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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 Codes: 5279, 5280, 40102)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

The Board of Directors of Wynn Macau, Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019 as follows.

### **FINANCIAL HIGHLIGHTS**

|                                     | <b>For the year ended 31 December</b>                               |             |
|-------------------------------------|---------------------------------------------------------------------|-------------|
|                                     | <b>2019</b>                                                         | <b>2018</b> |
|                                     | <b>HK\$</b>                                                         | <b>HK\$</b> |
|                                     | <i>(in thousands, except per share amounts or otherwise stated)</i> |             |
| Casino revenues                     | <b>30,850,256</b>                                                   | 34,096,436  |
| Other revenues                      | <b>5,311,435</b>                                                    | 5,495,377   |
| Adjusted EBITDA                     | <b>9,568,361</b>                                                    | 10,777,018  |
| Profit attributable to owners       | <b>5,056,661</b>                                                    | 6,245,390   |
| Earnings per Share — basic (HK\$)   | <b>0.98</b>                                                         | 1.20        |
| Earnings per Share — diluted (HK\$) | <b>0.97</b>                                                         | 1.20        |

The Board has deliberated over the payment of a dividend, and at this point-in-time no dividend is recommended. During this unprecedented COVID-19 crisis, the Board’s primary focus is on safeguarding its Macau operations and most importantly the well-being of its over 13,000 employees. The Board will be continuously monitoring the situation and market conditions in Macau and Greater China and may consider a special dividend in the future when such conditions have stabilized.

\* For identification purpose only

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|                                                                                                     |       | For the year ended 31 December |                    |
|-----------------------------------------------------------------------------------------------------|-------|--------------------------------|--------------------|
|                                                                                                     |       | 2019                           | 2018               |
|                                                                                                     |       | HK\$                           | HK\$               |
|                                                                                                     | Notes | (in thousands)                 |                    |
| <b>Operating revenues</b>                                                                           |       |                                |                    |
| Casino                                                                                              |       | 30,850,256                     | 34,096,436         |
| Rooms                                                                                               |       | 2,233,225                      | 2,222,337          |
| Food and beverage                                                                                   |       | 1,559,151                      | 1,465,549          |
| Retail and other                                                                                    |       | 1,519,059                      | 1,807,491          |
|                                                                                                     |       | <u>36,161,691</u>              | <u>39,591,813</u>  |
| <b>Operating costs and expenses</b>                                                                 |       |                                |                    |
| Gaming taxes and premiums                                                                           |       | 16,748,677                     | 18,928,022         |
| Staff costs                                                                                         |       | 5,227,038                      | 4,986,764          |
| Other operating expenses                                                                            | 3     | 4,864,175                      | 5,098,242          |
| Depreciation and amortization                                                                       |       | 2,922,543                      | 2,726,414          |
| Property charges and other                                                                          |       | 34,044                         | 153,916            |
|                                                                                                     |       | <u>29,796,477</u>              | <u>31,893,358</u>  |
| <b>Operating profit</b>                                                                             |       | <u>6,365,214</u>               | <u>7,698,455</u>   |
| Finance revenues                                                                                    |       | 76,052                         | 102,592            |
| Finance costs                                                                                       | 4     | (1,486,404)                    | (1,495,646)        |
| Net foreign currency differences                                                                    |       | 114,226                        | (40,132)           |
| Loss on extinguishment of debt                                                                      |       | —                              | (7,452)            |
|                                                                                                     |       | <u>(1,296,126)</u>             | <u>(1,440,638)</u> |
| <b>Profit before tax</b>                                                                            |       | <u>5,069,088</u>               | <u>6,257,817</u>   |
| Income tax expense                                                                                  | 5     | 12,427                         | 12,427             |
| <b>Net profit attributable to owners of the Company</b>                                             |       | <u>5,056,661</u>               | <u>6,245,390</u>   |
| <b>Other comprehensive income</b>                                                                   |       |                                |                    |
| <i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i> |       |                                |                    |
| Currency translation reserve                                                                        |       | (1,233)                        | —                  |
| <b>Other comprehensive income for the year</b>                                                      |       | <u>(1,233)</u>                 | <u>—</u>           |
| <b>Total comprehensive income attributable to owners of the Company</b>                             |       | <u>5,055,428</u>               | <u>6,245,390</u>   |
| <b>Basic earnings per Share</b>                                                                     | 6     | HK\$0.98                       | HK\$1.20           |
| <b>Diluted earnings per Share</b>                                                                   | 6     | HK\$0.97                       | HK\$1.20           |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                                     |       | As at 31 December |                   |
|-----------------------------------------------------|-------|-------------------|-------------------|
|                                                     |       | 2019              | 2018              |
|                                                     |       | HK\$              | HK\$              |
|                                                     | Notes | (in thousands)    |                   |
| <b>Non-current assets</b>                           |       |                   |                   |
| Property and equipment and construction in progress |       | 30,885,928        | 31,943,188        |
| Right-of-use assets                                 |       | 2,019,444         | —                 |
| Leasehold interests in land                         |       | —                 | 1,590,281         |
| Goodwill                                            |       | 398,345           | 398,345           |
| Deposits for acquisition of property and equipment  |       | 28,290            | 51,426            |
| Other non-current assets                            |       | 606,803           | 686,582           |
| Restricted cash and cash equivalents                |       | 17,471            | 11,322            |
| <b>Total non-current assets</b>                     |       | <b>33,956,281</b> | <b>34,681,144</b> |
| <b>Current assets</b>                               |       |                   |                   |
| Inventories                                         |       | 346,604           | 312,625           |
| Trade and other receivables                         | 8     | 1,552,991         | 1,135,474         |
| Prepayments and other current assets                |       | 143,212           | 136,462           |
| Amounts due from related companies                  |       | 187,097           | 282,918           |
| Restricted cash and cash equivalents                |       | 16,331            | 6,745             |
| Cash and cash equivalents                           |       | 14,087,486        | 9,526,423         |
| <b>Total current assets</b>                         |       | <b>16,333,721</b> | <b>11,400,647</b> |
| <b>Current liabilities</b>                          |       |                   |                   |
| Accounts payable                                    | 9     | 402,395           | 723,473           |
| Interest-bearing borrowings                         | 11    | 2,132,855         | —                 |
| Lease liabilities                                   |       | 109,024           | —                 |
| Construction payables and accruals                  |       | 490,380           | 436,856           |
| Other payables and accruals                         | 10    | 7,769,824         | 9,703,870         |
| Amounts due to related companies                    |       | 111,527           | 160,196           |
| Income tax payables                                 |       | 12,427            | 12,427            |
| Other current liabilities                           |       | 24,652            | 28,109            |
| <b>Total current liabilities</b>                    |       | <b>11,053,084</b> | <b>11,064,931</b> |
| <b>Net current assets</b>                           |       | <b>5,280,637</b>  | <b>335,716</b>    |
| <b>Total assets less current liabilities</b>        |       | <b>39,236,918</b> | <b>35,016,860</b> |

|                                                     |       | As at 31 December |                   |
|-----------------------------------------------------|-------|-------------------|-------------------|
|                                                     |       | 2019              | 2018              |
|                                                     |       | HK\$              | HK\$              |
|                                                     | Notes | (in thousands)    |                   |
| <b>Non-current liabilities</b>                      |       |                   |                   |
| Interest-bearing borrowings                         | 11    | 36,461,883        | 33,078,147        |
| Lease liabilities                                   |       | 453,770           | —                 |
| Construction retentions payable                     |       | 1,315             | 1,293             |
| Other payables and accruals                         | 10    | 144,297           | 203,943           |
| Other long-term liabilities                         |       | 188,897           | 215,018           |
|                                                     |       | <u>37,250,162</u> | <u>33,498,401</u> |
| <b>Total non-current liabilities</b>                |       |                   |                   |
|                                                     |       | <u>37,250,162</u> | <u>33,498,401</u> |
| <b>Net assets</b>                                   |       | <u>1,986,756</u>  | <u>1,518,459</u>  |
| <b>Equity</b>                                       |       |                   |                   |
| <b>Equity attributable to owners of the Company</b> |       |                   |                   |
| Issued capital                                      |       | 5,197             | 5,197             |
| Share premium account                               |       | 388,533           | 385,288           |
| Shares held for employee ownership scheme           |       | (178,785)         | (160,749)         |
| Reserves                                            |       | 1,771,811         | 1,288,723         |
|                                                     |       | <u>1,986,756</u>  | <u>1,288,723</u>  |
| <b>Total equity</b>                                 |       | <u>1,986,756</u>  | <u>1,518,459</u>  |

# NOTES TO FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”). These financial statements also comply with the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements. They have been prepared on a historical cost basis. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

On 15 May 2014, the Board of Directors approved an employee ownership scheme under which shares may be awarded to employees of the Group in accordance with the related terms and conditions. Pursuant to the rules of the employee ownership scheme, the Group has set up a Trust for the purpose of administering the employee ownership scheme and holding the awarded shares before they vest. As the Group has control over the Trust, the Directors of the Company consider that it is appropriate to consolidate the Trust.

All intra-group balances, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated in full on consolidation. Unrealized gains and losses resulting from transactions between Group companies are eliminated, except where unrealized losses provide evidence of an impairment of the asset transferred.

## Application of new and revised IFRSs

The Group has adopted the following new and revised standards effective as of 1 January 2019:

|                                                |                                                       |
|------------------------------------------------|-------------------------------------------------------|
| IFRS 16                                        | <i>Leases</i>                                         |
| IFRIC Interpretation 23                        | <i>Uncertainty over Income Tax Treatments</i>         |
| Amendments to IFRS 9                           | <i>Prepayment Features with Negative Compensation</i> |
| <i>Annual Improvements<br/>2015–2017 Cycle</i> | Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23      |
| Amendments to IAS 19                           | <i>Plan Amendment, Curtailment or Settlement</i>      |

### IFRS 16 *Leases*

The Group applied IFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of the new accounting standard are described below.

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model to recognize and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is largely unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, and the comparative information for 2018 was not restated and continues to be reported under IAS 17. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain any purchase options (“**short-term leases**”), and lease contracts for which the underlying assets are of low values (“**low-value assets**”). Instead, the Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

**HK\$**  
(in thousands)

**Assets**

|                                      |             |
|--------------------------------------|-------------|
| Right-of-use assets                  | 2,124,510   |
| Leasehold interests in land          | (1,590,281) |
| Prepayments and other current assets | (1,533)     |

|                     |                |
|---------------------|----------------|
| <b>Total assets</b> | <b>532,696</b> |
|---------------------|----------------|

**Liabilities**

|                               |          |
|-------------------------------|----------|
| Current lease liabilities     | 121,523  |
| Non-current lease liabilities | 434,472  |
| Other payables and accruals   | (23,299) |

|                          |                |
|--------------------------|----------------|
| <b>Total liabilities</b> | <b>532,696</b> |
|--------------------------|----------------|

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Right-of-use assets and lease liabilities are measured and recorded upon lease commencement at the present value of the future lease payments. The Company combines lease and associated non-lease components as a single lease component in its determination of minimum lease payments, except for certain asset classes that have significant non-lease components. As the interest rate implicit in its leases is not readily determinable, the Company uses its incremental borrowing rate to determine the present value of lease payments. The Company does not record an asset or a liability for short-term leases. Variable lease costs that do not depend on an index or a rate are recognized in profit or loss as incurred and are not included in the determination of right-of-use assets and lease liabilities. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of an investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are also required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The operating lease commitment of HK\$684.8 million disclosed at 31 December 2018, adjusted for the effect of discounting and exclusion of short-term leases, resulted in lease liabilities of HK\$556.0 million and was recognized as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.09%.



## **IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments***

Upon adoption of this interpretation, the Group considered whether it has any uncertain tax positions and concluded that it is not probable that the tax authorities will accept certain tax positions taken by the Group. However, the Group believes that it has unrecognized tax losses that are adequate to offset any adjustments that might be proposed by the tax authorities. Therefore, the interpretation did not have a material impact on the consolidated financial statements of the Group.

Several other amendments have been applied for the first time in 2019, but did not have a material impact on the consolidated financial statement of the Group.

The Group has not early adopted any other standards, 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 year ended 31 December 2019, the Group reviewed Wynn Palace and Wynn Macau as two reportable segments. Refer to Note 12 for segment information.

## **3. OTHER OPERATING EXPENSES**

|                                      | <b>For the year ended</b> |                         |
|--------------------------------------|---------------------------|-------------------------|
|                                      | <b>31 December</b>        |                         |
|                                      | <b>2019</b>               | <b>2018</b>             |
|                                      | <b>HK\$</b>               | <b>HK\$</b>             |
|                                      | <i>(in thousands)</i>     |                         |
| License fees                         | <b>1,318,132</b>          | 1,496,212               |
| Cost of sales                        | <b>697,345</b>            | 774,404                 |
| Repairs and maintenance              | <b>528,869</b>            | 517,420                 |
| Advertising and promotions           | <b>480,222</b>            | 488,121                 |
| Operating supplies and equipment     | <b>480,084</b>            | 459,276                 |
| Utilities and fuel                   | <b>339,580</b>            | 355,221                 |
| Contracted services                  | <b>311,293</b>            | 354,319                 |
| Corporate support services and other | <b>72,584</b>             | 83,938                  |
| Other support services               | <b>54,142</b>             | 53,091                  |
| Provision for doubtful accounts, net | <b>44,528</b>             | 23,140                  |
| Short-term leases expenses           | <b>33,958</b>             | —                       |
| Auditor's remuneration               | <b>9,134</b>              | 8,263                   |
| Variable lease expenses              | <b>1,412</b>              | —                       |
| Operating rental expenses            | <b>—</b>                  | 58,826                  |
| Other expenses                       | <b>492,892</b>            | 426,011                 |
|                                      | <b><u>4,864,175</u></b>   | <b><u>5,098,242</u></b> |



#### 4. FINANCE COSTS

For the year ended  
31 December

2019                      2018

*HK\$                      HK\$*

*(in thousands)*

|                                       |                         |                         |
|---------------------------------------|-------------------------|-------------------------|
| Interest expense                      | 1,324,037               | 1,341,566               |
| Amortization of debt financing costs  | 113,703                 | 142,622                 |
| Bank fees for unused facilities       | 27,203                  | 11,708                  |
| Interest expense on lease liabilities | 25,309                  | —                       |
| Less: capitalized interest            | <u>(3,848)</u>          | <u>(250)</u>            |
|                                       | <u><u>1,486,404</u></u> | <u><u>1,495,646</u></u> |

#### 5. INCOME TAX EXPENSE

The major components of the income tax expense for the years ended 31 December 2019 and 2018 were:

For the year ended  
31 December

2019                      2018

*HK\$                      HK\$*

*(in thousands)*

##### Income tax expense:

|                    |                      |                      |
|--------------------|----------------------|----------------------|
| Current — overseas | <u><u>12,427</u></u> | <u><u>12,427</u></u> |
|--------------------|----------------------|----------------------|

No provision for Hong Kong profits tax for the year ended 31 December 2019 has been made as there was no assessable profit generated in Hong Kong (2018: nil). Taxation for overseas jurisdictions is charged at the appropriate prevailing rates ruling in the respective jurisdictions and the maximum rate is 12% (2018: 12%).

