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Wynn Macau, Limited

永利澳門有限公司\*

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1128 and Debt Stock Code: 5279, 5280)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019, DECLARATION OF INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board of Directors of Wynn Macau, Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019 as follows.

### **FINANCIAL HIGHLIGHTS**

|   | <b>For the Six Months ended 30 June</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>16,340,209</b>   | 16,501,017  |
| Other revenues                                | <b>2,688,495</b>  | 2,681,799   |
| Adjusted EBITDA                               | <b>5,061,440</b>  | 5,298,054   |
| Profit attributable to owners                 | <b>2,816,121</b>  | 3,031,074   |
| Earnings per Share — basic and diluted (HK\$) | <b>0.54</b>   | 0.58        |

### **DIVIDEND**

On 15 August 2019, the Board resolved to declare an interim dividend of HK\$0.45 per Share to be paid in respect of the six months ended 30 June 2019. The interim dividend is expected to be paid on 16 September 2019.

\* For identification purpose only

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|   | Notes | For the Six Months Ended 30 June |                    |
|---|-------|----------------------------------|--------------------|
|   |       | 2019                             | 2018               |
|   |       | HK\$                             | HK\$               |
|   |       | <i>(in thousands)</i>            |                    |
|   |       | <i>(unaudited)</i>               | <i>(unaudited)</i> |
| <b>Operating revenues</b>   |       |                                  |                    |
| Casino  |       | 16,340,209                       | 16,501,017         |
| Rooms   |       | 1,112,528                        | 1,071,033          |
| Food and beverage   |       | 772,955                          | 708,480            |
| Retail and other  |       | 803,012                          | 902,286            |
|   |       | <u>19,028,704</u>                | <u>19,182,816</u>  |
| <b>Operating costs and expenses</b>   |       |                                  |                    |
| Gaming taxes and premiums   |       | 8,897,580                        | 9,089,001          |
| Staff costs   |       | 2,642,638                        | 2,488,633          |
| Other operating expenses  | 3     | 2,540,623                        | 2,421,233          |
| Depreciation and amortization   |       | 1,451,211                        | 1,356,018          |
| Property charges and other  |       | 10,136                           | 55,602             |
|   |       | <u>15,542,188</u>                | <u>15,410,487</u>  |
| <b>Operating profit</b>   |       | <u>3,486,516</u>                 | <u>3,772,329</u>   |
| Finance revenues  |       | 37,621                           | 42,845             |
| Finance costs   | 4     | (739,901)                        | (701,361)          |
| Net foreign currency differences  |       | 38,099                           | (76,525)           |
|   |       | <u>(664,181)</u>                 | <u>(735,041)</u>   |
| <b>Profit before tax</b>  |       | <u>2,822,335</u>                 | <u>3,037,288</u>   |
| Income tax expense  | 5     | 6,214                            | 6,214              |
| <b>Net profit attributable to owners of the Company</b>                                       |       | <u>2,816,121</u>                 | <u>3,031,074</u>   |
| <b>Other comprehensive income</b>   |       |                                  |                    |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i> |       |                                  |                    |
| Currency translation reserve  |       | (1,233)                          | —                  |
| <b>Other comprehensive income for the period</b>  |       | <u>(1,233)</u>                   | <u>—</u>           |
| <b>Total comprehensive income attributable to owners of the Company</b>                       |       | <u>2,814,888</u>                 | <u>3,031,074</u>   |
| <b>Basic and diluted earnings per Share</b>   | 6     | <u>HK\$0.54</u>                  | <u>HK\$0.58</u>    |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   |    | As at<br>30 June 2019<br>HK\$<br>(in thousands)<br>(unaudited) | As at<br>31 December 2018<br>HK\$<br>(audited) |
|---|----|--|--|
| <b>Non-current assets</b>                           |    |  |  |
| Property and equipment and construction in progress |    | 31,223,365   | 31,943,188                                     |
| Right-of-use assets                                 |    | 2,006,741  | —  |
| Leasehold interests in land                         |    | —  | 1,590,281                                      |
| Goodwill  |    | 398,345  | 398,345  |
| Deposits for acquisition of property and equipment  |    | 75,894   | 51,426   |
| Other non-current assets                            |    | 641,096  | 686,582  |
| Restricted cash and cash equivalents                |    | 10,363   | 11,322   |
| <b>Total non-current assets</b>                     |    | <u>34,355,804</u>  | <u>34,681,144</u>                              |
| <b>Current assets</b>                               |    |  |  |
| Inventories   |    | 293,051  | 312,625  |
| Trade and other receivables                         | 8  | 1,066,702  | 1,135,474                                      |
| Prepayments and other current assets                |    | 161,661  | 136,462  |
| Amounts due from related companies                  |    | 389,394  | 282,918  |
| Restricted cash and cash equivalents                |    | 8,768  | 6,745  |
| Cash and cash equivalents                           |    | 5,849,723  | 9,526,423                                      |
| <b>Total current assets</b>                         |    | <u>7,769,299</u>   | <u>11,400,647</u>                              |
| <b>Current liabilities</b>                          |    |  |  |
| Accounts payable                                    | 9  | 707,683  | 723,473  |
| Lease liabilities                                   |    | 103,669  | —  |
| Construction payables and accruals                  |    | 396,278  | 436,856  |
| Other payables and accruals                         | 10 | 9,008,939  | 9,703,870                                      |
| Amounts due to related companies                    |    | 140,378  | 160,196  |
| Income tax payables                                 | 5  | 6,214  | 12,427   |
| Other current liabilities                           |    | 26,955   | 28,109   |
| <b>Total current liabilities</b>                    |    | <u>10,390,116</u>  | <u>11,064,931</u>                              |
| <b>Net current (liabilities)/assets</b>             |    | <u>(2,620,817)</u>   | <u>335,716</u>                                 |
| <b>Total assets less current liabilities</b>        |    | <u>31,734,987</u>  | <u>35,016,860</u>                              |

|   |              | As at<br><b>30 June 2019</b><br><i>HK\$</i><br><i>(in thousands)</i><br><i>(unaudited)</i> | As at<br>31 December 2018<br><i>HK\$</i><br><i>(audited)</i> |
|---|--------------|--|--|
|   | <i>Notes</i> |  |  |
| <b>Non-current liabilities</b>                      |              |  |  |
| Interest-bearing borrowings                         | <i>11</i>    | <b>28,968,414</b>  | 33,078,147   |
| Lease liabilities                                   |              | <b>387,190</b>   | —  |
| Construction retentions payable                     |              | <b>167</b>   | 1,293  |
| Other payables and accruals                         | <i>10</i>    | <b>133,387</b>   | 203,943  |
| Other long-term liabilities                         |              | <b>172,137</b>   | 215,018  |
|   |              | <hr/>  | <hr/>  |
| <b>Total non-current liabilities</b>                |              | <b>29,661,295</b>  | 33,498,401   |
|   |              | <hr/>  | <hr/>  |
| <b>Net assets</b>                                   |              | <b>2,073,692</b>   | 1,518,459  |
|   |              | <hr/> <hr/>  | <hr/> <hr/>  |
| <b>Equity</b>                                       |              |  |  |
| <b>Equity attributable to owners of the Company</b> |              |  |  |
| Issued capital                                      |              | <b>5,197</b>   | 5,197  |
| Share premium account                               |              | <b>389,941</b>   | 385,288  |
| Shares held for employee ownership scheme           |              | <b>(152,654)</b>   | (160,749)  |
| Reserves  |              | <b>1,831,208</b>   | 1,288,723  |
|   |              | <hr/>  | <hr/>  |
| <b>Total equity</b>                                 |              | <b>2,073,692</b>   | 1,518,459  |
|   |              | <hr/> <hr/>  | <hr/> <hr/>  |

# NOTES TO INTERIM FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION AND PRESENTATION

This interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

As at 30 June 2019, the Group had cash and cash equivalents of HK\$5.85 billion derived from its ordinary business operations. These cash and cash equivalents have not been earmarked for any specific use other than for general corporate purposes and repayments on the Group’s debt obligations.

