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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 and Debt Stock Code: 5983)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017, DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board of Directors of Wynn Macau, Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017 as follows.

FINANCIAL HIGHLIGHTS

	For the Six Months ended 30 June	
	2017	2016
	HK\$	HK\$
	<i>(in thousands, except per share amounts or otherwise stated)</i>	
Casino revenues	15,603,397	9,153,749
Other revenues	1,187,534	536,076
Adjusted EBITDA	3,870,839	2,547,722
Profit attributable to owners	1,591,948	1,140,905
Earnings per Share — basic and diluted (HK\$)	0.31	0.22

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

On 17 August 2017, the Board declared an interim dividend of HK\$0.21 per Share for the six months ended 30 June 2017, payable to Shareholders whose names appear on the register of members of the Company on 6 September 2017. For the purpose of determining the identity of members who are entitled to the interim dividend the register of members of the Company will be closed from 2 September 2017 to 6 September 2017 (both days inclusive) during which period no transfer of Shares will be effected. The interim dividend is expected to be paid on 15 September 2017.

In order to determine the identity of the Shareholders entitled to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 1 September 2017.

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the Six Months Ended 30 June	
		2017	2016
		HK\$	HK\$
		(in thousands)	
		(unaudited)	(unaudited)
Operating revenues			
Casino		15,603,397	9,153,749
Rooms		242,142	62,909
Food and beverage		257,318	107,554
Retail and other		688,074	365,613
		<u>16,790,931</u>	<u>9,689,825</u>
Operating costs and expenses			
Gaming taxes and premiums		7,779,751	4,404,799
Staff costs		2,290,456	1,750,501
Other operating expenses	3	2,952,426	1,601,105
Depreciation and amortization		1,393,098	464,141
Property charges and other		7,739	8,897
		<u>14,423,470</u>	<u>8,229,443</u>
Operating profit		<u>2,367,461</u>	<u>1,460,382</u>
Finance revenues		4,982	19,164
Finance costs	4	(625,828)	(293,442)
Net foreign currency differences		(140,263)	(15,482)
Changes in fair value of interest rate swaps		(8,190)	(22,193)
		<u>(769,299)</u>	<u>(311,953)</u>
Profit before tax		<u>1,598,162</u>	<u>1,148,429</u>
Income tax expense	5	6,214	7,524
Net profit attributable to owners of the Company		<u>1,591,948</u>	<u>1,140,905</u>
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation reserve		(208)	—
Other comprehensive income for the period		<u>(208)</u>	<u>—</u>
Total comprehensive income attributable to owners of the Company		<u>1,591,740</u>	<u>1,140,905</u>
Basic and diluted earnings per Share	6	<u>HK\$0.31</u>	<u>HK\$0.22</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2017	As at 31 December 2016
		<i>HK\$</i> (in thousands)	<i>HK\$</i>
	<i>Notes</i>	<i>(unaudited)</i>	<i>(audited)</i>
Non-current assets			
Property and equipment and construction in progress		34,732,685	35,858,056
Leasehold interests in land		1,734,537	1,782,623
Goodwill		398,345	398,345
Deposits for acquisition of property and equipment		12,290	18,342
Other non-current assets		852,462	910,186
Restricted cash and cash equivalents		5,393	9,842
Total non-current assets		37,735,712	38,977,394
Current assets			
Inventories		328,357	338,023
Trade and other receivables	8	585,495	733,001
Prepayments and other current assets		141,163	128,596
Interest rate swaps		871	8,189
Amounts due from related companies		183,264	156,561
Restricted cash and cash equivalents		13,432	12,267
Cash and cash equivalents		2,341,980	2,591,442
Total current assets		3,594,562	3,968,079
Current liabilities			
Accounts payable	9	519,129	525,501
Construction and retentions payables		1,007,029	1,167,082
Other payables and accruals	10	7,413,814	5,866,015
Interest rate swaps		859	—
Amounts due to related companies		187,157	202,298
Income tax payables	5	6,214	12,427
Other current liabilities		56,480	55,763
Total current liabilities		9,190,682	7,829,086
Net current liabilities		(5,596,120)	(3,861,007)
Total assets less current liabilities		32,139,592	35,116,387

		As at 30 June 2017 <i>HK\$</i> <i>(in thousands)</i> <i>(unaudited)</i>	As at 31 December 2016 <i>HK\$</i> <i>(audited)</i>
	<i>Notes</i>		
Non-current liabilities			
Interest-bearing borrowings	<i>11</i>	29,787,136	32,169,888
Construction retentions payable		129	1,244
Other payables and accruals	<i>10</i>	257,525	325,022
Other long-term liabilities		160,906	167,169
		<hr/>	<hr/>
Total non-current liabilities		30,205,696	32,663,323
		<hr/>	<hr/>
Net assets		1,933,896	2,453,064
		<hr/>	<hr/>
Equity			
Equity attributable to owners of the Company			
Issued capital		5,196	5,196
Share premium account		255,314	161,746
Shares held for employee ownership scheme		(108,997)	(109,000)
Reserves		1,782,383	2,395,122
		<hr/>	<hr/>
Total equity		1,933,896	2,453,064
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND PRESENTATION

This interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

As at 30 June 2017, the Group had cash and cash equivalents of HK\$2.3 billion 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 30 June 2017, the Group had a net current liability position of HK\$5.6 billion. The Group expects it will generate positive cash flows in the coming twelve months and may obtain or renew its bank loan facilities and, or seek other sources of funding, 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.

Application of new and revised IFRSs

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of following revised standards effective as of 1 January 2017:

Amendments to IAS 7	<i>Disclosure Initiative</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses</i>
<i>Annual Improvements</i> <i>2014–2016 Cycle</i>	Amendments to a number of IFRSs

The adoption of these revised standards has no significant financial effect on the interim financial information and there has been no significant change to the accounting policies applied in the interim financial information.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments and making strategic decisions. For management purposes, during the six months ended 30 June 2017, the Group reviews Wynn Macau and Wynn Palace as two reportable segments. Refer to Note 12 for segment information.

3. OTHER OPERATING EXPENSES

	For the Six Months Ended	
	30 June	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
	<i>(unaudited)</i>	<i>(unaudited)</i>
Gaming promoters' commissions	898,796	427,922
License fees	656,084	366,109
Cost of sales	253,481	126,433
Advertising and promotions	234,771	104,326
Operating supplies and equipment	191,819	99,461
Repairs and maintenance	176,493	110,363
Utilities and fuel	164,618	87,263
Contract services	148,620	74,244
Corporate support services and other	57,734	49,217
Other support services	30,297	18,728
Operating rental expenses	29,156	33,037
Auditor's remuneration	4,335	3,487
Reversal of provision for doubtful accounts, net	(43,167)	(21,347)
Other expenses	149,389	121,862
	<u>2,952,426</u>	<u>1,601,105</u>

4. FINANCE COSTS

	For the Six Months Ended 30 June	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest expense	548,700	555,363
Bank fees for unused facilities	11,712	4,714
Amortization of debt financing costs	65,416	64,541
Less: capitalized interest	—	(331,176)
	<u>625,828</u>	<u>293,442</u>

5. INCOME TAX EXPENSE

The major components of income tax expense for the six months ended 30 June 2017 and 2016 were:

	For the Six Months Ended 30 June	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
	<i>(unaudited)</i>	<i>(unaudited)</i>
Income tax expense:		
Current — overseas	<u>6,214</u>	<u>7,524</u>
	<u>6,214</u>	<u>7,524</u>

No provision for Hong Kong profit tax for the six months ended 30 June 2017 has been made as there was no assessable profit generated in Hong Kong (six months ended 30 June 2016: Nil). Taxation for overseas jurisdictions is charged at the appropriate prevailing rates ruling in the respective jurisdictions and the maximum rate is 12% (six months ended 30 June 2016: 12%). For the six months ended 30 June 2017, the tax provision of HK\$6.2 million results from the current income tax expense accrued by our subsidiaries owning WRM's shares under the WRM Shareholder Dividend Tax Agreement (six months ended 30 June 2016: HK\$7.5 million). On 15 October 2015, WRM received a 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits (the "**Tax Holiday**") effective from 1 January 2016 through 31 December 2020. Accordingly, the Group was exempted from the payment of approximately HK\$206.3 million in such tax for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$162.1 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 August 2016, WRM renewed the WRM Shareholder Dividend Tax Agreement with the Macau Special Administrative Region that provided for annual payments of MOP12.8 million (approximately HK\$12.4 million) to the Macau Special Administrative Region in lieu of Complementary Tax on dividend distributions to its shareholders from gaming profits for each of the years 2016 through 2020.

