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Wynn Macau, Limited

永利澳門有限公司*

(incorporated in the Cayman Islands with limited liability)

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

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017
SPECIAL DIVIDEND AND CLOSURE OF REGISTER
OF MEMBERS
CHANGE IN COMPOSITION OF
THE REMUNERATION COMMITTEE**

The Board of Directors of Wynn Macau, Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2017 as follows.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2017	2016
	HK\$	HK\$
	<i>(in thousands, except per share amounts or otherwise stated)</i>	
Casino revenues	33,631,257	20,552,497
Other revenues	2,409,361	1,546,981
Adjusted EBITDA	8,497,522	5,105,424
Profit attributable to owners	3,700,494	1,435,532
Earnings per Share — basic and diluted	0.71	0.28

DIVIDEND

The Board has declared a special dividend of HK\$0.75 per Share (2016: special dividend: nil) payable to Shareholders whose names appear on the register of members on 16 April 2018.

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended 31 December	
		2017	2016
		HK\$ (in thousands)	HK\$
Operating revenues			
Casino		33,631,257	20,552,497
Rooms		421,466	246,558
Food and beverage		528,529	329,712
Retail and other		1,459,366	970,711
		<u>36,040,618</u>	<u>22,099,478</u>
Operating costs and expenses			
Gaming taxes and premiums		16,736,688	10,013,231
Staff costs		4,611,673	3,947,835
Other operating expenses	3	6,413,172	4,257,669
Depreciation and amortization		2,775,977	1,591,397
Property charges and other		133,464	24,814
		<u>30,670,974</u>	<u>19,834,946</u>
Operating profit		<u>5,369,644</u>	<u>2,264,532</u>
Finance revenues		14,964	24,174
Finance costs	4	(1,269,784)	(838,055)
Net foreign currency differences		(169,773)	(6,051)
Changes in fair value of interest rate swaps		(8,202)	3,359
Loss on extinguishment of debt		(223,928)	—
		<u>(1,656,723)</u>	<u>(816,573)</u>
Profit before tax		<u>3,712,921</u>	<u>1,447,959</u>
Income tax expense	5	12,427	12,427
Net profit attributable to owners of the Company		<u>3,700,494</u>	<u>1,435,532</u>
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Currency translation reserve		(208)	480
Other comprehensive income for the year		<u>(208)</u>	<u>480</u>
Total comprehensive income attributable to owners of the Company		<u>3,700,286</u>	<u>1,436,012</u>
Basic and diluted earnings per Share	6	<u>HK\$0.71</u>	<u>HK\$0.28</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2017	2016
		HK\$	HK\$
	Notes	(in thousands)	
Non-current assets			
Property and equipment and construction in progress		33,504,269	35,858,056
Leasehold interests in land		1,686,452	1,782,623
Goodwill		398,345	398,345
Deposits for acquisition of property and equipment		35,092	18,342
Other non-current assets		791,819	910,186
Restricted cash and cash equivalents		6,032	9,842
Total non-current assets		36,422,009	38,977,394
Current assets			
Inventories		331,644	338,023
Trade and other receivables	8	676,669	733,001
Prepayments and other current assets		133,787	128,596
Interest rate swaps		—	8,189
Amounts due from related companies		181,086	156,561
Restricted cash and cash equivalents		10,854	12,267
Cash and cash equivalents		5,239,690	2,591,442
Total current assets		6,573,730	3,968,079
Current liabilities			
Accounts payable	9	681,147	525,501
Interest-bearing borrowings	11	449,259	—
Construction and retentions payables		456,299	1,167,082
Other payables and accruals	10	9,968,876	5,866,015
Amounts due to related companies		261,601	202,298
Income tax payables	5	12,427	12,427
Other current liabilities		46,690	55,763
Total current liabilities		11,876,299	7,829,086
Net current liabilities		(5,302,569)	(3,861,007)
Total assets less current liabilities		31,119,440	35,116,387

		As at 31 December	
		2017	2016
		HK\$	HK\$
	<i>Notes</i>	<i>(in thousands)</i>	
Non-current liabilities			
Interest-bearing borrowings	<i>11</i>	27,674,046	32,169,888
Construction retentions payable		1,862	1,244
Other payables and accruals	<i>10</i>	265,992	325,022
Other long-term liabilities		176,782	167,169
		<hr/>	<hr/>
Total non-current liabilities		28,118,682	32,663,323
		<hr/>	<hr/>
Net assets		3,000,758	2,453,064
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Equity attributable to owners of the Company			
Issued capital		5,196	5,196
Share premium account		267,315	161,746
Shares held for employee ownership scheme		(112,062)	(109,000)
Reserves		2,840,309	2,395,122
		<hr/>	<hr/>
Total equity		3,000,758	2,453,064
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These financial statements also comply with the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements. They have been prepared on a historical cost basis, 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 2017. 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 revised IFRSs

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

Amendments to IAS 7	<i>Disclosure Initiative</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses</i>

The adoption of the above revised standards has no significant financial effect on these financial statements. Disclosure has been made in the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liability arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 2017, the Group reviews Wynn Macau and Wynn Palace as two reportable segments. Refer to Note 12 for segment information.

3. OTHER OPERATING EXPENSES

For the year ended
31 December

2017 2016

HK\$ HK\$

(in thousands)

Gaming promoters' commissions	1,920,979	1,025,887
License fees	1,405,287	846,486
Cost of sales	565,455	339,008
Advertising and promotions	529,805	363,029
Repairs and maintenance	404,639	276,576
Operating supplies and equipment	399,293	290,489
Utilities and fuel	344,385	280,002
Contracted services	302,513	262,429
Corporate support services and other	128,365	140,803
Operating rental expenses	59,114	63,770
Other support services	55,933	40,210
Auditor's remuneration	8,187	6,949
(Reversal of provision)/provision for doubtful accounts, net	(56,090)	8,486
Other expenses	345,307	313,545
	<u>6,413,172</u>	<u>4,257,669</u>

4. FINANCE COSTS

For the year ended
31 December

2017 2016

HK\$ HK\$

(in thousands)

Interest expense	1,109,451	1,128,575
Amortization of debt financing costs	134,323	130,625
Bank fees for unused facilities	26,010	11,786
Less: capitalized interest	—	(432,931)
	<u>1,269,784</u>	<u>838,055</u>

5. INCOME TAX EXPENSE

The major components of the income tax expense for the years ended 31 December 2017 and 2016 were:

	For the year ended 31 December	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
Income tax expense:		
Current — overseas	<u>12,427</u>	<u>12,427</u>

No provision for Hong Kong profits tax for the year ended 31 December 2017 has been made as there was no assessable profit generated in Hong Kong (2016: nil). Taxation for overseas jurisdictions is charged at the appropriate prevailing rates ruling in the respective jurisdictions and the maximum rate is 12% (2016: 12%).

