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Wynn Macau, Limited
永利澳門有限公司*

*(incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1128)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

The Board of Directors of Wynn Macau, Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010 as follows.

## FINANCIAL HIGHLIGHTS

| | Group For the year ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| Casino revenues | **21,057,676** | 13,185,580 |
| Other revenues | **1,381,263** | 891,320 |
| EBITDA | **5,876,134** | 3,242,368 |
| Profit attributable to owners | **4,422,010** | 2,068,647 |
| Earnings per Share — basic | **85 cents** | 41 cents |

## DIVIDEND

The Board has not recommended a final dividend payment for the year ended 31 December 2010.

* *For identification purpose only*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | For the year ended 31 December 2010 HK$ (in thousands) | 2009 HK$ |
|---|---|---|---|
| **Operating revenues** | | | |
| Casino | | **21,057,676** | 13,185,580 |
| Rooms | | **143,759** | 102,791 |
| Food and beverage | | **165,916** | 133,443 |
| Retail and other | | **1,071,588** | 655,086 |
| | | **22,438,939** | 14,076,900 |
| **Operating costs and expenses** | | | |
| Gaming taxes and premiums | | **10,810,992** | 6,742,056 |
| Staff costs | | **1,840,222** | 1,610,200 |
| Other operating expenses | 3 | **4,054,267** | 2,572,801 |
| Depreciation and amortization | | **989,516** | 718,169 |
| Property charges and other | | **47,009** | 19,211 |
| | | **17,742,006** | 11,662,437 |
| **Operating profit** | | **4,696,933** | 2,414,463 |
| Finance revenues | | **2,027** | 5,728 |
| Finance costs | | **(255,480)** | (317,361) |
| Net foreign currency differences | | **(3,829)** | 887 |
| Changes in fair value of interest rate swaps | | **26,452** | (29,481) |
| | | **(230,830)** | (340,227) |
| **Profit before tax** | | **4,466,103** | 2,074,236 |
| **Income tax expense** | 4 | **(44,093)** | (5,589) |
| **Net profit attributable to owners of the Company** | | **4,422,010** | 2,068,647 |
| **Other comprehensive income** | | | |
| Currency translation reserve | | **—** | (191) |
| **Total comprehensive income attributable to owners of the Company** | | **4,422,010** | 2,068,456 |
| **Basic and diluted earnings per Share** | 5 | **85 cents** | 41 cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | | |
|---|---|---|---|
| | | **As at 31 December** | |
| | | **2010** | 2009 |
| | | ***HK$*** | *HK$* |
| | *Notes* | *(in thousands)* | |
| **Non-current assets** | | | |
| Property and equipment and construction in progress | | **8,352,187** | 8,527,914 |
| Leasehold interest in land | 6 | **475,129** | 464,353 |
| Deposits for acquisition of property and equipment | | **24,881** | 82,627 |
| Goodwill | | **398,345** | 398,345 |
| Other non-current assets | | **188,133** | 167,836 |
| Deferred tax assets | 4 | **—** | 32,588 |
| **Total non-current assets** | | **9,438,675** | 9,673,663 |
| **Current assets** | | | |
| Inventories | | **173,758** | 202,745 |
| Trade and other receivables | 7 | **485,413** | 325,389 |
| Prepayments and other current assets | | **45,167** | 37,030 |
| Amounts due from related companies | 10 | **386,295** | 124,089 |
| Cash and cash equivalents | | **3,819,163** | 5,228,995 |
| **Total current assets** | | **4,909,796** | 5,918,248 |
| **Current liabilities** | | | |
| Accounts payable | 8 | **1,018,086** | 726,742 |
| Other payables and accruals | | **3,665,441** | 2,621,093 |
| Amounts due to related companies | 10 | **235,922** | 189,883 |
| Interest rate swaps | | **45,730** | — |
| Income tax payable | | **15,455** | 15,455 |
| **Total current liabilities** | | **4,980,634** | 3,553,173 |
| **Net current assets/(liabilities)** | | **(70,838)** | 2,365,075 |
| **Total assets less current liabilities** | | **9,367,837** | 12,038,738 |

| | Notes | As at 31 December<br>**2010**<br>***HK$***<br>*(in thousands)* | 2009<br>*HK$* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | | **4,949,703** | 8,017,177 |
| Construction retention payables | | **—** | 67,213 |
| Interest rate swaps | | **55,378** | 126,760 |
| Other long-term liabilities | | **65,667** | 56,622 |
| **Total non-current liabilities** | | **5,070,748** | 8,267,772 |
| **Net assets** | | **4,297,089** | 3,770,966 |
| **Equity** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | 9 | **5,188** | 5,188 |
| Share premium account | | **152,657** | 1,923,617 |
| Reserves | | **4,139,244** | 1,842,161 |
| Total equity | | **4,297,089** | 3,770,966 |

# NOTES TO FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND PRESENTATION

Pursuant to the Group Reorganization which was undertaken for the purpose of the Listing of the Company's Shares on the Hong Kong Stock Exchange, the Company acquired WM Cayman Holdings Limited II, which was at the relevant time the holding company of the subsidiaries comprising the Group, from the Company's immediate parent company, WM Cayman Holdings Limited I. The consideration for the acquisition consisted of (a) the issue by the Company to WM Cayman Holdings Limited I of an acquisition note; and (b) the issue by the Company to WM Cayman Holdings Limited I of such number of new Shares as would amount to approximately 75% of the Company's issued share capital (as calculated based on the Company's issued share capital following its initial public offering and assuming no exercise of the over-allotment option). The acquisition was completed on 8 October 2009 with the relevant Shares and acquisition note being issued by the Company to WM Cayman Holdings Limited I. The acquisition note was redeemed by the Company on 9 October 2009 for a sum of HK$12.6 billion. Since the completion of the Group Reorganization on 8 October 2009, the Company has been the holding company of the subsidiaries now comprising the Group. The details of the Group Reorganization are set out in the section headed "Reorganization" in Appendix VI "Statutory and General Information" to the IPO Prospectus of the Company dated 24 September 2009, filed in connection with the Listing.

These financial statements have been prepared in accordance with International Financial Reporting Standards which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), International Accounting Standards and Standing Interpretation Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Companies Ordinance. The financial statements have been prepared on a historical cost basis, except for the revaluation of derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollar(s) and all values are rounded to the nearest thousand (HK$'000), except when otherwise indicated.

In the prior year, the financial statements have been prepared in accordance with the principles of merger accounting as a result of the Group Reorganization. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of their acquisition. Accordingly, the results of the Group for the year ended 31 December 2009 include the results of the Company and its subsidiaries with effect from 1 January 2009. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

In the opinion of the Directors, the consolidated financial statements prepared on the above basis presented more fairly the results and state of affairs of the Group as a whole.

**Application of new and revised IFRSs**

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| IFRS 1 (Revised) | *First-time Adoption of International Financial Reporting Standards* |
| IFRS 1 Amendments | Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Additional Exemptions for First-time Adopters* |
| IFRS 2 Amendments | Amendments to IFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions* |
| IFRS 3 (Revised) | *Business Combinations* |
| IAS 27 (Revised) | *Consolidated and Separate Financial Statements* |
| IAS 39 Amendment | Amendment to IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items* |
| IFRIC 17 | *Distributions of Non-cash Assets to Owners* |
| IFRS 5 Amendments included in *Improvements to IFRSs* issued in May 2008 | Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* |
| *Improvements to IFRSs* issued in April 2009 | Amendments to a number of IFRSs |

The adoption of these new and revised IFRSs and interpretations has had no significant financial effects on the financial statements and there have been no significant changes to the accounting policies applied in the financial statements.

IASB has issued a number of new and revised standards, amendments or interpretations that are not yet effective for the year ended 31 December 2010. The Group has not early adopted these new and revised IFRSs.

**Reclassifications**

Certain amounts in the consolidated financial statements for the year ended 31 December 2009 have been reclassified to be consistent with the current year presentation. These reclassifications have no effect on the previously reported profit for the prior year.

## 2. SEGMENT REPORTING

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

## 3. OTHER OPERATING EXPENSES

| | **Group** | |
|---|---|---|
| | **For the year ended 31 December** | |
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| Gaming promoters' commissions | **1,450,665** | 854,713 |
| Royalty fees | **892,571** | 554,525 |
| Cost of sales | **585,302** | 334,702 |
| Advertising and promotions | **172,860** | 117,483 |
| Corporate support services and other | **164,952** | 95,280 |
| Utilities and fuel | **158,759** | 113,475 |
| Operating supplies and equipment | **128,989** | 99,109 |
| Provision for doubtful accounts | **98,224** | 11,656 |
| Other support services | **83,883** | 65,452 |
| Auditor's remuneration | **3,437** | 2,420 |
| Other | **314,625** | 323,986 |
| | **4,054,267** | 2,572,801 |

"Other" operating expenses includes operating rental expenses of approximately HK$26.1 million for the year ended 31 December 2010 (2009: HK$47.7 million).

## 4. INCOME TAX EXPENSE

The major components of the income tax expense for the years ended 31 December 2010 and 2009 were:

| | **Group** | |
|---|---|---|
| | **For the year ended 31 December** | |
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| **Income tax (expense)/benefit:** | | |
| Current | **(11,505)** | (27,967) |
| Deferred | **(32,588)** | 22,378 |
| | **(44,093)** | (5,589) |

No provision for Hong Kong profits tax for the year ended 31 December 2010 has been made as there was no assessable profit generated in Hong Kong (2009: nil). Taxation for overseas jurisdictions is charged at the appropriate prevailing rates ruling in the respective jurisdictions and the maximum rate is 12% (2009: 12%).

