)</sup>	0.01%
Michael Alan Leven	LVS	Beneficial owner	2,034,577(L) <sup>(6)</sup>	0.25%
Edward Matthew Tracy	LVS	Beneficial owner	78(L) <sup>(8)</sup>	0.00%

The letter "L" denotes the person's long position in such securities.

## Notes:

- (1) This amount includes (a) 60,834,613 shares of LVS's common stock (see note 9), (b) 61,160 unvested shares of LVS's restricted stock, (c) 328,407 unvested options to purchase 328,407 shares in LVS's common stock, and (d) 7,626,641 shares of LVS's common stock held by a trust for the benefit of Mr. Adelson, over which Mr. Adelson, as trustee, retains sole dispositive control. Mr. Adelson and his wife together are entitled to control the exercise of one-third or more of the voting power at stockholders' meetings of LVS. LVS's interests in our Company are set out in the below paragraph "Interests of Substantial Shareholders".
- (2) This amount includes (a) 60,772,522 shares of LVS's common stock held by Dr. Miriam Adelson, (b) 222,561,781 shares of LVS's common stock held by trusts for the benefit of Dr. Adelson and her family members over which Dr. Adelson, as trustee, retains sole voting control, (c) 57,116,993 shares of LVS's common stock held by trusts for the benefit of Dr. Adelson and her family members over which Dr. Adelson, as trustee, retains sole dispositive control, (d) 100 shares of LVS's common stock held by custodial account for the benefit of Dr. Adelson's family members over which Dr. Adelson, in another fiduciary capacity, retains sole voting and dispositive control, and (e) 12,566,710 shares of LVS's common stock held by Adfam Investment Company LLC over which Dr. Adelson, as co-manager, shares voting and dispositive control with Mr. Adelson.
- (3) This amount includes (a) 9,205 shares of LVS's common stock (see note 9), (b) 1,641 unvested shares of LVS's restricted stock, and (c) 107,644 options to purchase 107,644 shares in LVS's common stock, of which 62,086 options are vested and exercisable.
- (4) This amount includes (a) 12,702 shares of LVS's common stock (see note 9), (b) 1,641 unvested shares of LVS's restricted stock, and (c) 27,600 options to purchase 27,600 shares of LVS's common stock, of which 15,100 options are vested and exercisable.
- (5) These amounts include (a) 328,000 shares of the Company, (b) 500,000 options to purchase 500,000 shares of the Company, none of which is vested and exercisable, and (c) 60,000 options to purchase 60,000 shares of LVS's common stock, of which 50,000 options are vested and exercisable.
- (6) This amount includes (a) 224,577 shares of LVS's common stock (see note 9), of which 143,182 shares are held by a corporation which Mr. Leven controls one-third or more of the voting power at its general meetings, or the corporation or its directors are accustomed to act in accordance with his directions, (b) 300,000 unvested LVS's restricted stock units, and (c) 1,510,000 options to purchase 1,510,000 shares of LVS's common stock, of which all options are vested and exercisable.
- (7) This amount includes (a) 400 shares of the Company, and (b) 812,500 options to purchase 812,500 shares of the Company, of which 260,000 options are vested and exercisable.
- (8) These amounts include (a) 1,085,000 options to purchase 1,085,000 shares of the Company, of which 81,250 options are vested and exercisable, and (b) 78 shares of LVS's common stock.
- (9) In the annual and interim reports of the Company published prior to 2012, the Company has disclosed LVS's common stock and vested restricted stock separately. From the 2012 interim report and in this Annual Report, the total number of LVS's common stock includes the number of vested LVS's restricted stock and LVS's common stock.

None of the Directors or the Chief Executives had short positions in respect of shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at December 31, 2012.

Save as disclosed above, so far as was known to the Directors, as at December 31, 2012, none of the Directors or the Chief Executives of the Company had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were required to be notified to the Company and the Stock Exchange, or any interests which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or any interests which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## 4. CORPORATE GOVERNANCE REPORT

As at December 31, 2012, save as disclosed above, none of the Directors nor the Chief Executives of the Company (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of Part XV of the SFO).

### Interests of Substantial Shareholders

The interests of Substantial Shareholders in the shares and underlying shares of the Company as at December 31, 2012, as recorded in the register required to be kept under Section 336 of Part XV of the SFO or as the Company is aware, are set out in the table below.

The Company had been notified of the following Substantial Shareholders' interests in the shares of the Company as at December 31, 2012:

Name of Substantial Shareholder	Capacity/Nature of Interest	Number of shares interested	% of issued share capital
Sheldon Gary Adelson	Interested in a controlled corporation	5,657,814,885(L)	70.2%
Las Vegas Sands Corp.	Interested in a controlled corporation	5,657,814,885(L)	70.2%
Las Vegas Sands, LLC	Interested in a controlled corporation	5,657,814,885(L)	70.2%
Venetian Casino Resort, LLC	Interested in a controlled corporation	5,657,814,885(L)	70.2%
LVS (Nevada) International Holdings, Inc.	Interested in a controlled corporation	5,657,814,885(L)	70.2%
LVS Dutch Finance CV	Interested in a controlled corporation	5,657,814,885(L)	70.2%
LVS Dutch Holding BV	Interested in a controlled corporation	5,657,814,885(L)	70.2%
Sands IP Asset Management BV	Interested in a controlled corporation	5,657,814,885(L)	70.2%
Venetian Venture Development Intermediate II	Beneficial owner	5,657,814,885(L)	70.2%

The letter "L" denotes the person's long position in such securities.

As at December 31, 2012, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

### Interests of Any Other Persons

Save as disclosed above, as at December 31, 2012, the Company had not been notified of any persons who had interests or short positions in the shares or underlying shares of the Company, as recorded in the register required to be kept under Section 336 of Part XV of the SFO.

### Senior Management

The biographical details of the Senior Management as of the date of this Report are set out on page 12 of this Annual Report.



## Major Customers and Suppliers

We depend on our suppliers to provide primarily construction, engineering and consulting services. For the year ended December 31, 2012, our five largest suppliers accounted for approximately 17.6% (2011: 23.8%) of our total product and services purchases. For the year ended December 31, 2012, our single largest supplier accounted for approximately 5.4% (2011: 5.9%) of our total products and services purchases.

For the year ended December 31, 2012, our top five gaming customers accounted for approximately 16.4% (2011: 18.8%) of our gross revenues and our single largest gaming customer accounted for approximately 4.0% (2011: 6.4%) of our gross revenues.

Save as disclosed herein, no Directors, their associates or Shareholders (which to the knowledge of the Directors own more than 5% of our issued share capital) had any interest in our five largest suppliers or customers at any time during the year.

## Use of Proceeds

We have and will continue to apply the net proceeds received from our Global Offering in accordance with the plan outlined on page 237 of our Prospectus. Immediately after the listing we repaid US\$814.8 million in shareholder loans and intercompany payables outstanding prior to the Global Offering that were owed by us or our subsidiaries to LVS and certain of LVS's U.S. subsidiaries. We also immediately repaid US\$300 million of our VML Credit Facility. US\$500 million was used in conjunction with supplemental financing to finance the completion of the construction of Sands Cotai Central and the remaining US\$22.0 million was used for general corporate purposes.

## Non-Competition Deed with LVS

We entered into a Non-Competition Deed with LVS on November 8, 2009 so as to maintain a clear delineation of the respective businesses of each party with effect from the Listing Date. Please see our Prospectus for additional information on the Non-Competition Deed. Since the Listing Date, there have been no business opportunities offered by LVS to us and LVS and its associates have not carried out any business activity nor proposed to carry out any business activity, whether directly or indirectly, which competes or may lead to competition with our casino gaming business. LVS has provided its written declaration in respect of LVS and its subsidiaries' (other than that which form part of our Group) compliance with the undertakings under the Non-Competition Deed during the year ended December 31, 2012. Our Independent Non-Executive Directors consider that LVS has complied with the terms set out in the Non-Competition Deed during the year ended December 31, 2012.

## Continuing Connected Transactions — Shared Services Agreement

The Company and LVS entered into a Shared Services Agreement in respect of the provision of certain products and services by the LVS Group to our Group or by our Group to the LVS Group for a term commencing on the Listing Date and ending on December 31, 2011. Details of the Shared Services Agreement are disclosed in the Prospectus.

On December 21, 2011, the Company and LVS entered into an agreement to renew the terms of the Shared Services Agreement on amended terms for a period of three years commencing on January 1, 2012 and ending on December 31, 2014 (the "Renewal Agreement").

## 4. CORPORATE GOVERNANCE REPORT

The following are continuing connected transactions contemplated by the Renewal Agreement in 2012:

- I. Continuing Connected Transactions Exempt From Reporting, Announcement and Independent Shareholders' Approval Requirements Under Listing Rule 14A.33
  1. Reciprocal global procurement consultancy services;
  2. Reciprocal transportation and related logistic services;
  3. Design, development and construction consultancy services provided by our Group to the LVS Group;
  4. Joint international marketing services provided by our Group to the LVS Group; and
  5. Reciprocal administrative and logistics services.
- II. Continuing Connected Transactions Exempt From Independent Shareholders' Approval Requirements but Subject to Reporting and Announcement Requirements Under Listing Rule 14A.34

The following transactions between our Group and the LVS Group are ongoing and are exempt from the independent shareholders' approval requirements but are subject to the reporting and announcement requirements pursuant to Rule 14A.34 of the Listing Rules. At the time of application for listing of our Shares on the Stock Exchange, waivers were granted to our Company from strict compliance with the reporting and announcement requirements pursuant to Rule 14A.34 of the Listing Rules.

1. *Design, Development and Construction Consultancy Services provided by the LVS Group to our Group*

Under the Shared Services Agreement (as renewed pursuant to the Renewal Agreement), the LVS Group agreed to provide our Group services with respect to the design, development and construction of casino, casino hotel and integrated resort projects of the size and scope that the Group operates and plans to develop. The amounts payable by our Group to the LVS Group under the Shared Services Agreement for the design, development and construction consultancy services are calculated on a cost basis.

Pursuant to the Renewal Agreement, the annual caps set for the design, development and construction consultancy services to be provided by the LVS Group to our Group for each of the three years ending December 31, 2014 are US\$4.3 million, US\$4.7 million and US\$5.2 million respectively. The annual caps are determined by reference to the historical figures related to such services.

As, based on the annual caps, the relevant percentage ratios in relation to the design, development and construction consultancy services are more than 0.1% but less than 5%, the Company is required to comply with the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules in respect of continuing connected transactions and with Rules 14A.35(1) and 14A.35(2) of the Listing Rules.

Under the Shared Services Agreement (as renewed pursuant to the Renewal Agreement), our Group also agreed to provide similar services to the LVS Group with respect to the design, development and construction of casino, casino hotel and integrated resort projects of the size and scope that the LVS Group operates and plans to develop. In previous years, these services were reported as transactions subject to reporting and announcement requirements under Listing Rule 14A.34. However, as the relevant percentage ratios in relation to these services have fallen below 0.1%, the Company is now exempt from these requirements.

2. *Joint International Marketing and Retail Leasing, Management and Marketing Services provided by the LVS Group to our Group*

Under the Shared Services Agreement (as renewed pursuant to the Renewal Agreement), the LVS Group agreed to provide our Group international marketing services targeting VIP players and premium players who wish to patronize our Group's properties in addition to those of the LVS Group, and retail leasing, management and marketing services relating to the retail malls owned or operated by the Group (including hotel, convention, exhibition, meetings and entertainment sales and marketing services) (the "Joint International Marketing and Retail Leasing, Management and Marketing Services"). The amounts payable by our Group under the Shared Services Agreement for these Joint International Marketing and Retail Leasing, Management and Marketing Services are calculated on a cost basis.

Pursuant to the Renewal Agreement, the annual caps set for the Joint International Marketing and Retail Leasing, Management and Marketing Services to be provided by the LVS Group to the Group for each of the three years ending December 31, 2014 are US\$19.5 million, US\$21.5 million and US\$23.7 million respectively. The annual caps are determined by reference to the historical figures related to such services.

As, based on the annual caps, the relevant percentage ratios in relation to the Joint International Marketing and Retail Leasing, Management and Marketing Services are more than 0.1% but less than 5%, the Company is required to comply with the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules in respect of continuing connected transactions and with Rules 14A.35(1) and 14A.35(2) of the Listing Rules.

Under the Shared Services Agreement (as renewed pursuant to the Renewal Agreement), our Group also agreed to provide to the LVS Group services with respect to joint international marketing services targeting VIP players and premium players who wish to patronize the LVS Group's properties in addition to those of our Group, and retail leasing, management and marketing services relating to the retail malls owned or operated by the LVS Group (including hotel, convention, exhibition, meetings and entertainment sales and marketing services). As the relevant percentage ratios in relation to these services are less than 0.1%, the Company is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of such services.

## 4. CORPORATE GOVERNANCE REPORT

### Continuing Connected Transactions Subject to Reporting, Announcement and Independent Shareholders' Approval Requirements Under Listing Rule 14A.35

#### The Second Trademark Sub-License Agreement

Las Vegas Sands, LLC and SCL IP Holdings, LLC entered into a trademark sub-license agreement on November 8, 2009 (the "Second Trademark Sub-License Agreement"). Las Vegas Sands, LLC is a connected person as it is our controlling shareholder. SCL IP Holdings, LLC is our wholly-owned subsidiary.

Pursuant to the Second Trademark Sub-License Agreement, Las Vegas Sands, LLC (as licensor) granted to our Group a license to use certain trademarks and the service marks (a) in mainland China, Macao, Hong Kong and Taiwan (and their respective territorial seas) (the "Restricted Zone") for the development, operation and marketing of casinos, hotels, integrated resorts and associated facilities located in the Restricted Zone and (b) in the rest of the world, for the marketing of our business in the Restricted Zone. Nothing in the Second Trademark Sub-License Agreement shall grant to the licensee or any permitted sublicensee the right to use any licensed marks for the purpose of carrying on any Internet gaming business, even when the portal or the primary users targeted are domiciled within the Restricted Zone. The Second Trademark Sub-License Agreement shall remain in effect for an initial term of slightly over 12 1/2 years commencing from the Listing Date and ending on December 31, 2022, so that its term is aligned with the initial term of VML's Subconcession which expires on June 26, 2022. The Second Trademark Sub-License Agreement may be renewed upon the agreement of both parties on such terms as the parties may mutually agree, subject to compliance with the Listing Rules.

The parties are permitted to terminate the Second Trademark Sub-License Agreement prior to the expiration of its initial term by mutual agreement. The licensor is also entitled, upon the compulsion of any law of any of the jurisdictions within the Restricted Zone, to terminate the grant of a license. The Second Trademark Sub-License Agreement shall terminate automatically, without any notice to the licensee, in the event that LVS is no longer a controlling shareholder, or in the event of any sale of all or substantially all of the assets of the licensee, to any person or legal entity which is not a subsidiary or affiliate of LVS, our Company or the licensor.

Under the Second Trademark Sub-License Agreement: (a) for each of the full fiscal years under the initial term through the full fiscal year ended December 31, 2012, the licensee will pay the licensor an annual royalty at the rate of 1.5% of the total gross revenue of The Venetian Macao, 1.5% of the total gross non-gaming revenue and Paiza-related gaming revenue of the Sands Macao and 1.5% of the total gross gaming revenue of the Plaza Casino at The Plaza Macao (the "Relevant Royalty"), provided that the total royalty payable in respect of those three properties in each such fiscal year will be capped at US\$20.0 million per full fiscal year, and (b) for each of the subsequent full fiscal years under the initial term, commencing with the full fiscal year ending December 31, 2013 and ending with the full fiscal year ending December 31, 2022, the licensee will pay the licensor an annual royalty being the lesser of the Relevant Royalty or the annual caps set out in the table on the right, such annual caps reflecting an increase of 20.0% for each subsequent year (the "Incremental Rate Caps").

Year Cap (US\$ in millions)

2013 <b>24.0</b>	2014 <b>28.8</b>	2015 <b>34.6</b>
2016 <b>41.5</b>	2017 <b>49.8</b>	2018 <b>59.7</b>
2019 <b>71.7</b>	2020 <b>86.0</b>	2021 <b>103.2</b>
2022 <b>123.8</b>		

Year Cap (US\$ in millions)

<sup>1</sup> 20.0	<sup>2</sup> 20.0	<sup>3</sup> 20.0	<sup>4</sup> 24.0
<sup>5</sup> 28.8	<sup>6</sup> 34.6	<sup>7</sup> 41.5	<sup>8</sup> 49.8
<sup>9</sup> 59.7	<sup>10</sup> 71.7	<sup>11</sup> 86.0	

Each subsequent Casino Gaming property that we operate which utilizes any of the licensed marks in connection with generating the relevant revenue, will pay (a) for each of the first three fiscal calendar years after commencement of operations of each subsequent property, a royalty fee of 1.5% of the respective gross revenues of the operations in connection with which such licensed marks are used (each, the "Subsequent Casino Gaming Property Royalty"), subject to a US\$20.0 million cap per fiscal year, and (b) for the fiscal calendar years thereafter until expiration of the initial term, the licensee will pay the licensor an annual royalty being the lesser of the Subsequent Casino Gaming Property Royalty or the annual caps set out in the table on the left, such annual caps reflecting an increase of 20.0% for each subsequent year.

Note: This assumes, for illustrative purposes, that the Casino Gaming properties open on January 1, 2012 and have the right to use the licensed marks for 11 years under the initial term.

The annual caps set out in (a) and (b) above apply separately to Sands Cotai Central and The Parisian Macao. Further details of the Second Trademark Sub-License Agreement and the caps are set out in the Prospectus.

Additional information about these continuing connected transactions can be found in our Prospectus.

### Summary of Continuing Connected Transactions

The aggregate amount paid by our Group to the LVS Group and/or by the LVS Group to our Group during the years ended December 31, 2011 and December 31, 2012 along with the annual caps for the financial year ended December 31, 2012 are set out below:

	Aggregate amount paid for the year ended December 31, 2011 (US\$ million)	Aggregate amount paid for the year ended December 31, 2012 (US\$ million)	Annual Cap for the year ended December 31, 2012 (US\$ million)
Reciprocal Global Procurement Consultancy Services <sup>(1)</sup>	NA	NA	NA
Reciprocal Transportation and related Logistics Services <sup>(1)</sup>	NA	NA	NA
Reciprocal Administrative and Logistics Services <sup>(1)</sup>	NA	NA	NA
The First Trademark License Agreement <sup>(2)</sup>	Nil	Nil	NA
Design, Development and Construction Consultancy Services	2.3	4.3 <sup>(3)</sup>	4.3
Joint International Marketing and Retail Leasing, Management and Marketing Services	9.1	10.5 <sup>(3)</sup>	19.5
The Second Trademark Sub-License Agreement	20.0	40.0	40.0

Notes:

- (1) Per the Amendment Agreement and Rule 14A.33 of the Listing Rules, these continuing connected transactions are exempt from reporting, announcement and independent Shareholder approval.
- (2) Per page 220 of our Prospectus, the First Trademark License is a fully paid-up, royalty free license.
- (3) These services provided by the Group to the LVS Group are exempted from reporting, annual review, announcement and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## 4. CORPORATE GOVERNANCE REPORT

The annual caps agreed in the Renewal Agreement for three years commencing on January 1, 2012 and ending on December 31, 2014 are set out below:

	<b>Annual Cap for the year ended December 31, 2012 (US\$ million)</b>	<b>Annual Cap for the year ending December 31, 2013 (US\$ million)</b>	<b>Annual Cap for the year ending December 31, 2014 (US\$ million)</b>
Design, Development and Construction Consultancy Services provided by the LVS Group to our Group	4.3	4.7	5.2
Joint International Marketing and Retail Leasing, Management and Marketing Services provided by the LVS Group to our Group	19.5	21.5	23.7

### Auditor's Letter

In accordance with Rule 14A.38 of the Listing Rules, our Board engaged the auditor of our Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.38 of the Listing Rules.

### Directors' Review

The Directors, including the Independent Non-Executive Directors have reviewed the continuing connected transactions for the year ended December 31, 2012 and are of the opinion that they were entered into in the ordinary and usual course of business of the Company on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company's Shareholders as a whole.

### Related Party Transactions in the Normal Course of Business

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 32 to the Consolidated Financial Statements. None constitutes a disclosable connected transaction as defined under the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules relating to related party transactions.

### Share Option Scheme

On November 8, 2009, our Company adopted a share option scheme (the "Share Option Scheme") for the purpose of attracting able persons to enter and remain in the employment of our Group. The Share Option Scheme also provides a means whereby employees, Directors and consultants of our Group can acquire and maintain Share ownership, thereby strengthening their commitment to the welfare of our Group and promoting an identity of interest between Shareholders and these persons.

No option may be vested more than 10 years after the date of grant. Unless otherwise terminated by our Company in general meeting or by our Board, the Share Option Scheme will be valid and effective for a period of 10 years from November 30, 2009.

Persons who are eligible to participate in the Share Option Scheme (the "Eligible Persons") are limited to those who have entered into an option agreement with us or who have received written notification from the Committee established by our

Board to administer the Share Option Scheme (the "Committee"), or from a person designated by the Committee, that they have been selected to participate in the Share Option Scheme:

- (i) any individual regularly employed by us or any of our subsidiaries, provided, however, that no such employee covered by a collective bargaining agreement shall be an Eligible Person unless and to the extent that such eligibility is set forth in such collective bargaining agreement or in an agreement or instrument related thereto;
- (ii) Director of our Company or any of our subsidiaries; or
- (iii) consultant or advisor to our Company or any of our subsidiaries,

such individual as set out in (i) to (iii) above having an annual salary of at least HK\$1,162,500 or its equivalent.

The minimum period for which an option must be held before it can be exercised will be specified in the relevant option agreement between our Company and the relevant Eligible Person.

The maximum number of Shares in respect of which options or other share-based awards may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other plans of our Company must not in aggregate exceed 10% of the then issued share capital of our Company. Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options and other share-based awards granted and yet to be exercised under the Share Option Scheme and any other plans of our Company at any time shall not exceed 30% of the Shares in issue from time to time. Based on listing approval granted by the Stock Exchange on November 27, 2009, up to 804,786,508 Shares may be issued by our Company to Eligible Persons under the Share Option Scheme, representing 10% of the issued share capital of the Company as at the Listing Date. As at the date of this Annual Report, the total number of shares available for issue under the Share Option Scheme was 773,242,393 shares, which represented approximately 9.60% of the issued share capital of the Company on that date.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company) to each Eligible Person in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant.

The exercise price ("Option Price") per Share for each option shall be set by the Committee at the time of grant but shall not be less than the highest of:

- (i) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant which must be a business day;
- (ii) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share, provided that for the purpose of determining the Option Price where the Shares have been listed on the Stock Exchange for less than 5 business days preceding the date of grant, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each business day falling within the period before the listing of the Shares on the Stock Exchange.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

As at December 31, 2012, 43,937,691 options to purchase shares in the Company had been granted under the Share Option Scheme of which 7,549,175 options had been exercised and 13,064,876 options had lapsed.