The tax position for the years ended 31 December 2017 and 2016 reconciles to profit before tax as follows:

	For the year ended 31 December			
	2017		2016	
	HK\$	%	HK\$	%
	<i>(in thousands, except for percentages)</i>			
Profit before tax	<u>3,712,921</u>		<u>1,447,959</u>	
Tax at the applicable income tax rate	445,551	12.0	173,755	12.0
Income not subject to tax	(939,393)	(25.2)	(545,982)	(37.7)
Macau dividend tax	12,427	0.3	12,427	0.9
Deferred tax not recognized	360,745	9.7	276,334	19.1
Others	<u>133,097</u>	3.5	<u>95,893</u>	6.6
Effective tax expense for the year	<u><u>12,427</u></u>	<u><u>0.3</u></u>	<u><u>12,427</u></u>	<u><u>0.9</u></u>

The Group incurred Macau tax losses of approximately HK\$2.50 billion, HK\$2.46 billion and HK\$964.6 million during the tax years ended 31 December 2017, 2016 and 2015, respectively. These tax losses will expire in 2020, 2019, and 2018, respectively. As at 31 December 2017, the Group's deferred tax assets relating to the pre-opening costs and other, University of Macau Development Foundation contribution, share-based payment plan, executive compensation, fixed assets and tax loss carryforwards and others amounting to HK\$1.06 billion (2016: HK\$769.3 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 15 October 2015, WRM received a 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits (the "**Tax Holiday**") effective through 31 December 2020. Accordingly, the Group was exempted from the payment of approximately HK\$491.3 million in such tax for the year ended 31 December 2017 (2016: HK\$211.1 million). The Group's non-gaming profits remain subject to the Macau Complementary Tax and its casino winnings remain subject to the Macau special gaming tax and other levies in accordance with its Concession Agreement.

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

The Group is exempted from income tax in the Isle of Man and the Cayman Islands. The Group's subsidiaries file income tax returns in Macau and various foreign jurisdictions as required by law. The Group's income tax returns are subject to examination by tax authorities in the locations where it operates. The Group's 2013 to 2016 Macau Complementary Tax returns remain subject to examination by the Financial Services Bureau of the Macau government (the "**Financial Services Bureau**"). In April 2016, the Financial Services Bureau examined the 2011 and 2012 Macau Complementary Tax returns of Palo. In June 2016, the Financial Services Bureau issued its final tax assessments for Palo for the years 2011 and 2012 and the examination resulted in no change to the tax returns. In March 2017 and July 2017, the Financial Services Bureau commenced examination of the WRM and Palo's 2013 and 2014 Macau Complementary tax returns. In February 2018, the Financial Services Bureau issued its final tax assessments for Palo for the years 2013 and 2014 and the examination resulted in no change to the tax returns. Since the examinations for WRM is in its initial stages, the Group is unable to determine if it will conclude within the next 12 months. The Group believes that its liability for uncertain tax positions is adequate with respect to these years.

Quarterly, the Group undertakes reviews for any potentially unfavorable tax 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 2017, the Group had unrecognized tax losses of HK\$5.93 billion (2016: HK\$4.11 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 2017 is based on the consolidated net profit attributable to owners of the Company and on the weighted average number of Shares in issue of 5,181,324,925 during the year (2016: 5,180,191,705), excluding Shares reserved and purchased for the Company's employee ownership scheme. 125,000 Shares (2016: Shares of 5,500,800) were purchased and no Shares (2016: nil) were issued and reserved for the Company's employee ownership scheme during the year. 3,318,500 Shares vested under the Company's employee ownership scheme during the year.

The calculation of diluted earnings per Share for the year ended 31 December 2017 is based on the consolidated net profit attributable to owners of the Company and on the weighted average number of Shares of 5,189,138,935 (2016: 5,181,398,605) including the weighted average number of Shares in issue of 5,181,324,925 during the year (2016: 5,180,191,705) plus the weighted average number of potential Shares of 7,814,010 (2016: 1,206,900) 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	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
2016 special dividend of nil (2015: HK\$0.60 per Share)	—	3,109,263
2016 final dividend of HK\$0.42 per Share declared (2015: nil)	2,182,121	—
2017 interim dividend of HK\$0.21 per Share declared (2016: nil)	1,091,163	—
	<u>3,273,284</u>	<u>3,109,263</u>

On 23 March 2018, the Board declared a special dividend of HK\$0.75 per Share which is expected to be paid on 25 April 2018.

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of the following as at 31 December 2017 and 2016:

	As at 31 December	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
Casino	575,415	806,824
Retail leases and other	167,007	91,155
Hotel	15,951	30,309
	<u>758,373</u>	<u>928,288</u>
Less: allowance for doubtful accounts	<u>(81,704)</u>	<u>(195,287)</u>
Total trade and other receivables, net	<u><u>676,669</u></u>	<u><u>733,001</u></u>

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

	As at 31 December	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
Within 30 days	291,910	241,472
31 to 60 days	53,490	121,638
61 to 90 days	121,791	90,837
Over 90 days	291,182	474,341
	<u>758,373</u>	<u>928,288</u>
Less: allowance for doubtful accounts	<u>(81,704)</u>	<u>(195,287)</u>
Net trade and other receivables	<u><u>676,669</u></u>	<u><u>733,001</u></u>

The advanced commissions included in trade and other receivables 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 2017, trade and other receivables with a gross value of HK\$758.4 million (2016: HK\$928.3 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 2016	220,023
Charge for the year, net	8,486
Amounts written off, net	<u>(33,222)</u>
As at 31 December 2016 and 1 January 2017	195,287
Reversal of provision for the year, net	(56,090)
Amounts written off, net	<u>(57,493)</u>
As at 31 December 2017	<u><u>81,704</u></u>

9. ACCOUNTS PAYABLE

During 2017 and 2016, the Group normally received credit terms of 30 days. An aged analysis of accounts payable as at 31 December 2017 and 2016, based on invoice dates, is as follows:

	As at 31 December	
	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
	<i>(in thousands)</i>	
Within 30 days	544,819	391,409
31 to 60 days	53,427	44,384
61 to 90 days	33,503	30,352
Over 90 days	49,398	59,356
	<u><u>681,147</u></u>	<u><u>525,501</u></u>

10. OTHER PAYABLES AND ACCRUALS

Other payables and accruals consisted of the following as at 31 December 2017 and 2016:

	As at 31 December	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
Current:		
Outstanding chip liabilities	4,839,965	2,102,057
Customer deposits	2,545,531	1,758,819
Gaming taxes payable	1,565,075	1,175,553
Donation payable	77,670	77,670
Others	940,635	751,916
	<u>9,968,876</u>	<u>5,866,015</u>
Non-current:		
Donation payable	<u>265,992</u>	<u>325,022</u>
Total	<u><u>10,234,868</u></u>	<u><u>6,191,037</u></u>

11. INTEREST-BEARING BORROWINGS

	<i>Notes</i>	As at 31 December	
		2017	2016
		HK\$	HK\$
		<i>(in thousands)</i>	
Bank loans, secured	<i>(a)</i>	17,970,353	22,003,178
Senior notes, unsecured	<i>(b)</i>	10,553,330	10,498,819
		<u>28,523,683</u>	<u>32,501,997</u>
Less: debt financing costs, net		<u>(400,378)</u>	<u>(332,109)</u>
Total interest-bearing borrowings		<u><u>28,123,305</u></u>	<u><u>32,169,888</u></u>

Notes:

(a) Bank loans, secured

Wynn Macau Credit Facilities

As at 31 December 2017, the Wynn Macau Credit Facilities consisted of approximately HK\$23.82 billion equivalent in a combination of Hong Kong dollar and U.S. dollar facilities, including an approximately HK\$17.97 billion equivalent fully funded senior term loan facility and an approximately HK\$5.85 billion equivalent senior revolving credit facility.

There is also an option to upsize the total senior secured credit facilities by approximately an additional HK\$7.80 billion equivalent (US\$1.00 billion) under the Wynn Macau Credit Facilities and related agreements upon the satisfaction of various conditions. The borrowings under the Wynn Macau Credit Facilities were used to refinance WRM's indebtedness in 2015 and for a variety of purposes, including to fund the construction and development of Wynn Palace and for general corporate purposes.

The HK\$17.97 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 circumstances giving rise to an event of default includes if Wynn Resorts, Limited, the Company's controlling shareholder, ceases to own directly or indirectly at least 51% of the voting rights or issued capital of WRM or ceases to retain the ability or the right to direct or procure the direction of the management and policies of WRM. Upon an event of default, the lenders are entitled to exercise certain remedies including acceleration of the indebtedness under the senior secured credit facilities.

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 2017.

As at 31 December 2017, the Group had HK\$5.85 billion in funding available under the revolving credit facility of the Wynn Macau Credit Facilities.

WMLF Revolving Credit Facility

During 2016, WMLF entered into an agreement as the borrower for a revolving credit facility for up to HK\$3.87 billion (approximately US\$495.2 million) with Bank of China Limited, Macau Branch as the lender.

Borrowings under the WMLF Revolving Credit Facility are required to be secured by pledged US\$ deposits to be 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).

As at the 31 December 2017, the Group had no outstanding amounts under the WMLF Revolving Credit Facility and the full HK\$3.87 billion available.

(b) Senior notes, unsecured

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

At any time prior to 1 October 2020 and 1 October 2022, the Company may redeem the WML 2024 Notes and WML 2027 Notes, respectively, in whole or in part, at a redemption price equal to the greater of (a) 100% of the principal amount of the WML Notes or (b) a “make-whole” amount as determined by an independent investment banker in accordance with the terms of the indentures for the WML Notes, dated as of 20 September 2017 (the “**WML Indentures**”). In either case, the redemption price would include accrued and unpaid interest. In addition, at any time prior to 1 October 2020, the Company may use the net cash proceeds from certain equity offerings to redeem up to 35% of the aggregate principal amount of the WML 2024 Notes and the WML 2027 Notes, at a redemption price equal to 104.875% of the aggregate principal amount of the WML 2024 Notes and 105.5% of the aggregate principal amount of the WML 2027 Notes, as applicable.

On or after 1 October 2020 and 1 October 2022, the Company may redeem the WML 2024 Notes and WML 2027 Notes, respectively, in whole or in part, at a premium decreasing annually from 102.438% and 102.75%, respectively, of the applicable principal amount to 100% of the applicable principal amount, plus accrued and unpaid interest. If the Company undergoes a Change of Control (as defined in the WML Indentures), it must offer to repurchase the WML Notes at a price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest. The circumstances that will constitute a Change of Control includes the sale, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Group to any person other than to Mr. Stephen A. Wynn or a related party of Mr. Wynn, the consummation of any transaction that results in any party other than Mr. Wynn and his related parties becoming the direct or indirect owner of more than 50% of the outstanding voting stock of Wynn Resorts, Limited and the first day on which a majority of the members of the Board are not continuing directors. A related party of Mr. Wynn under the WML Indentures includes any immediate family member or former spouse of Mr. Wynn or any entity or vehicle where Mr. Wynn and/or any immediate family member or former spouse of Mr. Wynn hold 51% or more of the controlling interest. Continuing directors under the WML Indentures means either (i) the Directors as of the date the WML Notes were issued or (ii) Directors that were nominated for election, were elected or appointed to the Board with the approval of a majority of the continuing directors at the time of such nomination, election or appointment. In addition, the Company may redeem the WML Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest, in response to any change in or amendment to certain tax laws or tax positions. Further if a holder or beneficial owner of the WML Notes fails to meet certain requirements imposed by any Gaming Authority (as defined in the WML Indentures), the Company may require the holder or beneficial owner to dispose of or redeem its WML Notes.