The charge for the years ended 31 December 2010 and 2009 reconciles to profit before tax as follows:

| | **Group** | | | |
|---|---|---|---|---|
| | **For the year ended 31 December** | | | |
| | **2010** | | 2009 | |
| | ***HK$*** | ***%*** | *HK$* | *%* |
| | *(in thousands, except for percentages)* | | | |
| Profit before tax | **4,466,103** | | 2,074,236 | |
| Tax at the applicable income tax rate | **(535,932)** | **(12.0)** | (248,908) | (12.0) |
| Adjustment for specific provinces or enacted by local authority | **(5,018)** | **(0.1)** | (23,054) | (1.1) |
| Income not subject to tax | **671,887** | **15.1** | 361,664 | 17.4 |
| Expenses not deductible for tax | **(1,988)** | **(0.1)** | (45) | (0.1) |
| Macau dividend tax | **(6,990)** | **(0.1)** | (27,967) | (1.3) |
| Tax loss not recognized | **(164,437)** | **(3.7)** | (68,777) | (3.3) |
| Others | **(1,615)** | **(0.1)** | 1,498 | 0.1 |
| Expense and effective tax rate for the year | **(44,093)** | **(1.0)** | (5,589) | (0.3) |

Deferred income tax as at 31 December 2010 and 2009 relates to the following:

| | **Group** | | | |
|---|---|---|---|---|
| | **Consolidated statement of financial position** | | **Consolidated statement of comprehensive income** | |
| | | | **For the year ended** | |
| | **As at 31 December** | | **31 December** | |
| | **2010** | 2009 | **2010** | 2009 |
| | ***HK$*** | *HK$* | ***HK$*** | *HK$* |
| | *(in thousands)* | | | |
| Deferred tax liability: | | | | |
| Property, equipment and other | **—** | (50,945) | **(50,945)** | (22,382) |
| | **—** | (50,945) | | |
| Deferred income tax assets: | | | | |
| Interest rate swap market value adjustment | **—** | 15,199 | **15,199** | (3,537) |
| Allowance for doubtful accounts | **—** | 29 | **29** | (17) |
| Pre-opening costs and other | **—** | — | **—** | 131 |
| Tax losses carried forward | **—** | 68,305 | **68,305** | 3,427 |
| | **—** | 83,533 | | |
| Deferred income tax (benefit)/expense | | | **32,588** | (22,378) |
| Deferred tax asset, net | **—** | 32,588 | | |

The Group incurred Macau tax losses of approximately HK$692.5 million, HK$502.1 million and HK$966.2 million during the tax years ended 31 December 2010, 2009, and 2008, respectively. These tax losses will expire in 2013, 2012, and 2011, respectively. As at 31 December 2010, the Group's deferred tax assets relating to pre-opening expenses, interest rate swaps, executive compensation, fixed assets and tax loss carryforwards amounting to HK$276.2 million were not recognized as the Group determined it was not probable that future taxable profits will be available against which the deferred tax asset could be utilized. As at 31 December 2009, the Group had not recognized deferred tax assets relating to pre-opening expenses and tax loss carryforwards amounting to HK$247.6 million for similar reasons.

Effective 6 September 2006, WRM received a 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits ("Tax Holiday"). Accordingly, the Group was exempted from the payment of approximately HK$499.2 million in such tax for the year ended 31 December 2010 (2009: HK$242.6 million). The Group's non-gaming profits remain subject to the Macau Complementary Tax and its casino winnings remain subject to the Macau Special Gaming Tax and other levies in accordance with its Concession Agreement. On 21 October 2010, WRM applied for an additional 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits. Such application was approved and granted on 30 November 2010 for a 5-year period effective 1 January 2011 through 31 December 2015.

During June 2009, WRM entered into an agreement, effective retroactively to 2006, with the Macau Special Administrative Region that provides for an annual payment of MOP7.2 million (approximately HK$7.0 million) to the Macau Special Administrative Region in lieu of Complementary Tax on dividend distributions to its shareholders from gaming profits. The term of this agreement is five years, which coincides with the Tax Holiday which began in 2006. The agreement explicitly states that MOP21.6 million (approximately HK$21.0 million) was due upon execution of the agreement for the period from 2006 to 2008, and the remaining payments are due by 31 January of the year following which the gaming profits are exempt from Complementary Tax. In November 2009, the Group made a payment of MOP21.6 million (approximately HK$21.0 million) for the period from 2006 to 2008, and in January 2010 the Group made a payment of MOP7.2 million (approximately HK$7.0 million) for the year ended 31 December 2009. The Group has accrued MOP7.2 million (approximately HK$7.0 million) for the year ended 31 December 2010 which was subsequently settled on 17 January 2011. On 3 November 2010, WRM applied for an extension of this agreement for an additional five years through 31 December 2015. As at 31 December 2010 and as at the date of approval of these financial statements, such application was still being processed by the Macau Special Administrative Region.

The Group is exempted from income tax in the Isle of Man and the Cayman Islands. The Group's subsidiaries file income tax returns in Macau and various foreign jurisdictions as required by law. The Group's income tax returns are subject to examination by tax authorities in the locations where it operates. The Group's 2006 to 2009 Macau income tax returns remain subject to examination by the Macau Finance Bureau and during June 2010, the Macau Finance Bureau commenced examinations of the 2006 and 2007 Macau income tax returns. According to the law, the examination of 2006 and 2007 should be finalized at the latest by 31 December 2011 and 31 December 2012, respectively. The Group believes that the tax reserve established for any uncertain tax issues is adequate with respect to these years.

Quarterly, the Group reviews any potentially unfavorable tax outcomes and when an unfavorable outcome is identified as being probable and can be reasonably estimated, the Group then establishes a tax reserve for such possible unfavorable outcome. Estimating potential tax outcomes for any uncertain tax issues is highly judgmental and may not be indicative of the ultimate settlement with the tax authorities. With respect to these items, as at 31 December 2010, the Group has provided a reserve of HK$41.9 million (2009: HK$37.4 million) and included this amount in "other long-term liabilities" with the corresponding charge to current income tax expense in the consolidated statement of comprehensive income. The Group believes that it has adequately provided reasonable reserves for prudent and foreseeable outcomes related to uncertain tax matters. As a result of the lack of authoritative guidance regarding the computation of the Group's Complementary Tax exemptions, the Group establishes reserves for its estimates of additional tax exposures if such exemptions are denied by the Macau tax authorities.

## 5. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per Share for the year ended 31 December 2010 is based on the consolidated net profit attributable to owners of the Company and on the weighted average number of Shares of 5,187,500,000 in issue during the year.

The weighted average number of Shares used to calculate the basic earnings per Share for the year ended 31 December 2009, which was 5,040,068,493, included the weighted average of 40,068,493 Shares issued upon the full exercise of the over-allotment option of the Company's Shares on the Hong Kong Stock Exchange on 14 October 2009. In addition, it also included the pro forma issued share capital of the Company of 5,000,000,000 Shares, comprising the following and on the assumption that the Group Reorganization had been effective on 1 January 2009:

(a) the one share of the Company allotted and issued at HK$1 paid on 4 September 2009 and subdivided into 1,000 Shares of par value of HK$0.001 each (note 9 (iii)); and

(b) the 3,749,999,000 Shares issued pursuant to the Group Reorganization on 8 October 2009 and the 1,250,000,000 Shares issued pursuant to the Company's initial public offering on 9 October 2009 (note 9 (iv)).

The diluted earnings per Share amount for the year ended 31 December 2010 is calculated based on the consolidated net profit attributable to owners of the Company and on the weighted average number of 5,187,500,000 Shares in issue plus nil potential shares arising from exercise of share options. The diluted earnings per Share for the year ended 31 December 2009 equals to the basic earnings per Share for that period as there were no potential dilutive Shares outstanding during that period.

## 6. LEASEHOLD INTEREST IN LAND

The Group has the leasing rights for certain land under a 25-year concession, which expires in August 2029, granted by the Macau government in return for the payment of premiums amounting to MOP319.4 million (approximately HK$310.1 million) plus interest by installments which were completed in 2009. In 2004, the Group also paid approximately MOP144.2 million (approximately HK$140.0 million) to an unrelated third party for its relinquishment of rights to a portion of the said land under concession. Also in November 2009, the Group paid MOP113.4 million (approximately HK$110.1 million) to the Macau government related to government required modifications to the land concession due to the construction of Encore at Wynn Macau, the expansion of Wynn Macau and the additional square footage added as a result of all such construction and expansion.

In May 2010, WRM purchased a house for the use by one of the Group's executives as described in note 10 to the financial statements which included a land lease right of MOP34.3 million (approximately HK$33.3 million).

Leasehold interest activity is set forth below:

| | **Group** | |
|---|---|---|
| | **As at 31 December** | |
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| **Cost:** | | |
| At beginning of the year | **561,633** | 451,495 |
| Addition | **33,288** | 110,138 |
| At end of the year | **594,921** | 561,633 |
| **Amortization:** | | |
| At beginning of the year | **97,280** | 79,222 |
| Amortization charge for the year | **22,512** | 18,058 |
| At end of the year | **119,792** | 97,280 |
| **Net carrying amount** | **475,129** | 464,353 |

## 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following as at 31 December 2010 and 2009:

| | Group As at 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| Casino | **701,235** | 430,758 |
| Hotel | **10,426** | 5,328 |
| Other | **108,512** | 158,220 |
| | **820,173** | 594,306 |
| Less: allowance for doubtful accounts | **(334,760)** | (268,917) |
| Total trade and other receivables, net | **485,413** | 325,389 |

An aged analysis of trade and other receivables is as follows:

| | Group As at 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| Within 30 days | **272,664** | 183,187 |
| 31 to 60 days | **106,525** | 135,679 |
| 61 to 90 days | **134,969** | 10,922 |
| Over 90 days | **306,015** | 264,518 |
| | **820,173** | 594,306 |
| Less: allowance for doubtful accounts | **(334,760)** | (268,917) |
| Net of allowance for doubtful accounts | **485,413** | 325,389 |

Substantially all of the trade and other receivables as at 31 December 2010 and 2009 were repayable within 14 days.

As at 31 December 2010, trade and other receivables at a nominal value of HK$334.8 million (2009: HK$268.9 million) were impaired and fully provided for. Movements in the provision for impairment of receivables of the Group were as follows:

| | **Individually Impaired** | **Collectively Impaired** | **Total** |
|---|---|---|---|
| | *HK$* | *HK$* | *HK$* |
| | | *(in thousands)* | |
| At 1 January 2009 | — | 289,884 | 289,884 |
| Charge for the year | — | 11,656 | 11,656 |
| Amounts written off | — | (32,623) | (32,623) |
| At 31 December 2009 and 1 January 2010 | — | 268,917 | 268,917 |
| Charge for the year | — | 98,224 | 98,224 |
| Amounts written off | — | (32,381) | (32,381) |
| At 31 December 2010 | — | 334,760 | 334,760 |

## 8. ACCOUNTS PAYABLE

During 2010 and 2009, the Group normally received credit terms of 30 days. An aged analysis of accounts payable as at 31 December 2010 and 2009, based on invoice dates, is as follows:

| | **Group As at 31 December** | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| Within 30 days | **886,886** | 722,504 |
| 31 to 60 days | **11,313** | 1,679 |
| 61 to 90 days | **3,067** | 2,202 |
| Over 90 days | **116,820** | 357 |
| | **1,018,086** | 726,742 |

The "Over 90 days" balance includes HK$111.2 million of short-term construction retention and construction payables which will be paid on or before 31 May 2011.