The tax position for the years ended 31 December 2019 and 2018 reconciles to profit before tax as follows:

|                                               | <b>For the year ended 31 December</b> |          |                  |          |
|-----------------------------------------------|---------------------------------------|----------|------------------|----------|
|                                               | <b>2019</b>                           |          | <b>2018</b>      |          |
|                                               | <i>HK\$</i>                           | <i>%</i> | <i>HK\$</i>      | <i>%</i> |
| <i>(in thousands, except for percentages)</i> |                                       |          |                  |          |
| Profit before tax                             | <b>5,069,088</b>                      |          | <b>6,257,817</b> |          |
| Tax at the applicable income tax rate         | <b>608,291</b>                        | 12.0     | 750,938          | 12.0     |
| Income not subject to tax                     | <b>(1,034,183)</b>                    | (20.4)   | (1,233,563)      | (19.7)   |
| Macau dividend tax                            | <b>12,427</b>                         | 0.2      | 12,427           | 0.2      |
| Deferred tax not recognized                   | <b>340,352</b>                        | 6.7      | 377,706          | 6.0      |
| Others                                        | <b>85,540</b>                         | 1.7      | 104,919          | 1.7      |
| Effective tax expense for the year            | <b>12,427</b>                         | 0.2      | 12,427           | 0.2      |

The Group incurred Macau tax losses of approximately HK\$2.35 billion, HK\$1.96 billion and HK\$1.95 billion during the tax years ended 31 December 2019, 2018 and 2017, respectively. These tax losses will expire in 2022, 2021 and 2020, respectively. As at 31 December 2019, the Group's deferred tax assets relating to the pre-opening costs and other, University of Macau Development Foundation contribution, share-based payment plan, executive compensation, fixed assets and tax loss carryforwards and others amounting to HK\$1.21 billion (2018: HK\$1.31 billion) were not recognized as the Group determined it was not probable that future taxable profits will be available against which the deferred tax assets could be utilized.

On 15 October 2015, WRM received a 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits (the "Tax Holiday") effective through 31 December 2020. Accordingly, the Group was exempted from the payment of approximately HK\$602.9 million in such tax for the year ended 31 December 2019 (2018: HK\$757.1 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 March 2020, WRM applied for an additional 5-year exemption from Macau Complementary Tax on casino gaming profits through 2025. The extension is subject to approval and may only extend through 26 June 2022, the date Concession Agreement expires.

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. In March 2020, WRM applied for an extension of this agreement for an additional five years through 2025. The extension is subject to approval and may only extend through 26 June 2022, the date Concession Agreement expires.

The Group is exempted from income tax in the Isle of Man and the Cayman Islands. The Group's subsidiaries file income tax returns in Macau and various foreign jurisdictions as required by law. The Group's income tax returns are subject to examination by tax authorities in the locations where it operates. The Group's 2015 to 2018 Macau Complementary Tax returns remain subject to examination by the Financial Services Bureau of the Macau Special Administrative Region (the "**Financial Services Bureau**"). In February 2018, the Financial Services Bureau issued its final tax assessments for Palo for the years 2013 and 2014 and the examination resulted in no change to the tax returns. In July 2018, the Financial Services Bureau issued final tax assessments for WRM for the years 2013 and 2014, while no additional tax was due, adjustments were made to WRM's tax loss carryforwards. In January 2020, the Financial Services Bureau commenced examination of Palo's 2015 and 2016 Macau Complementary Tax returns.

Quarterly, the Group undertakes reviews for any potentially unfavorable tax outcomes and when an unfavorable outcome is identified as being probable and can be reasonably estimated, the Group then establishes a tax reserve for such possible unfavorable outcome. Estimating potential tax outcomes for any uncertain tax issues is highly judgmental and may not be indicative of the ultimate settlement with the tax authorities.

The Group considered whether it has any uncertain tax positions and concluded that it is not probable that the tax authorities will accept certain tax positions taken by the Group. As at 31 December 2019, the Group had unrecognized tax losses of HK\$6.26 billion (2018: HK\$7.58 billion) and the Group believes that these unrecognized tax losses are adequate to offset any adjustments that might be proposed by the Macau tax authority. 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 year ended 31 December 2019 is based on the consolidated net profit attributable to owners of the Company and on the weighted average number of Shares in issue of 5,185,606,109 during the year (2018: 5,185,494,355), excluding Shares purchased and reserved for the Company's employee ownership scheme. 2,420,000 Shares (2018: Shares of 2,650,000) were purchased and reserved and no Shares (2018: nil) were issued and reserved for the Company's employee ownership scheme during the year. 2,420,915 of awarded shares vested under the Company's employee ownership scheme during the year.

The calculation of diluted earnings per Share for the year ended 31 December 2019 is based on the consolidated net profit attributable to owners of the Company and on the weighted average number of Shares of 5,190,717,462 (2018: 5,193,287,221) including the weighted average number of Shares in issue of 5,185,606,109 during the year (2018: 5,185,494,355) plus the weighted average number of potential Shares of 5,111,353 (2018: 7,792,866) arising from the deemed exercise of share options and deemed vesting of awards under the Company's employee ownership scheme.

## 7. DIVIDENDS

|                                                                                    | <b>For the year ended</b> |                         |
|------------------------------------------------------------------------------------|---------------------------|-------------------------|
|                                                                                    | <b>31 December</b>        |                         |
|                                                                                    | <b>2019</b>               | <b>2018</b>             |
|                                                                                    | <b>HK\$</b>               | <b>HK\$</b>             |
|                                                                                    | <i>(in thousands)</i>     |                         |
| 2017 special dividend of HK\$0.75 per Share declared                               | —                         | 3,897,534               |
| 2018 special dividend of HK\$0.43 per Share declared                               | —                         | 2,234,692               |
| 2018 final dividend of HK\$0.45 per Share declared<br>(2017: nil)                  | <b>2,338,631</b>          | —                       |
| 2019 interim dividend of HK\$0.45 per Share declared<br>(2018: HK\$0.32 per Share) | <b>2,338,631</b>          | <b>1,663,027</b>        |
|                                                                                    | <b><u>4,677,262</u></b>   | <b><u>7,795,253</u></b> |

## 8. TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of the following as at 31 December 2019 and 2018:

|                                        | <b>As at 31 December</b> |                         |
|----------------------------------------|--------------------------|-------------------------|
|                                        | <b>2019</b>              | <b>2018</b>             |
|                                        | <b>HK\$</b>              | <b>HK\$</b>             |
|                                        | <i>(in thousands)</i>    |                         |
| Casino                                 | <b>1,440,710</b>         | 1,041,909               |
| Retail leases                          | <b>106,365</b>           | 87,326                  |
| Hotel                                  | <b>7,944</b>             | 7,986                   |
| Trade receivables                      | <b>1,555,019</b>         | 1,137,221               |
| Other receivables                      | <b>91,296</b>            | 109,018                 |
| Less: allowance for doubtful accounts  | <b>(93,324)</b>          | (110,765)               |
| Total trade and other receivables, net | <b><u>1,552,991</u></b>  | <b><u>1,135,474</u></b> |

An aged analysis of trade receivables is as follows:

|                                       | <b>As at 31 December</b> |                         |
|---------------------------------------|--------------------------|-------------------------|
|                                       | <b>2019</b>              | 2018                    |
|                                       | <b>HK\$</b>              | HK\$                    |
|                                       | <i>(in thousands)</i>    |                         |
| Within 30 days                        | <b>968,461</b>           | 435,785                 |
| 31 to 90 days                         | <b>242,182</b>           | 342,523                 |
| 91 to 365 days                        | <b>283,236</b>           | 334,807                 |
| Over 365 days                         | <b>61,140</b>            | 24,106                  |
|                                       | <hr/>                    | <hr/>                   |
| Trade receivables                     | <b>1,555,019</b>         | 1,137,221               |
| Other receivables                     | <b>91,296</b>            | 109,018                 |
| Less: allowance for doubtful accounts | <b>(93,324)</b>          | (110,765)               |
|                                       | <hr/>                    | <hr/>                   |
| Net trade and other receivables       | <b><u>1,552,991</u></b>  | <b><u>1,135,474</u></b> |

The advanced commissions included in the trade and other receivables 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. Movements in the provision for impairment of receivables of the Group, which were collectively impaired, are as follows:

|                                           | <b>HK\$</b>           |
|-------------------------------------------|-----------------------|
|                                           | <i>(in thousands)</i> |
| As at 1 January 2018                      | 81,704                |
| Charge for the year, net                  | 23,140                |
| Reversal of amounts written off, net      | <hr/> 5,921           |
| As at 31 December 2018 and 1 January 2019 | 110,765               |
| Charge for the year, net                  | 44,528                |
| Amounts written off, net                  | <hr/> (61,969)        |
| <b>As at 31 December 2019</b>             | <b><u>93,324</u></b>  |

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

|                               | <b>Within<br/>30 days<br/>HK\$</b>            | <b>31 to<br/>90 days<br/>HK\$</b> | <b>91 to<br/>365 days<br/>HK\$</b> | <b>Over<br/>365 days<br/>HK\$</b> | <b>Total<br/>HK\$</b> |
|-------------------------------|-----------------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------------|
|                               | <i>(in thousands, except for percentages)</i> |                                   |                                    |                                   |                       |
| <b>As at 31 December 2019</b> |                                               |                                   |                                    |                                   |                       |
| Gross trade receivables       | <b>968,461</b>                                | <b>242,182</b>                    | <b>283,236</b>                     | <b>61,140</b>                     | <b>1,555,019</b>      |
| Provision for impairment      | <b>(4,430)</b>                                | <b>(8,186)</b>                    | <b>(49,033)</b>                    | <b>(31,675)</b>                   | <b>(93,324)</b>       |
| Expected credit loss rate     | <b>0.5%</b>                                   | <b>3.4%</b>                       | <b>17.3%</b>                       | <b>51.8%</b>                      | <b>6.0%</b>           |
| <b>As at 31 December 2018</b> |                                               |                                   |                                    |                                   |                       |
| Gross trade receivables       | 435,785                                       | 342,523                           | 334,807                            | 24,106                            | 1,137,221             |
| Provision for impairment      | (10,028)                                      | (24,367)                          | (60,320)                           | (16,050)                          | (110,765)             |
| Expected credit loss rate     | 2.3%                                          | 7.1%                              | 18.0%                              | 66.6%                             | 9.7%                  |

## 9. ACCOUNTS PAYABLE

During 2019 and 2018, the Group normally received credit terms of 30 days. An aged analysis of accounts payable as at 31 December 2019 and 2018, based on the invoice dates, is as follows:

|                | <b>As at 31 December</b> |                |
|----------------|--------------------------|----------------|
|                | <b>2019</b>              | <b>2018</b>    |
|                | <b>HK\$</b>              | <b>HK\$</b>    |
|                | <i>(in thousands)</i>    |                |
| Within 30 days | <b>275,983</b>           | 564,509        |
| 31 to 60 days  | <b>30,721</b>            | 37,301         |
| 61 to 90 days  | <b>17,593</b>            | 15,494         |
| Over 90 days   | <b>78,098</b>            | 106,169        |
|                | <b>402,395</b>           | <b>723,473</b> |

## 10. OTHER PAYABLES AND ACCRUALS

Other payables and accruals consisted of the following:

|                                                        | As at 31 December       |                         | As at 1 January          |
|--------------------------------------------------------|-------------------------|-------------------------|--------------------------|
|                                                        | 2019                    | 2018                    | 2018                     |
|                                                        | HK\$                    | HK\$                    | HK\$                     |
|                                                        | (in thousands)          |                         |                          |
| <b>Current:</b>                                        |                         |                         |                          |
| Outstanding chip liabilities <sup>(1)</sup>            | 3,478,348               | 3,905,079               | 4,839,965                |
| Customer deposits <sup>(2)</sup>                       | 1,833,253               | 2,722,322               | 2,545,691                |
| Gaming taxes payable                                   | 1,227,614               | 1,858,734               | 1,565,075                |
| Loyalty program and related liabilities <sup>(3)</sup> | 86,781                  | 111,607                 | 114,792                  |
| Donation payable                                       | 83,249                  | 77,670                  | 77,670                   |
| Other gaming-related liabilities <sup>(4)</sup>        | 18,271                  | 20,136                  | 20,167                   |
| Others                                                 | 1,042,308               | 1,008,322               | 805,714                  |
|                                                        | <u>7,769,824</u>        | <u>9,703,870</u>        | <u>9,969,074</u>         |
| <b>Non-current:</b>                                    |                         |                         |                          |
| Donation payable                                       | <u>144,297</u>          | <u>203,943</u>          | <u>265,992</u>           |
| <b>Total</b>                                           | <u><u>7,914,121</u></u> | <u><u>9,907,813</u></u> | <u><u>10,235,066</u></u> |

In providing goods and services to its customers, there is often a timing difference between the Group receiving cash and the Group recording revenue for providing services or holding events. The Group's primary liabilities associated with customer contracts are outstanding chip liabilities, customer deposits, loyalty program and related liabilities and other gaming related liabilities.

- (1) Outstanding chips represent amounts owed to gaming promoters and customers for chips in their possession. The amounts may be recognized as revenue or will be redeemed for cash in the future.
- (2) Customer deposits include casino front money deposits and advance room and other deposits. Casino front money deposits represent funds deposited by customers before gaming play occurs. Such amounts may be recognized as revenue or will be redeemed for cash in the future. The advance room and other deposits represent cash received in advance for goods and services to be provided in the future. These amounts will be recognized as revenue when the goods and services are provided. Decreases in this balance generally represent the recognition of revenue and increases in the balance represent additional deposits made by customers. The deposits are expected to be primarily recognized as revenue within one year.
- (3) Loyalty program and related liabilities represent the deferral of revenue until the loyalty points or other complimentaries are redeemed. The amounts are expected to be recognized as revenue within one year from being earned by customers.
- (4) Other gaming-related liabilities generally represent unpaid wagers primarily in the form of unredeemed slot tickets.



## 11. INTEREST-BEARING BORROWINGS

|                                   | As at 31 December        |                          |
|-----------------------------------|--------------------------|--------------------------|
|                                   | 2019                     | 2018                     |
|                                   | HK\$                     | HK\$                     |
|                                   | <i>(in thousands)</i>    |                          |
| Bank loans, secured               | 20,659,687               | 22,875,059               |
| Senior notes, unsecured           | 18,301,709               | 10,572,466               |
|                                   | <u>38,961,396</u>        | <u>33,447,525</u>        |
| Less: debt financing costs, net   | <u>(366,658)</u>         | <u>(369,378)</u>         |
| Total interest-bearing borrowings | <u><u>38,594,738</u></u> | <u><u>33,078,147</u></u> |

As at 31 December 2019, the Group had approximately HK\$3.11 billion in funding available under the revolving credit facility of the Wynn Macau Credit Facilities. On 3 February 2020, the Group prepaid approximately HK\$1.17 billion equivalent of the term loan facility of the Wynn Macau Credit Facilities, and the future contractual amortization payments were reduced on a pro-rata basis.

