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Wynn Macau, Limited

永利澳門有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1128 and Debt Stock Code: 5983)

**PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016
BOARD RECOMMENDS FINAL DIVIDEND
CLOSURE OF REGISTER OF MEMBERS
CHANGE OF NAME OF PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE IN THE CAYMAN ISLANDS**

The Board of Directors of Wynn Macau, Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2016 as follows.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands, except per share amounts or otherwise stated)</i>	
Casino revenues	20,552,497	17,887,237
Other revenues	1,546,981	1,209,128
Adjusted EBITDA	5,105,424	4,681,249
Profit attributable to owners	1,435,532	2,410,398
Earnings per Share — basic and diluted (HK\$)	0.28	0.46

DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.42 per Share (2015: final dividend: nil) in respect of the year ended 31 December 2016, which is subject to Shareholders’ approval at the forthcoming annual general meeting of the Company.

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
		2016	2015
		<i>HK\$</i>	<i>HK\$</i>
		<i>(in thousands)</i>	
	<i>Notes</i>		
Operating revenues			
Casino		20,552,497	17,887,237
Rooms		246,558	122,790
Food and beverage		329,712	221,872
Retail and other		970,711	864,466
		<u>22,099,478</u>	<u>19,096,365</u>
Operating costs and expenses			
Gaming taxes and premiums		10,013,231	8,700,935
Staff costs		3,947,835	3,121,416
Other operating expenses	3	4,257,669	3,229,983
Depreciation and amortization		1,591,397	1,000,373
Property charges and other		24,814	11,599
		<u>19,834,946</u>	<u>16,064,306</u>
Operating profit		<u>2,264,532</u>	<u>3,032,059</u>
Finance revenues		24,174	31,199
Finance costs	4	(838,055)	(595,628)
Net foreign currency differences		(6,051)	12,853
Changes in fair value of interest rate swaps		3,359	(41,078)
Loss on extinguishment of debt		—	(22,545)
		<u>(816,573)</u>	<u>(615,199)</u>
Profit before tax		<u>1,447,959</u>	<u>2,416,860</u>
Income tax expense	5	12,427	6,462
Net profit attributable to owners of the Company		<u>1,435,532</u>	<u>2,410,398</u>
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation reserve		480	—
Other comprehensive income for the year		<u>480</u>	<u>—</u>
Total comprehensive income attributable to owners of the Company		<u>1,436,012</u>	<u>2,410,398</u>
Basic and diluted earnings per Share	6	<u>HK\$0.28</u>	<u>HK\$0.46</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2016	2015
		HK\$	HK\$
	Notes	(in thousands)	
Non-current assets			
Property and equipment and construction in progress		35,858,056	31,071,898
Leasehold interests in land		1,782,623	1,878,794
Goodwill		398,345	398,345
Deposits for acquisition of property and equipment		18,342	308,579
Interest rate swaps		—	5,631
Other non-current assets		910,186	576,658
Restricted cash and cash equivalents		9,842	13,973
Total non-current assets		38,977,394	34,253,878
Current assets			
Inventories		338,023	179,825
Trade and other receivables	8	733,001	457,728
Prepayments and other current assets		128,596	98,673
Interest rate swaps		8,189	—
Amounts due from related companies		156,561	560,052
Restricted cash and cash equivalents		12,267	1,995
Cash and cash equivalents		2,591,442	6,731,356
Total current assets		3,968,079	8,029,629
Current liabilities			
Accounts payable	9	525,501	345,594
Construction and retentions payables		1,167,082	1,258,868
Land premiums payable		—	124,015
Other payables and accruals	10	5,866,015	4,003,064
Amounts due to related companies		202,298	128,920
Income tax payables	5	12,427	15,049
Other current liabilities		55,763	33,277
Total current liabilities		7,829,086	5,908,787
Net current (liabilities)/assets		(3,861,007)	2,120,842
Total assets less current liabilities		35,116,387	36,374,720

		As at 31 December	
		2016	2015
		<i>HK\$</i>	<i>HK\$</i>
	<i>Notes</i>	<i>(in thousands)</i>	
Non-current liabilities			
Interest-bearing borrowings	<i>11</i>	32,169,888	31,317,919
Construction retentions payable		1,244	399,986
Other payables and accruals	<i>10</i>	325,022	381,178
Interest rate swaps		—	836
Other long-term liabilities		167,169	172,522
		<hr/>	<hr/>
Total non-current liabilities		32,663,323	32,272,441
		<hr/>	<hr/>
Net assets		2,453,064	4,102,279
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Equity attributable to owners of the Company			
Issued capital		5,196	5,196
Share premium account		161,746	161,746
Shares held for employee ownership scheme		(109,000)	(50,184)
Reserves		2,395,122	3,985,521
		<hr/>	<hr/>
Total equity		2,453,064	4,102,279
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRESENTATION

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

Application of new and revised IFRSs

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

Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortization</i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of IFRSs

The adoption of the above revised standards has no significant financial effect on these financial statements.

The Group has not adopted any new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

2. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments and making strategic decisions. For management purposes, during the year ended 31 December 2016, the Group reviews Wynn Macau and Wynn Palace as two reportable segments. Refer to Note 12 for segment information.

3. OTHER OPERATING EXPENSES

	For the year ended	
	31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands)</i>	
Gaming promoters' commissions	1,025,887	881,883
License fees	846,486	730,890
Advertising and promotions	363,029	212,462
Cost of sales	339,008	299,810
Operating supplies and equipment	290,489	155,121
Utilities and fuel	280,002	192,323
Repairs and maintenance	276,576	189,652
Corporate support services and other	140,803	82,634
Operating rental expenses	63,770	60,077
Other support services	40,210	50,629
Provision for doubtful accounts, net	8,486	63,419
Auditor's remuneration	6,949	5,574
Other expenses	575,974	305,509
	<u>4,257,669</u>	<u>3,229,983</u>

4. FINANCE COSTS

	For the year ended	
	31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands)</i>	
Interest expense	1,128,575	884,056
Amortization of debt financing costs	130,625	94,232
Bank fees for unused facilities	11,786	43,361
Less: capitalized interest	(432,931)	(426,021)
	<u>838,055</u>	<u>595,628</u>

5. INCOME TAX EXPENSE

The major components of the income tax expense for the years ended 31 December 2016 and 2015 were:

	For the year ended 31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands)</i>	
Income tax expense:		
Current — overseas	12,427	15,049
Deferred — overseas	<u>—</u>	<u>(8,587)</u>
	<u>12,427</u>	<u>6,462</u>

No provision for Hong Kong profits tax for the year ended 31 December 2016 has been made as there was no assessable profit generated in Hong Kong (2015: nil). Taxation for overseas jurisdictions is charged at the appropriate prevailing rates ruling in the respective jurisdictions and the maximum rate is 12% (2015: 12%).

The tax position for the years ended 31 December 2016 and 2015 reconciles to profit before tax as follows:

	For the year ended 31 December			
	2016		2015	
	HK\$	%	HK\$	%
	<i>(in thousands, except for percentages)</i>			
Profit before tax	<u>1,447,959</u>		<u>2,416,860</u>	
Tax at the applicable income tax rate	173,755	12.0	290,023	12.0
Income not subject to tax	(545,982)	(37.7)	(554,543)	(22.9)
Macau dividend tax	12,427	0.9	15,049	0.6
Deferred tax not recognized	276,334	19.1	166,845	6.9
Others	<u>95,893</u>	<u>6.6</u>	<u>89,088</u>	<u>3.7</u>
Effective tax expense for the year	<u>12,427</u>	<u>0.9</u>	<u>6,462</u>	<u>0.3</u>

Deferred income tax as at 31 December 2016 and 2015 relates to the following:

	Consolidated Statements of Financial Position as at 31 December		Consolidated Statements of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December	
	2016	2015	2016	2015
	HK\$	HK\$	HK\$	HK\$
	<i>(in thousands)</i>			
Deferred tax liabilities:				
Property, equipment and other	(87,716)	(59,534)	28,182	39,748
Interest rate swap market value adjustment	(983)	(581)	402	(4,929)
	<u>(88,699)</u>	<u>(60,115)</u>		
Deferred income tax assets:				
Pre-opening costs and other	103,569	110,176	6,607	(50,990)
University of Macau Development Foundation contribution	10,085	11,491	1,406	1,338
Tax losses carried forward	492,693	272,030	(220,663)	(39,627)
Executive compensation	2,427	2,055	(372)	(373)
Property, equipment and other	237,468	219,518	(17,950)	(38,820)
Share-based payment plan	11,792	10,646	(1,146)	(3,214)
Less: allowances	<u>(769,335)</u>	<u>(565,801)</u>	<u>203,534</u>	<u>88,280</u>
	<u>88,699</u>	<u>60,115</u>		
Deferred income tax benefit			<u><u>—</u></u>	<u><u>(8,587)</u></u>
Deferred tax liability, net	<u><u>—</u></u>	<u><u>—</u></u>		

The Group incurred Macau tax losses of approximately HK\$2.4 billion, HK\$964.6 million and HK\$699.5 million during the tax years ended 31 December 2016, 2015, and 2014, respectively. These tax losses will expire in 2019, 2018 and 2017, respectively. As at 31 December 2016, the Group's deferred tax assets relating to the pre-opening costs and other, University of Macau Development Foundation contribution, share-based payment plan, executive compensation, fixed assets and tax loss carryforwards amounting to HK\$769.3 million (2015: HK\$565.8 million) were not recognized as the Group determined it was not probable that future taxable profits will be available against which the deferred tax assets could be utilized.

