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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 2011

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 2011 are as follows.

FINANCIAL HIGHLIGHTS

	Group	
	For the year ended 31 December	
	2011	2010
	HK\$	HK\$
	<i>(in thousands, except per share amounts or otherwise stated)</i>	
Casino revenues	27,755,965	21,057,676
Other revenues	1,742,127	1,381,263
EBITDA	7,951,286	5,876,134
Profit attributable to owners	5,921,013	4,422,010
Earnings per Share — basic and diluted (HK\$)	1.14	0.85

DIVIDEND

The Board has not recommended a final dividend payment for the year ended 31 December 2011.

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Group	
		For the year ended 31 December	
		2011	2010
		HK\$	HK\$
	Notes	(in thousands)	
Operating revenues			
Casino		27,755,965	21,057,676
Rooms		140,464	143,759
Food and beverage		188,157	165,916
Retail and other		<u>1,413,506</u>	<u>1,071,588</u>
		29,498,092	22,438,939
Operating costs and expenses			
Gaming taxes and premiums		14,364,403	10,810,992
Staff costs		2,089,199	1,840,222
Other operating expenses	3	5,179,925	4,054,267
Depreciation and amortization		1,016,421	989,516
Property charges and other	4	<u>865,853</u>	<u>47,009</u>
		23,515,801	17,742,006
Operating profit		<u>5,982,291</u>	<u>4,696,933</u>
Finance revenues	5	49,066	2,027
Finance costs		(259,386)	(255,480)
Net foreign currency differences		41,908	(3,829)
Changes in fair value of interest rate swaps		<u>80,366</u>	<u>26,452</u>
		<u>(88,046)</u>	<u>(230,830)</u>
Profit before tax		<u>5,894,245</u>	<u>4,466,103</u>
Income tax benefit (expense)	6	<u>26,768</u>	<u>(44,093)</u>
Net profit attributable to owners of the Company		<u><u>5,921,013</u></u>	<u><u>4,422,010</u></u>
Other comprehensive loss			
Available-for-sale investments:			
Changes in fair value		<u>(14,341)</u>	<u>—</u>
Total comprehensive income attributable to owners of the Company		<u><u>5,906,672</u></u>	<u><u>4,422,010</u></u>
Basic and diluted earnings per Share (HK\$)	7	<u><u>1.14</u></u>	<u><u>0.85</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Group As at 31 December 2011 HK\$ (in thousands)	2010 HK\$
	Notes		
Non-current assets			
Property and equipment and construction in progress		7,692,859	8,352,187
Leasehold interests in land	8	2,244,085	475,129
Goodwill		398,345	398,345
Available-for-sale investments	9	404,754	—
Deposits for acquisition of property and equipment		32,323	24,881
Other non-current assets		285,750	188,133
Total non-current assets		11,058,116	9,438,675
Current assets			
Available-for sale investments	9	104,066	—
Inventories		179,940	173,758
Trade and other receivables	10	749,639	485,413
Prepayments and other current assets		53,809	45,167
Amounts due from related companies	13	57,654	386,295
Cash and cash equivalents		5,156,725	3,819,163
Total current assets		6,301,833	4,909,796
Current liabilities			
Accounts payable	11	1,050,345	1,018,086
Land premium payable		104,329	—
Other payables and accruals	12	5,657,107	3,665,441
Interest-bearing bank loans		2,302,714	—
Amounts due to related companies	13	158,188	235,922
Interest rate swaps		20,752	45,730
Income tax payable		15,049	15,455
Other current liabilities		16,938	—
Total current liabilities		9,325,422	4,980,634
Net current liabilities		(3,023,589)	(70,838)
Total assets less current liabilities		8,034,527	9,367,837

		Group	
		As at 31 December	
		2011	2010
		HK\$	HK\$
<i>Notes</i>		<i>(in thousands)</i>	
Non-current liabilities			
		2,500,752	4,949,703
Interest-bearing bank loans			
Land premium payable		807,104	—
Interest rate swaps		—	55,378
Other payables and accruals	12	579,770	—
Other long-term liabilities		118,458	65,667
Total non-current liabilities		4,006,084	5,070,748
Net assets		4,028,443	4,297,089
Equity			
Equity attributable to owners of the Company			
		5,188	5,188
Issued capital			
Share premium account		153,436	152,657
Reserves		3,869,819	4,139,244
Total equity		4,028,443	4,297,089

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRESENTATION

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 applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The financial statements have been prepared on a historical cost basis, except for the revaluation of available-for-sale financial investments and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

As at 31 December 2011, the Group had cash and cash equivalents of HK\$5,156.7 million derived from its ordinary business operations. These cash and cash equivalents have not been earmarked for any specific use other than for general corporate purposes and repayments on the Group’s debt obligations.

As at 31 December 2011, the Group had a net current liability position of HK\$3,023.6 million. The Group expects it will generate positive cash flows in 2012 and will obtain or renew its bank loan facilities, wherever needed, to meet its financial liabilities as and when they fall due. The Group believes it has sufficient working capital to finance its operations and financial obligations.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Wynn Macau, Limited and its subsidiaries for the year ended 31 December 2011. The subsidiaries are fully consolidated from the date on which control is transferred to the Group, and will continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Inter-company transactions, balances and unrealized gains on transactions between group companies and dividends are eliminated on consolidation in full. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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 Amendment	Amendment to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i>
IAS 24 (Revised)	<i>Related Party Disclosures</i>
IAS 32 Amendment	Amendment to IAS 32 <i>Financial Instruments: Presentation — Classification of Rights Issues</i>
IFRIC 14 Amendments	Amendments to IFRIC 14 <i>Prepayments of a Minimum Funding Requirement</i>
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to IFRSs 2010</i>	Amendments to a number of IFRSs issued in May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised), 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.

The principal effects of adopting IAS 24 (Revised) *Related Party Disclosures* are as follows:

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

The Group has not early adopted the new and revised IFRSs that have been issued, but are not yet effective.

2. SEGMENT REPORTING

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

3. OTHER OPERATING EXPENSES

Group	
For the year ended 31	
December	
2011	2010
HK\$	HK\$
<i>(in thousands)</i>	
Gaming promoters' commissions	1,450,665
Royalty fees	892,571
Cost of sales	585,302
Advertising and promotions	172,860
Corporate support services and other	164,952
Utilities and fuel	158,759
Operating supplies and equipment	128,989
Other support services	83,883
Provision for doubtful accounts	98,224
Operating rental expenses	26,107
Auditors' remuneration	3,437
Other	288,518
<u>5,179,925</u>	<u>4,054,267</u>

4. PROPERTY CHARGES AND OTHER

Group	
For the year ended 31	
December	
2011	2010
HK\$	HK\$
<i>(in thousands)</i>	
Donation to the University of Macau Development Foundation	—
Loss on disposals and abandonment of assets	47,009
<u>865,853</u>	<u>47,009</u>

“Property charges and other” includes a donation made by the Group to the University of Macau Development Foundation (the “Foundation”). In May 2011, the Group entered into an agreement with the Foundation to donate a certain amount to the Foundation with the primary purpose of supporting the creation, promotion, operation, and other activities related to the Asia-Pacific Academy of Economics and Management created by the University of Macau. Under such agreement, the Group donated MOP200.0 million (approximately HK\$194.2 million) in May 2011, and for each of the years from 2012 through 2022, the Group will donate MOP80.0 million (approximately HK\$77.7 million). As a result of the above arrangement, the Group recognized approximately HK\$831.1 million representing the present value of the donation as an expense for the year ended 31 December 2011. No such arrangement existed for the year ended 31 December 2010.