As at 30 June 2019, the Group had a net current liability position of HK\$2.62 billion. The Group expects it will generate positive cash flows in the coming twelve months and may seek other sources of funding, whenever needed, to meet its financial liabilities as and when they fall due. The Group believes it has sufficient working capital to finance its operations and financial obligations.

### Application of new and revised IFRSs

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of following new and revised standards effective as of 1 January 2019:

|  |   |
|--|---|
| IFRS 16  | <i>Lease</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</i><br><i>2015–2017 Cycle</i> | <i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23</i> |
| Amendments to IAS 19                                 | <i>Plan Amendment, Curtailment or Settlement</i>        |

The Group applies, for the first time, IFRS 16 *Lease*. As required by IAS 34, the nature and effect of these changes are discussed 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. Lessor accounting under IFRS 16 is largely unchanged from IAS 17. Lessors will 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. 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, and the comparative information for 2018 was not restated and continues to be reported under IAS 17. 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 IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follow:**

|                                      | <i>HK\$</i><br><i>(in thousands)</i> |
|--------------------------------------|--------------------------------------|
| <b>Assets</b>                        |                                      |
| Right-of-use assets                  | 2,124,510                            |
| Leasehold interests in land          | (1,590,281)                          |
| Prepayments and other current assets | (1,533)                              |
|                                      | <hr/>                                |
| <b>Total assets</b>                  | <b>532,696</b>                       |
| <b>Liabilities</b>                   |                                      |
| Current lease liabilities            | 121,523                              |
| Non-current lease liabilities        | 434,472                              |
| Other payables and accruals          | (23,299)                             |
|                                      | <hr/>                                |
| <b>Total liabilities</b>             | <b>532,696</b>                       |

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

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 minimum 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 operating lease with a term of less than one year. 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 will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be 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 will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Several other amendments and interpretations apply for the first time in 2019 but do not have a material impact on the interim condensed consolidated financial information of the Group.

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

## **2. SEGMENT REPORTING**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments and making strategic decisions. For management purposes, during the six months ended 30 June 2019, the Group reviews Wynn Palace and Wynn Macau as two reportable segments. Refer to Note 12 for segment information.

### 3. OTHER OPERATING EXPENSES

|  | For the Six Months Ended<br>30 June |                         |
|--|-------------------------------------|-------------------------|
|  | 2019                                | 2018                    |
|  | HK\$                                | HK\$                    |
|  | <i>(in thousands)</i>               |                         |
|  | <i>(unaudited)</i>                  | <i>(unaudited)</i>      |
| License fees   | <b>701,918</b>                      | 719,150                 |
| Cost of sales  | <b>379,150</b>                      | 379,671                 |
| Repairs and maintenance                                      | <b>268,263</b>                      | 245,231                 |
| Advertising and promotions                                   | <b>254,357</b>                      | 239,321                 |
| Operating supplies and equipment                             | <b>251,522</b>                      | 225,399                 |
| Utilities and fuel   | <b>169,566</b>                      | 171,191                 |
| Contract services  | <b>148,968</b>                      | 168,580                 |
| Operating rental expenses                                    | <b>34,203</b>                       | 28,498                  |
| Corporate support services and other                         | <b>33,230</b>                       | 44,966                  |
| Other support services                                       | <b>29,326</b>                       | 29,150                  |
| Provision/(reversal of provision) for doubtful accounts, net | <b>22,171</b>                       | (22,229)                |
| Auditor's remuneration                                       | <b>4,566</b>                        | 4,162                   |
| Other expenses   | <b>243,383</b>                      | 188,143                 |
|  | <b><u>2,540,623</u></b>             | <b><u>2,421,233</u></b> |

### 4. FINANCE COSTS

|                                       | For the Six Months Ended<br>30 June |                       |
|---------------------------------------|-------------------------------------|-----------------------|
|                                       | 2019                                | 2018                  |
|                                       | HK\$                                | HK\$                  |
|                                       | <i>(in thousands)</i>               |                       |
|                                       | <i>(unaudited)</i>                  | <i>(unaudited)</i>    |
| Interest expense                      | <b>656,837</b>                      | 620,848               |
| Amortization of debt financing costs  | <b>56,605</b>                       | 71,481                |
| Bank fees for unused facilities       | <b>13,617</b>                       | 9,032                 |
| Interest expense on lease liabilities | <b>13,134</b>                       | —                     |
| Less: capitalized interest            | <b>(292)</b>                        | —                     |
|                                       | <b><u>739,901</u></b>               | <b><u>701,361</u></b> |

## 5. INCOME TAX EXPENSE

The major components of income tax expense for the six months ended 30 June 2019 and 2018 were:

|                            | For the Six Months Ended |                     |
|----------------------------|--------------------------|---------------------|
|                            | 30 June                  |                     |
|                            | 2019                     | 2018                |
|                            | HK\$                     | HK\$                |
|                            | <i>(in thousands)</i>    |                     |
|                            | <i>(unaudited)</i>       | <i>(unaudited)</i>  |
| <b>Income tax expense:</b> |                          |                     |
| Current — overseas         | <u>6,214</u>             | <u>6,214</u>        |
|                            | <u><u>6,214</u></u>      | <u><u>6,214</u></u> |

No provision for Hong Kong profit tax for the six months ended 30 June 2019 has been made as there was no assessable profit generated in Hong Kong (six months ended 30 June 2018: Nil). Taxation for overseas jurisdictions is charged at the appropriate prevailing rates ruling in the respective jurisdictions and the maximum rate is 12% (six months ended 30 June 2018: 12%). For the six months ended 30 June 2019, the tax provision of HK\$6.2 million results from the current income tax expense accrued by our subsidiaries owning WRM's shares under the WRM Shareholder Dividend Tax Agreement (six months ended 30 June 2018: HK\$6.2 million). On 15 October 2015, WRM received a 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits (the "Tax Holiday") effective from 1 January 2016 through 31 December 2020. Accordingly, the Group was exempted from the payment of approximately HK\$331.3 million in such tax for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$366.7 million). The Group's non-gaming profits remain subject to the Macau Complementary Tax and its casino winnings remain subject to the Macau Special Gaming Tax and other levies in accordance with its Concession Agreement.

In August 2016, WRM renewed the WRM Shareholder Dividend Tax Agreement with the Macau Special Administrative Region that provided for annual payments of MOP12.8 million (approximately HK\$12.4 million) to the Macau Special Administrative Region in lieu of Complementary Tax on dividend distributions to its shareholders from gaming profits for each of the years 2016 through 2020.