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 examinations by tax authorities in the locations where it operates. The Group's 2012 to 2016 Macau Complementary Tax returns remain subject to examination by the Financial Services Bureau of the Government of the Macau Special Administrative Region (the "**Financial Services Bureau**"). In April 2016, the Financial Services Bureau examined the 2011 and 2012 Macau Complementary Tax returns of Palo. In June 2016, the Financial Services Bureau issued its final tax assessments for Palo for the years 2011 and 2012 and the examination resulted in no change to the tax returns. The Financial Services Bureau has also commenced examinations of the 2013 and 2014 Macau Complementary Tax returns for WRM and Palo. Since the examinations are in their initial stages, the Group is unable to determine if they will conclude within the next 12 months. The Group believes that its liability for uncertain tax positions is adequate with respect to these years.

Quarterly, the Group undertakes reviews for any potentially unfavorable tax outcome 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.

As at 30 June 2017, the Group has unrecognized tax losses of HK\$5.4 billion (31 December 2016: HK\$4.1 billion) 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.

6. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per Share for the six months ended 30 June 2017 is based on the consolidated net profit attributable to owners of the Company and on the weighted average number of Shares in issue of 5,180,316,178 during the period (six months ended 30 June 2016: 5,181,626,809), excluding Shares reserved and purchased for the Company's employee ownership scheme. No Shares (six months ended 30 June 2016: 5,500,800) were purchased and none of the Shares (six months ended 30 June 2016: nil) were issued and reserved for the Company's employee ownership scheme during the six months ended 30 June 2017.

The calculation of diluted earnings per Share for the six months ended 30 June 2017 is based on the consolidated net profit attributable to owners of the Company and on the weighted average number of Shares of 5,187,269,182 (six months ended 30 June 2016: 5,182,335,253) including the weighted average number of Shares in issue of 5,180,316,178 during the period (six months ended 30 June 2016: 5,181,626,809) plus the weighted average number of potential Shares of 6,953,004 (six months ended 30 June 2016: 708,444) arising from the deemed exercise of share options and deemed vesting of awards under the Company's employee ownership scheme.

7. DIVIDENDS

	For the Six Months Ended	
	30 June	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
	<i>(unaudited)</i>	<i>(unaudited)</i>
Special dividend for 2016 paid of nil (2015: HK\$0.6) per Share	—	3,109,263
2016 final dividend of HK\$0.42 per Share declared (2015: nil)	2,182,121	—
	<u>2,182,121</u>	<u>3,109,263</u>

On 17 August 2017, the Board resolved to declare an interim dividend of HK\$0.21 per Share to be paid in respect of the six months ended 30 June 2017.

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following as at 30 June 2017 and 31 December 2016:

	As at 30 June 2017 HK\$ <i>(in thousands)</i> <i>(unaudited)</i>	As at 31 December 2016 HK\$ <i>(in thousands)</i> <i>(audited)</i>
Casino	529,038	806,824
Retail leases and other	115,455	91,155
Hotel	18,050	30,309
	<u>662,543</u>	<u>928,288</u>
Less: allowance for doubtful accounts	<u>(77,048)</u>	<u>(195,287)</u>
Total trade and other receivables, net	<u><u>585,495</u></u>	<u><u>733,001</u></u>

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

	As at 30 June 2017 HK\$ <i>(in thousands)</i> <i>(unaudited)</i>	As at 31 December 2016 HK\$ <i>(in thousands)</i> <i>(audited)</i>
Within 30 days	251,169	241,472
31 to 60 days	106,350	121,638
61 to 90 days	87,534	90,837
Over 90 days	217,490	474,341
	<u>662,543</u>	<u>928,288</u>
Less: allowance for doubtful accounts	<u>(77,048)</u>	<u>(195,287)</u>
Net trade and other receivables	<u><u>585,495</u></u>	<u><u>733,001</u></u>

The advanced commissions are on terms requiring settlement within five business days of the month following the advance. Except for the advanced commissions, the trade and other receivables are generally repayable within 14 days.

9. ACCOUNTS PAYABLE

During the six months ended 30 June 2017 and the year ended 31 December 2016, the Group normally received credit terms of 30 days. An aged analysis of accounts payable as at the end of the reporting period, based on invoice dates, is as follows:

	As at 30 June 2017 <i>HK\$</i> <i>(in thousands)</i> <i>(unaudited)</i>	As at 31 December 2016 <i>HK\$</i> <i>(audited)</i>
Within 30 days	422,462	391,409
31 to 60 days	24,098	44,384
61 to 90 days	15,395	30,352
Over 90 days	57,174	59,356
	<u>519,129</u>	<u>525,501</u>

10. OTHER PAYABLES AND ACCRUALS

Other payables and accruals consist of the following as at 30 June 2017 and 31 December 2016:

	As at 30 June 2017 <i>HK\$</i> <i>(in thousands)</i> <i>(unaudited)</i>	As at 31 December 2016 <i>HK\$</i> <i>(audited)</i>
Current:		
Outstanding chip liabilities	3,519,660	2,102,057
Customer deposits	1,803,024	1,758,819
Gaming taxes payable	1,293,321	1,175,553
Donation payable	77,670	77,670
Other liabilities	720,139	751,916
	<u>7,413,814</u>	<u>5,866,015</u>
Non-current:		
Donation payable	257,525	325,022
	<u>7,671,339</u>	<u>6,191,037</u>
Total	<u>7,671,339</u>	<u>6,191,037</u>

11. INTEREST-BEARING BORROWINGS

		As at 30 June 2017 HK\$ <i>(in thousands)</i> (unaudited)	As at 31 December 2016 HK\$ <i>(audited)</i>
Bank loans, secured	<i>(a)</i>	19,515,928	22,003,178
Senior notes, unsecured	<i>(b)</i>	10,564,477	10,498,819
		30,080,405	32,501,997
Less: debt financing costs, net		(293,269)	(332,109)
Total interest-bearing borrowings		<u>29,787,136</u>	<u>32,169,888</u>

Notes:

(a) Bank loans, secured

Wynn Macau Credit Facilities

As at 30 June 2017, the Wynn Macau Credit Facilities consisted of approximately HK\$23.8 billion equivalent in a combination of Hong Kong dollar and U.S. dollar facilities, including an approximately HK\$18.0 billion equivalent fully funded senior term loan facility and an approximately HK\$5.8 billion equivalent senior revolving credit facility.

There is also an option to upsize the total senior secured credit facilities by approximately an additional HK\$7.8 billion equivalent (US\$1.0 billion) under the Wynn Macau Credit Facilities and related agreements upon the satisfaction of various conditions. The borrowings under the Wynn Macau Credit Facilities were used to refinance WRM's indebtedness in 2015 and for a variety of purposes, including to fund the construction and development of Wynn Palace and for general corporate purposes.

The HK\$18.0 billion equivalent term loan facility is repayable in graduating installments of between 2.50% to 7.33% of the principal amount on a quarterly basis commencing December 2018, with a final installment of 50% of the principal amount repayable in September 2021. The final maturity of any outstanding borrowings from the revolving credit facility is September 2020, by which time any outstanding borrowings from the revolving loans must be repaid.

The borrowings under the Wynn Macau Credit Facilities bear interest at LIBOR or HIBOR plus a margin of 1.50% to 2.25% per annum based on WRM's leverage ratio. Customary fees and expenses were paid by WRM in connection with the Wynn Macau Credit Facilities.

As at 30 June 2017, the Group had HK\$4.3 billion in funding available under the revolving credit facility of the Wynn Macau Credit Facilities.

WMLF Revolving Credit Facility

On 18 July 2016, WMLF entered into an agreement as the borrower of a revolving credit facility for initially up to HK\$1.5 billion (approximately US\$198.4 million) with Bank of China Limited, Macau Branch as the lender.

Borrowings under the WMLF Revolving Credit Facility are secured by pledged US\$ deposits of initially up to US\$200.0 million (approximately HK\$1.6 billion) placed by WRL in a pledged account at Bank of China Limited, Macau Branch.

Borrowings under the WMLF Revolving Credit Facility are used for working capital requirements and general corporate purposes.