5. FINANCE REVENUES

Group
For the year ended 31
December
2011 2010
HK\$ **HK\$**
(in thousands)

Interest income from:

Available-for-sale financial assets

— listed	4,028	—
— unlisted	1,088	—

Held-to-maturity investments

— listed	1,260	—
— unlisted	105	—

Cash at banks	<u>42,585</u>	<u>2,027</u>
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	<u>49,066</u>	<u>2,027</u>
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6. INCOME TAX BENEFIT (EXPENSE)

The major components of the income tax benefit (expense) for the years ended 31 December 2011 and 2010 were:

	Group	
	For the year ended 31 December	
	2011	2010
	HK\$	HK\$
	<i>(in thousands)</i>	
Income tax benefit (expense):		
Current — overseas	26,768	(11,505)
Deferred	<u>—</u>	<u>(32,588)</u>
	<u>26,768</u>	<u>(44,093)</u>

No provision for Hong Kong profits tax for the year ended 31 December 2011 has been made as there was no assessable profit generated in Hong Kong (2010: nil). Taxation for overseas jurisdictions is charged at the appropriate prevailing rates ruling in the respective jurisdictions and the maximum rate is 12% (2010: 12%).

The charge for the years ended 31 December 2011 and 2010 reconciles to profit before tax as follows:

	Group			
	For the year ended 31 December			
	2011		2010	
	HK\$	%	HK\$	%
	<i>(in thousands, except for percentages)</i>			
Profit before tax	<u>5,894,245</u>		<u>4,466,103</u>	
Tax at the applicable income tax rate	(707,309)	(12.0)	(535,932)	(12.0)
Adjustments for specific provinces or enacted by local authority	1,384	0.1	(5,018)	(0.1)
Income not subject to tax	844,186	14.3	671,887	15.1
Expenses not deductible for tax	(8,143)	(0.1)	(1,988)	(0.1)
Macau dividend tax	(15,049)	(0.3)	(6,990)	(0.1)
Tax losses not recognized	(130,118)	(2.2)	(164,437)	(3.7)
Others	<u>41,817</u>	<u>0.7</u>	<u>(1,615)</u>	<u>(0.1)</u>
Effective tax benefit (expense) for the year	<u>26,768</u>	<u>0.5</u>	<u>(44,093)</u>	<u>(1.0)</u>

Deferred income tax as at 31 December 2011 and 2010 relates to the following:

	Group			
	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	As at 31 December		For the year ended 31 December	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
	<i>(in thousands)</i>			
Deferred tax liability:				
Property, equipment and other	—	—	—	(50,945)
	—	—		
Deferred income tax assets:				
Interest rate swap market value adjustment	—	—	—	15,199
Allowance for doubtful accounts	—	—	—	29
Tax losses carried forward	—	—	—	68,305
	—	—		
Deferred income tax expense			—	32,588
Deferred tax position, net	—	—		

The Group incurred Macau tax losses of approximately HK\$509.7 million, HK\$695.1 million and HK\$576.6 million during the tax years ended 31 December 2011, 2010, and 2009, respectively. These tax losses will expire in 2014, 2013, and 2012, respectively. As at 31 December 2011, the Group's deferred tax assets relating to the University of Macau Development Foundation contribution, interest rate swaps, executive compensation, fixed assets and tax loss carryforwards amounting to HK\$277.7 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 2010, the Group had not recognized 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 for similar reasons.

Effective 6 September 2006, WRM received a 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits (the "**Tax Holiday**"). On 30 November 2010, WRM received an additional 5-year exemption effective from 1 January 2011 through 31 December 2015. Accordingly, the Group was exempted from the payment of approximately HK\$641.4 million in such tax for the year ended 31 December 2011 (2010: HK\$499.2 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.

In June 2009, WRM entered into an agreement, effective retroactively to 2006, with the Macau Special Administrative Region that provided for annual payments 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 was five years, which coincided with the Tax Holiday which began in 2006. In November 2010, WRM applied for a 5-year extension of this agreement. In August 2011, the 5-year extension was granted with an annual payment of MOP15.5 million (approximately HK\$15.0 million) due to the Macau Special Administration Region for each of the years 2011 through 2015.

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 2007 to 2010 Macau income tax returns remain subject to examination by the Macau Finance Bureau. In 2011, the Group received the results of the Macau Finance Bureau's examination of its 2006 and 2007 Macau Complementary Tax returns. During July 2011, the Group filed an appeal of the examinations findings. The Macau Finance Bureau accepted the Group's objection and the Group paid an additional tax payment of HK\$8.5 million substantially all of which was provided for in prior 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 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 period of assessment for the Group's Macau Complimentary Tax returns for the years ended 31 December 2006 and before has closed. Accordingly, as of 31 December 2011, the Group reversed a reserve of HK\$41.9 million previously established for these years. As of 31 December 2011, the Group has unrecognized tax losses and the Group believes that these unrecognized tax losses are adequate to offset adjustments that might be proposed by the Macau tax authorities. The Group believes that it has adequately provided reasonable reserves for prudent and foreseeable outcomes related to uncertain tax matters.

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per Share amount for the year ended 31 December 2011 is based on the consolidated net profit attributable to owners of the Company and on the weighted average number of Shares of 5,187,529,315 in issue during the year (2010: 5,187,500,000).

The diluted earnings per Share amount for the year ended 31 December 2011 is calculated based on the consolidated net profit attributable to owners of the Company and on the weighted average number of 5,187,972,450 (2010: 5,187,500,000) Shares including Shares of 5,187,529,315 in issue during the year (2010: 5,187,500,000) plus 443,135 potential Shares (2010: nil) arising from exercise of share options.

8. LEASEHOLD INTERESTS IN LAND

The Group has the leasing rights for certain land in Macau under a 25-year concession, which expires in August 2029, granted by the Macau government in return for the payment of premiums by installments bearing interest at 5% per annum. All installments were satisfied before 31 December 2009.

In 2011, the Group formally accepted the draft terms and conditions of a 25-year land concession from the Macau government for certain land in Cotai (“**Cotai Land**”). The land premium of MOP1.4 billion (approximately HK\$1.4 billion) comprises a down payment of MOP500 million (approximately HK\$485.4 million), made in December 2011, and eight additional semi-annual payments of MOP130.9 million (approximately HK\$127.1 million) each, which includes 5% interest as required by the Macau government. The first of the eight semi-annual payments is due six months after the publication of the Cotai Land concession in the official gazette of Macau.

Land concessions in Macau are generally renewable for additional periods, subject to applicable legislation.

Leasehold interests which recognize the premiums and other capitalized costs are set forth below.

	Group	
	As at 31 December	
	2011	2010
	HK\$	HK\$
	<i>(in thousands)</i>	
Cost:		
At beginning of the year	594,921	561,633
Addition	<u>1,793,563</u>	<u>33,288</u>
At end of the year	<u>2,388,484</u>	<u>594,921</u>
Amortization:		
At beginning of the year	119,792	97,280
Amortization charge for the year	<u>24,607</u>	<u>22,512</u>
At end of the year	<u>144,399</u>	<u>119,792</u>
Net carrying amount	<u><u>2,244,085</u></u>	<u><u>475,129</u></u>

9. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	As at 31 December	
	2011	2010
	HK\$	HK\$
	<i>(in thousands)</i>	
Listed debt securities, at fair value:		
Hong Kong	59,685	—
Elsewhere	<u>195,950</u>	<u>—</u>
	255,635	—
Unlisted debt securities, at fair value:	<u>253,185</u>	<u>—</u>
	508,820	—
Portion classified as non-current	<u>(404,754)</u>	<u>—</u>
Current portion	<u><u>104,066</u></u>	<u><u>—</u></u>

During the year, the loss in respect of the Group's available-for-sale investments recognized in other comprehensive income amounted to HK\$14.3 million (2010: nil). No amount was reclassified from other comprehensive income to the statement of comprehensive income for the year (2010: nil).