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

12. SEGMENT INFORMATION

The Group's principal operating activities occur in Macau, which is the sole geographic area in which the Group is domiciled. The Group reviews the results of operations for each of its operating segments. Wynn 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	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
Net Revenue		
Wynn Macau	19,366,039	17,571,496
Wynn Palace	16,674,579	4,527,982
	<hr/>	<hr/>
Total	<u>36,040,618</u>	<u>22,099,478</u>

		For the year ended	
		31 December	
		2017	2016
		HK\$	HK\$
	<i>Notes</i>	<i>(in thousands)</i>	
Adjusted EBITDA			
Wynn Macau		5,099,814	4,521,787
Wynn Palace		3,397,708	583,637
		<u>8,497,522</u>	<u>5,105,424</u>
Other operating costs and expenses			
Depreciation and amortization		2,775,977	1,591,397
Pre-opening costs [#]		—	1,003,521
Property charges and other		133,464	24,814
Share-based payments		111,061	117,894
Wynn Macau, Limited corporate expenses		107,376	103,266
		<u>5,369,644</u>	<u>2,264,532</u>
Operating profit			
Non-operating income and expenses			
Finance revenues		14,964	24,174
Finance costs	4	(1,269,784)	(838,055)
Net foreign currency differences		(169,773)	(6,051)
Change in fair value of interest rate swaps		(8,202)	3,359
Loss on extinguishment of debt		(223,928)	—
		<u>3,712,921</u>	<u>1,447,959</u>
Profit before tax			
Income tax expense	5	12,427	12,427
		<u>3,700,494</u>	<u>1,435,532</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
2017 2016
HK\$ *HK\$*
(in thousands)

Capital expenditures

Wynn Palace	900,056	6,553,333
Wynn Macau	361,080	236,310

Total	1,261,136	6,789,643
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As at 31 December
2017 2016
HK\$ *HK\$*
(in thousands)

Total assets

Wynn Palace	31,359,875	33,320,609
Wynn Macau	10,386,475	9,537,765
Other Macau	1,249,389	87,099

Total	42,995,739	42,945,473
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As at 31 December
2017 2016
HK\$ *HK\$*
(in thousands)

Non-current assets

Macau	36,414,420	38,964,048
Foreign countries	7,589	13,346

Total	36,422,009	38,977,394
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13. EVENT AFTER THE REPORTING PERIOD

On 7 February 2018, Mr. Wynn tendered his resignation as executive Director, Chairman of the board of directors, and Chief Executive Officer of the Company after allegations of inappropriate personal conduct by Mr. Wynn in the workplace. The Macau Gaming Inspection and Coordination Bureau is monitoring and reviewing the situation, and the Company is cooperating.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

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

Wynn Macau

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

Wynn Macau features:

- Approximately 273,000 square feet of casino space, offering 24-hour gaming and a full range of games, including private gaming salons, sky casinos and a poker pit;
- Two luxury hotel towers with a total of 1,008 spacious rooms and suites;
- Casual and fine dining in eight restaurants;
- Approximately 59,000 square feet of high-end, brand-name retail shopping;
- Recreation and leisure facilities, including two health clubs and spas, a salon and a pool;
- A rotunda show featuring a Chinese zodiac-inspired ceiling along with gold “prosperity tree” and a “dragon of fortune” attractions; and

- Approximately 31,000 square feet of meeting and convention space.

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

	As at 31 December	
	2017	2016
VIP table games	110	82
Mass market table games	195	190
Slot machines	933	804
Poker tables	11	13

Wynn Palace

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

Wynn Palace features:

- Approximately 420,000 square feet of casino space, offering 24-hour gaming and a full range of games, including private gaming salons and sky casinos;
- A luxury hotel with a total of 1,706 spacious rooms, suites and villas;
- Casual and fine dining in eleven food and beverage outlets;
- Approximately 106,000 square feet of high-end, brand-name retail shopping;
- Recreation and leisure facilities, including a cable car (“**Sky Cab**”) ride, health club, spa, salon and pool;
- Public attractions including an 8-acre performance lake, floral art displays and fine art displays; and
- Approximately 37,000 square feet of meeting and convention space.

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

	As at 31 December	
	2017	2016
VIP table games	112	88
Mass market table games	198	202
Slot machines	1,013	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\$258.0 billion in gaming revenue during the year ended 31 December 2017, an increase of approximately 19.1% over the approximate HK\$216.7 billion generated in the year ended 31 December 2016, making Macau the largest gaming market in the world.

Tourism

The levels of tourism and overall gaming activities in Macau are key drivers of our business. Both the Macau gaming market and visitation to Macau grew significantly from liberalization in 2002 to 2014. From the first quarter of 2015 until the second quarter of 2016, the Macau gaming market experienced a period of decline in both revenue and visitation. In the third quarter of 2016, both metrics began to improve and statistics for the year ended 2017 reflect a year-over-year increase of 5.4% with 32.6 million tourist arrivals to Macau. We have benefited from the rise in visitation to Macau during the year ended 2017.

The Macau market has experienced tremendous growth in capacity since the opening of Wynn Macau in 2006. As at 31 December 2017, there were 37,100 hotel rooms, 6,419 table games and 15,622 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 90.2% of visitors to Macau for the year ended 31 December 2017 were from mainland China, Hong Kong and Taiwan.

Tourism levels in Macau are affected by a number of factors, all of which are beyond our control. Factors affecting tourism levels in Macau may include, among others: the prevailing economic conditions in mainland China and Asia; restrictions, conditions or other factors which affect visitation by citizens of mainland China to Macau; various countries' policies on currency exchange controls and currency export and travel restrictions (for example on Renminbi, the currency of the PRC, and the issuance of travel visas that may be in place from time to time); and competition from other destinations which offer gaming and/or leisure activities.

Natural and man-made disasters, extreme weather conditions (such as typhoons and heavy rainstorms), outbreaks of highly infectious diseases, public incidents of violence, security alerts, riots and demonstrations, war and other events, particularly in Macau and nearby regions, may result in decreases to visitor arrivals to Macau from mainland China and elsewhere and disrupt travel to and between our resorts. Any of these events may also interfere with our operations and could have a material adverse effect on our business, financial condition and results of operations. Although we have insurance coverage with respect to some of these events, we cannot assure you that any such coverage will be sufficient to indemnify us fully against all direct and indirect costs, including any loss of business that could result from substantial damage to, or partial or complete destruction of, any of our properties.

Economic and Operating Environment

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

Competition

Since the liberalization of Macau's gaming industry in 2002, there has been a significant increase in the number of casino properties in Macau. There are six gaming operators in Macau, including WRM. The three concessionaires are WRM, SJM, and Galaxy. The three subconcessionaires are Melco, MGM Macau, and Venetian Macau. As at 31 December 2017, there were approximately 40 casinos in Macau, including 22 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, we contributed to the new capacity in the market, with the opening of Wynn Palace in the Cotai area. Several of our competitors also opened additional facilities during 2016 and 2017 and will open additional facilities over the next few years, which will further increase other gaming and non-gaming offerings in Macau.