On 30 November 2010, WRM received a 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits (the "**Tax Holiday**") effective through 31 December 2015. On 15 October 2015, WRM received an additional 5-year exemption effective from 1 January 2016 through 31 December 2020. Accordingly, the Group was exempted from the payment of approximately HK\$211.1 million in such tax for the year ended 31 December 2016 (2015: HK\$321.0 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 2011, WRM renewed the WRM Shareholder Dividend Tax Agreement with the Macau government that provided for annual payments of MOP15.5 million (approximately HK\$15.0 million) to the Macau government in lieu of Complementary Tax on dividend distributions to its shareholders from gaming profits for each of the years 2011 through 2015. In August 2016, the 5-year extension was granted with an annual payment of MOP12.8 million (approximately HK\$12.4 million) due to the Macau government 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 examination by tax authorities in the locations where it operates. The Group's 2012 to 2015 Macau Complementary Tax returns remain subject to examination by the Financial Services Bureau of the Macau government (the "**Financial Services Bureau**"). In June 2015, the Financial Services Bureau commenced an examination of the 2012 Macau Complementary Tax returns for WRM and in November 2015, the Financial Services Bureau issued its tax assessment for the year 2012. While no additional tax was due, adjustments were made to WRM's tax loss carryforwards. In April 2016, the Financial Services Bureau examined the 2011 and 2012 Macau Complementary Tax returns of Palo. In June 2016, the Financial Services Bureau issued its final tax assessments for Palo for the years 2011 and 2012 and the examination resulted in no change to the tax returns.

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

As at 31 December 2016, the Group had unrecognized tax losses of HK\$4.1 billion (2015: HK\$2.2 billion) and the Group believes that these unrecognized tax losses are adequate to offset any adjustments that might be proposed by the Macau tax authorities. The Group believes that it has adequately provided reasonable reserves for prudent and foreseeable outcomes related to uncertain tax matters.

6. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per Share for the year ended 31 December 2016 is based on the consolidated net profit attributable to owners of the Company and on the weighted average number of Shares in issue of 5,180,191,705 during the year (2015: 5,186,778,378), excluding Shares reserved and purchased for the Company's employee ownership scheme. Shares of 5,500,800 (2015: Shares of 3,091,000) were purchased and none of Shares (2015: nil) were issued and reserved for the Company's employee ownership scheme during the year.

The calculation of diluted earnings per Share for the year ended 31 December 2016 is based on the consolidated net profit attributable to owners of the Company and on the weighted average number of Shares of 5,181,398,605 (2015: 5,186,943,827) including the weighted average number of Shares in issue of 5,180,191,705 during the year (2015: 5,186,778,378) plus the weighted average number of potential Shares of 1,206,900 (2015: 165,449) arising from the deemed exercise of share options and deemed vesting of awards under the Company's employee ownership scheme.

7. DIVIDENDS

For the year ended	
31 December	
2016	2015
HK\$	HK\$
<i>(in thousands)</i>	

Special dividend of HK\$0.60 per Share for 2015
(2014: HK\$1.05 per Share)

<u>3,109,263</u>	<u>5,446,461</u>
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The Board has recommended that a final dividend of HK\$0.42 per Share in respect of the year ended 31 December 2016, which is subject to Shareholders' approval at the forthcoming annual general meeting of the Company.

8. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands)</i>	
Casino	806,824	570,244
Retail leases and other	91,155	102,493
Hotel	30,309	5,014
	<u>928,288</u>	<u>677,751</u>
Less: allowance for doubtful accounts	<u>(195,287)</u>	<u>(220,023)</u>
Total trade and other receivables, net	<u><u>733,001</u></u>	<u><u>457,728</u></u>

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

	As at 31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands)</i>	
Within 30 days	241,472	143,849
31 to 60 days	121,638	80,666
61 to 90 days	90,837	17,080
Over 90 days	474,341	436,156
	<u>928,288</u>	<u>677,751</u>
Less: allowance for doubtful accounts	<u>(195,287)</u>	<u>(220,023)</u>
Net trade and other receivables	<u><u>733,001</u></u>	<u><u>457,728</u></u>

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

As at 31 December 2016, trade and other receivables with a gross value of HK\$928.3 million (2015: HK\$677.8 million) were partially impaired and provided for. Movements in the provision for impairment of receivables of the Group, which were collectively impaired, are as follows:

	<i>HK\$</i> <i>(in thousands)</i>
As at 1 January 2015	154,753
Charge for the year, net	63,419
Reversal of amounts written off, net	<u>1,851</u>
As at 31 December 2015 and 1 January 2016	220,023
Charge for the year, net	8,486
Amounts written off, net	<u>(33,222)</u>
As at 31 December 2016	<u><u>195,287</u></u>

9. ACCOUNTS PAYABLE

During 2016 and 2015, the Group normally received credit terms of 30 days. An aged analysis of accounts payable as at 31 December 2016 and 2015, based on invoice dates, is as follows:

	As at 31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands)</i>	
Within 30 days	391,409	243,083
31 to 60 days	44,384	31,597
61 to 90 days	30,352	20,308
Over 90 days	59,356	50,606
	<u>525,501</u>	<u>345,594</u>

10. OTHER PAYABLES AND ACCRUALS

Other payables and accruals consisted of the following as at 31 December 2016 and 2015:

	As at 31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands)</i>	
Current:		
Outstanding chip liabilities	2,102,057	1,737,443
Customer deposits	1,758,819	959,910
Gaming taxes payable	1,175,553	673,937
Donation payable	77,670	77,670
Others	751,916	554,104
	<u>5,866,015</u>	<u>4,003,064</u>
Non-current:		
Donation payable	<u>325,022</u>	<u>381,178</u>
Total	<u><u>6,191,037</u></u>	<u><u>4,384,242</u></u>

11. INTEREST-BEARING BORROWINGS

	<i>Notes</i>	As at 31 December	
		2016	2015
		HK\$	HK\$
		<i>(in thousands)</i>	
Bank loans, secured	<i>(a)</i>	22,003,178	21,225,648
Senior notes, unsecured	<i>(b)</i>	<u>10,498,819</u>	<u>10,498,488</u>
		32,501,997	31,724,136
Less: debt financing costs, net		<u>(332,109)</u>	<u>(406,217)</u>
Total interest-bearing borrowings		<u><u>32,169,888</u></u>	<u><u>31,317,919</u></u>

Notes:

(a) Bank loans, secured

Wynn Macau Credit Facilities

As at 31 December 2016, the Wynn Macau Credit Facilities consisted of approximately HK\$23.7 billion equivalent in a combination of Hong Kong dollar and U.S. dollar facilities, including an approximately HK\$17.9 billion equivalent fully funded senior term loan facility and an approximately HK\$5.8 billion equivalent senior revolving credit facility.

The borrowings under the Wynn Macau Credit Facilities were used to refinance WRM's indebtedness in September 2015 and the balance was used for a variety of purposes, including to fund the construction and development of Wynn Palace and for general corporate purposes.

The HK\$17.9 billion equivalent term loan facility is repayable in graduating installments of between 2.50% to 7.33% of the principal amount on a quarterly basis commencing December 2018, with a final installment of 50% of the principal amount repayable in September 2021. The final maturity of any outstanding borrowings from the revolving credit facility is September 2020, by which time any outstanding borrowings from the revolving loans must be repaid.

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

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 Company is not a party to the credit facilities agreement 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. The Group paid an annual fee to BNU of approximately MOP2.3 million (approximately HK\$2.2 million) for the guarantee during 2016.

As at 31 December 2016, the Group had HK\$3.2 billion in funding available under the revolving credit facility of the Wynn Macau Credit Facilities.

WMLF Revolving Credit Facility

On 18 July 2016, WMLF entered into an agreement as the borrower for a revolving credit facility for initially up to HK\$1.5 billion (approximately US\$199.7 million) with Bank of China Limited, Macau Branch as the lender.