The investments are all denominated in Offshore RMB and have fixed interest rates ranging from 1.35% to 4.63% and maturity dates between one and three years.

Originally, the Group's investments were classified as held-to-maturity because the Group had the positive intent and ability to hold them to maturity. However, during the third quarter of 2011, due to the economic uncertainty in the global financial markets, the Group has reassessed the intention to hold the investments to maturity and changed the classification of its entire investments with a carrying value amounting to Offshore RMB427.9 million (approximately HK\$524.5 million) from held-to-maturity to available-for-sale.

The Company obtains pricing information in determining the fair values of its listed and unlisted available-for-sale debt securities from independent pricing vendors. Based on management's inquiries, the pricing vendors use various pricing models consistent with what other market participants would use. The assumptions and inputs used by the pricing vendors are derived from market observable sources including reported trades, broker/dealer quotes, issuer spreads, benchmark curves, bids, offers and other market-related data. None of the debt securities are either past due or impaired as at 31 December 2011.

10. TRADE AND OTHER RECEIVABLES

	Group	
	As at 31 December	
	2011	2010
	HK\$	HK\$
	<i>(in thousands)</i>	
Casino	976,686	701,235
Hotel	8,176	10,426
Retail leases and other	178,121	108,512
	1,162,983	820,173
Less: allowance for doubtful accounts	(413,344)	(334,760)
Total trade and other receivables, net	749,639	485,413

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

	Group	
	As at 31 December	
	2011	2010
	HK\$	HK\$
	<i>(in thousands)</i>	
Within 30 days	351,162	272,664
31 to 60 days	227,670	106,525
61 to 90 days	212,975	134,969
Over 90 days	371,176	306,015
	1,162,983	820,173
Less: allowance for doubtful accounts	(413,344)	(334,760)
Net of allowance for doubtful accounts	749,639	485,413

Substantially all of the trade and other receivables as at 31 December 2011 and 2010 were repayable within 14 days.

As at 31 December 2011, trade and other receivables at a nominal value of HK\$413.3 million (2010: HK\$334.8 million) were impaired and fully provided for. Movements in the provision for impairment of receivables of the Group are as follows:

	Individually Impaired HK\$	Collectively Impaired HK\$	Total HK\$
	<i>(in thousands)</i>		
At 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 and 1 January 2011	—	334,760	334,760
Charge for the year	—	104,621	104,621
Amounts written off	—	(26,037)	(26,037)
At 31 December 2011	—	413,344	413,344

11. ACCOUNTS PAYABLE

During 2011 and 2010, the Group normally received credit terms of 30 days. An aged analysis of accounts payable as at 31 December 2011 and 2010, based on invoice dates, is as follows:

	Group	
	As at 31 December	
	2011	2010
	HK\$	HK\$
	<i>(in thousands)</i>	
Within 30 days	999,791	886,886
31 to 60 days	9,078	11,313
61 to 90 days	4,328	3,067
Over 90 days	37,148	116,820
	<u>1,050,345</u>	<u>1,018,086</u>

12. OTHER PAYABLES AND ACCRUALS

	Group	
	As at 31 December	
	2011	2010
	HK\$	HK\$
	<i>(in thousands)</i>	
Current:		
Gaming taxes payable	1,291,075	1,275,716
Outstanding chip liabilities	2,829,369	1,706,248
Customer deposits	820,247	435,812
Donation payable	77,670	—
Other liabilities	638,746	247,665
	5,657,107	3,665,441
Non-current:		
Donation payable	579,770	—
	<u>6,236,877</u>	<u>3,665,441</u>

“Other liabilities” includes an accrual made by Palo Real Estate Company Limited to an unrelated third party company incorporated in Macau that is not a connected person of the Group amounting to US\$50 million (approximately HK\$389 million) (2010: nil) in consideration of its relinquishment of certain rights in and to any future development of the Cotai Land.

13. RELATED PARTY DISCLOSURES

As at 31 December 2011 and 2010, 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	
		2011	2010
		HK\$ (in thousands)	HK\$
Due from related companies — current			
WIML	Subsidiary of	56,754	385,529
	Wynn Resorts, Limited		
Wynn Hotel Sales & Marketing, LLC	Subsidiary of	3	348
	Wynn Resorts, Limited		
Wynn Manpower Limited	Subsidiary of	292	292
	Wynn Resorts, Limited		
Cotai Land Development Company, Limited	Subsidiary of	137	126
	Wynn Resorts, Limited		
Las Vegas Jet, LLC	Subsidiary of	468	—
	Wynn Resorts, Limited		
		<u>57,654</u>	<u>386,295</u>
Due to related companies — current			
Wynn Las Vegas, LLC	Subsidiary of	17,236	54,752
	Wynn Resorts, Limited		
Wynn Design & Development	Subsidiary of	6,817	3,149
	Wynn Resorts, Limited		
Wynn Resorts, Limited	Ultimate parent company	133,080	164,353
Worldwide Wynn	Subsidiary of	1,055	10,983
	Wynn Resorts, Limited		
Las Vegas Jet, LLC	Subsidiary of	—	2,685
	Wynn Resorts, Limited		
		<u>158,188</u>	<u>235,922</u>

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 during the year:

Name of Related Companies	Relation to the Companies	Primary Nature of Transactions	Group	
			For the year ended 31 December	
			2011 HK\$ (in thousands)	2010 HK\$
Wynn Resorts, Limited	Ultimate parent company	Royalty fees (i)	1,186,900	892,571
Wynn Resorts, Limited	Ultimate parent company	Corporate support services (ii)	165,355	157,866
WIML	Subsidiary of Wynn Resorts, Limited	International marketing expenses (iii)	106,202	82,298
Wynn Resorts, Limited	Ultimate parent company	Share-based payment expenses	47,098	45,017
Worldwide Wynn	Subsidiary of Wynn Resorts, Limited	Staff secondment payroll charges (iv)	41,437	63,709
Wynn Design & Development	Subsidiary of Wynn Resorts, Limited	Design/development payroll	31,579	15,085
Las Vegas Jet, LLC	Subsidiary of Wynn Resorts, Limited	Airplane usage charges (ii)	16,204	10,072

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

Notes:

(i) **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	
	2011	2010
	HK\$	HK\$
	<i>(in thousands)</i>	
Total operating revenues	29,498,092	22,438,939
Commissions and discounts included in operating revenues	8,714,464	6,336,848
Promotional allowances	<u>1,351,977</u>	<u>976,865</u>
IP gross revenues	<u><u>39,564,533</u></u>	<u><u>29,752,652</u></u>

(ii) Corporate support services

Wynn Resorts, Limited provides certain corporate support services to the Group. These services consist of a limited number of executives in relevant areas assisting the Group on U.S. regulatory and certain 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 fees 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.

(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.

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 2011 and 2010. 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 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 not to 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 the gaming license), the option will terminate. As at 31 December 2011, the net carrying amount of the house together with improvements and its land lease right was HK\$58.6 million (2010: HK\$44.6 million).

14. EVENTS AFTER THE REPORTING PERIOD

Determination of unsuitability and redemption of Aruze USA, Inc. and affiliates and related matters

On 18 February 2012, WRL's Gaming Compliance Committee concluded a year-long investigation after receiving an independent report by Freeh, Sporkin & Sullivan, LLP (the "**Freeh Report**") detailing numerous prima facie violations of the United States Foreign Corrupt Practices Act (the "**FCPA**") by Aruze USA, Inc., at the time a stockholder of WRL, Universal Entertainment Corporation, Aruze USA, Inc.'s parent company, and Kazuo Okada, the majority shareholder of Universal Entertainment Corporation, who is also a member of WRL's board of directors and was at the time a Director of the Company.