## 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 Palace, which opened on 22 August 2016, is managed as an operating segment and a reportable segment. 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"). 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 year ended<br>31 December |                   |
|---------------------------------|-----------------------------------|-------------------|
|                                 | 2019                              | 2018              |
|                                 | HK\$                              | HK\$              |
|                                 | (in thousands)                    |                   |
| <b>Wynn Palace:</b>             |                                   |                   |
| Casino                          | 16,771,781                        | 18,463,485        |
| Rooms                           | 1,368,158                         | 1,332,801         |
| Food and beverage               | 919,861                           | 867,036           |
| Retail and other                | 877,586                           | 947,127           |
| <b>Wynn Macau:</b>              |                                   |                   |
| Casino                          | 14,078,475                        | 15,632,951        |
| Rooms                           | 865,067                           | 889,536           |
| Food and beverage               | 639,290                           | 598,513           |
| Retail and other                | 641,473                           | 860,364           |
| <b>Total operating revenues</b> | <b>36,161,691</b>                 | <b>39,591,813</b> |

|       |                                                         | For the year ended |                   |
|-------|---------------------------------------------------------|--------------------|-------------------|
|       |                                                         | 31 December        |                   |
|       |                                                         | 2019               | 2018              |
|       |                                                         | HK\$               | HK\$              |
|       |                                                         | (in thousands)     |                   |
| Notes |                                                         |                    |                   |
|       | <b>Adjusted EBITDA</b>                                  |                    |                   |
|       | Wynn Palace                                             | 5,041,256          | 5,760,532         |
|       | Wynn Macau                                              | 4,527,105          | 5,016,486         |
|       |                                                         | <u>9,568,361</u>   | <u>10,777,018</u> |
|       | <b>Other operating costs and expenses</b>               |                    |                   |
|       | Depreciation and amortization                           | 2,922,543          | 2,726,414         |
|       | Pre-opening costs                                       | 17,424             | —                 |
|       | Property charges and other                              | 34,044             | 153,916           |
|       | Share-based payments                                    | 124,125            | 106,303           |
|       | Wynn Macau, Limited corporate expenses                  | 105,011            | 91,930            |
|       |                                                         | <u>6,365,214</u>   | <u>7,698,455</u>  |
|       | <b>Operating profit</b>                                 |                    |                   |
|       | <b>Non-operating income and expenses</b>                |                    |                   |
|       | Finance revenues                                        | 76,052             | 102,592           |
| 4     | Finance costs                                           | (1,486,404)        | (1,495,646)       |
|       | Net foreign currency differences                        | 114,226            | (40,132)          |
|       | Loss on extinguishment of debt                          | —                  | (7,452)           |
|       |                                                         | <u>5,069,088</u>   | <u>6,257,817</u>  |
|       | <b>Profit before tax</b>                                |                    |                   |
|       | Income tax expense                                      | 12,427             | 12,427            |
|       | <b>Net profit attributable to owners of the Company</b> | <u>5,056,661</u>   | <u>6,245,390</u>  |

**For the year ended**  
**31 December**  
**2019**                      2018  
**HK\$**                      **HK\$**  
*(in thousands)*

**Capital expenditures**

|              |                  |             |
|--------------|------------------|-------------|
| Wynn Palace  | <b>514,077</b>   | 697,921     |
| Wynn Macau   | <b>1,126,111</b> | 490,916     |
|              | <hr/>            | <hr/>       |
| <b>Total</b> | <b>1,640,188</b> | 1,188,837   |
|              | <hr/> <hr/>      | <hr/> <hr/> |

**As at 31 December**  
**2019**                      2018  
**HK\$**                      **HK\$**  
*(in thousands)*

**Total assets**

|              |                   |             |
|--------------|-------------------|-------------|
| Wynn Palace  | <b>29,056,220</b> | 30,286,168  |
| Wynn Macau   | <b>13,337,831</b> | 15,354,131  |
| Other Macau  | <b>7,895,951</b>  | 441,492     |
|              | <hr/>             | <hr/>       |
| <b>Total</b> | <b>50,290,002</b> | 46,081,791  |
|              | <hr/> <hr/>       | <hr/> <hr/> |

**As at 31 December**  
**2019**                      2018  
**HK\$**                      **HK\$**  
*(in thousands)*

**Non-current assets**

|                   |                   |             |
|-------------------|-------------------|-------------|
| Macau             | <b>33,946,893</b> | 34,669,379  |
| Foreign countries | <b>9,388</b>      | 11,765      |
|                   | <hr/>             | <hr/>       |
| <b>Total</b>      | <b>33,956,281</b> | 34,681,144  |
|                   | <hr/> <hr/>       | <hr/> <hr/> |

### 13. EVENT AFTER THE REPORTING PERIOD

In January 2020, an outbreak of a new strain of coronavirus (“**COVID-19**”) was identified in Wuhan, China. Currently, no effective vaccines have been developed and there can be no assurance that an effective vaccine can be discovered.

On 4 February 2020, the Macau government announced a 15-day closure of all casino operations in Macau, including those at Wynn Palace and Wynn Macau. Casino operations at Wynn Palace and Wynn Macau resumed on 20 February 2020 on a reduced basis. On 20 March 2020 (the deadline set by the Macau government for Macau casinos to fully reopen) our casinos operations were fully restored in terms of tables, slot machines and electronic gaming stations being activated, however certain health related safeguards, such as limiting the number of seats per table and spacing slot machines which are available for use, temperature checks, mask protection, and health declarations, remain in effect at the present time and for the foreseeable future.

Visitation to Macau has fallen precipitously since the outbreak of COVID-19, driven by the outbreak’s strong deterrent effect on travel and social activities, the Chinese government’s suspension of its visa and group tour schemes that allow mainland Chinese residents to travel to Macau, quarantine measures, travel and entry restrictions and conditions in Macau, Hong Kong and certain cities and regions in mainland China, the suspension of ferry services and other modes of transportation within Macau and regionally, and, most recently, the ban on entry or enhanced quarantine requirements, depending on the person’s residency and their recent travel history, for any Macau residents, PRC citizens, Hong Kong residents and Taiwan residents attempting to enter Macau. Persons who are not residents of Greater China are barred from entry to Macau at this time.

The COVID-19 outbreak has had and will have an adverse effect on our results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the COVID-19 and around the imposition or relaxation of protective measures, we cannot reasonably estimate the impact to our future results of operations, cash flows, or financial condition.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

We are a developer, owner and operator of two integrated destination casino resorts, Wynn Palace and Wynn Macau, located in the Greater Bay Area region of the People's Republic of China. Our resorts in Macau include world-class hotel facilities, a variety of regional and international dining options, retail outlets and an array of one-of-a-kind entertainment options, many of which are free to the general public.

Our strategy in the Greater Bay Area encompasses investment in our integrated resorts, in our people and in the broader community. To attract and retain our customers, we design and continually make enhancements to refresh, improve and expand our resorts. Most recently, we have commenced the design phase for the Crystal Pavilion, a unique world-class cultural destination, incorporating art, theater and interactive installations, expansive food and beverage offerings, additional hotel rooms, and several signature entertainment features. The Crystal Pavilion will be constructed on a 7-acre parcel located adjacent to Wynn Palace. We also maintain numerous programs to invest in our over 13,000 Macau-based employees. Through a robust emphasis on human resources and staff training, we provide opportunities for movement within our company to ensure employees can pursue their career goals with us and to elevate their functional and leadership skills. Through our "Wynn Care" program, we facilitate reinvestment in our community, encourage volunteerism and promote responsible gaming. Since launching this program, we have centralized our community-focused initiatives under one umbrella and expanded our efforts from various volunteer activities and community events in Macau into the Greater Bay Area and beyond. We are also fully committed to the sustainable development for the benefit of Macau and the planet by monitoring and reducing inefficient consumption and embracing technologies that help us to responsibly use our resources.

### Wynn Palace

Wynn Palace, a 6 million square foot integrated resort, was opened to the public on 22 August 2016 in the Cotai area of Macau, conveniently located minutes from both Macau International Airport and the Macau Taipa Ferry Terminal, and directly adjacent to a stop serviced by Macau's light rail system, which recently commenced operations in Cotai.

We are in the preliminary planning and design stages of developing the Crystal Pavilion at Wynn Palace. We currently expect that the Crystal Pavilion will become a unique world-class cultural destination, incorporating art, theater and interactive installations, expansive food and beverage offerings, additional hotel rooms, and several signature entertainment features. We expect construction of the initial phase of the Crystal Pavilion will begin in late 2021.

Wynn Palace features:

- Approximately 424,000 square feet of casino space, offering 24-hour gaming and a full range of games, including private gaming salons and sky casinos;
- Free public entertainment attractions including an 8-acre performance lake, animated floral art displays and fine art displays;
- A luxury hotel with a total of 1,706 spacious rooms, suites and villas;
- 14 food and beverage outlets;
- Approximately 106,000 square feet of high-end, brand-name retail shopping;
- Recreation and leisure facilities, including a cable car (“**SkyCab**”) ride, health club, spa, salon and pool; and
- Approximately 37,000 square feet of meeting and convention space.

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

|                         | <b>As at 31 December</b> |       |
|-------------------------|--------------------------|-------|
|                         | <b>2019</b>              | 2018  |
| VIP table games         | <b>100</b>               | 112   |
| Mass market table games | <b>223</b>               | 211   |
| Slot machines           | <b>1,011</b>             | 1,119 |

### **Wynn Macau**

Wynn Macau, a 3 million square foot integrated resort, was opened to the public on 6 September 2006 in the heart of the Macau Peninsula. We completed expansion works at Wynn Macau in December 2007 and November 2009, which added 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.

In November 2019, we opened the first phase of our “Lakeside Casino” expansion at Wynn Macau which features 44 mass market table games and a refurbished high-limit slot area. We expect to open the second phase, which will include two new restaurants and approximately 7,000 square feet of additional retail space, in the first half of 2020. Additionally, we completed the Encore tower room refresh project in December 2019. All 410 rooms in the tower were refreshed to replace selected furniture and fixtures. The project also includes upgrades to the room control system, entry door system and selected lighting upgrades.

Wynn Macau features:

- Approximately 252,000 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;
- Free public entertainment attractions including a rotunda show featuring a Chinese zodiac-inspired ceiling along with gold “tree of prosperity” and “dragon of fortune” attractions and a performance lake;
- Two luxury hotel towers with a total of 1,010 spacious rooms and suites;
- 12 food and beverage outlets;
- 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; and
- Approximately 31,000 square feet of meeting and convention space.

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

|                         | <b>As at 31 December</b> |      |
|-------------------------|--------------------------|------|
|                         | <b>2019</b>              | 2018 |
| VIP table games         | <b>91</b>                | 110  |
| Mass market table games | <b>231</b>               | 206  |
| Slot machines           | <b>838</b>               | 777  |
| Poker tables            | <b>9</b>                 | 13   |



## **FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Set forth below are the key factors affecting our results of operations and financial condition. There are also risks and uncertainties inherent in our operations, many of which are beyond our control. For example, in response to the outbreak of a new strain of coronavirus (“**COVID-19**”), on 4 February 2020, the Macau government announced a 15-day closure of all casino operations in Macau, including those at Wynn Palace and Wynn Macau. Casino operations at Wynn Palace and Wynn Macau resumed on 20 February 2020 on a reduced basis. On 20 March 2020 (the deadline set by the Macau government for Macau casinos to fully reopen) our casinos operations were fully restored in terms of tables, slot machines and electronic gaming stations being activated, however certain health related safeguards, such as limiting the number of seats per table and spacing slot machines which are available for use, temperature checks, mask protection, and health declarations, remain in effect at the present time and for the foreseeable future. Our results of operations will continue to be materially impacted if regional, cross-border or international travel bans, travel and entry restrictions and conditions, quarantine measures or significant impediments and uncertainties remain in place for an extended period. For further details, see the section headed “Material Risk Factors” of this announcement.

### **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 in the Greater Bay Area and approximately 37 miles southwest of Hong Kong. The journey between Macau and Hong Kong takes approximately 15 minutes by helicopter, 30 minutes by motor vehicle since the opening of the Hong Kong — Zhuhai — Macau Bridge in October 2018 and one hour by jetfoil ferry. Macau, which has been a casino destination for more than 55 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\$21.53 billion generated in 2002. According to Macau statistical information, casinos in Macau, the largest gaming market in the world, generated approximately HK\$283.94 billion in gaming revenue during the year ended 31 December 2019, a slight decrease of approximately 3.4% compared to the approximate HK\$294.03 billion generated in the year ended 31 December 2018.

### **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 visitation. Beginning in the third quarter of 2016, visitation improved and for the year ended 31 December 2019, tourist arrivals to Macau increased by 10.1% compared to the year ended 31 December 2018. However, visitation to Macau has fallen precipitously since the outbreak of COVID-19 in January 2020, driven by the outbreak’s strong deterrent effect on travel and social activities, the Chinese government’s suspension of its visa and group tour schemes that allow mainland Chinese residents to travel to Macau, quarantine measures, travel and entry restrictions and conditions in Macau, Hong Kong and certain cities and regions in mainland China, the suspension of ferry services and other modes of transportation within Macau and regionally, and, most recently, the ban on entry or enhanced quarantine requirements, depending on the person’s residency and their recent travel history, for any Macau residents, PRC citizens, Hong Kong residents and Taiwan residents attempting to enter Macau. Persons who are not residents of Greater China are barred from entry to Macau at this time.

The Macau market has experienced tremendous growth in capacity since the opening of Wynn Macau in 2006. As at 31 December 2019, there were 38,300 hotel rooms, 6,739 table games and 17,009 slots in Macau, compared to 12,978 hotel rooms, 2,762 table games and 6,546 slots as at 31 December 2006.

Tourist arrivals were 39.4 million in 2019 compared to 35.8 million in 2018. Customers traveling to Macau typically come from nearby destinations in Asia, including mainland China, Hong Kong, Taiwan, South Korea and the Philippines. According to the Macau Statistics and Census Service Monthly Bulletin of Statistics, over 90.0% of visitors to Macau for the year ended 31 December 2019 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. Factors affecting tourism levels in Macau may include, among others: the 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, currency export, currency withdrawal, credit and debit card usage and travel restrictions or policies impacting the issuance of travel visas that may be in place from time to time; and competition from other destinations which offer gaming and/or leisure activities.

Natural and man-made disasters, extreme weather conditions (such as typhoons and heavy rainstorms), outbreaks of highly infectious diseases (such as the outbreak of COVID-19, in January 2020), public incidents of violence, security alerts, riots and demonstrations, war and other events, particularly in Macau and nearby regions, may result in decreases to visitor arrivals to Macau from mainland China and elsewhere and disrupt travel to and between our resorts. Any of these events may also interfere with our operations and could have a material adverse effect on our business, financial condition and results of operations.

Although we have insurance coverage with respect to some of these events, we cannot assure you that any such coverage will be sufficient to indemnify us fully against all direct and indirect costs, including any loss of business that could result from substantial damage to, or partial or complete destruction of, any of our properties. For details of the outbreak of COVID-19 in January 2020, see “Material Risk Factors — The outbreak of COVID-19 has had and will have an adverse effect on our results of operations” of this announcement.

## **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 players to Wynn Palace and Wynn Macau 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 Palace and Wynn Macau pay the gaming promoters a commission which is a percentage of the gross gaming win generated by each gaming promoter. The total amount of commissions paid to gaming promoters is netted against casino revenues.

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 is the difference between commissions advanced to each individual gaming promoter, and the net commissions payable to each such gaming promoter. 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.