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

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

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

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

On 25 October 2016, the WMLF Revolving Credit Facility was amended and upsized, increasing the available borrowing capacity to HK\$3.9 billion (approximately US\$499.0 million). The terms of borrowing for the increased principal amount under the amendment are equivalent to the terms of the original credit agreement, including the requirement for cash collateral to be deposited and pledged with the lender, and interest borne at the same rate as described above.

As at the 31 December 2016, the Group had HK\$2.4 billion available borrowing capacity under the amended WMLF Revolving Credit Facility. Subsequent to 31 December 2016, the Group repaid all outstanding borrowings of HK\$1.5 billion under the WMLF Revolving Credit Facility.

(b) Senior notes, unsecured

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

12. SEGMENT INFORMATION

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

	For the year ended	
	31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands)</i>	
Net Revenue		
Wynn Macau	17,571,496	19,096,365
Wynn Palace	4,527,982	—
	<u>22,099,478</u>	<u>19,096,365</u>
Total	<u>22,099,478</u>	<u>19,096,365</u>

		For the year ended	
		31 December	
		2016	2015
		<i>HK\$</i>	<i>HK\$</i>
	<i>Notes</i>	<i>(in thousands)</i>	
Adjusted EBITDA			
Wynn Macau		4,521,787	4,681,249
Wynn Palace		583,637	—
		<hr/>	<hr/>
Total		<u>5,105,424</u>	<u>4,681,249</u>
Other operating costs and expenses			
Depreciation and amortization		1,591,397	1,000,373
Pre-opening costs [#]		1,003,521	425,223
Property charges and other		24,814	11,599
Share-based payments		117,894	128,031
Wynn Macau, Limited corporate expenses		103,266	83,964
		<hr/>	<hr/>
Operating profit		<u>2,264,532</u>	<u>3,032,059</u>
Non-operating income and expenses			
Finance revenues		24,174	31,199
Finance costs	4	(838,055)	(595,628)
Net foreign currency differences		(6,051)	12,853
Change in fair value of interest rate swaps		3,359	(41,078)
Loss on extinguishment of debt		—	(22,545)
		<hr/>	<hr/>
Profit before tax		<u>1,447,959</u>	<u>2,416,860</u>
Income tax expense	5	<u>12,427</u>	<u>6,462</u>
		<hr/>	<hr/>
Net profit attributable to owners of the Company		<u><u>1,435,532</u></u>	<u><u>2,410,398</u></u>

[#] Pre-opening costs represent personnel and other costs incurred prior to the opening of Wynn Palace and are expensed as incurred. Wynn Palace opened on 22 August 2016.

**For the year ended
31 December**

2016 2015
HK\$ *HK\$*
(in thousands)

Capital expenditures

Wynn Palace	6,553,333	12,153,005
Wynn Macau	236,310	555,487
Other Macau	—	1,642

Total

	6,789,643	12,710,134
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As at 31 December

2016 2015
HK\$ *HK\$*
(in thousands)

Total assets

Wynn Palace	33,320,609	26,618,462
Wynn Macau	9,537,765	11,398,086
Other Macau	87,099	4,266,959

Total

	42,945,473	42,283,507
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As at 31 December

2016 2015
HK\$ *HK\$*
(in thousands)

Non-current assets

Macau	38,964,048	34,235,520
Foreign countries	13,346	18,358

Total

	38,977,394	34,253,878
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MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

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

Wynn Macau

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

Wynn Macau features:

- Approximately 284,000 square feet of casino space, offering 24-hour gaming and a full range of games, including private gaming salons, sky casinos and a poker pit;
- Two luxury hotel towers with a total of 1,008 spacious rooms and suites;
- Casual and fine dining in eight restaurants;
- Approximately 57,000 square feet of high-end, brand-name retail shopping;
- Recreation and leisure facilities, including two health clubs and spas, a salon and a pool;
- A rotunda show featuring a Chinese zodiac-inspired ceiling along with gold “prosperity tree” and a “dragon of fortune” attractions; and
- Approximately 31,000 square feet of meeting and convention space.

The following table presents the number of casino games available at Wynn Macau, excluding 20 tables that were in the process of transfer from Wynn Palace as at 31 December 2016:

	As at 31 December	
	2016	2015
VIP table games	82	190
Mass market table games	190	246
Slot machines	804	794
Poker tables	13	13

Wynn Palace

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

On 28 October 2016, the Company and Leighton Contractors (Asia) Limited (“**LCAL**”), the general contractor for the construction of Wynn Palace, reached final agreement to resolve certain differences in relation to the construction of Wynn Palace. Among other things, the Company agreed to an increase of the guaranteed maximum price (“**GMP**”) under the GMP contract to HK\$23.1 billion and LCAL agreed to complete all outstanding work necessary to achieve final completion and use the additional payments due from the Company to discharge its liabilities to its sub-contractors, suppliers and vendors. The Company’s right to make warranty claims in the future is unaffected by the agreement. Accordingly, we had invested approximately HK\$34.4 billion to open up Wynn Palace.

Wynn Palace features:

- Approximately 420,000 square feet of casino space, offering 24-hour gaming and a full range of games, including private gaming salons, sky casinos and a poker pit;
- A luxury hotel with a total of 1,706 spacious rooms, suites and villas;
- Casual and fine dining in ten food and beverage outlets;
- Approximately 105,000 square feet of high-end, brand-name retail shopping;
- Recreation and leisure facilities, including a cable car (“**Sky Cab**”) ride, health club, spa, salon and pool;
- Approximately 40,000 square feet of meeting and convention space; and
- Public attractions including an 8-acre performance lake and floral art displays.

The following table presents the number of casino games available at Wynn Palace, excluding 20 tables that were in the process of transfer to Wynn Macau as at 31 December 2016:

	As at 31 December	
	2016	2015
VIP table games	88	—
Mass market table games	202	—
Slot machines	906	—
Poker tables	6	—

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Macau

Macau, which was a territory under Portuguese administration for approximately 450 years, was transferred from Portuguese to Chinese political control in December 1999. Macau is governed as a special administrative region of China and is located approximately 37 miles southwest of, and approximately one hour away via ferry from, Hong Kong. Macau, which has been a casino destination for more than 50 years, consists principally of a peninsula on mainland China, and two neighboring islands, Taipa and Coloane, between which the Cotai area is located. We believe that Macau is located in one of the world's largest concentrations of potential gaming customers. Since the introduction of new casinos starting in 2004, the Macau market has experienced a significant increase in annual gaming revenue from the HK\$21.5 billion generated in 2002. According to Macau statistical information, casinos in Macau generated approximately HK\$216.7 billion in gaming revenue during the year ended 31 December 2016, making Macau the largest gaming market in the world despite a decline in gaming revenue since 2014, including a year-over-year decline of 3.3% during 2016 as compared to 2015.

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 until 2014. However, beginning in 2014, the Macau gaming market experienced its first year-over-year decline in annual gaming revenues since liberalization in 2002. Commencing from the fourth quarter of 2014, tourist arrivals to Macau also experienced a downward trend. However, statistics for 2016 reflect a slight year-over-year increase of 0.8% with 31.0 million tourist arrivals to Macau. A decline in gaming activities by tourists has contributed to the further reduction in gaming revenues in Macau during 2016, despite the slight increase in tourist arrivals to Macau.

The Macau market has experienced tremendous growth in capacity since the opening of Wynn Macau in 2006. As at 31 December 2016, there were 36,300 hotel rooms, 6,287 table games and 13,826 slots in Macau, compared to 12,978 hotel rooms, 2,762 table games and 6,546 slots as at 31 December 2006.

Gaming customers traveling to Macau typically come from nearby destinations in Asia, including mainland China, Hong Kong, Taiwan, South Korea and Japan. According to the Macau Statistics and Census Service Monthly Bulletin of Statistics, approximately 90.3% of visitors to Macau for the year ended 31 December 2016 were from mainland China, Hong Kong and Taiwan.

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

- Prevailing economic conditions in mainland China and Asia;
- Restrictions, conditions or other factors which affect visitation by citizens of mainland China to Macau;
- Various countries' policies on currency exchange controls and currency export restrictions, for example on the Renminbi, the currency of the PRC, and the issuance of travel visas that may be in place from time to time;
- Competition from other destinations which offer gaming and/or leisure activities;
- Occurrence of natural disasters and disruption of travel; and
- Possible outbreaks of infectious disease.