Based on the Freeh Report, the board of directors of WRL determined that Aruze USA, Inc., Universal Entertainment Corporation and Mr. Okada are "unsuitable" under Article VII of the WRL articles of incorporation. The board of directors of WRL was unanimous (other than Mr. Okada) in its determination. The board of directors of WRL also requested that Mr. Okada resign as a director of WRL and recommended that Mr. Okada be removed as a member of the Board of Directors of the Company. On 18 February 2012, Mr. Okada was removed from the board of directors of Wynn Las Vegas Capital Corp., a wholly owned subsidiary of WRL.

Based on the board of directors of WRL's finding of "unsuitability", on 18 February 2012, WRL redeemed Aruze USA, Inc.'s 24,549,222 shares of WRL's common stock. Following a finding of "unsuitability", WRL's articles authorize redemption at "fair value" of the shares held by unsuitable persons. WRL engaged an independent financial advisor to assist in the fair value calculation and concluded that a discount to the then-current trading price was appropriate because of, among other things, restrictions on most of the shares held by Aruze USA, Inc. under the terms of an existing stockholders agreement. Pursuant to the articles of incorporation of WRL, on 18 February 2012, WRL issued a subordinated promissory note in redemption of all of the shares of WRL common stock held by Aruze USA, Inc. (the "**Redemption Price Promissory Note**"). The Redemption Price Promissory Note has a principal amount of approximately US\$1.9 billion (approximately HK\$14.7 billion), matures on 18 February 2022 and bears interest at the rate of 2% per annum, payable annually in arrears on each anniversary of the date of the Redemption Price Promissory Note. WRL may, in its sole and absolute discretion, at any time and from time to time, and without penalty or premium, prepay the whole or any portion of the principal or interest due under the Redemption Price Promissory Note. In no instance shall any payment obligation under the Redemption Price Promissory Note be accelerated except in the sole and absolute discretion of WRL or as specifically mandated by law. The indebtedness evidenced by the Redemption Price Promissory Note is and shall be subordinated in right of payment, to the extent and in the manner provided in the Redemption Price Promissory Note, to the prior payment in full of all existing and future obligations of WRL or any of its affiliates in respect of indebtedness for borrowed money of any kind or nature.

On 19 February 2012, WRL filed a complaint in the District Court of Clark County, Nevada against Mr. Okada, Aruze USA, Inc. and Universal Entertainment Corporation alleging breaches of fiduciary duty and related claims. On 12 March 2012, Aruze USA, Inc. and Universal Entertainment Corporation removed the action to the United States District Court for the District of Nevada. On that same date, Aruze USA, Inc. and Universal Entertainment Corporation filed an answer denying the claims and a counterclaim that purports to assert claims against WRL, each of the members of WRL's board (other than Mr. Okada) and a senior executive of WRL. Among other relief, the counterclaim seeks a declaration that the redemption of Aruze USA, Inc.'s shares was void, an injunction restoring Aruze USA, Inc.'s share ownership and damages in an unspecified amount.

On 24 February 2012, the Board of Directors of the Company removed Mr. Kazuo Okada from the Board.

On 7 March 2012, WRL filed with the SEC a preliminary proxy statement for a special meeting of stockholders of WRL to be held for the purpose of voting on a proposal to remove Mr. Okada as a director of WRL.

WRL has provided the Freeh Report to applicable regulators and intends to cooperate with any related investigation that such regulators may undertake. The conduct of Mr. Okada and his affiliates and any resulting regulatory investigations could have adverse consequences to WRL and its subsidiaries. A finding by regulatory authorities that Mr. Okada violated the FCPA on property of WRL or its subsidiaries and/or otherwise involved WRL or its subsidiaries in criminal or civil violations could result in actions by regulatory authorities against WRL or its subsidiaries. Relatedly, regulators could pursue separate investigations into WRL's and its subsidiaries' compliance with applicable laws, including in response to litigation filed by Mr. Okada suggesting improprieties in connection with Wynn Macau's donation to the University of Macau and a related informal inquiry by the SEC into this donation. While WRL believes that it is in full compliance with all applicable laws, any such investigations could result in actions by regulators against WRL or its subsidiaries.

Litigation commenced by Mr. Okada and related matters

As previously disclosed in May 2011, the Company made a commitment to the University of Macau Development Foundation in support of the new Asia-Pacific Academy of Economics and Management. This contribution consists of a MOP200.0 million (equivalent to HK\$194.2 million) payment made in May 2011 and a commitment for additional donations of MOP80.0 million (equivalent to HK\$77.7 million) each year for the calendar years 2012 through 2022 inclusive. The pledge was consistent with WRL's long-standing practice of providing philanthropic support for deserving institutions in the markets in which it operates. The pledge was made following an extensive analysis which concluded that the gift was made in accordance with all applicable laws. The pledge was considered by the boards of directors of both WRL and the Company and approved by 15 of the 16 directors who serve on those boards. The sole dissenting vote was cast by Mr. Kazuo Okada whose stated objection was to the length of time over which the donation would occur, not its propriety.

Mr. Okada commenced litigation on 11 January 2012, in Nevada state court seeking to compel WRL to produce information relating to the donation to the University of Macau, among other things.

On 8 February 2012, following Mr. Okada's lawsuit, WRL received a letter from the Salt Lake Regional Office of the SEC requesting that, in connection with an informal inquiry by the SEC, WRL preserve information relating to, but not limited to, the donation to the University of Macau, any donations by WRL to any other educational charitable institutions, including the University of Macau Development Foundation, and WRL's casino or concession gaming licenses or renewals in Macau. WRL has informed the Salt Lake Regional Office that it intends to fully comply with the SEC's request.

At a hearing on 9 February 2012, the Nevada state court stated that, as a director of WRL, Mr. Okada had the right to make a reasonable inspection of WRL's corporate books and records. Following the hearing, WRL released certain WRL documents to Mr. Okada for his inspection. At a subsequent hearing on 8 March 2012, the court considered Mr. Okada's request that WRL's board make additional documents available to him, and ruled that Mr. Okada was entitled to inspect two additional pages of WRL documents. WRL promptly complied with the court's ruling.

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 added a fully integrated resort hotel, opened on 21 April 2010.

Our Macau resort complex features:

- Approximately 265,000 square feet of casino space, offering 24-hour gaming and a full range of games, including private gaming salons, sky casinos and a poker pit;
- Two luxury hotel towers with a total of 1,008 spacious rooms and suites;
- Casual and fine dining in eight restaurants;
- Approximately 54,200 square feet of high-end, brand-name retail shopping, including stores and boutiques such as Bvlgari, Cartier, Chanel, Dior, Dunhill, Ermenegildo Zegna, Ferrari, Giorgio Armani, Gucci, Hermes, Hugo Boss, Jaeger LeCoultre, Louis Vuitton, Miu Miu, Piaget, Prada, Rolex, Tiffany, Tudor, Vacheron Constantin, Van Cleef & Arpels, Versace, Vertu, and others;
- Recreation and leisure facilities, including two health clubs and spas, a salon, a pool; and
- Lounges and meeting facilities.

The following table presents the number of casino games available at our Macau Operations:

	As at 31 December	
	2011	2010
VIP table games	295	238
Mass market table games	195	225
Slot machines	930	1,013
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 our resort complex.

Cotai Development

In September 2011, the Group formally accepted the terms and conditions of a draft land concession contract from the Macau government for approximately 51 acres of land in the Cotai area of Macau (the “Cotai Land”). In December 2011, we paid the initial deposit of MOP500 million (approximately HK\$485.4 million) pursuant to this draft land concession contract. We

will also need to make eight additional semi-annual payments in the amount of MOP130.9 million (approximately HK\$127.1 million) each, which includes 5% interest as required by the Macau government. The first of the eight semi-annual payments is due six months from the date the Cotai Land concession is published in the official gazette of Macau. Following government approval, we anticipate constructing a full scale integrated resort on this land containing a casino, approximately 2,000 hotel suites, convention, retail, entertainment and food and beverage offerings. We continue working to finalize the project scope, timeline and budget.