## 4. CORPORATE GOVERNANCE REPORT

Details of the grant of share options and a summary of movements of the outstanding share options during the year under the Share Option Scheme were as follows:

### Options to Subscribe for Ordinary Shares Granted under the Company's Share Option Scheme

Directors & eligible employees	Date granted	Options granted	Exercise price per share HK\$	Closing price of shares immediately before the date of grant HK\$	Exercise period	Options outstanding as at January 1, 2012	Options granted during the year	Options vested during the year	Options lapsed during the year	Options exercised during the year	Options outstanding as at December 31, 2012	Weighted average closing price of shares immediately before the dates on which options were exercised HK\$
Edward Matthew Tracy	August 26, 2010	800,000	12.28	11.90	August 26, 2011–August 25, 2020	700,000	—	200,000	—	300,000	400,000	30.56
	October 21, 2010	200,000	15.38	14.72	October 21, 2011–October 20, 2020	200,000	—	50,000	—	100,000	100,000	30.80
	September 1, 2011	325,000	24.05	24.20	September 1, 2012–August 31, 2021	325,000	—	81,250	—	—	325,000	—
	May 11, 2012	260,000	29.29	28.45	May 11, 2013–May 10, 2022	—	260,000	—	—	—	260,000	—
Toh Hup Hock	March 31, 2010	1,000,000	12.40	12.10	March 31, 2011–March 30, 2020	1,000,000	—	250,000	—	500,000	500,000	30.50
David Alec Andrew Fleming	November 1, 2010	910,000	17.10	16.84	November 1, 2011–October 31, 2020	910,000	—	227,500	—	227,500	682,500	29.20
	September 1, 2011	130,000	24.05	24.20	September 1, 2012–August 31, 2021	130,000	—	32,500	—	—	130,000	—
Other eligible employees	March 31, 2010	16,876,100	12.40	12.10	March 31, 2011–March 30, 2020	9,701,925	—	2,606,775	961,350	3,279,025	5,461,550	29.59
	May 11, 2010	2,500,000	11.83	11.30	January 1, 2011–May 10, 2020	—	—	—	—	—	—	—
	July 6, 2010	330,000	11.47	11.08	July 6, 2011–July 5, 2020	165,000	—	41,250	—	82,500	82,500	30.80
	August 26, 2010	750,000	12.28	11.90	August 26, 2011–August 25, 2020	750,000	—	187,500	—	—	750,000	—
	September 30, 2010	2,672,500	14.00	14.32	September 30, 2011–September 29, 2020	1,168,950	—	252,750	157,950	307,500	703,500	31.04
	October 21, 2010	150,000	15.38	14.72	October 21, 2011–October 20, 2020	150,000	—	37,500	—	—	150,000	—
	January 17, 2011	2,746,300	19.34	19.14	January 17, 2012–January 16, 2021	2,089,800	—	522,450	243,750	394,675	1,451,375	29.48
	May 11, 2011	2,530,591	22.50	21.40	May 11, 2012–May 10, 2021	2,270,591	—	567,647	417,626	292,350	1,560,615	28.92
	August 30, 2011	1,584,400	23.25	22.80	August 30, 2012–August 29, 2021	1,584,400	—	396,100	—	321,350	1,263,050	31.63
	November 24, 2011	2,671,000	21.00	20.95	November 24, 2012–November 23, 2021	2,671,000	—	667,750	147,075	326,075	2,197,850	33.08
	March 5, 2012	1,434,500	29.00	29.25	March 5, 2013–March 4, 2022	—	1,434,500	—	196,100	—	1,238,400	—
	March 5, 2012	1,000,000	29.00	29.25	August 1, 2014–March 4, 2022	—	1,000,000	—	—	—	1,000,000	—
	May 14, 2012	1,787,100	28.91	28.90	May 14, 2013–May 13, 2022	—	1,787,100	—	—	—	1,787,100	—
	August 31, 2012	1,538,100	27.59	27.50	August 31, 2013–August 30, 2022	—	1,538,100	—	—	—	1,538,100	—
September 17, 2012	845,000	29.20	28.50	September 17, 2013–September 16, 2022	—	845,000	—	—	—	845,000	—	
November 22, 2012	585,100	32.25	31.65	November 22, 2013–November 21, 2022	—	585,100	—	—	—	585,100	—	
December 24, 2012	312,000	34.05	34.05	December 24, 2013–December 23, 2022	—	312,000	—	—	—	312,000	—	



## Notes:

- The exercise price of the share options is determined upon the offer of grant of the options and which should not be less than the higher of (a) the average closing price per share of the Company for the five business days immediately preceding the date of offer of such options; (b) the closing price per share of the Company on the date of offer of such options, which must be a business day; and (c) the nominal value per share of the Company.
- Save as disclosed in Note 3 below, the proportion of underlying shares in respect of which the above share options will vest is as follows:

	<b>Proportion of underlying shares in respect of which the above share options will vest is as follows:</b>
Before the first anniversary of the date of grant of the option (the "Offer Anniversary")	None
From the first Offer Anniversary to the date immediately before the second Offer Anniversary	One-quarter
From the second Offer Anniversary to the date immediately before the third Offer Anniversary	Two-quarters
From the third Offer Anniversary to the date immediately before the forth Offer Anniversary	Three-quarters
From the forth Offer Anniversary and thereafter	All

- 100% of the 1,000,000 share options granted on March 5, 2012 will vest on August 1, 2014. If the employment of the grantee is terminated for any reasons other than cause, the share options shall be vested pro-rata for each completed year of employment.

Save as disclosed herein, no options were granted under the Share Option Scheme or any share option scheme of the Group as at December 31, 2012 and no options were cancelled during the year.

When the options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based compensation reserve will be transferred to retained earnings.

The Company estimates the fair value of options granted using the Black-Scholes option-pricing model. The weighted average fair value of options granted during the year ended December 31, 2012, measured as at the date of grant, was approximately US\$1.65.

Significant estimates and assumptions are required to be made in determining the parameters for applying the Black-Scholes option-pricing model, including estimates and assumptions regarding the risk-free rate of return, expected dividend yield and volatility of the underlying shares and the expected life of the options. These estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such equity awards expected to vest, which may in turn significantly impact the determination of the share based compensation expense. The following assumptions were used to derive the fair values:

WEIGHTED AVERAGE VOLATILITY  <b>70.0%</b>	EXPECTED TERM (in years)  <b>6.2</b>	RISK-FREE RATE  <b>0.5%</b>	EXPECTED DIVIDENDS  <b>4.0%</b>
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## 4. CORPORATE GOVERNANCE REPORT

### Closure of Register of Members

The Register of Members of the Company will be closed on the following dates:

Book Closure Period/Date	Purpose	Final Lodging Date
May 21, 2013 to May 31, 2013	To determine the identity of members who are entitled to attend and vote at the 2013 Annual General Meeting	May 20, 2013
June 7, 2013	To determine the identity of members who are entitled to the final dividend	June 6, 2013

During and including the book closure period/date described in the table above, no transfer of shares will be effected.

In order to qualify for attending and voting at the 2013 Annual General Meeting or to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on the final lodging dates mentioned in the table above.

### Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

### Sufficiency of Public Float

Based on information publicly available to the Company and within the knowledge of the Directors at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

### Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report beginning on page 55 of this Annual Report.

### Auditors

The Consolidated Financial Statements for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment at the forthcoming Annual General Meeting of the Company.

On behalf of the Board

**Sheldon G. Adelson**

*Chairman*

March 15, 2013

## 5.1 **INDEPENDENT** AUDITOR'S REPORT



羅兵咸永道

### TO THE SHAREHOLDERS OF SANDS CHINA LTD.

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sands China Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 91 to 182, which comprise the consolidated and company balance sheets as at December 31, 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## 5.1 **INDEPENDENT** AUDITOR'S REPORT

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **OTHER MATTERS**

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, March 15, 2013

## 5.2 FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31,	
		2012	2011
		US\$'000, except per share data	
<b>Net revenues</b>	5	<b>6,511,374</b>	4,880,787
Gaming tax		<b>(2,859,298)</b>	(2,070,454)
Inventories consumed		<b>(69,085)</b>	(48,647)
Employee benefit expenses	7	<b>(761,546)</b>	(523,251)
Depreciation and amortization		<b>(354,021)</b>	(272,773)
Gaming promoter/agency commissions		<b>(330,025)</b>	(259,304)
Other expenses	8	<b>(856,236)</b>	(504,086)
<b>Operating profit</b>		<b>1,281,163</b>	1,202,272
Interest income	5	<b>15,547</b>	7,983
Interest expense, net of amounts capitalized	9	<b>(57,435)</b>	(52,883)
Loss on modification or early retirement of debt	27	<b>(1,752)</b>	(22,051)
<b>Profit before income tax</b>		<b>1,237,523</b>	1,135,321
Income tax expense	10	<b>(1,842)</b>	(2,271)
<b>Profit for the year attributable to equity holders of the Company</b>		<b>1,235,681</b>	1,133,050
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
— Basic	11	<b>US15.35 cents</b>	US14.08 cents
— Diluted	11	<b>US15.34 cents</b>	US14.07 cents

The notes on pages 98 to 182 are an integral part of these consolidated financial statements.

	Note	Year ended December 31,	
		2012	2011
		US\$'000	
<b>Dividends</b>	12	<b>1,381,953</b>	1,201,488

## 5.2 FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2012	2011
	US\$'000	
<b>Profit for the year attributable to equity holders of the Company</b>	<b>1,235,681</b>	1,133,050
<b>Other comprehensive income, net of tax:</b>		
Currency translation differences	<b>11,956</b>	8,342
<b>Total comprehensive income for the year attributable to equity holders of the Company</b>	<b>1,247,637</b>	1,141,392

The notes on pages 98 to 182 are an integral part of these consolidated financial statements.

## 5.2 FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET

	Note	December 31, 2012	2011
		US\$'000	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties, net	13	<b>913,126</b>	747,126
Property and equipment, net	14	<b>6,656,730</b>	6,249,686
Intangible assets, net	16	<b>16,202</b>	31,824
Deferred income tax assets	17	<b>153</b>	30
Financial assets at fair value through profit or loss	18	<b>183</b>	64
Other assets, net	19	<b>36,119</b>	27,039
Trade and other receivables and prepayments, net	20	<b>12,196</b>	9,297
<b>Total non-current assets</b>		<b>7,634,709</b>	7,065,066
<b>Current assets</b>			
Inventories	22	<b>15,069</b>	10,489
Trade and other receivables and prepayments, net	20	<b>784,808</b>	557,398
Restricted cash and cash equivalents	21	<b>4,479</b>	3,448
Cash and cash equivalents	23	<b>1,948,414</b>	2,491,284
<b>Total current assets</b>		<b>2,752,770</b>	3,062,619
<b>Total assets</b>		<b>10,387,479</b>	10,127,685

## 5.2 FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET

	Note	December 31, 2012	2011
		US\$'000	
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	24	80,554	80,493
Reserves	25	5,505,572	5,435,279
<b>Total equity</b>		<b>5,586,126</b>	5,515,772
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables	26	35,542	20,670
Borrowings	27	3,211,668	3,328,843
<b>Total non-current liabilities</b>		<b>3,247,210</b>	3,349,513
<b>Current liabilities</b>			
Trade and other payables	26	1,503,274	1,179,875
Current income tax liabilities		1,953	2,153
Borrowings	27	48,916	80,372
<b>Total current liabilities</b>		<b>1,554,143</b>	1,262,400
<b>Total liabilities</b>		<b>4,801,353</b>	4,611,913
<b>Total equity and liabilities</b>		<b>10,387,479</b>	10,127,685
<b>Net current assets</b>		<b>1,198,627</b>	1,800,219
<b>Total assets less current liabilities</b>		<b>8,833,336</b>	8,865,285

Approved by the Board of Directors on March 15, 2013 and signed on behalf of the Board by

**Edward Matthew Tracy**  
Director

**Toh Hup Hock**  
Director

The notes on pages 98 to 182 are an integral part of these consolidated financial statements.



## 5.2 FINANCIAL STATEMENTS

### COMPANY BALANCE SHEET

	Note	December 31, 2012 US\$'000	2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	31	1,600,187	1,537,093
Notes receivable from subsidiaries	32(b)	187,456	181,869
<b>Total non-current assets</b>		<b>1,787,643</b>	1,718,962
<b>Current assets</b>			
Other receivables and prepayments	20	381,370	353,560
Cash and cash equivalents	23	105,046	256,077
<b>Total current assets</b>		<b>486,416</b>	609,637
<b>Total assets</b>		<b>2,274,059</b>	2,328,599
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	24	80,554	80,493
Reserves	25	2,165,268	2,222,369
<b>Total equity</b>		<b>2,245,822</b>	2,302,862
<b>LIABILITY</b>			
<b>Current liability</b>			
Trade and other payables	26	28,237	25,737
<b>Total current liability</b>		<b>28,237</b>	25,737
<b>Total equity and liability</b>		<b>2,274,059</b>	2,328,599
<b>Net current assets</b>		<b>458,179</b>	583,900
<b>Total assets less current liability</b>		<b>2,245,822</b>	2,302,862

Approved by the Board of Directors on March 15, 2013 and signed on behalf of the Board by

**Edward Matthew Tracy**  
Director

**Toh Hup Hock**  
Director

The notes on pages 98 to 182 are an integral part of these consolidated financial statements.

## 5.2 FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Capital reserve (Note 25(a)(i))	Share premium	Statutory reserve (Note 25(a)(ii))	Share-based compensation reserves	Currency translation reserve	Retained earnings	Total
				US\$'000				
<b>Balance at January 1, 2011</b>	80,479	87,435	2,127,537	6,315	37,399	(10,586)	2,033,788	4,362,367
Comprehensive income								
Profit for the year	—	—	—	—	—	—	1,133,050	1,133,050
Currency translation differences	—	—	—	—	—	8,342	—	8,342
Total comprehensive income	—	—	—	—	—	8,342	1,133,050	1,141,392
Exercise of share options	14	—	2,253	—	—	—	—	2,267
Transfer to share premium upon exercise of share options	—	—	1,493	—	(1,493)	—	—	—
Share-based compensation of the Company	—	—	—	—	7,726	—	—	7,726
Share-based compensation charged by LVS	—	—	—	—	2,020	—	—	2,020
<b>Balance at December 31, 2011</b>	<b>80,493</b>	<b>87,435</b>	<b>2,131,283</b>	<b>6,315</b>	<b>45,652</b>	<b>(2,244)</b>	<b>3,166,838</b>	<b>5,515,772</b>
Comprehensive income								
Profit for the year	—	—	—	—	—	—	1,235,681	1,235,681
Currency translation differences	—	—	—	—	—	11,956	—	11,956
Total comprehensive income	—	—	—	—	—	11,956	1,235,681	1,247,637
Transfer to statutory reserve	—	—	—	1	—	—	(1)	—
Exercise of share options	61	—	11,511	—	—	—	—	11,572
Transfer to share premium upon exercise of share options	—	—	7,434	—	(7,434)	—	—	—
Forfeiture of share options	—	—	—	—	(103)	—	103	—
Share-based compensation of the Company	—	—	—	—	10,594	—	—	10,594
Share-based compensation charged by LVS	—	—	—	—	2,039	—	—	2,039
Dividends to equity holders of the Company (Note 12)	—	—	—	—	—	—	(1,201,488)	(1,201,488)
<b>Balance at December 31, 2012</b>	<b>80,554</b>	<b>87,435</b>	<b>2,150,228</b>	<b>6,316</b>	<b>50,748</b>	<b>9,712</b>	<b>3,201,133</b>	<b>5,586,126</b>

The notes on pages 98 to 182 are an integral part of these consolidated financial statements.

## 5.2 FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31,	
		2012	2011
		US\$'000	
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	<b>1,902,790</b>	1,379,904
Income tax paid		<b>(2,159)</b>	(3,846)
Net cash generated from operating activities		<b>1,900,631</b>	1,376,058
<b>Cash flows from investing activities</b>			
(Increase)/decrease in restricted cash and cash equivalents		<b>(1,022)</b>	774,197
Purchases of property and equipment and investment properties		<b>(989,241)</b>	(780,657)
Purchases of intangible assets		<b>(12,110)</b>	(3,847)
Proceeds from disposal of property and equipment		<b>1,138</b>	5,400
Interest received		<b>14,930</b>	7,983
Net cash (used in)/generated from investing activities		<b>(986,305)</b>	3,076
<b>Cash flows from financing activities</b>			
Payments for financial assets at fair value through profit or loss		<b>(532)</b>	—
Proceeds from borrowings		—	3,201,535
Proceeds from exercise of share options		<b>11,572</b>	2,267
Repayments of borrowings		<b>(140,336)</b>	(2,845,480)
Dividends paid		<b>(1,201,488)</b>	—
Repayments of finance lease liabilities		<b>(46,013)</b>	(43,518)
Payments for deferred financing costs		<b>(965)</b>	(86,210)
Interest paid		<b>(88,870)</b>	(161,192)
Net cash (used in)/generated from financing activities		<b>(1,466,632)</b>	67,402
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(552,306)</b>	1,446,536
<b>Cash and cash equivalents at beginning of year</b>		<b>2,491,284</b>	1,040,761
Effect of exchange rate on cash and cash equivalents		<b>9,436</b>	3,987
<b>Cash and cash equivalents at end of year</b>	23	<b>1,948,414</b>	2,491,284
<b>Non-cash investing and financing activities</b>			
Capitalized share-based compensation/(adjustment to capitalized share-based compensation)		<b>945</b>	(261)
Property and equipment acquired under finance lease		<b>7,930</b>	—

The notes on pages 98 to 182 are an integral part of these consolidated financial statements.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

#### Principal activities

Sands China Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in the operation of casino games of chance or games of other forms and the development and operation of integrated resorts and other ancillary services in the Macao Special Administrative Region of the People’s Republic of China (“Macao”). The Group’s immediate holding company is Venetian Venture Development Intermediate II (“VVDI (II)”). Las Vegas Sands Corp. (“LVS”) is the Group’s ultimate holding company.

The Company was incorporated in the Cayman Islands on July 15, 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The Company’s principal place of business in Hong Kong registered under Part XI of the Hong Kong Companies Ordinance is Level 28, Three Pacific Place, 1 Queen’s Road East, Hong Kong.

The Group owns and operates The Venetian Macao Resort Hotel (“The Venetian Macao”), which anchors the Cotai Strip, the Group’s master-planned development of integrated resort properties in Macao. In August 2008, the Group opened The Plaza Macao, which is located adjacent and connected to The Venetian Macao. The Plaza Macao is an integrated resort that includes the Four Seasons Hotel Macao, the Plaza Casino, Shoppes at Four Seasons and Paiza Mansions (which opened in July 2009). The Plaza Macao will also feature an apart-hotel tower consisting of Four Seasons-serviced and -branded luxury apartment-hotel units and common areas. The Group also owns and operates the Sands Macao, the first Las Vegas-style casino in Macao, situated on the Macao Peninsula near the New Macau Maritime Ferry Terminal. In April and September 2012, the Group opened phases I and IIA, respectively, of the Sands Cotai Central integrated resort, which is part of the Cotai Strip development. Additionally, the Group opened phase IIB of Sands Cotai Central on January 28, 2013. The Group’s other ancillary services include ferry operations and other related operations.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on November 30, 2009.

The consolidated financial statements are presented in United States dollars (“US\$”), unless otherwise stated. The consolidated financial statements were approved for issue by the Board of Directors on March 15, 2013.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Changes in accounting policies and disclosures

During the year, there have been a number of new or revised standards, amendments to standards and interpretations that have come into effect, for which the Group has adopted such at their respective effective dates. The adoption of these new standards, amendments to standards and interpretations had no material impact on the results of operations and financial position of the Group.

The Group has not early adopted the following new or revised standards, amendments and interpretations that have been issued but are not effective for the year ended December 31, 2012:

		<b>Effective for annual periods beginning on or after</b>
IFRSs (Amendments)	Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
IAS 1 (Amendments)	Presentation of Financial Statements	July 1, 2012
IAS 19 (Revised 2011)	Employee Benefits	January 1, 2013
IAS 27 (Revised 2011)	Separate Financial Statements	January 1, 2013
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures	January 1, 2013
IAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IFRS 7 (Amendment)	Financial Instruments: Disclosure — Offsetting Financial Assets and Financial Liabilities	January 1, 2013
IFRS 9	Financial Instruments	January 1, 2015
IFRS 7 and IFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	January 1, 2013
IFRS 10, IFRS 12 and IAS 27 (Amendments)	Investment Entities	January 1, 2014
IFRS 13	Fair Value Measurement	January 1, 2013
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

The Group has assessed that the adoption of IFRS 10 does not have any financial impact on the Group as all subsidiaries within the Group satisfy the requirements for control under IFRS 10 and there are no new subsidiaries identified under the new guidance.

Apart from IFRS 10, management is in the process of making an assessment of the impact of the above standards, amendments to standards and interpretations. Management is not yet in a position to state what impact they would have, if any, on the Group's results of operations and financial positions.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Subsidiaries

##### (i) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries of the Group, except for those acquisitions that qualify as business combinations under common control, which are accounted for using merger accounting.

Intra-group transactions, balances and unrealized gains and losses on transactions between group companies are eliminated. Profit and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The particulars of the Group's principal subsidiaries as at December 31, 2012 are set out in Note 31.

##### (ii) Business combinations under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized with respect to goodwill or any excess of an acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognized directly in equity as part of the capital reserve.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the earliest date presented or when they first came under common control; whichever is later.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Subsidiaries (continued)

#### (ii) Business combinations under common control (continued)

Intra-group transactions, balances and unrealized gains on transactions between the combining entities or businesses are eliminated. Unrealized losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or businesses have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (iii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment losses. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### (d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as a group of senior management that makes strategic decisions.

### (e) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Macao pataca ("MOP"). The consolidated financial statements are presented in US\$, which is the Group's presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Foreign currency translation (continued)

##### (iii) Group companies

The results of operations and financial position of all the group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
- All resulting exchange differences are recognized in other comprehensive income (currency translation differences).

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold, such exchange differences are recognized in the consolidated income statement as part of the gain or loss on sale.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognized in profit or loss.

#### (f) Investment properties

Investment properties, principally comprising buildings and building improvements, are held for long-term rental yields or capital appreciation or both, and are not occupied by the Group. Investment properties that are currently being constructed or developed are classified as investment properties and stated at cost less accumulated impairment losses. Investment properties are initially measured at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Investment properties are depreciated on a straight-line basis, at rates sufficient to write off their costs over their estimated useful lives of 15 to 40 years. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate at each balance sheet date. The effects of any revision are included in the consolidated income statement when the changes arise.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Property and equipment

Leasehold interests in land classified as finance lease and all other property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Leasehold interests in land classified as finance lease commence amortization from the time when the land interest becomes available for its intended use. Leasehold interests in land classified as finance lease are amortized and other property and equipment are depreciated on a straight-line basis, at rates sufficient to write off their costs over their estimated useful lives.

Property and equipment are depreciated as follows:

Leasehold interests in land classified as finance lease	Shorter of lease term or useful life
Leasehold improvements	Shorter of lease term or useful life
Land improvements, buildings and building improvements	15–40 years
Ferries	20 years
Furniture, fittings and equipment	3–6 years
Vehicles	5–6 years

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Construction-in-progress represents property and equipment under construction and is stated at cost, less accumulated impairment losses, if any. This includes the direct costs of purchase, construction and capitalized borrowing costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and ready for its intended use, at which time they are transferred to the relevant asset category.

The assets' residual values and useful lives are reviewed, and adjusted if applicable, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other expenses" in the consolidated income statement.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

#### (i) Intangible assets

##### (i) Trademarks

Acquired trademarks have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses. Trademarks are amortized over their estimated useful lives of 7 years.

##### (ii) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 4 years.

##### (iii) Show production costs

Show production costs include cost of creation, design and initial production of the show. The costs are amortized over the shorter of the contractual run of the show (including any guaranteed renewals), or the estimated useful life of the show, which is assessed at each reporting period.

#### (j) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested at least annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. cash generating units or "CGU"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

On separate financial statements, impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Financial assets

#### Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired, which management determines at initial recognition.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which management has no intention of trading. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the end of the reporting period, which are classified as non-current.