Economic and Operating Environment

A significant number of our gaming customers come from mainland China. Economic disruption, contraction or uncertainty in China impacts the number of patrons visiting our properties or the amount they may be willing to spend. In addition, policies adopted from time to time by the Chinese government, including any travel restrictions imposed by China on its citizens, such as restrictions imposed on exit visas granted to residents of mainland China for travel to Macau, could disrupt the number of visitors from mainland China to our resorts. It is not known when, or if, policies restricting visitation by mainland Chinese citizens to Macau and Hong Kong will be put in place and travel policies may be adjusted, without notice, in the future. Furthermore, the Chinese government's ongoing anti-corruption campaign has influenced the behavior of Chinese consumers and their spending patterns both domestically and abroad. The campaign has specifically led to tighter monetary transfer regulations, including real time monitoring of certain financial channels and limitations on cash withdrawals from ATM machines, which has affected and may continue to impact the number of visitors and the amount of money they bring from mainland China to Macau. The overall effect of the campaign and monetary transfer restrictions may continue to 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 Crown, MGM Macau, and Venetian Macau. As at 31 December 2016, there were approximately 38 casinos in Macau, including 20 operated by SJM. Each of the current six operators has operating casinos and several have expansion plans underway. The Macau government has had the ability to grant additional gaming concessions since April 2009. If the Macau government were to allow additional competitors to operate in Macau through the grant of additional concessions or subconcessions, we would face additional competition, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. During 2016, several new resorts have opened in the Cotai area of Macau, including Wynn Palace. Several more resorts from our competitors are expected to open in 2017 and 2018. These Cotai facilities are expected to increase total hotel room inventory by approximately 12.3% from the current inventory and significantly increase other gaming and non-gaming offerings in Macau.

Wynn Macau and Wynn Palace also face competition from casinos located in Singapore, the Philippines and Malaysia. Our resorts also encounter competition from other major gaming centers located around the world, including Australia and Las Vegas, cruise ships in Asia that offer gaming and other casinos throughout Asia. Further, if current efforts to legalize gaming in other Asian countries, such as Japan, are successful, our resorts will face additional regional competition.

Gaming Promoters

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

Gaming promoters introduce premium VIP players to Wynn Macau and Wynn Palace and often assist those players with their travel and entertainment arrangements. In addition, gaming promoters often grant credit to their players. In exchange for their services, Wynn Macau and Wynn Palace pay the gaming promoters a commission which is a percentage of the gross gaming win generated by each gaming promoter. Approximately 80% of these commissions are netted against casino revenues, because such commissions approximate the amount of the commission returned to the VIP players by the gaming promoters, and approximately 20% of these commissions are included in other operating expenses, which approximate the amount of the commission ultimately retained by the gaming promoters as compensation. The total amount of commissions paid to gaming promoters and netted against casino revenues was HK\$4.1 billion and HK\$3.5 billion for the years ended 31 December 2016 and 2015, respectively. Commissions increased 16.3% for the year ended 31 December 2016 compared to the year ended 31 December 2015 as VIP gross table games win increased primarily due to the opening of Wynn Palace.

We typically advance commissions to certain selected gaming promoters with strong operational performance history at the beginning of each month to facilitate their working capital requirements. These advances are provided to a gaming promoter and are offset by the commissions earned by such gaming promoter during the applicable month. The aggregate amounts of exposure to our gaming promoters, which is the difference between commissions advanced to each individual gaming promoter, and the commissions payable to each such gaming promoter, declined substantially in part due to our tightening of advance policies and in part due to reduced business volumes to HK\$37.0 million as at 31 December 2016 from HK\$91.0 million as at 31 December 2015. At the end of each month, any commissions outstanding are cleared no later than the fifth business day of the succeeding month and prior to the advancement of any further funds to a gaming promoter. We believe we have developed strong relationships with our gaming promoters. Our commission percentages have remained stable throughout our operating history.

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

Given present market conditions in Macau and certain economic and other factors, including the Chinese government's ongoing anti-corruption campaign, gaming promoters continue to experience certain difficulties in their Macau operations, including intensified competition in attracting patrons to come to Macau. Gaming promoters continue to face a decrease in liquidity, limiting their ability to grant credit to their patrons, and difficulties in collecting credit they extended previously. Given these operational challenges, certain gaming promoters have expanded, or have plans to expand, their operations to other jurisdictions in the region in order to diversify their revenue stream. Some gaming promoters have ceased operations in Macau.

Premium Credit Play

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

Number and Mix of Table Games and Slot Machines

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

ADJUSTED EBITDA

Adjusted EBITDA is earnings before finance costs, finance revenues, net foreign currency differences, change in fair value of interest rate swaps, taxes, depreciation and amortization, pre-opening costs, property charges and other, share-based payments, Wynn Macau, Limited corporate expenses, and other non-operating income and expenses. Adjusted EBITDA is presented exclusively as a supplemental disclosure because our Directors believe that it is widely used to measure the performance, and as a basis for valuation, of gaming companies. Our Adjusted EBITDA presented herein also differs from the Adjusted Property EBITDA presented by Wynn Resorts, Limited for its Macau segment in its filings with the SEC, primarily due to the inclusion of license fees, adjustments for IFRS differences with U.S. GAAP, corporate support and other support services in arriving at operating profit.

The following table sets forth a quantitative reconciliation of Adjusted EBITDA to its most directly comparable IFRS measurement and operating profit.

	For the year ended	
	31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands)</i>	
Operating profit	2,264,532	3,032,059
Add		
Depreciation and amortization	1,591,397	1,000,373
Pre-opening costs	1,003,521	425,223
Property charges and other	24,814	11,599
Share-based payments	117,894	128,031
Wynn Macau, Limited corporate expenses	103,266	83,964
Adjusted EBITDA	<u>5,105,424</u>	<u>4,681,249</u>

REVIEW OF HISTORICAL OPERATING RESULTS

Summary Breakdown Table

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

	For the year ended	
	31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands,</i>	
	<i>except for averages,</i>	
	<i>daily win figures and number</i>	
	<i>of tables and slot machines)</i>	
Wynn Macau:		
Casino revenues ⁽¹⁾	16,525,870	17,887,237
Rooms ⁽²⁾	123,919	122,790
Food and beverage ⁽²⁾	210,194	221,872
Retail and other ⁽²⁾	711,513	864,466
Wynn Palace⁽⁵⁾:		
Casino revenues ⁽¹⁾	4,026,627	—
Rooms ⁽²⁾	122,639	—
Food and beverage ⁽²⁾	119,518	—
Retail and other ⁽²⁾	259,198	—
Total operating revenues	<u>22,099,478</u>	<u>19,096,365</u>
Wynn Macau:		
VIP table games turnover	365,211,608	449,024,510
VIP gross table games win ⁽¹⁾	12,010,418	12,867,822
VIP gross table games win as a percentage of turnover (calculated before commission)	3.3%	2.9%
Mass market table drop	35,591,412	37,661,198
Mass market gross table games win ⁽¹⁾	6,810,648	7,345,574
Mass market gross table games win percentage	19.1%	19.5%
Slot machine handle	26,293,116	30,708,952
Slot machine win ⁽¹⁾	1,116,655	1,468,038
Average number of gaming tables ⁽³⁾	366	458
Daily gross win per gaming table ⁽⁴⁾	140,633	120,951
Average number of slots ⁽³⁾	802	708
Average daily win per slot ⁽⁴⁾	3,806	5,680

	For the year ended	
	31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands, except for averages, daily win figures and number of tables and slot machines)</i>	
Wynn Palace⁽⁵⁾:		
VIP table games turnover	112,318,663	—
VIP gross table games win ⁽¹⁾	3,079,131	—
VIP gross table games win as a percentage of turnover (calculated before commission)	2.7%	—
Mass market table drop	7,763,673	—
Mass market gross table games win ⁽¹⁾	1,633,411	—
Mass market gross table games win percentage	21.0%	—
Slot machine handle	5,731,600	—
Slot machine win ⁽¹⁾	313,851	—
Average number of gaming tables ⁽³⁾	326	—
Daily gross win per gaming table ⁽⁴⁾	109,396	—
Average number of slots ⁽³⁾	962	—
Average daily win per slot ⁽⁴⁾	2,473	—

Notes:

- (1) Total casino revenues do not equal the sum of “VIP gross table games win”, “mass market gross table games win” and “slot machine win” because casino revenues are reported net of the relevant commissions. The following table presents a reconciliation of the sum of “VIP gross table games win”, “mass market gross table games win” and “slot machine win” to total casino revenues.