The final maturity of any outstanding borrowings under the WMLF Revolving Credit Facility is 18 July 2018, by which time any outstanding borrowings must be repaid in full. The borrowings under the WMLF Revolving Credit Facility bear interest initially at 1.50% per annum, such rate is calculated as the interest rate paid by Bank of China Limited, Macau Branch to WRL in respect of the US\$ deposits in the pledged account at Bank of China Limited, Macau Branch plus a margin of 0.40%. Under the terms of the agreement, mandatory repayment is required upon a change in control or material adverse effect (as defined in the agreement).

On 25 October 2016, the WMLF Revolving Credit Facility was amended and upsized, increasing the available borrowing capacity to HK\$3.9 billion (approximately US\$495.9 million). The terms of the borrowing for the increased principal amount under the amendment are equivalent to the terms of the original credit agreement, including the requirement for cash collateral to be deposited and pledged with the lender, and interest is borne at the same rate as described above.

As at 30 June 2017, the Group had no outstanding amounts under the WMLF Revolving Credit Facility and the full HK\$3.9 billion available.

(b) Senior notes, unsecured

The Company issued 5.25% fixed rate, unsecured senior notes due 15 October 2021 for an aggregate principal amount of US\$1.35 billion (approximately HK\$10.5 billion). The Company used the net proceeds from the offering of the WML 2021 Notes for working capital requirements and general corporate purposes. The WML 2021 Notes are listed on the Hong Kong Stock Exchange.

12. SEGMENT INFORMATION

The Group's principal operating activities occur in Macau, which is the sole geographic area in which the Group is domiciled. The Group reviews the results of operations for each of its operating segments. Wynn Macau and Encore at Wynn Macau are managed as a single integrated resort and are aggregated as one operating segment, which is also a reportable segment ("Wynn Macau"). Wynn Palace, which opened on 22 August 2016, is managed as an operating segment and a separate reportable segment. The Group identifies each integrated resort as a reportable segment considering operations within each integrated resort have similar economic characteristics, type of customers, types of services and products, the regulatory environment of the operations and the Group's organizational and management reporting structure. Other Macau primarily represents cash held at the Company.

	For the Six Months Ended	
	30 June	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net Revenue		
Wynn Macau	9,869,328	9,689,825
Wynn Palace	6,921,603	—
	<hr/>	<hr/>
Total	<u>16,790,931</u>	<u>9,689,825</u>

	For the Six Months Ended	
	30 June	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
<i>Notes</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Adjusted EBITDA		
Wynn Macau	2,622,004	2,547,722
Wynn Palace	1,248,835	—
	<u>3,870,839</u>	<u>2,547,722</u>
Other operating costs and expenses		
Depreciation and amortization	1,393,098	464,141
Pre-opening costs [#]	—	507,755
Property charges and other	7,739	8,897
Share-based payments	62,339	64,015
Wynn Macau, Limited corporate expenses	40,202	42,532
	<u>2,367,461</u>	<u>1,460,382</u>
Operating profit		
Non-operating income and expenses		
Finance revenues	4,982	19,164
Finance costs	4 (625,828)	(293,442)
Net foreign currency differences	(140,263)	(15,482)
Change in fair value of interest rate swaps	(8,190)	(22,193)
	<u>1,598,162</u>	<u>1,148,429</u>
Profit before tax		
Income tax expense	5 6,214	7,524
Net profit attributable to owners of the Company	<u>1,591,948</u>	<u>1,140,905</u>
[#] Pre-opening costs represent personnel and other costs incurred prior to the opening of Wynn Palace and are expensed as incurred. Wynn Palace opened on 22 August 2016.		
	As at	As at 31
	30 June 2017	December 2016
	HK\$	HK\$
	<i>(in thousands)</i>	
	<i>(unaudited)</i>	<i>(audited)</i>
Total assets		
Wynn Palace	32,092,945	33,320,609
Wynn Macau	9,152,289	9,537,765
Other Macau	85,040	87,099
	<u>41,330,274</u>	<u>42,945,473</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are a developer, owner and operator of two integrated destination casino resorts in Macau, Wynn Macau and Wynn Palace.

We operate integrated resorts that attract a wide range of customer segments and generate strong financial results. To attract and retain our customers, we design and continually make enhancements and refinements to refresh and improve our resorts and to create unique customer experiences across a wide range of gaming and non-gaming amenities. Our emphasis on human resources and staff training underscores our commitment to providing our customers with superior levels of luxury service and guest experience. We also leverage Wynn International Marketing, Ltd.'s international branch offices located in Macau, Hong Kong, Singapore, Taiwan, Japan and the United States to attract international customers.

On 12 August 2016, WRM received notification from The Gaming Inspection and Coordination Bureau of Macau (“**DICJ**”) that Wynn Palace was approved to commence operations on 22 August 2016. DICJ authorized 100 new table games for operation at Wynn Palace effective 22 August 2016, 25 new table games for operation effective 1 January 2017 and 25 new table games for operation effective 1 January 2018 for a total of 150 new table games in the aggregate. DICJ also approved 1,145 slot machines for operation at Wynn Palace effective 22 August 2016. We transfer table games between our Macau properties to optimize our casino operations.

Wynn Macau

Wynn Macau opened to the public on 6 September 2006 at the center of casino activities on the urban Macau peninsula. We completed expansion works at Wynn Macau in December 2007 and November 2009, adding more gaming space and additional food and beverage and retail amenities. Encore at Wynn Macau, a further expansion of Wynn Macau that added hotel accommodations and a range of gaming and non-gaming amenities, opened in April 2010.

Wynn Macau features:

- Approximately 281,000 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 59,000 square feet of high-end, brand-name retail shopping;
- Recreation and leisure facilities, including two health clubs and spas, a salon and a pool;
- A rotunda show featuring a Chinese zodiac-inspired ceiling along with gold “prosperity tree” and a “dragon of fortune” attractions; and
- Approximately 31,000 square feet of meeting and convention space.

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

	As at 30 June	
	2017	2016
VIP table games	93	178
Mass market table games	206	230
Slot machines	948	805
Poker tables	13	14

Wynn Palace

On 22 August 2016, we opened Wynn Palace in the Cotai area of Macau.

Wynn Palace features:

- Approximately 420,000 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;
- A luxury hotel with a total of 1,706 spacious rooms, suites and villas;
- Casual and fine dining in eleven food and beverage outlets;
- Approximately 106,000 square feet of high-end, brand-name retail shopping;
- Recreation and leisure facilities, including a cable car (“**Sky Cab**”) ride, health club, spa, salon and pool;
- Public attractions including an 8-acre performance lake, floral art displays and fine art displays; and
- Approximately 37,000 square feet of meeting and convention space.

The following table presents the number of casino games available at Wynn Palace:

	As at 30 June	
	2017	2016
VIP table games	104	—
Mass market table games	202	—
Slot machines	1,141	—
Poker tables	4	—

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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 50 years, consists principally of a peninsula on mainland China, and two neighboring islands, Taipa and Coloane, between which the Cotai area is located. We believe that Macau is located in one of the world's largest concentrations of potential gaming customers. Since the introduction of new casinos starting in 2004, the Macau market has experienced a significant increase in annual gaming revenue from the HK\$21.5 billion generated in 2002. According to Macau statistical information, casinos in Macau generated approximately HK\$122.7 billion in gaming revenue during the six months ended 30 June 2017, an increase of approximately 17.2% over the approximate HK\$104.6 billion generated in the six months ended 30 June 2016, making Macau the largest gaming market in the world.

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 grew significantly from liberalization in 2002 to 2014. From the first quarter of 2015 until the second quarter of 2016, the Macau gaming market experienced a period of decline in both revenue and visitation. In the third quarter of 2016, both metrics began to improve and statistics for the first half of 2017 reflect a year-over-year increase of 5.4% with 15.6 million tourist arrivals to Macau. We have benefited from the rise in visitation to Macau during the first half of 2017.

The Macau market has experienced tremendous growth in capacity since the opening of Wynn Macau in 2006. As at 30 June 2017, there were 36,600 hotel rooms, 6,413 table games and 16,204 slots in Macau, compared to 12,978 hotel rooms, 2,762 table games and 6,546 slots as at 31 December 2006.