## 9. ISSUED CAPITAL

| | **As at 31 December** | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| Authorized: | | |
| 20,000,000,000 Shares of HK$0.001 each | **20,000** | 20,000 |
| Issued and fully paid: | | |
| 5,187,500,000 Shares of HK$0.001 each | **5,188** | 5,188 |

The following changes in the Company's authorized and issued share capital for the years ended 31 December 2010 and 2009:

| | Notes | Number of Shares of HK$0.001 | Nominal value of Shares HK$ |
|---|---|---|---|
| **Authorized:** | | | |
| Upon incorporation and after the subdivision | (i) | 5,000,000,000 | 5,000,000 |
| Increase in authorized share capital | (ii) | 15,000,000,000 | 15,000,000 |
| **At 31 December 2009, 1 January 2010 and 31 December 2010** | | **20,000,000,000** | **20,000,000** |
| **Issued:** | | | |
| Allotted and issued | (iii) | 1,000 | 1 |
| Shares issued in connection with the Group Reorganization and the initial public offering | (iv) | 4,999,999,000 | 4,999,999 |
| New issue of Shares in connection with the over-allotment option | (v) | 187,500,000 | 187,500 |
| **At 31 December 2009, 1 January 2010 and 31 December 2010** | | **5,187,500,000** | **5,187,500** |

(i) Upon incorporation of the Company on 4 September 2009, the authorized share capital of the Company was HK$5,000,000 divided into 5,000,000 shares of HK$1 each. On 16 September 2009, the authorized share capital and each ordinary shares of par value of HK$1 in the authorized share capital of the Company was subdivided into 1,000 Shares of a par value of HK$0.001 each.

(ii) Immediately after the subdivision as in note (i) above on 16 September 2009, the authorized share capital of the Company was increased from HK$5,000,000 divided into 5,000,000,000 Shares of a par value of HK$0.001 each to HK$20,000,000 divided into 20,000,000,000 Shares each of a par value of HK$0.001 by the creation of additional 15,000,000,000 Shares with a par value of HK$0.001 each.

(iii) On 4 September 2009, one share of HK$1 was issued at par to Mapcal Limited as the subscriber and was transferred to WM Cayman Holdings Limited I for HK$1. On 16 September 2009, the Company's ordinary share at par value of HK$1 was subdivided into 1,000 Shares of a par value of HK$0.001 each.

(iv) Pursuant to the resolutions of the sole Shareholder passed on 16 September 2009 and the Group Reorganization which was completed on 8 October 2009, 3,749,999,000 Shares of HK$0.001 each in the Company were allotted and issued and credited as fully paid at par, as partial consideration for the acquisition of the entire issued capital of a subsidiary, to the then sole Shareholder of the Company, whose name appeared in the register of the Company on 8 October 2009.

In connection with the Company's initial public offering, 1,250,000,000 Shares of HK$0.001 each were issued at a price of HK$10.08 per Share for a total cash consideration, before expenses, of HK$12,600,000,000. Dealings in these Shares on the Hong Kong Stock Exchange commenced on 9 October 2009.

(v) In connection with the Company's full exercise of the over-allotment option, 187,500,000 Shares of HK$0.001 each were issued at a price of HK$10.08 per Share for a total cash consideration, before expenses, of HK$1,890,000,000. Dealings in these Shares on the Hong Kong Stock Exchange commenced on 14 October 2009.

Except as otherwise provided by the Company's articles of association or the Cayman Islands law, each holder of Shares is entitled to one vote for each Share held of record on each matter submitted to a vote of Shareholders. Holders of the Shares have no cumulative voting conversion, redemption or pre-emptive rights or other rights to subscribe for additional Shares. Subject to any preferences that may be granted to the holders of the Company's preferred stock, each Shareholder is entitled to receive ratably such dividends as may be declared by the Board out of funds legally available therefore, as well as any distributions to the Shareholders and, in the event of liquidation, dissolution or winding up of the Company, is entitled to share ratably in all assets of the Company remaining after payment of liabilities.

## 10. RELATED PARTY DISCLOSURES

As at 31 December 2010 and 2009, the outstanding balances between the Group and the related companies were as follows:

| Name of Related Companies | Relation to the Companies | Group As at 31 December 2010 HK$ (in thousands) | 2009 HK$ |
|---|---|---|---|
| **Due from related companies — current** | | | |
| WIML | Subsidiary of Wynn Resorts, Limited | **385,529** | 123,407 |
| Wynn Hotel Sales & Marketing, LLC | Subsidiary of Wynn Resorts, Limited | **348** | 299 |
| Wynn Manpower Limited | Subsidiary of Wynn Resorts, Limited | **292** | 292 |
| Cotai Land Development Company, Limited | Subsidiary of Wynn Resorts, Limited | **126** | 91 |
| | | **386,295** | 124,089 |
| **Due to related companies — current** | | | |
| Wynn Las Vegas, LLC | Subsidiary of Wynn Resorts, Limited | **54,752** | 41,515 |
| WM Cayman Holdings Limited I | Subsidiary of Wynn Resorts, Limited | **—** | 3,766 |
| Wynn Design & Development | Subsidiary of Wynn Resorts, Limited | **3,149** | 44,183 |
| Wynn Resorts, Limited | Ultimate parent company | **164,353** | 97,568 |
| Worldwide Wynn | Subsidiary of Wynn Resorts, Limited | **10,983** | 2,851 |
| Las Vegas Jet, LLC | Subsidiary of Wynn Resorts, Limited | **2,685** | — |
| | | **235,922** | 189,883 |

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

The Group had the following material transactions with related companies:

| Name of Related Companies | Relation to the Companies | Primary Nature of Transactions | Group For the year ended 31 December 2010 HK$ (in thousands) | 2009 HK$ |
|---|---|---|---|---|
| Wynn Resorts, Limited | Ultimate parent company | Corporate support services (i) | **157,866** | 89,799 |
| Wynn Resorts, Limited | Ultimate parent company | Royalty fees (ii) | **892,571** | 554,525 |
| Wynn Resorts, Limited | Ultimate parent company | Share-based payment expenses | **45,017** | 45,279 |
| WIML | Subsidiary of Wynn Resorts, Limited | International marketing expenses (iii) | **82,298** | 64,146 |
| Worldwide Wynn | Subsidiary of Wynn Resorts, Limited | Staff secondment payroll charges (iv) | **63,709** | 46,459 |
| Wynn Design & Development | Subsidiary of Wynn Resorts, Limited | Design/development payroll | **15,085** | 17,708 |
| Las Vegas Jet, LLC | Subsidiary of Wynn Resorts, Limited | Airplane usage charges (i) | **10,072** | 5,481 |
| Wynn Resorts Hotel Sales & Marketing, LLC | Subsidiary of Wynn Resorts, Limited | Hotel sales and marketing expenses (v) | **—** | 1,306 |

All of the above transactions are noted as continuing related party transactions.

*Notes:*

**(i) Corporate support services**

Wynn Resorts, Limited provides corporate support services in large part related to assisting the Group with U.S. regulatory requirements. These services consist of a limited number of executives in relevant areas assisting the Group on U.S. regulatory and certain limited other matters. The assistance includes guidance on certain issues and ensuring that, from a regulatory standpoint, Wynn Resorts, Limited's standard operating procedures are followed and maintained by the Group. The annual fee for the services provided by Wynn Resorts, Limited is based on an allocation of the actual proportion of Wynn Resorts, Limited's annual corporate departments' costs (including salaries and benefits for such employees during the period in which such services are rendered) and overhead expense related to the provision of such services, and in any event, such annual fee shall not exceed 50% of the aggregate annual corporate departments' costs and overhead expenses incurred by Wynn Resorts, Limited during any financial year.

Similarly, WML and WRM had reciprocal arrangements to allow Wynn Resorts, Limited or its subsidiaries (other than the Group) to have access to the services of any of the Group's employees provided that such services do not materially interfere with such employees' obligations to, and responsibilities with, the Group. For services provided by the Group's employees, Wynn Resorts, Limited shall pay for the services based on an actual cost (including salaries and benefits for such employees during the period when such services are being rendered) and expenses on a reimbursement basis.

Wynn Resorts, Limited allows WRM and certain of its employees to use aircraft assets owned by Wynn Resorts, Limited and its subsidiaries (other than the Group) at hourly rates set by Las Vegas Jet, LLC, a subsidiary of Wynn Resorts, Limited. Similarly, WRM has reciprocal arrangements to allow Wynn Resorts, Limited or its subsidiaries (other than the Group) to use any aircraft assets that the Group could own in the future.

**(ii) Royalty fees**

Prior to Listing, WRM had an arrangement with Wynn Resorts, Limited and Wynn Resorts Holdings, LLC (together, the "Licensors") under which the Licensors licensed to WRM certain trademarks and service marks, other marks and works, domain names, and hotel casino design, development and management know-how (collectively, the "Intellectual Property Rights"). On 19 September 2009, each of the Company and WRM entered into an intellectual property license agreement with the Licensors (together, the "IP License Arrangement"), which has a perpetual term. Pursuant to the IP License Arrangement, the Licensors licensed to each of the Company and WRM the right to use the Intellectual Property Rights using the same pricing basis as described below. The IP License Arrangement is also subject to restrictions in the agreements between Wynn Resorts Holdings, LLC or Wynn Resorts, Limited and any third parties, including Mr. Stephen A. Wynn, in respect of a third party's intellectual property, including any applicable limitations on the scope of the license, limitations on sub-licensing, termination (including change of control) under certain circumstances and other standard provisions.

The license fees payable to Wynn Resorts Holdings, LLC equal the greater of (1) 3% of the IP gross monthly revenues, and (2) US$1.5 million (approximately HK$11.6 million) per month. For the purposes of each intellectual property license agreement, the term "IP gross revenues" refers to the licensee's total operating revenues as adjusted by adding back (1) commissions and discounts which were netted against operating revenues, and (2) promotional allowances, and the term "IP gross monthly revenues" refers to the licensee's IP gross revenues accrued at the end of each calendar month. The calculation of each licensee's operating revenues, promotional allowances, and commissions and discounts in connection with the IP gross revenues stated in the intellectual property license agreements shall always be consistent with the Group's accounting policies and prepared in accordance with IFRSs as in effect from 31 December 2008. If any other subsidiary of the Company (other than WRM) acquires the Intellectual Property Rights under the intellectual property license agreement between the Company and the Licensors, "IP gross revenues" and "IP monthly gross revenues" will be interpreted to include the gross revenues of such relevant subsidiary.