	For the year ended	
	31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands)</i>	
VIP gross table games win	15,089,549	12,867,822
Mass market gross table games win	8,444,059	7,345,574
Slot machine win	1,430,506	1,468,038
Poker revenues	146,669	161,510
Commissions	(4,558,286)	(3,955,707)
	<hr/>	<hr/>
Total casino revenues	20,552,497	17,887,237
	<hr/> <hr/>	<hr/> <hr/>

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

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

	For the year ended	
	31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands)</i>	
Room revenues	246,558	122,790
Promotional allowances	1,046,785	848,987
Adjusted room revenues	1,293,343	971,777
Food and beverage revenues	329,712	221,872
Promotional allowances	394,199	374,255
Adjusted food and beverage revenues	723,911	596,127
Retail and other revenues	970,711	864,466
Promotional allowances	62,831	42,553
Adjusted retail and other revenues	1,033,542	907,019

- (3) For purposes of this table, we calculate average number of gaming tables and average number of slots as the average numbers of gaming tables and slot machines in service on each day in the year.
- (4) Daily gross win per gaming table and daily win per slot are presented in this table on the basis of the average number of gaming tables and average number of slots, respectively, over the number of days Wynn Macau, Encore and Wynn Palace were open in the applicable year. In addition, the total table games win figures used herein do not correspond to casino revenues figures in our financial statements, because figures in our financial statements are calculated net of commissions and the total table games win herein is calculated before commissions.
- (5) Wynn Palace opened on 22 August 2016.

Discussion of Results of Operations

Financial results for the year ended 31 December 2016 compared to financial results for the year ended 31 December 2015

Operating Revenues

Total operating revenues increased by 15.7% from HK\$19.1 billion in 2015 to HK\$22.1 billion in 2016. This increase was primarily due to the new operations associated with the opening of Wynn Palace and partially offset by a decrease of 8.0% from Wynn Macau driven by a continued reduction in business volumes at Wynn Macau during 2016 compared to 2015. The decrease was as a result of the continued impact from the current economic and political conditions in Macau and China, as well as competition from recent resort openings in the Cotai area of Macau, including Wynn Palace.

Casino Revenues

Casino revenues increased by 14.9%, from HK\$17.9 billion (93.7% of total operating revenues) in 2015 to HK\$20.6 billion (93.0% of total operating revenues) in 2016. The components and reasons are as follows:

VIP casino gaming operations. VIP gross table games win increased by 17.3%, from HK\$12.9 billion in 2015 to HK\$15.1 billion in 2016. The increase is due to VIP gross table games win of HK\$3.1 billion from Wynn Palace, partially offset by a HK\$0.9 billion decrease from Wynn Macau. The decline in Wynn Macau VIP gross table games win was primarily driven by a decrease in business volumes, with VIP table games turnover down 18.7%, partially offset by an increase of Wynn Macau VIP gross table games win as a percentage of turnover (calculated before commissions) from 2.9% in 2015 to 3.3% in 2016, which was above our expected range of 2.7% to 3.0%. VIP table games turnover increased by 6.3%, from HK\$449.0 billion in 2015 to HK\$477.5 billion in 2016. The increase is due to VIP table games turnover of HK\$112.3 billion from Wynn Palace, partially offset by a HK\$83.8 billion decrease from Wynn Macau. Wynn Palace VIP gross table games win as a percentage of turnover (calculated before commissions) was 2.7% in 2016, which was within our expected range of 2.7% to 3.0%.

Mass market casino gaming operations. Mass market gross table games win increased by 15.0%, from HK\$7.3 billion in 2015 to HK\$8.4 billion in 2016. The increase is due to mass market gross table win of HK\$1.6 billion from Wynn Palace, partially offset by a HK\$0.5 billion decrease at Wynn Macau. The decline in Wynn Macau mass market gross table win was driven by a decrease in mass market table drop from HK\$37.7 billion in 2015 to HK\$35.6 billion in 2016 and a decrease in the mass market gross table games win percentage from 19.5% in 2015 to 19.1% in 2016. Wynn Palace mass market table drop was HK\$7.8 billion and its mass market gross table games win percentage was 21.0% in 2016.

Slot machine gaming operations. Slot machine win remained essentially flat from HK\$1.5 billion in 2015 to HK\$1.4 billion in 2016 as Wynn Palace slot machine win of HK\$0.3 billion was offset by a HK\$0.4 billion decrease at Wynn Macau. Wynn Macau slot machine handle decreased by 14.4%, from HK\$30.7 billion in 2015 to HK\$26.3 billion in 2016. Slot machine win per unit per day of Wynn Macau decreased by 33.0% from HK\$5,680 in 2015 to HK\$3,806 in 2016. Slot machine win, slot machine handle and slot machine win per unit per day of Wynn Macau decreased primarily due to decreased business volumes. Wynn Palace slot machine handle was HK\$5.7 billion and slot machine win per unit per day was HK\$2,473 in 2016.

Non-casino Revenues

Net non-casino revenues, which include room, food and beverage and retail and other revenues, increased by 27.9% from HK\$1.2 billion (6.3% of total operating revenues) in 2015 to HK\$1.5 billion (7.0% of total operating revenues) in 2016. The increase in non-casino revenues was largely due to the opening of Wynn Palace on 22 August 2016.

Rooms. Our room revenues, which exclude promotional allowances in our consolidated statement of profit or loss and other comprehensive income, increased by 100.8% from HK\$122.8 million in 2015 to HK\$246.6 million in 2016, primarily attributable to HK\$122.6 million in room revenue at Wynn Palace.

Management also evaluates room revenues on an adjusted basis which include promotional allowances. Adjusted room revenues including promotional allowances increased by 33.1% from HK\$971.8 million in 2015 to HK\$1.3 billion in 2016.

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

Adjusted room revenues information

	For the year ended 31 December	
	2016	2015
Wynn Macau:		
Adjusted Average Daily Rate (includes promotional allowances of HK\$1,957 in 2016 and HK\$2,193 in 2015)	HK\$2,277	HK\$2,503
Occupancy	94.4%	96.5%
Adjusted REVPAR (includes promotional allowances of HK\$1,848 in 2016 and HK\$2,117 in 2015)	HK\$2,150	HK\$2,416
Wynn Palace[#]:		
Adjusted Average Daily Rate (includes promotional allowances of HK\$1,522 in 2016 and nil in 2015)	HK\$2,139	—
Occupancy	83.2%	—
Adjusted REVPAR (includes promotional allowances of HK\$1,267 in 2016 and nil in 2015)	HK\$1,780	—

[#] Wynn Palace opened on 22 August 2016.

Food and beverage. Food and beverage revenues, which exclude promotional allowances in our consolidated statement of profit or loss and other comprehensive income, increased by 48.6% from HK\$221.9 million in 2015 to HK\$329.7 million in 2016, primarily due to HK\$119.5 million generated at Wynn Palace, partially offset by a decrease of HK\$11.7 million at Wynn Macau.

Management also evaluates food and beverage revenues on an adjusted basis including promotional allowances. Food and beverage revenues adjusted to include these promotional allowances increased by 21.4% from HK\$596.1 million in 2015 to HK\$723.9 million in 2016.

Retail and other. Our retail and other revenues, which exclude promotional allowances in our consolidated statement of profit or loss and other comprehensive income increased by 12.3% from HK\$864.5 million in 2015 to HK\$970.7 million in 2016. The increase was primarily due to HK\$259.2 million in revenue at Wynn Palace, partially offset by a HK\$153.0 million decrease at Wynn Macau.

Management also evaluates retail and other revenues on an adjusted basis which includes promotional allowances. Adjusted retail and other revenues including promotional allowances increased by 13.9% from HK\$907.0 million in 2015 to HK\$1.0 billion in 2016.

Operating Costs and Expenses

Gaming taxes and premiums. Gaming taxes and premiums increased by 15.1%, from HK\$8.7 billion for the year ended 31 December 2015 to HK\$10.0 billion for the same period of 2016. This increase from 2015 to 2016 was due primarily to gross gaming win generated after the opening of Wynn Palace. The increase was commensurate with 14.9% increase in casino revenues. WRM is subject to a 35% gaming tax on gross gaming win. In addition, WRM is also required to pay 4% of its gross gaming win as contributions for public development and social facilities.

Staff costs. Staff costs increased by 26.5%, from HK\$3.1 billion for the year ended 31 December 2015 to HK\$3.9 billion for the same period of 2016. The increase was due to increased headcount for the pre-opening and operation of Wynn Palace.

Other operating expenses. Other operating expenses increased by 31.8%, from HK\$3.2 billion for the year ended 31 December 2015 to HK\$4.3 billion for the same period of 2016, driven mainly by increase in business volume related expenses such as gaming promoters' commissions, license fees, advertising and promotion expenditures, cost of sales and other expenses, all primarily due to the opening of Wynn Palace. The increase of business volume related expenses was partially offset by a HK\$54.9 million decrease of provision for doubtful accounts. The change in the provision was primarily due to increased collections of casino accounts receivable at Wynn Macau.