In addition to commissions, each gaming promoter receives 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 such 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. For example, the outbreak of COVID-19, in January 2020 adversely affected the business volume of gaming promoters due to a decrease of visitor arrivals to Macau from mainland China and elsewhere. These factors may cause gaming promoters to face a decrease in liquidity, limiting their ability to grant credit to their patrons, and difficulty in collecting credit they extend.

### **Premium Credit Play**

We selectively extend credit to certain customers contingent upon our marketing team's knowledge of the customers, 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 customer resides. In the event the customer does not reside in a jurisdiction where gaming debts are legally enforceable, we can attempt to assert jurisdiction over assets the customer maintains in jurisdictions where the debt is recognized. In addition, we typically require a check in the amount of the applicable credit line from credit customers, 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 may affect casino profitability.

## Renovation, Development and Construction Projects

Our current and future renovation, development and construction projects are and will be subject to significant development and construction risks. Such risks include unanticipated costs or cost increases, shortages in qualified labor, changes in laws and regulations and unforeseen engineering problems. Construction, equipment or staffing problems or difficulties in obtaining the requisite licenses, permits and authorizations from regulatory or governmental authorities could materially increase the total cost, delay or prevent the construction or opening of our projects or affect the project's design and features, which may adversely impact the success of the project. There can be no assurance that our proposed plans and specifications will not change, and we cannot guarantee that our proposed projects will be approved, commenced or completed as contemplated by us. Failure to complete the projects on schedule or within budget may also have a significant negative effect on us and on our ability to make payments on our debt.

## ADJUSTED EBITDA

Adjusted EBITDA is earnings before finance costs, finance revenues, net foreign currency differences, loss on extinguishment of debt, income 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.

|                                        | <b>For the year ended</b> |                   |
|----------------------------------------|---------------------------|-------------------|
|                                        | <b>31 December</b>        |                   |
|                                        | <b>2019</b>               | 2018              |
|                                        | <b>HK\$</b>               | HK\$              |
|                                        | <i>(in thousands)</i>     |                   |
| Operating profit                       | <b>6,365,214</b>          | 7,698,455         |
| Add                                    |                           |                   |
| Depreciation and amortization          | <b>2,922,543</b>          | 2,726,414         |
| Pre-opening costs                      | <b>17,424</b>             | —                 |
| Property charges and other             | <b>34,044</b>             | 153,916           |
| Share-based payments                   | <b>124,125</b>            | 106,303           |
| Wynn Macau, Limited corporate expenses | <b>105,011</b>            | 91,930            |
| <b>Adjusted EBITDA</b>                 | <b><u>9,568,361</u></b>   | <u>10,777,018</u> |

# REVIEW OF HISTORICAL OPERATING RESULTS

## Summary Breakdown Table

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

|                                 | For the year ended<br>31 December |                   |
|---------------------------------|-----------------------------------|-------------------|
|                                 | 2019                              | 2018              |
|                                 | HK\$                              | HK\$              |
|                                 | <i>(in thousands)</i>             |                   |
| <b>Wynn Palace:</b>             |                                   |                   |
| Casino <sup>(1)</sup>           | 16,771,781                        | 18,463,485        |
| Rooms                           | 1,368,158                         | 1,332,801         |
| Food and beverage               | 919,861                           | 867,036           |
| Retail and other                | 877,586                           | 947,127           |
| <b>Wynn Macau:</b>              |                                   |                   |
| Casino <sup>(1)</sup>           | 14,078,475                        | 15,632,951        |
| Rooms                           | 865,067                           | 889,536           |
| Food and beverage               | 639,290                           | 598,513           |
| Retail and other                | 641,473                           | 860,364           |
| <b>Total operating revenues</b> | <b>36,161,691</b>                 | <b>39,591,813</b> |

**For the year ended**  
**31 December**  
**2019**                      2018  
**HK\$**                        **HK\$**  
*(in thousands, except for*  
*averages, win per unit per day*  
*figures and number of tables*  
*and slot machines)*

**Wynn Palace:**

|                                                 |                    |             |
|-------------------------------------------------|--------------------|-------------|
| VIP:                                            |                    |             |
| VIP table games turnover                        | <b>359,366,164</b> | 478,816,743 |
| VIP table games win <sup>(1)</sup>              | <b>11,909,047</b>  | 14,688,804  |
| VIP table games win as a percentage of turnover | <b>3.31%</b>       | 3.07%       |
| Average number of gaming tables <sup>(2)</sup>  | <b>109</b>         | 114         |
| Table games win per unit per day <sup>(3)</sup> | <b>299,636</b>     | 352,732     |

Mass market:

|                                                 |                   |            |
|-------------------------------------------------|-------------------|------------|
| Mass market table drop                          | <b>40,149,551</b> | 38,607,230 |
| Mass market table games win <sup>(1)</sup>      | <b>9,811,997</b>  | 9,452,821  |
| Mass market table games win percentage          | <b>24.44%</b>     | 24.48%     |
| Average number of gaming tables <sup>(2)</sup>  | <b>216</b>        | 209        |
| Table games win per unit per day <sup>(3)</sup> | <b>124,633</b>    | 124,085    |

|                                                  |                   |            |
|--------------------------------------------------|-------------------|------------|
| Slot machine handle                              | <b>30,709,664</b> | 30,820,957 |
| Slot machine win <sup>(1)</sup>                  | <b>1,531,101</b>  | 1,595,137  |
| Average number of slots <sup>(2)</sup>           | <b>1,054</b>      | 1,065      |
| Slot machine win per unit per day <sup>(3)</sup> | <b>3,981</b>      | 4,103      |

**For the year ended  
31 December**

**2019                      2018**  
**HK\$                      HK\$**

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

**Wynn Macau:**

|                                                  |                    |             |
|--------------------------------------------------|--------------------|-------------|
| VIP:                                             |                    |             |
| VIP table games turnover                         | <b>277,690,676</b> | 452,647,270 |
| VIP table games win <sup>(1)</sup>               | <b>8,481,086</b>   | 12,443,934  |
| VIP table games win as a percentage of turnover  | <b>3.05%</b>       | 2.75%       |
| Average number of gaming tables <sup>(2)</sup>   | <b>106</b>         | 111         |
| Table games win per unit per day <sup>(3)</sup>  | <b>218,421</b>     | 306,501     |
| Mass market:                                     |                    |             |
| Mass market table drop                           | <b>42,402,598</b>  | 39,641,216  |
| Mass market table games win <sup>(1)</sup>       | <b>8,615,621</b>   | 7,950,476   |
| Mass market table games win percentage           | <b>20.32%</b>      | 20.06%      |
| Average number of gaming tables <sup>(2)</sup>   | <b>207</b>         | 203         |
| Table games win per unit per day <sup>(3)</sup>  | <b>113,783</b>     | 107,347     |
| Slot machine handle                              | <b>27,790,245</b>  | 29,311,945  |
| Slot machine win <sup>(1)</sup>                  | <b>1,335,140</b>   | 1,264,695   |
| Average number of slots <sup>(2)</sup>           | <b>807</b>         | 877         |
| Slot machine win per unit per day <sup>(3)</sup> | <b>4,532</b>       | 3,950       |

*Notes:*

- (1) Total casino revenues do not equal the sum of “VIP table games win”, “mass market table games win” and “slot machine win” because casino revenues are reported net of the relevant commissions and others (including complimentary revenues allocated from casino revenues to rooms, food and beverage, retail and other revenues). The following table presents a reconciliation of the sum of “VIP table games win”, “mass market table games win” and “slot machine win” to total casino revenues.



|                                                                                                                                                 | <b>For the year ended</b> |              |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------|
|                                                                                                                                                 | <b>31 December</b>        |              |
|                                                                                                                                                 | <b>2019</b>               | 2018         |
|                                                                                                                                                 | <b>HK\$</b>               | HK\$         |
|                                                                                                                                                 | <i>(in thousands)</i>     |              |
| VIP table games win                                                                                                                             | <b>20,390,133</b>         | 27,132,738   |
| Mass market table games win                                                                                                                     | <b>18,427,618</b>         | 17,403,297   |
| Slot machine win                                                                                                                                | <b>2,866,241</b>          | 2,859,832    |
| Poker revenues                                                                                                                                  | <b>163,286</b>            | 164,403      |
| Commissions and others (including complimentary revenues allocated from casino revenues to rooms, food and beverage, retail and other revenues) | <b>(10,997,022)</b>       | (13,463,834) |
| Total casino revenues                                                                                                                           | <b>30,850,256</b>         | 34,096,436   |

- (2) For purposes of this table, we calculate average number of gaming tables and average number of slots as the average numbers of gaming tables and slot machines in service on each day in the year.
- (3) Table games win per unit per day and slot machine win per unit per day 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 Palace, Wynn Macau and Encore were open in the applicable year.

## Discussion of Results of Operations

### *Financial results for the year ended 31 December 2019 compared to financial results for the year ended 31 December 2018*

#### *Operating Revenues*

Total operating revenues decreased by 8.7%, from HK\$39.59 billion in 2018 to HK\$36.16 billion in 2019, primarily due to a decrease in VIP table games win, partially offset by an increase in mass market table games win, at both Wynn Palace and Wynn Macau.

#### *Casino Revenues*

Casino revenues decreased by 9.5%, from HK\$34.10 billion (86.1% of total operating revenues) in 2018 to HK\$30.85 billion (85.3% of total operating revenues) in 2019. The components and reasons are as follows:

*VIP casino gaming operations.* VIP table games win decreased by 24.9%, from HK\$27.13 billion in 2018 to HK\$20.39 billion in 2019. The decrease was driven by lower business volumes of both Wynn Palace and Wynn Macau, with total VIP table games turnover down 31.6%, from HK\$931.46 billion in 2018 to HK\$637.06 billion in 2019, partially offset by an increase in VIP table games win as a percentage of turnover at both Wynn Palace and Wynn Macau.

*Mass market casino gaming operations.* Mass market table games win increased by 5.9%, from HK\$17.40 billion in 2018 to HK\$18.43 billion in 2019. The increase was driven by an increase in business volumes of both Wynn Palace and Wynn Macau and an increase in mass market table games win percentage at Wynn Macau.



*Slot machine gaming operations.* Slot machine win remained relatively flat from HK\$2.86 billion in 2018 to HK\$2.87 billion in 2019. A decline in business volumes with total slot machine handle down 2.7% from HK\$60.13 billion in 2018 to HK\$58.50 billion in 2019, and a decrease in average number of slots at both Wynn Palace and Wynn Macau, were offset by an increase in slot machine win per unit per day at Wynn Macau.

### ***Non-casino Revenues***

Net non-casino revenues, which include rooms, food and beverage and retail and other revenues, decreased by 3.3% from HK\$5.50 billion (13.9% of total operating revenues) in 2018 to HK\$5.31 billion (14.7% of total operating revenues) in 2019.

*Rooms.* Our room revenues remained relatively flat from HK\$2.22 billion in 2018 to HK\$2.23 billion in 2019, primarily due to higher Average Daily Rate at both Wynn Palace and Wynn Macau and a higher occupancy rate at Wynn Palace, partially offset by rooms out of service for renovations at Wynn Macau during 2019. We completed our Encore tower room renovation at Wynn Macau in the last quarter of 2019.

The following table presents additional information about our room revenues for Wynn Palace and Wynn Macau:

### ***Room revenues information***

|                          | <b>For the year ended<br/>31 December</b> |             |
|--------------------------|-------------------------------------------|-------------|
|                          | <b>2019</b>                               | <b>2018</b> |
| <b>Wynn Palace:</b>      |                                           |             |
| Average Daily Rate       | <b>HK\$2,110</b>                          | HK\$2,074   |
| Occupancy <sup>(1)</sup> | <b>97.2%</b>                              | 96.5%       |
| REVPAR                   | <b>HK\$2,050</b>                          | HK\$2,002   |
| <b>Wynn Macau:</b>       |                                           |             |
| Average Daily Rate       | <b>HK\$2,244</b>                          | HK\$2,221   |
| Occupancy <sup>(1)</sup> | <b>99.2%</b>                              | 99.2%       |
| REVPAR                   | <b>HK\$2,226</b>                          | HK\$2,202   |

Note:

- (1) Occupancy is the number of total hotel room nights occupied as a percentage of the number of total hotel room nights available in the applicable year. Available hotel rooms exclude those rooms out of service for renovation during the applicable year.

*Food and beverage.* Food and beverage revenues increased by 6.4% from HK\$1.47 billion in 2018 to HK\$1.56 billion in 2019, primarily due to increased covers at restaurants of both Wynn Palace and Wynn Macau.

*Retail and other.* Our retail and other revenues decreased by 16.0% from HK\$1.81 billion in 2018 to HK\$1.52 billion in 2019, primarily due to the closure of certain owned retail outlets and their conversion to leased outlets at our Macau Operations. Additionally, the higher retail and other revenues in 2018 was partly due to the total business interruption insurance proceeds of HK\$84.5 million related to the full settlement of claims from Typhoon Hato in 2017.

### ***Operating Costs and Expenses***

*Gaming taxes and premiums.* Gaming taxes and premiums decreased by 11.5%, from HK\$18.93 billion for the year ended 31 December 2018 to HK\$16.75 billion for the same period of 2019. The decrease was commensurate with the 9.5% decrease 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 4.8%, from HK\$4.99 billion for the year ended 31 December 2018 to HK\$5.23 billion for the same period of 2019. The increase was primarily due to general salary increment and an increase in number of full-time equivalent employees due in part to the opening of new restaurants.

*Other operating expenses.* Other operating expenses decreased by 4.6% from HK\$5.10 billion for the year ended 31 December 2018 to HK\$4.86 billion for the same period of 2019, driven mainly by decrease in business volume related expenses such as license fees, cost of sales and contracted service expenditures. The provision for doubtful accounts increased from HK\$23.1 million for the year ended 31 December 2018 to HK\$44.5 million for the same period of 2019. The increase was primarily due to the impact of historical collection patterns and current collection trends, as well as the specific review of customer accounts, on our estimated allowance for the respective periods.

*Depreciation and amortization.* Depreciation and amortization increased by 7.2% from HK\$2.73 billion for the year ended 31 December 2018 to HK\$2.92 billion for the same period of 2019. The increase was mainly due to the recognition of right-of-use assets depreciation for leases resulting from the adoption of a new international financial reporting standard on 1 January 2019.

*Property charges and other.* Property charges and other decreased from HK\$153.9 million for the year ended 31 December 2018 to HK\$34.0 million for the same period of 2019. Amounts in each year primarily 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 Group in response to customer preferences and changes in market demand. In 2019, the amount was partially offset by insurance reimbursement of HK\$37.4 million related to claims to property damage caused by typhoons in prior years.

As a result of the foregoing, total operating costs and expenses decreased by 6.6%, from HK\$31.89 billion in 2018 to HK\$29.80 billion in 2019.

## ***Finance Revenues***

Finance revenues decreased from HK\$102.6 million in 2018 to HK\$76.1 million in 2019. The decrease was primarily due to holding lower average cash balances in 2019 compared to 2018. During 2019 and 2018, 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 remained relatively flat from HK\$1.50 billion in 2018 to HK\$1.49 billion in 2019. 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. Despite both HIBOR and LIBOR increasing in 2019 compared to 2018, the effect was partially offset by a decrease in amounts outstanding under the Wynn Macau Credit Facilities.