#### Recognition and measurement

Purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred, and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “Financial assets at fair value through profit or loss” category are presented in the consolidated income statement within “Other expenses” in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active or for those securities that are unlisted, the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models; making maximum use of market inputs and minimum use of entity-specific inputs.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Financial assets (continued)

##### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of an impairment exists.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Financial assets (continued)

#### Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement. Impairment testing of trade and other receivables is described in Note 2(m).

### (l) Inventories

Inventories consist primarily of food, beverage, retail products, ferry parts and general operating supplies and other, and are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### (m) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated income statement within "Other expenses". When a trade receivable is uncollectible, it is written off against "Provision for doubtful trade receivables". Subsequent recoveries of amounts previously written off are credited against "Other expenses" in the consolidated income statement.

### (n) Cash and cash equivalents

Cash and cash equivalents include cash and short-term deposits with original maturities of three months or less. Restricted cash and cash equivalents are excluded from cash and cash equivalents in the consolidated statement of cash flows.

### (o) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

#### (q) Borrowings and financing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment of liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use (Note 2(g)). Financing costs incurred for the construction of any qualifying asset, less any investment income on the temporary investment of related borrowings, are capitalized during the period that is required to complete and prepare the asset for its intended use. Other financing costs, net of interest income, are expensed.

#### (r) Current and deferred income tax and gaming tax

##### Income tax

Income tax expense is comprised of current and deferred tax.

##### (i) Current income tax

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Current and deferred income tax and gaming tax (continued)

#### Income tax (continued)

##### (ii) Deferred income tax

###### Inside basis differences

Deferred income tax is recognized, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

###### Outside basis differences

Deferred income tax is provided for temporary differences arising from investments in subsidiaries, except when the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

##### (iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### Gaming tax

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

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) Employee benefits

##### (i) Pension obligations

The Group operates a provident fund scheme, which is funded through payments to an insurance company. The provident fund scheme is a defined contribution plan that is available to all permanent employees after a three-month probation period. The Group contributes 5% of each employee's basic salary to the fund and the employee is eligible to receive 30% of these contributions after working for three consecutive years, gradually increasing to 100% after working for ten years. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### (ii) Share-based compensation

###### (1) *Share options of the Company*

The Company adopted an equity award plan (the "SCL Equity Plan") for grants of options to purchase ordinary shares of the Company. The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to share-based compensation reserve, a component of equity. At the time when the options are exercised, the amount previously recognized in share-based compensation reserve will be transferred to share premium. When the options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based compensation reserve will be transferred to retained earnings.

###### (2) *Share options of LVS*

The Group participates in the equity settled share-based compensation plans of LVS and is a party to its nonqualified share option plan, Las Vegas Sands Corp. 2004 Equity Award Plan (the "2004 Plan"). The plan provides for the granting of share options pursuant to the applicable provisions of the Internal Revenue Code and regulations in the United States of America.

Share-based compensation expense arising from the granting of share options by LVS to the Directors and employees of the Group, to the extent of services rendered to the Group, is deemed to have been allocated to the Group as an expense with the corresponding increase in the share-based compensation reserves under equity.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Employee benefits (continued)

#### (ii) Share-based compensation (continued)

The fair value of the employee services received in exchange for the grant of the options under the SCL Equity Plan and the 2004 Plan is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions.

The Group recognizes the impact of revisions to the original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity. When the options of the SCL Equity Plan are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

#### (iii) Social security fund

Full-time employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macao Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macao Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

#### (iv) Annual leave and other paid leave

Employee entitlement to annual leave is recognized when it accrues to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees during the year. Employee entitlements to maternity leave and sick leave are not recognized until the time of leave.

#### (v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to a termination and the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) Employee benefits (continued)

##### (vi) Bonus plans

The Group recognizes a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

#### (t) Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow of resources with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure to be required to settle the present obligation at the reporting date. The pre-tax discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

#### (u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the consolidated financial statements unless the probability of outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

#### (v) Gaming promoter commissions

Commissions to gaming promoters are calculated based on certain percentages of net gaming wins or rolling amounts and are recognized when the relevant services have been rendered by the gaming promoters. Gaming promoters are entities that bring in high-roller customers to casinos and loan them rolling chips.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (i) Casino revenue

Casino revenue is the aggregate of gaming wins and losses. Commissions rebated directly or indirectly through gaming promoters to customers, cash discounts and other cash incentives to customers related to gaming play are recorded as a reduction of gross casino revenue.

#### (ii) Lease/right of use income

Lease/right of use income from the grant of right of use (net of any incentives given to tenants/retailers) is recognized on a straight-line basis over the terms of the lease/right of use. Turnover fees are recognized when earned.

#### (iii) Mall management fees

Mall management fees are recognized when services are rendered.

#### (iv) Hotel revenue

Hotel revenue is recognized at the time of occupancy.

#### (v) Food and beverage revenue

Food and beverage revenue is recognized when services are rendered.

#### (vi) Convention revenue

Convention revenue is recognized when the event is held or the related services are rendered.

#### (vii) Retail sales

Sales of goods are recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the products are delivered to customers and title has passed.

The Group has a goods return policy. Sales are recorded net of return and discounts.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (w) Revenue recognition (continued)

##### (viii) Entertainment revenue

Entertainment revenue derived from theater shows, concerts and sporting events is recognized at the time of performance.

##### (ix) Ferry ticket sales

Ferry ticket sales are recognized when the services are rendered.

##### (x) Commission revenues

Commission revenues from the selling of tickets and travel packages and providing destination marketing services are recognized when services are rendered.

##### (xi) Management fee income

Income from management services provided by the Group to LVS group companies is recognized when services are rendered.

##### (xii) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

#### (x) Frequent players program

The Group has established promotional clubs to encourage repeat business from frequent and active slot machine customers and table games patrons. Members earn points primarily based on gaming activity and such points can be redeemed for free play and other free goods and services. The award points are recognized as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are initially recognized as deferred income at their fair value. Revenue from the award points is recognized when the points are redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed. If membership is inactive for a 12-month consecutive period, any points accumulated will be forfeited and cancelled.

#### (y) Pre-opening expense

Pre-opening expenses represent personnel and other costs incurred prior to the opening of new properties and are expensed as incurred.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (z) Leases/right of use

#### (i) As the lessor/grantor for operating leases/right of use

When assets are leased/granted out under an agreement for the right of use, the asset is included in the consolidated balance sheet based on the nature of the asset. Lease rental/income from right of use (net of any incentives given to tenants or to retailers) is recognized over the terms of the lease/right of use on a straight-line basis.

#### (ii) As the lessee for operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

#### (iii) As the lessee for finance leases

The Group leases land and certain equipment. Leases of land and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The land and equipment acquired under a finance lease are depreciated over the shorter of the useful life of the asset and the lease term.

### (aa) Dividend distributions

Dividend distributions to the Company's shareholders are recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### (ab) Comparatives

Certain comparative figures have been reclassified to conform to the presentation of the current year, which the management considered it would better facilitate analysis of the financial information. Such reclassifications have no impact on the overall results and financial position of the Group.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. FINANCIAL RISK MANAGEMENT

#### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program, mainly carried out by a central treasury department and approved by the Board of Directors, focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

##### (i) Market risk

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

##### *Cash flow and fair value interest rate risk*

The Group's primary exposure to market risk is interest rate risk associated with its long-term borrowings, which are all issued at variable rates. The Group attempts to manage the interest rate risk associated with its variable-rate borrowings by use of interest rate cap agreements. During the year ended December 31, 2012, the Group's borrowings at variable rates were denominated in US\$, Hong Kong dollars ("HK\$") and MOP.

As at December 31, 2012, if interest rates on US\$-denominated borrowings had been 50 basis-points higher/lower with all other variables held constant, pre-tax profit for the year would have been US\$7.5 million (2011: US\$7.5 million) lower/higher. As at December 31, 2012, if interest rates on HK\$-denominated borrowings had been 50 basis-points higher/lower with all other variables held constant, pre-tax profit for the year would have been US\$6.9 million (2011: US\$7.6 million) lower/higher. As at December 31, 2012, if interest rates on MOP-denominated borrowings had been 50 basis-points higher/lower with all other variables held constant, pre-tax profit would have been US\$1.6 million (2011: US\$1.6 million) lower/higher. This analysis does not include the effect of interest capitalized.

The Group does not hold or issue financial instruments for trading purposes and does not enter into derivative transactions that would be considered speculative positions. The Group's derivative financial instruments consist exclusively of interest rate cap agreements, which do not qualify for hedge accounting.

To manage exposure to counterparty credit risk in interest rate cap agreements, the Group enters into agreements with highly rated institutions that can be expected to fully perform under the terms of such agreements. Frequently, these institutions are also members of the bank group providing the Group's credit facilities, which management believes further minimizes the risk of non-performance.

The Company's primary exposure to market risk is interest rate risk associated with its notes receivable from subsidiaries, some of which bear interest at variable rates. During the year ended December 31, 2012, the Company's notes receivable from subsidiaries were denominated in US\$ and HK\$.

As at December 31, 2012, if interest rates on notes receivables from subsidiaries had been 50 basis-points higher/lower with all other variables held constant, the Company's pre-tax profit for the year would have been US\$5.1 million (2011: US\$5.0 million) higher/lower.

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Financial risk factors (continued)

##### (i) Market risk (continued)

###### *Foreign exchange risk*

The Group's foreign currency transactions are mainly denominated in US\$. The majority of assets and liabilities are denominated in US\$, HK\$ and MOP, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognized assets and liabilities that are denominated in a currency other than MOP, which is the functional currency of the major operating companies within the Group. The Group currently does not have a foreign currency hedging policy.

For companies with MOP as their functional currency, as at December 31, 2012, if the US\$ had weakened/strengthened by 1% against the MOP with all other variables held constant, pre-tax profit for the year would have been higher/lower by approximately US\$14.9 million (2011: US\$14.9 million), mainly as a result of the translation of US\$-denominated cash and cash equivalents, deposits and borrowings (2011: same). If the HK\$ had weakened/strengthened by 1% against the MOP with all other variables held constant, pre-tax profit for the year would have been lower/higher by approximately US\$7.6 million (2011: US\$9.6 million), mainly as a result of the translation of HK\$-denominated cash and cash equivalents, deposits, trade receivables and borrowings (2011: same).

##### (ii) Credit risk

Financial instruments, which potentially subject the Group to concentrations of credit risk, consist principally of cash and cash equivalents, restricted cash and cash equivalents and trade and other receivables.

The Group maintains cash and cash equivalents and restricted cash and cash equivalents with various creditworthy financial institutions in Macao, Hong Kong, Singapore, PRC and the United States of America. Management monitors this credit risk on an on-going basis and does not believe that the Group has any other significant exposure to any individual or institution as at December 31, 2012 and 2011.

Trade receivables are principally comprised of casino, mall and hotel receivables. The Group extends credit to approved customers, tenants and gaming promoters following background checks and investigations of creditworthiness. Business or economic conditions, the legal enforceability of gaming debts, or other significant events in foreign countries could affect the collectability of receivables from customers and gaming promoters residing in these countries.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Financial risk factors (continued)

##### (ii) Credit risk (continued)

The Group maintains an allowance for doubtful casino, mall and hotel accounts and regularly evaluates the balances. The Group specifically analyzes the collectability of each account with a balance over a specified dollar amount, based upon the age of the account, the customer's financial condition, collection history and any other known information, and the Group makes an allowance for trade receivables specifically identified as doubtful. The Group also monitors regional and global economic conditions and forecasts in its evaluation of the adequacy of the recorded reserves. Table games play is primarily cash play, as credit play represented approximately 31.5% (2011: 27.5%) of total table games play for the year ended December 31, 2012. The Group believes that the concentration of its credit risk in casino receivables is mitigated substantially by its credit evaluation process, credit policies, credit control and collection procedures, and also believes that no significant credit risk is inherent in the Group's trade receivables not provided for as at December 31, 2012 and 2011 (see Note 20 for further details).

On notes receivable from subsidiaries, the Company monitors the exposure to credit risk through exercising control over their financial and operating decisions and reviewing their financial positions on a regular basis.

##### (iii) Liquidity risk

Liquidity risk is the financial risk arising from the difficulty of selling assets, being unable to pay off liabilities upon maturity, funding growth assets or meeting contractual commitments.

The credit agreement entered by VML US Finance LLC ("VMLF"), a wholly owned subsidiary (the "Borrower"), and Venetian Macau Limited ("VML"), a wholly owned subsidiary, and certain other subsidiaries within the Group (collectively, the "Guarantors") dated September 22, 2011 (the "2011 VML Credit Facility"), requires VML and its restricted subsidiaries (collectively, the "Restricted Group") to comply with certain financial covenants, which commenced with the quarterly period ended March 31, 2012, including maintaining a maximum leverage ratio of debt to Adjusted EBITDA (as defined in the 2011 VML Credit Facility). The maximum leverage ratio is 4.5:1.0 for the quarterly periods ending December 31, 2012 through June 30, 2013, decreases to 4.0:1.0 for the quarterly periods ending September 30, 2013 through December 31, 2014, decreases to 3.5:1.0 for the quarterly periods ending March 31 through December 31, 2015, and then decreases to, and remains at, 3.0:1.0 for all quarterly periods thereafter through maturity. If the Restricted Group is unable to maintain compliance with the financial covenants under this credit facility, the Restricted Group would be in default. Any defaults under the agreement would allow the lenders, to exercise their rights and remedies as defined under the agreement. If the lenders were to exercise their rights to accelerate the due dates of the indebtedness outstanding, there can be no assurance that the Group would be able to repay or refinance any amounts that may become due and payable under such agreement, which could force the Group to restructure or alter its operations or debt obligations.



### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Financial risk factors (continued)

##### (iii) Liquidity risk (continued)

The Group's and the Company's financial liabilities, based on the contractual undiscounted cash flows, as at December 31, 2012 are as follows:

	Within the first year	In the second year	Group In the third to fifth year US\$'000	Over the fifth year	Total
<b>At December 31, 2012</b>					
Bank borrowings	56,394	256,481	3,083,614	—	3,396,489
Finance lease liabilities on leasehold interests in land	49,696	5,249	15,748	226,409	297,102
Other finance lease liabilities	2,073	1,713	4,039	—	7,825
Trade and other payables	1,184,439	5,824	18,674	3,630	1,212,567
<b>At December 31, 2011</b>					
Bank borrowings	121,290	120,058	3,468,505	—	3,709,853
Finance lease liabilities on leasehold interests in land	49,696	49,696	15,748	231,658	346,798
Other finance lease liabilities	243	75	—	—	318
Trade and other payables	963,252	6,257	10,974	3,439	983,922
<b>Company</b>					
	Within the first year	In the second year	In the third to fifth year US\$'000	Over the fifth year	Total
<b>At December 31, 2012</b>					
Trade and other payables	27,787	—	—	—	27,787
<b>At December 31, 2011</b>					
Trade and other payables	25,724	—	—	—	25,724

#### (b) Capital risk management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of debt, which includes borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), cash and cash equivalents, and equity attributable to shareholders, comprising issued share capital and reserves as disclosed in Notes 24 and 25, respectively.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Capital risk management (continued)

The Group actively and regularly reviews and manages its capital structure to maintain the net debt-to-capital ratio (gearing ratio) at an appropriate level based on its assessment of the current risk and circumstances. This ratio is calculated as net debt divided by total capital. Net debt is calculated as interest bearing borrowings, net of deferred financing costs, less cash and cash equivalents and restricted cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

	<b>December 31, 2012</b>	2011
	US\$'000	
Interest bearing borrowings, net of deferred financing costs	<b>3,124,014</b>	3,234,575
Less: cash and cash equivalents	<b>(1,948,414)</b>	(2,491,284)
restricted cash and cash equivalents	<b>(4,479)</b>	(3,448)
Net debt	<b>1,171,121</b>	739,843
Total equity	<b>5,586,126</b>	5,515,772
<b>Total capital</b>	<b>6,757,247</b>	6,255,615
<b>Gearing ratio</b>	<b>17.3%</b>	11.8%

The increase in the gearing ratio during the year ended December 31, 2012 was primarily due to payments of US\$1.20 billion of dividends.

#### (c) Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value:

	Level 1	Level 2 US\$'000	Level 3	Total
<b>At December 31, 2012</b>				
Interest rate caps	—	183	—	183
<b>At December 31, 2011</b>				
Interest rate caps	—	64	—	64

The carrying amounts of cash and cash equivalents, restricted cash and cash equivalents, trade and other receivables, borrowings and trade and other payables approximate their fair values.

The Group has seven (2011: four) interest rate cap agreements with an aggregate fair value of approximately US\$0.2 million (2011: US\$0.1 million), based on quoted market values from the institutions holding the agreements as at December 31, 2012.

There were no transfers of financial assets between levels 1 and 2 fair value hierarchy classifications during the years ended December 31, 2012 and 2011.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (a) Development projects

The Group's primary projects under development are The Parisian Macao (formerly referred to as Parcel 3) and phase III of Sands Cotai Central. The Group will need to arrange additional financing to fund the balance of these Cotai Strip developments. If the Group is unable to obtain sufficient funding or applicable government approvals such that completion of the projects is not probable, or should management decide to abandon certain projects, all or a portion of the investment to date on the projects could be lost and would result in an impairment charge. This could adversely affect the financial condition, results of operations or cash flows from these planned facilities.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

#### (a) Development projects (continued)

##### Development of The Parisian Macao and Sands Cotai Central

Under the land concession for Sands Cotai Central, the Group is required to complete the development by May 2014 (48 months from the date the land concession became effective). The land concession for The Parisian Macao contains a similar requirement, which was extended by the Macao Government in July 2012, that the development be completed by April 2016. The Group expects to apply for an extension from the Macao Government to complete Sands Cotai Central, as it will be unable to meet the May 2014 deadline with respect to phase III of this project. Should the Group determine that it is unable to complete The Parisian Macao by April 2016, the Group would then also expect to apply for an extension from the Macao Government. If the Group is unable to meet The Parisian Macao deadline and the deadlines for either development are not extended, it could lose its land concessions for Sands Cotai Central or The Parisian Macao, which would prohibit the Group from operating any facilities developed under the respective land concessions. As a result, the Group could record a charge for all or some portion of the US\$4.08 billion or US\$144.7 million in capitalized construction costs including land, as at December 31, 2012, related to Sands Cotai Central or The Parisian Macao, respectively.

#### (b) Useful lives of investment properties and property and equipment

The Group depreciates investment properties and property and equipment on a straight-line basis over their estimated useful lives. The estimated useful lives are based on the nature of the assets, as well as current operating strategy and legal considerations, such as contractual life. Future events, such as property expansions, property developments, new competition or new regulations, could result in a change in the manner in which the Group uses certain assets and could have impact on the estimated useful lives of such assets.

#### (c) Impairment of assets

The Group follows the guidance of IAS 36 "Impairment of Assets" to determine when assets are impaired, which requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the recoverable amount of assets is less than their carrying balance, including factors such as the industry performance and changes in operational and financing cash flows. The recoverable amount of the CGU has been determined based on value-in-use calculations. These calculations require the use of estimates, including operating results, income and expenses of the business, future economic conditions on growth rates and future returns.

Changes in the key assumptions on which the recoverable amount of the assets is based could significantly affect the Group's financial condition and results of operations.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

##### (d) Allowance for doubtful trade receivables

The allowance for doubtful trade receivables represents the Group's best estimate of the amount of probable credit losses in the Group's existing trade receivables balance. The Group determines the allowance based on specific customer information, historical write-off experience and current industry and economic data. Account balances are charged off against the allowance when the Group believes it is probable the receivables will not be recovered. Management believes that there are no concentrations of credit risk for which an allowance has not been established. Although management believes that the allowance is adequate, it is possible that the estimated amount of cash collections with respect to trade receivables could change.

##### (e) Litigation provisions

The Group is subject to various claims and legal actions. The accruals for these claims and legal actions are estimated in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Based on consultations with legal counsel, management estimated that no significant loss would be incurred beyond the amounts provided. Actual results could differ from these estimates.

##### (f) Share-based compensation

The Group's employees participate in equity award plans of LVS and/or the Company. Management of the Group uses the Black-Scholes option-pricing model to determine the total fair value of the options granted, which is based on fair value and various attributes of the underlying shares of LVS and the Company, depending on the type of the equity award plan. Significant estimates and assumptions are required to be made in determining the parameters for applying the Black-Scholes option-pricing model, including estimates and assumptions regarding the risk-free rate of return, expected dividend yield, volatility of the underlying shares and the expected life of the options. The total fair value of options and restricted shares ("RSs") granted is measured on the grant date based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group at the end of the vesting period. The Group only recognizes an expense for those options or RSs expected to vest over the vesting period during which the grantees become unconditionally entitled to the options or RSs. These estimates and assumptions could have a material effect on the determination of the fair value of the share options and RSs and the amount of such equity awards expected to vest, which may in turn significantly impact the determination of the share-based compensation expense.

The fair value of the options and RSs at the time of grant is to be expensed over the vesting period of the options and RSs based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share option or RSs grant, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. NET REVENUES AND INTEREST INCOME

	Year ended December 31,	
	2012	2011
	US\$'000	
<b>Net revenues</b>		
Casino	<b>5,738,609</b>	4,231,503
Mall		
— Income from right of use	<b>208,652</b>	160,402
— Management fees and other	<b>30,421</b>	26,762
Rooms	<b>226,864</b>	186,412
Food and beverage	<b>106,484</b>	81,941
Convention, ferry, retail and other	<b>200,344</b>	193,767
	<b>6,511,374</b>	4,880,787
<b>Interest income</b>		
Bank deposits	<b>15,547</b>	7,983
<b>Total net revenues and interest income</b>	<b>6,526,921</b>	4,888,770

### 6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by a group of senior management to make strategic decisions. The Group considers the business from a property and service perspective.

The Group's principal operating and developmental activities occur in Macao, which is the sole geographic area that the Group domiciles. The Group reviews the results of operations for each of its key operating segments, which are also the reportable segments: The Venetian Macao, Sands Macao, The Plaza Macao, Sands Cotai Central and ferry and other operations. The Group also reviews construction and development activities for each of its primary projects under development in addition to its reportable segments noted above. The Group's primary projects under development are The Parisian Macao (included in other developments) and phase III of Sands Cotai Central. The Group's former Cotai Strip development on Parcels 7 and 8 is included in other developments.