Depreciation and amortization. Depreciation and amortization increased from HK\$1.0 billion for the year ended 31 December 2015 to HK\$1.6 billion for the same period of 2016. The increase was attributable to a HK\$705.7 million increase at Wynn Palace, primarily from the opening and associated buildings and improvements and furniture, fixtures and equipment placed in service, partially offset by a decrease of HK\$114.4 million at Wynn Macau. The majority of the Wynn Macau decrease was due to a change in estimated useful lives of buildings and improvements, which was effective 1 September 2015, to more accurately reflect the estimated periods during which these assets are expected to remain in service.

Property charges and other. Property charges and other increased from HK\$11.6 million for the year ended 31 December 2015 to HK\$24.8 million for the same period of 2016. Amounts in each period represent the gain/loss on the sale of equipment and other assets as well as costs related to assets retired or abandoned as a result of renovating certain assets of the Company in response to customer preferences and changes in market demand.

As a result of the foregoing, total operating costs and expenses increased by 23.5%, from HK\$16.1 billion in 2015 to HK\$19.8 billion in 2016.

Finance Revenues

Finance revenues decreased from HK\$31.2 million in 2015 to HK\$24.2 million in 2016. The decrease was primarily due to holding lower average cash balances in 2016 compared to 2015. During 2016 and 2015, our short-term investment strategy has been to preserve capital while retaining sufficient liquidity. The majority of our short-term investments were primarily in time deposits and fixed deposits with a maturity of three months or less.

Finance Costs

Finance costs increased by 40.7% from HK\$595.6 million in 2015 to HK\$838.1 million in 2016. The increase is due to an increase in amounts outstanding under the Wynn Macau Credit Facilities and was partially offset by the increase in capitalized interest related to the construction of Wynn Palace.

Interest Rate Swaps

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

Changes in the fair value of our interest rate swaps are recorded as an increase or decrease in swap fair value during each year. We recorded a loss of HK\$41.1 million in 2015 compared to a gain of HK\$3.4 million for 2016, respectively, resulting from the movement in the fair value of our interest rate swaps.

Income Tax Expense

In 2016, our income tax expense was HK\$12.4 million, compared to HK\$6.5 million for 2015. Our income tax expense for 2016 primarily relates to the current tax expense recorded by our subsidiaries owning WRM's shares under the WRM Shareholder Dividend Tax Agreement. In 2015, our income tax expense relates to the current tax expense recorded by our subsidiaries owning WRM's shares under the WRM Shareholder Dividend Tax Agreement and a deferred tax benefit resulting from a decrease in deferred tax liability for property and equipment.

Net Profit Attributable to Owners of the Company

As a result of the foregoing, net profit attributable to owners of the Company decreased by 40.4%, from HK\$2.4 billion in 2015 to HK\$1.4 billion in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

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

Our cash balances as at 31 December 2016 were approximately HK\$2.6 billion. This cash is available for operations and enhancements to Wynn Macau and Wynn Palace.

On 30 September 2015, WRM expanded its availability under its senior secured bank facility to approximately HK\$23.7 billion consisting of an approximately HK\$17.9 billion fully funded senior secured term loan facility and an approximately HK\$5.8 billion senior secured revolving credit facility. WRM also has the ability to upsize the total senior secured facilities by approximately an additional HK\$7.8 billion equivalent (US\$1.0 billion) pursuant to the terms and provisions of the agreement for the Wynn Macau Credit Facilities. As at 31 December 2016, the Group had approximately HK\$3.2 billion of available borrowing capacity under the Wynn Macau Credit Facilities.

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

On 18 July 2016, WMLF entered into an agreement as the borrower for a revolving credit facility for initially up to HK\$1.5 billion (approximately US\$199.7 million) with Bank of China Limited, Macau Branch as the lender. The WMLF Revolving Credit Facility matures in July 2018, at which time any outstanding borrowings must be repaid.

On 25 October 2016, the WMLF Revolving Credit Facility was amended and upsized, increasing the available borrowing capacity to HK\$3.9 billion (approximately US\$499.0 million). As at 31 December 2016, the Group had HK\$2.4 billion available borrowing capacity under the amended WMLF Revolving Credit Facility. Subsequent to 31 December 2016, the Group repaid all outstanding borrowings of HK\$1.5 billion under the WMLF Revolving Credit Facility.

Gearing Ratio

The gearing ratio is a key indicator of our Group's capital structure. The gearing ratio is net debt divided by total capital plus net debt. The table below presents the calculation of our gearing ratio.

	As at 31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands, except for percentages)</i>	
Interest-bearing borrowings	32,169,888	31,317,919
Accounts payable	525,501	345,594
Land premiums payable	—	124,015
Construction and retentions payables	1,168,326	1,658,854
Other payables and accruals	6,191,037	4,384,242
Amounts due to related companies	202,298	128,920
Other liabilities	222,932	205,799
Less: cash and cash equivalents	(2,591,442)	(6,731,356)
restricted cash and cash equivalents	(22,109)	(15,968)
Net debt	<u>37,866,431</u>	<u>31,418,019</u>
Equity	<u>2,453,064</u>	<u>4,102,279</u>
Total capital	<u>2,453,064</u>	<u>4,102,279</u>
Capital and net debt	<u>40,319,495</u>	<u>35,520,298</u>
Gearing ratio	<u>93.9%</u>	<u>88.5%</u>

Cash Flows

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

	For the year ended	
	31 December	
	2016	2015
	HK\$	HK\$
	<i>(in millions)</i>	
Net cash generated from operating activities	5,843.2	2,480.3
Net cash used in investing activities	(6,757.1)	(12,668.2)
Net cash (used in)/generated from financing activities	(3,229.3)	6,126.4
Net decrease in cash and cash equivalents	(4,143.2)	(4,061.5)
Cash and cash equivalents at beginning of year	6,731.4	10,789.9
Effect of foreign exchange rate changes, net	3.2	3.0
Cash and cash equivalents at end of year	<u>2,591.4</u>	<u>6,731.4</u>

Net cash generated from operating activities

Our net cash generated from operating activities is primarily affected by changes in our working capital and operating profit generated by our Macau Operations. Net cash from operating activities was HK\$5.8 billion in 2016 compared to HK\$2.5 billion in 2015. Operating profit was HK\$2.3 billion in 2016 compared to HK\$3.0 billion in 2015. The increase in net cash generated 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\$6.8 billion in 2016, compared to HK\$12.7 billion in 2015. Major expenditures made in 2016 included capital expenditures of HK\$6.5 billion for both Wynn Palace construction and renovations to enhance and refine our Wynn Macau operations, and fine arts acquisition cost of HK\$278.8 million. Major expenditures made in 2015 included capital expenditures of HK\$12.7 billion related to construction costs for Wynn Palace and renovations to enhance and refine our Wynn Macau operations.

Net cash used in financing activities

Net cash used in financing activities was HK\$3.2 billion during 2016 compared to HK\$6.1 billion net cash generated from financing activities during 2015. During 2016, net cash used in financing activities was primarily due to a HK\$3.1 billion special dividend payment made in April 2016, a HK\$3.0 billion repayment for the senior revolving credit facility of the Wynn Macau Credit Facilities, HK\$685.7 million interest payments and a HK\$124.0 million payment for land premiums, partially offset by HK\$2.3 billion proceeds from the senior revolving credit facility and HK\$1.5 billion net proceeds from the WMLF Revolving Credit Facility. During 2015, net cash generated from financing activities was primarily due to HK\$12.3 billion net proceeds from the refinancing of the Wynn Macau Credit Facilities in September 2015, partially offset by a HK\$5.4 billion special dividend payment made in March 2015, a HK\$489.1 million interest payment and a HK\$239.0 million payment for land premiums.

Indebtedness

The following table presents a summary of our indebtedness.

Indebtedness information

	As at 31 December	
	2016	2015
	HK\$	HK\$
	<i>(in thousands)</i>	
Bank loans	22,003,178	21,225,648
Senior notes	10,498,819	10,498,488
Less: debt financing costs, net	<u>(332,109)</u>	<u>(406,217)</u>
Total interest-bearing borrowings	<u>32,169,888</u>	<u>31,317,919</u>

Wynn Macau Credit Facilities

Overview

As at 31 December 2016, the Wynn Macau Credit Facilities consisted of approximately HK\$23.7 billion equivalent in a combination of Hong Kong dollar and U.S. dollar facilities, including an approximately HK\$17.9 billion equivalent fully funded senior term loan facility and an approximately HK\$5.8 billion equivalent senior revolving credit facility.

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

The HK\$17.9 billion equivalent term loan facility is repayable in graduating installments of between 2.50% to 7.33% of the principal amount on a quarterly basis commencing December 2018, with a final installment of 50% of the principal amount repayable in September 2021. The final maturity of any outstanding borrowings from the revolving credit facility is September 2020, by which time any outstanding borrowings from the revolving loans must be repaid.