The Group is exempted from income tax in the Isle of Man and the Cayman Islands. The Group's subsidiaries file income tax returns in Macau and various foreign jurisdictions as required by law. The Group's income tax returns are subject to examinations by tax authorities in the locations where it operates. The Group's 2014 to 2018 Macau Complementary Tax returns remain subject to examination by the Financial Services Bureau of the Government of the Macau Special Administrative Region (the "**Financial Services Bureau**"). In March 2017 and July 2017, the Financial Services Bureau commenced examination of the WRM and Palo's 2013 and 2014 Macau Complementary tax returns. 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.

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

As at 30 June 2019, the Group has unrecognized tax losses of HK\$9.03 billion (31 December 2018: HK\$7.58 billion) and the Group believes that these unrecognized tax losses are adequate to offset adjustments that might be proposed by the Macau tax authorities. The Group believes that it has adequately provided reasonable reserves for foreseeable outcomes related to uncertain tax matters.

## **6. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The calculation of basic earnings per Share for the six months ended 30 June 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 5,185,343,268 during the period (six months ended 30 June 2018: 5,184,553,333), excluding Shares reserved and purchased for the Company's employee ownership scheme. No Shares (six months ended 30 June 2018: nil) were purchased and no Shares (six months ended 30 June 2018: nil) were issued and reserved for the Company's employee ownership scheme during the six months ended 30 June 2019.

The calculation of diluted earnings per Share for the six months ended 30 June 2019 is based on the consolidated net profit attributable to owners of the Company and on the weighted average number of Shares of 5,190,713,932 (six months ended 30 June 2018: 5,194,187,153) including the weighted average number of Shares in issue of 5,185,343,268 during the period (six months ended 30 June 2018: 5,184,553,333) plus the weighted average number of potential Shares of 5,370,664 (six months ended 30 June 2018: 9,633,820) 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 Six Months Ended</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>30 June</b>                  |                    |
|  | <b>2019</b>                     | 2018               |
|  | <b>HK\$</b>                     | <b>HK\$</b>        |
|  | <i>(in thousands)</i>           |                    |
|  | <i>(unaudited)</i>              | <i>(unaudited)</i> |
| 2017 special dividend of HK\$0.75 per Share declared           | —                               | 3,897,534          |
| 2018 final dividend of HK\$0.45 per Share declared (2017: nil) | <b>2,338,631</b>                | —                  |
|  | <b>2,338,631</b>                | <b>3,897,534</b>   |

On 15 August 2019, the Board resolved to declare an interim dividend of HK\$0.45 per Share to be paid in respect of the six months ended 30 June 2019. The interim dividend is expected to be paid on 16 September 2019.

## 8. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following as at 30 June 2019 and 31 December 2018:

|  | <b>As at</b>          | As at            |
|--|-----------------------|------------------|
|  | <b>30 June</b>        | 31 December      |
|  | <b>2019</b>           | 2018             |
|  | <b>HK\$</b>           | <b>HK\$</b>      |
|  | <i>(in thousands)</i> |                  |
|  | <i>(unaudited)</i>    | <i>(audited)</i> |
| Casino                                 | <b>941,081</b>        | 1,041,909        |
| Retail leases                          | <b>78,231</b>         | 87,326           |
| Hotel                                  | <b>12,939</b>         | 7,986            |
| Trade receivables                      | <b>1,032,251</b>      | 1,137,221        |
| Other receivables                      | <b>105,879</b>        | 109,018          |
| Less: allowance for doubtful accounts  | <b>(71,428)</b>       | (110,765)        |
| Total trade and other receivables, net | <b>1,066,702</b>      | <b>1,135,474</b> |

An aged analysis of trade receivables is as follows:

|                                       | <b>As at<br/>30 June<br/>2019<br/>HK\$<br/>(in thousands)<br/>(unaudited)</b> | <b>As at<br/>31 December<br/>2018<br/>HK\$<br/>(audited)</b> |
|---------------------------------------|---|--|
| Within 30 days                        | <b>273,634</b>  | 435,785  |
| 31 to 60 days                         | <b>128,191</b>  | 133,521  |
| 61 to 90 days                         | <b>101,775</b>  | 209,002  |
| Over 90 days                          | <b>528,651</b>  | 358,913  |
| Trade receivables                     | <b>1,032,251</b>  | 1,137,221  |
| Other receivables                     | <b>105,879</b>  | 109,018  |
| Less: allowance for doubtful accounts | <b>(71,428)</b>   | (110,765)  |
| Net trade and other receivables       | <b><u>1,066,702</u></b>   | <u>1,135,474</u>   |

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.

## 9. ACCOUNTS PAYABLE

During the six months ended 30 June 2019 and the year ended 31 December 2018, the Group normally received credit terms of 30 days. An aged analysis of accounts payable as at the end of the reporting period, based on invoice dates, is as follows:

|                | <b>As at<br/>30 June<br/>2019<br/>HK\$<br/>(in thousands)<br/>(unaudited)</b> | <b>As at<br/>31 December<br/>2018<br/>HK\$<br/>(audited)</b> |
|----------------|---|--|
| Within 30 days | <b>572,400</b>  | 564,509  |
| 31 to 60 days  | <b>34,958</b>   | 37,301   |
| 61 to 90 days  | <b>11,583</b>   | 15,494   |
| Over 90 days   | <b>88,742</b>   | 106,169  |
|                | <b><u>707,683</u></b>   | <u>723,473</u>   |

## 10. OTHER PAYABLES AND ACCRUALS

Other payables and accruals consist of the following as at 30 June 2019 and 31 December 2018:

|   | As at<br>30 June<br>2019<br>HK\$<br><i>(in thousands)</i><br><i>(unaudited)</i> | As at<br>31 December<br>2018<br>HK\$<br><i>(in thousands)</i><br><i>(audited)</i> |
|---|---|---|
| <b>Current:</b>                         |   |   |
| Outstanding chip liabilities            | 3,391,146   | 3,905,079   |
| Customer deposits                       | 2,834,480   | 2,722,322   |
| Gaming taxes payable                    | 1,562,344   | 1,858,734   |
| Donation payable                        | 155,340   | 77,670  |
| Loyalty program and related liabilities | 104,777   | 111,607   |
| Other gaming-related liabilities        | 14,373  | 20,136  |
| Others                                  | 946,479   | 1,008,322   |
|   | <b>9,008,939</b>  | <b>9,703,870</b>  |
| <b>Non-current:</b>                     |   |   |
| Donation payable                        | 133,387   | 203,943   |
| <b>Total</b>                            | <b>9,142,326</b>  | <b>9,907,813</b>  |

## 11. INTEREST-BEARING BORROWINGS

|                                   | As at<br>30 June<br>2019<br>HK\$<br><i>(in thousands)</i><br><i>(unaudited)</i> | As at<br>31 December<br>2018<br>HK\$<br><i>(in thousands)</i><br><i>(audited)</i> |
|-----------------------------------|---|---|
| Bank loans, secured               | 18,748,428  | 22,875,059  |
| Senior notes, unsecured           | 10,550,447  | 10,572,466  |
|                                   | <b>29,298,875</b>   | <b>33,447,525</b>   |
| Less: debt financing costs, net   | <b>(330,461)</b>  | <b>(369,378)</b>  |
| Total interest-bearing borrowings | <b>28,968,414</b>   | <b>33,078,147</b>   |

Notes:

(a) **Bank loans, secured**

***Wynn Macau Credit Facilities***

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 30 June 2019, the Wynn Macau Credit Facilities consisted of approximately HK\$23.82 billion equivalent in a combination of Hong Kong dollar and U.S. dollar facilities, including an approximately HK\$17.97 billion equivalent fully funded senior term loan facility and an approximately HK\$5.85 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.