## ***Income Tax Expense***

Income tax expense was HK\$12.4 million in 2018 and 2019. Our income tax expense 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, net profit attributable to owners of the Company decreased by 19.0%, from HK\$6.25 billion in 2018 to HK\$5.06 billion in 2019.

# **LIQUIDITY AND CAPITAL RESOURCES**

## **Capital Resources**

Since the opening of Wynn Palace and Wynn Macau on 22 August 2016 and 6 September 2006, respectively, we have generally funded our working capital and recurring expenses as well as capital expenditures from cash flow from operations, notes issuance, cash on hand and availability under our credit facilities.

Our cash balances as at 31 December 2019 were approximately HK\$14.09 billion. This cash is available for operations, new development activities, enhancements to our operating properties, debt service and retirement, and general corporate purposes.

As at 31 December 2019, the Group had approximately HK\$3.11 billion of available borrowing capacity under the Wynn Macau Credit Facilities. The term loan facility of the Wynn Macau Credit Facilities is repayable in graduating installments of between 2.875% and 4.50% of the principal amount on a quarterly basis commencing 30 September 2020, with a final installment of 75% of the principal amount repayable on 26 June 2022 (or if 26 June 2022 is not a business day, the immediately preceding business day).

On 17 December 2019, the Company completed the issuance of 5.125% senior notes due 2029 with an aggregate principal amount of US\$1 billion (approximately HK\$7.79 billion). The Company expects to use certain amounts from the net proceeds from the WML 2029 Notes to facilitate the repayment of US\$1 billion (approximately HK\$7.79 billion) of the term loan of the Wynn Macau Credit Facilities over the next two years, subject to generating sufficient operating cash flow from our Macau Operations.

## 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.

|                                                                           | <b>As at 31 December</b>                          |             |
|---------------------------------------------------------------------------|---------------------------------------------------|-------------|
|                                                                           | <b>2019</b>                                       | 2018        |
|                                                                           | <b>HK\$</b>                                       | HK\$        |
|                                                                           | <i>(in thousands,<br/>except for percentages)</i> |             |
| Interest-bearing borrowings                                               | <b>38,594,738</b>                                 | 33,078,147  |
| Accounts payable                                                          | <b>402,395</b>                                    | 723,473     |
| Construction payables and accruals and<br>construction retentions payable | <b>491,695</b>                                    | 438,149     |
| Other payables and accruals                                               | <b>7,914,121</b>                                  | 9,907,813   |
| Amounts due to related companies                                          | <b>111,527</b>                                    | 160,196     |
| Other liabilities                                                         | <b>213,549</b>                                    | 243,127     |
| Lease liabilities                                                         | <b>562,794</b>                                    | —           |
| Less: cash and cash equivalents                                           | <b>(14,087,486)</b>                               | (9,526,423) |
| restricted cash and cash equivalents                                      | <b>(33,802)</b>                                   | (18,067)    |
| <b>Net debt</b>                                                           | <b>34,169,531</b>                                 | 35,006,415  |
| Equity                                                                    | <b>1,986,756</b>                                  | 1,518,459   |
| <b>Total capital</b>                                                      | <b>1,986,756</b>                                  | 1,518,459   |
| <b>Capital and net debt</b>                                               | <b>36,156,287</b>                                 | 36,524,874  |
| <b>Gearing ratio</b>                                                      | <b>94.5%</b>                                      | 95.8%       |

## Cash Flows

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

|                                                | <b>For the year ended</b> |             |
|------------------------------------------------|---------------------------|-------------|
|                                                | <b>31 December</b>        |             |
|                                                | <b>2019</b>               | <b>2018</b> |
|                                                | <b>HK\$</b>               | <b>HK\$</b> |
|                                                | <i>(in millions)</i>      |             |
| Net cash generated from operating activities   | <b>6,751.1</b>            | 9,715.6     |
| Net cash used in investing activities          | <b>(1,543.5)</b>          | (1,090.3)   |
| Net cash used in financing activities          | <b>(621.3)</b>            | (4,334.0)   |
| Net increase in cash and cash equivalents      | <b>4,586.3</b>            | 4,291.3     |
| Cash and cash equivalents at beginning of year | <b>9,526.4</b>            | 5,239.7     |
| Effect of foreign exchange rate changes, net   | <b>(25.2)</b>             | (4.6)       |
| Cash and cash equivalents at end of year       | <b>14,087.5</b>           | 9,526.4     |

### *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 generated from operating activities was HK\$6.75 billion in 2019, compared to HK\$9.72 billion in 2018. Operating profit was HK\$6.37 billion in 2019 compared to HK\$7.70 billion in 2018. The decrease in net cash generated from operating activities was primarily attributable to the changes in working capital and the decrease in operating profit.

### *Net cash used in investing activities*

Net cash used in investing activities was HK\$1.54 billion in 2019, compared to HK\$1.10 billion in 2018. Net cash used in 2019 included capital expenditures of HK\$1.64 billion for renovations to enhance and refine the Macau Operations and for purchases of property and equipment and an increase in restricted cash and cash equivalents of HK\$8.2 million, partially offset by HK\$83.3 million of interest receipts, HK\$20.9 million of proceeds from insurance claims and HK\$0.7 million of proceeds from sale of property and equipment and other assets. Net cash used in 2018 included capital expenditures of HK\$1.19 billion for renovations to enhance and refine the Macau Operations and for purchases of property and equipment, partially offset by HK\$89.9 million of interest received and HK\$8.7 million in proceeds from the sale of property and equipment and other assets.

### *Net cash used in financing activities*

Net cash used in financing activities was HK\$0.62 billion during 2019, compared to HK\$4.33 billion during 2018. During 2019, net cash used in financing activities was primarily due to HK\$2.16 billion net repayments on our revolving credit facility of the Wynn Macau Credit Facilities, HK\$4.67 billion dividend payments made in June 2019 and September 2019, HK\$144.3 million payment for principal and interest components of lease liabilities and HK\$1.34 billion of interest payments, partially offset by receipts of HK\$7.75 billion net proceeds from issuance of WML 2029 Notes. During 2018, the net cash used in financing activities was primarily due to HK\$7.79 billion of dividend payments made in April 2018 and October 2018, HK\$1.33 billion of interest payments and HK\$69.6 million payments on debt financing costs partially offset by receipts of HK\$4.89 billion drawn from the Wynn Macau Credit Facilities revolving credit facility.

### *Indebtedness*

The following table presents a summary of our indebtedness.

#### *Indebtedness information*

|                                   | <b>As at 31 December</b> |                          |
|-----------------------------------|--------------------------|--------------------------|
|                                   | <b>2019</b>              | <b>2018</b>              |
|                                   | <b>HK\$</b>              | <b>HK\$</b>              |
|                                   | <i>(in thousands)</i>    |                          |
| Bank loans                        | <b>20,659,687</b>        | 22,875,059               |
| Senior notes                      | <b>18,301,709</b>        | 10,572,466               |
| Less: debt financing costs, net   | <b>(366,658)</b>         | (369,378)                |
| Total interest-bearing borrowings | <b><u>38,594,738</u></b> | <b><u>33,078,147</u></b> |

### **Wynn Macau Credit Facilities**

#### *Overview*

On 21 December 2018, WRM's senior secured bank facilities were amended to, among other things, extend the maturity dates of the senior secured term loan and revolving credit facilities. As at 31 December 2019, the Wynn Macau Credit Facilities consisted of approximately HK\$23.77 billion equivalent in a combination of Hong Kong dollar and U.S. dollar facilities, including an approximately HK\$17.93 billion equivalent fully funded senior term loan facility and an approximately HK\$5.84 billion equivalent senior revolving credit facility.

The borrowings under the Wynn Macau Credit Facilities were used to refinance WRM's existing indebtedness and for general corporate purposes.



The amended term loan facility is repayable in graduating installments of between 2.875% and 4.50% of the principal amount on a quarterly basis commencing 30 September 2020, with a final installment of 75% of the principal amount repayable on 26 June 2022 (or if 26 June 2022 is not a business day, the immediately preceding business day). Prior to the amendment, the term loan facility was repayable in graduating installments of between 2.50% and 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 26 June 2022 (or if 26 June 2022 is not a business day, the immediately preceding business day), by which time any outstanding borrowings from the revolving credit facility must be repaid. Prior to the amendment, the final maturity of any outstanding borrowings from the revolving credit facility was repayable by September 2020.

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.

### *Second Ranking Lender*

WRM is also a party to a bank guarantee reimbursement agreement with Banco Nacional 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 circumstances giving rise to an event of default include if Wynn Resorts, Limited, the Company's controlling shareholder, ceases to own directly or indirectly at least 51% of the voting rights or issued capital of WRM or ceases to retain the ability or the right to direct or procure the direction of the management and policies of WRM. Upon an event of default, the lenders are entitled to exercise certain remedies including acceleration of the indebtedness repayable by WRM under the senior secured credit facilities. 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 agreements and related agreements and has no rights or obligations thereunder.

As at 31 December 2019, the Group had HK\$3.11 billion in funding available under the revolving credit facility of the Wynn Macau Credit Facilities. On 3 February 2020, the Group prepaid approximately HK\$1.17 billion of the term loan facility of the Wynn Macau Credit Facilities, and the future contractual amortization payments were reduced on a pro-rata basis.

### **WML 2024 Notes and WML 2027 Notes**

On 20 September 2017, the Company completed the issuance of WML 2024 Notes and WML 2027 Notes. The Company used the net proceeds from the WML 2024 Notes and WML 2027 Notes and cash on hand to fund the cost of extinguishing the WML 2021 Notes. Interest on the WML 2024 Notes and WML 2027 Notes is payable semi-annually in arrears on 1 April and 1 October of each year, beginning on 1 April 2018. The WML 2024 Notes and WML 2027 Notes, which are listed on the Hong Kong Stock Exchange, mature on 1 October 2024 and 1 October 2027, respectively.

### **WML 2029 Notes**

On 17 December 2019, the Company completed the issuance of WML 2029 Notes. The Company expects to use certain amounts from the net proceeds from the WML 2029 Notes to facilitate the repayment of US\$1 billion (approximately HK\$7.79 billion) of the term loan of the Wynn Macau Credit Facilities over the next two years, subject to generating sufficient operating cash flow from our Macau Operations. Interest on the WML 2029 Notes is payable semi-annually in arrears on 15 June and 15 December of each year, beginning on 15 June 2020. The WML 2029 Notes, which are listed on the Hong Kong Stock Exchange, mature on 15 December 2029.

### **Redemption of WML 2024 Notes, WML 2027 Notes and WML 2029 Notes**

At any time prior to 1 October 2020, 1 October 2022 and 15 December 2024, the Company may redeem the WML 2024 Notes, WML 2027 Notes and WML 2029 Notes, respectively, in whole or in part, at a redemption price equal to the greater of (a) 100% of the principal amount of the WML 2024 Notes, WML 2027 Notes and WML 2029 Notes, or (b) a “make-whole” amount as determined by an independent investment banker in accordance with the terms of the indentures for the WML 2024 Notes and WML 2027 Notes, dated as of 20 September 2017 (the “**2017 Indentures**”), and the indenture for the WML 2029 Notes dated as of 17 December 2019 (together with the 2017 Indentures, the “**WML Indentures**”). In either case, the redemption price would include accrued and unpaid interest.

In addition, (i) at any time prior to 1 October 2020, the Company may use the net cash proceeds from certain equity offerings to redeem up to 35% of the aggregate principal amount of the WML 2024 Notes and the WML 2027 Notes, at a redemption price equal to 104.875% of the aggregate principal amount of the WML 2024 Notes and 105.500% of the aggregate principal amount of the WML 2027 Notes, as applicable; and (ii) at any time prior to 15 December 2022, the Company may use the net cash proceeds from certain equity offerings to redeem up to 35% of the aggregate principal amount of the WML 2029 Notes at a redemption price equal to 105.125% of the aggregate principal amount of the WML 2029 Notes, plus accrued and unpaid interest, if any.



On or after 1 October 2020, 1 October 2022 and 15 December 2024, the Company may redeem the WML 2024 Notes, WML 2027 Notes and WML 2029 Notes, respectively, in whole or in part, at a premium decreasing annually from 102.438%, 102.750% and 102.563%, respectively, of the applicable principal amount to 100% of the applicable principal amount, plus accrued and unpaid interest to, but not including, the redemption date.

If the Company undergoes a Change of Control (as defined in the WML Indentures), it must offer to repurchase the WML 2024 Notes, WML 2027 Notes and WML 2029 Notes at a price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest. Under the 2017 Indentures, the circumstances that will constitute a Change of Control includes, among others, the sale, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Group to any person other than to the Company's former Chairman and Chief Executive Officer or a related party of the Company's former Chairman and Chief Executive Officer, the consummation of any transaction that results in any party other than the Company's former Chairman and Chief Executive Officer and his related parties becoming the direct or indirect owner of more than 50% of the outstanding voting stock of WRL and the first day on which a majority of the members of the Board are not continuing directors. Under the indenture of the WML 2029 Notes, the circumstances that will constitute a Change of Control includes, among others, the consummation of any transaction that results in any party other than WRL or any affiliate of WRL becomes the beneficial owner, directly or indirectly, of more than 50% of the outstanding voting stock of the Company, measured by voting power rather than number of equity interests.

In addition, the Company may redeem the WML 2024 Notes, WML 2027 Notes and WML 2029 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest, in response to any change in or amendment to certain tax laws or tax positions. Further, if a holder or beneficial owner of the WML 2024 Notes, WML 2027 Notes and WML 2029 Notes fails to meet certain requirements imposed by any Gaming Authority (as defined in the WML Indentures), the Company may require the holder or beneficial owner to dispose of or redeem its WML 2024 Notes, WML 2027 Notes and WML 2029 Notes.

Upon the occurrence of (1) any event after which none of the Company or any of its subsidiaries have such licenses, concessions, subconcessions or other permits or authorizations as necessary to conduct gaming activities in substantially the same scope as it does on the date of the WML 2024 Notes, WML 2027 Notes and WML 2029 Notes issuance, for a period of ten consecutive days or more, and such event has a material adverse effect on the financial condition, business, properties, or results of operations of WML and its subsidiaries, taken as a whole, or (2) the termination, rescission, revocation or modification of any such licenses, concessions, subconcessions or other permits or authorizations which has had a material adverse effect on the financial condition, business, properties, or results of operations of the Company and its subsidiaries, taken as a whole, each holder of the WML 2024 Notes, WML 2027 Notes and WML 2029 Notes will have the right to require the Company to repurchase all or any part of such holder's WML 2024 Notes, WML 2027 Notes and WML 2029 Notes at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest.

## **OFF BALANCE SHEET ARRANGEMENTS**

We have not entered into any transactions with special purpose entities nor do we engage in any transactions involving derivatives. 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, availability under our credit facilities and new borrowings. 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, availability under our credit facilities and proceeds from notes issuance, we believe that we have sufficient liquid assets to meet our current and anticipated working capital and operating requirements.

## **RELATED PARTY TRANSACTIONS**

Our Directors have confirmed that all related party transactions have complied with the requirements under Chapter 14A of the Listing Rules, and have been conducted on normal commercial terms, and that their terms are fair and reasonable.