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

Security and Guarantees

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

Second Ranking Lender

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

Other Terms

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

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

The Group had approximately HK\$3.2 billion available to draw under the revolving credit facility of the Wynn Macau Credit Facilities as at 31 December 2016.

WML 2021 Notes

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

WMLF Revolving Credit Facility

On 18 July 2016, WMLF entered into an agreement as the borrower for a revolving credit facility for initially up to HK\$1.5 billion (approximately US\$199.7 million) with Bank of China Limited, Macau Branch as the lender.

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

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

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

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

On 25 October 2016, the WMLF Revolving Credit Facility was amended and upsized, increasing the available borrowing capacity to HK\$3.9 billion (approximately US\$499.0 million). The terms of borrowing for the increased principal amount under the amendment are equivalent to the terms of the original credit agreement, including the requirement for cash collateral to be deposited and pledged with the lender, and interest borne at the same rate as described above.

As at 31 December 2016, the Group had HK\$2.4 billion available borrowing capacity under the amended WMLF Revolving Credit Facility. Subsequent to 31 December 2016, the Group repaid all outstanding borrowings of HK\$1.5 billion under the WMLF Revolving Credit Facility.

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

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

Interest Rate Risks

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

As at 31 December 2016, the Group had three interest rate swap agreements intended to manage a portion of the underlying interest rate risk on borrowings under the Wynn Macau Credit Facilities. Under two swap agreements, the Group pays a fixed interest rate of 0.73% on borrowings of approximately HK\$3.95 billion incurred under the Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable HIBOR at the time of payment. These interest rate swaps fix the all-in interest rate on approximately HK\$3.95 billion of borrowings under the Wynn Macau Credit Facilities at 2.23% to 2.98% and expire in July 2017.

Under the third swap agreement, the Group pays a fixed interest rate of 0.6763% on borrowing of US\$243.8 million (approximately HK\$1.8 billion) incurred under the Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable LIBOR at the time of payment. This interest rate swap fixes the all-in interest rate on US\$243.8 million (approximately HK\$1.8 billion) of borrowings under the Wynn Macau Credit Facilities at 2.18% to 2.93% and expires in July 2017.

The carrying value of these interest rate swaps on the consolidated statement of financial position approximates its fair value. The fair value approximates the amount the Group would pay or receive if these contracts were settled at the respective valuation dates. Fair value is estimated based upon current, and predictions of future interest rate levels along a yield curve, the remaining duration of the instruments and other market conditions and, therefore, is subject to significant estimation and a high degree of variability of fluctuation between periods. We adjust this amount by applying a non-performance valuation, considering our creditworthiness or the creditworthiness of our counterparties at each settlement date, as applicable. These transactions do not qualify for hedge accounting. Accordingly, changes in the fair values during the years ended 31 December 2016 and 2015, were charged to the consolidated statement of profit or loss and other comprehensive income.

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

OFF BALANCE SHEET ARRANGEMENTS

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

OTHER LIQUIDITY MATTERS

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

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

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

Taking into consideration our financial resources, including our cash and cash equivalents, internally generated funds and availability under our credit facilities, we believe that we have sufficient liquid assets to meet our current and anticipated working capital and operating requirements.

CONNECTED TRANSACTION

On 29 June 2016, WRM entered into a purchase agreement with Wynn Design & Development to purchase “Tulips” and “Amphora III” for US\$33,682,500 (approximately HK\$262.3 million) and US\$103,945 (approximately HK\$0.8 million), respectively. The purchase price was funded from available cash and internal resources of the Group. The purchase of the artworks was completed on 29 June 2016.

“Tulips” is a sculptural masterpiece created by renowned artists Jeff Koons. “Amphora III” is a colorful, impressive clay vessel crafted by late ceramist Viola Frey. Both “Tulips” and “Amphora III” are currently displayed at Wynn Palace for the enjoyment of our guests and visitors. For further information, please refer to the Company’s announcement made on 29 June 2016.

RELATED PARTY TRANSACTIONS

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

DISCLOSURE OF FINANCIAL RESULTS IN MACAU

WRM, our subsidiary and the owner and operator of Wynn Macau and Wynn Palace, finalized its statutory financial statements under the Macau Financial Reporting Standards (“MFRS”) at the end of February 2017 and anticipates filing its MFRS Consolidated Financial Statements with the Gaming Inspection and Coordination Bureau of Macau by 31 March 2017. This is a statutory filing requirement mandated by Macau law. In addition, WRM expects to publish its MFRS Condensed Consolidated Financial Statements in the Macau Official Gazette and local newspapers in Macau by the end of April 2017. The MFRS Consolidated Financial Statements and the MFRS Condensed Consolidated Financial Statements may not be directly comparable with our Company’s financial results disclosed herein, which are prepared under IFRS.

PURCHASE, SALE OR REDEMPTION OF COMPANY’S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Group’s listed securities during the year ended 31 December 2016.

CORPORATE GOVERNANCE REPORT

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

The Company has complied with the code provisions in the Code for the year ended 31 December 2016 except for the following deviation from provision A.2.1 and E.1.2 of the Code.

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

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer.

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

The combined role of Mr. Wynn as both Chairman and Chief Executive Officer is balanced by the Company's governance structure, policies and controls. All major decisions are made in consultation with members of the Board and the relevant Board committees. The Company has three Board committees, namely the audit and risk committee, remuneration committee, and nomination and corporate governance committee. Each Board committee comprises non-executive Directors only and is chaired by an independent non-executive Director. In addition, there are four independent non-executive Directors on the Board offering independent perspectives.

This structure encourages independent and effective oversight of the Company's operations and prudent management of risk.

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

Annual General Meeting

Under code provision E.1.2, the chairman of the board should attend the annual general meetings of the Company. Mr. Wynn, our Chairman, was unable to travel internationally to attend the Company's annual general meeting held on 25 May 2016 as he was recuperating from back surgery.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code on 16 September 2009 as its code of conduct for securities transactions by Directors. On 23 March 2010, the Company adopted its own code of conduct for securities transactions, which was most recently updated in March 2017. The terms of such code are no less exacting than those set out in the Model Code. Having made specific enquiry of the Directors, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code and the Company's own code of conduct for the year ended 31 December 2016.

AUDIT AND RISK COMMITTEE

An Audit and Risk Committee has been established by the Company to review and supervise the financial reporting process, internal control procedures and risk management system of the Group. The Audit and Risk Committee comprises three independent non-executive Directors of the Company. The Audit and Risk Committee members have reviewed the Group's results for the year ended 31 December 2016.

ANNUAL REPORT

The Company's annual report for the year ended 31 December 2016 containing all the information required by Appendix 16 of the Listing Rules will be published on the Company's and the Hong Kong Stock Exchange's websites in due course.

LITIGATION

The Group did not have any material litigation outstanding as at 31 December 2016. The litigation matters set out below are disclosed on a voluntary basis and as with all litigation, no assurances can be provided as to the outcome thereof.

Macau Litigation Related to Okada

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

The Company made a voluntary announcement in respect of this lawsuit on 3 July 2015. The Company has sought advice from counsel in Macau, and based on such advice, the Company believes that the claims are devoid of merit and are unfounded. The Company intends to vigorously defend WRM and the other defendants in the lawsuit. The Macau Court has served the complaint on all of the defendants and the Wynn Macau Parties filed their response in May 2016. The lawsuit is in the early phases of litigation.

Macau Litigation Related to Dore

WRM has been named as a defendant in several 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 requests that allegedly has resulted in certain losses for these individuals. The principal allegations common to the lawsuits are that WRM, as a gaming concessionaire, should be held responsible for Dore’s conduct on the basis that WRM is responsible for the supervision of Dore’s activities at Wynn Macau that resulted in the purported losses.

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

COOPERATION WITH THE CCAC

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

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of a final dividend of HK\$0.42 per Share in respect of the year ended 31 December 2016. Subject to Shareholders’ approval of the final dividend at the forthcoming annual general meeting, the register of members of the Company will be closed from 7 June 2017 to 9 June 2017 (both dates inclusive) during which period no transfer of Shares will be registered and the final dividend is expected to be paid on 20 June 2017. Shareholders registered under the Hong Kong branch register of members as of 9 June 2017 will be entitled to the dividends. All dividends will be paid in Hong Kong dollars.

In order to determine the identity of the Shareholders who are entitled to the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 6 June 2016.

RE-ELECTION OF DIRECTORS

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

SCOPE OF WORK OF THE COMPANY’S AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Company’s auditor, Ernst & Young (the “Auditor”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

CHANGE OF NAME OF PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Shareholders should note that the Company's principal share registrar and transfer office in the Cayman Islands has changed its company name from "Appleby Trust (Cayman) Limited" to "Estera Trust (Cayman) Limited".