Cotai Land Contract

On 1 August 2008, Palo Real Estate Company Limited and certain affiliates of our Company entered into an agreement with an unrelated third party that is not a connected person of the Group to make a one-time payment in the amount of US\$50 million (approximately HK\$389 million) in consideration of the latter's relinquishment of certain rights in and to any future development on the Cotai Land. This agreement provides that the payment be made within 15 days after the publication date of the Cotai land contract in the official gazette of Macau. Palo Real Estate Company Limited has accrued this payment as a current liability included in other accrued liabilities as of 31 December 2011.

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 approximately 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\$260.1 billion in gaming revenue during the year ended 31 December 2011, an increase of approximately 42.2% over the approximate HK\$182.9 billion generated in the year ended 31 December 2010, making Macau the largest gaming market in the world.

Macau's gaming market is primarily dependent on tourists. Tourist arrivals in 2011 were 28 million compared to 25 million in 2010. The Macau market has experienced tremendous growth in capacity in the last few years. As at 31 December 2011, there were 22,356 hotel rooms and 5,302 table games in Macau, compared to 12,978 hotel rooms and 2,762 table games as at 31 December 2006.

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 mainland China, Hong Kong, Taiwan, South Korea and Singapore. According to the Macau Statistics and Census Service Monthly Bulletin of Statistics, approximately 89% of visitors to Macau for the year ended 31 December 2011 were from mainland China, Hong Kong and Taiwan.

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 mainland 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 mainland China or other countries;
- Occurrence of natural disasters and disruption of travel; and
- Possible outbreaks of infectious disease.

Economic and Operating Environment

Our operating environment remained stable in 2011. 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 infectious 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 casino properties in Macau. Currently, there are six gaming operators in Macau, including WRM. The three concessionaires are WRM, SJM, and Galaxy which opened Galaxy Macau, a major resort in the Cotai area, on 15 May 2011. The three subconcessionaires are Melco Crown, MGM Macau, and Venetian Macau. As at 31 December 2011, there were approximately 34 casinos in Macau, including 20 operated by SJM. Each of the current six operators has operating casinos and expansion plans announced or underway.

Wynn Macau also faces competition from casinos primarily located in other areas of Asia, such as Resorts World Sentosa and Marina Bay Sands which opened in February and April 2010, respectively, in Singapore and Genting Highlands Resort located outside of Kuala Lumpur, Malaysia as well as casinos in the Philippines. 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 our casino business.

Gaming promoters introduce premium 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 generally pays the gaming promoters a percentage of the gross gaming win generated by each gaming promoter. 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 paid to these promoters and netted against casino revenues were HK\$8.1 billion and HK\$5.8 billion for the years ended 31 December 2011 and 2010, respectively. Commissions increased 38.8% for the year ended 31 December 2011 compared to the year ended 31 December 2010, due to increased volumes of play generated by gaming promoters and the addition of five 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\$367.1 million and HK\$246.3 million as at 31 December 2011 and 2010, respectively. These outstanding commissions were 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 percentages have remained stable throughout our operating history.

Premium 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 our resort 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 our 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 SEC, 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 2011 and 2010.

	For the year ended 31 December	
	2011	2010
	HK\$	HK\$
	<i>(in thousands)</i>	
Operating profit	5,982,291	4,696,933
Add		
Depreciation and amortization	1,016,421	989,516
Pre-opening costs ⁽¹⁾	—	54,571
Property charges and other	865,853	47,009
Share-based payments	49,196	46,613
Wynn Macau, Limited corporate expenses	37,525	41,492
Adjusted EBITDA	<u>7,951,286</u>	<u>5,876,134</u>

Note:

- (1) Pre-opening costs for the year 2010 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 statement of comprehensive income line items and certain other data.

	For the year ended 31 December	
	2011	2010
	HK\$	HK\$
	<i>(in thousands, except for averages, daily win figures and number of tables and slot machines)</i>	
Total casino revenues ⁽¹⁾	27,755,965	21,057,676
Rooms ⁽²⁾	140,464	143,759
Food and beverage ⁽²⁾	188,157	165,916
Retail and other ⁽²⁾	1,413,506	1,071,588
Total operating revenues	29,498,092	22,438,939
VIP table games turnover	958,373,801	709,051,343
VIP gross table games win ⁽¹⁾	28,055,558	21,306,738
Mass market table games drop	21,559,019	18,213,674
Mass market gross table games win ⁽¹⁾	6,132,171	4,291,627
Slot machine handle	42,044,263	32,681,273
Slot machine win ⁽¹⁾	2,157,439	1,697,278
Average number of gaming tables ⁽³⁾	481	439
Daily gross win per gaming table ⁽⁴⁾	194,862	159,755
Average number of slots ⁽³⁾	999	1,167
Average daily win per slot ⁽⁴⁾	5,916	3,985

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	
	2011	2010
	HK\$	HK\$
	(in thousands)	
VIP gross table games win	28,055,558	21,306,738
Mass market gross table games win	6,132,171	4,291,627
Slot machine win	2,157,439	1,697,278
Poker revenues	125,260	98,881
Commissions and discounts	(8,714,463)	(6,336,848)
Total casino revenues	<u>27,755,965</u>	<u>21,057,676</u>

- (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	
	2011	2010
	HK\$	HK\$
	(in thousands)	
Room revenues	140,464	143,759
Promotional allowances	<u>778,438</u>	<u>570,021</u>
Adjusted room revenues	<u>918,902</u>	<u>713,780</u>
Food and beverage revenues	188,157	165,916
Promotional allowances	<u>536,053</u>	<u>384,573</u>
Adjusted food and beverage revenues	<u>724,210</u>	<u>550,489</u>
Retail and other revenues	1,413,506	1,071,588
Promotional allowances	<u>37,486</u>	<u>22,271</u>
Adjusted retail and other revenues	<u>1,450,992</u>	<u>1,093,859</u>

- (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 2011 compared to financial results for the year ended 31 December 2010

Our results of operations for the periods presented are not comparable as the year ended 31 December 2011 include the operations of Encore for the full year whereas the year ended 31 December 2010 only included the operations of Encore from its opening on 21 April 2010.

Operating Revenues

Total operating revenues increased by 31.5% from HK\$22.4 billion in 2010 to HK\$29.5 billion in 2011. We believe this increase was due to a combination of factors, including increased visitation and overall gaming volumes in Macau during 2011 as well as the full year results of Encore.

Casino Revenues

Casino revenues increased by 31.8%, from HK\$21.1 billion (93.8% of total operating revenues) in 2010 to HK\$27.8 billion (94.1% of total operating revenues) in 2011. The components and reasons are as follows:

VIP casino gaming operations. VIP gross table games win increased by 31.7%, from HK\$21.3 billion in 2010 to HK\$28.1 billion in 2011. VIP table games turnover increased by 35.2%, from HK\$709.1 billion in 2010 to HK\$958.4 billion in 2011. VIP gross table games win as a percentage of turnover (calculated before discounts and commissions) decreased from 3.0% in 2010 to 2.9% in 2011 (win percentages are within the expected range of 2.7% to 3.0%). 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 during the year ended 31 December 2011 compared to the prior year.

Mass market casino gaming operations. Mass market gross table games win increased by 42.9%, from HK\$4.3 billion in 2010 to HK\$6.1 billion in 2011. Mass market table games drop increased by 18.4%, from HK\$18.2 billion in 2010 to HK\$21.6 billion in 2011. The mass market gross table games win percentage (calculated before discounts) was 23.6% in 2010 compared to 28.4% in 2011, which was higher than the expected win percentage range of 26% to 28%. We have increased our expected mass market range to 26% to 28% based on our experience since the opening of Encore.