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.

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

In connection with the initial financing of the Wynn Macau project, the Group entered into a bank guarantee reimbursement agreement with Banco Nacional Ultramarino, S.A. ("BNU") to secure a guarantee currently in the amount of MOP300 million (approximately HK\$291.3 million) until 180 days after the end of the term of the Concession Agreement. This guarantee, which is for the benefit of the Macau government, assures certain aspects of the Group's performance under the Concession Agreement, including the payment of premiums, fines and indemnities for any material failures to perform under the terms of the Concession Agreement. BNU, as issuer of the guarantee, is currently secured by a second priority security interest in the senior lender collateral package. After repayment of all indebtedness under the WRM's credit facilities, the Group is obligated to promptly, upon demand by BNU, repay any claims made on the guarantee by the Macau government.

As at 30 June 2019, the Group had approximately HK\$5.07 billion in funding available under the revolving credit facility of the Wynn Macau Credit Facilities.

**(b) Senior notes, unsecured**

On 20 September 2017, the Company completed the issuance of 4.875% senior notes due 2024 with an aggregate principal amount of US\$600 million (approximately HK\$4.69 billion) (the “**WML 2024 Notes**”) and 5.5% senior notes due 2027 with an aggregate principal amount of US\$750 million (approximately HK\$5.86 billion) (the “**WML 2027 Notes**”) and together with the WML 2024 Notes, the “**WML Notes**”). The Company used the net proceeds from the WML Notes and cash on hand to fund the cost of extinguishing the WML 2021 Notes. Interest on the WML Notes is payable semi-annually in arrears on 1 April and 1 October of each year, beginning on 1 April 2018.

At any time prior to 1 October 2020 and 1 October 2022, the Company may redeem the WML 2024 Notes and WML 2027 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 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 Notes, dated as of 20 September 2017 (the “**WML Indentures**”). In either case, the redemption price would include accrued and unpaid interest. In addition, 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 105.5% of the aggregate principal amount of the WML 2027 Notes, as applicable.

On or after 1 October 2020 and 1 October 2022, the Company may redeem the WML 2024 Notes and WML 2027 Notes, respectively, in whole or in part, at a premium decreasing annually from 102.438% and 102.75%, respectively, of the applicable principal amount to 100% of the applicable principal amount, plus accrued and unpaid interest. If the Company undergoes a Change of Control (as defined in the WML Indentures), it must offer to repurchase the WML Notes at a price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest. The circumstances that will constitute a Change of Control includes 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 Wynn Resorts, Limited and the first day on which a majority of the members of the Board are not continuing directors.

In addition, the Company may redeem the WML 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 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 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 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 Notes will have the right to require the Company to repurchase all or any part of such holder’s WML Notes at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest.

## 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, regulatory environment of the operations and the organizational and management reporting structure. Other Macau primarily represents cash held at the Company.

|                                 | <b>For the Six Months Ended</b> |                          |
|---------------------------------|---------------------------------|--------------------------|
|                                 | <b>30 June</b>                  |                          |
|                                 | <b>2019</b>                     | <b>2018</b>              |
|                                 | <b>HK\$</b>                     | <b>HK\$</b>              |
|                                 | <i>(in thousands)</i>           |                          |
|                                 | <i>(unaudited)</i>              | <i>(unaudited)</i>       |
| <b>Wynn Palace:</b>             |                                 |                          |
| Casino                          | <b>9,033,939</b>                | 8,568,882                |
| Rooms                           | <b>678,501</b>                  | 636,085                  |
| Food and beverage               | <b>450,518</b>                  | 414,557                  |
| Retail and other                | <b>469,761</b>                  | 461,545                  |
| <b>Wynn Macau:</b>              |                                 |                          |
| Casino                          | <b>7,306,270</b>                | 7,932,135                |
| Rooms                           | <b>434,027</b>                  | 434,948                  |
| Food and beverage               | <b>322,437</b>                  | 293,923                  |
| Retail and other                | <b>333,251</b>                  | 440,741                  |
| <b>Total operating revenues</b> | <b><u>19,028,704</u></b>        | <b><u>19,182,816</u></b> |



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

We are a developer, owner and operator of two integrated destination resorts in Macau, Wynn Palace and Wynn Macau. Our resorts 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 resorts attract a wide range of regional and international customers and generate strong financial results. To attract and retain customers, we continually make enhancements and refinements to refresh and improve our resorts and to create unique customer experiences across our wide range of amenities. We also continuously consider opportunities to expand our resorts in order to grow and diversify our business in ways that are consistent with the broader goals of our host community.

Through a robust emphasis on human resources, staff training and corporate social responsibility, we seek to improve the lives of those in our local and regional communities. We believe these investments in people and communities in turn enhance our brand and result in superior levels of customer service and guest experience.

### Wynn Palace

Wynn Palace, a 6 million square foot integrated resort, is located in the Cotai area of Macau and adjacent to the Macau Light Rapid Transit. It was opened to public on 22 August 2016.

We are in the preliminary planning and design stages of developing the Crystal Pavilion at Wynn Palace. We expect the Crystal Pavilion will become a unique world-class cultural destination, incorporating an art museum, an immersive theater and interactive installations, an expansive food hall, additional hotel rooms, and several signature entertainment features. We estimate 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 30 June</b> |       |
|-------------------------|----------------------|-------|
|                         | <b>2019</b>          | 2018  |
| VIP table games         | <b>107</b>           | 112   |
| Mass market table games | <b>216</b>           | 211   |
| Slot machines           | <b>1,142</b>         | 1,073 |

### **Wynn Macau**

Wynn Macau, a 3 million square foot integrated resort, is located on the Macau peninsula and opened to the public on 6 September 2006. 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.

We have recently launched a renovation project to reinvigorate and reconfigure the former Wynn Clubs gaming area at Wynn Macau. When completed, this enhanced “West Casino” space will consist of approximately 40 mass market table games, a refurbished high-limit slot area, two new restaurants and approximately 7,000 square feet of retail space, and will provide for improved pedestrians access from the board walk. We expect to complete the gaming enhancements and open the new restaurants and retail space at varying times in the fourth quarter of 2019 and first quarter of 2020. Additionally, we recently commenced the Encore tower room refresh (“**Encore Tower Refresh**”) project in the second quarter of 2019. All 410 rooms in the tower will be refreshed to include replacement of selected furniture and fixtures. The project also includes upgrades to the room control system, entry door system and selected lighting upgrades. The Encore Tower Refresh project will be completed in the fourth quarter of 2019. We estimate the total project budget for West Casino and Encore Tower Refresh to be approximately HK\$976.9 million.