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

Gaming Concession

The current term of our Concession Agreement with the Macau government ends in June 2022. Unless our concession is extended, by June 2022, all of our gaming operations and related equipment in Macau will be automatically transferred to the Macau government without compensation to us and we will cease to generate any revenues from these operations. The Macau government has publicly commented that it is studying the process by which gaming concessions and subconcessions may be renewed. The relevant concession or subconcession held by Galaxy, Venetian Macau and Melco also expires in June 2022, whereas the relevant concession or subconcession held by SJM and MGM Macau expires in March 2020.

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

Macau Laws and Regulations

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

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

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

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

The Resignation of Mr. Stephen A. Wynn, the former Chief Executive Officer and Chairman of the Board of the Company, and his separation from the Group

On 7 February 2018, Mr. Wynn resigned as executive Director, Chairman of the Board, and Chief Executive Officer of the Company after allegations of inappropriate conduct by Mr. Wynn were reported since January 2018. Mr. Wynn also resigned from his positions as director and officer of the Company's subsidiaries. The resulting controversy related to Mr. Wynn and his separation from the Group could significantly harm our business in numerous ways, including in ways that we cannot predict. The DICJ, our gaming regulator in Macau, is monitoring and reviewing the situation, and we are cooperating. Additional allegations have been and may in the future be asserted against Mr. Wynn. Allegations may also be asserted against a member of Group in the future, and regulatory or legal proceedings involving a member of the Group may be commenced.

The foregoing events, controversy and possible litigation or disputes, as well as the Macau Litigation Related to Okada (as further detailed in "Litigation - Macau Litigation Related to Okada") and any additional connected matters that may arise in the future, can be expensive and may divert management's attention from the operations of our business. The foregoing events, controversy and possible litigation or disputes may also lead to additional scrutiny from regulators. In addition, publicity of the foregoing events, controversy and litigation and disputes (actual and potential) could negatively impact our business, reputation and competitive position and could reduce demand for the securities of the Company and thereby have a negative impact on their trading prices.

Furthermore, the Group's integrated resort business model was pioneered by Mr. Wynn. Our business, reputation, and competitive position may be negatively affected as a result of our association with Mr. Wynn, or as a result of his separation from the Group and the loss of his skills and experience.

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\$7.7 billion and HK\$4.1 billion for the years ended 31 December 2017 and 2016, respectively. Commissions increased 87.3% for the year ended 31 December 2017 compared to the year ended 31 December 2016 as VIP gross table games win increased due to increased business volumes at Wynn Macau and the opening of Wynn Palace in the third quarter of 2016.

We typically advance commissions to certain selected gaming promoters with strong operational performance history at the beginning of each month to facilitate their working capital requirements. These advances are provided to a gaming promoter and are offset by the commissions earned by such gaming promoter during the applicable month. The aggregate amounts of exposure to our gaming promoters, which is the difference between commissions advanced to each individual gaming promoter, and the net commissions payable to each such gaming promoter, increased primarily due to increased business volumes at Wynn Macau and Wynn Palace to HK\$102.9 million as at 31 December 2017 from HK\$37.0 million as at 31 December 2016. At the end of each month, any commissions outstanding are cleared no later than the fifth business day of the succeeding month and prior to the advancement of any further funds to a gaming promoter. We believe we have developed strong relationships with our gaming promoters. Our commission percentages have remained stable throughout our operating history.

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

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

The reputations and probity of the gaming promoters with whom we work are important to our own reputation and to our ability to operate in compliance with our gaming concession and Macau gaming laws. We conduct periodic reviews of the probity and compliance programs of our gaming promoters. However, we are not able to control our gaming promoters' compliance with these high standards of probity and integrity, and our gaming promoters may violate provisions in their contracts with us designed to ensure such compliance. Failure by a gaming promoter we work with to comply with Macau gaming laws or maintain the required standards of probity and integrity could adversely affect our reputation and our business.

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.

Intellectual Property Rights

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

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

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

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

Cybersecurity Risks

We rely on information technology and other systems (including those maintained by third parties we work with) to maintain and transmit customer financial information, credit card settlements, credit card funds transmissions, mailing lists and reservations information and other personally identifiable information. We also maintain important internal company data relating to our operations and employees. The security of the information we maintain (or maintained by third parties we work with) encounter ever-evolving threats and risks of compromised security including cyber-attack attempts and cybersecurity breaches. Although we have implemented systems and processes to protect customers, employees and company information, the measures we take to deter and mitigate against these threats and risks may not be successful and our insurance coverage for protecting against cybersecurity risks may not be sufficient to cover the subsequent losses depending on the incident. A significant theft, loss or fraudulent use of customer or company data maintained by us or by a third-party service provider could have an adverse effect on our reputation, cause a material disruption to our operations and management team, and result in remediation expenses, regulatory penalties and litigation by customers and other parties whose information was subject to such attacks, all of which could have a material adverse effect on our business, results of operations and cash flows.

Risk of Fraud, Cheating and Theft

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

Fraudulent Websites

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

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

To report fraudulent websites or e-mails purportedly connected to the Group, please e-mail inquiries@wynnmacau.com.

ADJUSTED EBITDA

Adjusted EBITDA is earnings before finance costs, finance revenues, net foreign currency differences, change in fair value of interest rate swaps, income taxes, depreciation and amortization, pre-opening costs, property charges and other, share-based payments, Wynn Macau, Limited corporate expenses, and other non-operating income and expenses. Adjusted EBITDA is presented exclusively as a supplemental disclosure because our Directors believe that it is widely used to measure the performance, and as a basis for valuation, of gaming companies. Our Adjusted EBITDA presented herein also differs from the Adjusted Property EBITDA presented by Wynn Resorts, Limited for its Macau 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	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
Operating profit	5,369,644	2,264,532
Add		
Depreciation and amortization	2,775,977	1,591,397
Pre-opening costs	—	1,003,521
Property charges and other	133,464	24,814
Share-based payments	111,061	117,894
Wynn Macau, Limited corporate expenses	107,376	103,266
	<hr/>	<hr/>
Adjusted EBITDA	<u>8,497,522</u>	<u>5,105,424</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	
	2017	2016
	HK\$	HK\$
	<i>(in thousands, except for averages, daily win figures and number of tables and slot machines)</i>	
Wynn Macau:		
Casino revenues ⁽¹⁾	18,346,060	16,525,870
Rooms ⁽²⁾	92,774	123,919
Food and beverage ⁽²⁾	197,407	210,194
Retail and other ⁽²⁾	729,798	711,513
Wynn Palace⁽⁵⁾:		
Casino revenues ⁽¹⁾	15,285,197	4,026,627
Rooms ⁽²⁾	328,692	122,639
Food and beverage ⁽²⁾	331,122	119,518
Retail and other ⁽²⁾	729,568	259,198
Total operating revenues	<u>36,040,618</u>	<u>22,099,478</u>
Wynn Macau:		
VIP:		
VIP table games turnover	454,269,332	365,211,608
VIP gross table games win ⁽¹⁾	14,862,762	12,010,418
VIP gross table games win as a percentage of turnover (calculated before commission and accrued complimentary)	3.3%	3.3%
Average number of gaming tables ⁽³⁾	96	149
Daily gross win per gaming table ⁽⁴⁾	426,380	219,927
Mass market:		
Mass market table drop	35,261,569	35,591,412
Mass market gross table games win ⁽¹⁾	6,833,903	6,810,648
Mass market gross table games win percentage	19.4%	19.1%
Average number of gaming tables ⁽³⁾	204	217
Daily gross win per gaming table ⁽⁴⁾	91,693	85,971