Gaming customers traveling to Macau typically come from nearby destinations in Asia, including mainland China, Hong Kong, Taiwan, South Korea and Japan. According to the Macau Statistics and Census Service Monthly Bulletin of Statistics, approximately 89.8% of visitors to Macau for the six months ended 30 June 2017 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;
- Restrictions, conditions or other factors which affect visitation by citizens of mainland China to Macau;
- Various countries' policies on currency exchange controls and currency export restrictions, for example on the Renminbi, the currency of the PRC, and the issuance of travel visas that may be in place from time to time;
- Competition from other destinations which offer gaming and/or leisure activities;
- Occurrence of natural disasters and disruption of travel; and
- Possible outbreaks of infectious disease.

Economic and Operating Environment

A significant number of our gaming customers come from mainland China. Economic disruption, contraction or uncertainty in China can impact the number of patrons visiting our properties or the amount they may be willing to spend. In addition, policies adopted from time to time by the Chinese government, including any travel restrictions imposed by China on its citizens, such as restrictions imposed on exit visas granted to residents of mainland China for travel to Macau, could disrupt the number of visitors from mainland China to our resorts. It is not known when, or if, policies restricting visitation by mainland Chinese citizens to Macau and Hong Kong will be put in place and travel policies may be adjusted, without notice, in the future. Furthermore, the Chinese government's ongoing anti-corruption campaign has influenced the behavior of Chinese consumers and their spending patterns both domestically and abroad. The campaign has specifically led to tighter monetary transfer regulations, including real time monitoring of certain financial channels, limitations on cash withdrawals from ATM machines and "know your client" protocols implemented on ATM machines, which has affected and may continue to impact the number of visitors and the amount of money they bring from mainland China to Macau. The overall effect of the campaign and monetary transfer restrictions may negatively affect our revenues and results of operations.

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. There are six gaming operators in Macau, including WRM. The three concessionaires are WRM, SJM, and Galaxy. The three subconcessionaires are Melco, MGM Macau, and Venetian Macau. As at 30 June 2017, there were approximately 39 casinos in Macau, including 21 operated by SJM. Each of the six current operators has operational casinos and several have expansion plans underway. The Macau government has had the ability to grant additional gaming concessions since April 2009. If the Macau government were to allow additional competitors to operate in Macau through the grant of additional concessions or subconcessions, we would face additional competition, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. During 2016, several new resorts opened in the Cotai area of Macau, including Wynn Palace. Several more resorts from our competitors are expected to open in the second half of 2017 and during 2018. These Cotai facilities are expected to increase total hotel room inventory by approximately 12.0% from the current inventory and significantly increase other gaming and non-gaming offerings in Macau.

Wynn Macau and Wynn Palace also face competition from casinos located in Singapore, the Philippines and Malaysia. Our resorts also encounter 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, such as Japan, are successful, our resorts will face additional regional competition.

Gaming Concession

The Macau government has publicly commented that it is studying the process by which gaming concessions and subconcessions will be renewed. Our gaming concession ends in 2022 along with Galaxy's, Venetian Macau's and Melco's. SJM's and MGM Macau's concessions end in 2020.

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 Wynn Palace and often assist those players with their travel and entertainment arrangements. In addition, gaming promoters often grant credit to their players. In exchange for their services, Wynn Macau and Wynn Palace pay the gaming promoters a commission which is 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 as compensation. The total amount of commissions paid to gaming promoters and netted against casino revenues was HK\$3.6 billion and HK\$1.7 billion for the six months ended 30 June 2017 and 2016, respectively. Commissions increased 110.0% for the six months ended 30 June 2017 compared to the six months ended 30 June 2016 as VIP gross table games win increased due to increased business volumes at Wynn Macau and the opening of Wynn Palace in the third quarter of 2016.

We typically advance commissions to certain selected gaming promoters with strong operational performance history 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 net commissions payable to each such gaming promoter, increased primarily due to increased business volumes at Wynn Macau and Wynn Palace, to HK\$73.0 million as at 30 June 2017 from HK\$37.0 million as at 31 December 2016. At the end of each month, any commissions outstanding are cleared no later than the fifth business 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.

In addition to commissions, gaming promoters each receive a monthly complimentary allowance based on a percentage of the turnover its clients generate. The allowance is available for room, food and beverage and other products and services for discretionary use with the gaming promoter's clients.

Gaming promoters may experience certain difficulties in their Macau operations, including intensified competition in attracting patrons to come to Macau depending on certain factors, including Chinese government policies. These factors may cause gaming promoters to face a decrease in liquidity, limiting their ability to grant credit to their patrons, and difficulties in collecting credit they extend.

Premium Credit Play

We selectively extend credit to our VIP 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 various signed documents from each credit recipient that are intended to ensure that, among other things, 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 can attempt to 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.

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 resorts 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, finance revenues, net foreign currency differences, changes in fair value of interest rate swaps, taxes, depreciation and amortization, pre-opening costs, property charges and other, share-based payments, Wynn Macau, Limited corporate expenses, and other non-operating income and expenses. 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 Property EBITDA presented by Wynn Resorts, Limited for its Macau segments in its filings with the SEC, primarily due to the inclusion of license 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 and operating profit.

	For the Six Months Ended	
	30 June	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
Operating profit	2,367,461	1,460,382
Add		
Depreciation and amortization	1,393,098	464,141
Pre-opening costs	—	507,755
Property charges and other	7,739	8,897
Share-based payments	62,339	64,015
Wynn Macau, Limited corporate expenses	40,202	42,532
	<hr/>	<hr/>
Adjusted EBITDA	<u>3,870,839</u>	<u>2,547,722</u>

REVIEW OF HISTORICAL OPERATING RESULTS

Summary Breakdown Table

The following table presents certain selected statement of profit or loss and other comprehensive income line items and certain other data.

	For the Six Months Ended	
	30 June	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
Wynn Macau:		
Casino revenues ⁽¹⁾	9,381,784	9,153,749
Rooms ⁽²⁾	55,464	62,909
Food and beverage ⁽²⁾	98,147	107,554
Retail and other ⁽²⁾	333,933	365,613
Wynn Palace⁽⁵⁾:		
Casino revenues ⁽¹⁾	6,221,613	—
Rooms ⁽²⁾	186,678	—
Food and beverage ⁽²⁾	159,171	—
Retail and other ⁽²⁾	354,141	—
Total operating revenues	<u>16,790,931</u>	<u>9,689,825</u>

For the Six Months Ended

30 June

2017

2016

HK\$

HK\$

*(in thousands, except for averages,
daily win figures and number of
tables and slot machines)*

Wynn Macau:

VIP:		
VIP table games turnover	227,814,358	196,601,773
VIP gross table games win ⁽¹⁾	7,813,649	6,599,211
VIP gross table games win as a percentage of turnover (calculated before commission)	3.4%	3.4%
Average number of gaming tables ⁽³⁾	92	186
Daily gross win per gaming table ⁽⁴⁾	467,491	194,581
Mass market:		
Mass market table drop	17,134,027	18,510,203
Mass market gross table games win ⁽¹⁾	3,361,009	3,733,204
Mass market gross table games win percentage	19.6%	20.2%
Average number of gaming tables ⁽³⁾	204	242
Daily gross win per gaming table ⁽⁴⁾	90,934	84,874
Slot machine handle	13,404,479	14,780,922
Slot machine win ⁽¹⁾	601,147	643,294
Average number of slots ⁽³⁾	901	778
Average daily win per slot ⁽⁴⁾	3,684	4,542

Wynn Palace⁽⁵⁾:

VIP:		
VIP table games turnover	176,024,577	—
VIP gross table games win ⁽¹⁾	4,564,856	—
VIP gross table games win as a percentage of turnover (calculated before commission)	2.6%	—
Average number of gaming tables ⁽³⁾	98	—
Daily gross win per gaming table ⁽⁴⁾	257,552	—
Mass market:		
Mass market table drop	11,650,519	—
Mass market gross table games win ⁽¹⁾	2,605,054	—
Mass market gross table games win percentage	22.4%	—
Average number of gaming tables ⁽³⁾	206	—
Daily gross win per gaming table ⁽⁴⁾	69,846	—
Slot machine handle	10,224,074	—
Slot machine win ⁽¹⁾	530,811	—
Average number of slots ⁽³⁾	1,011	—
Average daily win per slot ⁽⁴⁾	2,902	—

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 casino revenues are reported net of the relevant commissions. 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 Six Months Ended	
	30 June	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
VIP gross table games win	12,378,505	6,599,211
Mass market gross table games win	5,966,063	3,733,204
Slot machine win	1,131,958	643,294
Poker revenues	78,188	79,417
Commissions	(3,951,317)	(1,901,377)
	<u>15,603,397</u>	<u>9,153,749</u>
Total casino revenues	<u>15,603,397</u>	<u>9,153,749</u>

- (2) Promotional allowances are excluded from revenues in the accompanying condensed consolidated statement of profit or loss and other comprehensive income prepared in accordance with IFRS. Management also evaluates non-casino revenues on an adjusted basis when assessing performance.