The registered office of the Company's principal share registrar and transfer office in the Cayman Islands remain unchanged and is maintained at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

DEFINITIONS USED IN THIS ANNOUNCEMENT

"Board of Directors" or "Board"	the Board of Directors of our Company
"Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules as applicable on 31 December 2016
"Company" or "our Company"	Wynn Macau, Limited, a company incorporated on 4 September 2009 as an exempted company with limited liability under the laws of the Cayman Islands and an indirect subsidiary of Wynn Resorts, Limited
"Concession Agreement"	the Concession Contract for the Operation of Games of Chance or Other Games in Casinos in the Macau Special Administrative Region entered into between WRM and the Macau government on 24 June 2002
"Cotai Land Concession Agreement"	the land concession contract entered into between WRM, Palo and the Macau government for approximately 51 acres of land in the Cotai area of Macau, and for which formal approval from the Macau government was published in the official gazette of Macau on 2 May 2012
"Director(s)"	the director(s) of our Company
"Encore" or "Encore at Wynn Macau"	a casino resort located in Macau, connected to and fully integrated with Wynn Macau, owned and operated directly by WRM, and that opened on 21 April 2010
"Galaxy"	Galaxy Casino, S.A., one of the six gaming operators in Macau and one of the three concessionaires
"Group", "we", "us" or "our"	our Company and its subsidiaries, or any of them, and the businesses carried on by such subsidiaries, except where the context makes it clear that the reference is only to the Company itself and not to the Group

“HIBOR”	Hong Kong Interbank Offered Rate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“LIBOR”	London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Macau” or “Macau Special Administrative Region”	the Macau Special Administrative Region of the PRC
“Macau Operations”	the integrated Wynn Macau and Encore at Wynn Macau and Wynn Palace
“Melco Crown”	Melco Crown Gaming (Macau) Limited, one of the six gaming operators in Macau and one of the three sub-concessionaires
“MGM Macau”	MGM Grand Paradise Limited, one of the six gaming operators in Macau and one of the three sub-concessionaires
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“MOP” or “pataca”	Macau pataca, the lawful currency of Macau
“Palo Real Estate Company Limited” or “Palo”	Palo Real Estate Company Limited, a limited liability company incorporated under the laws of Macau, subject to Ms. Linda Chen 10% social and voting interest and MOP1.00 economic interest in WRM, an indirect wholly-owned subsidiary of the Company
“PRC”, “China” or “mainland China”	the People’s Republic of China and, except where the context requires and only for the purpose of this announcement, references in this announcement to the PRC or China do not include Taiwan, Hong Kong or Macau; the term “Chinese” has a correlatives meaning
“SEC”	the U.S. Securities and Exchange Commission
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.001 each in the share capital of our Company

“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“SJM”	Sociedade de Jogos de Macau S.A., one of the six gaming operators in Macau and one of the three concessionaires
“Trust”	the trust constituted by the Trust Deed to service the employee ownership scheme
“Trust Deed”	the trust deed entered into between the Company and the Trustee (as may be restated, supplemented and amended from time to time) on 30 June 2014
“Trustee”	the trustee appointed by the Company for the purpose of the Trust, and as at the date of this announcement, Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong and having its registered office at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“U.S. GAAP”	the Generally Accepted Accounting Principles of the United States
“Venetian Macau”	Venetian Macau S.A., one of the six gaming operators in Macau and one of the three sub-concessionaires
“WML 2021 Notes”	the US\$600 million (approximately HK\$4.7 billion) 5.25% senior notes due 2021 issued by the Company in October 2013 and the additional US\$750 million (approximately HK\$5.9 billion) 5.25% senior notes due 2021 issued by the Company on 20 March 2014 (Debt Stock Code: 5983), which were consolidated and form a single series of notes
“WMLF”	WML Finance I Limited, a limited liability company incorporated under the laws of the Cayman Islands and an indirect wholly-owned subsidiary of the Company
“WMLF Revolving Credit Facility”	the HK\$1.5 billion (approximately US\$199.7 million) revolving credit facility extended to WMLF on 18 July 2016 and the principal amount was subsequently increased to HK\$3.9 billion (approximately US\$499.0 million) on 25 October 2016
“WRM”	Wynn Resorts (Macau) S.A., a company incorporated under the laws of Macau and a wholly-owned subsidiary of the Company

“WRM Shareholder Dividend Tax Agreement”	the agreements, entered into during June 2009, August 2011 and August 2016, each for a term of five years between WRM and the Macau Special Administrative Region, effective retroactively to 2006, that provide for an annual payment to the Macau Special Administrative Region of MOP7.2 million in years 2006 through 2010, MOP15.5 million in years 2011 through 2015 and MOP12.8 million in years 2016 through 2020 in lieu of Complementary Tax otherwise due by WRM shareholders on dividend distributions to them from gaming profits earned in those years
“Wynn Design & Development”	Wynn Design & Development, LLC, a company formed under the laws of the State of Nevada, United States and a wholly-owned subsidiary of Wynn Resorts, Limited
“Wynn International Marketing, Ltd.” or “WIML”	Wynn Internatioanl Marketing, Ltd., a company incorporated under the laws of Isle of Man and a wholly-owned subsidiary of Wynn Resorts, Limited.
“Wynn Macau”	a casino hotel resort located in Macau, owned and operated directly by WRM, which opened on 6 September 2006, and where appropriate, the term also includes Encore at Wynn Macau
“Wynn Macau Credit Facilities”	together, the HK\$17.9 billion (equivalent) fully-funded senior term loan facilities and the HK\$5.8 billion (equivalent) senior revolving credit facilities extended to WRM on 30 September 2015
“Wynn Palace”	an integrated resort situated on approximately 51 acres of land in the Cotai area of Macau in accordance with the terms of the Cotai Land Concession Agreement, which is operated by WRM and opened on 22 August 2016
“Wynn Resorts, Limited”, “Wynn Resorts” or “WRL”	Wynn Resorts, Limited, a company formed under the laws of the State of Nevada, United States, and our controlling shareholder (as defined in the Listing Rules)

GLOSSARY OF TERMS USED IN THIS ANNOUNCEMENT

“Adjusted Average Daily Rate”	adjusted average daily rate which is calculated by dividing total room revenues including the retail value of promotional allowances (less service charges, if any) by total rooms occupied including complimentary rooms
“Adjusted REVPAR”	adjusted revenue per available room which is calculated by dividing total room revenues including the retail value of promotional allowances (less service charges, if any) by total rooms available

“casino revenue”	revenue from casino gaming activities (gross table games win and gross slot win), calculated net of a portion of commissions and in accordance with IFRS
“chip(s)”	a token; usually in the form of plastic disc(s) or plaque(s) issued by a casino to customers in exchange for cash or credit, which must be used (in lieu of cash) to place bets on gaming tables
“daily gross win per gaming table”	gross gaming win for table games divided by number of tables divided by the number of days in the applicable period
“gaming promoters”	individuals or companies licensed by and registered with the Macau government to promote games of fortune and chance or other casino games to patrons, through the arrangement of certain services, including transportation, accommodation, dining and entertainment, whose activity is regulated by Macau Administrative Regulation no. 6/2002
“gross gaming win”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions
“gross slot win”	the amount of handle (representing the total amount wagered) that is retained as winnings. We record this amount and gross table games win as casino revenue after deduction of progressive jackpot liabilities and a portion of commissions
“gross table games win”	the amount of drop (in our general casino segment) or turnover (in our VIP casino segment) that is retained as winnings. We record this amount and gross slot win as casino revenue after deduction of a portion of commissions
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players in the greater Asia region. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based on their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history
“promotional allowance”	the retail value of rooms, food and beverage and retail and other services furnished to guests (typically VIP clients) without charge

“Rolling Chip”	physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and Wynn Macau’s individual VIP players
“table drop”	the amount of cash deposited in a gaming table drop box that serves as a repository for cash, plus cash chips purchased at the casino cage
“turnover”	the sum of all losing Rolling Chip wagers within the VIP program
“VIP client” or “VIP player”	client, patron or player who participates in Wynn Macau’s In-house VIP Program or in the VIP program of any of our gaming promoters
“VIP table games turnover”	turnover resulting from VIP table games only

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

Hong Kong, 30 March 2017

As at the date of this announcement, the Board comprises Stephen A. Wynn, Ian Michael Coughlan and Linda Chen (as Executive Directors); Matthew O. Maddox (as Non-Executive Director); and Allan Zeman, Nicholas Sallnow-Smith, Bruce Rockowitz and Jeffrey Kin-fung Lam (as Independent Non-Executive Directors).