	For the year ended	
	31 December	
	2017	2016
	HK\$	HK\$
	<i>(in thousands, except for averages, daily win figures and number of tables and slot machines)</i>	
Slot machine handle	27,480,093	26,293,116
Slot machine win ⁽¹⁾	1,190,055	1,116,655
Average number of slots ⁽³⁾	914	802
Average daily win per slot ⁽⁴⁾	3,567	3,806
Wynn Palace⁽⁵⁾:		
VIP:		
VIP table games turnover	409,761,734	112,318,663
VIP gross table games win ⁽¹⁾	11,588,024	3,079,131
VIP gross table games win as a percentage of turnover (calculated before commission and accrued complimentaries)	2.8%	2.7%
Average number of gaming tables ⁽³⁾	104	81
Daily gross win per gaming table ⁽⁴⁾	306,521	287,072
Mass market:		
Mass market table drop	27,202,666	7,763,673
Mass market gross table games win ⁽¹⁾	6,172,813	1,633,411
Mass market gross table games win percentage	22.7%	21.0%
Average number of gaming tables ⁽³⁾	202	245
Daily gross win per gaming table ⁽⁴⁾	83,525	50,489
Slot machine handle	23,800,082	5,731,600
Slot machine win ⁽¹⁾	1,283,116	313,851
Average number of slots ⁽³⁾	1,026	962
Average daily win per slot ⁽⁴⁾	3,426	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 and accrued complimentaries. 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	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
VIP gross table games win	26,450,786	15,089,549
Mass market gross table games win	13,006,716	8,444,059
Slot machine win	2,473,171	1,430,506
Poker revenues	155,028	146,669
Commissions and accrued complimentaries	(8,454,444)	(4,558,286)
	<u>33,631,257</u>	<u>20,552,497</u>
Total casino revenues	<u>33,631,257</u>	<u>20,552,497</u>

- (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	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
Room revenues	421,466	246,558
Promotional allowances	1,512,294	1,046,785
	<u>1,933,760</u>	<u>1,293,343</u>
Adjusted room revenues	<u>1,933,760</u>	<u>1,293,343</u>
Food and beverage revenues	528,529	329,712
Promotional allowances	645,587	394,199
	<u>1,174,116</u>	<u>723,911</u>
Adjusted food and beverage revenues	<u>1,174,116</u>	<u>723,911</u>
Retail and other revenues	1,459,366	970,711
Promotional allowances	85,398	62,831
	<u>1,544,764</u>	<u>1,033,542</u>
Adjusted retail and other revenues	<u>1,544,764</u>	<u>1,033,542</u>

- (3) For purposes of this table, we calculate average number of gaming tables and average number of slots as the average numbers of gaming tables and slot machines in service on each day in the year.
- (4) Daily gross win per gaming table and daily win per slot are presented in this table on the basis of the average number of gaming tables and average number of slots, respectively, over the number of days Wynn Macau, 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 accrued complimentaries and the total table games win herein is calculated before commissions and accrued complimentaries.
- (5) Wynn Palace opened on 22 August 2016.

Discussion of Results of Operations

Financial results for the year ended 31 December 2017 compared to financial results for the year ended 31 December 2016

Operating Revenues

Total operating revenues increased by 63.1% from HK\$22.10 billion in 2016 to HK\$36.04 billion in 2017. This increase was primarily due to the first full year operation of Wynn Palace with its opening in August 2016 and from Wynn Macau driven by higher VIP gaming volumes during 2017 compared to 2016.

Casino Revenues

Casino revenues increased by 63.6%, from HK\$20.55 billion (93.0% of total operating revenues) in 2016 to HK\$33.63 billion (93.3% of total operating revenues) in 2017. The components and reasons are as follows:

VIP casino gaming operations. VIP gross table games win increased by 75.3%, from HK\$15.09 billion in 2016 to HK\$26.45 billion in 2017. The increase is due to VIP gross table games win increase of HK\$8.51 billion and HK\$2.85 billion from Wynn Palace and Wynn Macau, respectively. The increase in Wynn Palace VIP gross table games win was primarily due to its first full year of operations. The increase in Wynn Macau VIP gross table games win was primarily driven by an increase in business volumes, with VIP table games turnover up 24.4%, from HK\$365.21 billion in 2016 to HK\$454.27 billion in 2017. Wynn Macau VIP gross table games win as a percentage of turnover (calculated before commissions and accrued complimentary) remained flat at 3.3% in 2017, which was above our expected range of 2.7% to 3.0%.

Mass market casino gaming operations. Mass market gross table games win increased by 54.0%, from HK\$8.44 billion in 2016 to HK\$13.01 billion in 2017. The increase is due to mass market gross table win increase of HK\$4.54 billion and HK\$23.3 million from Wynn Palace and Wynn Macau, respectively. The increase in Wynn Palace mass market gross table games win was primarily due to its first full year of operations. The increase in Wynn Macau mass market gross table win was due to an increase in the mass market gross table games win percentage from 19.1% in 2016 to 19.4% in 2017, partially offset by a decrease in the mass market table drop from HK\$35.59 billion in 2016 to HK\$35.26 billion in 2017.