## **MATERIAL RISK FACTORS**

There are certain risks and uncertainties involved in our operations, some of which are beyond our control. Set forth below are the material risk factors involved in our operations, which have been broadly categorized into: (i) risks related to our business; (ii) risks associated with our operations in Macau; and (iii) risks related to our indebtedness. Additional risks and uncertainties not currently known to us or that we currently consider to be immaterial may also have a material adverse impact on our business, financial condition, results of operations and cash flows.

## **Risks Related to our Business**

***The outbreak of COVID-19 has had and will have an adverse effect on our results of operations.***

In January 2020, an outbreak of COVID-19 was identified in Wuhan, China. Currently, no effective vaccines have been developed and there can be no assurance that an effective vaccine can be discovered.

On 4 February 2020, the Macau government announced a 15-day closure of all casino operations in Macau, including those at Wynn Palace and Wynn Macau. Casino operations at Wynn Palace and Wynn Macau resumed on 20 February 2020 on a reduced basis. On 20 March 2020 (the deadline set by the Macau government for Macau casinos to fully reopen) our casinos operations were fully restored in terms of tables, slot machines and electronic gaming stations being activated, however certain health related safeguards, such as limiting the number of seats per table and spacing slot machines which are available for use, temperature checks, mask protection, and health declarations, remain in effect at the present time and for the foreseeable future.

Visitation to Macau has fallen precipitously since the outbreak of COVID-19, driven by the outbreak's strong deterrent effect on travel and social activities, the Chinese government's suspension of its visa and group tour schemes that allow mainland Chinese residents to travel to Macau, quarantine measures, travel and entry restrictions and conditions in Macau, Hong Kong and certain cities and regions in mainland China, the suspension of ferry services and other modes of transportation within Macau and regionally, and, most recently, the ban on entry or enhanced quarantine requirements, depending on the person's residency and their recent travel history, for any Macau residents, PRC citizens, Hong Kong residents and Taiwan residents attempting to enter Macau. Persons who are not residents of Greater China are barred from entry to Macau at this time.

The COVID-19 outbreak has had and will have an adverse effect on our results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the COVID-19 and around the imposition or relaxation of protective measures, we cannot reasonably estimate the impact to our future results of operations, cash flows, or financial condition.

***Revenues from our Macau gaming operations will end if we cannot secure an extension or renewal of our concession, or a new concession, by 26 June 2022, or if the Macau government exercises its redemption right.***

The term of our Concession Agreement with the Macau government ends on 26 June 2022. Unless the term of our concession agreement is extended or renewed or we receive a new gaming concession, subject to any separate agreement with the Macau government, all of our gaming operations, casino area and related equipment in Macau will be automatically transferred to the Macau government without compensation to us and we will cease to generate any revenues from these operations at the end of our concession agreement. The Macau government has publicly commented that it is studying the process by which concessions and subconcessions may be renewed, extended or issued. The relevant concession or subconcession held by SJM and MGM Macau was extended from 31 March 2020 to 26 June 2022 in March 2019. The relevant concession or subconcession held by Galaxy, SJM, Venetian Macau, MGM Macau and Melco also expire on 26 June 2022.

Effective June 2017, the Macau government may redeem our Concession Agreement by providing us at least one year's prior notice. In the event the Macau government exercises this redemption right, we are entitled to fair compensation or indemnity. The amount of such compensation or indemnity will be determined based on the amount of revenue generated during the tax year prior to the redemption multiplied by the remaining years under our concession. We are considering various options to place us in a good position for the renewal, extension or application process; however, we may not be able to extend our Concession Agreement or renew our Concession Agreement or obtain a new concession on terms favorable to us or at all. If our concession is redeemed, the compensation paid to us may not be adequate to compensate us for the loss of future revenues. We cannot conduct gaming operations in Macau without a gaming concession from the Macau government. The loss of a gaming concession would have a material adverse effect on our business, financial condition, results of operations and cash flows.

***We are subject to Macau Laws and Regulations. The cost of compliance or failure to comply with such regulations and authorities could have a negative effect on our business.***

The operations of our resorts are contingent upon us maintaining all regulatory licenses, permits, approvals, registrations, findings of suitability, orders and authorizations pursuant to Macau laws and regulations. The laws and regulations requiring these licenses, permits and other approvals generally relate to the responsibility, financial stability and character of the owners and managers of the gaming operations, as well as persons financially interested or involved in gaming operations.

WRM and its directors, key employees, managing companies and shareholders who own 5% or more of WRM's shares must be found suitable and are subject to the continuous monitoring and supervision of the Macau government for the term of the Concession Agreement to ensure that they are suitable to conduct a gaming business in Macau. The objectives of the Macau government's supervision are to preserve the conduct of gaming in Macau in a fair and honest manner and to safeguard and protect the interests of Macau in receiving taxes from the operation of casinos in the jurisdiction.

Our activities are also subject to administrative review and approval by various agencies of the Macau government, including DICJ, Health Bureau, Labour Affairs Bureau, Land, Public Works and Transport Bureau, Fire Services Bureau, Financial Services Bureau (including the Tax Department), Monetary Authority of Macau, Financial Intelligence Office and Macau Government Tourism Office. We cannot assure you that we will be able to maintain all necessary approvals and licenses, and our failure to do so may materially affect our business and operations.

Failure to comply with the terms of the Concession Agreement and adapt to the regulatory and gaming environment in Macau could result in the revocation of the Concession Agreement or otherwise negatively affect our operations in Macau. Developments in the regulation of the gaming industry could be difficult to comply with and significantly increase our costs, which could adversely affect our business.

Moreover, we are a subsidiary of WRL and therefore are subject to the risk that U.S. regulators could determine that Macau's gaming regulatory framework has not developed in a way that would permit us to conduct operations in Macau in a manner consistent with the way in which we intend, or the applicable U.S. gaming authorities require us, to conduct our operations in the United States.

***Ongoing investigations, litigation and other disputes could distract management and result in negative publicity and additional scrutiny from regulators.***

We are subject to various claims related to our operations. These foregoing investigations, litigation and other disputes and any additional such matters that may arise in the future, can be expensive and may divert management's attention from the operations of our businesses. The investigations, litigation and other disputes may also lead to additional scrutiny from regulators, which could lead to investigations relating to, and possibly a negative impact on, our gaming licenses and our ability to bid successfully for new gaming market opportunities. In addition, the actions, litigation and publicity could negatively impact our business, reputation and competitive position and could reduce demand for our shares and thereby have a negative impact on the trading prices of our shares.

***We depend on the continued services of key managers and employees. If we do not retain our key personnel or attract and retain other highly skilled employees, our business will suffer.***

Our ability to maintain our competitive position is dependent to a large degree on the services of our senior management team. Our success depends upon our ability to attract, hire, and retain qualified operating, marketing, financial, and technical personnel in the future. We rely on the continued services of key managers and an adequate number of qualified employees to achieve our goals and to deliver our high service standards. There is intense competition for labor resources in Macau due to the limited supply of local-Macau labor and imported-labor restrictions and quotas. Competition in Macau for key managers and qualified employees is further exacerbated by the labor needs of large-scale resorts that have recently opened or are expected to open in the future and other opportunities for local-Macau labor. If we are unable to obtain, attract, retain and train key managers and an adequate number of qualified employees, and obtain any required visas or work permits for our staff, our ability to adequately manage and staff our operations and development projects could be impaired, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. The loss of key management and operating personnel would likely have a material adverse effect on our business, prospects, financial condition, and results of operations.

***Our business is particularly sensitive to reductions in discretionary consumer and corporate spending as a result of global economic conditions.***

Consumer demand for casino/hotel resorts, trade shows and conventions and for the type of luxury amenities that we offer is particularly sensitive to changes in the global economy, which adversely impact discretionary spending on leisure activities. Changes in discretionary consumer spending or consumer preferences brought about by factors such as perceived or actual general global economic conditions, high unemployment, weakness in housing or oil markets, perceived or actual changes in disposable consumer income and wealth, an economic recession and changes in consumer confidence in the global economy, perceived or actual health risks related to outbreaks of infectious disease, or fears of war and future acts of terrorism have in the past and could in the future reduce customer demand for the luxury amenities and leisure activities we offer, and may have a significant negative impact on our operating results.



Also, consumer demographics and preferences may evolve over time, which, for example, has resulted in growth in consumer demand for non-gaming offerings. Our success depends in part on our ability to anticipate the preferences of consumers and react to those trends and any failure to do so may negatively impact our operating results.

***Our operations in Macau may be negatively impacted by international relations, economic disruptions in mainland China, visa restrictions placed on citizens of mainland China, the anti-corruption campaigns, restrictions on international money transfers or similar campaigns.***

A significant number of our customers come from mainland China. Economic disruption, diseases, international relations, contraction or uncertainty in China could impact the number of customers visiting our properties or the amount they 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, Chinese government anti-corruption campaigns have influenced the behavior of Chinese consumers and their spending patterns both domestically and abroad. These campaigns, as well as mainland Chinese and Macau monetary outflow policies have specifically led to tighter monetary transfer regulations, including real time monitoring of certain financial channels, limitations on cash withdrawals from ATM machines by mainland China citizens, the reduction of annual withdrawal limits from bank accounts while the account holder is outside of mainland China and “know your client” protocols implemented on ATM machines. These policies may affect and impact the number of visitors and the amount of money they spend. The overall effect of the campaigns and monetary transfer restrictions may negatively affect our revenues and results of operations.

***Our business is particularly sensitive to the willingness of our customers to travel to and spend time at our resorts. Acts or the threat of acts of terrorism, outbreak of infectious disease, regional political events and developments in certain countries could cause severe disruptions in air and other travel and may otherwise negatively impact tourists’ willingness to visit our resorts. Such events or developments could reduce the number of visitors to our facilities, resulting in a material adverse effect on our business and financial condition, results of operations or cash flows.***

We are dependent on the willingness of our customers to travel. Only a small amount of our business is and will be generated by local residents. Most of our customers travel to reach our Macau properties. Acts of terrorism or concerns over the possibility of such acts may severely disrupt domestic and international travel, which would result in a decrease in customer visits to Macau, including our properties. Regional conflicts could have a similar effect on domestic and international travel. Disruptions in air or other forms of travel as a result of any terrorist act, outbreak of hostilities, escalation of war or worldwide infectious disease outbreak would have an adverse effect on our business and financial condition, results of operations and cash flows. In addition, governmental action and uncertainty resulting from U.S. and global political trends and policies, including potential barriers to travel, trade and immigration can reduce demand for hospitality products and services, including visitation to our resorts.

***Our continued success depends on our ability to maintain the reputation of our resorts.***

Our strategy and integrated resort business model rely on positive perceptions of our resorts and the level of service we provide. Any deterioration in our reputation could have a material adverse effect on our business, results of operations and cash flows. Our reputation could be negatively impacted by our failure to deliver the superior design and customer service for which we are known or by events that are beyond our control. Our reputation may also suffer as a result of negative publicity regarding the Company or our resorts, including as a result of social media reports, regardless of the accuracy of such publicity. The continued expansion of media and social media formats has compounded the potential scope of negative publicity and has made it more difficult to control and effectively manage negative publicity.

***We are entirely dependent on a limited number of resorts for all of our cash flow, which subjects us to greater risks than a gaming company with more operating properties.***

We are currently entirely dependent upon our Macau Operations for all of our operating cash flow. As a result, we are subject to a greater degree of risk than a gaming company with more operating properties or greater geographic diversification. The risks to which we have a greater degree of exposure include the following:

- changes in local economic and competitive conditions;
- changes in local governmental laws and regulations, including gaming laws and regulations, and the way in which those laws and regulations are applied;
- natural and other disasters, including the outbreak of infectious diseases;
- an increase in the cost of maintaining our properties;
- a decline in the number of visitors to Macau; and
- a decrease in gaming and non-casino activities at our resorts.

Any of the factors outlined above could negatively affect our results of operations and our ability to generate sufficient cash flow to make payments or maintain our covenants with respect to our debt.

***We are a parent company and our primary source of cash is and will be distributions from our subsidiaries.***

The Company is a holding company and our main operating subsidiary, WRM, owns and operates the destination casino resorts “Wynn Palace” in the Cotai area of Macau and “Wynn Macau” on the Macau peninsula. Accordingly, our primary sources of cash are dividends and distributions with respect to our ownership interests in our subsidiaries that are derived from the earnings and cash flow generated by our operating properties. Our subsidiaries might not generate sufficient earnings and cash flow to pay dividends or distributions in the future. For example, if the COVID-19 outbreak in January 2020 continues to interrupt our gaming operations or visitation to Macau or if the outbreak escalates, it may have a material adverse effect on our subsidiaries’ results of operations and their ability to pay dividends or distributions to us.



***Our casino, hotel, convention and other facilities face intense competition, which may further intensify in the future.***

The casino/hotel industry is highly competitive. 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 31 December 2019, there were 41 casinos in Macau, including 22 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. Several of the current concessionaires and subconcessionaires have opened facilities in the Cotai area over the past few years, which has significantly increased gaming and non-gaming offerings in Macau, with continued development and further openings in Cotai expected in the near future.

Wynn Palace and Wynn Macau also face competition from casinos located in Singapore, South Korea, the Philippines, Vietnam, Cambodia and Malaysia. We also encounter competition from other major gaming centers located around the world, including Australia, Las Vegas, cruise ships in Asia that offer gaming and other casinos throughout Asia. Additionally, certain Asian countries and regions have legalized or in the future may legalize gaming, such as Japan, Taiwan and Thailand, which could increase competition for our Macau Operations. Increased competition could result in a loss of customers, which may negatively affect our cash flows and results of operations.

***Any violation of applicable Anti-Money Laundering laws, regulations or the Foreign Corrupt Practices Act or sanctions could adversely affect our business, performance, prospects, value, financial condition, and results of operations.***

We deal with significant amounts of cash in our operations and are subject to various jurisdictions' reporting and anti-money laundering laws and regulations. Macau governmental authorities focus heavily on the gaming industry and compliance with anti-money laundering laws and regulations. From time to time, the Company may receive governmental and regulatory inquiries about compliance with such laws and regulations. The Company will cooperate with all such inquiries. Any violation of anti-money laundering laws or regulations could adversely affect our business, performance, prospects, value, financial condition, and results of operations.

Further, as a subsidiary of WRL, we are subject to regulations imposed by the Foreign Corrupt Practices Act (the "FCPA") and other anti-corruption laws that generally prohibit U.S. companies and their intermediaries from offering, promising, authorizing or making improper payments to foreign government officials for the purpose of obtaining or retaining business. Violations of the FCPA and other anti-corruption laws may result in severe criminal and civil sanctions as well as other penalties, and the SEC and U.S. Department of Justice have increased their enforcement activities with respect to such laws and regulations. The Office of Foreign Assets Control and the Commerce Department administer and enforce economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations, and individuals. Failure to comply with these laws and regulations could increase our cost of operations, reduce our profits, or otherwise adversely affect our business, financial condition, and results of operations.