Wynn Macau features:

- Approximately 272,000 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 “prosperity tree” and a “dragon of fortune” attractions and a performance lake;
- Two luxury hotel towers with a total of 1,008 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 30 June</b> |      |
|-------------------------|----------------------|------|
|                         | <b>2019</b>          | 2018 |
| VIP table games         | <b>106</b>           | 109  |
| Mass market table games | <b>206</b>           | 207  |
| Slot machines           | <b>827</b>           | 879  |
| Poker tables            | <b>14</b>            | 12   |

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

### **Macau**

Macau, which was a territory under Portuguese administration for approximately 450 years, was transferred from Portuguese to Chinese political control in December 1999. Macau is governed as a special administrative region of China and is located approximately 37 miles southwest of 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\$145.15 billion in gaming revenue during the six months ended 30 June 2019, a slight decrease of approximately 0.5% compared to the approximate HK\$145.84 billion generated in the six months ended 30 June 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 both revenue and visitation. Beginning in the third quarter of 2016, both metrics improved and stabilized with gaming revenue essentially flat year-on-year for the six months ended 30 June 2019, and tourist arrivals to Macau up by 20.6% in the same comparable period.

The Macau market has experienced tremendous growth in capacity since the opening of Wynn Macau in 2006. As at 30 June 2019, there were 38,700 hotel rooms, 6,734 table games and 17,638 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 20.3 million in the first half of 2019 compared to 16.8 million in the same period of 2018. Customers traveling to Macau typically come from nearby destinations in Asia, including mainland China, Hong Kong, Taiwan, South Korea and Japan. According to the Macau Statistics and Census Service Monthly Bulletin of Statistics, over 91.4% of visitors to Macau for the six months ended 30 June 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, 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.

### **Economic and Operating Environment**

A significant number of our customers come from mainland China. Economic disruption, 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 withdraw 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 campaign and monetary transfer restrictions may negatively affect our revenues and results of operations.

## **Competition**

Since the liberalization of Macau's gaming industry in 2002, there has been a significant increase in the number of casino properties in Macau. There are six gaming operators in Macau, including WRM. The three concessionaires are WRM, SJM, and Galaxy. The three subconcessionaires are Melco, MGM Macau, and Venetian Macau. As at 30 June 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. We contributed new capacity in the market with the opening of Wynn Palace in August 2016. Several of our competitors have also opened facilities in the Cotai area over the past few years, which has significantly increased gaming and non-gaming offerings in Macau, with continued redevelopment and further openings in Cotai expected in the near future.

Wynn Palace and Wynn Macau also face competition from casinos throughout the world, including Singapore, South Korea, the Philippines, Malaysia, Vietnam, Cambodia, 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 Taiwan and Thailand, which could increase competition for our Macau Operations.

## **Gaming Concession**

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 expires 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 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.

## **Macau Laws and Regulations**

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.

## **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. Our commission percentages have remained stable throughout our operating history.

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 the gaming promoter's clients.

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

The reputation 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 gaming concession and Macau gaming laws. 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. Failure by a gaming promoter we work with to comply with Macau gaming laws or maintain the required standards of probity and integrity could adversely affect our reputation and our business, and lead to a deterioration in our relationships with, and possible sanctions from, gaming regulators with authority over our operations. 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.

### **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.

## **Employees**

Our employees collectively play an integral role in the overall success of the Group. 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 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.

## **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.

## **Intellectual Property Rights**

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, 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.

## **Cybersecurity**

We rely on information technology and other systems (including those maintained by third parties we work with) 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.

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. 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 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 of information or systems maintained by us or our third-party service providers could disrupt our business, damage our reputation and our relationships with our stakeholders, expose us to risks of litigation, significant fines and penalties and liability, result in the deterioration of our stakeholders’ confidence in us, and adversely affect our business, results of operations and financial condition.

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.

## **Personal Data**

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 Computer Systems and Websites**

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.

## **Risk of 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.

## **Fraudulent Websites**

There has been an increase in the international operation of fraudulent online gambling and investment websites attempting to scam and defraud members of the public. 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. 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).

## **ADJUSTED EBITDA**

Adjusted EBITDA is earnings before finance costs, finance revenues, net foreign currency differences, income taxes, depreciation and amortization, 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 Six Months Ended</b> |                  |
|--|---------------------------------|------------------|
|  | <b>30 June</b>                  |                  |
|  | <b>2019</b>                     | 2018             |
|  | <b>HK\$</b>                     | <b>HK\$</b>      |
|  | <i>(in thousands)</i>           |                  |
| Operating profit                       | <b>3,486,516</b>                | 3,772,329        |
| Add                                    |                                 |                  |
| Depreciation and amortization          | <b>1,451,211</b>                | 1,356,018        |
| Property charges and other             | <b>10,136</b>                   | 55,602           |
| Share-based payments                   | <b>66,019</b>                   | 63,714           |
| Wynn Macau, Limited corporate expenses | <b>47,558</b>                   | 50,391           |
|  | <u><b>5,061,440</b></u>         | <u>5,298,054</u> |
| <b>Adjusted EBITDA</b>                 | <u><b>5,061,440</b></u>         | <u>5,298,054</u> |

## REVIEW OF HISTORICAL OPERATING RESULTS

### Summary Breakdown Table

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

|                                 | <b>For the Six Months Ended</b> |                   |
|---------------------------------|---------------------------------|-------------------|
|                                 | <b>30 June</b>                  |                   |
|                                 | <b>2019</b>                     | 2018              |
|                                 | <b>HK\$</b>                     | <b>HK\$</b>       |
|                                 | <i>(in thousands)</i>           |                   |
| <b>Wynn Palace:</b>             |                                 |                   |
| Casino <sup>(1)</sup>           | <b>9,033,939</b>                | 8,568,882         |
| Rooms                           | <b>678,501</b>                  | 636,085           |
| Food and beverage               | <b>450,518</b>                  | 414,557           |
| Retail and other                | <b>469,761</b>                  | 461,545           |
| <b>Wynn Macau:</b>              |                                 |                   |
| Casino <sup>(1)</sup>           | <b>7,306,270</b>                | 7,932,135         |
| Rooms                           | <b>434,027</b>                  | 434,948           |
| Food and beverage               | <b>322,437</b>                  | 293,923           |
| Retail and other                | <b>333,251</b>                  | 440,741           |
|                                 | <u><b>19,028,704</b></u>        | <u>19,182,816</u> |
| <b>Total operating revenues</b> | <u><b>19,028,704</b></u>        | <u>19,182,816</u> |

**For the Six Months Ended**

**30 June**

**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>204,075,091</b> | 230,506,699 |
| VIP table games win <sup>(1)</sup>              | <b>7,040,365</b>   | 6,427,050   |
| VIP table games win as a percentage of turnover | <b>3.4%</b>        | 2.8%        |
| Average number of gaming tables <sup>(2)</sup>  | <b>112</b>         | 115         |
| Table games win per unit per day <sup>(3)</sup> | <b>348,757</b>     | 307,912     |

Mass market:

|   |                   |            |
|---|-------------------|------------|
| Mass market table drop                          | <b>20,167,858</b> | 19,091,499 |
| Mass market table games win <sup>(1)</sup>      | <b>4,803,268</b>  | 4,629,164  |
| Mass market table games win percentage          | <b>23.8%</b>      | 24.2%      |
| Average number of gaming tables <sup>(2)</sup>  | <b>212</b>        | 211        |
| Table games win per unit per day <sup>(3)</sup> | <b>124,952</b>    | 121,325    |

|  |                   |            |
|--|-------------------|------------|
| Slot machine handle                              | <b>15,004,828</b> | 15,665,106 |
| Slot machine win <sup>(1)</sup>                  | <b>744,930</b>    | 783,172    |
| Average number of slots <sup>(2)</sup>           | <b>1,095</b>      | 1,065      |
| Slot machine win per unit per day <sup>(3)</sup> | <b>3,759</b>      | 4,061      |