Slot machine gaming operations. Slot machine win increased by 27.1% from HK\$1.7 billion in 2010 to HK\$2.2 billion in 2011. Slot machine handle increased by 28.6%, from HK\$32.7 billion in 2010 to HK\$42.0 billion in 2011. The increases resulted primarily from increased visitation to our resort and the full year results of Encore. Consequently, total gross slot win increased and slot machine win per unit per day increased by 48.5% from HK\$3,985 in 2010 to HK\$5,916 in 2011.

Non-casino Revenues

Net non-casino revenues, which include room, food and beverage and retail revenues, increased by 26.1%, from HK\$1,381.3 million (6.2% of total operating revenues) in 2010 to HK\$1,742.1 million (5.9% of total operating revenues) in 2011. The increase in revenues was largely due to stronger retail sales in 2011 and the full year results of Encore.

Rooms. Our room revenues, which exclude promotional allowances in our consolidated statement of comprehensive income, decreased by 2.3% from HK\$143.8 million in 2010 to HK\$140.5 million in 2011. A higher proportion of our rooms were provided on a complimentary basis in 2011 as compared to 2010 to meet increased demand from VIP clients and high-limit mass market customers.

Management also evaluates room revenues on an adjusted basis which include promotional allowances. Adjusted room revenues including promotional allowances increased by 28.7% from HK\$713.8 million in 2010 to HK\$918.9 million in 2011.

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	
	2011	2010
Adjusted Average Daily Rate (includes promotional allowances of HK\$2,084 in 2011 and HK\$1,812 in 2010)	HK\$2,450	HK\$2,261
Occupancy	91.8%	87.8%
Adjusted REVPAR (includes promotional allowances of HK\$1,913 in 2011 and HK\$1,591 in 2010)	HK\$2,249	HK\$1,986

Food and beverage. Food and beverage revenues, which exclude promotional allowances in our consolidated statement of comprehensive income, totaled HK\$188.2 million in 2011, a 13.4% increase from 2010 revenues of HK\$165.9 million. The increase reflects higher business volumes and the opening of Encore in April 2010.

Management also evaluates food and beverage revenues on an adjusted basis including promotional allowances. Food and beverage revenues in 2011 adjusted to include these promotional allowances were HK\$724.2 million, a 31.6% increase from 2010 adjusted revenues of HK\$550.5 million reflecting the increase in business volumes and the opening of Encore in April 2010.

Retail and other. Our retail and other revenues, which exclude promotional allowances in our consolidated statement of comprehensive income, increased by 31.9%, from HK\$1,071.6 million in 2010 to HK\$1,413.5 million in 2011. The increase was due primarily to increased same-store sales and the addition of new outlets.

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 32.6% from HK\$1,093.9 million in 2010 to HK\$1,451.0 million in 2011, reflecting the increased same-store sales and the new outlets.

Operating Costs and Expenses

Gaming taxes and premiums. Gaming taxes and premiums increased by 32.9%, from HK\$10.8 billion in 2010 to HK\$14.4 billion in 2011. This increase was due to increased gross gaming win in 2011 compared to 2010. 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 13.5%, from HK\$1.8 billion in 2010 to HK\$2.1 billion in 2011. The increase was primarily due to the hiring of additional staff for Encore which had a full year operations in 2011.

Other operating expenses. Other operating expenses increased by 27.8%, from HK\$4.1 billion in 2010 to HK\$5.2 billion in 2011. The increase in other operating costs was primarily due to increased business volume related expenses such as gaming promoters' commissions, cost of sales and royalty fees.

Depreciation and amortization. Depreciation and amortization increased by 2.7% from HK\$989.5 million in 2010 to HK\$1,016.4 million in 2011. This increase was primarily due to the impact of assets placed in service with the opening of Encore in April 2010 offset by the decrease in depreciation expense due to assets with a 5-year life being fully depreciated as of September 2011.

Property charges and other. Property charges and other increased from HK\$47.0 million in 2010 to HK\$865.9 million in 2011. Included in property charges and other for the year ended 31 December 2011 is a charge of HK\$831.1 million reflecting the present value of a charitable contribution made by WRM to the University of Macau Development Foundation. This contribution consists of a MOP200.0 million (approximately HK\$194.2 million) payment made in May 2011, and a commitment for additional donations of MOP80.0 million (approximately HK\$77.7 million) each year for the calendar years 2012 through 2022 inclusive, for a total of MOP1,080.0 million (approximately HK\$1,048.5 million). The amount reflected in our accompanying consolidated statement of comprehensive income has been discounted using our current estimated borrowing rate over the time period of the remaining committed payments. Other charges in each period 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 32.5%, from HK\$17.7 billion in 2010 to HK\$23.5 billion in 2011.

Finance Revenues

Finance revenues increased from HK\$2.0 million in 2010 to HK\$49.1 million in 2011. During 2011 and 2010, our short-term investment strategy has been to preserve capital while retaining sufficient liquidity. While we have recently invested in certain corporate debt securities which contributed to the increase in interest income, the majority of our short-term investments are primarily in time deposits with a maturity of three months or less.

Finance Costs

Finance costs increased by 1.5%, from HK\$255.5 million in 2010 to HK\$259.4 million in 2011. Finance costs increased in 2011 primarily due to the reduction in capitalized interest offset by the reduction in amounts outstanding under the Wynn Macau Credit Facility and lower interest rates in 2011 compared to 2010.

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 gain of HK\$80.4 million for 2011 resulting from the increase in the fair value of our interest rate swaps in 2011. We recorded a gain of HK\$26.5 million in 2010 resulting from the increase in the fair value of our interest rate swaps in 2010.

Income Tax Expense

In 2011, our income tax benefit was HK\$26.8 million compared to an income tax expense of HK\$44.1 million in 2010. Our current income tax benefit for 2011 primarily relates to the reversal of HK\$41.8 million reserve previously established for potential tax assessments for years 2006 and before, which has closed and income tax expense of HK\$15.0 million for our subsidiaries owning WRM's shares under the WRM Shareholder Dividend Tax Agreement. Our 2010 current income tax expense 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.

Net Profit Attributable to Owners of the Company

As a result of the foregoing, net profit attributable to owners of the Company increased by 33.9%, from HK\$4.4 billion in 2010 to HK\$5.9 billion in 2011.

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.

Our cash balances at 31 December 2011 were HK\$5.2 billion. Such cash is available for operations, new development activities and enhancements to Wynn Macau and Encore. In addition, as at 31 December 2011, we had HK\$6.6 billion available to draw under the Wynn Macau Revolver.

As at 31 December 2011, the Group had a net current liability position of HK\$3,023.6 million. The Group expects it will generate positive cash flows in 2012 and will obtain or renew its bank loan facilities, wherever needed, to meet its financial liabilities as and when they fall due. The Group believes it has sufficient working capital to finance its operations and financial obligations.

Investments

As at 31 December 2011, the Group had net investments in Offshore RMB denominated debt securities with maturities of up to three years that amounted to Offshore RMB415.6 million (approximately HK\$508.8 million) compared to nil as at 31 December 2010.

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 2011 and 2010.

	As at 31 December	
	2011	2010
	HK\$	HK\$
	<i>(in thousands except for percentages)</i>	
Interest-bearing bank loans, net	4,803,466	4,949,703
Accounts payable	1,050,345	1,018,016
Land premium payable	911,433	—
Other payables and accruals	6,236,877	3,665,441
Amounts due to related companies	158,188	235,922
Other liabilities, net of uncertain tax position	135,396	23,794
Less: cash and cash equivalents	(5,156,725)	(3,819,163)
Net debt	8,138,980	6,073,713
Equity	4,028,443	4,297,089
Total capital	4,028,443	4,297,089
Capital and net debt	12,167,423	10,370,802
Gearing ratio	66.9%	58.6%

Cash Flows

The following table presents a summary of the Group's cash flows for the years ended 31 December 2011 and 2010.