The following table presents a reconciliation of total operating revenues (as reported in the these financial statements) to WRM's IP gross revenues as used for the purposes of the IP License Arrangement between WRM and the Licensors.

| | **Group** | |
|---|---|---|
| | **For the year ended 31 December** | |
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| Total operating revenues | **22,438,939** | 14,076,900 |
| Commissions and discounts included in operating revenues | **6,336,848** | 3,805,861 |
| Promotional allowances | **976,865** | 601,112 |
| IP gross revenues | **29,752,652** | 18,483,873 |

**(iii) International marketing expenses**

WIML, a subsidiary of Wynn Resorts, Limited, (i) provides administrative, promotional, and marketing services as well as a limited number of marketing executives to attract and introduce customers to WRM, and (ii) employs certain non-Macau residents based in or to be based in Macau ("Foreign Resident Staff") on the Company's behalf and seconds such Foreign Resident Staff to the Group.

These administrative, promotional and marketing services are provided through branch offices located in various cities around the world under the direction and supervision provided by WIML. For the services provided under this arrangement, WIML charges a service fee equal to the total costs it incurs in rendering the services plus 5%.

**(iv) Staff secondment payroll charges**

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

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

**(v) Hotel sales & marketing expenses**

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

The above transactions were carried out on terms mutually agreed between the Group and the related companies. There were no significant charges from the Group to the related companies during the twelve months ended 31 December 2010 and 2009. In the opinion of the Directors, the related party transactions were conducted in the ordinary and usual course of the Group's business.

All such outstanding balances between the Group and the related companies are deemed to be trade in nature.

**Home purchase**

In May 2010, Worldwide Wynn entered into a new employment agreement with Linda Chen, who is also a director of Wynn Macau, Limited and Wynn Resorts, Limited. The term of the new employment agreement is through 24 February 2020. Under the terms of the new employment agreement, Worldwide Wynn caused Wynn Macau to purchase a house in Macau for use by Ms. Chen costing approximately HK$42 million, and will expend additional funds to renovate the house and will also provide Ms. Chen with the use of an automobile in Macau. Ms. Chen shall have the option to purchase the house and it is exercisable for (a) no consideration at the end of the 10-year term, (b) US$1.00 in the event of termination of Ms. Chen's employment without "cause" or termination of Ms. Chen's employment for "good reason" following a "change of control", and (c) at a price based on a percentage of the fair market value of the house that is reduced by ten percent per year during the term of the agreement (the "Discount Percentage") in the event Ms. Chen terminates the employment agreement due to material breach by Worldwide Wynn. Upon Ms. Chen's termination for "cause", Ms. Chen will be deemed to have elected to purchase the Macau house based on the applicable Discount Percentage unless Worldwide Wynn determines to not require Ms. Chen to purchase the house. If Ms. Chen's employment terminates for any other reason before the expiration of the term (e.g., because of her death or disability or due to revocation of gaming license), the option will terminate.

**Other related party disclosures**

In addition to the above, the Group leased through June 2009 a living quarter for one of the Group's executives from a shareholder of the Group. This shareholder did not have profit participation shares in the Group. For the year ended 31 December 2009, the Group incurred HK$147,000 of rental expense relating to the executive's living quarter.

**Compensation of senior/key management personnel of the Group**

| | **Group** | |
|---|---|---|
| | **For the year ended 31 December** | |
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| Salaries, bonuses, allowances and benefits in kind | **97,403** | 67,719 |
| Share-based payments | **41,688** | 39,836 |
| Retirement benefits | **346** | 382 |
| Total compensation paid to senior/key management personnel | **139,437** | 107,937 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview

Wynn Macau opened to the public on 6 September 2006 at the center of casino activities on the urban Macau peninsula. In December 2007 and November 2009, Wynn Macau completed expansions, adding more gaming space and additional food and beverage and retail amenities. Encore at Wynn Macau, a further expansion of Wynn Macau that adds a fully integrated resort hotel with, among other offerings, 410 luxury suites and four villas, additional gaming space, restaurants and retail space, opened on 21 April 2010. As at 31 December 2010, Wynn Macau and Encore occupied approximately 16 acres of land in Macau featuring casino areas of approximately 256,000 square feet offering 24-hour gaming with a full range of games and 1,009 luxury rooms and suites.

For the year ended 31 December 2010, our total operating revenues were HK$22.4 billion, and our net profit was HK$4.4 billion, a 59.4% increase over total operating revenues of HK$14.1 billion, and a 113.8% increase over net profit of HK$2.1 billion for the year ended 31 December 2009.

### *Macau*

Macau, which was a territory under Portuguese administration for approximately 450 years, was transferred from Portuguese to Chinese political control in December 1999. Macau is governed as a special administrative region of China and is located approximately 37 miles southwest of, and less than one hour away via ferry from, Hong Kong. Macau, which has been a casino destination for more than 40 years, consists principally of a peninsula on mainland China, and two neighboring islands, Taipa and Coloane. We believe that Macau is located in one of the world's largest concentrations of potential gaming customers. According to Macau Statistical Information, casinos in Macau generated approximately HK$182.9 billion in gaming revenue during the year ended 31 December 2010, an increase of approximately 57.8% over the approximate HK$115.9 billion generated in the year ended 31 December 2009, making Macau the largest gaming market in the world.

Macau's gaming market is primarily dependent on tourists. The Macau market has experienced tremendous growth in capacity in the last few years. As at 31 December 2010, there were 20,091 hotel rooms and 4,791 table games in Macau, compared to 12,978 hotel rooms and 2,760 table games as at 31 December 2006.

### *Wynn Macau*

We opened Wynn Macau on 6 September 2006 and completed expansions of the resort in December 2007 and November 2009. Wynn Macau features:

- an approximately 222,000 square foot casino offering 24-hour gaming and a full range of games, including private gaming salons, a sky casino and a poker area;

- luxury hotel accommodations in 595 rooms and suites;

- casual and fine dining in six restaurants;

- a retail promenade occupying approximately 48,000 square feet featuring high-end, brand-name retail stores and boutiques such as Bvlgari, Chanel, Christian Dior, Dunhill, Ermenegildo Zegna, Fendi, Ferrari, Giorgio Armani, Gucci, Hermes, Hugo Boss, Louis Vuitton, Miu Miu, Piaget, Prada, Rolex, Tiffany, Tudor, Van Cleef & Arpels, Versace, Vertu and others;

- recreation and leisure facilities, including a health club, pool and a full service luxury spa;

- lounges and meeting facilities; and

- a performance lake and rotunda show.

***Encore***

We opened Encore on 21 April 2010. While Encore is a destination in itself, it is also complemented by, and fully integrated with, the existing operations and facilities at Wynn Macau. We believe we have further solidified Wynn Macau's position as a premier destination for VIP clients in Macau as well as enhanced our offerings to mass market clients with the addition of the following at Encore:

- an approximately 34,000 square foot casino offering 24-hour gaming and a full range of games, including private gaming salons and a sky casino;

- 370 luxury suites of approximately 1,000 square feet each and 40 luxury suites of approximately 2,000 square feet each;

- four villas of approximately 7,000 square feet, each connected to private gaming salons;

- approximately 3,200 square feet of high-end retail space featuring Chanel, Piaget and Cartier;

- two restaurants and one lounge; and

- a full service luxury spa.

The following table presents certain information about the number of casino games available at Wynn Macau and Encore:

| | **As at 31 December** | |
|---|---|---|
| | **2010** | 2009 |
| VIP table games | **238** | 196 |
| Mass market table games | **225** | 198 |
| Slot machines | **1,013** | 1,195 |
| Poker tables | **11** | 11 |

In response to our evaluation of our operations and the feedback from our guests, we have been, and will continue to make enhancements and refinements to this resort complex.

**Cotai Development**

The Group has applied to the Macau government for a land concession on approximately 52 acres of land on Cotai and is awaiting final approval by the Macau government on the concession. We continue to work on the concept and design of this property, but cannot prepare a final timeline or budget until the Macau government approval of the land concession is received.

**Cotai Land Agreement**

On 1 August 2008, Palo Real Estate Company Limited entered into an agreement with a Macau incorporated company that is not a connected person of the Group to pay the latter for its relinquishment of certain rights in and to any future development on the approximately 52 acres of land on Cotai.

## Factors Affecting Our Results of Operations and Financial Condition

***Tourism***

The levels of tourism and overall gaming activities in Macau are key drivers of our business. Both the Macau gaming market and visitation to Macau have grown significantly in the last few years. We have benefited from the rise in visitation to Macau over the past several years.

Gaming customers traveling to Macau typically come from nearby destinations in Asia including Hong Kong, mainland China, Taiwan, South Korea and Japan. According to the Macau Statistics and Census Service Monthly Bulletin of Statistics, approximately 88% of visitors to Macau in 2010 were from Hong Kong, mainland China and Taiwan. We believe that visitation and gross gaming revenue growth for the Macau market have been, and will continue to be, driven by a combination of factors, including the level of regional wealth in Asia which, should it continue to increase, is expected to lead to a large and growing middle class with rising disposable income; Macau's proximity to major Asian population centers; infrastructure improvements that are expected to facilitate more convenient travel to and within Macau; and the increasing supply of better quality casino, hotel and entertainment offerings in Macau.

Tourism levels in Macau are affected by a number of factors, all of which are beyond our control. Key factors affecting tourism levels in Macau may include, among others:

— Prevailing economic conditions in China and Asia;

— Various countries' policies on the issuance of travel visas that may be in place from time to time and could affect travel to Macau;

— Competition from other destinations which offer gaming and leisure activities;

— Possible changes to government restrictions on currency conversion or the ability to export currency from China or other countries; and

— Possible outbreaks of infectious disease.

*Economic and Operating Environment*

Our operating environment remained stable in 2010. However, economic conditions can have a significant impact on our business. A number of factors, including a slowdown in the global economy, contracting credit markets, reduced consumer spending, various countries' policies that affect travel to Macau and any outbreak of infections diseases can negatively impact the gaming industry in Macau and our business.