**Wynn Macau:**

|   |                    |             |
|---|--------------------|-------------|
| VIP:  |                    |             |
| VIP table games turnover                        | <b>152,722,707</b> | 243,037,692 |
| VIP table games win <sup>(1)</sup>              | <b>4,714,917</b>   | 6,286,590   |
| VIP table games win as a percentage of turnover | <b>3.1%</b>        | 2.6%        |
| Average number of gaming tables <sup>(2)</sup>  | <b>111</b>         | 113         |
| Table games win per unit per day <sup>(3)</sup> | <b>233,933</b>     | 307,879     |

Mass market:

|   |                   |            |
|---|-------------------|------------|
| Mass market table drop                          | <b>21,172,557</b> | 20,500,799 |
| Mass market table games win <sup>(1)</sup>      | <b>4,264,611</b>  | 3,985,184  |
| Mass market table games win percentage          | <b>20.1%</b>      | 19.4%      |
| Average number of gaming tables <sup>(2)</sup>  | <b>206</b>        | 203        |
| Table games win per unit per day <sup>(3)</sup> | <b>114,585</b>    | 108,208    |

|  |                   |            |
|--|-------------------|------------|
| Slot machine handle                              | <b>13,493,750</b> | 15,410,826 |
| Slot machine win <sup>(1)</sup>                  | <b>633,164</b>    | 644,137    |
| Average number of slots <sup>(2)</sup>           | <b>827</b>        | 930        |
| Slot machine win per unit per day <sup>(3)</sup> | <b>4,232</b>      | 3,825      |

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 Six Months Ended</b> |                   |
|---|---------------------------------|-------------------|
|   | <b>30 June</b>                  |                   |
|   | <b>2019</b>                     | 2018              |
|   | <b>HK\$</b>                     | <b>HK\$</b>       |
|   | <i>(in thousands)</i>           |                   |
| VIP table games win   | <b>11,755,282</b>               | 12,713,640        |
| Mass market table games win   | <b>9,067,879</b>                | 8,614,348         |
| Slot machine win  | <b>1,378,094</b>                | 1,427,309         |
| Poker revenues  | <b>81,788</b>                   | 84,899            |
| Commissions and others (including complimentary revenues allocated from casino revenues to rooms, food and beverage, retail and other revenues) | <b>(5,942,834)</b>              | (6,339,179)       |
| Total casino revenues   | <b><u>16,340,209</u></b>        | <u>16,501,017</u> |

- (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 period.
- (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 period.

## Discussion of Results of Operations

### *Financial results for the six months ended 30 June 2019 compared to financial results for the six months ended 30 June 2018*

#### *Operating Revenues*

Total operating revenues decreased 0.8% from HK\$19.18 billion in the six months ended 30 June 2018 to HK\$19.03 billion in the six months ended 30 June 2019. This decrease was primarily due to lower VIP gaming volumes of Wynn Palace and Wynn Macau, partially offset by an increase in mass market table drop.

#### *Casino Revenues*

Casino revenues decreased slightly from HK\$16.50 billion (86.0% of total operating revenues) in the six months ended 30 June 2018 to HK\$16.34 billion (85.9% of total operating revenues) in the six months ended 30 June 2019. The components and reasons are as follows:

*VIP casino gaming operations.* VIP table games win decreased by 7.5%, from HK\$12.71 billion in the six months ended 30 June 2018 to HK\$11.76 billion in the six months ended 30 June 2019. The decrease was driven by lower business volumes of both Wynn Palace and Wynn Macau, with total VIP table games turnover down 24.7%, from HK\$473.54 billion in the six months ended 30 June 2018 to HK\$356.80 billion in the six months ended 30 June 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 5.3%, from HK\$8.61 billion in the six months ended 30 June 2018 to HK\$9.07 billion in the six months ended 30 June 2019. The increase was driven by an increase in business volumes of both Wynn Palace and Wynn Macau.

*Slot machine gaming operations.* Slot machine win decreased by 3.4% from HK\$1.43 billion in the six months ended 30 June 2018 to HK\$1.38 billion in the six months ended 30 June 2019. The decrease in slot machine win was primarily driven by a decrease in business volumes of both Wynn Palace and Wynn Macau. Total slot machine handle decreased by 8.3% from HK\$31.08 billion in the six months ended 30 June 2018 to HK\$28.50 billion in the six months ended 30 June 2019.

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

Net non-casino revenues, which include rooms, food and beverage and retail and other revenues, remained relatively flat from HK\$2.68 billion (14.0% of total operating revenues) in the six months ended 30 June 2018 to HK\$2.69 billion (14.1% of total operating revenues) in the six months ended 30 June 2019.

*Room.* Our room revenues increased by 3.9% from HK\$1.07 billion in the six months ended 30 June 2018 to HK\$1.11 billion in the six months ended 30 June 2019, primarily due to higher Average Daily Rate at both Wynn Palace and Wynn Macau and a higher occupancy rate at Wynn Palace.

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

### Room revenues information

|                     | <b>For the Six Months Ended</b> |             |
|---------------------|---------------------------------|-------------|
|                     | <b>30 June</b>                  |             |
|                     | <b>2019</b>                     | <b>2018</b> |
| <b>Wynn Palace:</b> |                                 |             |
| Average Daily Rate  | <b>HK\$2,102</b>                | HK\$1,984   |
| Occupancy           | <b>97.3%</b>                    | 96.5%       |
| REVPAR              | <b>HK\$2,046</b>                | HK\$1,915   |
| <b>Wynn Macau:</b>  |                                 |             |
| Average Daily Rate  | <b>HK\$2,239</b>                | HK\$2,207   |
| Occupancy           | <b>99.1%</b>                    | 99.2%       |
| REVPAR              | <b>HK\$2,219</b>                | HK\$2,189   |

*Food and beverage.* Food and beverage revenues increased by 9.1% from HK\$708.5 million in the six months ended 30 June 2018 to HK\$773.0 million in the six months ended 30 June 2019, as a result of increased covers at restaurants of both Wynn Palace and Wynn Macau.

*Retail and other.* Our retail and other revenues decreased by 11.0% from HK\$902.3 million in the six months ended 30 June 2018 to HK\$803.0 million in the six months ended 30 June 2019, primarily due to the closure of certain owned retail outlets and their conversion to leased outlets at our Macau Operations.

### *Operating Costs and Expenses*

*Gaming taxes and premiums.* Gaming taxes and premiums decreased by 2.1% from HK\$9.09 billion in the six months ended 30 June 2018 to HK\$8.90 billion in the six months ended 30 June 2019. The decrease was commensurate with the 1.0% 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 6.2% from HK\$2.49 billion in the six months ended 30 June 2018 to HK\$2.64 billion in the six months ended 30 June 2019. The increase was primarily due to general salary increment and an increase in the number of full-time equivalent employees due in part to opening of new restaurants.