	For the year ended 31 December	
	2011	2010
	HK\$	HK\$
	<i>(in millions)</i>	
Net cash generated from operating activities	9,417.1	6,878.1
Net cash used in investing activities	(1,505.5)	(1,015.8)
Net cash used in financing activities	(6,607.5)	(7,272.1)
Net increase (decrease) in cash and cash equivalents	1,304.1	(1,409.8)
Cash and cash equivalents at beginning of year	3,819.1	5,229.0
Effect of foreign exchange rate changes, net	33.5	—
Cash and cash equivalents at end of year	<u>5,156.7</u>	<u>3,819.2</u>

Net cash generated from operating activities

Our net cash generated from operating activities is primarily affected by operating profit generated by our Macau Operations as a result of increased casino revenues, continued costs control, and benefits from changes in working capital. Net cash from operating activities was HK\$9.4 billion in 2011 compared to HK\$6.9 billion in 2010.

Operating profit was HK\$6.0 billion in 2011 compared to HK\$4.7 billion in 2010.

Net cash used in investing activities

Net cash used in investing activities was HK\$1.5 billion in 2011, compared to HK\$1.0 billion in 2010. Major expenditures made in 2011 included the purchase of debt securities denominated in Offshore RMB amounting to HK\$518.7 million, the down payment of HK\$485.4 million made in December 2011 with respect to the Cotai Land premium and capital expenditures of HK\$445.3 million related primarily to renovation projects to enhance and refine the Macau Operations. In 2010, the major expenditure was the capital expenditures of HK\$1.0 billion related primarily to the construction of Encore.

Net cash used in financing activities

Net cash used in financing activities was HK\$6.6 billion during 2011 compared to HK\$7.3 billion during 2010. The decrease was due to the HK\$6.2 billion dividend payment made in 2011 compared to a combining effect from the HK\$3.9 billion dividend payment and the HK\$3.1 billion repayment net of borrowings under the Wynn Macau Credit Facilities made in 2010.

Indebtedness

The following table presents a summary of our indebtedness as at 31 December 2011 and 2010.

Indebtedness information

	As at 31 December	
	2011	2010
	HK\$	HK\$
	<i>(in thousands)</i>	
Senior revolving credit facility	1,168,844	779,521
Senior term loan facility	3,708,975	4,287,283
Total	<u>4,877,819</u>	<u>5,066,804</u>

The Group had approximately HK\$6.6 billion available to draw under the Wynn Macau Revolver as at 31 December 2011. Subsequent to year end, the remaining balance of the Wynn Macau Revolver amounting to approximately HK\$1.2 billion was fully repaid by March 2012.

Wynn Macau Credit Facilities

Overview

As at 31 December 2011, WRM's credit facilities consisted of HK\$12.1 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\$7.8 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 million).

As at 31 December 2011, we had total bank and other borrowings under the Wynn Macau Credit Facilities of HK\$4.9 billion, of which HK\$1.4 billion was denominated in U.S. dollars and HK\$3.5 billion was denominated in Hong Kong dollars.

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 became 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 2011, 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 3.50 to 1 as at 31 December 2011, 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 2011. Going forward, the Group is required to maintain a Leverage Ratio not greater than 3.50 to 1. The Interest Coverage Ratio requirement remains at not less than 2 to 1.

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. Based on current estimates, the Group does not believe that the Wynn Macau Leverage Ratio during the fiscal year ending 31 December 2012 will exceed 4 to 1. Accordingly, the Group does not expect to make any mandatory prepayments pursuant to this requirement during 2012.

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).

WRM is currently in compliance with all requirements, namely satisfaction of its Leverage Ratio, which must be met in order to pay dividends and is presently able to pay dividends in accordance with the Wynn Macau Credit Facilities.

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 situations triggering an event of default related to WRL's ownership and control of WRM under the Wynn Macau Credit Facilities have been amended and limited to the situation where Wynn Resorts, Limited ceases to own or control at least 51% of WRM (or ceases to have the ability to direct the management of WRM) pursuant to consent obtained from the relevant parties on or about 22 August 2011.

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 functional and presentation currency, for incorporation into the consolidated financial statements. The majority of our assets and liabilities are denominated in U.S. dollars, Hong Kong dollars, Macau patacas and Offshore RMB, and there are no significant assets and liabilities denominated in other currencies. 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. The Macau pataca is pegged to the Hong Kong dollar, and in many cases the two currencies are used interchangeably in Macau. However, the exchange linkages of the Hong Kong dollar and the Macau pataca, and the Hong Kong dollar 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. In particular, our Group is exposed to foreign exchange risk arising primarily with respect to the Offshore RMB, which does not have pegged exchange linkages to the U.S. dollar, Hong Kong dollar or Macau pataca.

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 2011, the Group had one interest rate swap intended to manage a portion of the underlying interest rate risk on borrowings under the Wynn Macau Credit Facilities. Under this swap agreement, 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 2011, 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 value of this interest rate swap on the consolidated statement of financial position approximates its fair value. The fair value approximates the amount the Group would pay if this contract was 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 2011 and 2010, were charged to the consolidated statement of comprehensive income.

Our liability under the swap agreement is 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 to fund our 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 our resort. 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 13 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 2012 and anticipates filing its MFRS Consolidated Financial Statements with the Gaming Inspection and Coordination Bureau of Macau by 31 March 2012. 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 2012. 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 2011.

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 provision A.2.1 of the Code.

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 (including Mr. Kazuo Okada*), all Directors (except Mr. Kazuo Okada*) 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 2011.

** Mr. Kazuo Okada ceased to be a member of our Board on 24 February 2012.*

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 members have reviewed the Group's results for the year ended 31 December 2011.

ANNUAL REPORT

The Company's annual report for the year ended 31 December 2011 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.

INFORMATION CONCERNING MR. KAZUO OKADA

On 18 February 2012, WRL's Gaming Compliance Committee concluded a year-long investigation after receiving an independent report by Freeh, Sporkin & Sullivan, LLP (the "**Freeh Report**") detailing numerous prima facie violations of the United States Foreign Corrupt Practices Act (the "**FCPA**") by Aruze USA, Inc., at the time a stockholder of WRL, Universal Entertainment Corporation, Aruze USA, Inc.'s parent company, and Kazuo Okada, the majority shareholder of Universal Entertainment Corporation, who is also a member of WRL's board of directors and was at the time a Director of the Company.

Based on the Freeh Report, the board of directors of WRL determined that Aruze USA, Inc., Universal Entertainment Corporation and Mr. Okada are “unsuitable” under Article VII of the WRL articles of incorporation. The board of directors of WRL was unanimous (other than Mr. Okada) in its determination. The board of directors of WRL also requested that Mr. Okada resign as a director of WRL and recommended that Mr. Okada be removed as a member of the Board of Directors of the Company. On 18 February 2012, Mr. Okada was removed from the board of directors of Wynn Las Vegas Capital Corp., a wholly owned subsidiary of WRL.