Slot machine gaming operations. Slot machine win increased by 72.9% from HK\$1.43 billion in 2016 to HK\$2.47 billion in 2017. The increase was due to slot machine win increase of HK\$969.3 million and HK\$73.4 million from Wynn Palace and Wynn Macau, respectively. The increase in Wynn Palace slot machine win was primarily due to its first full year of operations. The increase in Wynn Macau slot machine win was primarily driven by an increase in business volumes, with slot machine handle increasing by 4.5%, from HK\$26.29 billion in 2016 to HK\$27.48 billion in 2017, and an increase in the average number of slot machines from 802 in 2016 to 914 in 2017.

Non-casino Revenues

Net non-casino revenues, which include room, food and beverage and retail and other revenues, increased by 55.7% from HK\$1.55 billion (7.0% of total operating revenues) in 2016 to HK\$2.41 billion (6.7% of total operating revenues) in 2017. The increase in non-casino revenues was largely due to Wynn Palace's first full year of operations with its opening in August 2016.

Rooms. Our room revenues, which exclude promotional allowances in our consolidated statement of profit or loss and other comprehensive income, increased by 70.9% from HK\$246.6 million in 2016 to HK\$421.5 million in 2017.

Management also evaluates room revenues on an adjusted basis which include promotional allowances when assessing performance. Adjusted room revenues including promotional allowances increased by 49.5% from HK\$1.29 billion in 2016 to HK\$1.93 billion in 2017.

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

Adjusted room revenues information

	For the year ended 31 December	
	2017	2016
Wynn Macau:		
Adjusted Average Daily Rate (includes promotional allowances of HK\$1,771 in 2017 and HK\$1,957 in 2016)	HK\$2,002	HK\$2,277
Occupancy	97.5%	94.4%
Adjusted REVPAR (includes promotional allowances of HK\$1,726 in 2017 and HK\$1,848 in 2016)	HK\$1,952	HK\$2,150
Wynn Palace[#]:		
Adjusted Average Daily Rate (includes promotional allowances of HK\$1,315 in 2017 and HK\$1,522 in 2016)	HK\$1,842	HK\$2,139
Occupancy	96.2%	83.2%
Adjusted REVPAR (includes promotional allowances of HK\$1,265 in 2017 and HK\$1,267 in 2016)	HK\$1,772	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 60.3% from HK\$329.7 million in 2016 to HK\$528.5 million in 2017.

Management also evaluates food and beverage revenues on an adjusted basis including promotional allowances when assessing performance. Food and beverage revenues adjusted to include these promotional allowances increased by 62.2% from HK\$723.9 million in 2016 to HK\$1.17 billion in 2017.

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 50.3% from HK\$970.7 million in 2016 to HK\$1.46 billion in 2017.

Management also evaluates retail and other revenues on an adjusted basis which includes promotional allowances when assessing performance. Adjusted retail and other revenues including promotional allowances increased by 49.5% from HK\$1.03 billion in 2016 to HK\$1.54 billion in 2017.

Operating Costs and Expenses

Gaming taxes and premiums. Gaming taxes and premiums increased by 67.1%, from HK\$10.01 billion for the year ended 31 December 2016 to HK\$16.74 billion for the same period of 2017. This increase from 2016 to 2017 was primarily due to gross gaming win generated after the opening of Wynn Palace on 22 August 2016. The increase was commensurate with the 63.6% 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 16.8%, from HK\$3.95 billion for the year ended 31 December 2016 to HK\$4.61 billion for the same period of 2017. The increase was due to increased headcount for the operation of Wynn Palace.

Other operating expenses. Other operating expenses increased by 50.6%, from HK\$4.26 billion for the year ended 31 December 2016 to HK\$6.41 billion for the same period of 2017, driven mainly by increase in business volume related expenses such as gaming promoters' commissions, license fees, cost of sales, advertising and promotion expenditures and other expenses, all primarily due to the full year of operations of Wynn Palace. The increase of business volume related expenses was partially offset by a HK\$64.6 million decrease of provision for doubtful accounts. The change in the provision was primarily due to increased collections of casino accounts receivable that resulted in the reversal of previously recorded allowance for doubtful accounts.

Depreciation and amortization. Depreciation and amortization increased by 74.4% from HK\$1.59 billion for the year ended 31 December 2016 to HK\$2.78 billion for the same period of 2017. The increase was primarily due to the opening of Wynn Palace with associated buildings and improvements and furniture, fixtures and equipment placed in service.

Property charges and other. Property charges and other increased from HK\$24.8 million for the year ended 31 December 2016 to HK\$133.5 million for the same period of 2017. During the year ended 31 December 2017, we incurred HK\$133.5 million primarily due to abandonment charges and asset retirements associated with various renovation projects and estimated costs related to property damage caused by a typhoon, partially offset by an insurance claim. Amounts in 2016 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 54.6%, from HK\$19.83 billion in 2016 to HK\$30.67 billion in 2017.

Finance Revenues

Finance revenues decreased from HK\$24.2 million in 2016 to HK\$15.0 million in 2017. The decrease was primarily due to holding lower average cash balances in 2017 compared to 2016. During 2017 and 2016, our short-term investment strategy has been to preserve capital while retaining sufficient liquidity. The majority of our cash equivalents were primarily in time deposits and fixed deposits with a maturity of three months or less.

Finance Costs

Finance costs increased by 51.5% from HK\$838.1 million in 2016 to HK\$1.27 billion in 2017. The increase in finance costs was driven by the decrease in capitalized interest from HK\$432.9 million in the year ended 31 December 2016 to nil in the year ended 31 December 2017 due to the completion of Wynn Palace construction work.

Interest Rate Swaps

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

Changes in the fair value of our interest rate swaps are recorded as an increase or decrease in swap fair value during each year. We recorded a gain of HK\$3.4 million for 2016, compared to a loss of HK\$8.2 million for 2017, respectively, resulting from the movement in the fair value of our interest rate swaps. These interest rate swaps expired in July 2017.

Income Tax Expense

Income tax expense was HK\$12.4 million in 2016 and 2017. Our income tax expense relates to the current tax expense recorded by our subsidiaries owning WRM's shares under the WRM Shareholder Dividend Tax Agreement.

Net Profit Attributable to Owners of the Company

As a result of the foregoing, net profit attributable to owners of the Company increased by 157.8%, from HK\$1.44 billion in 2016 to HK\$3.70 billion in 2017.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

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

Our cash balances as at 31 December 2017 were approximately HK\$5.24 billion. This cash is available for operations, new development activities, enhancements to our properties, debt service and retirement, and general corporate purposes.