*Competition*

Since the liberalization of Macau's gaming industry in 2002, there has been a significant increase in the number of gaming operators and casino properties in Macau. Currently, there are six gaming operators in Macau, including WRM. The three concessionaires are WRM, Galaxy and SJM. The three subconcessionaires are Venetian Macau, Melco Crown, and MGM Macau. As at 31 December 2010, there were approximately 33 casinos in Macau, including 20 operated by SJM. Each of the current six operators has operating casinos and several expansion plans announced or underway.

Wynn Macau also faces competition from casinos located in other areas of Asia, such as Genting Highlands Resort, a major gaming and resort destination located outside of Kuala Lumpur, Malaysia, and casinos in the Philippines. Two large-scale casinos in Singapore, which opened in February 2010 and in April 2010, have added further competition to the region. Wynn Macau also encounters competition from other major gaming centers located around the world, including Australia and Las Vegas, cruise ships in Asia that offer gaming, and other casinos throughout Asia. Further, if current efforts to legalize gaming in other Asian countries are successful, Wynn Macau will face additional regional competition.

*Gaming Promoters*

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

Gaming promoters introduce high-spending VIP players to Wynn Macau and often assist those clients with their travel and entertainment arrangements. In addition, gaming promoters often grant credit to their players. In exchange for their services, Wynn Macau pays the gaming promoters a fixed percentage of the gross gaming win generated by each gaming promoter. This percentage has remained stable since 2006. Approximately 80% of these commissions are netted against casino revenues, because such commissions approximate the amount of the commission returned to the VIP players by the gaming promoters, and approximately 20% of these commissions are included in other operating expenses, which approximate the amount of the commission ultimately retained by the gaming promoters for their compensation. The total amount of commissions netted against casino revenues were HK$5.8 billion and HK$3.4 billion for the year ended 31 December 2010 and 2009, respectively. Commissions increased 69.7% for the year ended 31 December 2010 compared to the year ended 31 December 2009 due to increased volumes of play generated by gaming promoters and the addition of three new gaming promoters. Additionally, gaming promoters each receive a monthly complimentary allowance based on a percentage of the turnover their clients generate.

The allowance is available for room, food and beverage and other products and services for discretionary use with clients. We typically advance commissions to gaming promoters at the beginning of each month to facilitate their working capital requirements. These advances are provided to a gaming promoter and are offset by the commissions earned by such gaming promoter during the applicable month. The aggregate amounts of exposure to our gaming promoters, which is the difference between commissions advanced to each individual gaming promoter, and the commissions payable to each such gaming promoter, were HK$246.3 million and HK$127.7 million as at 31 December 2010 and 2009, respectively. Outstanding commissions advanced during a month to a gaming promoter are always cleared no later than the fifth day of the succeeding month and prior to the advancement of any further funds to a gaming promoter. We believe we have developed strong relationships with our gaming promoters. Our commission levels have remained stable throughout our operating history and we have not increased levels of commissions paid to gaming promoters.

In August 2009, the Macau government published, in its official gazette, certain guidelines with respect to caps on the commission rates payable to gaming promoters that became effective on 1 December 2009. Further changes or tightening of caps may occur and if the Macau government were to implement caps on commission rates payable to gaming promoters that cause WRM to pay gaming promoters effectively less than what WRM currently pays, gaming promoters may have less incentive to bring travelers to casinos in Macau, including Wynn Macau.

### *High-End Credit Play*

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

### *Number and Mix of Table Games and Slot Machines*

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

## Adjusted EBITDA

Adjusted EBITDA is earnings before finance costs, taxes, depreciation, amortization, pre-opening costs, property charges and other, share-based payments, and other non-operating income/(expense). Adjusted EBITDA is presented exclusively as a supplemental disclosure because our Directors believe that it is widely used to measure the performance, and as a basis for valuation, of gaming companies. Our Adjusted EBITDA presented herein also differs from the Adjusted EBITDA presented by Wynn Resorts, Limited for its Macau segment in its filings with the Securities and Exchange Commission in the United States, primarily due to the inclusion of royalty fees, adjustments for IFRS differences with U.S. GAAP, corporate support and other support services in arriving at operating profit.

The following table sets forth a quantitative reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurement, operating profit, for the years ended 31 December 2010 and 2009.

| | For the year ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| Operating profit | **4,696,933** | 2,414,463 |
| Add | | |
| Depreciation and amortization | **989,516** | 718,169 |
| Pre-opening costs[(1)] | **54,571** | 11,417 |
| Property charges and other | **47,009** | 19,211 |
| Share-based payments | **46,613** | 45,279 |
| Wynn Macau, Limited corporate expenses | **41,492** | 33,829 |
| Adjusted EBITDA | **5,876,134** | 3,242,368 |

*Note:*

(1) Pre-opening costs for the years 2010 and 2009 primarily consisted of payroll attributable to staff engaged in the start-up operations of Encore which opened on 21 April 2010.

**Review of Historical Operating Results**

***Summary Breakdown Table***

The following table presents certain selected income statement line items and certain other data.

| | **For the year ended 31 December** | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands, except for averages, daily win figures and number of tables and slot machines)* | |
| Total casino revenues[(1)] | **21,057,676** | 13,185,580 |
| Rooms[(2)] | **143,759** | 102,791 |
| Food and beverage[(2)] | **165,916** | 133,443 |
| Retail and other[(2)] | **1,071,588** | 655,086 |
| **Total operating revenues** | **22,438,939** | 14,076,900 |
| VIP table games turnover | **709,051,343** | 421,045,483 |
| VIP gross table games win[(1)] | **21,306,738** | 12,207,185 |
| Mass market table games drop | **18,213,674** | 15,481,472 |
| Mass market gross table games win[(1)] | **4,291,627** | 3,382,787 |
| Slot machine handle | **32,681,273** | 26,331,772 |
| Slot machine win[(1)] | **1,697,278** | 1,304,444 |
| Average number of gaming tables[(3)] | **439** | 371 |
| Daily gross win per gaming table[(4)] | **159,755** | 115,077 |
| Average number of slots[(3)] | **1,167** | 1,195 |
| Average daily win per slot[(4)] | **3,985** | 2,991 |

*Notes:*

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

| | For the year ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| VIP gross table games win | **21,306,738** | 12,207,185 |
| Mass market gross table games win | **4,291,627** | 3,382,787 |
| Slot machine win | **1,697,278** | 1,304,444 |
| Poker revenues | **98,881** | 97,025 |
| Commissions and discounts | **(6,336,848)** | (3,805,861) |
| Total casino revenues | **21,057,676** | 13,185,580 |

(2) Promotional allowances are excluded from revenues in the accompanying consolidated statement of comprehensive income prepared in accordance with IFRS. Management also evaluates non-casino revenues on an adjusted basis.

The following table presents a reconciliation of net non-casino revenues as reported in our consolidated statement of comprehensive income to gross non-casino revenues calculated on the adjusted basis. The adjusted non-casino revenues as presented below are used for management reporting purposes and are not representative of revenues as determined under IAS 18.

| | For the year ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| Room revenues | **143,759** | 102,791 |
| Promotional allowances | **570,021** | 334,160 |
| Adjusted room revenues | **713,780** | 436,951 |
| Food and beverage revenues | **165,916** | 133,443 |
| Promotional allowances | **384,573** | 258,679 |
| Adjusted food and beverage revenues | **550,489** | 392,122 |
| Retail and other revenues | **1,071,588** | 655,086 |
| Promotional allowances | **22,271** | 8,273 |
| Adjusted retail and other revenues | **1,093,859** | 663,359 |

(3) For purposes of this table, we calculate average number of gaming tables and average number of slots as the average numbers of gaming tables and slot machines in service on each day in the year.

(4) Daily gross win per gaming table and daily win per slot are presented in this table on the basis of the average number of gaming tables and average number of slots, respectively, over the number of days Wynn Macau and Encore were open in the applicable year. In addition, the total table games win figures used herein do not correspond to casino revenues figures in our financial statements, because figures in our financial statements are calculated net of commissions and discounts and the total table games win herein is calculated before commissions and discounts.

## Discussion of Results of Operations

***Financial results for the year ended 31 December 2010 compared to financial results for the year ended 31 December 2009***

## Operating Revenues

Total operating revenues increased by 59.4% from HK$14.1 billion in 2009 to HK$22.4 billion in 2010. We believe this increase was due to a combination of factors, including the opening of Encore, increased visitation and an overall increase in gaming volumes in Macau during 2010.

## Casino Revenues

Casino revenues increased by 59.7%, from HK$13.2 billion (93.7% of total operating revenues) in 2009 to HK$21.1 billion (93.8% of total operating revenues) in 2010. The components and reasons are as follows:

*VIP casino gaming operations.* VIP gross table games win increased by 74.5%, from HK$12.2 billion in 2009 to HK$21.3 billion in 2010. VIP table games turnover increased by 68.4%, from HK$421.0 billion in 2009 to HK$709.1 billion 2010. VIP gross table games win as a percentage of turnover (calculated before discounts and commissions) increased from 2.9% in 2009 to 3.0% in 2010 (win percentages are within the expected range of 2.7% to 3.0%). In November 2009, we added two new private gaming salons with 29 VIP tables and on 21 April 2010, we added 37 VIP tables with the opening of Encore which helped drive some of the growth in our VIP segment in 2010 compared to the prior year.

*Mass market casino gaming operations.* Mass market gross table games win increased by 26.9%, from HK$3.4 billion in 2009 to HK$4.3 billion in 2010. Mass market table games drop increased by 17.7%, from HK$15.5 billion in 2009 to HK$18.2 billion in 2010. The mass market gross table games win percentage (calculated before discounts) was 21.9% in 2009 compared to 23.6% in 2010, which was above the expected win percentage range of 19% to 21%.

*Slot machine gaming operations.* Slot machine win increased by 30.1% from HK$1.3 billion in 2009 to HK$1.7 billion in 2010. Slot machine handle increased by 24.1%, from HK$26.3 billion in 2009 to HK$32.7 billion in 2010. The increases resulted primarily from the play of high-end slot customers. Consequently, total gross slot win increased and slot machine win per unit per day increased by 33.2% from HK$2,991 in 2009 to HK$3,985 in 2010.

## Non-casino Revenues

Net non-casino revenues, which include room, food and beverage and retail revenues, increased by 55.0%, from HK$891.3 million (6.3% of total operating revenues) in 2009 to HK$1,381.2 million (6.2% of total operating revenues) in 2010. The increase in revenues was largely due to stronger retail sales in 2010 and the opening of Encore.