The following table presents a reconciliation of net non-casino revenues as reported in our condensed consolidated statement of profit or loss and other 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 Six Months Ended	
	30 June	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
Room revenues	242,142	62,909
Promotional allowances	739,696	401,013
	<u>981,838</u>	<u>463,922</u>
Adjusted room revenues	<u>981,838</u>	<u>463,922</u>
Food and beverage revenues	257,318	107,554
Promotional allowances	282,249	174,135
	<u>539,567</u>	<u>281,689</u>
Adjusted food and beverage revenues	<u>539,567</u>	<u>281,689</u>
Retail and other revenues	688,074	365,613
Promotional allowances	50,689	14,192
	<u>738,763</u>	<u>379,805</u>
Adjusted retail and other revenues	<u>738,763</u>	<u>379,805</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 period.
- (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, Encore, and Wynn Palace were open in the applicable period. In addition, the total table games win figures used herein do not correspond to casino revenues figures in our financial information, because figures in our financial information are calculated net of commissions and the total table games win herein is calculated before commissions.
- (5) Wynn Palace opened on 22 August 2016.

Discussion of Results of Operations

Financial results for the six months ended 30 June 2017 compared to financial results for the six months ended 30 June 2016

Operating Revenues

Total operating revenues increased 73.3% from HK\$9.7 billion in the six months ended 30 June 2016 to HK\$16.8 billion in the six months ended 30 June 2017. This increase was primarily due to the opening of Wynn Palace on 22 August 2016 and an increase from Wynn Macau driven by higher VIP gaming volumes in the six months ended 30 June 2017 compared to the six months ended 30 June 2016.

Casino Revenues

Casino revenues increased 70.5% from HK\$9.2 billion (94.5% of total operating revenues) in the six months ended 30 June 2016 to HK\$15.6 billion (92.9% of total operating revenues) in the six months ended 30 June 2017. The components and reasons are as follows:

VIP casino gaming operations. VIP gross table games win increased by 87.6%, from HK\$6.6 billion in the six months ended 30 June 2016 to HK\$12.4 billion in the six months ended 30 June 2017. The increase was due to VIP gross table games win of HK\$4.6 billion from Wynn Palace and an increase of 18.4% in Wynn Macau VIP gross table games win. The increase in Wynn Macau VIP gross table games win was primarily driven by an increase in business volumes, with VIP table games turnover up 15.9%, from HK\$196.6 billion in the six months ended 30 June 2016 to HK\$227.8 billion in the six months ended 30 June 2017. Wynn Macau VIP gross table games win as a percentage of turnover (calculated before commissions) remained flat at 3.4% in the six months ended 30 June 2017, which was above our expected range of 2.7% to 3.0%.

Mass market casino gaming operations. Mass market gross table games win increased by 59.8%, from HK\$3.7 billion in the six months ended 30 June 2016 to HK\$6.0 billion in the six months ended 30 June 2017. The increase was due to mass market gross table win of HK\$2.6 billion from Wynn Palace, partially offset by a HK\$372.2 million decrease at Wynn Macau. The decline in Wynn Macau mass market gross table win was driven by a decrease in mass market table drop from HK\$18.5 billion in the six months ended 30 June 2016 to HK\$17.1 billion in the six months ended 30 June 2017 and a decrease in the mass market gross table games win percentage from 20.2% in the six months ended 30 June 2016 to 19.6% in the six months ended 30 June 2017.

Slot machine gaming operations. Slot machine win increased by 76.0% from HK\$643.3 million in the six months ended 30 June 2016 to HK\$1.1 billion in the six months ended 30 June 2017. The increase was due to slot machine win of HK\$530.8 million from Wynn Palace, partially offset by a HK\$42.1 million decrease at Wynn Macau. The decline in Wynn Macau slot machine win was primarily driven by a decrease in business volumes, with slot machine handle down 9.3% from HK\$14.8 billion in the six months ended 30 June 2016 to HK\$13.4 billion in the six months ended 30 June 2017.

Non-casino Revenues

Net non-casino revenues, which include rooms, food and beverage and retail and other revenues, increased by 121.5% from HK\$536.1 million (5.5% of total operating revenues) in the six months ended 30 June 2016 to HK\$1.2 billion (7.1% of total operating revenues) in the six months ended 30 June 2017. The increase in non-casino revenues was largely due to the opening of Wynn Palace on 22 August 2016.

Room. Our room revenues, which exclude promotional allowances in our condensed consolidated statement of profit or loss and other comprehensive income, increased by 284.9% from HK\$62.9 million in the six months ended 30 June 2016 to HK\$242.1 million in the six months ended 30 June 2017.

Management also evaluates room revenues on an adjusted basis which include promotional allowances when assessing performance. Adjusted room revenues including promotional allowances increased by 111.6% from HK\$463.9 million in the six months ended 30 June 2016 to HK\$981.8 million in the six months ended 30 June 2017.

The following table presents additional information about our adjusted room revenues for Wynn Macau and Wynn Palace (which include promotional allowances):

Adjusted room revenues information

	For the Six Months Ended 30 June	
	2017	2016
Wynn Macau:		
Adjusted Average Daily Rate (includes promotional allowances of HK\$1,754 in the six months ended 30 June 2017 and HK\$2,171 in the six months ended 30 June 2016)	HK\$2,033	HK\$2,505
Occupancy	96.6%	93.1%
Adjusted REVPAR (includes promotional allowances of HK\$1,695 in the six months ended 30 June 2017 and HK\$2,022 in the six months ended 30 June 2016)	HK\$1,964	HK\$2,333
Wynn Palace[#]:		
Adjusted Average Daily Rate (includes promotional allowances of HK\$1,298 in the six months ended 30 June 2017 and nil in the six months ended 30 June 2016)	HK\$1,906	—
Occupancy	95.9%	—
Adjusted REVPAR (includes promotional allowances of HK\$1,244 in the six months ended 30 June 2017 and nil in the six months ended 30 June 2016)	HK\$1,827	—

[#] Wynn Palace opened on 22 August 2016.

Food and beverage. Food and beverage revenues, which exclude promotional allowances in our condensed consolidated statement of profit or loss and other comprehensive income, increased by 139.2% from HK\$107.6 million in the six months ended 30 June 2016 to HK\$257.3 million in the six months ended 30 June 2017.

Management also evaluates food and beverage revenues on an adjusted basis including promotional allowances when assessing performance. Food and beverage revenues adjusted to include these promotional allowances increased by 91.5% from HK\$281.7 million in the six months ended 30 June 2016 to HK\$539.6 million in the six months ended 30 June 2017.

Retail and other. Our retail and other revenues, which exclude promotional allowances in our condensed consolidated statement of profit or loss and other comprehensive income, increased by 88.2% from HK\$365.6 million in the six months ended 30 June 2016 to HK\$688.1 million in the six months ended 30 June 2017.

Management also evaluates retail and other revenues on an adjusted basis which includes promotional allowances when assessing performance. Adjusted retail and other revenues including promotional allowances increased by 94.5% from HK\$379.8 million in the six months ended 30 June 2016 to HK\$738.8 million in the six months ended 30 June 2017.

Operating Costs and Expenses

Gaming taxes and premiums. Gaming taxes and premiums increased by 76.6% from HK\$4.4 billion in the six months ended 30 June 2016 to HK\$7.8 billion in the six months ended 30 June 2017. This increase from 2016 to 2017 was due primarily to gross gaming win generated after the opening of Wynn Palace on 22 August 2016. The increase was commensurate with the 70.5% increase in casino revenues. WRM is subject to a 35% gaming tax on gross gaming win. In addition, WRM 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 30.8% from HK\$1.8 billion in the six months ended 30 June 2016 to HK\$2.3 billion in the six months ended 30 June 2017. The increase was due to increased headcount for the operation of Wynn Palace.

Other operating expenses. Other operating expenses increased by 84.4% from HK\$1.6 billion in the six months ended 30 June 2016 to HK\$3.0 billion in the six months ended 30 June 2017, driven mainly by increase in business volume related expenses such as gaming promoters' commissions, license fees, cost of sales, advertising and promotion expenditures and other expenses, all primarily due to the operating of Wynn Palace. The increase in business volume related expenses was partially offset by a HK\$21.8 million decrease in provision for doubtful accounts. The change in the provision was primarily due to increased collection of casino accounts receivable that resulted in the reversal of previously recorded allowance for doubtful accounts.