## 6. SEGMENT INFORMATION (CONTINUED)

Revenue comprises turnover from sale of goods and services in the ordinary course of the Group's activities. The Venetian Macao, Sands Macao, The Plaza Macao, Sands Cotai Central and other developments, once in operation will, derive their revenue primarily from casino, mall, hotel, food and beverage, convention, retail and other sources. Ferry and other operations mainly derive their revenue from the sale of ferry tickets for transportation between Hong Kong and Macao. The Group's segment information is as follows:

	Year ended December 31,	
	2012	2011
	US\$'000	
<b>Net revenues:</b>		
The Venetian Macao	<b>3,025,498</b>	2,819,315
Sands Macao	<b>1,242,804</b>	1,275,076
The Plaza Macao	<b>1,083,309</b>	675,836
Sands Cotai Central	<b>1,045,244</b>	—
Ferry and other operations	<b>133,409</b>	131,196
Other developments	—	—
Inter-segment revenues	<b>(18,890)</b>	(20,636)
	<b>6,511,374</b>	4,880,787

	Year ended December 31,	
	2012	2011
	US\$'000	
<b>Adjusted EBITDA (Unaudited) (Note):</b>		
The Venetian Macao	<b>1,143,882</b>	1,023,496
Sands Macao	<b>349,723</b>	350,702
The Plaza Macao	<b>287,914</b>	217,610
Sands Cotai Central	<b>212,800</b>	—
Ferry and other operations	<b>(16,645)</b>	(15,813)
Other developments	—	—
	<b>1,977,674</b>	1,575,995

Note: Adjusted EBITDA is profit before share-based compensation, corporate expense, pre-opening expense, depreciation and amortization (net of amortization of show production costs), net foreign exchange gains/(losses), impairment loss, gain/(loss) on disposal of property and equipment and intangible assets, fair value losses on financial assets at fair value through profit or loss, interest, loss on modification or early retirement of debt and income tax expense. Adjusted EBITDA is used by management as the primary measure of operating performance of the Group's properties and to compare the operating performance of the Group's properties with that of its competitors. However, adjusted EBITDA should not be considered in isolation; construed as an alternative to profit or operating profit; as an indicator of the Group's IFRS operating performance, other combined operations or cash flow data; or as an alternative to cash flow as a measure of liquidity. As a result, adjusted EBITDA as presented by the Group may not be directly comparable to other similarly titled measures presented by other companies.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. SEGMENT INFORMATION (CONTINUED)

	Year ended December 31,	
	2012	2011
	US\$'000	
<b>Depreciation and amortization:</b>		
The Venetian Macao	146,038	172,508
Sands Macao	31,695	32,033
The Plaza Macao	50,110	53,266
Sands Cotai Central	112,020	110
Ferry and other operations	14,158	14,856
Other developments	—	—
	<b>354,021</b>	<b>272,773</b>

The following is a reconciliation of adjusted EBITDA to profit for the year attributable to equity holders of the Company:

	Note	Year ended December 31,	
		2012	2011
		US\$'000	
<b>Adjusted EBITDA (Unaudited)</b>		<b>1,977,674</b>	<b>1,575,995</b>
Share-based compensation granted to employees by LVS and the Company, net of amount capitalized <sup>(i)</sup>		(11,688)	(10,007)
Corporate expense	(a)	(52,528)	(31,507)
Pre-opening expense	(b)	(140,800)	(60,722)
Depreciation and amortization		(354,021)	(272,773)
Amortization of show production costs		566	4,215
Net foreign exchange gains		6,118	1,232
Impairment loss		(143,649)	—
Loss on disposal of property and equipment and intangible assets		(96)	(2,924)
Fair value losses on financial assets at fair value through profit or loss		(413)	(1,237)
<b>Operating profit</b>		<b>1,281,163</b>	<b>1,202,272</b>
Interest income		15,547	7,983
Interest expense, net of amounts capitalized		(57,435)	(52,883)
Loss on modification or early retirement of debt		(1,752)	(22,051)
<b>Profit before income tax</b>		<b>1,237,523</b>	<b>1,135,321</b>
Income tax expense		(1,842)	(2,271)
<b>Profit for the year attributable to equity holders of the Company</b>		<b>1,235,681</b>	<b>1,133,050</b>

(i) Amount includes share-based compensation of US\$848,000 (2011: US\$446,000) related to pre-opening expense.



## 6. SEGMENT INFORMATION (CONTINUED)

### (a) Corporate expense

	Note	Year ended December 31,	
		2012	2011
		US\$'000	
Royalty fees	32(a)(v)	40,000	20,000
Management fees	32(a)(ii)	4,650	5,062
Employee benefit expenses		343	264
Other support services		7,095	5,735
Other expenses		440	446
		<b>52,528</b>	31,507

### (b) Pre-opening expense

	Note	Year ended December 31,	
		2012	2011
		US\$'000	
		(Note 2(ab))	
Employee benefit expenses		69,352	28,080
Advertising and promotions		17,371	646
Suspension costs		12,817	13,581
Contract labor and services		11,602	894
Utilities and operating supplies		5,693	3,230
Management fees	32(a)(ii)	2,925	4,455
Other support services		5,469	1,866
Other expenses		15,571	7,970
		<b>140,800</b>	60,722

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. SEGMENT INFORMATION (CONTINUED)

	Year ended December 31,	
	2012	2011
	US\$'000	
<b>Capital expenditures</b>		
The Venetian Macao	111,728	27,416
Sands Macao	24,958	7,691
The Plaza Macao	27,748	31,092
Sands Cotai Central	815,683	717,430
Ferry and other operations	866	836
Other developments	20,368	39
	<b>1,001,351</b>	784,504

	December 31,	
	2012	2011
	US\$'000	
<b>Total assets</b>		
The Venetian Macao	3,226,597	3,153,756
Sands Macao	416,660	487,533
The Plaza Macao	1,359,310	1,287,986
Sands Cotai Central	4,890,665	4,462,910
Ferry and other operations	349,446	505,673
Other developments	144,801	229,827
	<b>10,387,479</b>	10,127,685

	December 31,	
	2012	2011
	US\$'000	
<b>Total non-current assets</b>		
Held locally	7,437,778	6,855,597
Held in foreign countries	196,595	209,375
Deferred income tax assets	153	30
Financial assets at fair value through profit or loss	183	64
	<b>7,634,709</b>	7,065,066

## 7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended December 31,	
	2012	2011
	US\$'000	
Wages, salaries, bonus and termination costs	662,956	458,262
Staff meals	42,360	24,939
Share-based compensation, net of amount capitalized	11,688	10,007
Pension costs — defined contribution plan	22,921	16,031
Other employee benefit expenses	21,621	14,012
	<b>761,546</b>	523,251

Total amounts of share-based compensation and the amounts capitalized are as below:

	Note	Year ended December 31,	
		2012	2011
		US\$'000	
Share-based compensation costs:			
Charged by LVS	33	2,039	2,020
Incurred under the SCL Equity Plan	33	10,594	7,726
Less: (amount capitalized)/adjustment to amount capitalized as part of property and equipment <sup>(i)</sup>		(945)	261
Share-based compensation expensed in the consolidated income statement		<b>11,688</b>	10,007

(i) True-up adjustment is primarily related to the termination of construction staff during the year ended December 31, 2011.

### (a) Pension costs — defined contribution plan

Contributions totaling US\$4.3 million (2011: US\$2.8 million) remained payable to the provident fund as at December 31, 2012. Forfeited contributions totaling US\$2.9 million (2011: US\$2.5 million) were utilized during the year leaving US\$0.9 million (2011: US\$0.7 million) available at the year end to reduce future contributions.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

#### (b) Directors' emoluments

The remuneration of the Company's Directors is as follows:

	Fees	Salaries, discretionary bonuses, allowances, pension costs and benefits in kind	Subtotal US\$'000	Share-based compensation	Total
<b>Year ended December 31, 2012</b>					
Executive Directors					
Edward Matthew Tracy <sup>(i)</sup>	—	2,519	2,519	601	3,120
Toh Hup Hock	—	1,306	1,306	270	1,576
Non-Executive Directors					
Sheldon Gary Adelson	—	—	—	—	—
Michael Alan Leven	—	—	—	—	—
Jeffrey Howard Schwartz	75	—	75	—	75
Irwin Abe Siegel	75	—	75	—	75
Lau Wong William	75	—	75	—	75
Independent Non-Executive Directors					
Iain Ferguson Bruce	100	—	100	—	100
Chiang Yun	75	—	75	—	75
David Muir Turnbull	100	—	100	—	100
Victor Patrick Hoog Antink	5	—	5	—	5
	505	3,825	4,330	871	5,201

## 7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

### (b) Directors' emoluments (continued)

	Fees	Salaries, discretionary bonuses, allowances, pension costs and benefits in kind	Subtotal US\$'000	Share-based compensation	Total
<b>Year ended December 31, 2011</b>					
Executive Directors					
Edward Matthew Tracy <sup>(i), (ii)</sup>	—	2,115	2,115	513	2,628
Toh Hup Hock	—	1,119	1,119	494	1,613
Non-Executive Directors					
Sheldon Gary Adelson	—	—	—	—	—
Michael Alan Leven	—	—	—	—	—
Jeffrey Howard Schwartz	75	—	75	—	75
Irwin Abe Siegel	120	—	120	—	120
Lau Wong William	32	—	32	—	32
Independent Non-Executive Directors					
Iain Ferguson Bruce	100	—	100	—	100
Chiang Yun	75	—	75	—	75
David Muir Turnbull	145	—	145	—	145
	547	3,235	3,782	1,006	4,789

(i) Edward Matthew Tracy is an Executive Director who is also the Chief Executive.

(ii) On May 10, 2012, the service contract of Edward Matthew Tracy was renewed. Pursuant to the renewal, the annual salary and bonus payments of Mr. Tracy for the year ended December 31, 2011 were increased. For details, please refer to the Company's announcement dated May 16, 2012. The revised amount of emoluments of Mr. Tracy for the year ended December 31, 2011 is reflected in the table presented above.

In addition to the Directors' emoluments disclosed above, Sheldon Gary Adelson and Michael Alan Leven received emoluments (inclusive of share-based compensation) from LVS, US\$0.3 million and US\$0.6 million (2011: US\$0.3 million and US\$0.3 million, respectively) of which are in respect of their services to the Group, respectively, for the year ended December 31, 2012.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

#### (b) Directors' emoluments (continued)

Victor Patrick Hoog Antink was appointed as Independent Non-Executive Director of the Company on December 7, 2012.

No emoluments were paid to any Directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2011: nil).

None of the Directors waived or has agreed to waive any emoluments during the year (2011: nil).

#### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2011: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: three) individuals during the year are as follows:

	Year ended December 31,	
	2012	2011
	US\$'000	
Basic salaries and allowances	<b>2,538</b>	2,312
Bonus	<b>1,712</b>	1,639
Share-based compensation	<b>1,497</b>	1,437
	<b>5,747</b>	5,388

## 7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

### (c) Five highest paid individuals (continued)

The emoluments of the above mentioned individuals, who are not Directors of the Company, with the highest emoluments fall within the following bands:

	Year ended December 31,	
	2012	2011
	Number of individuals	
HK\$8,500,001 (approximately US\$1,097,000)		
— HK\$9,000,000 (approximately US\$1,161,000)	1	—
HK\$9,000,001 (approximately US\$1,161,000)		
— HK\$9,500,000 (approximately US\$1,226,000)	—	1
HK\$14,000,001 (approximately US\$1,806,000)		
— HK\$14,500,000 (approximately US\$1,871,000)	1	—
HK\$15,000,001 (approximately US\$1,935,000)		
— HK\$15,500,000 (approximately US\$2,000,000)	—	1
HK\$17,000,001 (approximately US\$2,194,000)		
— HK\$17,500,000 (approximately US\$2,258,000)	—	1
HK\$21,500,001 (approximately US\$2,774,000)		
— HK\$22,000,000 (approximately US\$2,839,000)	1	—
	<b>3</b>	<b>3</b>

No emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended December 31, 2012 (2011: nil).

## 8. OTHER EXPENSES

### (a) An analysis of the operating expenses is as follows:

	Note	Year ended December 31,	
		2012	2011
		US\$'000	
Gaming tax		<b>2,859,298</b>	2,070,454
Inventories consumed		<b>69,085</b>	48,647
Employee benefit expenses		<b>761,546</b>	523,251
Depreciation and amortization		<b>354,021</b>	272,773
Gaming promoter/agency commissions		<b>330,025</b>	259,304
Other expenses	(i)	<b>856,236</b>	504,086
Operating expenses		<b>5,230,211</b>	3,678,515

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. OTHER EXPENSES (CONTINUED)

#### (a) An analysis of the operating expenses is as follows: (continued)

##### (i) Analysis of other expenses is as follows:

	Note	Year ended December 31,	
		2012	2011
		US\$'000	(Note 2(ab))
Utilities and operating supplies		<b>194,064</b>	140,221
Impairment loss <sup>(1)</sup>		<b>143,649</b>	—
Contract labor and services		<b>89,683</b>	61,766
Advertising and promotions		<b>80,367</b>	31,470
Provision for doubtful accounts		<b>58,213</b>	41,147
Royalty fees		<b>42,733</b>	20,886
Repairs and maintenance		<b>38,113</b>	29,144
Management fees	32(a)(ii)	<b>33,502</b>	31,463
Operating lease payments		<b>19,366</b>	12,456
Suspension costs <sup>(2)</sup>		<b>12,817</b>	13,581
Auditor's remuneration		<b>1,375</b>	1,123
Fair value losses on financial assets at fair value through profit or loss		<b>413</b>	1,237
Loss on disposal of property and equipment and intangible assets		<b>96</b>	2,924
Net foreign exchange gains		<b>(6,118)</b>	(1,232)
Other support services		<b>83,885</b>	72,588
Other operating expenses		<b>64,078</b>	45,312
		<b>856,236</b>	504,086

- (1) The Group had commenced pre-construction activities on its former Cotai Strip development on Parcels 7 and 8. During December 2010, the Group received notice from the Macao Government that its application for a land concession for Parcels 7 and 8 was not approved and the Group applied to the Chief Executive of Macao for an executive review of the decision. In January 2011, the Group filed a judicial appeal with the Court of Second Instance in Macao. In May 2012, the Group withdrew its appeal and recorded an impairment loss of US\$100.7 million during the year ended December 31, 2012, related to the capitalized construction costs of its development on Parcels 7 and 8.

During the year ended December 31, 2012, the Group also recorded an impairment loss of US\$42.9 million related to the closure of the ZAiA show at The Venetian Macao.

- (2) Suspension costs are primarily comprised of fees paid to trade contractors and legal costs as a result of the project suspension.



## 8. OTHER EXPENSES (CONTINUED)

(b) The operating expenses can also be analyzed as follows:

	Year ended December 31,	
	2012	2011
	US\$'000	
Casino	3,709,710	2,686,686
Mall	32,487	31,795
Rooms	56,452	37,243
Food and beverage	98,572	66,896
Convention, ferry, retail and other	197,311	198,618
Provision for doubtful accounts	58,213	41,147
General and administrative expense	391,229	247,753
Corporate expense	52,528	31,507
Pre-opening expense	141,648	61,168
Depreciation and amortization	354,021	272,773
Net foreign exchange gains	(6,118)	(1,232)
Impairment loss	143,649	—
Loss on disposal of property and equipment and intangible assets	96	2,924
Fair value losses on financial assets at fair value through profit or loss	413	1,237
Operating expenses	5,230,211	3,678,515

## 9. INTEREST EXPENSE, NET OF AMOUNTS CAPITALIZED

	Year ended December 31,	
	2012	2011
	US\$'000	
Bank borrowings	70,057	131,676
Amortization of deferred financing costs	24,133	24,870
Finance lease liabilities	9,706	11,670
Standby fee and other financing costs	3,777	21,632
	107,673	189,848
Less: interest capitalized	(50,238)	(136,965)
Interest expense, net of amounts capitalized	57,435	52,883

A capitalization rate of 2.3% to 3.2% (2011: 3.1% to 5.6%) was used, representing the effective finance costs of the loans to finance the assets under construction.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10. INCOME TAX EXPENSE

	Note	Year ended December 31,	
		2012	2011
		US\$'000	
Current income tax			
Macao complementary tax		—	350
Lump sum in lieu of Macao complementary tax on dividend		1,802	1,796
Other overseas taxes		189	13
(Over)/underprovision in prior years			
Macao complementary tax		(25)	92
Lump sum in lieu of Macao complementary tax on dividend		—	16
Other overseas taxes		(1)	—
Deferred income tax	17	(123)	4
Income tax expense		1,842	2,271

#### (a) Macao complementary tax

Macao complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 (equivalent to US\$4,000) but below MOP300,000 (equivalent to US\$37,500), and thereafter at a fixed rate of 12%. For the year ended December 31, 2012, a special complementary tax incentive was provided to the effect that the tax free income threshold was increased from MOP32,000 to MOP200,000 (equivalent to US\$4,000 to US\$25,000) with the next MOP100,000 (equivalent to US\$12,500) of profit being taxed at a fixed rate of 9% and thereafter at a fixed rate of 12% (2011: same).

Pursuant to the Despatch No. 250/2004 issued by the Chief Executive of Macao on September 30, 2004, VML was exempt from Macao complementary tax on its gaming activities for five years effective from the 2004 year of assessment. On May 21, 2008, VML was granted, pursuant to the Despatch No. 167/2008 issued by the Chief Executive of Macao, an extension of the tax exemption regarding Macao complementary tax on its gaming activities for an additional five years, which is set to expire in 2013. In July 2012, VML applied to the Macao Government for an additional five-year exemption of Macao complementary tax on its gaming activities. The application is being reviewed by the Macao Government. Regarding the other subsidiaries, during the year ended December 31, 2012, Macao complementary tax is calculated progressively at a maximum of 12% of the estimated assessable profit (2011: same).

#### (b) Lump sum in lieu of Macao complementary tax on dividend

VML entered into a Shareholder Dividend Tax Agreement with the Macao Government. The agreement provides for an annual payment in lieu of Macao complementary tax otherwise due by VML's shareholders on dividend distributions to them from gaming profits.

#### (c) Hong Kong profits tax

The Company's subsidiaries that carry on business in Hong Kong are subject to the Hong Kong profits tax rate at 16.5% for the year ended December 31, 2012 (2011: same).

## 10. INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profits of the consolidated entities in the respective jurisdictions as follows:

	Year ended December 31,	
	2012	2011
	US\$'000	
Profit before income tax	<b>1,237,523</b>	1,135,321
Tax calculated at domestic rates applicable to profits in the respective jurisdictions	<b>348,848</b>	131,181
Tax effects of:		
Income not subject to tax <sup>(i)</sup>	<b>(919,740)</b>	(530,727)
Expenses not deductible for tax purposes <sup>(i), (ii)</sup>	<b>488,428</b>	351,779
Amortization of pre-opening expenses previously not recognized	<b>(8,847)</b>	(2,793)
Pre-opening expenses for which no deferred tax assets were recognized	<b>13,726</b>	5,560
Tax losses for which no deferred income tax assets were recognized	<b>75,931</b>	46,448
Lump sum in lieu of Macao complementary tax of dividend	<b>1,802</b>	1,812
Other	<b>1,694</b>	(989)
Income tax expense	<b>1,842</b>	2,271

- (i) During the year ended December 31, 2012, VML was exempt from Macao complementary tax on its gaming activities (see also Note 10(a)). In addition, lease/right of use income recorded in VML, Venetian Cotai Limited ("VCL") and Venetian Orient Limited ("VOL") were subject to property tax (Note (ii)), and should, therefore, also be excluded from Macao complementary tax calculations. Accordingly, casino revenues and lease/right of use income and their corresponding expenses incurred were presented as "Income not subject to tax" and "Expenses not deductible for tax purposes", respectively, in the calculations above (2011: same).

Additionally, during the year ended December 31, 2012, the Company received dividend income from a subsidiary. The dividend income is not subject to Hong Kong profits tax. Accordingly, dividend income was also presented as "Income not subject to tax" in the calculation above (2011: nil).

- (ii) Lease/right of use income recorded in VML, VCL and VOL are exempt from property tax for the first four and six years for the newly constructed buildings in Macao and on Cotai, respectively, pursuant to Article 9(1)(a) of Lei no. 19/78/M. This exemption had been extended to August 2012 for the Sands Macao. Regarding The Venetian Macao, The Plaza Macao and Sands Cotai Central, the procedures for registration at the tax department are being completed and the exact date of expiration of the exemption cannot be determined at this stage.

The notional weighted average applicable tax rate was 28% (2011: 12%). The increase is caused by the dividend income received from a subsidiary by the Company during the year ended December 31, 2012.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. EARNINGS PER SHARE

#### (a) Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2012, the Company has outstanding share options that will potentially dilute the ordinary shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The calculation of basic and diluted earnings per share is based on the following:

	<b>Year ended December 31,</b>	
	<b>2012</b>	2011
Profit attributable to equity holders of the Company (US\$'000)	<b>1,235,681</b>	1,133,050
Weighted average number of shares for basic earnings per share (thousand shares)	<b>8,051,324</b>	8,048,538
Adjustments for share options (thousand shares)	<b>6,020</b>	2,819
Weighted average number of shares for diluted earnings per share (thousand shares)	<b>8,057,344</b>	8,051,357
Earnings per share, basic	<b>US15.35 cents</b>	US14.08 cents
Earnings per share, basic <sup>(i)</sup>	<b>HK118.97 cents</b>	HK109.37 cents
Earnings per share, diluted	<b>US15.34 cents</b>	US14.07 cents
Earnings per share, diluted <sup>(i)</sup>	<b>HK118.89 cents</b>	HK109.30 cents

## 11. EARNINGS PER SHARE (CONTINUED)

### (b) Adjusted basic and diluted earnings per share (Unaudited)

To enable an investor to better understand the Group's results, the impairment losses related to Parcels 7 and 8 and the closure of the ZAIA show at The Venetian Macao and pre-opening expenses of Sands Cotai Central are excluded from the adjusted earnings per share as management does not consider these non-recurring expenses to be indicators of the Group's operating performance. The reconciliation of the reported earnings to the adjusted earnings (net of tax) is as follows:

	<b>Year ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
Profit attributable to equity holders of the Company (US\$'000)	<b>1,235,681</b>	1,133,050
Adjustments for:		
Impairment loss (US\$'000)	<b>143,649</b>	—
Pre-opening expenses of Sands Cotai Central (US\$'000)	<b>137,151</b>	53,711
Adjusted profit attributable to equity holders of the Company (US\$'000)	<b>1,516,481</b>	1,186,761
Weighted average number of shares for basic earnings per share (thousand shares)	<b>8,051,324</b>	8,048,538
Adjusted earnings per share, basic	<b>US18.84 cents</b>	US14.75 cents
Adjusted earnings per share, basic <sup>(i)</sup>	<b>HK146.02 cents</b>	HK114.58 cents
Weighted average number of shares for diluted earnings per share (thousand shares)	<b>8,057,344</b>	8,051,357
Adjusted earnings per share, diluted	<b>US18.82 cents</b>	US14.74 cents
Adjusted earnings per share, diluted <sup>(i)</sup>	<b>HK145.86 cents</b>	HK114.50 cents

- (i) The translation of US\$ amounts into HK\$ amounts has been made at the rate of US\$1.00 to HK\$7.7505 (2011: US\$1.00 to HK\$7.7680). No representation is made that the HK\$ amounts have been, could have been or could be converted into US\$, or vice versa, at that rate, or at any other rates or at all.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12. DIVIDENDS

	Year ended December 31,	
	2012	2011
	US\$'000	
2012 interim dividend of HK\$0.67 (equivalent to US\$0.086) per ordinary share declared on January 25, 2013 and paid	696,366	—
2012 final dividend of HK\$0.66 (equivalent to US\$0.085) per ordinary share proposed	685,587	—
2011 interim dividend of HK\$0.58 (equivalent to US\$0.075) per ordinary share declared on January 31, 2012 and paid	—	599,839
2011 final dividend of HK\$0.58 (equivalent to US\$0.075) per ordinary share declared on June 1, 2012 and paid	—	601,649
	<b>1,381,953</b>	1,201,488

On January 25, 2013, the Board declared an interim dividend of HK\$0.67 (equivalent to US\$0.086) per share payable to Shareholders whose names appear on the register of members of the Company on February 19, 2013. This interim dividend, amounting in aggregate to HK\$5.40 billion (equivalent to US\$696.4 million), was paid on February 28, 2013.

On March 15, 2013, the Board proposed the payment of a final dividend of HK\$0.66 (equivalent to US\$0.085) per share, which is subject to approval by Shareholders in the forthcoming Annual General Meeting. Based on the ordinary shares in issue as at February 28, 2013, the total amount of the final dividend to be distributed is estimated to be approximately HK\$5.32 billion (equivalent to US\$685.6 million).

Both interim and final dividends have not been recognized as a liability as at December 31, 2012. It will be reflected as appropriations of reserves during 2013.