*Other operating expenses.* Other operating expenses increased by 4.9% from HK\$2.42 billion in the six months ended 30 June 2018 to HK\$2.54 billion in the six months ended 30 June 2019, driven mainly by increase in repairs and maintenance costs, advertising and promotion expenditures, operating supplies and equipment costs, other expenses and the change in provision for doubtful accounts. The provision for doubtful accounts was an expense of HK\$22.2 million in the six months ended 30 June 2019, compared to a benefit of HK\$22.2 million for the same period of 2018. The change 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 7.0% from HK\$1.36 billion in the six months ended 30 June 2018 to HK\$1.45 billion in the six months ended 30 June 2019. The increase was mainly due to the recognition of right-of-use assets amortization for operating 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\$55.6 million in the six months ended 30 June 2018 to HK\$10.1 million in the six months ended 30 June 2019. Amounts in each period 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 Company in response to customer preferences and changes in market demand.

As a result of the foregoing, total operating costs and expenses increased by 0.9% from HK\$15.41 billion in the six months ended 30 June 2018 to HK\$15.54 billion in the six months ended 30 June 2019.

### ***Finance Revenues***

Finance revenues decreased from HK\$42.8 million in the six months ended 30 June 2018 to HK\$37.6 million in the six months ended 30 June 2019. The decrease was primarily due to holding lower average cash balances in the six months ended 30 June 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 increased by 5.5% from HK\$701.4 million in the six months ended 30 June 2018 to HK\$739.9 million in the six months ended 30 June 2019. The increase is due to increases in the HIBOR and LIBOR rates during six months ended 30 June 2019 compared to the six months ended 30 June 2018.

### ***Income Tax Expense***

In the six months ended 30 June 2019 and 2018, our income tax expense was HK\$6.2 million. Our tax expense for the six months ended 30 June 2019 and 2018 relates to the current tax expense recorded by our subsidiaries owning WRM's shares under the WRM Shareholder Dividend Tax Agreement.

### ***Net Profit Attributable to Owners of the Company***

As a result of the foregoing, compared to HK\$3.03 billion for the six months ended 30 June 2018, net profit attributable to owners of the Company was HK\$2.82 billion for the six months ended 30 June 2019.

## LIQUIDITY AND CAPITAL RESOURCES

### Capital Resources

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

Our cash balances as at 30 June 2019 were approximately HK\$5.85 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 30 June 2019, the Group had approximately HK\$5.07 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).

## 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</b>                                      |                          |
|---|---|--------------------------|
|   | <b>30 June</b>                                    | 31 December              |
|   | <b>2019</b>                                       | 2018                     |
|   | <b>HK\$</b>                                       | <b>HK\$</b>              |
|   | <i>(in thousands,<br/>except for percentages)</i> |                          |
| Interest-bearing borrowings   | <b>28,968,414</b>                                 | 33,078,147               |
| Accounts payable  | <b>707,683</b>                                    | 723,473                  |
| Construction payables and accruals and<br>construction retentions payable | <b>396,445</b>                                    | 438,149                  |
| Other payables and accruals   | <b>9,142,326</b>                                  | 9,907,813                |
| Amounts due to related companies  | <b>140,378</b>                                    | 160,196                  |
| Other liabilities   | <b>199,092</b>                                    | 243,127                  |
| Lease liabilities   | <b>490,859</b>                                    | —                        |
| Less: cash and cash equivalents   | <b>(5,849,723)</b>                                | (9,526,423)              |
| restricted cash and cash equivalents                                      | <b>(19,131)</b>                                   | (18,067)                 |
| <b>Net debt</b>   | <b><u>34,176,343</u></b>                          | <u>35,006,415</u>        |
| Equity  | <b><u>2,073,692</u></b>                           | <u>1,518,459</u>         |
| <b>Total capital</b>  | <b><u><u>2,073,692</u></u></b>                    | <u><u>1,518,459</u></u>  |
| <b>Capital and net debt</b>   | <b><u><u>36,250,035</u></u></b>                   | <u><u>36,524,874</u></u> |
| <b>Gearing ratio</b>  | <b><u><u>94.3%</u></u></b>                        | <u><u>95.8%</u></u>      |

## Cash Flows

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

|  | <b>For the Six Months Ended</b> |             |
|--|---------------------------------|-------------|
|  | <b>30 June</b>                  |             |
|  | <b>2019</b>                     | <b>2018</b> |
|  | <b>HK\$</b>                     | <b>HK\$</b> |
|  | <i>(in millions)</i>            |             |
| Net cash generated from operating activities           | <b>4,199.8</b>                  | 3,137.3     |
| Net cash used in investing activities                  | <b>(667.4)</b>                  | (429.5)     |
| Net cash (used in)/generated from financing activities | <b>(7,204.8)</b>                | 373.3       |
| Net (decrease)/increase in cash and cash equivalents   | <b>(3,672.4)</b>                | 3,081.1     |
| Cash and cash equivalents at beginning of period       | <b>9,526.4</b>                  | 5,239.7     |
| Effect of foreign exchange rate changes, net           | <b>(4.3)</b>                    | 9.9         |
| Cash and cash equivalents at end of period             | <b>5,849.7</b>                  | 8,330.7     |

### *Net cash generated from operating activities*

Our net cash generated from operating activities is primarily affected by changes in our working capital and operating profit generated by our Macau Operations. Net cash from operating activities was HK\$4.20 billion for the six months ended 30 June 2019, compared to HK\$3.14 billion for the six months ended 30 June 2018. Operating profit was HK\$3.49 billion for the six months ended 30 June 2019, compared to HK\$3.77 billion for the six months ended 30 June 2018. The increase in net cash from operating activities was primarily attributable to the changes in working capital.

### *Net cash used in investing activities*

Net cash used in investing activities was HK\$667.4 million for the six months ended 30 June 2019, compared to HK\$429.5 million for the six months ended 30 June 2018. Net cash used in the six months ended 30 June 2019 included capital expenditures of HK\$716.1 million for renovations to enhance and refine the Macau Operations and for purchases of property and equipment, partially offset by HK\$48.7 million of interest receipts. Net cash used in the six months ended 30 June 2018 included capital expenditures of HK\$468.2 million for renovations to enhance and refine the Macau Operations and for purchases of property and equipment, partially offset by HK\$38.5 million of interest receipts.

## *Net cash used in financing activities*

Net cash used in financing activities was HK\$7.20 billion during the six months ended 30 June 2019, compared to net cash of HK\$373.3 million generated from financing activities during the six months ended 30 June 2018. During the six months ended 30 June 2019, net cash used in financing activities was primarily due to HK\$4.69 billion in repayments of our revolving credit facility of the Wynn Macau Credit Facilities, a HK\$2.34 billion final dividend payment made in June 2019 and HK\$677.3 million of interest payments, partially offset by receipts of HK\$586.4 million drawn from the revolving credit facility of the Wynn Macau Credit Facilities. During the six months ended 30 June 2018, the net cash generated from financing activities was primarily due to receipts of HK\$4.89 billion proceeds from our revolving credit facility of the Wynn Macau Credit Facilities and receipts of HK\$14.3 million from the exercise of share options, partially offset by a HK\$3.90 billion special dividend payment made in April 2018, and HK\$634.0 million of interest payments.

## **Indebtedness**

The following table presents a summary of our indebtedness.