Based on the board of directors of WRL’s finding of “unsuitability”, on 18 February 2012, WRL redeemed Aruze USA, Inc.’s 24,549,222 shares of WRL’s common stock. Following a finding of “unsuitability”, WRL’s articles authorize redemption at “fair value” of the shares held by unsuitable persons. WRL engaged an independent financial advisor to assist in the fair value calculation and concluded that a discount to the then-current trading price was appropriate because of, among other things, restrictions on most of the shares held by Aruze USA, Inc. under the terms of an existing stockholders agreement. Pursuant to the articles of incorporation of WRL, on 18 February 2012, WRL issued a subordinated promissory note in redemption of all of the shares of WRL common stock held by Aruze USA, Inc. (the “Redemption Price Promissory Note”). The Redemption Price Promissory Note has a principal amount of approximately US\$1.9 billion (approximately HK\$14.7 billion), matures on 18 February 2022 and bears interest at the rate of 2% per annum, payable annually in arrears on each anniversary of the date of the Redemption Price Promissory Note. WRL may, in its sole and absolute discretion, at any time and from time to time, and without penalty or premium, prepay the whole or any portion of the principal or interest due under the Redemption Price Promissory Note. In no instance shall any payment obligation under the Redemption Price Promissory Note be accelerated except in the sole and absolute discretion of WRL or as specifically mandated by law. The indebtedness evidenced by the Redemption Price Promissory Note is and shall be subordinated in right of payment, to the extent and in the manner provided in the Redemption Price Promissory Note, to the prior payment in full of all existing and future obligations of WRL or any of its affiliates in respect of indebtedness for borrowed money of any kind or nature.

On 19 February 2012, WRL filed a complaint in the District Court of Clark County, Nevada against Mr. Okada, Aruze USA, Inc. and Universal Entertainment Corporation alleging breaches of fiduciary duty and related claims. On 12 March 2012, Aruze USA, Inc. and Universal Entertainment Corporation removed the action to the United States District Court for the District of Nevada. On that same date, Aruze USA, Inc. and Universal Entertainment Corporation filed an answer denying the claims and a counterclaim that purports to assert claims against WRL, each of the members of WRL’s board (other than Mr. Okada) and a senior executive of WRL. Among other relief, the counterclaim seeks a declaration that the redemption of Aruze USA, Inc.’s shares was void, an injunction restoring Aruze USA, Inc.’s share ownership and damages in an unspecified amount.

On 24 February 2012, the Board considered the information disclosed by WRL concerning the Freeh Report. After due consideration of the Freeh Report, taking into account the Company’s high ethical standards, the Board determined that it was obligated to remove Mr. Kazuo Okada as a non-executive Director given the unacceptable conduct by Mr. Okada, his employees and associates detailed in the Freeh Report. Accordingly, the Board resolved to remove Mr. Kazuo Okada as a non-executive director of the Company and Mr. Kazuo Okada was so removed.

On 7 March 2012, WRL filed with the SEC a preliminary proxy statement for a special meeting of stockholders of WRL to be held for the purpose of voting on a proposal to remove Mr. Okada as a director of WRL.

Litigation commenced by Mr. Okada and related matters

As previously disclosed in May 2011, the Company made a commitment to the University of Macau Development Foundation in support of the new Asia-Pacific Academy of Economics and Management. This contribution consists of a MOP200.0 million (equivalent to HK\$194.2 million) payment made in May 2011 and a commitment for additional donations of MOP80.0 million (equivalent to HK\$77.7 million) each year for the calendar years 2012 through 2022 inclusive. The pledge was consistent with WRL's long-standing practice of providing philanthropic support for deserving institutions in the markets in which it operates. The pledge was made following an extensive analysis which concluded that the gift was made in accordance with all applicable laws. The pledge was considered by the boards of directors of both WRL and the Company and approved by 15 of the 16 directors who serve on those boards. The sole dissenting vote was cast by Mr. Kazuo Okada whose stated objection was to the length of time over which the donation would occur, not its propriety.

Mr. Okada commenced litigation on 11 January 2012, in Nevada state court seeking to compel WRL to produce information relating to the donation to the University of Macau, among other things.

On 8 February 2012, following Mr. Okada's lawsuit, WRL received a letter from the Salt Lake Regional Office of the SEC requesting that, in connection with an informal inquiry by the SEC, WRL preserve information relating to, but not limited to, the donation to the University of Macau, any donations by WRL to any other educational charitable institutions, including the University of Macau Development Foundation, and WRL's casino or concession gaming licenses or renewals in Macau. WRL has informed the Salt Lake Regional Office that it intends to fully comply with the SEC's request.

At a hearing on 9 February 2012, the Nevada state court stated that, as a director of WRL, Mr. Okada had the right to make a reasonable inspection of WRL's corporate books and records. Following the hearing, WRL released certain WRL documents to Mr. Okada for his inspection. At a subsequent hearing on 8 March 2012, the court considered Mr. Okada's request that WRL's board make additional documents available to him, and ruled that Mr. Okada was entitled to inspect two additional pages of WRL documents. WRL promptly complied with the court's ruling.

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 Mr. Stephen A. Wynn and Mr. Ian Michael Coughlan (our executive Directors), and Mr. Nicholas Sallnow-Smith (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, which unless stated otherwise, excludes Mr. Kazuo Okada who ceased to be a member of our Board on 24 February 2012
“Code on Corporate Governance Practices” or “Code”	the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules
“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, which unless stated otherwise, excludes Mr. Kazuo Okada who ceased to be a member of our Board on 24 February 2012
“Encore” or “Encore at Wynn Macau”	a casino resort located in Macau, connected to and fully integrated with Wynn Macau, owned and operated directly by WRM, which opened on 21 April 2010.
“Galaxy”	Galaxy Casino, S.A., one of the six gaming operators in Macau and one of the three concessionaires
“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
“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
“Las Vegas Jet, LLC”	Las Vegas Jet, LLC, a company formed under the laws of the State of Nevada, United States and a wholly owned subsidiary of Wynn Resorts, Limited

“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
“Macau Operations”	the fully integrated Wynn Macau and Encore at Wynn Macau resort
“Melco Crown”	Melco Crown Gaming (Macau) Limited, one of the six gaming operators in Macau and one of the three sub-concessionaires
“MGM Macau”	MGM Grand Paradise Limited, one of the six gaming operators in Macau and one of the three sub-concessionaires
“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
“Offshore RMB”	RMB maintained outside mainland China, primarily in Hong Kong where RMB trading is officially sanctioned and regulated, that is largely “convertible and transferable”. It is also known as CNH, which refers to offshore RMB primarily traded in Hong Kong (hence the “H”)
“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
“RMB”	Renminbi, the lawful currency of PRC
“Securities and Exchange Commission” or “SEC”	the U.S. Securities and Exchange Commission

“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 S.A., 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
“US GAAP”	the Generally Accepted Accounting Principles 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 a wholly owned subsidiary of Wynn Resorts, Limited
“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
“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 and July 2011, each for a term of five years between WRM and the Macau Special Administrative Region, effective retroactively to 2006, that provide for an annual payment to the Macau Special Administrative Region of MOP7.2 million in years 2006 through 2010 and MOP15.5 million in years 2011 through 2015 in lieu of Complementary Tax otherwise due by WRM shareholders on dividend distributions to them from gaming profits earned in those years.
“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 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\$7.8 billion (equivalent) senior revolving credit facilities extended to WRM and as subsequently amended from time to time, pursuant to which WM Cayman Holdings Limited II is the highest level obligor, guarantor and chargor.
“Wynn Resorts Holdings, LLC”	Wynn Resorts Holdings, LLC, a company formed under the laws of the State of Nevada, United States and a wholly owned subsidiary of Wynn Resorts, Limited
“Wynn Resorts International, Ltd.”	Wynn Resorts International, Ltd., a company incorporated under the laws of the Isle of Man and a wholly owned subsidiary of the Company
“Wynn Resorts, Limited” or “WRL”	Wynn Resorts, Limited, a company formed under the laws of the State of Nevada, United States, our controlling shareholder (as defined in the Listing Rules)

GLOSSARY OF TERMS USED IN THIS ANNOUNCEMENT

“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 companies 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
“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, 27 March 2012

As at the date of this announcement, the Board comprises Stephen A. Wynn, Ian Michael Coughlan and Linda Chen (as Executive Directors); 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).