Internal control policies and procedures and employee training and compliance programs that we have implemented to deter prohibited practices may not be effective in prohibiting our directors, employees, contractors or agents from violating or circumventing our policies and the law. If we or our directors, employees or agents fail to comply with applicable laws or Company policies governing our operations, the Company may face investigations, prosecutions and other legal proceedings and actions, which could result in civil penalties, administrative remedies and criminal sanctions. Any such government investigations, prosecutions or other legal proceedings or actions could adversely affect our business, performance, prospects, value, financial condition, and results of operations.

***Adverse incidents or adverse publicity concerning our resorts or our corporate responsibilities could harm our brand and reputation and negatively impact our financial results.***

Our reputation and the value of our brand, including the perception held by our customers, business partners, other key stakeholders and the communities in which we do business, are important assets. Our business faces increasing scrutiny related to environmental, social and governance activities, and risk of damage to our reputation and the value of our brands if we fail to act responsibly in a number of areas, such as diversity and inclusion, environmental stewardship, supply chain management, sustainability, workplace conduct, human rights, philanthropy, and support for local communities. Any harm to our reputation could have a material adverse effect on our business, results of operations, and cash flows.

***Compliance with changing laws and regulations may result in additional expenses and compliance risks.***

Changing laws and regulations are creating uncertainty for gaming companies. These changing laws and regulations are subject to varying interpretations in many cases due to their lack of specificity, recent issuance and/or lack of guidance. As a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. In addition, further regulation of casinos, financial institutions and public companies is possible. This could result in continuing uncertainty and higher costs regarding compliance matters. Due to our commitment to maintain high standards of compliance with laws and public disclosure, our efforts to comply with evolving laws, regulations and standards have resulted in and are likely to continue to result in increased general and administrative expense. In addition, we are subject to different parties' interpretation of our compliance with these new and changing laws and regulations.

***System failure, information leakage and the cost of maintaining sufficient cybersecurity could adversely affect our business.***

We rely on information technology and other systems (including those maintained by third parties with whom we contract to provide data services) to maintain and transmit large volumes of customer financial information, credit card settlements, credit card funds transmissions, mailing lists and reservations information and other personally identifiable information. We also maintain important internal company data such as personally identifiable information about our employees and information relating to our operations. The systems and processes we have implemented to protect customers, employees and company information are subject to the ever-changing risk of compromised security. These risks include cyber and physical security breaches, system failure, computer viruses, and negligent or intentional misuse by customers, company employees, or employees of third-party vendors. The steps we take to deter and mitigate these risks may not be successful and our insurance coverage for protecting against cybersecurity risks may not be sufficient. Our third-party information system service providers face risks relating to cybersecurity similar to ours, and we do not directly control any of such parties' information security operations.

Despite the security measures we currently have in place, our facilities and systems and those of our third-party service providers may be vulnerable to security breaches, acts of vandalism, phishing attacks, computer viruses, misplaced or lost data, programming or human errors and other events. Cyber-attacks are becoming increasingly more difficult to anticipate and prevent due to their rapidly evolving nature and, as a result, the technology we use to protect our systems from being breached or compromised could become outdated due to advances in computer capabilities or other technological developments.

Despite the steps we have taken to deter and mitigate against these threats and risks, our systems, processes and security measures may not be successful and our insurance coverage for protecting against cybersecurity risks may not be sufficient. Any perceived or actual electronic or physical security breach involving the misappropriation, loss, or other unauthorized disclosure of confidential or personally identifiable information, including penetration of our network security, whether by us or by a third party, could disrupt our business, damage our reputation and our relationships with our customers or employees, expose us to risks of litigation, significant fines and penalties and liability, result in the deterioration of our customers' and employees' confidence in us, and adversely affect our business, results of operations and financial condition. Since we do not control third-party service providers and cannot guarantee that no electronic or physical computer break-ins and security breaches will occur in the future, any perceived or actual unauthorized disclosure of personally identifiable information regarding our employees, customers or website visitors could harm our reputation and credibility and reduce our ability to attract and retain employees and customers. As these threats develop and grow, we may find it necessary to make significant further investments to protect data and our infrastructure, including the implementation of new computer systems or upgrades to existing systems, deployment of additional personnel and protection-related technologies, engagement of third-party consultants, and training of employees. The occurrence of any of the cyber incidents described above could have a material adverse effect on our business, results of operations and cash flows.

***Our business could suffer if there is any misappropriation of confidential or personally identifiable information gathered, stored or used by us.***

Our business uses and transmits large volumes of employee and customer data, including credit card numbers and other personal information in various information systems that we maintain in areas such as human resources outsourcing, website hosting, and various forms of electronic communications. Our customers and employees have a high expectation that we will adequately protect their personal information. Our collection and use of personal data are governed by privacy laws and regulations, and privacy law is an area that changes often and varies significantly by jurisdiction. In addition to governmental regulations, there are credit card industry standards or other applicable data security standards we must comply with as well. Compliance with applicable privacy regulations may increase our operating costs and/or adversely impact our ability to market our products, properties and services to our guests. In addition, non-compliance with applicable privacy regulations by us (or in some circumstances non-compliance by third parties engaged by us) or a breach of security on systems storing our data may result in damage of reputation and/or subject us to fines, payment of damages, lawsuits or restrictions on our use or transfer of data. Any misappropriation of confidential or personally identifiable information gathered, stored or used by us, be it intentional or accidental, could have a material impact on the operation of our business, including severely damaging our reputation and our relationships with our customers, employees and investors.

***Our business could suffer if our computer systems and websites are disrupted or cease to operate effectively.***

We are dependent on our computer systems to record and process transactions and manage and operate our business, including processing payments, accounting for and reporting financial results, and managing our employees and employee benefit programs. Given the complexity of our business, it is imperative that we maintain uninterrupted operation of our computer hardware and software systems. Despite our preventative efforts, our systems are vulnerable to damage or interruption from, among other things, security breaches, computer viruses, technical malfunctions, inadequate system capacity, power outages, natural disasters, and usage errors by our employees or third-party consultants. If our information technology systems become damaged or otherwise cease to function properly, we may have to make significant investments to repair or replace them. Additionally, confidential or sensitive data related to our customers or employees could be lost or compromised. Any material disruptions in our information technology systems could have a material adverse effect on our business, results of operations, and financial condition.

***Our business may be adversely affected by fraud, cheating and theft.***

Acts of fraud or cheating through the use of counterfeit chips, covert schemes and other tactics, possibly in collusion with our employees, may be attempted or committed by our customers with the aim of increasing their winnings. Our customers, visitors and employees may also commit crimes such as theft in order to obtain chips not belonging to them. We have taken measures to safeguard our interests including the implementation of systems, processes and technologies to mitigate against these risks, extensive employee training, surveillance, security and investigation operations and adoption of appropriate security features on our chips such as embedded radio frequency identification tags. Despite our efforts, we may not be successful in preventing or detecting such culpable behavior and schemes in a timely manner and the relevant insurance we have obtained may not be sufficient to cover our losses depending on the incident, which could result in losses to our gaming operations and generate negative publicity, both of which could have an adverse effect on our reputation, business, results of operations and cash flows.

***Our business may be adversely affected by fraudulent websites.***

There has been a substantial increase in the international operation of fraudulent online gambling and investment websites attempting to scam and defraud members of the public. These fraudulent websites mainly target PRC citizens and often falsely represent affiliates of one or more Macau casinos and even the Macau government. These fraudulent websites can appear highly professional and will often feature false statements on their websites in an attempt to pass off as a legitimate business or purport to be in association with, or be accredited by, a legitimate business or governmental authority. Such websites may also wrongfully display logos and trademarks owned by legitimate businesses or governmental authorities, or use deceptively similar logos and imagery, to appear legitimate. We do not offer online gambling or investment accounts of any kind. Websites offering these or similar activities and opportunities that use our names, such as “Wynn Resorts (Macau) S.A.”, “Wynn”-related trademarks, including our marks for “Wynn Palace” and “Wynn Macau”, or similar names or images in likeness to ours, are doing so without our authorization and possibly unlawfully and with criminal intent. The Group is not responsible for the contents of such websites.

If our efforts to cause these sites to be shut down through civil action and by reporting these sites to the appropriate authorities (where applicable, including for possible criminal prosecution) are unsuccessful or not timely completed, these unauthorized activities may continue and harm our reputation and negatively affect our business. Efforts we take to acquire and protect our intellectual property rights against unauthorized use throughout the world, which may include retaining counsel and commencing litigation in various jurisdictions, may be costly and may not be successful in protecting and preserving the status and value of our intellectual property assets.

To report fraudulent websites or e-mails purportedly connected to the Group, please e-mail [inquiries@wynnmacau.com](mailto:inquiries@wynnmacau.com).



***If a third party successfully challenges our ownership of, or right to use, the Wynn-related trademarks and/or service marks, our business or results of operations could be harmed.***

We have licensed the right to use certain “WYNN”-related trademarks and service marks from Wynn Resorts, Limited and Wynn Resorts Holdings, LLC, an affiliate of Wynn Resorts, Limited. Our intellectual property assets, especially the logo version of “WYNN,” are among our most valuable assets. Pursuant to the licensing arrangement, WRM licenses the right to use the “WYNN” trademark in connection with WRM’s operation of hotel casinos in Macau in return for a monthly royalty payment. The licensing arrangement is not a fixed term arrangement; it is terminable on the occurrence of certain events, including if the WRL Group loses its rights in the “WYNN” mark, if Wynn Resorts, Limited ceases to hold more than a 50% voting interest in WRM or by the court appointed administrator in the event Wynn Resorts, Limited or Wynn Resorts Holdings, LLC enters into bankruptcy proceedings. If the existing licensing arrangement were terminated and we fail to enter into new arrangements with the WRL Group in respect of the “WYNN” mark, we would lose our rights to use the “WYNN” brand name, and “WYNN” trademarks and domain names. The loss of our ability to use these “WYNN”-related marks could cause severe disruption to our business and have an adverse effect on our business, financial condition and results of operations.

Wynn Resorts Holdings, LLC has filed applications with the United States Patent and Trademark Office (the “PTO”) and trademark registries including registries in Macau, mainland China, Hong Kong, Singapore, Taiwan, Japan, certain European countries and various other jurisdictions throughout the world, to register a variety of “WYNN”-related trademarks and service marks in connection with a variety of goods and services. These marks include “WYNN MACAU”, “WYNN PALACE” and “ENCORE” as well as trademarks of the Chinese characters representing “WYNN” and other “WYNN”-related marks.

If a third party successfully challenges our ownership of, or right to use, the “WYNN”-related trademarks and service marks, our business or results of operations could be harmed. We also are exposed to the risk that third parties may use “WYNN”-related trademarks without authorization.

Furthermore, due to the increased use of technology in computerized gaming machines and in business operations generally, other forms of intellectual property rights (such as patents and copyrights) are becoming increasingly relevant. It is possible that, in the future, third parties might assert superior intellectual property rights or allege that their intellectual property rights cover some aspect of our operations. The defense of such allegations may result in substantial expenses, and, if such claims are successfully prosecuted, may have a material impact on our business.

## **Risks associated with our operations in Macau**

### ***Our Macau Operations may be affected by adverse political and economic conditions.***

Our Macau Operations are subject to significant political, economic and social risks inherent in doing business in an emerging market. The future success of our Macau Operations will depend on political and economic conditions in Macau and mainland China. For example, fiscal decline, international relations, and civil, domestic or international unrest in Macau, China or the surrounding region could significantly harm our business, not only by reducing customer demand for casino resorts, but also by increasing the risk of imposition of taxes and exchange controls or other governmental restrictions, laws or regulations that might impede our Macau Operations or our ability to repatriate funds.

### ***The smoking control legislation in Macau could have an adverse effect on our business, financial condition, results of operations and cash flows.***

Under the Macau Smoking Prevention and Tobacco Control Law, as of 1 January 2019, smoking on casino premises is only permitted in authorized segregated smoking lounges with no gaming activities and such smoking lounges are required to comply with the conditions set out in the regulations. The existing smoking legislation, and any smoking legislation intended to fully ban all smoking in casinos, may deter potential gaming customers who are smokers from frequenting casinos in Macau and disrupt the number of patrons visiting or the amount of time visiting patrons spend at our property, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

### ***Extreme weather conditions may have an adverse impact on our Macau Operations.***

Macau's subtropical climate and location on the South China Sea are subject to extreme weather conditions including typhoons and heavy rainstorms, such as Typhoon Mangkhut in 2018 and Typhoon Hato in 2017. Unfavorable weather conditions could negatively affect the profitability of our resorts and prevent or discourage guests from traveling to Macau. The occurrence and timing of such events cannot be predicted or controlled by us and may have a material adverse effect on our business, financial condition, results of operations, and cash flows.

### ***If our Macau Operations fail to comply with the concession agreement, the Macau government can terminate our concession without compensation to us, which would have a material adverse effect on our business and financial condition.***

The Macau government has the right to unilaterally terminate our concession in the event of our material non-compliance with the basic obligations under the concession and applicable Macau laws. The concession agreement expressly provides that the government of Macau may unilaterally rescind the concession agreement of our Macau Operations if it:

- conducts unauthorized games or activities that are excluded from its corporate purpose;
- suspends gaming operations in Macau for more than seven consecutive days (or more than 14 days in a civil year) without justification;



- defaults in payment of taxes, premiums, contributions or other required amounts;
- does not comply with government inspections or supervision;
- systematically fails to observe its obligations under the concession system;
- fails to maintain bank guarantees or bonds satisfactory to the government;
- is the subject of bankruptcy proceedings or becomes insolvent;
- engages in serious fraudulent activity, damaging to the public interest; or
- repeatedly violates applicable gaming laws.

If the government of Macau unilaterally rescinds the concession agreement, our Macau Operations will be required to compensate the government in accordance with applicable law, and the areas defined as casino space under Macau law and all of the gaming equipment pertaining to our gaming operations will be transferred to the government without compensation. The loss of our concession would prohibit us from conducting gaming operations in Macau, which would have a material adverse effect on our business and financial condition.

***We depend upon gaming promoters for a significant portion of our gaming revenue. If we are unable to maintain, or develop additional, successful relationships with reputable gaming promoters, our ability to maintain or grow our gaming revenues could be adversely affected.***

We may lose the clientele of our gaming promoters, who generate a significant portion of our gaming revenue. There is intense competition among casino operators in Macau for services provided by gaming promoters, which has intensified as additional casinos open in Macau. If we are unable to maintain, or develop additional, successful relationships with reputable gaming promoters, or lose a significant number of our gaming promoters to our competitors, our ability to maintain or grow our gaming revenues will be adversely affected and we will have to seek alternative ways of developing relationships with VIP customers. In addition, if our gaming promoters are unable to develop or maintain relationships with our VIP customers, our ability to maintain or grow our gaming revenues will be hampered.

***The financial resources of our gaming promoters may be insufficient to allow them to continue doing business in Macau which could adversely affect our business and financial condition. Our gaming promoters may experience difficulty in attracting patrons.***

Economic and political factors in the region may cause our gaming promoters to experience difficulties in their Macau operations, including intensified competition in attracting patrons to come to Macau. Further, gaming promoters may face a decrease in liquidity, limiting their ability to grant credit to their patrons, and difficulties in collecting credit they extended previously. The inability to attract sufficient patrons, grant credit and collect amounts due in a timely manner may negatively affect our gaming promoters' operations, causing gaming promoters to wind up or liquidate their operations or resulting in some of our gaming promoters leaving Macau. Current and any future difficulties could have an adverse impact on our results of operations.