The aggregate amounts of the dividends paid and proposed have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

### 13. INVESTMENT PROPERTIES, NET — GROUP

	December 31,	
	2012	2011
	US\$'000	
<b>At beginning of year</b>	<b>747,126</b>	759,892
Additions	14,700	8,603
Adjustments to project costs	4,036	(264)
Transfer from property and equipment	169,821	—
Depreciation	(25,642)	(21,021)
Exchange difference	3,085	(84)
<b>At end of year</b>	<b>913,126</b>	747,126

**13. INVESTMENT PROPERTIES, NET — GROUP (CONTINUED)**

	<b>December 31, 2012</b>	2011
	US\$'000	
Cost	<b>1,024,210</b>	832,568
Accumulated depreciation	<b>(111,084)</b>	(85,442)
Net book amount	<b>913,126</b>	747,126

The Group's investment properties are revalued by an independent professional qualified valuer, CBRE Pte. Ltd., on an annual basis. In determining the fair value of the investment properties, the valuers use assumptions and estimates that reflect, amongst other factors, comparable market transactions in an active market, lease/right of use income from current leases/right of use and assumptions about lease/right of use income from future leases/right of use in light of current market conditions, capitalization rates, terminal yield and reversionary income potential. Valuations were based on income and an open market value approach for all properties as follows:

	<b>December 31, 2012</b>	2011
	US\$'000	
Fair value of the investment properties	<b>4,284,000</b>	2,840,000

The following amounts have been recognized in the consolidated income statement:

	<b>Year ended December 31,</b>	
	<b>2012</b>	2011
	US\$'000	
Mall income	<b>239,073</b>	187,164
Direct operating expenses arising from investment properties that generate right of use income	<b>31,583</b>	46,611
Direct operating expenses that did not generate right of use income	<b>2,292</b>	4,957

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. PROPERTY AND EQUIPMENT, NET — GROUP

The movements of property and equipment for the year are as follows:

	Leasehold interests in land	Land improvements	Buildings and building improvements	Leasehold improvements	Vehicles US\$'000	Ferries	Furniture, fittings & equipment	Construction- in-progress	Total
<b>At January 1, 2011</b>									
Cost	616,862	142,807	2,655,113	6,395	21,684	250,123	627,687	2,155,193	6,475,864
Accumulated depreciation	(25,067)	(30,198)	(404,588)	(5,137)	(9,492)	(29,243)	(468,827)	—	(972,552)
<b>At January 1, 2011</b>	591,795	112,609	2,250,525	1,258	12,192	220,880	158,860	2,155,193	5,503,312
<b>Year ended December 31, 2011</b>									
Opening net book amount	591,795	112,609	2,250,525	1,258	12,192	220,880	158,860	2,155,193	5,503,312
Additions	12,004	—	1,812	189	153	1	77,619	905,346	997,124
Adjustments to project costs	—	3,773	3,795	(9)	—	(3)	(3,477)	(12,887)	(8,808)
Disposals	—	—	(308)	—	(1,554)	(502)	(417)	(5,531)	(8,312)
Transfers	—	—	6,788	717	—	—	5,038	(12,543)	—
Depreciation	(7,096)	(10,396)	(122,495)	(1,455)	(3,538)	(12,509)	(87,567)	—	(245,056)
Exchange difference	(5)	215	5,189	25	13	—	56	5,933	11,426
<b>Closing net book amount</b>	596,698	106,201	2,145,306	725	7,266	207,867	150,112	3,035,511	6,249,686
<b>At December 31, 2011</b>									
Cost	628,860	146,871	2,673,434	6,433	20,198	249,535	698,484	3,035,511	7,459,326
Accumulated depreciation	(32,162)	(40,670)	(528,128)	(5,708)	(12,932)	(41,668)	(548,372)	—	(1,209,640)
<b>At December 31, 2011</b>	596,698	106,201	2,145,306	725	7,266	207,867	150,112	3,035,511	6,249,686
<b>Year ended December 31, 2012</b>									
Opening net book amount	596,698	106,201	2,145,306	725	7,266	207,867	150,112	3,035,511	6,249,686
Additions	1,760	937	26,843	11	13,233	49	191,483	778,358	1,012,674
Adjustments to project costs	—	—	(5,010)	—	—	—	(13)	224	(4,799)
Disposals	—	—	(93)	—	(244)	—	(606)	(291)	(1,234)
Transfers	(14,519)	70,053	2,362,501	363	—	—	160,402	(2,748,621)	(169,821)
Impairment	—	—	(12,313)	—	—	—	(2,774)	(100,743)	(115,830)
Depreciation	(10,179)	(12,045)	(183,908)	(424)	(4,449)	(12,485)	(101,596)	—	(325,086)
Exchange difference	(1,136)	283	6,224	(6)	18	—	577	5,180	11,140
<b>Closing net book amount</b>	572,624	165,429	4,339,550	669	15,824	195,431	397,585	969,618	6,656,730
<b>At December 31, 2012</b>									
Cost	614,965	218,251	5,065,527	6,829	31,656	249,584	1,028,187	969,618	8,184,617
Accumulated depreciation	(42,341)	(52,822)	(725,977)	(6,160)	(15,832)	(54,153)	(630,602)	—	(1,527,887)
<b>At December 31, 2012</b>	572,624	165,429	4,339,550	669	15,824	195,431	397,585	969,618	6,656,730

Interest expense of US\$50.2 million (Note 9, 2011: US\$137.0 million) and other direct costs of US\$15.8 million (2011: US\$9.4 million) have been capitalized for the year ended December 31, 2012.



#### 14. PROPERTY AND EQUIPMENT, NET — GROUP (CONTINUED)

Equipment includes the following amounts where the Group is the lessee under finance leases:

	<b>December 31,</b>	2011
	<b>2012</b>	
	US\$'000	
Cost	<b>8,358</b>	878
Accumulated depreciation	<b>(1,209)</b>	(598)
Net book amount	<b>7,149</b>	280

The Group leases various equipment under non-cancellable finance lease agreements. The lease terms are between three and five years and ownership of the assets lies within the Group.

The Group received land concessions from the Macao Government to build on Parcels 1, 2, 3 and 5 and 6 of Cotai, including the sites on which The Venetian Macao (Parcel 1), The Plaza Macao (Parcel 2) and Sands Cotai Central (Parcels 5 and 6) are, and The Parisian Macao (Parcel 3) will be, located. The Group does not own these land sites; however, the land concession, which has an initial term of 25 years and is renewable at the Group's option, in accordance with Macao law, grants the Group exclusive use of the land. As specified in the land concession, the Group is required to pay premiums, which are either payable in a single lump sum upon acceptance of the land concession or in seven semi-annual installments bearing interest at 5.0% per annum, as well as annual rent for the term of the land concession, which may be revised every five years by the Macao Government. The land lease premiums for Parcels 1, 2 and 3 have been fully paid. The finance lease obligations for land are disclosed in Note 28(a).

The Group's rights arising from the land concession of the parcels are collateralized by a first-priority security for the Group's indebtedness under the 2011 VML Credit Facility (see Note 27 (c)). In addition, the Group's rights over the parcels of land are charged as security to a financial institution for issuing a bank guarantee to the Macao Government to guarantee the annual rent payments.

During the year ended December 31, 2012, the Group made payments of US\$42.3 million (2011: US\$40.2 million) as partial payments of the land premium for Sands Cotai Central. The remaining semi-annual land premium payments for Sands Cotai Central of US\$23.1 million each bear interest at 5.0% per annum and will be paid in 2013.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. FINANCIAL INSTRUMENTS BY CATEGORY

		Financial assets at fair value through profit or loss	Group Loans and receivables US\$'000	Total	Company Loans and receivables US\$'000
	Note				
<b>Assets</b>					
<b>At December 31, 2012</b>					
Financial assets at fair value through profit or loss	18	183	—	183	—
Notes receivables from subsidiaries	32(b)	—	—	—	187,456
Trade and other receivables, net	20	—	749,446	749,446	381,247
Restricted cash and cash equivalents	21	—	4,479	4,479	—
Cash and cash equivalents	23	—	1,948,414	1,948,414	105,046
Deposits	19	—	1,951	1,951	—
<b>Total</b>		<b>183</b>	<b>2,704,290</b>	<b>2,704,473</b>	<b>673,749</b>
<b>At December 31, 2011</b>					
Financial assets at fair value through profit or loss	18	64	—	64	—
Notes receivables from subsidiaries	32(b)	—	—	—	181,869
Trade and other receivables, net	20	—	530,446	530,446	353,413
Restricted cash and cash equivalents	21	—	3,448	3,448	—
Cash and cash equivalents	23	—	2,491,284	2,491,284	256,077
Deposits	19	—	1,223	1,223	—
<b>Total</b>		<b>64</b>	<b>3,026,401</b>	<b>3,026,465</b>	<b>791,359</b>
<b>Liabilities</b>					
			Group Financial liabilities at amortized cost US\$'000		Company Financial liabilities at amortized cost US\$'000
<b>At December 31, 2012</b>					
Trade and other payables	26		1,212,567		27,787
Borrowings	27		3,260,584		—
<b>Total</b>			<b>4,473,151</b>		<b>27,787</b>
<b>At December 31, 2011</b>					
Trade and other payables	26		983,922		25,724
Borrowings	27		3,409,215		—
<b>Total</b>			<b>4,393,137</b>		<b>25,724</b>

## 16. INTANGIBLE ASSETS, NET — GROUP

	Trademarks	Computer software	Show production costs	Total
		US\$'000		
<b>At January 1, 2011</b>				
Cost	171	16,782	39,979	56,932
Accumulated amortization	(93)	(11,930)	(10,272)	(22,295)
<b>At January 1, 2011</b>				
	78	4,852	29,707	34,637
<b>Year ended December 31, 2011</b>				
Opening net book amount	78	4,852	29,707	34,637
Additions	—	4,459	—	4,459
Adjustments to project costs	—	—	(622)	(622)
Disposals	—	(14)	—	(14)
Amortization	(16)	(2,465)	(4,215)	(6,696)
Exchange difference	—	9	51	60
<b>Closing net book amount</b>				
	62	6,841	24,921	31,824
<b>At December 31, 2011</b>				
Cost	171	21,199	39,083	60,453
Accumulated amortization	(109)	(14,358)	(14,162)	(28,629)
<b>At December 31, 2011</b>				
	62	6,841	24,921	31,824
<b>Year ended December 31, 2012</b>				
Opening net book amount	62	6,841	24,921	31,824
Additions	—	12,110	—	12,110
Impairment	—	(95)	(24,339)	(24,434)
Amortization	(12)	(2,715)	(566)	(3,293)
Exchange difference	—	11	(16)	(5)
<b>Closing net book amount</b>				
	50	16,152	—	16,202
<b>At December 31, 2012</b>				
Cost	171	33,358	—	33,529
Accumulated amortization	(121)	(17,206)	—	(17,327)
<b>At December 31, 2012</b>				
	50	16,152	—	16,202

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. DEFERRED INCOME TAX ASSETS — GROUP

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The movements of the deferred tax assets/(liabilities) are as follows:

	Decelerated depreciation allowance	Tax losses	Accrued employee benefit expenses	Total
		US\$'000		
<b>At January 1, 2011</b>	—	34	—	34
Credit/(charge) for the year	18	(22)	—	(4)
<b>At December 31, 2011</b>	18	12	—	30
Credit for the year	23	—	100	123
<b>At December 31, 2012</b>	<b>41</b>	<b>12</b>	<b>100</b>	<b>153</b>

Deferred tax assets are recognized for tax loss carryforwards to the extent that realization of the related tax benefit through future taxable profits is probable. The unrecognized deferred income tax assets in respect of losses that can be carried forward against future taxable income and pre-opening expenses are as follows:

	<b>December 31, 2012</b>	2011
	US\$'000	
Arising from unused tax losses	<b>191,539</b>	168,731
Arising from pre-opening expenses	<b>42,292</b>	34,463
	<b>233,831</b>	203,194

As at December 31, 2012, subject to the agreement by tax authorities, out of the total unrecognized tax losses of approximately US\$1,546.5 million (2011: US\$1,370.6 million), approximately US\$131.2 million (2011: US\$107.4 million) can be carried forward indefinitely. The remaining amount of approximately US\$1,415.3 million (2011: US\$1,263.2 million) will expire in one to five years.

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

The Group's financial assets at fair value through profit or loss are derivative financial instruments, which consist of seven (2011: four) interest rate cap agreements (collectively, the "Cap Agreements") that the Group uses to manage the interest rate risk associated with the Group's variable-rate borrowings (see Note 27). The notional principal amounts of the outstanding Cap Agreements as at December 31, 2012 were US\$1.68 billion (2011: US\$1.96 billion). The Cap Agreements do not qualify for hedge accounting and are stated at fair value based on quoted market values from the financial institutions holding the agreements.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Other expenses" in the consolidated income statement (Note 8).

## 19. OTHER ASSETS, NET — GROUP

	<b>December 31, 2012</b>	2011
	US\$'000	
Deferred leasing fees	<b>12,162</b>	11,781
Less: amortization of deferred leasing fees	<b>(10,594)</b>	(8,730)
Tenant improvement allowance	<b>24,543</b>	24,488
Less: amortization of tenant improvement allowance	<b>(14,654)</b>	(12,623)
Other deferred incentive allowance	<b>6,379</b>	6,365
Less: amortization of other deferred incentive allowance	<b>(3,267)</b>	(2,919)
Deposits	<b>1,951</b>	1,223
Other	<b>19,599</b>	7,454
	<b>36,119</b>	27,039

The maximum exposure to credit risk at the reporting date for deposits and others is their carrying values. No impairment charges related to these assets were recorded during the year ended December 31, 2012 (2011: same).

The deposits are denominated in the following currencies:

	<b>December 31, 2012</b>	2011
	US\$'000	
HK\$	<b>894</b>	652
US\$	<b>704</b>	—
Renminbi ("RMB")	<b>178</b>	175
MOP	<b>175</b>	396
	<b>1,951</b>	1,223

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS, NET

	Note	Group		Company	
		December 31, 2012	2011	December 31, 2012	2011
		US\$'000		US\$'000	
Trade receivables		<b>874,422</b>	608,141	—	—
Less: provision for doubtful trade receivables		<b>(140,231)</b>	(91,928)	—	—
Trade receivables, net	(a)	<b>734,191</b>	516,213	—	—
Other receivables		<b>13,028</b>	13,282	<b>52</b>	218
Notes interest receivable from subsidiaries	32(b)	—	—	<b>1,216</b>	4,693
Receivables from related companies — non-trade	32(c)	<b>2,227</b>	951	<b>379,979</b>	348,502
Other receivables		<b>15,255</b>	14,233	<b>381,247</b>	353,413
Prepayments		<b>30,296</b>	19,369	<b>123</b>	147
Deferred rent		<b>108,724</b>	99,098	—	—
Less: amortization of deferred rent		<b>(79,380)</b>	(69,418)	—	—
Less: provision for doubtful deferred rent		<b>(12,082)</b>	(12,800)	—	—
Prepayments, net		<b>47,558</b>	36,249	<b>123</b>	147
Trade and other receivables and prepayments, net		<b>797,004</b>	566,695	<b>381,370</b>	353,560
Less: non-current portion					
Deferred rent		<b>(12,196)</b>	(9,297)	—	—
Current portion		<b>784,808</b>	557,398	<b>381,370</b>	353,560

## 20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS, NET (CONTINUED)

The trade and other receivables, net of provision, are denominated in the following currencies:

	Group		Company	
	December 31, 2012	2011	December 31, 2012	2011
	US\$'000		US\$'000	
HK\$	<b>717,370</b>	506,649	<b>45</b>	218
MOP	<b>29,647</b>	22,663	<b>4</b>	—
US\$	<b>2,410</b>	1,131	<b>381,198</b>	353,195
Other currencies	<b>19</b>	3	<b>—</b>	—
	<b>749,446</b>	530,446	<b>381,247</b>	353,413

### (a) Trade receivables, net, of the Group

The aging analysis of trade receivables, net of provision for doubtful accounts, is as follows:

	December 31,	
	2012	2011
	US\$'000	
0–30 days	<b>673,102</b>	467,279
31–60 days	<b>23,295</b>	24,732
61–90 days	<b>20,571</b>	11,980
Over 90 days	<b>17,223</b>	12,222
	<b>734,191</b>	516,213

The carrying values of trade receivables approximate their fair values at each balance sheet date. The maximum exposure to credit risk is the fair values of trade receivables at each balance sheet date.

Trade receivables mainly consist of casino receivables. The Group generally does not charge interest for credit granted, but requires a personal check or other acceptable forms of security. In respect of gaming promoters, the receivables can be offset against the commission payables. Absent special approval, the credit period granted to selected premium and mass market players is typically 15 days, while for gaming promoters, the receivable is typically repayable within one month following the granting of the credit subject to terms of the relevant credit agreement.

As at December 31, 2012, included in gross receivables are casino receivables of US\$732.8 million (2011: US\$494.0 million). There is a concentration of credit risk related to gross casino receivables as 39.0% (2011: 46.4%) of the casino receivables as at December 31, 2012 were from the top five customers. Other than casino receivables, there is no other concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The Group has policies to mitigate concentration of credit risk (see Note 3(a)(ii)) and believes its provision is adequate.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS, NET (CONTINUED)

#### (a) Trade receivables, net, of the Group (continued)

As at December 31, 2012, net trade receivables of approximately US\$75.8 million (2011: US\$60.5 million), were past due but not impaired. These relate to a number of independent customers that have a good track record with the Group. Extension of the credit period, with terms and conditions subject to special approvals, has been granted to these customers. The aging analysis of these trade receivables that were past due but not impaired based on the original terms is as follows:

	<b>December 31, 2012</b>	2011
	US\$'000	
Past due 1–30 days	<b>30,704</b>	31,044
Past due 31–60 days	<b>21,709</b>	9,323
Past due 61–90 days	<b>5,930</b>	7,430
Past due over 90 days	<b>17,475</b>	12,654
	<b>75,818</b>	60,451

As at December 31, 2012, trade receivables of US\$157.3 million (2011: US\$116.6 million) were past due and partially impaired. As at December 31, 2012, the amount of the provision was US\$117.7 million (2011: US\$91.9 million). The receivables mainly relate to casino customers and mall retailers, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered and thus not impaired. The aging of these past due receivables is as follows:

	<b>December 31, 2012</b>	2011
	US\$'000	
Past due 1–30 days	<b>269</b>	1,500
Past due 31–60 days	<b>21,987</b>	11,389
Past due 61–90 days	<b>6,302</b>	7,917
Past due over 90 days	<b>128,752</b>	95,784
	<b>157,310</b>	116,590



## 20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS, NET (CONTINUED)

### (a) Trade receivables, net, of the Group (continued)

Movements of provision of doubtful trade receivables are as follows:

	<b>December 31,</b> <b>2012</b>	2011
	US\$'000	
<b>At beginning of year</b>	<b>91,928</b>	80,300
Provision made for the year	<b>72,838</b>	43,467
Amounts written back	<b>(15,955)</b>	(14,033)
Amounts written-off	<b>(8,787)</b>	(17,950)
Exchange difference	<b>207</b>	144
<b>At end of year</b>	<b>140,231</b>	91,928

### (b) Other receivables and deferred rent

The carrying values of other receivables approximate their fair values at each balance sheet date, which also represent the Group's maximum exposure to credit risk as at December 31, 2012. The Group holds security deposits, bank guarantees and letters of credit for certain other receivables and deferred rent. Impairment charges of US\$1.3 million (2011: US\$11.7 million) related to deferred rent were recorded for year ended December 31, 2012 and included in "Other expenses" in the consolidated income statement. Amounts are charged to the provision account and generally written off when the recoverability is remote.

## 21. RESTRICTED CASH AND CASH EQUIVALENTS — GROUP

	<b>December 31,</b> <b>2012</b>	2011
	US\$'000	
Cash at bank and on hand	<b>471</b>	948
Short-term bank deposit	<b>4,008</b>	2,500
	<b>4,479</b>	3,448

Restricted cash and cash equivalents represent sinking funds set aside to cover the costs of capital expenses, including repairs, renovations, replacements and maintenance of a substantial but infrequent or irregular nature, of the Group's shopping malls. The restricted cash and cash equivalents are denominated in MOP (2011: same).

As at December 31, 2012, the effective interest rate on the short-term bank deposit is 1.27% (2011: 1.30%). The deposit has a maturity of 88 days (2011: 33 days).

The maximum exposure to credit risk is the carrying amount of restricted cash and cash equivalents at each balance sheet date.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22. INVENTORIES — GROUP

	December 31, 2012		2011
	US\$'000		
Food and beverage	<b>7,837</b>		4,947
Retail products	<b>3,302</b>		2,733
Ferry parts	<b>1,383</b>		1,330
General operating supplies and other	<b>2,547</b>		1,479
	<b>15,069</b>		10,489

As at December 31, 2012, all inventories were carried at cost (2011: same).

### 23. CASH AND CASH EQUIVALENTS

	Group December 31, 2012		Company December 31, 2012	
	2011		2011	
	US\$'000		US\$'000	
Cash at bank and on hand	<b>698,926</b>	472,846	<b>2,300</b>	11,483
Short-term bank deposits	<b>1,249,488</b>	2,018,438	<b>102,746</b>	244,594
	<b>1,948,414</b>	2,491,284	<b>105,046</b>	256,077

The cash and cash equivalents are denominated in the following currencies:

	Group December 31, 2012		Company December 31, 2012	
	2011		2011	
	US\$'000		US\$'000	
HK\$	<b>1,700,170</b>	2,198,271	<b>89,297</b>	252,325
SGD	<b>123,399</b>	76,098	—	—
MOP	<b>93,828</b>	178,948	<b>8,334</b>	2,021
US\$	<b>26,387</b>	31,161	<b>7,415</b>	1,731
Japanese Yen	<b>3,156</b>	4,297	—	—
RMB	<b>1,474</b>	2,509	—	—
	<b>1,948,414</b>	2,491,284	<b>105,046</b>	256,077

As at December 31, 2012, the effective interest rates on short-term bank deposits ranged from 0.10% to 1.50% (2011: 0.30% to 2.00%) per annum. These deposits have maturities ranging from 2 to 88 days (2011: 7 to 87 days).

The carrying values of cash equivalents are their fair values as at December 31, 2012 (2011: same).

The maximum credit exposure of cash and cash equivalents of the Group and the Company as at December 31, 2012, amounted to US\$1,768.0 million and US\$105.0 million, respectively (2011: US\$2,338.6 million and US\$256.1 million, respectively).

## 24. SHARE CAPITAL

	Ordinary shares of US\$0.01 each	US\$'000
<b>Authorized:</b>		
At January 1, 2011, December 31, 2011 and December 31, 2012	16,000,000,000	160,000
<b>Issued and fully paid:</b>		
At January 1, 2011	8,047,865,084	80,479
Shares issued upon exercise of share options	1,418,200	14
At December 31, 2011	8,049,283,284	80,493
Shares issued upon exercise of share options	6,130,975	61
At December 31, 2012	<b>8,055,414,259</b>	<b>80,554</b>

## 25. RESERVES

### (a) Group

The amount of the Group's reserves and the movements therein for the current and prior years are set out in the consolidated statement of changes in equity.

#### (i) Capital reserve

Capital reserve represents the combined share premium of Venetian Venture Development Intermediate Limited ("VVDIL"), Cotai WaterJets (HK) Limited and CotaiJet Holdings (II) Limited.

#### (ii) Statutory reserve

The statutory reserve represents amounts set aside from the income statement and is not distributable to shareholders/quotaholders of the group companies incorporated.