Depreciation and amortization. Depreciation and amortization in the six months ended 30 June 2016 increased 200.1% from HK\$464.1 million to HK\$1.4 billion in the six months ended 30 June 2017. The increase was primarily due to the opening of Wynn Palace with the associated buildings and improvements and furniture, fixtures and equipment being placed in service.

Property charges and other. Property charges and other decreased from HK\$8.9 million in the six months ended 30 June 2016 to HK\$7.7 million in the six months ended 30 June 2017. Amounts in each period represent the gain/loss on the sale of equipment and other assets as well as costs related to assets retired or abandoned as a result of renovating certain assets of the Company in response to customer preferences and changes in market demand.

As a result of the foregoing, total operating costs and expenses increased by 75.3%, from HK\$8.2 billion in the six months ended 30 June 2016 to HK\$14.4 billion in the six months ended 30 June 2017.

Finance Revenues

Finance revenues decreased from HK\$19.2 million in the six months ended 30 June 2016 to HK\$5.0 million in the six months ended 30 June 2017. The decrease was primarily due to holding lower average cash balances in the six months ended 30 June 2017 compared to 2016. During 2017 and 2016, our short-term investment strategy has been to preserve capital while retaining sufficient liquidity. The majority of our cash equivalents were primarily in time deposits and fixed deposits with a maturity of three months or less.

Finance Costs

Finance costs increased by 113.3%, from HK\$293.4 million in the six months ended 30 June 2016 to HK\$625.8 million in the six months ended 30 June 2017. The increase in finance costs was driven by the decrease in capitalized interest from HK\$331.2 million in the six months ended 30 June 2016 to nil in the six months ended 30 June 2017 due to the completion of Wynn Palace construction activities in August 2016.

Interest Rate Swaps

As required under the terms of the Wynn Macau 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 period. During the six months ended 30 June 2017 and 30 June 2016, we recorded a loss of HK\$8.2 million and HK\$22.2 million, respectively, resulting from the movement in the fair value of our interest rate swaps. These interest rate swaps expired in July 2017.

Income Tax Expense

In the six months ended 30 June 2017, our income tax expense was HK\$6.2 million, compared to an income tax expense of HK\$7.5 million in the six months ended 30 June 2016. Our tax expense for the six months ended 30 June 2017 and 2016 primarily relates to the current tax expense recorded by our subsidiaries owning WRM's shares under the WRM Shareholder Dividend Tax Agreement.

Net Profit Attributable to Owners of the Company

As a result of the foregoing, compared to HK\$1.1 billion for the six months ended 30 June 2016, net profit attributable to owners of the Company was HK\$1.6 billion for the six months ended 30 June 2017.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

Since the opening of Wynn Macau and Wynn Palace on 6 September 2006 and 22 August 2016, respectively, 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 as at 30 June 2017 were approximately HK\$2.3 billion. This cash is available for operations, new development activities, enhancements to our operating properties, debt service and retirement and general corporate purposes.

On 30 September 2015, WRM expanded the availability of borrowings under its senior secured bank facility to approximately HK\$23.8 billion consisting of an approximately HK\$18.0 billion fully funded senior secured term loan facility and an approximately HK\$5.8 billion senior secured revolving credit facility. WRM also has the ability to upsize the total senior secured facilities by approximately an additional HK\$7.8 billion equivalent (US\$1.0 billion) pursuant to the terms and provisions of the agreement for the Wynn Macau Credit Facilities. As at 30 June 2017, the Group had approximately HK\$4.3 billion of available borrowing capacity under the Wynn Macau Credit Facilities.

The Company issued 5.25% fixed rate, unsecured senior notes due 2021 with an aggregate principal amount of US\$1.35 billion (approximately HK\$10.5 billion) for working capital requirements and general corporate purposes.

On 18 July 2016, WMLF entered into an agreement as the borrower of a revolving credit facility for initially up to HK\$1.5 billion (approximately US\$198.4 million) with Bank of China Limited, Macau Branch as the lender. On 25 October 2016, the WMLF Revolving Credit Facility was amended and upsized, increasing the available borrowing capacity to HK\$3.9 billion (approximately US\$495.9 million). The WMLF Revolving Credit Facility matures in July 2018 at which time any outstanding borrowings must be repaid. As at 30 June 2017, the Group had HK\$3.9 billion available borrowing capacity under the WMLF Revolving Credit Facility.

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	
	30 June	31 December
	2017	2016
	HK\$	HK\$
	<i>(in thousands, except for percentages)</i>	
Interest-bearing borrowings	29,787,136	32,169,888
Accounts payable	519,129	525,501
Construction and retentions payables	1,007,158	1,168,326
Other payables and accruals	7,671,339	6,191,037
Amounts due to related companies	187,157	202,298
Other liabilities	217,386	222,932
Less: cash and cash equivalents	(2,341,980)	(2,591,442)
restricted cash and cash equivalents	(18,825)	(22,109)
Net debt	<u>37,028,500</u>	<u>37,866,431</u>
Equity	<u>1,933,896</u>	<u>2,453,064</u>
Total capital	<u><u>1,933,896</u></u>	<u><u>2,453,064</u></u>
Capital and net debt	<u><u>38,962,396</u></u>	<u><u>40,319,495</u></u>
Gearing ratio	<u><u>95.0%</u></u>	<u><u>93.9%</u></u>

Cash Flows

The following table presents a summary of the Group's cash flows.

	For the Six Months Ended	
	30 June	
	2017	2016
	HK\$	HK\$
	<i>(in millions)</i>	
Net cash generated from operating activities	5,434.9	1,990.2
Net cash used in investing activities	(395.3)	(3,370.3)
Net cash used in financing activities	(5,291.1)	(2,363.5)
Net decrease in cash and cash equivalents	(251.5)	(3,743.6)
Cash and cash equivalents at beginning of period	2,591.4	6,731.4
Effect of foreign exchange rate changes, net	2.1	3.7
Cash and cash equivalents at end of period	2,342.0	2,991.5

Net cash generated from operating activities

Our net cash generated from operating activities is primarily affected by changes in our working capital and operating profit generated by our Macau Operations. Net cash from operating activities was HK\$5.4 billion for the six months ended 30 June 2017, compared to HK\$2.0 billion for the six months ended 30 June 2016. Operating profit was HK\$2.4 billion for the six months ended 30 June 2017, compared to HK\$1.5 billion for the six months ended 30 June 2016. The increase in net cash from operating activities was primarily attributable to the changes in working capital and the increase in operating profit.

Net cash used in investing activities

Net cash used in investing activities was HK\$395.3 million for the six months ended 30 June 2017, compared to HK\$3.4 billion for the six months ended 30 June 2016. Net cash used in the six months ended 30 June 2017 included capital expenditures of HK\$401.4 million for renovations to enhance and refine the Macau Operations, partially offset by HK\$4.8 million of interest receipts and HK\$1.4 million in proceeds from the sale of property and equipment and other assets. Net cash used in the six months ended 30 June 2016 primarily included capital expenditures of HK\$3.1 billion for both Wynn Palace construction costs and renovations to enhance and refine the Wynn Macau operations and fine arts acquisition cost of HK\$263.2 million.

Net cash used in financing activities

Net cash used in financing activities was HK\$5.3 billion during the six months ended 30 June 2017, compared to HK\$2.4 billion during the six months ended 30 June 2016.

During the six months ended 30 June 2017, the net cash used in financing activities was primarily due to a HK\$2.2 billion final dividend payment made in June 2017, repayments of HK\$2.1 billion on the senior revolving credit facility of the Wynn Macau Credit Facilities, a HK\$1.5 billion repayment of the WMLF Revolving Credit Facility and HK\$550.9 million of interest payments, partially offset by receipts of HK\$1.0 billion proceeds from the senior revolving credit facility of the Wynn Macau Credit Facilities. During the six months ended 30 June 2016, the net cash used in financing activities was primarily due to a HK\$3.1 billion special dividend payment made in April 2016, HK\$221.1 million of interest payments and a HK\$124.0 million payment for land premiums, partially offset by receipts of HK\$1.2 billion proceeds from the senior revolving credit facility of the Wynn Macau Credit Facilities.