***Increased competition for the services of gaming promoters may require us to pay increased commission rates to gaming promoters.***

Certain gaming promoters have significant leverage and bargaining strength in negotiating operational agreements with casino operators. This leverage could result in gaming promoters negotiating changes to our operational agreements, including higher commissions, or the loss of business to a competitor or the loss of certain relationships with gaming promoters. If we need to increase our commission rates or otherwise change our practices with respect to gaming promoters due to competitive forces, our results of operations could be adversely affected.

***Failure by the gaming promoters with whom we work to comply with Macau gaming laws and high standards of probity and integrity might affect our reputation and ability to comply with the requirements of our concession, Macau gaming laws and other gaming licenses.***

The reputations and probity of the gaming promoters with whom we work are important to our own reputation and to our ability to operate in compliance with our concession, Macau gaming laws and other gaming licenses. We conduct periodic reviews of the probity and compliance programs of our gaming promoters. However, we are not able to control our gaming promoters' compliance with these high standards of probity and integrity, and our gaming promoters may violate provisions in their contracts with us designed to ensure such compliance. In addition, if we enter into a new business relationship with a gaming promoter whose probity is in doubt, this may be considered by regulators or investors to reflect negatively on our own probity. If our gaming promoters are unable to maintain required standards of probity and integrity, we may face consequences from gaming regulators with authority over our operations. Furthermore, if any of our gaming promoters violate the Macau gaming laws while on our premises, the Macau government may, in its discretion, take enforcement action against us, the gaming promoter, or each concurrently, and we may be sanctioned and our reputation could be harmed. In the event a gaming promoter does not meet its financial or other obligations, there can be no assurance that we may not be found liable, which could adversely impact our business, financial condition, results of operations and cash flows.

***Unfavorable changes in currency exchange rates could negatively impact our Macau Operations.***

The financial statements of foreign operations are translated into Hong Kong dollars, the Company's functional and presentation currency, for incorporation into the consolidated financial statements. The majority of our assets and liabilities are denominated in U.S. dollars, Hong Kong dollars 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. Besides, the currency delineated in our Macau Operations' concession agreement with the government of Macau is the Macau pataca. The Macau pataca is linked to the Hong Kong dollar, and the two are often used interchangeably in Macau. The Hong Kong dollar is linked to the U.S. dollar and the exchange rate between these two currencies has remained relatively stable over the past several years. However, the exchange linkages of the Hong Kong dollar and the Macau pataca, and the Hong Kong dollar and the U.S. dollar, are subject to potential changes due to changes in governmental policies and international economic and political developments. If the Hong Kong dollar and the Macau pataca are no longer linked to the U.S. dollar, the exchange rate for these currencies may severely fluctuate. The current rate of exchange fixed by the applicable monetary authorities for these currencies may also change.

Because many of our payment and expenditure obligations are in Macau patacas and we expect that most of the revenues for any casino that we operate in Macau will be in Hong Kong dollars, we are subject to foreign exchange risk with respect to the exchange rate between the Hong Kong dollar and the Macau pataca. Also, in connection with any U.S. dollar-denominated debt we incur, fluctuations in the exchange rates of the Macau pataca or the Hong Kong dollar, in relation to the U.S. dollar, could have adverse effects on our results of operations, financial condition and ability to service our debt.

***Currency exchange controls and currency export restrictions could negatively impact our Macau Operations.***

Currency exchange controls and restrictions on the export of currency by certain countries may negatively impact the success of our Macau Operations. For example, there are currently existing currency exchange controls and restrictions on the export of the renminbi, the currency of China. Restrictions on the export of the renminbi may impede the flow of gaming customers from China to Macau, inhibit the growth of gaming in Macau and negatively impact our Macau Operations.

***Our Macau subsidiaries' indebtedness is secured by a substantial portion of their assets.***

Subject to applicable laws, including gaming laws, and certain agreed upon exceptions, our Macau subsidiaries' debt is secured by liens on substantially all of their assets. In the event of a default by such subsidiaries under their financing documents, or if such subsidiaries experience insolvency, liquidation, dissolution or reorganization, the holders of such secured debt would first be entitled to payment from their collateral security, and then would the holders of our Macau subsidiaries' unsecured debt be entitled to payment from their remaining assets, and only then would we, as a holder of capital stock, be entitled to distribution of any remaining assets.

***Conflicts of interest may arise because certain of our directors and officers are also directors of WRL.***

WRL, the Company's controlling shareholder, is listed on the NASDAQ global select market. WRL owned approximately 72% of our Shares as of 31 December 2019. We and certain of our officers and Directors also serve as officers and/or directors of WRL. Decisions that could have different implications for us and WRL, including contractual arrangements that we have entered into or may in the future enter into with WRL, may give rise to the appearance of a potential conflict of interest.

***The Macau government has established a maximum number of gaming tables that can be operated in Macau and has limited the number of new gaming tables at new gaming areas in Macau.***

In connection with the opening of Wynn Palace, the DICJ authorized 100 new table games for operation at Wynn Palace, with 25 additional table games authorized for operation on 1 January 2017, and a further 25 new table games for operation on 1 January 2018, for a total of 150 new table games in the aggregate. In addition, we have and will continue to transfer table games between Wynn Palace and Wynn Macau, subject to the aggregate cap. As at 31 December 2019, we had a total of 323 table games at Wynn Palace and 322 at Wynn Macau. The mix of VIP table games, mass table games and slot machines in operation at Wynn Palace and Wynn Macau changes from time to time as a result of marketing and operating strategies in response to changing market demand and industry competition. Failure to shift the mix of our games in anticipation of market demands and industry trends may negatively impact our operating results.

## Risks related to our indebtedness

*We are highly leveraged and future cash flow may not be sufficient for us to meet our obligations, and we might have difficulty obtaining more financing.*

We have a substantial amount of consolidated debt in relation to our equity.

Our indebtedness could have important consequences. For example:

- failure to meet our payment obligations or other obligations could result in acceleration of our indebtedness, foreclosure upon our assets that serve as collateral or bankruptcy and trigger cross defaults under other agreements;
- servicing our indebtedness requires a substantial portion of our cash flow from our operations and reduces the amount of available cash, if any, to fund working capital and other cash requirements or pay for other capital expenditures;
- we may not be able to obtain additional financing, if needed; and
- rates with respect to a portion of the interest we pay will fluctuate with market rates and, accordingly, our interest expense will increase if market interest rates increase.

*We are exposed to interest rate risks associated with our credit facilities, which bear interest based on floating rates.*

We are exposed to 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.

On 27 July 2017, the UK Financial Conduct Authority (the “FCA”) announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “FCA Announcement”). The FCA Announcement and a subsequent speech by the Director of Markets and Wholesale Policy at the FCA on 28 January 2019 indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed, and market participants should not rely on its publication after 2021. At the date of this announcement, it is not possible to predict the effect that any discontinuance, modification or other reforms to LIBOR or any other reference rate, or the establishment of alternative reference rates may have on LIBOR or other benchmarks. Furthermore, the use of alternative reference rates or other reforms could cause the interest rate calculated on certain debt instruments to be materially different from the rate that is currently expected.

The borrowings under the Wynn Macau Credit Facilities bear interest at LIBOR or HIBOR plus a margin based on WRM's leverage ratio. If LIBOR (or HIBOR) ceases to exist or if only one reference bank under the Wynn Macau Credit Facilities provides a quotation for LIBOR (or HIBOR) or if notice is served to us that the funding cost of our majority lender(s) exceed LIBOR (or HIBOR), we must enter into good faith negotiations for a period of up to 30 days with a view to agreeing an alternative basis for determining the rate of interest applicable to our affected borrowings. Failing such agreement within the prescribed time, each relevant lender is to certify an alternative basis for maintaining its participation in the affected borrowings which may include an alternative method of fixing the applicable interest rate, alternative interest periods and/or alternative currencies provided such basis reflects the cost of funding its participation. Each certified alternative basis is binding on WRM and treated as part of the credit facilities agreement and applicable related agreements. WRM may seek to settle the affected outstanding borrowings. The potential effect of any such event could have on our business and financial condition cannot yet be determined.

## **DISCLOSURE OF FINANCIAL RESULTS IN MACAU**

WRM, our subsidiary and the owner and operator of Wynn Palace and Wynn Macau, finalized its statutory financial statements under the Macau Financial Reporting Standards ("MFRS") at the end of February 2020 and anticipates filing its MFRS Consolidated Financial Statements with the Gaming Inspection and Coordination Bureau of Macau by 31 March 2020. This is a statutory filing requirement mandated by Macau law. In addition, WRM expects to publish its MFRS Condensed Consolidated Financial Statements in the Macau Official Gazette and local newspapers in Macau by the end of April 2020. The MFRS Consolidated Financial Statements and the MFRS Condensed Consolidated Financial Statements may not be directly comparable with our Company's financial results disclosed herein, which are prepared under IFRS.

## **PURCHASE, SALE OR REDEMPTION OF 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 year ended 31 December 2019.

## **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 year ended 31 December 2019.



## 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 most recently 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 year ended 31 December 2019.

## 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 year ended 31 December 2019.

## ANNUAL REPORT

The Company's annual report for the year ended 31 December 2019 containing all the information required by Appendix 16 of the Listing Rules will be published on the Company's and the Hong Kong Stock Exchange's websites in due course.

## LITIGATION

The Group did not have any material litigation outstanding as at 31 December 2019. The litigation matter set out below is disclosed on a voluntary basis and, as with all litigations, no assurances can be provided as to the outcome thereof.

### 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.

Based on advice from Macau counsel, we believe the claims are without merit and are unfounded. We intend to vigorously defend against the claims pleaded against us in these lawsuits.

## **RE-ELECTION OF DIRECTORS**

In accordance with article 17.18 of the Company's articles of association, one third of our Board will retire from office by rotation at the forthcoming annual general meeting. The three directors who will retire by rotation are Mr. Matthew O. Maddox, an executive Director, Mr. Nicholas Sallnow-Smith and Mr. Bruce Rockowitz, each an independent non-executive Director. All retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## **SCOPE OF WORK OF THE COMPANY'S AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young (the "**Auditor**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.



## 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 31 December 2019                                                                                                                              |
| “Company”, “our Company” or “WML”  | 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 |
| “DICJ”                             | The Gaming Inspection and Coordination Bureau of Macau                                                                                                                                                                                                                   |
| “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                                                                                                                                                                                                                                  |

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|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “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 Palace and Wynn Macau and Encore at Wynn Macau                                                                                                                                                                                                                                               |
| “Melco”                                          | Melco Resorts (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                                                                                                                                                                                                                                                                       |
| “NASDAQ”                                         | National Association by Securities Dealers Automated Quotations                                                                                                                                                                                                                                                  |
| “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 for geographical and statistical reference only, references in this announcement to the PRC or China do not include Taiwan, Hong Kong or Macau; the term “Chinese” has a correlative 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                                                                                                                                                                                                                                  |
| “Trust”          | the trust constituted by the Trust Deed to service the employee ownership scheme                                                                                                                                                                                                                                                                 |
| “Trust Deed”     | the trust deed entered into between the Company and the Trustee (as may be restated, supplemented and amended from time to time) on 30 June 2014                                                                                                                                                                                                 |
| “Trustee”        | the trustee appointed by the Company for the purpose of the Trust, and as at the date of this announcement, Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong and having its registered office at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong                                             |
| “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\$4.67 billion) 5.25% senior notes due 2021 issued by the Company in October 2013 and the additional US\$750 million (approximately HK\$5.84 billion) 5.25% senior notes due 2021 issued by the Company on 20 March 2014 (Debt Stock Code: 5983), which were consolidated and form a single series of notes |
| “WML 2024 Notes” | the US\$600 million (approximately HK\$4.67 billion) 4.875% senior notes due 2024 issued by the Company in September 2017 (Debt Stock Code: 5279)                                                                                                                                                                                                |
| “WML 2027 Notes” | the US\$750 million (approximately HK\$5.84 billion) 5.50% senior notes due 2027 issued by the Company in September 2017 (Debt Stock Code: 5280)                                                                                                                                                                                                 |
| “WML 2029 Notes” | the US\$1 billion (approximately HK\$7.79 billion) 5.125% senior notes due 2029 issued by the Company in December 2019 (Debt Stock Code: 40102)                                                                                                                                                                                                  |

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “WRL Group”                              | Wynn Resorts, Limited and its subsidiaries (other than the Group)                                                                                                                                                                                                                                                                                                                                         |
| “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 August 2016, for a term of five years between WRM and the Macau Special Administrative Region, that provide for an annual payment to the Macau Special Administrative Region of 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 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\$17.93 billion (equivalent) fully-funded senior term loan facilities and the HK\$5.84 billion (equivalent) senior revolving credit facilities extended to WRM as subsequently amended from time to time and refinanced on 21 December 2018                                                                                                                                               |
| “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 Holdings, LLC”             | Wynn Resorts Holdings, LLC, a company formed under the laws of the State of Nevada, United States and a wholly-owned subsidiary of Wynn Resorts, Limited                                                                                                                                                                                                                                                  |
| “Wynn Resorts, Limited” 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

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Average Daily Rate”   | average daily rate which is calculated by dividing total room revenues, including complimentaries (less service charges, if any), by total rooms occupied                                                                                                                                                                                                                                                                                                                                                     |
| “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                                                                                                                                                                                                                                                                                                              |
| “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 and others (including complimentary revenues allocated from casino revenues to rooms, food and beverage, retail and other revenues)                                                                                                                                                                                                                                                              |
| “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 |
| “REVPAR”               | revenue per available room which is calculated by dividing total room revenues, including complimentaries (less service charges, if any), by total rooms available                                                                                                                                                                                                                                                                                                                                            |
| “Rolling Chip”         | physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and our Macau Operations’ individual VIP players                                                                                                                                                                                                                                                                                              |

|                    |                                                                                                                                                                                                                                                                                                                                              |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “slot machine win” | the amount of handle (representing the total amount wagered) that is retained and recorded as casino revenues. Slot machine win is after adjustment for progressive accruals, but before the allocation of casino revenues to rooms, food and beverage and other revenues for services provided to casino customers on a complimentary basis |
| “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                                                                                                                                                                                                 |
| “table games win”  | the amount of table drop or turnover that is retained and recorded as casino revenues. Table games win is before commissions and the allocation of casino revenues to rooms, food and beverage and other revenues for services provided to casino customers on a complimentary basis                                                         |
| “turnover”         | the sum of all losing Rolling Chip wagers within the VIP program                                                                                                                                                                                                                                                                             |
| “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                                                                                                                                                                                                 |

By order of the Board  
**Wynn Macau, Limited**  
**Dr. Allan Zeman**  
*Chairman*

Hong Kong, 30 March 2020

*As at the date of this announcement, the Board comprises Matthew O. Maddox and Ian Michael Coughlan (as Executive Directors); Linda Chen (as Executive Director and Vice Chairman); Craig S. Billings (as Non-Executive Director); Allan Zeman (as Independent Non-Executive Director and Chairman); and Jeffrey Kin-fung Lam, Bruce Rockowitz, Nicholas Sallnow-Smith and Leah Dawn Xiaowei Ye (as Independent Non-Executive Directors).*