### *Indebtedness information*

|                                   | <b>As at</b>             |                          |
|-----------------------------------|--------------------------|--------------------------|
|                                   | <b>30 June</b>           | <b>31 December</b>       |
|                                   | <b>2019</b>              | <b>2018</b>              |
|                                   | <b>HK\$</b>              | <b>HK\$</b>              |
|                                   | <i>(in thousands)</i>    |                          |
| Bank loans                        | <b>18,748,428</b>        | 22,875,059               |
| Senior notes                      | <b>10,550,447</b>        | 10,572,466               |
| Less: debt financing costs, net   | <b>(330,461)</b>         | (369,378)                |
|                                   | <hr/>                    | <hr/>                    |
| Total interest-bearing borrowings | <b><u>28,968,414</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 30 June 2019, the Wynn Macau Credit Facilities consisted of approximately HK\$23.82 billion equivalent in a combination of Hong Kong dollar and U.S. dollar facilities, including an approximately HK\$17.97 billion equivalent fully funded senior term loan facility and an approximately HK\$5.85 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 includes 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.

The Group had approximately HK\$5.07 billion available to draw under the revolving credit facility of the Wynn Macau Credit Facilities as at 30 June 2019.

### ***WML Notes***

On 20 September 2017, the Company completed the issuance of WML Notes. The Company used the net proceeds from the WML Notes and cash on hand to fund the cost of extinguishing the WML 2021 Notes. Interest on the WML Notes is payable semi-annually in arrears on 1 April and 1 October of each year, beginning on 1 April 2018.

At any time prior to 1 October 2020 and 1 October 2022, the Company may redeem the WML 2024 Notes and WML 2027 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 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 Notes, dated as of 20 September 2017 (the “**WML Indentures**”). In either case, the redemption price would include accrued and unpaid interest. In addition, 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 105.5% of the aggregate principal amount of the WML 2027 Notes, as applicable.

On or after 1 October 2020 and 1 October 2022, the Company may redeem the WML 2024 Notes and WML 2027 Notes, respectively, in whole or in part, at a premium decreasing annually from 102.438% and 102.75%, respectively, of the applicable principal amount to 100% of the applicable principal amount, plus accrued and unpaid interest. If the Company undergoes a Change of Control (as defined in the WML Indentures), it must offer to repurchase the WML Notes at a price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest. The circumstances that will constitute a Change of Control includes 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 Wynn Resorts, Limited and the first day on which a majority of the members of the Board are not continuing directors.

In addition, the Company may redeem the WML 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 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 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 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 Notes will have the right to require the Company to repurchase all or any part of such holder's WML Notes at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

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

### **Foreign Currency Exchange Risks**

The financial statements of foreign operations are translated into Hong Kong dollars, the Company's functional and presentation currency, for incorporation into the condensed consolidated financial statements. The majority of our assets and liabilities are denominated in U.S. dollars, Hong Kong dollars and Macau patacas, and there are no significant assets and liabilities denominated in other currencies. Assets and liabilities are translated at the prevailing foreign exchange rates in effect at the end of the reporting period. Income, expenditures and cash flow items are measured at the actual foreign exchange rates or average foreign exchange rates for the period. The Hong Kong dollar is linked to the U.S. dollar and the exchange rate between these two currencies has remained relatively stable over the past several years. The Macau pataca is pegged to the Hong Kong dollar, and in many cases the two currencies are used interchangeably in Macau. However, the exchange linkages of the Hong Kong dollar and the Macau pataca, and the Hong Kong dollar and the U.S. dollar, are subject to potential changes due to, among other things, changes in governmental policies and international economic and political developments.

If the Hong Kong dollar and the Macau pataca are not linked to the U.S. dollar in the future, severe fluctuations in the exchange rate for these currencies may result. We also cannot assure you that the current rate of exchange fixed by the applicable monetary authorities for these currencies will remain at the same level.

## **Interest Rate Risks**

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

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. 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.

## **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 and availability under our credit facilities, we believe that we have sufficient liquid assets to meet our current and anticipated working capital and operating requirements.

## **RELATED PARTY TRANSACTIONS**

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2019.

## INTERIM REPORT

The Company's unaudited interim financial information for the reporting period has been reviewed by the Company's Audit and Risk Committee members which comprises three independent non-executive Directors: Mr. Nicholas Sallnow-Smith, Dr. Allan Zeman and Mr. Bruce Rockowitz and by the Company's auditors in accordance with Hong Kong Standards on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of the interim financial information by the auditors will be included in the interim report of the Company for the six months ended 30 June 2019 to be sent to the Shareholders.

## LITIGATION

The Group did not have any material litigation outstanding as at 30 June 2019. The litigation matters set out below are disclosed on a voluntary basis and, as with all litigation, no assurances can be provided as to the outcome thereof.

### Macau Litigation Related to Okada

On 3 July 2015, the Company announced that Mr. Kazuo Okada ("**Mr. Okada**"), Aruze USA, Inc. and Universal Entertainment Corp. (collectively, the "**Okada Parties**") filed a complaint in the Court of First Instance of Macau ("**Macau Court**") against WRM and certain individuals who are or were directors of WRM or the Company (collectively, the "**Wynn Macau Parties**"). On 11 July 2017, the Macau Court dismissed all of the Okada Parties' claims as unfounded, fined the Okada Parties, and ordered the Okada Parties to pay for court costs and the Wynn Macau Parties' attorney's fees. On or about 16 October 2017, the Okada Parties formally appealed in Macau. On 8 March 2018, Universal Entertainment Corp. and Aruze USA, Inc. (collectively, the "**Universal Parties**") agreed to effectively withdraw as parties from these legal proceedings pursuant to the settlement agreement and mutual release entered into by, among others, the Universal Parties and Wynn Resorts, Limited. The Company made a voluntary announcement regarding the settlement agreement and mutual release on 9 March 2018. On 21 February 2019, the Macau Appellate Panel dismissed the appeal. Mr. Okada, who was at that time the only remaining claimant after the Universal Parties' withdrawal pursuant to the settlement agreement, failed to appeal within the prescribed time, resulting in the final resolution of the lawsuit in favor of the Wynn Macau Parties.

## **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.

## **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

On 15 August 2019, the Board declared an interim dividend of HK\$0.45 per Share for the six months ended 30 June 2019, payable to Shareholders whose names appear on the register of members of the Company on 3 September 2019. For the purpose of determining the identity of members who are entitled to the interim dividend, the register of members of the Company will be closed from 30 August 2019 to 3 September 2019 (both days inclusive) during which period no transfer of Shares will be effected. The interim dividend is expected to be paid on 16 September 2019.

In order to determine the identity of the Shareholders entitled to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 29 August 2019.

## DEFINITIONS USED IN THIS ANNOUNCEMENT

|                                    |  |
|------------------------------------|--|
| “Board of Directors” or “Board”    | the Board of Directors of our Company  |
| “Code”                             | the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules as applicable on 30 June 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   |
| “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  |

|  |  |
|--|--|
| “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\$4.69 billion) 5.25% senior notes due 2021 issued by the Company in October 2013 and the additional US\$750 million (approximately HK\$5.86 billion) 5.25% senior notes due 2021 issued by the Company on 20 March 2014 (Debt Stock Code: 5983), which were consolidated to form one single series of notes  |
| “WML 2024 Notes”                         | the US\$600 million (approximately HK\$4.69 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\$5.86 billion) 5.50% senior notes due 2027 issued by the Company in September 2017 (Debt Stock Code: 5280)   |
| “WML Notes”                              | WML 2027 Notes and together with the WML 2024 Notes, the WML Notes   |
| “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\$17.97 billion (equivalent) fully-funded senior term loan facility and the HK\$5.85 billion (equivalent) senior revolving credit facility 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”        | 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 complimentary (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 complimentary (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, 15 August 2019

*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).*