The Macao Commercial Code #432 requires that companies incorporated in Macao that are limited by shares should set aside a minimum of 10% of the company's profit after taxation to the statutory reserve until the balance of the reserve reaches a level equivalent to 25% of the company's capital.

For companies incorporated in Macao that are limited by quotas, the Macao Commercial Code #377 requires that a company should set aside a minimum of 25% of the company's profit after taxation to the statutory reserve until the balance of the reserve reaches a level equivalent to 50% of the company's capital.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25. RESERVES (CONTINUED)

#### (b) Company

	Capital reserve	Share premium	Share-based compensation reserve	Currency translation reserve	Accumulated losses	Total
	US\$'000					
<b>Balance at January 1, 2011</b>	105,533	2,127,537	5,865	(8,370)	(4,235)	2,226,330
Total comprehensive loss	—	—	—	3,155	(17,095)	(13,940)
Exercise of share options	—	2,253	—	—	—	2,253
Transfer to share premium upon exercise of share options	—	1,493	(1,493)	—	—	—
Share-based compensation of the Company	—	—	7,726	—	—	7,726
<b>Balance at December 31, 2011</b>	<b>105,533</b>	<b>2,131,283</b>	<b>12,098</b>	<b>(5,215)</b>	<b>(21,330)</b>	<b>2,222,369</b>
Total comprehensive income	—	—	—	5,826	1,116,456	1,122,282
Exercise of share options	—	11,511	—	—	—	11,511
Transfer to share premium upon exercise of share options	—	7,434	(7,434)	—	—	—
Forfeiture of share options	—	—	(103)	—	103	—
Share-based compensation of the Company	—	—	10,594	—	—	10,594
Dividends to equity holders of the Company (Note 12)	—	—	—	—	(1,201,488)	(1,201,488)
<b>Balance at December 31, 2012</b>	<b>105,533</b>	<b>2,150,228</b>	<b>15,155</b>	<b>611</b>	<b>(106,259)</b>	<b>2,165,268</b>

The profit/loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a profit of US\$1.12 billion (2011: loss of US\$17.1 million).

## 26. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		December 31, 2012	2011	December 31, 2012	2011
		US\$'000		US\$'000	
Trade payables	(a)	<b>21,425</b>	21,014	<b>9</b>	17
Outstanding chips and other casino liabilities		<b>520,057</b>	385,320	—	—
Other tax payables		<b>308,052</b>	207,397	<b>450</b>	13
Construction payables and accruals		<b>214,760</b>	233,016	—	—
Deposits		<b>213,681</b>	125,334	—	—
Accrued employee benefit expenses		<b>105,522</b>	78,779	—	—
Interest payables		<b>27,091</b>	32,696	—	—
Payables to related companies — non-trade	32(c)	<b>12,430</b>	16,516	<b>26,050</b>	24,888
Other payables and accruals		<b>115,798</b>	100,473	<b>1,728</b>	819
		<b>1,538,816</b>	1,200,545	<b>28,237</b>	25,737
Less: non-current portion		<b>(35,542)</b>	(20,670)	—	—
Current portion		<b>1,503,274</b>	1,179,875	<b>28,237</b>	25,737

The trade and other payables are denominated in the following currencies:

	Group		Company		
	December 31, 2012	2011	December 31, 2012	2011	
		US\$'000		US\$'000	
HK\$	<b>698,996</b>	689,269	<b>11,257</b>	14,794	
MOP	<b>487,660</b>	461,729	<b>7,357</b>	131	
US\$	<b>24,939</b>	42,549	<b>9,144</b>	10,812	
Other currencies	<b>972</b>	6,998	<b>29</b>	—	
	<b>1,212,567</b>	1,200,545	<b>27,787</b>	25,737	

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26. TRADE AND OTHER PAYABLES (CONTINUED)

#### (a) Trade payables of the Group

The aging analysis of trade payables is as follows:

	December 31, 2012	2011
	US\$'000	
0–30 days	13,106	7,960
31–60 days	4,917	7,379
61–90 days	2,237	2,908
Over 90 days	1,165	2,767
	<b>21,425</b>	21,014

### 27. BORROWINGS — GROUP

	Note	December 31, 2012	2011
		US\$'000	
<b>Non-current portion</b>			
Bank loans, secured	(a),(b),(c),(d)	3,209,839	3,311,211
Finance lease liabilities on leasehold interests			
in land, secured	28	82,189	129,261
Other finance lease liabilities, secured	28	5,465	74
		<b>3,297,493</b>	3,440,546
Less: deferred financing costs		<b>(85,825)</b>	(111,703)
		<b>3,211,668</b>	3,328,843
<b>Current portion</b>			
Bank loans, secured		—	35,067
Finance lease liabilities on leasehold interests			
in land, secured	28	47,069	45,074
Other finance lease liabilities, secured	28	1,847	231
		<b>48,916</b>	80,372
<b>Total borrowings</b>		<b>3,260,584</b>	3,409,215

## 27. BORROWINGS — GROUP (CONTINUED)

The Group's borrowings are denominated in the following currencies:

	<b>December 31, 2012</b>	2011
	US\$'000	
US\$	<b>1,473,721</b>	1,463,675
HK\$	<b>1,347,028</b>	1,471,023
MOP	<b>439,835</b>	474,517
	<b>3,260,584</b>	3,409,215

The maturities of bank loans are as follows:

	<b>December 31, 2012</b>	2011
	US\$'000	
Repayable within 1 year	—	35,067
Repayable between 1 and 2 years	<b>200,096</b>	35,067
Repayable between 2 and 5 years	<b>3,009,743</b>	3,276,144
	<b>3,209,839</b>	3,346,278

The estimated fair value of the Group's bank loans as at December 31, 2012 was approximately US\$3.13 billion (2011: US\$3.07 billion).

### VML and VOL Credit Facilities Refinancing

The Group entered into the VML and VOL credit facilities to construct and develop its Cotai Strip integrated resort projects (including The Venetian Macao, The Plaza Macao and Sands Cotai Central). In order to reduce the Group's interest expense, extend the debt maturities and enhance the Group's financial flexibility and further strengthen its financial position, the Group entered into a new credit facility in Macao in September 2011, as further described below. Borrowings under the new facility were used to repay outstanding indebtedness under the VML and VOL credit facilities and will be used for working capital requirements and general corporate purposes, including for the development, construction and completion of certain components of Sands Cotai Central. The Group recorded a charge of US\$22.1 million for loss on modification or early retirement of debt during the year ended December 31, 2011, as part of refinancing the VML and VOL credit facilities.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. BORROWINGS — GROUP (CONTINUED)

#### (a) VML Credit Facility

On May 25, 2006, two subsidiaries of the Group, VMLF, the Borrower, and VML, as guarantor, entered into the VML Credit Facility. The VML Credit Facility originally consisted of a US\$1.2 billion funded term B loan (the “VML Term B Facility”), a US\$700.0 million delayed draw term B loan (the “VML Term B Delayed Draw Facility”), a US\$100.0 million funded local currency term loan (the “VML Local Term Facility”) and a US\$500.0 million revolving credit facility (the “VML Revolving Facility”). In April 2007, the Borrower exercised its rights under the VML Credit Facility to access the US\$800.0 million of incremental facilities under the accordion feature set forth therein, which increased the funded VML Term B Facility by US\$600.0 million, the VML Revolving Facility by US\$200.0 million, and the total VML Credit Facility to US\$3.3 billion.

As part of the amendment to the VML Credit Facility, dated August 12, 2009, the credit spread increased by 325 basis points with borrowings bearing interest, at the Group’s option, at either an adjusted Eurodollar rate (or, in the case of the local term loan, adjusted HIBOR) or at an alternate base rate, plus a spread of 5.5% per annum or 4.5% per annum, respectively. In November 2009, in connection with the Global Offering, the Group was required to repay and permanently reduce US\$500.0 million of term loan and revolving borrowings, on a pro rata basis, under the VML Credit Facility. In conjunction with the US\$500.0 million repayment, the credit spread was reduced by 100 basis points. Credit spreads under the VML Local Term Facility and the VML Revolving Facility were subject to downward adjustments if certain consolidated leverage ratios were achieved.

In addition to quarterly amortization payments, which commenced in June 2009, the Group paid down the VML Local Term Facility in full and US\$479.6 million under the VML Revolving Facility during the year ended December 31, 2010.

The Borrower also paid a standby commitment fee of 0.5% per annum on the undrawn amounts under the VML Revolving Facility. For the year ended December 31, 2011, the weighted average interest rate for the VML Credit Facility was 4.8%.

To meet the requirements of the VML Credit Facility, the Group entered into an interest rate cap agreement in September 2009 with a notional amount of US\$1.59 billion, which expired in September 2012. The provisions of the interest rate cap agreement entitle the Group to receive from the counterparty the amounts, if any, by which the selected market interest rate exceeds the strike rate of 9.5%. There was no net effect on interest expense as a result of the interest rate cap agreement for the year ended December 31, 2012 (2011: same).

#### (b) VOL Credit Facility

On May 17, 2010, a subsidiary of the Company, Venetian Orient Limited (“VOL”, owner and developer of Sands Cotai Central), entered into a credit agreement (the “VOL Credit Facility”) providing for up to US\$1.75 billion (or equivalent in HK\$ or MOP), which consisted of a US\$750.0 million term loan (the “VOL Term Facility”) that was fully drawn on July 16, 2010, a US\$750.0 million delayed draw term loan available for 18 months after closing (the “VOL Delayed Draw Facility”) and a US\$250.0 million revolving facility (the “VOL Revolving Facility”).

Borrowings under the VOL Credit Facility bore interest at either the adjusted Eurodollar rate or an alternative base rate (in the case of US\$ denominated loans) or HIBOR (in the case of HK\$ and MOP denominated loans), as applicable, plus a spread of 4.5% per annum. VOL paid standby fees of 2.0% per annum on the undrawn amounts under the VOL Term Facility and VOL Delayed Draw Facility and 1.5% per annum on the undrawn amounts under the VOL Revolving Facility. The weighted average interest rate on the VOL Credit Facility was 4.8% for the year ended December 31, 2011.



## 27. BORROWINGS — GROUP (CONTINUED)

### (b) VOL Credit Facility (continued)

To meet the requirements of the VOL Credit Facility, the Group entered into three interest rate cap agreements in September 2010 with a combined notional amount of US\$375.0 million, which expire in September 2013. The provisions of the interest rate cap agreements entitle the Group to receive from the counterparty the amounts, if any, by which the selected market interest rate exceeds the strike rate of 3.5%. There was no net effect on interest expense as a result of the interest rate cap agreements for the year ended December 31, 2012 (2011: same). The interest rate cap agreements remain in effect and are used to meet the requirements under the 2011 VML Credit Facility.

### (c) 2011 VML Credit Facility

On September 22, 2011, two subsidiaries of the Group, VML US Finance LLC, the Borrower, and VML, as guarantor, entered into the 2011 VML Credit Facility, providing for up to US\$3.7 billion (or equivalent in HK\$ or MOP), which consists of a US\$3.2 billion term loan (the “2011 VML Term Facility”) that was fully drawn on November 15, 2011, and a US\$500.0 million revolving facility (the “2011 VML Revolving Facility”), none of which was drawn as at December 31, 2012, that is available until October 15, 2016.

The indebtedness under the 2011 VML Credit Facility is guaranteed by VML, VCL, VOL and certain of the Group’s other foreign subsidiaries (collectively, the “2011 VML Guarantors”). The obligations under the 2011 VML Credit Facility are collateralized by a first-priority security interest in substantially all of the Borrower’s and the 2011 VML Guarantors’ assets, other than (1) capital stock and similar ownership interests, (2) certain furniture, fixtures, fittings and equipment and (3) certain other excluded assets. Net book value of the property and equipment pledged as at December 31, 2012 was US\$7.24 billion (2011: US\$6.57 billion).

The 2011 VML Credit Facility will mature on November 15, 2016. Commencing on December 31, 2014, and at the end of each subsequent quarter through September 30, 2015, the Borrower is required to repay the outstanding 2011 VML Term Facility on a pro rata basis in an amount equal to 6.25% of the aggregate principal amount outstanding as at November 15, 2011. Commencing on December 31, 2015, and at the end of each subsequent quarter through June 30, 2016, the Borrower is required to repay the outstanding 2011 VML Term Facility on a pro rata basis in an amount equal to 10.0% of the aggregate principal amount outstanding as at November 15, 2011. The remaining balance on the 2011 VML Term Facility and any balance on the 2011 VML Revolving Facility are due on the maturity date. In addition, the Borrower is required to further repay the outstanding 2011 VML Term Facility with a portion of its excess free cash flow (as defined by the 2011 VML Credit Facility) after the end of each year, unless the Borrower is in compliance with a specified consolidated leverage ratio (the “CLR”).

Borrowings under the 2011 VML Credit Facility bear interest at either the adjusted Eurodollar rate or an alternative base rate (in the case of US\$ denominated loans) or HIBOR (in the case of HK\$ and MOP denominated loans), as applicable, plus an initial spread of 2.25%. Beginning May 14, 2012, the spread for all outstanding loans is subject to reduction based on the CLR (interest rates set at 1.7% for the US\$ denominated loans and 1.8% for the HK\$ and MOP denominated loans as at December 31, 2012). The Borrower will also pay standby fees of 0.5% per annum on the undrawn amounts under the 2011 VML Revolving Facility (which commenced September 30, 2011) and the 2011 VML Term Facility (which commenced October 31, 2011). The weighted average interest rate on the 2011 VML Credit Facility was 2.1% (2011: 2.6%) during the year ended December 31, 2012.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. BORROWINGS — GROUP (CONTINUED)

#### (c) 2011 VML Credit Facility (continued)

To meet the requirements of the 2011 VML Credit Facility, the Group entered into four interest rate cap agreements in September 2012 with a combined notional amount of US\$1.3 billion, which expire in November 2014. The provisions of the interest rate cap agreement entitle the Group to receive from the counterparty the amounts, if any, by which the selected market interest rate exceeds the strike rate of 2.0%. There was no net effect on interest expense as a result of the interest rate cap agreements for the year ended December 31, 2012. The Group maintains the interest rate cap agreements previously used to meet the requirements of the VOL Credit Facility, which was fully repaid in November 2011, to meet the requirements of the 2011 VML Credit Facility.

The 2011 VML Credit Facility contains affirmative and negative covenants customary for such financings, including, but not limited to, limitations on liens, loans and guarantees, investments, acquisitions and asset sales, restricted payments and other distributions, affiliate transactions, certain capital expenditures and use of proceeds from the facility. The 2011 VML Credit Facility also requires the Borrower and VML to comply with financial covenants, including maximum ratios of total indebtedness to Adjusted EBITDA and minimum ratios of Adjusted EBITDA to net interest expense. The 2011 VML Credit Facility also contains events of default customary for such financings.

#### (d) Ferry Financing

In January 2008, in order to finance the purchase of ten ferries, which were respectively owned by ten ferry owning companies that are subsidiaries within the Group, Cotai Ferry Company Limited, a subsidiary within the Group, entered into a HK\$1.21 billion (approximately US\$156.0 million at exchange rates in effect on December 31, 2012) secured credit facility, which was available for borrowing for up to 18 months after closing. The proceeds from the secured credit facility were used to reimburse related companies for cash spent to date on the construction of the ferries and to finance the completion of the remaining ferries. The facility was collateralized by the ferries and guaranteed by VML.

In July 2008, the Group exercised the accordion option on the secured credit facility agreement that financed the Group's original ten ferries and executed a supplement to the secured credit facility agreement. The supplement increased the secured credit facility by an additional HK\$561.6 million (approximately US\$72.5 million at exchange rates in effect on December 31, 2012). The proceeds from this supplemental facility were used to reimburse related companies for cash spent to date on construction of four additional ferries and to finance the remaining progress payments on those ferries. The supplemental facility was collateralized by the additional ferries and guaranteed by VML. Net book values of the 14 ferries were US\$208.5 million as at December 31, 2011.

On August 20, 2009, the ferry financing facility was amended to, among other things, allow for the Global Offering of the Company and remove the requirement to comply with all financial covenants. The facility, as amended, was set to mature in December 2015 and was subject to 26 quarterly payments of HK\$68.1 million (approximately US\$8.8 million at exchange rates in effect on December 31, 2012), which commenced in October 2009.

As part of the amendment, the credit spread increased by 50 basis points to 2.5% per annum for borrowings made in HK\$ and accrued interest at HIBOR, or 2.5% per annum for borrowings made in US\$ and accrued interest at LIBOR. The weighted average interest rate for the facility was 2.9% (2011: 2.7%) for the year ended December 31, 2012.

The Group repaid the US\$131.6 million outstanding balance under the ferry financing facility and recorded a US\$1.8 million loss on early retirement of debt during the year ended December 31, 2012.

## 28. FINANCE LEASE LIABILITIES — GROUP

The Group is a lessee under finance leases for land and equipment.

Lease liabilities are effectively secured, as the rights of the leased assets will revert to the lessor in the event of default.

- (a) The future minimum lease payments (including interest) and the present value of the minimum lease payments under finance lease obligations for land are as follows:

	<b>December 31,</b>	
	<b>2012</b>	2011
	US\$'000	
Minimum finance lease payments:		
No later than 1 year	<b>49,696</b>	49,696
Later than 1 year and no later than 2 years	<b>5,249</b>	49,696
Later than 2 years and no later than 5 years	<b>15,748</b>	15,748
Later than 5 years	<b>226,409</b>	231,658
	<b>297,102</b>	346,798
Future finance charges on finance lease obligations	<b>(167,844)</b>	(172,463)
Present value of finance lease liabilities	<b>129,258</b>	174,335
Present value of minimum finance lease payments:		
No later than 1 year	<b>47,069</b>	45,074
Later than 1 year and no later than 2 years	<b>3,845</b>	47,069
Later than 2 years and no later than 5 years	<b>10,443</b>	10,980
Later than 5 years	<b>67,901</b>	71,212
	<b>129,258</b>	174,335

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28. FINANCE LEASE LIABILITIES — GROUP (CONTINUED)

- (b) The future minimum lease payments (including interest) and the present value of the minimum lease payments under finance lease obligations for equipment are as follows:

	<b>December 31,</b> <b>2012</b>	2011
	US\$'000	
Minimum finance lease payments:		
No later than 1 year	<b>2,073</b>	243
Later than 1 year and no later than 2 years	<b>1,713</b>	75
Later than 2 years and no later than 5 years	<b>4,039</b>	—
	<b>7,825</b>	318
Future finance charges on finance lease obligations	<b>(513)</b>	(13)
Present value of finance lease liabilities	<b>7,312</b>	305
Present value of minimum finance lease payments:		
No later than 1 year	<b>1,847</b>	231
Later than 1 year and no later than 2 years	<b>1,570</b>	74
Later than 2 years and no later than 5 years	<b>3,895</b>	—
	<b>7,312</b>	305

## 29. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Cash generated from operations is as follows:

	Year ended December 31,	
	2012	2011
	US\$'000	
Profit before income tax	<b>1,237,523</b>	1,135,321
Adjustments for:		
Interest income	<b>(15,547)</b>	(7,983)
Interest and other finance costs	<b>33,302</b>	28,013
Depreciation and amortization	<b>354,021</b>	272,773
Amortization of deferred financing costs	<b>24,133</b>	24,870
Amortization of deferred rent	<b>7,703</b>	18,335
Amortization of other assets	<b>4,361</b>	8,384
Loss on disposal of property and equipment and intangible assets	<b>96</b>	2,924
Impairment loss	<b>143,649</b>	—
Loss on modification or early retirement of debt	<b>1,745</b>	19,092
Provision for doubtful accounts	<b>58,213</b>	41,147
Share-based compensation expense, net of amounts capitalized	<b>11,688</b>	10,007
Fair value losses on financial assets at fair value through profit or loss	<b>413</b>	1,237
Net foreign exchange gains	<b>(6,925)</b>	(637)
Changes in working capital:		
Other assets	<b>(13,370)</b>	226
Inventories	<b>(4,556)</b>	(1,760)
Trade and other receivables and prepayments	<b>(294,472)</b>	(319,036)
Trade and other payables	<b>360,813</b>	146,991
Cash generated from operations	<b>1,902,790</b>	1,379,904

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30. COMMITMENTS AND CONTINGENCIES

#### (a) Capital commitments

Property and equipment commitments not provided for are as follows:

	<b>December 31, 2012</b>	2011
	US\$'000	
Contracted but not provided for	<b>190,774</b>	572,445
Authorized but not contracted for	<b>553,083</b>	760,363
	<b>743,857</b>	1,332,808

#### (b) Operating lease commitments

##### (i) The Group as the lessee

The Group had future aggregate minimum lease payments under non-cancellable operating leases for property and equipment as follows:

	<b>December 31, 2012</b>	2011
	US\$'000	
No later than 1 year	<b>3,915</b>	3,906
Later than 1 year and no later than 5 years	<b>1,313</b>	4,352
	<b>5,228</b>	8,258

##### (ii) The Group as the lessor/grantor of the right of use

The future aggregate minimum lease/base fee receivables under non-cancellable agreements are as follows:

	<b>December 31, 2012</b>	2011
	US\$'000	
No later than 1 year	<b>149,898</b>	106,272
Later than 1 year and no later than 5 years	<b>350,717</b>	217,872
Later than 5 years	<b>163,844</b>	129,375
	<b>664,459</b>	453,519

#### (c) Litigation

The Group has contingent liabilities arising in the ordinary course of business. Management has made certain estimates for potential litigation costs based upon consultation with legal counsel. Actual results could differ from these estimates; however, in the opinion of management, such litigation and claims will not have a material adverse effect on the Group's financial condition, results of operations or cash flows.

### 30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### (d) Cotai Strip development projects

The Group had commenced construction on The Parisian Macao and had capitalized costs of approximately US\$144.7 million including land of US\$85.2 million as at December 31, 2012. Under the terms of the land concession for The Parisian Macao, the Group was initially required to complete the development of The Parisian Macao by August 2011. In 2009, the Group was granted an extension from the Macao Government, which extended the deadline until April 2013. In July 2012, the Macao Government granted the Group an additional extension, which now requires the development to be completed by April 2016. The land concession for Sands Cotai Central contains a similar requirement that the corresponding development be completed by May 2014. The Group had capitalized costs of approximately US\$4.08 billion including land of US\$287.6 million as at December 31, 2012. The Group expects to apply for an extension from the Macao Government to complete Sands Cotai Central, as it will be unable to meet the May 2014 deadline with respect to phase III of this project. Should the Group determine that it is unable to complete The Parisian Macao by April 2016, the Group would then also expect to apply for an extension from the Macao Government. If the Group is unable to meet The Parisian Macao deadline and the deadlines for either development are not extended, it could lose its land concessions for Sands Cotai Central or The Parisian Macao, which would prohibit the Group from operating any facilities developed under the respective land concessions. As a result, the Group could record a charge for all or some portion of its capitalized construction costs including land related to Sands Cotai Central and The Parisian Macao.