Indebtedness

The following table presents a summary of our indebtedness.

Indebtedness information

	As at	
	30 June	31 December
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
Bank loans	19,515,928	22,003,178
Senior notes	10,564,477	10,498,819
Less: debt financing costs, net	(293,269)	(332,109)
Total interest-bearing borrowings	<u>29,787,136</u>	<u>32,169,888</u>

Wynn Macau Credit Facilities

Overview

As at 30 June 2017, the Wynn Macau Credit Facilities consisted of approximately HK\$23.8 billion equivalent in a combination of Hong Kong dollar and U.S. dollar facilities, including an approximately HK\$18.0 billion equivalent fully funded senior term loan facility and an approximately HK\$5.8 billion equivalent senior revolving credit facility.

There is also an option to upsize the total senior secured credit facilities by approximately an additional HK\$7.8 billion equivalent (US\$1.0 billion) under the Wynn Macau Credit Facilities and related agreements upon the satisfaction of various conditions. The borrowings under the Wynn Macau Credit Facilities were used to refinance WRM's indebtedness in 2015 and for a variety of purposes, including to fund the construction and development of Wynn Palace and for general corporate purposes.

The HK\$18.0 billion equivalent term loan facility is repayable in graduating installments of between 2.50% to 7.33% of the principal amount on a quarterly basis commencing December 2018, with a final installment of 50% of the principal amount repayable in September 2021. The final maturity of any outstanding borrowings from the revolving credit facility is September 2020, by which time any outstanding borrowings from the revolving loans must be repaid.

The borrowings under the Wynn Macau Credit Facilities bear interest at LIBOR or HIBOR plus a margin of 1.50% to 2.25% per annum based on WRM's leverage ratio. Customary fees and expenses were paid by WRM in connection with the Wynn Macau Credit Facilities.

Security and Guarantees

Borrowings under the Wynn Macau Credit Facilities are guaranteed by Palo and by certain subsidiaries of the Company that own equity interests in WRM, and are secured by substantially all of the assets of, and equity interests in WRM and Palo. With respect to the Concession Agreement and WRM's land concession agreement, the WRM lenders have certain cure rights and consultation rights with the Macau government in the event of an enforcement action by the lenders.

Second Ranking Lender

WRM is also a 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.

Other Terms

The Wynn Macau Credit Facilities contain representations, warranties, covenants and events of default customary for casino development financings in Macau. The Directors confirm that there is no non-compliance with the financial covenants or general covenants contained in the Wynn Macau Credit Facilities.

The Company is not a party to the credit facilities agreement and related agreements and has no rights or obligations thereunder.

The Group had approximately HK\$4.3 billion available to draw under the revolving credit facility of the Wynn Macau Credit Facilities as at 30 June 2017.

WML 2021 Notes

The Company issued 5.25% fixed rate unsecured senior notes due on 15 October 2021 with an aggregate principal amount of US\$1.35 billion (approximately HK\$10.5 billion). The Company used the net proceeds from the offering of the WML 2021 Notes for working capital requirements and general corporate purposes. The WML 2021 Notes are listed on the Hong Kong Stock Exchange.

WMLF Revolving Credit Facility

On 18 July 2016, WMLF entered into an agreement as the borrower of a revolving credit facility for initially up to HK\$1.5 billion (approximately US\$198.4 million) with Bank of China Limited, Macau Branch as the lender.

Borrowings under the WMLF Revolving Credit Facility are secured by pledged US\$ deposits of initially up to US\$200.0 million (approximately HK\$1.6 billion) placed by WRL in a pledged account at Bank of China Limited, Macau Branch.

Borrowings under the WMLF Revolving Credit Facility are used for working capital requirements and general corporate purposes.

The final maturity of any outstanding borrowings under the WMLF Revolving Credit Facility is 18 July 2018, by which time any outstanding borrowings must be repaid in full.

The borrowings under the WMLF Revolving Credit Facility bear interest initially at 1.50% per annum, such rate calculated as the interest rate paid by Bank of China Limited, Macau Branch to WRL in respect of the US\$ deposits in the pledged account at Bank of China Limited, Macau Branch plus a margin of 0.40%. Under the terms of the agreement, mandatory repayment is required upon a change in control or material adverse effect (as defined in the agreement).

On 25 October 2016, the WMLF Revolving Credit Facility was amended and upsized, increasing the available borrowing capacity to HK\$3.9 billion (approximately US\$495.9 million). The terms of the borrowing for the increased principal amount under the amendment are equivalent to the terms of the original credit agreement, including the requirement for cash collateral to be deposited and pledged with the lender, and interest is borne at the same rate as described above.

As at 30 June 2017, the Group had no outstanding amounts under the WMLF Revolving Credit Facility and the full HK\$3.9 billion available.

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 interest rates, and foreign currency exchange rates.

Foreign Currency Exchange Risks

The financial statements of foreign operations are translated into Hong Kong dollars, the Company's functional and presentation currency, for incorporation into the condensed consolidated financial statements. The majority of our assets and liabilities are denominated in U.S. dollars, Hong Kong dollars and Macau patacas, 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 and the U.S. dollar, are subject to potential changes due to, among other things, changes in governmental policies and international economic and political developments.

We attempt to manage exposure to foreign currency exchange risks associated with future scheduled interest payments through the use of foreign currency forward contracts. These contracts involve the exchange of one currency for a second currency at a future date and are with a counter-party, which is a major international financial institution.

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 30 June 2017, the Group had three interest rate swap agreements intended to manage a portion of the underlying interest rate risk on borrowings under the Wynn Macau Credit Facilities. Under two swap agreements, the Group pays a fixed interest rate of 0.73% on borrowings of approximately HK\$3.95 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. These interest rate swaps fixed the all-in interest rate on approximately HK\$3.95 billion of borrowings under the Wynn Macau Credit Facilities at 2.23% to 2.98% and expired in July 2017.

Under the third swap agreement, the Group pays a fixed interest rate of 0.6763% on borrowing of US\$243.8 million (approximately HK\$1.9 billion) incurred under the Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable LIBOR at the time of payment. This interest rate swap fixed the all-in interest rate on US\$243.8 million (approximately HK\$1.9 billion) of borrowings under the Wynn Macau Credit Facilities at 2.18% to 2.93% and expired in July 2017.

The carrying value of these interest rate swaps on the condensed consolidated statement of financial position approximates its fair value. The fair value approximates the amount the Group would pay or receive if these contracts were settled at the respective valuation dates. Fair value is estimated based upon current, and predictions of future interest rate levels along a yield curve, the remaining duration of the instruments and other market conditions and, therefore, is subject to significant estimation and a high degree of variability of fluctuation between periods. We adjust this amount by applying a non-performance valuation, considering our creditworthiness or the creditworthiness of our counterparties at each settlement date, as applicable. These transactions do not qualify for hedge accounting. Accordingly, changes in the fair values during the six months ended 30 June 2017 and 2016, were charged to the condensed consolidated statement of profit or loss and other comprehensive income.

To the extent there are any liabilities of the Group under the swap agreement, such liabilities are secured by the same collateral package securing the Wynn Macau Credit Facilities.

OFF BALANCE SHEET ARRANGEMENTS

We have not entered into any transactions with special purpose entities nor do we engage in any transactions involving derivatives except for interest rate swaps and foreign currency forward contracts. 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 our 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 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 resorts. 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 our credit facilities, we believe that we have sufficient liquid assets to meet our current and anticipated working capital and operating requirements.

RELATED PARTY TRANSACTIONS

Our Directors confirm that all related party transactions have been conducted on normal commercial terms, and that their terms are fair and reasonable.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the six months ended 30 June 2017.

CORPORATE GOVERNANCE CODE

Our commitment to integrity and dedication to maintaining and ensuring high standards of corporate governance are fundamental to our ability to conduct our business and sustain the respect of the investment community and the people who regulate our industry. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Code and are regularly reviewed and developed in the interests of the Company, its Shareholders and other stakeholders.

The Company has complied with the code provisions in the Code for the six months ended 30 June 2017 except for the following deviations from provisions A.2.1 and E.1.2 of the Code.

Mr. 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 WRM, 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 and risk 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 four 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.