*Room.* Our room revenues, which exclude promotional allowances in our consolidated statement of comprehensive income, increased by 39.9% from HK$102.8 million in 2009 to HK$143.8 million in 2010. The increase reflects higher business volumes as the opening of Encore increased room inventory available for sale to customers.

Management also evaluates room revenues on an adjusted basis which include promotional allowances. Adjusted room revenues including promotional allowances increased by 63.4% from HK$437.0 million in 2009 to HK$713.8 million in 2010.

The following table presents additional information about our adjusted room revenues (which include promotional allowances):

***Adjusted room revenues information***

| | **For the year ended 31 December** | |
|---|---|---|
| | **2010** | 2009 |
| Adjusted Average Daily Rate (includes promotional allowances of HK$1,812 in 2010 and HK$1,583 in 2009) | **HK$2,261** | HK$2,064 |
| Occupancy | **87.8%** | 87.5% |
| Adjusted REVPAR (includes promotional allowances of HK$1,591 in 2010 and HK$1,385 in 2009) | **HK$1,986** | HK$1,806 |

*Food and beverage.* Food and beverage revenues, which exclude promotional allowances in our consolidated statement of comprehensive income, totaled HK$165.9 million in 2010, a 24.3% increase from 2009 revenues of HK$133.4 million. The increase reflects higher business volumes and the opening of Encore.

Management also evaluates food and beverage revenues on an adjusted basis including promotional allowances. Food and beverage revenues in 2010 adjusted to include these promotional allowances were HK$550.5 million, a 40.4% increase from 2009 adjusted revenues of HK$392.1 million reflecting the increase in business volumes and the opening of Encore.

*Retail and other.* Our retail and other revenues, which exclude promotional allowances in our consolidated statement of comprehensive income, increased by 63.6%, from HK$655.1 million in 2009 to HK$1,071.6 million in 2010. The increase was due primarily to increased sales at several retail outlets, the opening in November 2009 of Wynn and Co. Watches and Jewelry, which sells Cartier and Jaeger Le Coultre products and new outlets at Encore at Wynn Macau including Chanel, Piaget and Cartier at Encore.

Management also evaluates retail and other revenues on an adjusted basis which includes promotional allowances. Adjusted retail and other revenues including promotional allowances increased by 64.9% from HK$663.4 million in 2009 to HK$1,093.9 million in 2010, reflecting the increased sales at several retail outlets and the opening of Wynn and Co. Watches and Jewelry, which sells Cartier and Jaeger Le Coultre products at Wynn Macau, and Chanel, Piaget and Cartier at Encore.

### Operating Costs and Expenses

*Gaming taxes and premiums.* Gaming taxes and premiums increased by 60.4%, from HK$6.7 billion in 2009 to HK$10.8 billion in 2010. This increase was due to increased gross gaming win in 2010 compared to 2009. Wynn Macau is subject to a 35% gaming tax on gross gaming win. In addition, Wynn Macau is also required to pay 4% of its gross gaming win as contributions for public development and social facilities.

*Staff costs.* Staff costs increased by 14.3%, from HK$1.6 billion in 2009 to HK$1.8 billion in 2010. The increase was primarily due to the hiring of additional staff for Encore.

*Other operating expenses.* Other operating expenses increased by 57.6%, from HK$2.6 billion in 2009 to HK$4.1 billion in 2010. The increase in other operating costs was primarily due to increased business volume related expenses such as gaming promoter's commissions, cost of sales and royalty fees.

*Depreciation and amortization.* Depreciation and amortization increased by 37.8% from HK$718.2 million in 2009 to HK$989.5 million in 2010. This increase was primarily due to the impact of assets placed in service with the opening of Encore in April 2010 and the expansion that opened in November 2009.

*Property charges and other.* Property charges and other increased by 144.7%, from HK$19.2 million in 2009 to HK$47.0 million in 2010. The charges in each year represent gain/loss on the sale of equipment as well as costs related to assets retired or abandoned as a result of renovating certain assets of Wynn Macau in response to customer preferences and changes in market demand.

As a result of the foregoing, total operating costs and expenses increased by 52.1%, from HK$11.7 billion in 2009 to HK$17.7 billion in 2010.

### Finance Revenues

Finance revenues decreased by 64.6%, from HK$5.7 million in 2009 to HK$2.0 million in 2010, reflecting a significant decrease in the average invested cash balances compared to the prior year.

### Finance Costs

Finance costs decreased by 19.5%, from HK$317.4 million in 2009 to HK$255.5 million in 2010. Finance costs decreased in 2010 primarily due to the reduction in amounts outstanding under the revolver component of the Wynn Macau Credit Facility and lower interest rates in 2010 compared to 2009.

## Interest Rate Swaps

As required under the terms of our various credit facilities, we have entered into agreements which swap a portion of the interest on our loans from floating to fixed rates. These transactions do not qualify for hedge accounting.

Changes in the fair value of our interest rate swaps are recorded as an increase or decrease in swap fair value during each year. We recorded a credit of HK$26.5 million for 2010 resulting from the increase in the fair value of our interest rate swaps in 2010. We recorded an expense of HK$29.5 million in 2009 resulting from the decrease in the fair value of our interest rate swaps in 2009.

## Income Tax Expense

In 2010, our income tax expense was HK$44.1 million compared to an income tax expense of HK$5.6 million in 2009. Our current income tax expense for 2010 primarily relates to income tax expense recorded by WRM to increase tax reserves for possible unfavorable tax outcomes and income tax expense of our subsidiaries owning WRM's shares under the WRM Shareholder Dividend Tax Agreement. Our 2010 deferred income tax provision primarily results from WRM derecognizing certain deferred tax assets no longer believed realizable. During 2009, our income tax expense mainly related to the amount accrued for the years 2006 through 2009 for the WRM Shareholder Dividend Tax Agreement and a deferred tax benefit recorded by WRM resulting from a decrease in its deferred tax liability for property and equipment.

## Net Profit Attributable to Owners of the Company

As a result of the foregoing, net profit attributable to owners of the Company increased by 113.8%, from HK$2.1 billion in 2009 to HK$4.4 billion in 2010.

## Liquidity and Capital Resources

### *Capital Resources*

Since Wynn Macau opened in 2006, we have generally funded our working capital and recurring expenses as well as capital expenditures from cash flow from operations and cash on hand.

*Gearing Ratio*

The gearing ratio is a key indicator of our Group's capital structure. The gearing ratio is net debt divided by total capital plus net debt. The table below presents the calculation of our gearing ratio as at 31 December 2010 and 2009.

| | As at 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands except for percentages)* | |
| Interest-bearing loans and borrowings, net | **4,949,703** | 8,017,177 |
| Accounts payable | **1,018,016** | 726,742 |
| Other payables and accruals | **3,665,441** | 2,621,093 |
| Amounts due to related companies | **235,922** | 189,883 |
| Construction retention payables | **—** | 67,213 |
| Other long-term liabilities, net of uncertain tax position | **23,794** | 19,264 |
| Less: cash and cash equivalents | **(3,819,163)** | (5,228,995) |
| **Net debt** | **6,073,713** | 6,412,377 |
| Equity | **4,297,089** | 3,770,966 |
| **Total capital** | **4,297,089** | 3,770,966 |
| **Capital and net debt** | **10,370,802** | 10,183,343 |
| **Gearing ratio** | **58.6%** | 63.0% |

*Cash Flows*

Our cash balances at 31 December 2010 were HK$3.8 billion. Such cash is available for operations, new development activities and enhancements to Wynn Macau and Encore. In addition, as at 31 December 2010, we had HK$7.0 billion available to draw under the Wynn Macau Credit Facilities.

The following table presents a summary of the Group's cash flows for the years ended 31 December 2010 and 2009.

| | For the year ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in millions)* | |
| Net cash generated from operating activities | **6,878.1** | 4,508.3 |
| Net cash used in investing activities | **(1,015.8)** | (14,949.4) |
| Net cash generated from/(used in) financing activities | **(7,272.1)** | 13,125.8 |
| Net increase/(decrease) in cash and cash equivalents | **(1,409.8)** | 2,684.7 |
| Cash and cash equivalents at beginning of year | **5,229.0** | 2,544.3 |
| Cash and cash equivalents at end of year | **3,819.2** | 5,229.0 |

**Net cash generated from operating activities**

Our net cash generated from operating activities is primarily affected by operating income generated by Wynn Macau and Encore as a result of increased casino revenues, better costs control, and benefits from changes in working capital. Net cash from operating activities was HK$6.9 billion in 2010 compared to HK$4.5 billion in 2009.

Operating profit was HK$4.7 billion in 2010 compared to HK$2.4 billion in 2009.

**Net cash used in investing activities**

Net cash used in investing activities was HK$1.0 billion in 2010, compared to HK$14.9 billion in 2009. In 2009, the Company paid WM Cayman Holdings Limited I HK$12.6 billion to redeem an acquisition note issued by the Company in connection with the Group Reorganization.

Capital expenditures were HK$1.0 billion and HK$2.2 billion in 2010 and 2009, respectively and related primarily to the construction of Encore at Wynn Macau.

**Net cash generated from/(used in) financing activities**

Net cash used in financing activities was HK$7.3 billion during 2010 compared to net cash generated from financing activities of HK$13.1 billion during 2009.

The significant difference between net cash flow used in 2010 and net cash flow generated from 2009 are a HK$3.1 billion repayment net of borrowings of the senior revolving credit facility under WRM's credit facilities made in 2010 compared to the HK$14.5 billion received by the Company from its initial public offering on the Hong Kong Stock Exchange and the full exercise of the over-allotment option, and the dividend payments of HK$3.9 billion in 2010 compared to HK$1.0 billion in 2009.

## Indebtedness

The following table presents a summary of our indebtedness as at 31 December 2010 and 2009.

### *Indebtedness information*

| | As at 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$*** | *HK$* |
| | *(in thousands)* | |
| Senior revolving credit facility | **779,521** | 3,893,923 |
| Senior term loan facility | **4,287,283** | 4,283,103 |
| Total | **5,066,804** | 8,177,026 |

The Group had approximately HK$7.0 billion available to draw under the Wynn Macau Credit Facilities as at 31 December 2010.

## Wynn Macau Credit Facilities

*Overview*

As at 31 December 2010, WRM's credit facilities consisted of HK$12.0 billion in a combination of Hong Kong dollar and U.S. dollar facilities, including a HK$4.3 billion fully funded senior term loan facility and a HK$7.7 billion senior revolving credit facility. The facilities may be used for a variety of purposes, including further enhancements at our resort, investments in other projects in Macau and general corporate purposes.