#### (e) Concession and Subconcession

On June 26, 2002, the Macao Government granted a concession to operate casinos in Macao through June 26, 2022, subject to certain qualifications, to Galaxy, a consortium of Macao and Hong Kong-based investors. During December 2002, VML and Galaxy entered into a subconcession agreement which was recognized and approved by the Macao Government and allows VML to develop and operate casino projects, including the Sands Macao, The Venetian Macao, The Plaza Macao and Sands Cotai Central, separately from Galaxy. Beginning on December 26, 2017, the Macao Government may redeem the subconcession agreement by providing the Group at least one year prior notice.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### (e) Concession and Subconcession (continued)

Under the subconcession, the Group is obligated to pay to the Macao Government an annual premium with a fixed portion and a variable portion based on the number and type of gaming tables it employs and gaming machines it operates. The fixed portion of the premium is equal to MOP30.0 million (approximately US\$3.8 million at exchange rates in effect on December 31, 2012). The variable portion is equal to MOP300,000 per gaming table reserved exclusively for certain kinds of games or players, MOP150,000 per gaming table not so reserved and MOP1,000 per electrical or mechanical gaming machine, including slot machines (approximately US\$37,580, US\$18,790 and US\$125, respectively, at exchange rates in effect on December 31, 2012), subject to a minimum of MOP45.0 million (approximately US\$5.6 million at exchange rates in effect on December 31, 2012). The Group is also obligated to pay a special gaming tax of 35% of gross gaming revenues and applicable withholding taxes. The Group must also contribute 4% of its gross gaming revenue to utilities designated by the Macao Government, a portion of which must be used for promotion of tourism in Macao. Based on the number and types of gaming tables employed and gaming machines in operation as at December 31, 2012, the Group was obligated under its subconcession to make minimum future payments of approximately US\$38.8 million in each of the next five years and approximately US\$174.8 million thereafter. These amounts are expected to increase as the Group completes its other Cotai Strip properties.

#### (f) Construction labor

The Group has utilized an imported construction labor quota granted to it by the Macao Department of Labor for purposes of constructing the Sands Cotai Central project and for additions and alterations works in The Venetian Macao and on the Parcel 2 project (the "Group Quota"). The Group Quota covers the importation of overseas staff and workers which represents only part of the imported staff and labor required to complete for the construction works. The remainder of the imported staff and labor are covered by separate quotas awarded by the Macao Government directly to the various construction companies contracted by the Group for the construction works (the "Contractor Quota").

The Group is primarily liable for all employer costs associated with persons employed under the Group Quota. Such employees are managed and supervised by the Group's contractors. The contractors utilizing the Group Quota are contractually obligated to pay all employer costs and to indemnify the Group for any costs it may incur as a result of the persons employed. In addition, the Group has the right of offsetting such costs they may incur against any amounts due to the contractors. However, the Group may still have the contingency for the payments to the construction labor if the contractors fail to pay the salaries and the amounts owed by the Group to the construction companies are not sufficient to offset the amounts due to the construction labor. As at December 31, 2012, the Group continues to employ imported staff and labor under the Group Quota.

The Group is not directly liable for employer costs associated with staff and labor imported by contractors under the Contractor Quota.



### 31. INTERESTS IN SUBSIDIARIES

	Note	December 31, 2012	2011
		US\$'000	
Unlisted shares — at costs		<b>105,533</b>	105,533
Deemed equity contributions arising from share-based compensation		<b>24,185</b>	13,592
Equity contribution upon capitalization of an amount due from a subsidiary		<b>250,000</b>	250,000
Equity contribution upon capitalization of note receivable from a subsidiary		<b>125,100</b>	125,100
Notes receivable from subsidiaries	32(b)	<b>1,047,428</b>	896,910
Note interest receivable from a subsidiary	32(b)	<b>4,120</b>	—
Receivables from subsidiaries	32(c)	<b>43,821</b>	145,958
		<b>1,600,187</b>	1,537,093

Receivables from subsidiaries are unsecured, interest free and not repayable in the coming twelve months.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the Group's principal subsidiaries as at December 31, 2012 are as follows:

Name	Place and date of incorporation/ establishment	Principal activities	Particulars of issued share/ registered capital	Effective interests held
<b>Directly held:</b>				
Venetian Venture Development Intermediate Limited	Cayman Islands, June 21, 2002	Investment holding	US\$1	100%
SCL IP Holdings, LLC	United States of America, September 29, 2009	Holder of trademark licenses	US\$100	100%
<b>Indirectly held:</b>				
Cotai Ferry Company Limited	Macao, July 19, 2007	High speed ferry transportation services	MOP10,000,000	100%
Cotai Strip Lot 2 Apart Hotel (Macao) Limited	Macao, October 27, 2008	Hotel apartments	MOP4,100,000 MOP3,121,000 (preference shares)	100% 100%
Cotai Strip Lot 7 & 8 Development Limited	Macao, April 29, 2010	Hotels, restaurants, shopping mall, and conference and convention	MOP100,000	100%
Cotai WaterJets (HK) Limited	Hong Kong, July 11, 2007	Holding investments	HK\$1	100%
CotaiJet 311 Limited	Cayman Islands, August 14, 2007	Ferry leasing	US\$1	100%
CotaiJet 312 Limited	Cayman Islands, August 14, 2007	Ferry leasing	US\$1	100%
CotaiJet 313 Limited	Cayman Islands, August 14, 2007	Ferry leasing	US\$1	100%
CotaiJet 314 Limited	Cayman Islands, September 12, 2007	Ferry leasing	US\$1	100%
CotaiJet 315 Limited	Cayman Islands, September 12, 2007	Ferry leasing	US\$1	100%

### 31. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place and date of incorporation/ establishment	Principal activities	Particulars of issued share/ registered capital	Effective interests held
CotaiJet 316 Limited	Cayman Islands, October 8, 2007	Ferry leasing	US\$1	100%
CotaiJet 317 Limited	Cayman Islands, October 8, 2007	Ferry leasing	US\$1	100%
CotaiJet 318 Limited	Cayman Islands, October 8, 2007	Ferry leasing	US\$1	100%
CotaiJet 319 Limited	Cayman Islands, October 8, 2007	Ferry leasing	US\$1	100%
CotaiJet 320 Limited	Cayman Islands, October 8, 2007	Ferry leasing	US\$1	100%
CotaiJet 350 Limited	Cayman Islands, January 21, 2008	Ferry leasing	US\$1	100%
CotaiJet 351 Limited	Cayman Islands, January 21, 2008	Ferry leasing	US\$1	100%
CotaiJet 352 Limited	Cayman Islands, January 21, 2008	Ferry leasing	US\$1	100%
CotaiJet 353 Limited	Cayman Islands, January 21, 2008	Ferry leasing	US\$1	100%
CotaiJet Holding (II) Limited	Hong Kong, November 23, 2007	Holding investments	HK\$1	100%
Sands Cotai East Holdings Limited	Cayman Islands, May 25, 2011	Holder of hotel franchise agreement	US\$1	100%
Sands Cotai West Holdings Limited	Cayman Islands, May 25, 2011	Holder of hotel franchise agreement	US\$1	100%
Sands Venetian Security Limited	Macao, June 22, 2011	Security services	MOP1,000,000	100%
Venetian Cotai Hotel Management Limited	Macao, March 12, 2008	Human resources administration	MOP500,000	100%

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place and date of incorporation/ establishment	Principal activities	Particulars of issued share/ registered capital	Effective interests held
Venetian Cotai Limited	Macao, November 11, 2004	Hotels, restaurants, shopping mall, and conference and convention	MOP200,000,000	100%
Venetian Macau Finance Company	Cayman Islands, July 23, 2003	Financing (dormant since May 2005)	US\$1	100%
Venetian Macau Limited (Note (i))	Macao, June 21, 2002	Gaming and other related activities	MOP200,000,000	100%
Venetian Orient Limited	Macao, February 2, 2006	Hotels, restaurants, shopping mall, and conference and convention	MOP100,000	100%
Venetian Retail Limited	Macao, June 15, 2007	Mall management	MOP1,500,000	100%
Venetian Travel Limited	Macao, October 16, 2006	Travel and tourism agency services	MOP2,100,000	100%
V-HK Services Limited	Hong Kong, September 6, 2004	Marketing and customer development services for VML	HK\$1	100%
VML US Finance LLC	United States of America, January 3, 2006	Financing	Nil	100%
Zhuhai Cotai Information Services Outsourcing Company Limited (Note (ii))	PRC, September 30, 2010	Outsourcing services, including information technology, accounting, hotel reservation and marketing	US\$800,000	100%
Zhuhai Cotai Logistics Hotel Services Company Limited (Note (ii))	PRC, September 27, 2007	Procurement, marketing and administrative services	US\$4,500,000	100%

Notes:

- (i) 10% of the company's issued share capital is held through an usufruct agreement whereby VVDIL has the sole and exclusive benefit. Accordingly, the profits and losses and assets and liabilities of the company have been consolidated as to 100% thereof into the consolidated financial statements.
- (ii) These entities are wholly foreign owned enterprises established in the PRC.

## 32. RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities, and include entities which are under the significant influence of related parties of the Group where those parties are individuals. The Group's immediate holding company is VVDI (II). LVS is the Group's ultimate holding company. Related companies represent the group companies of the LVS group.

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following transactions during the year:

### (a) Transactions during the year — Group

#### (i) Management fee income

	Year ended December 31,	
	2012	2011
	US\$'000	
LVS	1,132	1,131
Intermediate holding company	166	107
Fellow subsidiary	1,361	1,569
	<b>2,659</b>	<b>2,807</b>

Management services are provided by the Group to LVS group companies. These services include, but are not limited to, accounting services, information technology support, sourcing of goods and services, and design, development and construction consultancy services. Management fees are charged at actual cost incurred or on a cost-plus basis, allowing a margin of 5%.

#### (ii) Management fee expense

	Year ended December 31,	
	2012	2011
	US\$'000	
LVS	15,425	9,462
Intermediate holding company	890	1,997
Fellow subsidiaries	11,621	14,064
	<b>27,936</b>	<b>25,523</b>

Management services are provided by LVS group companies. These services include, but are not limited to, human resources support, accounting services, sourcing of goods and services, sourcing of tenants for the malls and other various types of marketing and promotion activities for the Group. Management fees are charged at actual cost incurred or on a cost-plus basis, allowing a margin of 5%.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) Transactions during the year — Group (continued)

##### (ii) Management fee expense (continued)

Management fee expense disclosed below can be reconciled to the management fees as disclosed in Note 6(a), Note 6(b) and Note 8(a)(i) as follows:

	Note	Year ended December 31,	
		2012	2011
		US\$'000	
Total management fees disclosed in "Related party transactions"		<b>27,936</b>	25,523
Less: amounts capitalized as "Construction-in-progress"		<b>(4,416)</b>	(1,577)
Net amounts expensed in the consolidated income statement		<b>23,520</b>	23,946
<b>Represented by management fees presented within:</b>			
Segment information — Corporate expense	6(a)	<b>4,650</b>	5,062
Segment information — Pre-opening expense	6(b)	<b>2,925</b>	4,455
Other operating and administrative departments		<b>15,945</b>	14,429
		<b>23,520</b>	23,946
<b>Reconciled to management fees presented with "Other expenses" as below:</b>			
Net management fees charged by related parties and expensed through the consolidated income statement		<b>23,520</b>	23,946
Management fees charged by third parties		<b>9,982</b>	7,517
Total management fees expensed	8(a)(i)	<b>33,502</b>	31,463

##### (iii) Expenses billed to/paid by other LVS group companies

During the year ended December 31, 2012, the Group charged an LVS group company for certain expenses paid on its behalf at cost of US\$0.2 million (2011: US\$0.2 million).

Other LVS group companies incurred certain expenses on behalf of the Group. These expenses were reimbursed by the Group at cost.

## 32. RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Transactions during the year — Group (continued)

#### (iv) Key management personnel remuneration

No transactions have been entered into with the Directors of the Company (being the key management personnel) during the year ended December 31, 2012 other than the emoluments paid to them (being the key management personnel remuneration) as disclosed in Note 7 (2011: same).

#### (v) Royalty fees

In November 2009, the Group entered into an agreement with Las Vegas Sands, LLC (“LVSLLC”), an intermediate holding company incorporated in the United States of America, for the use of the trademarks and other intellectual property rights as defined in the agreement. For each of the full fiscal years through the full fiscal year ended December 31, 2012, the Group is required to pay LVSLLC an annual royalty in the amount of 1.5% of non-gaming revenue and Paiza-related gaming revenue of the Sands Macao, 1.5% of all revenue of The Venetian Macao, and 1.5% of all gaming revenue of the Plaza Casino at The Plaza Macao (the “Relevant Royalty”), provided that the total royalty payable in connection with these three properties in each fiscal year will be capped at US\$20.0 million per full fiscal year. For each of the subsequent full fiscal years through the full fiscal year ending December 31, 2022, the Group is required to pay an annual royalty being the lesser of the Relevant Royalty or the annual caps reflecting an increase of 20.0% for each subsequent year. Each subsequent Casino Gaming property that the Group operates which utilizes any of the licensed marks in connection with generating the relevant revenue will pay for each of the first three fiscal calendar years after commencement of operations of each subsequent property, a royalty fee of 1.5% of the respective gross revenues of the operations in connection with which such licensed marks are used (each, the “Subsequent Casino Gaming Property Royalty”), subject to a US\$20.0 million cap per fiscal year. For the fiscal calendar years thereafter until expiration of the initial term, the Group will pay LVSLLC an annual royalty being the lesser of the Subsequent Casino Gaming Property Royalty or the annual caps reflecting an increase of 20.0% for each subsequent year. After the commencement of the operation of Sands Cotai Central in April 2012, the Group is required to pay royalty fee in connection with this property. During the year ended December 31, 2012, the Group incurred approximately US\$40.0 million (2011: US\$20.0 million) of royalty fees.

#### (vi) Share-based compensation

The Group participates in the share-based compensation plan of LVS (Notes 7 and 33).

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Notes receivable from subsidiaries — non-trade

	Note	Company December 31, 2012 US\$'000	2011
Interest bearing at prevailing market rates		<b>1,102,243</b>	1,078,335
Non-interest bearing		<b>132,641</b>	444
		<b>1,234,884</b>	1,078,779
Notes receivable capitalized in interests in subsidiaries	31	<b>1,047,428</b>	896,910
Notes receivable as shown in the Company balance sheet		<b>187,456</b>	181,869
		<b>1,234,884</b>	1,078,779

As at December 31, 2012, notes receivable from subsidiaries are unsecured and not repayable in the coming twelve months (2011: same). As at December 31, 2012, the interest rates of the interest bearing notes range from a rate per annum equal to the interest rate in effect under the 2011 VML Credit Facility to 3.59% (2011: 3.59%).

As at December 31, 2012, the balance of notes interest receivable from subsidiaries is as follows:

	Note	Company December 31, 2012 US\$'000	2011
Notes interest receivable from subsidiaries		<b>5,336</b>	4,693
Less: amount capitalized in interests in subsidiaries	31	<b>(4,120)</b>	—
Amount included in other receivables	20	<b>1,216</b>	4,693



## 32. RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Year-end balances between the Group and related companies

	Note	Group		Company	
		December 31, 2012	2011	December 31, 2012	2011
		US\$'000		US\$'000	
Receivables from related companies:					
LVS		—	—	—	100
Fellow subsidiaries		<b>2,227</b>	951	—	—
Subsidiaries		—	—	<b>423,800</b>	494,360
Less: non-current portion	31	—	—	<b>(43,821)</b>	(145,958)
	20	<b>2,227</b>	951	<b>379,979</b>	348,502
Payables to related companies:					
LVS		<b>3,227</b>	2,017	<b>811</b>	—
Intermediate holding companies		<b>2,572</b>	6,714	—	70
Fellow subsidiaries		<b>6,631</b>	7,785	—	—
Subsidiaries		—	—	<b>25,239</b>	24,818
	26	<b>12,430</b>	16,516	<b>26,050</b>	24,888

As at December 31, 2012, receivables from subsidiaries of approximately US\$43.8 million (2011: US\$146.0 million) is unsecured, interest-free and not repayable in the coming twelve months. The remaining receivables and payables are unsecured, interest-free and have no fixed terms of repayment.

## 33. SHARE-BASED COMPENSATION

### (a) Share options of the Company

The Company adopted the SCL Equity Plan for grants of options to purchase ordinary shares of the Company. The purpose of the SCL Equity Plan is to give the Company a competitive edge in attracting, retaining and motivating employees, directors and consultants and to provide the Company with a share plan providing incentives directly related to increases in its shareholder value. Subject to certain criteria as defined in the SCL Equity Plan, the Company's subsidiaries' or affiliates' employees, directors or officers and many of its consultants are eligible for awards under the SCL Equity Plan. The SCL Equity Plan provides for an aggregate of 804,786,508 shares of the Company's ordinary shares to be available for awards, representing 10% of the outstanding shares upon completion of the Global Offering. The SCL Equity Plan has a term of ten years and no further awards may be granted after the expiration of the term. The Company's Remuneration Committee may grant awards of share options, share appreciation rights, restricted share awards, restricted share units, share bonus awards, performance compensation awards or any combination of the foregoing. As at December 31, 2012, there were 773,913,693 shares available for grant under the SCL Equity Plan.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33. SHARE-BASED COMPENSATION (CONTINUED)

#### (a) Share options of the Company (continued)

Share option awards are granted with an exercise price not less than (i) the closing price of the Company's ordinary shares on the date of grant or (ii) the average closing price of the Company's ordinary shares for the five business days immediately preceding the date of grant. The outstanding share options generally vest over four years and have ten-year contractual terms. Compensation cost for all share option grants, which all have graded vesting, is net of estimated forfeitures and is recognized on an accelerated granted attribution approach over the awards' respective requisite service periods. The Company estimates the fair value of share options using the Black-Scholes option-pricing model. Expected volatilities are based on the historical volatilities from a selection of companies from the Company's peer group due to the Company's lack of historical information. The risk-free interest rate for periods equal to the expected term of the share option is based on the Hong Kong Exchange Fund Note rate in effect at the time of grant. The expected dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices attributable to the employees of the Group as grantees of the share option scheme operated by the Company are as follows:

	Year Ended December 31,			
	2012		2011	
	Number of options '000	Weighted average exercise price US\$	Number of options '000	Weighted average exercise price US\$
Outstanding at January 1	23,817	2.07	18,940	1.65
Granted	7,762	3.74	9,987	2.75
Exercised	(6,131)	1.88	(1,418)	1.60
Forfeited	(2,124)	2.23	(3,692)	1.91
Outstanding at December 31	23,324	2.66	23,817	2.07
Exercisable at December 31	2,834	2.03	2,901	1.66

The weighted average share price at the date of exercise for share options exercised during the year was US\$3.88 (2011: US\$2.79).

### 33. SHARE-BASED COMPENSATION (CONTINUED)

#### (a) Share options of the Company (continued)

The range of exercise prices and the weighted average remaining contractual life of the above share options outstanding as at the dates indicated are as follows:

Range of exercise prices US\$	December 31, 2012		December 31, 2011	
	Number of options outstanding '000	Weighted average remaining contractual life (years)	Number of options outstanding '000	Weighted average remaining contractual life (years)
1.01–2.00	8,148	7.37	13,836	8.35
2.01–3.00	7,155	8.41	9,526	9.44
3.01–4.00	7,124	9.37	455	9.67
4.01–5.00	897	9.92	—	—
	<b>23,324</b>	<b>8.40</b>	23,817	8.81

The significant inputs into the Black-Scholes option-pricing model in determining the fair value of the share options granted by the Company during the year are as follows:

	Year ended December 31,	
	2012	2011
Expected volatility <sup>(i)</sup>	70.0%	69.2%
Expected life (years)	6.2	6.3
Risk-free annual interest rate	0.5%	1.3%
Expected dividends	4.0%	—
Weighted average share price (US\$)	3.70	2.73
Weighted average exercise price (US\$)	3.74	2.75
Weighted average fair value of each share option granted by the Company (US\$)	1.65	1.71

- (i) Expected volatility is calculated based on historical volatilities from a selection of companies from the Company's peer group over the period that has the same length as the expected life of each grant.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33. SHARE-BASED COMPENSATION (CONTINUED)

#### (b) Share options of LVS

The Group participates in the equity settled share-based compensation plan of LVS and is a party to a nonqualified share option plan, the 2004 Plan, which is described below. The plan provides for the granting of share options pursuant to the applicable provisions of the Internal Revenue Code and regulations in the United States of America.

LVS adopted the 2004 Plan, to which the Group is a party, for grants of option to purchase its common shares. The purpose of the 2004 Plan is to give LVS and its subsidiaries (collectively the "LVS Group") a competitive edge in attracting, retaining, and motivating employees, directors and consultants and to provide the LVS Group with a share plan providing incentives directly related to increases in its shareholder value. Any of the LVS Group's employees, directors or officers and many of its consultants are eligible for awards under the 2004 Plan. The 2004 Plan provides for an aggregate of 26,344,000 shares of LVS's common shares to be available for awards. The 2004 Plan has a term of ten years and no further awards may be granted after the expiration of the term. LVS's compensation committee may grant awards of nonqualified share options, incentive (qualified) share options, share appreciation rights, restricted share awards, restricted share units, share bonus awards, performance compensation awards or any combination of the foregoing. As at December 31, 2012, there were 6,454,680 shares available for grant under the 2004 Plan.

Share option awards are granted with an exercise price equal to the fair market value (as defined in the 2004 Plan) of LVS's share on the date of grant. The outstanding share options generally vest over four years and have ten-year contractual terms. Compensation cost for all share option grants is net of estimated forfeitures and is recognized on an accelerated granted attribution approach over the awards' respective requisite service periods. LVS estimates the fair value of share options using the Black-Scholes option-pricing model. For share options granted subsequent to December 31, 2010, expected volatilities are based on LVS's historical volatility for a period equal to the expected life of the share options. The expected option life is based on the contractual term of the option as well as historical exercise and forfeiture behavior. The risk-free interest rate for periods equal to the expected term of the share options is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield is based on the estimate of annual dividends expected to be paid at the time of the grant. LVS has no legal or constructive obligation to repurchase or settle the options in cash.

For the purpose of financial reporting of the Group, share-based compensation expense arising from the granting of share options by LVS to the Directors and employees of the Group, to the extent of services rendered to the Group, is deemed to have been allocated to the Group as its expense with the corresponding increase in the share option reserve under equity in the relevant companies comprising the Group.

### 33. SHARE-BASED COMPENSATION (CONTINUED)

#### (b) Share options of LVS (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices attributable to the employees of the Group as grantees of the share option scheme operated by LVS are as follows:

	Year ended December 31, 2012	
	Number of options '000	Weighted average exercise price US\$
Outstanding at January 1	1,010	61.53
Granted	—	—
Transfer-in <sup>(i)</sup>	143	50.86
Exercised	(129)	37.42
Transfer-out <sup>(i)</sup>	—	—
Forfeited	(8)	72.91
Expired	(116)	73.36
Outstanding at December 10	900	61.68
Outstanding at December 11 <sup>(ii)</sup>	900	58.93
Granted	—	—
Exercised	(23)	2.28
Forfeited	(4)	66.85
Outstanding at December 31	873	60.35
Exercisable at December 31	814	62.13

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33. SHARE-BASED COMPENSATION (CONTINUED)

#### (b) Share options of LVS (continued)

	Year ended December 31, 2011	
	Number of options '000	Weighted average exercise price US\$
Outstanding at January 1	1,356	59.56
Granted	—	—
Transfer-in <sup>(i)</sup>	15	75.44
Exercised	(100)	29.20
Transfer-out <sup>(i)</sup>	—	—
Forfeited	(100)	52.26
Expired	(161)	72.16
Outstanding at December 31	1,010	61.53
Exercisable at December 31	884	61.24

- (i) Transfer-in and transfer-out represent movement of options owned by grantees who transferred from other subsidiaries of LVS to the Group, or vice versa.
- (ii) As a result of LVS paying a special cash dividend of US\$2.75 per common share on December 18, 2012, to common shareholders of record on December 10, 2012, LVS reduced the exercise price of all share options outstanding on December 10, 2012, by US\$2.75. This adjustment was the result of an antidilution provision in LVS's 2004 Plan and did not result in any additional compensation expense.

There were no options granted under the 2004 Plan during the years ended December 31, 2012 and 2011.