Annual General Meeting

Under code provision E.1.2, the chairman of the board should attend the annual general meetings of the Company. Mr. Wynn, our Chairman, was unable to travel internationally to attend the Company's annual general meeting held on 1 June 2017 while recovering from an orthopedic procedure.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code on 16 September 2009 as its code of conduct for securities transactions by Directors. On 23 March 2010, the Company adopted its own code of conduct for securities transactions which was updated in March 2017. The terms of such code are no less exacting than those set out in the Model Code. Having made specific enquiry of the Directors, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code and the Company's own code of conduct for the six months ended 30 June 2017.

AUDIT AND RISK COMMITTEE

An Audit and Risk Committee has been established by the Company to review and supervise the financial reporting process, internal control procedures and risk management system of the Group. The Audit and Risk Committee comprises three independent non-executive Directors of the Company. The Audit and Risk Committee members have reviewed the Group's results for the six months ended 30 June 2017.

INTERIM REPORT

The Company's unaudited interim financial information for the reporting period has been reviewed by the Company's Audit and Risk Committee members which comprises three independent nonexecutive Directors: Mr. Nicholas Sallnow-Smith, Dr. Allan Zeman and Mr. Bruce Rockowitz and by the Company's auditor in accordance with Hong Kong Standards on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of the interim financial information by the auditor will be included in the interim report of the Company for the six months ended 30 June 2017 to be sent to the Shareholders.

LITIGATION

The Group did not have any material litigation outstanding as at 30 June 2017. The litigation matters set out below are disclosed on a voluntary basis and, as with all litigation, no assurances can be provided as to the outcome thereof.

Macau Litigation Related to Okada

WRM and certain individuals who are or were directors of WRM and/or the Company (collectively, the “**Wynn Macau Parties**”) were named as defendants in a lawsuit filed in the Court of First Instance of Macau (the “**Macau Court**”) by Mr. Kazuo Okada (“**Okada**”) and two of Okada’s controlled companies, Aruze USA, Inc. and Universal Entertainment Corp. (collectively, the “**Okada Parties**”). The principal allegations in the lawsuit were that the redemption of the Okada Parties’ shares in WRL was improper and undervalued, that the previously disclosed payment by WRM to an unrelated third party in consideration of relinquishment by that party of certain rights in and to any future development on the land in Cotai where Wynn Palace is located was unlawful and that the Company’s previously disclosed donation by WRM to the University of Macau Development Foundation was unlawful. The Okada Parties sought the dissolution of WRM and compensatory damages. The Company made a voluntary announcement in respect of this lawsuit on 3 July 2015.

On 11 July 2017, the Macau Court dismissed all the claims made by the Okada Parties against the Wynn Macau Parties as unfounded and imposed a fine of MOP41,500 (approximately HK\$40,000) on the Okada Parties for being vexatious litigants. In addition, the Macau Court ordered the Okada Parties to pay Court fees and lawyer fees of the Wynn Macau Parties. As of the date of this announcement we have not been notified of any appeal.

Macau Litigation Related to Dore

WRM has been named as a defendant in lawsuits filed in the Macau Court of First Instance by individuals who claim to be investors in or persons with credit in accounts maintained by Dore Entertainment Company Limited (“**Dore**”), an independent, Macau registered and licensed company that operates a gaming promoter business at Wynn Macau. In connection with the alleged theft, embezzlement, fraud and/or other crime(s) perpetrated by a former employee of Dore (the “**Dore Incident**”), the plaintiffs of the lawsuits allege that Dore failed to honor withdrawal of funds deposited with Dore as investments or gaming deposits that allegedly resulted in certain losses for these individuals. The principal allegations common to the lawsuits are that WRM, as a gaming concessionaire, should be held responsible for Dore’s conduct on the basis that WRM is responsible for the supervision of Dore’s activities at Wynn Macau that resulted in the purported losses.

The Company made a voluntary announcement in connection with the Dore Incident on 14 September 2015. The Company has sought advice from counsel in Macau, and based on such advice, the Company believes the claims are devoid of merit and are unfounded. The Company intends to vigorously defend WRM in the lawsuits.

COOPERATION WITH THE CCAC

In July 2014, the Company was contacted by the Commission Against Corruption of Macau (the “**CCAC**”) requesting certain information related to the Company’s land in the Cotai area of Macau. The Company has cooperated with the CCAC’s request.

DEFINITIONS USED IN THIS ANNOUNCEMENT

“Board of Directors” or “Board”	the Board of Directors of our Company
“Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules as applicable on 30 June 2017
“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
“Cotai Land Concession Agreement”	the land concession contract entered into between WRM, Palo and the Macau government for approximately 51 acres of land in the Cotai area of Macau, and for which formal approval from the Macau government was published in the official gazette of Macau on 2 May 2012
“Director(s)”	the director(s) of our Company
“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

“LIBOR”	London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Macau” or “Macau Special Administrative Region”	the Macau Special Administrative Region of the PRC
“Macau Operations”	the integrated Wynn Macau and Encore at Wynn Macau and Wynn Palace
“Melco”	Melco Crown (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
“Palo Real Estate Company Limited” or “Palo”	Palo Real Estate Company Limited, a limited liability company incorporated under the laws of Macau, subject to Ms. Linda Chen 10% social and voting interest and MOP1.00 economic interest in WRM, an indirect wholly-owned subsidiary of the Company
“PRC”, “China” or “mainland China”	the People’s Republic of China and, except where the context requires and only for the purpose of this announcement, references in this announcement to the PRC or China do not include Taiwan, Hong Kong or Macau; the term “Chinese” has a correlatives meaning
“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
“Shareholder(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

“U.S. 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
“WML 2021 Notes”	the US\$600 million (approximately HK\$4.7 billion) 5.25% senior notes due 2021 issued by the Company in October 2013 and the additional US\$750 million (approximately HK\$5.9 billion) 5.25% senior notes due 2021 issued by the Company on 20 March 2014 (Debt Stock Code: 5983), which were consolidated to form one single series of notes
“WMLF”	WML Finance I Limited, a limited liability company incorporated under the laws of the Cayman Islands and an indirect wholly-owned subsidiary of the Company
“WMLF Revolving Credit Facility”	the HK\$1.5 billion (approximately US\$198.4 million) revolving credit facility extended to WMLF on 18 July 2016 and the principal amount was subsequently increased to HK\$3.9 billion (approximately US\$495.9 million) on 25 October 2016
“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 agreements, entered into during June 2009, August 2011 and August 2016, 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, MOP15.5 million in years 2011 through 2015 and MOP12.8 million in years 2016 through 2020 in lieu of Complementary Tax otherwise due by WRM shareholders on dividend distributions to them from gaming profits earned in those years
“Wynn International Marketing, Ltd.”	Wynn International Marketing, Ltd., a company incorporated under the laws of Isle of Man 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\$18.0 billion (equivalent) fully-funded senior term loan facilities and the HK\$5.8 billion (equivalent) senior revolving credit facilities extended to WRM on 30 September 2015
“Wynn Palace”	an integrated resort situated on approximately 51 acres of land in the Cotai area of Macau in accordance with the terms of the Cotai Land Concession Agreement, which is operated by WRM and opened on 22 August 2016
“Wynn Resorts, Limited”, “Wynn Resorts” or “WRL”	Wynn Resorts, Limited, a company formed under the laws of the State of Nevada, United States, and our controlling shareholder (as defined in the Listing Rules)

GLOSSARY OF TERMS USED IN THIS ANNOUNCEMENT

“Adjusted Average Daily Rate”	adjusted average daily rate which is calculated by dividing total room revenues including the retail value of promotional allowances (less service charges, if any) by total rooms occupied including complimentary rooms
“Adjusted REVPAR”	adjusted revenue per available room which is calculated by dividing total room revenues including the retail value of promotional allowances (less service charges, if any) by total rooms available
“casino revenue”	revenue from casino gaming activities (gross table games win and gross slot win), calculated net of a portion of commissions 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
“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 win”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions
“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
“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
“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
“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 our Macau Operations’ individual VIP players
“table drop”	the amount of cash deposited in a gaming table’s drop box that serves as a repository for cash, plus cash chips purchased at the casino cage
“turnover”	the sum of all losing Rolling Chip wagers within the VIP program

“VIP client” or “VIP player” client, patron or player who participates in our Macau Operations’ 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, 17 August 2017

As at the date of this announcement, the Board comprises Stephen A. Wynn, Ian Michael Coughlan and Linda Chen (as executive directors); Matthew O. Maddox and Kim Sinatra (as non-executive directors); and Allan Zeman, Nicholas Sallnow-Smith, Bruce Rockowitz and Jeffrey Kin-fung Lam (as independent non-executive directors).