We have the ability to increase secured debt under the Wynn Macau Credit Facilities by up to an additional US$50 million (approximately HK$389.3 million).

As at 31 December 2010, we had total bank and other borrowings under the Wynn Macau Credit Facilities of HK$5.1 billion, of which HK$1.4 billion was denominated in U.S. dollars and HK$3.7 billion was denominated in Hong Kong dollars.

In July 2009, as part of the Group Reorganization, WRM requested and obtained from its syndicate lenders under the Wynn Macau Credit Facilities certain consents necessary to permit the Group Reorganization. As a result, WM Cayman Holdings Limited II became the highest level obligor, guarantor and chargor under the Wynn Macau Credit Facilities and Wynn Group Asia, Inc. ceased to be an obligor, guarantor or chargor under the Wynn Macau Credit Facilities.

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

*Principal and Interest*

The term loans under the Wynn Macau Credit Facilities mature in June 2014, and the revolving loans under the Wynn Macau Credit Facilities mature in June 2012. The principal amount of the term loans is required to be repaid in quarterly installments, commencing in September 2011. Borrowings under the Wynn Macau Credit Facilities bear interest at LIBOR or HIBOR plus a margin of 1.75%, through 30 September 2010. Commencing in the fourth quarter of 2010, the revolving loans, the hotel facility of the term loan and tranches A and B of the project facility of the term loan are subject to a margin of 1.25% to 2.00% depending on the Group's leverage ratio at the end of each quarter. Tranche C of the project facility of the term loan remains subject to a margin of 1.75%. As at 31 December 2010, the weighted average margin is 1.29%.

*General Covenants*

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

*Financial Covenants*

The Wynn Macau Credit Facilities financial covenants require WRM to maintain a Leverage Ratio, as defined in the Wynn Macau Credit Facilities, of not greater than 4 to 1 as at 31 December 2010, and an Interest Coverage Ratio, as defined in the Wynn Macau Credit Facilities, of not less than 2 to 1. Management believes that the Group was in compliance with all covenants as at 31 December 2010. Going forward, the Group is required to maintain a Leverage Ratio not greater than 3.75 to 1 for the quarterly reporting period ending 30 June 2011 and 30 September 2011 and 3.50 to 1 for the quarterly reporting period ending 31 December 2011. The Interest Coverage Ratio requirement remains at not less than 2 to 1 for all 2011 reporting periods.

*Compliance with Covenants*

The Directors confirm that there is no material non-compliance with the financial covenants or general covenants contained in the Wynn Macau Credit Facilities.

*Mandatory Prepayment*

The Wynn Macau Credit Facilities contain mandatory prepayment provisions, which include, among other matters, prepayment of 50% of excess cash flow, as defined in the Wynn Macau Credit Facilities, if WRM's Leverage Ratio is greater than 4 to 1 for any reporting period.

*Dividend Restrictions*

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

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

*Events of Default*

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

The Wynn Macau Credit Facilities also include a change of control event of default which includes:

- Mr. Stephen A. Wynn, our Chairman and Chief Executive Officer (together with Mr. Kazuo Okada of Universal Entertainment Corporation (formerly known as Aruze Corp.), our non—executive Director) and certain other related parties, including any 80% (or more) owned subsidiary, trust, estate or immediate family members of Mr. Wynn or Mr. Okada) ceasing to control at least 20% of the voting power of Wynn Resorts, Limited;
- Mr. Wynn, together with his related parties but excluding Mr. Okada and Mr. Okada's related parties, ceasing to control at least 10% of the voting power of Wynn Resorts, Limited. Elaine P. Wynn is a related party to Mr. Wynn following the execution of an amended and restated stockholders agreement between Mr. Wynn, Elaine P. Wynn and Aruze USA, Inc., a Nevada corporation, in relation to shares in the common stock of Wynn Resorts, Limited on 6 January 2010; and
- Wynn Resorts, Limited ceasing to own or control at least 51% of WRM (or ceasing to have the ability to direct the management of WRM).

*Security and Guarantees*

Collateral for the Wynn Macau Credit Facilities consists of substantially all of the assets of WRM. Certain of our direct and indirect subsidiaries have executed guarantees and pledged their interests in WRM in support of the obligations under the Wynn Macau Credit Facilities. With respect to the Concession Agreement, the WRM lenders do have certain cure rights and consultation rights with the Macau government upon an enforcement by the lenders.

*Second Ranking Lender*

WRM is also party to a bank guarantee reimbursement agreement with Banco National Ultramarino S.A. to secure a guarantee in favor of the Macau government as required under the Concession Agreement. The amount of this guarantee is MOP300 million (approximately HK$291.3 million) and it lasts until 180 days after the end of the term of the Concession Agreement. The guarantee assures WRM's performance under the Concession Agreement, including the payment of certain premiums, fines and indemnities for breach. The guarantee is secured by a second priority security interest in the same collateral package securing the Wynn Macau Credit Facilities.

**Quantitative and Qualitative Disclosure about Market Risk**

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

**Foreign Exchange Risks**

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

**Interest Rate Risks**

One of our primary exposures to market risk is interest rate risk associated with our credit facilities, which bear interest based on floating rates. We attempt to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings supplemented by hedging activities as considered necessary. We cannot assure you that these risk management strategies will have the desired effect, and interest rate fluctuations could have a negative impact on our results of operations.

As at 31 December 2010, the Group had three interest rate swaps intended to manage a portion of the underlying interest rate risk on borrowings under the Wynn Macau Credit Facilities. Under the first swap agreement, the Group pays a fixed interest rate of 3.632% on U.S. dollar borrowings of approximately US$153.8 million (approximately HK$1.2 billion) incurred under the Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable LIBOR at the time of payment. Under the second swap agreement, the Group pays a fixed interest rate of 3.39% on Hong Kong dollar borrowings of approximately HK$991.6 million incurred under the Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable HIBOR at the time of payment. Based on the applicable margin of the Wynn Macau Credit Facilities, as at 31 December 2010, these interest rate swaps fix the interest rates on the U.S. dollar and the Hong Kong dollar borrowings at approximately 4.882% to 5.382% and 4.64%, respectively. Both agreements will terminate in August 2011.

The Group entered into the third interest rate swap agreement on 17 August 2009, with an effective date of 27 November 2009, to manage a portion of the underlying interest rate risk on borrowings under the Wynn Macau Credit Facilities. Under this swap agreement, beginning 27 November 2009, the Group pays a fixed interest rate of 2.15% on borrowings of approximately HK$2.3 billion incurred under the Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable HIBOR at the time of payment. As at 31 December 2010, this interest rate swap fixes the interest rate on HK$2.3 billion of borrowings under the Wynn Macau Credit Facilities at approximately 3.4%. This interest rate swap agreement will terminate in June 2012.

The carrying values of these interest rate swaps on the consolidated statement of financial position approximates their fair values. The fair value approximates the amount the Group would pay if these contracts were settled at the respective valuation dates. Fair value is estimated based upon current, and predictions of future interest rate levels along a yield curve, the remaining duration of the instruments and other market conditions and, therefore, is subject to significant estimation and a high degree of variability of fluctuation between periods. We adjust this amount by applying a non-performance valuation, considering our creditworthiness or the creditworthiness of our counterparties at each settlement date, as applicable. These transactions do not qualify for hedge accounting. Accordingly, changes in the fair values during the years ended 31 December 2010 and 2009, were charged to the consolidated statement of comprehensive income.

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

**Off Balance Sheet Arrangements**

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

**Other Liquidity Matters**

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

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

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

Taking into consideration our financial resources, including our cash and cash equivalents, internally generated funds and availability under the Wynn Macau Credit Facilities, we believe that we have sufficient liquid assets to meet our working capital and operating requirements for the following 12 months.

### Related Party Transactions

For details of the related party transactions, see note 10 to the Financial Statements. Our Directors confirm that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

## DISCLOSURE OF FINANCIAL RESULTS IN MACAU

WRM, our subsidiary and the owner and operator of Wynn Macau, finalized its MFRS statutory financial statements at the end of February 2011 and anticipates filing its MFRS Consolidated Financial Statements with the Gaming Inspection and Coordination Bureau of Macau by 31 March 2011. This is a statutory filing requirement mandated by Macau law. In addition, WRM expects to publish its MFRS Condensed Consolidated Financial Statements in the Macau Official Gazette and local newspapers in Macau by the end of April 2011. The MFRS Consolidated Financial Statements and the MFRS Condensed Consolidated Financial Statements may not be directly comparable with our Company's financial results disclosed herein, which are prepared under IFRS.

## PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2010.

## CORPORATE GOVERNANCE REPORT

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and its Shareholders. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Code on Corporate Governance Practices, contained in Appendix 14 of the Listing Rules.

The Company has complied with the code provisions in the Code (to the extent that such provisions are applicable) since the Listing, except for the following deviations from code provisions A.2.1 of the Code.

The Board notes that on 24 February 2011, Dr. Allan Zeman disposed of 10,000 shares in the common stock of Wynn Resorts, Limited on the National Association of Securities Dealers

Automated Quotation Global Select Market at US$120 per share. The relevant notice to the Company and the Securities and Futures Commission, which is available to the public, disclosing this event was filed on 28 February 2011.

**Stephen A. Wynn as our Chairman and Chief Executive Officer**

Under code provision A.2. 1. of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer.

Mr. Wynn, the founder of the Company and Wynn Macau, serves as the Chairman and Chief Executive Officer of the Company. The Board has determined that the combination of these roles held singularly by Mr. Wynn is in the best interest of the Company and all Shareholders. The Board believes that the issue of whether to combine or separate the offices of Chairman of the Board and Chief Executive Officer is part of the succession planning process and that it is in the best interests of the Company for the Board to make a determination whether to combine or separate the roles based upon the circumstances. The Board has given careful consideration to separating the roles of Chairman and Chief Executive Officer and has determined that the Company and its Shareholders are best served by the current structure. Mr. Wynn's combined role promotes unified leadership and direction for the Board and executive management and allows for a single, clear focus for the Company's operational and strategic efforts.

The combined role of Mr. Wynn as both Chairman and Chief Executive Officer is balanced by the Company's governance structure, policies and controls. All major decisions are made in consultation with members of the Board and the relevant Board committees. The Company has three Board committees, namely the Audit Committee, Remuneration Committee, and Nomination and Corporate Governance Committee. Each Board committee comprises non-executive Directors only and is chaired by an independent non-executive Director. In addition, there are three independent non-executive Directors on the Board offering independent perspectives. This structure encourages independent and effective oversight of the Company's operations and prudent management of risk.