### 33. SHARE-BASED COMPENSATION (CONTINUED)

#### (b) Share options of LVS (continued)

The range of exercise prices and the weighted average remaining contractual life of the above share options outstanding as at the dates indicated are as follows:

Range of exercise prices US\$	2012		December 31, 2011	
	Number of options outstanding '000	Weighted average remaining contractual life (years)	Number of options outstanding '000	Weighted average remaining contractual life (years)
0.00–10.00	43	6.31	75	7.22
20.01–30.00	133	3.51	80	2.95
30.01–40.00	62	3.17	48	3.85
40.01–50.00	33	3.61	147	4.04
50.01–60.00	—	—	5	6.63
60.01–70.00	187	5.31	194	6.24
70.01–80.00	220	4.28	206	5.38
80.01–90.00	175	5.23	235	6.20
90.01–100.00	10	4.62	10	5.62
110.01–120.00	10	4.86	10	5.87
	<b>873</b>	<b>4.58</b>	1,010	5.43

Options exercised during the year ended December 31, 2012 resulted in 151,850 (2011: 100,303) shares of LVS being issued at a weighted average price of US\$32.21 (2011: US\$29.20). The related weighted average share price at the time of exercise was US\$49.60 (2011: US\$42.66) during the year.

## 5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33. SHARE-BASED COMPENSATION (CONTINUED)

#### (b) Share options of LVS (continued)

Movements in the number of restricted shares outstanding and the respective weighted average grant date fair value attributable to the employees of the Group as grantees of the restricted shares granted by LVS are as follows:

	Year Ended December 31,			
	2012		2011	
	Number of Restricted Shares '000 <sup>(i)</sup>	Weighted average grant date fair value US\$ <sup>(ii)</sup>	Number of Restricted Shares '000 <sup>(i)</sup>	Weighted average grant date fair value US\$ <sup>(ii)</sup>
Outstanding at January 1	2	38.81	2	24.94
Granted	2	45.69	2	38.81
Transfer-in <sup>(iii)</sup>	4	47.14	—	—
Vested	(2)	38.81	(2)	24.94
Transfer-out <sup>(iii)</sup>	—	—	—	—
Outstanding at December 31	6	46.72	2	38.81

(i) Number of restricted shares outstanding represents the number of ordinary shares of LVS given to the employees upon vesting.

(ii) Grant date fair value represents the fair value of the ordinary shares of LVS.

(iii) Transfer-in and transfer-out represent movement of restricted shares owned by grantees who transferred from other subsidiaries of LVS to the Group, or vice versa.



## 5.4 FINANCIAL SUMMARY

### CONSOLIDATED INCOME STATEMENTS

	Year ended December 31,				
	2008	2009	2010	2011	2012
	(restated)	(restated)	US\$'000		
Net revenues	3,053,319	3,301,114	4,142,304	4,880,787	<b>6,511,374</b>
Operating profit	298,907	374,995	785,686	1,202,272	<b>1,281,163</b>
Profit before income tax	178,655	215,217	670,344	1,135,321	<b>1,237,523</b>
Income tax expense	(169)	(201)	(3,894)	(2,271)	<b>(1,842)</b>
Profit for the year attributable to equity holders of the Company	178,486	215,016	666,450	1,133,050	<b>1,235,681</b>

### CONSOLIDATED BALANCE SHEETS

	December 31,				
	2008	2009	2010	2011	2012
	(restated)	(restated)	US\$'000		
<b>Assets</b>					
Non-current assets	6,178,637	6,397,196	6,995,999	7,065,066	<b>7,634,709</b>
Current assets	840,743	1,230,536	1,478,550	3,062,619	<b>2,752,770</b>
Total assets	7,019,380	7,627,732	8,474,549	10,127,685	<b>10,387,479</b>
<b>Equity and liabilities</b>					
Equity	1,261,856	3,698,894	4,362,367	5,515,772	<b>5,586,126</b>
Non-current liabilities	3,694,691	2,963,419	2,761,467	3,349,513	<b>3,247,210</b>
Current liabilities	2,062,833	965,419	1,350,715	1,262,400	<b>1,554,143</b>
Total liabilities	5,757,524	3,928,838	4,112,182	4,611,913	<b>4,801,353</b>
<b>Total equity and liabilities</b>	7,019,380	7,627,732	8,474,549	10,127,685	<b>10,387,479</b>

Note: Consolidated financial statements for the years ended December 31, 2008 and 2009 had been restated to reflect the adoption of the amendment to IAS 17 "Leases" which is effective for annual periods commencing on or after January 1, 2010.

# 6. CORPORATE INFORMATION

(as at the Latest Practicable Date)

## DIRECTORS

### Executive Directors

Mr. Edward Matthew Tracy  
(*President and Chief Executive Officer*)  
Mr. Toh Hup Hock  
(*Chief Financial Officer and Executive Vice President*)

### Non-Executive Directors

Mr. Sheldon Gary Adelson (*Chairman*)  
Mr. Michael Alan Leven  
(*Mr. David Alec Andrew Fleming as his alternate*)  
Mr. Jeffrey Howard Schwartz  
Mr. Irwin Abe Siegel  
Mr. Lau Wong William

### Independent Non-Executive Directors

Mr. Iain Ferguson Bruce  
Ms. Chiang Yun  
Mr. David Muir Turnbull  
Mr. Victor Patrick Hoog Antink

## REGISTERED OFFICE IN CAYMAN ISLANDS

Intertrust Corporate Services (Cayman) Limited  
190 Elgin Avenue  
George Town, Grand Cayman KY1-9005  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN MACAO

The Venetian Macao-Resort-Hotel  
Executive Offices, L2  
Estrada da Baia de N. Senhora da Esperanca, s/n  
Taipa, Macao

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 28, Three Pacific Place  
1 Queen's Road East  
Hong Kong

## COMPANY'S WEBSITE

[www.sandschinaltd.com](http://www.sandschinaltd.com)

## COMPANY SECRETARY

Mr. David Alec Andrew Fleming

## BOARD COMMITTEES

### Audit Committee

Mr. Iain Ferguson Bruce (*Chairman*)  
Ms. Chiang Yun  
Mr. Irwin Abe Siegel  
Mr. Lau Wong William  
Mr. Victor Patrick Hoog Antink

## Remuneration Committee

Mr. David Muir Turnbull (*Chairman*)  
Mr. Iain Ferguson Bruce  
Mr. Jeffrey Howard Schwartz  
Mr. Lau Wong William  
Mr. Victor Patrick Hoog Antink

## Nomination Committee

Mr. Sheldon Gary Adelson (*Chairman*)  
Mr. Iain Ferguson Bruce  
Mr. David Muir Turnbull

## Sands China Capital Expenditure Committee

Mr. Michael Alan Leven (*Chairman*)  
Mr. Edward Matthew Tracy  
Mr. Jeffrey Howard Schwartz  
Mr. Victor Patrick Hoog Antink

## AUTHORIZED REPRESENTATIVES

Mr. Toh Hup Hock  
Mr. David Alec Andrew Fleming  
The Venetian Macao-Resort-Hotel  
Executive Offices, L2  
Estrada da Baia de N. Senhora da Esperanca, s/n  
Taipa, Macao

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited  
190 Elgin Avenue  
George Town, Grand Cayman KY1-9005  
Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## PRINCIPAL BANKERS

Banco Nacional Ultramarino S.A.  
Avenida Almeida Ribeiro, 22,  
Macao

Bank of China Limited, Macao Branch  
Bank of China Building  
Avenida Doutor Mario Soares,  
Macao

## STOCK CODE

1928

## 7. CONTACT US

### ANNUAL REPORT

This 2012 Annual Report is printed in English and Chinese languages and is available on our website at [www.sandschinaltd.com](http://www.sandschinaltd.com) from March 21, 2013 and was posted to Shareholders on March 22, 2013.

Those Shareholders who (a) received our 2012 Annual Report electronically and would like to receive a printed copy or vice versa; or (b) received our 2012 Annual Report in either English or Chinese language only and would like to receive a printed copy of the other language version or to receive printed copies of both language versions in the future, may at any time change their means of receipt or choice of the language of the Company's corporate communications free of charge by reasonable notice in writing to the Company c/o the Hong Kong Share Registrar by post at Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email to [sandschina.ecom@computershare.com.hk](mailto:sandschina.ecom@computershare.com.hk).

Those Shareholders who have chosen to receive this 2012 Annual Report by electronic means and who, for any reason, have difficulty in receiving or gaining access to this 2012 Annual Report, may also request to be sent a copy of this 2012 Annual Report in printed form free of charge by submitting a written request to the Company c/o the Hong Kong Share Registrar by post or by email.

### REGISTER OF MEMBERS

The Register of Members of the Company will be closed on the following dates:

Book Closure Period/Date	Purpose	Final Lodging Date
May 21, 2013 to May 31, 2013	To determine the identity of Shareholders who are entitled to attend and vote at the AGM	May 20, 2013
June 7, 2013	To determine the identity of Shareholders who are entitled to the final dividend	June 6, 2013

### ANNUAL GENERAL MEETING (AGM)

To be held on May 31, 2013. The Notice of the AGM, which constitutes part of the circular to Shareholders, and the proxy form will be sent to the Shareholders together with this 2012 Annual Report. The Notice of the AGM and the proxy form will also be available on the Company's website.

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong  
 Telephone: +852 2862 8628  
 Facsimile: +852 2865 0990  
 Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

### CONTACT US

Address: Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong  
 Telephone: +853 8118 2888  
 Facsimile: +853 2888 3382  
 Email: [scl-enquiries@venetian.com.mo](mailto:scl-enquiries@venetian.com.mo)

## 8. GLOSSARY

<b>“adjusted EBITDA”</b>	adjusted EBITDA is profit before share-based compensation, corporate expense, pre-opening expense, depreciation and amortization (net of amortization of show production costs), net foreign exchange gains or losses, impairment loss, gain or loss on disposal of property and equipment and intangible assets, fair value gains or losses on financial assets at fair value through profit or loss, interest, loss on modification or early retirement of debt and income tax expense. With respect to adjusted EBITDA for each of our properties, we make allocations of the shared support expenses based on revenue attributable to each property. Adjusted EBITDA 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 EBITDA 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 EBITDA presented in the report may not be comparable to other similarly titled measures of other companies. In addition, our adjusted EBITDA presented in the report may differ from adjusted EBITDA presented by LVS for its Macao segment in its filings with the U.S. Securities and Exchange Commission
<b>“ADR”</b>	the average daily rate per occupied room in a given time period, calculated as room revenue divided by the number of rooms sold
<b>“Board”</b>	the board of directors of the Company
<b>“cage”</b>	a secure room within a casino with a facility that allows patrons to exchange cash for chips required to participate in gaming activities, or to exchange chips for cash
<b>“CAGR”</b>	compound annual growth rate
<b>“casino(s)”</b>	a gaming facility that provides casino games consisting of table games operated in VIP areas or mass market areas, electronic games, slot machines and other casino games
<b>“Chief Executive”</b>	a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the board of directors for the conduct of the business of the Company
<b>“China” or the “PRC”</b>	the People’s Republic of China excluding, for the purpose of this Annual Report only, Hong Kong, Macao and Taiwan, unless the context otherwise requires
<b>“chip(s)”</b>	tokens issued by a casino to players in exchange for cash or credit, which may be used to place bets on gaming tables, in lieu of cash

<b>“Company”, “our”, “we”, “us”, or “Sands China”</b>	Sands China Ltd., a company incorporated in the Cayman Islands on July 15, 2009 as an exempted company with limited liability and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries. When used in the context of gaming operations or the Subconcession, “we”, “us”, or “our” refers exclusively to VML
<b>“Companies Ordinance”</b>	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
<b>“Concessionaire(s)”</b>	the holder(s) of a concession for the operation of casino games in the MSAR. As of the Latest Practicable Date, the Concessionaires were Galaxy, SJM and Wynn Macau
<b>“Controlling Shareholder(s)”</b>	has the meaning ascribed to it under the Listing Rules and, with respect to our Company, the controlling shareholders as referred to in “Relationship with Our Controlling Shareholders” of our Prospectus
<b>“Cotai”</b>	the name given to the land reclamation area in the MSAR between the islands of Coloane and Taipa
<b>“Cotai Strip”</b>	integrated resort projects on Cotai being developed by us and inspired by the Las Vegas Strip in Las Vegas, Nevada, U.S.A. LVS has registered the Cotai Strip trademark in Hong Kong and Macao
<b>“DICJ”</b>	Gaming Inspection and Coordination Bureau (“ <i>Direcção de Inspeção e Coordenação de Jogos</i> ”) under the Secretary for Economy and Finance of the MSAR
<b>“Director(s)”</b>	member(s) of the board of directors of the Company
<b>“DSEC”</b>	the Statistics and Census Service of the MSAR
<b>“EBITDA”</b>	earnings before interest, taxes, depreciation and amortization
<b>“Exchange Rate”</b>	save as otherwise stated, amounts denominated in U.S. dollars, MOP and Hong Kong dollars have been converted, for the purposes of illustration only, in this Annual Report at: US\$1.00: HK\$7.7505 US\$1.00: MOP7.9830 HK\$1.00: MOP1.03
<b>“Four Seasons Hotel”</b>	refers to the Four Seasons Hotel Macao, Cotai Strip®, which is managed and operated by FS Macau Lda., an affiliate of Four Seasons Hotels Limited

## 8. GLOSSARY

<b>“Galaxy”</b>	Galaxy Casino S.A. (also known as Galaxy Casino Company Limited), a company incorporated in Macao on November 30, 2001 and one of the three Concessionaires
<b>“gaming area(s)”</b>	a gaming facility that provides casino games consisting of table games operated in VIP areas or mass market areas, electronic games, slot machines and other casino games but has not been designated as a casino by the Macao Government
<b>“Gaming Promoter(s)”</b>	individuals or corporations licensed by and registered with the Macao Government to promote games of fortune and chance to patrons, through the arrangement of certain services, including extension of credit (regulated by Law No. 5/2004), transportation, accommodation, dining and entertainment, whose activity is regulated by Administrative Regulation No. 6/2002
<b>“GDP”</b>	gross domestic product
<b>“Global Offering”</b>	the offer of Shares in the Company by subscription for cash at HK\$10.38 on November 30, 2009 on and subject to the terms outlined in the Prospectus
<b>“Group”</b>	our Company and its subsidiaries and, in respect of the period before our Company became the holding company of such subsidiaries, the entities that carried on the business of the present Group at the relevant time
<b>“HIBOR”</b>	the Hong Kong Interbank Offered Rate
<b>“HK\$” or “HK dollars”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“IFRS”</b>	International Financial Reporting Standards
<b>“integrated resort(s)”</b>	a resort which provides customers with a combination of hotel accommodations, casinos or gaming areas, retail and dining facilities, MICE space, entertainment venues and spas
<b>“Latest Practicable Date”</b>	March 15, 2013
<b>“LIBOR”</b>	London Interbank Offered Rate
<b>“Listing”</b>	the listing of the Shares on the Main Board on November 30, 2009
<b>“Listing Date”</b>	November 30, 2009, the date on which dealings in the Shares first commenced on the Main Board

<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
<b>“LVS”</b>	Las Vegas Sands Corp., a company incorporated in Nevada, U.S.A. in August 2004 and the common stock of which is listed on the New York Stock Exchange
<b>“LVS Group”</b>	LVS and its subsidiaries (excluding our Group)
<b>“Macao” or “MSAR”</b>	the Macao Special Administrative Region of the PRC
<b>“Macao Government”</b>	the local government of the MSAR, established on December 20, 1999 and the local administration before this date
<b>“Main Board”</b>	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent of and operated in parallel with the Growth Enterprise Market of the Stock Exchange
<b>“mass market player(s)”</b>	Non-Rolling Chip players
<b>“Melco Crown”</b>	Melco Crown Jogos (Macao), S.A., a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on May 10, 2006 under the laws of Macao and one of the three Subconcessionaires
<b>“MGM Grand Paradise”</b>	MGM Grand Paradise, S.A. (also known as MGM Grand Paradise Limited), a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on June 17, 2004 under the laws of Macao and one of the three Subconcessionaires
<b>“MICE”</b>	Meetings, Incentives, Conventions and Exhibitions, an acronym commonly used to refer to tourism involving large groups brought together for an event or corporate meeting
<b>“MOP” or “pataca(s)”</b>	Macao pataca, the lawful currency of Macao
<b>“Parcel 1”</b>	a land parcel in Cotai totaling 291,479 square meters described under Registration No. 23225 by the Macau Property Registry, on which The Venetian Macao has been constructed
<b>“Parcel 2”</b>	a land parcel in Cotai totaling 53,700 square meters described under Registration No. 23223 by the Macau Property Registry, on which The Plaza Macao has been constructed

## 8. GLOSSARY

<b>“Parcel 3”</b>	a land parcel in Cotai totaling 60,479 square meters described under Registration No. 23224 by the Macau Property Registry, on which The Parisian Macao is being developed
<b>“Parcels 5 and 6”</b>	land parcels in Cotai totaling 150,134 square meters, including 44,576 square meters designated as a tropical garden, described under Registration No. 23288 by the Macau Property Registry, on which Sands Cotai Central has been constructed
<b>“Parcels 7 and 8”</b>	land parcels in Cotai totaling 110,200 square meters adjacent to Sands Cotai Central
<b>“premium player(s)”</b>	Rolling Chip players who have a direct relationship with gaming operators and typically participate in gaming activities in casinos or gaming areas without the use of Gaming Promoters
<b>“Prospectus”</b>	our Listing prospectus dated November 16, 2009, which is available from our website at <a href="http://www.sandschinaltd.com">www.sandschinaltd.com</a>
<b>“PwC”</b>	PricewaterhouseCoopers, the global professional services company
<b>“RMB” or “Renminbi”</b>	Renminbi, the lawful currency of China
<b>“Rolling Chip play”</b>	play by VIP and premium players (excludes Paiza cash players) using non-negotiable chips
<b>“Rolling Chip volume”</b>	casino revenue measurement, measured as the sum of all non-negotiable chips wagered and lost by VIP and premium players (excludes Paiza cash players)
<b>“Sands Cotai Central”</b>	our integrated resort development on Parcels 5 and 6. Phase I opened on April 11, 2012 and features 636 rooms and suites under the Conrad hotel brand, 1,224 rooms under the Holiday Inn hotel brand, along with significant gaming, MICE, retail space and other integrated resort amenities. Phase IIA opened on September 20, 2012 and features 1,796 Sheraton-branded hotel rooms and suites, along with additional gaming area, retail, entertainment, dining and MICE facilities. Phase IIB opened on January 28, 2013 and features 2,067 additional Sheraton-branded hotel rooms and suites. Phase III of the project is expected to include a fourth luxury St. Regis-branded hotel and mixed-use tower. We intend to commence construction of phase III of the project as demand and market conditions warrant it
<b>“Sands Macao”</b>	the Sands Macao, which includes gaming areas, a hotel tower, restaurants and a theater
<b>“SFO”</b>	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
<b>“Shared Services Agreement”</b>	the shared services agreement dated November 8, 2009 and renewed on December 21, 2011, entered into between LVS and our Company to regulate their relationship with respect to the provision of certain shared services



<b>“Share(s)”</b>	ordinary shares in our Company with a nominal value of US\$0.01 each
<b>“Shareholder(s)”</b>	holder(s) of Shares
<b>“Share Option Scheme”</b>	the share option scheme conditionally adopted by our Company on November 8, 2009
<b>“SJM”</b>	Sociedade de Jogos de Macau, S.A., a private company limited by shares (“ <i>sociedade anónima</i> ”), incorporated on November 28, 2001 under the laws of Macao and one of the three Concessionaires
<b>“Starwood”</b>	Starwood Asia Pacific Hotels and Resorts Pte Ltd. and Sheraton Overseas Management Co.
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Subconcession” or “Subconcession Contract”</b>	the tripartite Subconcession Contract for the operation of casino games dated December 26, 2002 among Galaxy, the Macao Government and VML
<b>“Subconcessionaire(s)”</b>	the holder(s) of a subconcession for the operation of casino games in the MSAR. As at the Latest Practicable Date, the Subconcessionaires were VML (one of our subsidiaries), Melco Crown and MGM Grand Paradise
<b>“subsidiary(ies)”</b>	has the meaning ascribed to it under Section 2 of the Companies Ordinance
<b>“table games”</b>	typical casino games, including card games such as baccarat, blackjack and hi-lo (also known as “sic bo”) as well as craps and roulette
<b>“The Parisian Macao”</b>	an integrated resort being developed on Parcel 3 which is intended to include a gaming area, hotel, a shopping mall and other integrated resort amenities
<b>“The Plaza Macao”</b>	an integrated resort which includes (i) the Four Seasons Hotel; (ii) the Plaza Casino gaming area operated by VML; (iii) the Paiza Mansions, Shoppes at Four Seasons, restaurants and a spa, each of which are operated by us; and (iv) a luxury apart-hotel tower, which is anticipated to be branded and serviced by Four Seasons; except where the context indicates otherwise
<b>“The Venetian Macao”</b>	The Venetian® Macao-Resort-Hotel, an integrated resort that includes casino and gaming areas, a hotel, MICE space, Shoppes Grand Canal, over 50 different restaurants and food outlets, a 15,000-seat arena and other entertainment venues

## 8. GLOSSARY

<b>“TTFT”</b>	the Taipa Temporary Ferry Terminal, a ferry terminal in Taipa, Macao, which was developed and is owned by the Macao Government. The terminal opened in October 2007 and is an interim facility. It is expected to be replaced by a permanent ferry terminal in Taipa, which is currently under construction by the Macao Government
<b>“United States”, “U.S.” or “U.S.A.”</b>	the United States of America, including its territories and possessions and all areas subject to its jurisdiction
<b>“US\$” or “U.S. dollars”</b>	United States dollars, the lawful currency of the United States
<b>“U.S. GAAP”</b>	generally accepted accounting principles of the United States
<b>“VIP player(s)”</b>	Rolling Chip players who play almost exclusively in dedicated VIP rooms or designated casino or gaming areas and are sourced from Gaming Promoters
<b>“VIP room(s)”</b>	rooms or designated areas within a casino or gaming area where VIP players and premium players gamble
<b>“visit(s)” or “visitation(s)”</b>	with respect to visitation of our properties, the number of times a property is entered during a fixed time period. Estimates of the number of visits to our properties is based on information collected from digital cameras placed above every entrance in our properties which use video signal image processor detection and include repeat visitors to our properties on a given day
<b>“VML”</b>	our subsidiary, Venetian Macau, S.A. (also known as Venetian Macau Limited), a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on June 21, 2002 under the laws of Macao, one of the three Subconcessionaires and the holder of the Subconcession
<b>“VOL”</b>	Venetian Orient Limited, a wholly owned subsidiary of the Company and owner and developer of Sands Cotai Central
<b>“VVDIL”</b>	our subsidiary, Venetian Venture Development Intermediate Limited, a company incorporated in the Cayman Islands on June 21, 2002 as an exempted company with limited liability
<b>“VVDI (II)”</b>	Venetian Venture Development Intermediate II, a company incorporated in the Cayman Islands on January 23, 2003 as an exempted company with limited liability and an indirect, wholly owned subsidiary of LVS and our immediate Controlling Shareholder
<b>“Wynn Macau”</b>	Wynn Resorts (Macao) S.A., a private company limited by shares (“ <i>sociedade anónima</i> ”) incorporated on October 17, 2001 under the laws of Macao and one of the three Concessionaires





## Sands China Ltd. 金沙中國有限公司\*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1928  
[www.sandschinaltd.com](http://www.sandschinaltd.com)

\* For identification purposes only