For the reasons stated above and as a result of the structure, policies and procedures outlined above, and in light of the historical success of Mr. Wynn's leadership, the Board has concluded that the current Board leadership structure is in the best interests of the Company and its Shareholders.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Having made specific enquiry of the Directors, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code for the year ended 31 December 2010.

The Board notes that on 24 February 2011, Dr. Allan Zeman disposed of 10,000 shares in the common stock of Wynn Resorts, Limited on the National Association of Securities Dealers Automated Quotation Global Select Market at US$120 per share. The relevant notice to the Company and the Securities and Futures Commission, which is available to the public, disclosing this event was filed on 28 February 2011.

## AUDIT COMMITTEE

An Audit Committee has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises one non-executive Director and two independent non-executive Directors of the Company. The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2010.

## ANNUAL REPORT

The Company's annual report for the year ended 31 December 2010 containing all the information required by Appendix 16 of the Listing Rules will be published on the Company's and the Hong Kong Stock Exchange's websites in due course.

## RETIREMENT OF DIRECTORS

In accordance with Article 17.18 of the Company's articles of association, one-third of the Board shall retire from office by rotation at the forthcoming annual general meeting. The Directors who will retire will be Ms. Linda Chen (our executive Director), Dr. Allan Zeman (our non-executive Director), and Mr. Bruce Rockowitz (our independent non-executive Director). All of the three retiring Directors will offer themselves for re-election.

## DEFINITIONS USED IN THIS ANNOUNCEMENT

| | |
|---|---|
| "Board of Directors" or "Board" | the board of Directors of our Company |
| "Code on Corporate Governance Practices" or "Code" | the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules |
| "Companies Ordinance" | the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Company" or "our Company" | Wynn Macau, Limited, a company incorporated on 4 September 2009 as an exempted company with limited liability under the laws of the Cayman Islands and an indirect subsidiary of Wynn Resorts, Limited |
| "Concession Agreement" | the Concession Contract for the Operation of Games of Chance or Other Games in Casinos in the Macau Special Administrative Region entered into between WRM and the Macau government on 24 June 2002 |
| "Director(s)" | the director(s) of our Company |
| "Galaxy" | Galaxy Casino, S.A., one of the six gaming operators in Macau and one of the three concessionaires |

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| "Group," "we", "us" or "our" | our Company and its subsidiaries, or any of them, and the businesses carried on by such subsidiaries; *except* where the context makes it clear that the reference is only to the Company itself and not to the Group |
| "Group Reorganization" | the reorganization undertaken by the Group, as described in the section headed "History and Corporate Structure — IPO Reorganization" of the IPO Prospectus |
| "HIBOR" | Hong Kong Interbank Offered Rate |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "IFRS" | International Financial Reporting Standards |
| "IPO Prospectus" | the IPO Prospectus of the Company published on 24 September 2009 in connection with the Listing |
| "LIBOR" | London Interbank Offered Rate |
| "Listing" | the initial listing of the Shares on the Main Board of the Hong Kong Stock Exchange on 9 October 2009 |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time) |
| "Macau" or "Macau Special Administrative Region" | the Macau Special Administrative Region of the PRC |
| "Melco Crown" | Melco Crown Gaming (Macau) Limited, one of the six gaming operators in Macau and one of the three sub-concessionaires |
| "MFRS" | Macau Financial Reporting Standards |
| "MFRS Condensed Consolidated Financial Statements" | condensed consolidated financial statements prepared in accordance with MFRS for the year ended 31 December 2010 |
| "MFRS Consolidated Financial Statements" | consolidated financial statements in accordance with the MFRS for the year ended 31 December 2010 |
| "MGM Macau" | MGM Grand Paradise Limited, one of the six gaming operators in Macau and one of the three sub-concessionaires |

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| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules |
| "MOP" or "pataca" | Macau pataca, the lawful currency of Macau |
| "Palo Real Estate Company Limited" | Palo Real Estate Company Limited, a limited liability company incorporated under the laws of Macau and an indirect wholly owned subsidiary of the Company (subject to a 10% social and voting interest and MOP1.00 economic interest held by Mr. Wong Chi Seng (a Macau resident) in WRM |
| "PRC," "China" or "mainland China" | the People's Republic of China and, except where the context requires and only for the purpose of this annual report, references in this annual report to the PRC or China do not include Taiwan, Hong Kong or Macau; the term "Chinese" has a similar meaning |
| "Share(s)" | ordinary share(s) with a nominal value of HK$0.001 each in the share capital of our Company |
| "Shareholders(s)" | holder(s) of Share(s) of the Company from time to time |
| "SJM" | Sociedade de Jogos de Macau, one of the six gaming operators in Macau and one of the three concessionaires |
| "US$" | United States dollars, the lawful currency of the United States |
| "Venetian Macau" | Venetian Macau S.A., one of the six gaming operators in Macau and one of the three sub-concessionaires |
| "WIML" | Wynn International Marketing, Ltd., a company incorporated under the laws of Isle of Man and an affiliate of Wynn Resorts, Limited |
| "WM Cayman Holdings Limited I" | WM Cayman Holdings Limited I, a company incorporated on 7 July 2009 as an exempted company with limited liability under the laws of the Cayman Islands and a wholly owned subsidiary of Wynn Group Asia Inc. |
| "WM Cayman Holdings Limited II" | WM Cayman Holdings Limited II, a company incorporated on 8 September 2009 as an exempted company with limited liability under the laws of the Cayman Islands and a wholly owned subsidiary of the Company |

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| "Worldwide Wynn" | Worldwide Wynn, LLC, a company formed under the laws of the State of Nevada, United States and a wholly owned subsidiary of Wynn Resorts, Limited |
| "WRM" | Wynn Resorts (Macau) S.A., a company incorporated under the laws of Macau and a wholly-owned subsidiary of the Company |
| "WRM Shareholder Dividend Tax Agreement" | the agreement, entered into during June 2009, for a term of five years between WRM and the Macau Special Administrative Region, effective retroactively to 2006, that provides for an annual payment to the Macau Special Administrative Region of MOP7.2 million in lieu of Complementary Tax otherwise due by WRM shareholders on dividend distributions to them from gaming profits. |
| "Wynn Design & Development" | Wynn Design & Development, LLC, a company formed under the laws of the State of Nevada, United States and a wholly owned subsidiary of Wynn Resorts, Limited |
| "Wynn Group Asia, Inc." | Wynn Group Asia, Inc., a company formed under the laws of the State of Nevada, United States and a wholly owned subsidiary of Wynn Resorts, Limited |
| "Wynn Las Vegas" | a destination casino resort owned by Wynn Resorts, Limited and its subsidiaries (excluding the Group), located on the Las Vegas Strip, comprising two hotel towers (Wynn Las Vegas and Encore at Wynn Las Vegas) and gaming, retail, dining, leisure and entertainment facilities |
| "Wynn Macau" | a casino hotel resort located in Macau, owned and operated directly by WRM, which opened on 6 September 2006, and where appropriate, the term also includes Encore at Wynn Macau |
| "Wynn Macau Credit Facilities" | together, the HK$4.3 billion (equivalent) fully-funded senior term loan facilities and the HK$7.7 billion (equivalent) senior revolving credit facilities extended to WRM and as subsequently amended from time to time |
| "Wynn Resorts Holdings, LLC" | Wynn Resorts Holdings, LLC, a company formed under the State of Nevada, United States and a wholly owned subsidiary of Wynn Resorts, Limited |

# GLOSSARY OF TERMS USED IN THIS ANNOUNCEMENT

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| "Adjusted Average Daily Rate" | ADR calculated based on room revenues plus associated promotional allowances |
| "Adjusted REVPAR" | REVPAR calculated based on room revenues plus associated promotional allowances |
| "average daily rate" or "ADR" | the amount calculated by dividing total room revenues (less service charges, if any) by total rooms occupied |
| "casino revenue" | revenue from casino gaming activities (gross table games win and gross slot win), calculated net of a portion of commissions and discounts and in accordance with IFRS |
| "chip(s)" | a token; usually in the form of plastic disc(s) or plaque(s) issued by a casino to customers in exchange for cash or credit, which must be used (in lieu of cash) to place bets on gaming tables |
| "daily gross win per gaming table" | gross gaming win for table games divided by number of tables divided by the number of days in the applicable period |
| "drop" | the amount of cash and promotional coupons deposited in a gaming table's drop box |
| "drop box" | a box or container that serves as a repository for cash and promotional coupons |
| "gaming promoters" | individuals or corporations licensed by and registered with the Macau government to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including transportation, accommodation, dining and entertainment, whose activity is regulated by Macau Administrative Regulation no. 6/2002 |
| "gross gaming revenue" or "gross gaming win" | the total win generated by all casino gaming activities combined, calculated before deduction of commissions and discounts |
| "gross slot win" | the amount of handle (representing the total amount wagered) that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of progressive jackpot liabilities and a portion of commissions and discounts |

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| "gross table games win" | the amount of drop (in our general casino segment) or turnover (in our VIP casino segment) that is retained as winnings. We record this amount and gross slot win as casino revenue after deduction of a portion of commissions and discounts |
| "In-house VIP Program" | an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players in the greater Asia region. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based on their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history |
| "promotional allowance" | the retail value of rooms, food and beverage and retail and other services furnished to guests (typically VIP clients) without charge |
| "REVPAR" | the amount calculated by dividing total room revenues (less service charges, if any) by total rooms available |
| "Rolling Chip" | physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and Wynn Macau's individual VIP players |
| "turnover" | the sum of all losing Rolling Chip wagers within the VIP program |
| "VIP client" or "VIP player" | client, patron or players who participates in Wynn Macau's In-house VIP Program or in the VIP program of any of our gaming promoters |
| "VIP table games turnover" | turnover resulting from VIP table games only |

By order of the Board
**Wynn Macau, Limited**
**Stephen A. Wynn**
*Chairman*

Hong Kong, 21 March 2011

*As at the date of this announcement, the Board comprises Stephen A. Wynn, Ian Michael Coughlan and Linda Chen (as executive Directors); Kazuo Okada, Allan Zeman and Marc D. Schorr (as non-executive Directors); and Nicholas Sallnow-Smith, Bruce Rockowitz and Jeffrey Kin-fung Lam (as independent non-executive Directors).*