On 30 September 2015, WRM expanded the availability of borrowings under its senior secured bank facility to approximately HK\$23.82 billion consisting of an approximately HK\$17.97 billion fully funded senior secured term loan facility and an approximately HK\$5.85 billion senior secured revolving credit facility. WRM also has the ability to upsize the total senior secured facilities by approximately an additional HK\$7.80 billion equivalent (US\$1.00 billion) pursuant to the terms and provisions of the agreement for the Wynn Macau Credit Facilities. As at 31 December 2017, the Group had approximately HK\$5.85 billion of available borrowing capacity under the Wynn Macau Credit Facilities.

On 18 July 2016, WMLF entered into an agreement as the borrower for a revolving credit facility for initially up to HK\$1.55 billion (approximately US\$198.1 million) with Bank of China Limited, Macau Branch as the lender. On 25 October 2016, the WMLF Revolving Credit Facility was amended and upsized, increasing the available borrowing capacity to HK\$3.87 billion (approximately US\$495.2 million). The WMLF Revolving Credit Facility matures in July 2018, at which time any outstanding borrowings must be repaid. As at 31 December 2017, the Group had no outstanding amounts under the amended WMLF Revolving Credit Facility.

On 20 September 2017, the Company completed the issuance of 4.875% senior notes due 2024 with an aggregate principal amount of US\$600 million (approximately HK\$4.69 billion) (the “WML 2024 Notes”) and 5.5% senior notes due 2027 with an aggregate principal amount of US\$750 million (approximately HK\$5.86 billion) (the “WML 2027 Notes”) and together with the WML 2024 Notes, the “WML Notes”). The Company used the net proceeds from the WML Notes and cash on hand to fund the cost of extinguishing the WML 2021 Notes.

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	
	2017	2016
	HK\$	HK\$
	<i>(in thousands, except for percentages)</i>	
Interest-bearing borrowings	28,123,305	32,169,888
Accounts payable	681,147	525,501
Construction and retentions payables	458,161	1,168,326
Other payables and accruals	10,234,868	6,191,037
Amounts due to related companies	261,601	202,298
Other liabilities	223,472	222,932
Less: cash and cash equivalents	(5,239,690)	(2,591,442)
restricted cash and cash equivalents	(16,886)	(22,109)
Net debt	<u>34,725,978</u>	<u>37,866,431</u>
Equity	<u>3,000,758</u>	<u>2,453,064</u>
Total capital	<u>3,000,758</u>	<u>2,453,064</u>
Capital and net debt	<u><u>37,726,736</u></u>	<u><u>40,319,495</u></u>
Gearing ratio	<u><u>92.0%</u></u>	<u><u>93.9%</u></u>

Cash Flows

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

	For the year ended	
	31 December	
	2017	2016
	HK\$	HK\$
	<i>(in millions)</i>	
Net cash generated from operating activities	12,667.3	5,843.2
Net cash used in investing activities	(1,162.0)	(6,757.1)
Net cash used in financing activities	(8,858.4)	(3,229.3)
Net increase/(decrease) in cash and cash equivalents	2,646.9	(4,143.2)
Cash and cash equivalents at beginning of year	2,591.4	6,731.4
Effect of foreign exchange rate changes, net	1.4	3.2
Cash and cash equivalents at end of year	<u>5,239.7</u>	<u>2,591.4</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\$12.67 billion in 2017, compared to HK\$5.84 billion in 2016. Operating profit was HK\$5.37 billion in 2017 compared to HK\$2.26 billion in 2016. The increase in net cash generated from operating activities was primarily attributable to the changes in working capital and the increase in operating profit.

Net cash used in investing activities

Net cash used in investing activities was HK\$1.16 billion in 2017, compared to HK\$6.76 billion in 2016. Net cash used in 2017 included capital expenditures of HK\$1.26 billion for renovations to enhance and refine the Macau Operations and for purchases of property and equipment, partially offset by HK\$78.0 million of proceeds from insurance claims, HK\$14.9 million of interest receipts and HK\$6.2 million in proceeds from the sale of property and equipment and other assets. Net cash used in 2016 primarily included capital expenditures of HK\$6.51 billion for both Wynn Palace construction costs and renovations to enhance and refine the Wynn Macau operations and fine arts acquisition cost of HK\$278.8 million.

Net cash used in financing activities

Net cash used in financing activities was HK\$8.86 billion during 2017, compared to HK\$3.23 billion during 2016. During 2017, the net cash used in financing activities was primarily due to a HK\$2.65 billion net repayment on the senior revolving credit facility of the Wynn Macau Credit Facilities, a HK\$1.47 billion repayment of the WMLF Revolving Credit Facility, HK\$3.27 billion of dividend payments made in June 2017 and September 2017, HK\$7.39 billion principal payments in the tender offer of WML 2021 Notes, HK\$3.15 billion payments on redemption of the untendered WML 2021 Notes, HK\$396.3 million payments on debt financing costs and HK\$1.08 billion of interest payments, partially offset by receipts of HK\$10.55 billion proceeds from issuance of WML Notes. During 2016, net cash used in financing activities was primarily due to a HK\$3.11 billion special dividend payment made in April 2016, a HK\$3.03 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\$2.33 billion proceeds from the senior revolving credit facility and HK\$1.47 billion net proceeds from the WMLF Revolving Credit Facility.

Indebtedness

The following table presents a summary of our indebtedness.

Indebtedness information

	As at 31 December	
	2017	2016
	HK\$	HK\$
	<i>(in thousands)</i>	
Bank loans	17,970,353	22,003,178
Senior notes	10,553,330	10,498,819
Less: debt financing costs, net	(400,378)	(332,109)
	<hr/>	<hr/>
Total interest-bearing borrowings	<u>28,123,305</u>	<u>32,169,888</u>

Wynn Macau Credit Facilities

Overview

As at 31 December 2017, the Wynn Macau Credit Facilities consisted of approximately HK\$23.82 billion equivalent in a combination of Hong Kong dollar and U.S. dollar facilities, including an approximately HK\$17.97 billion equivalent fully funded senior term loan facility and an approximately HK\$5.85 billion equivalent senior revolving credit facility.

There is also an option to upsize the total senior secured credit facilities by approximately an additional HK\$7.80 billion equivalent (US\$1.00 billion) under the Wynn Macau Credit Facilities and related agreements upon the satisfaction of various conditions. The borrowings under the Wynn Macau Credit Facilities were used to refinance WRM's indebtedness in 2015 and for a variety of purposes, including to fund the construction and development of Wynn Palace and for general corporate purposes.

The HK\$17.97 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 circumstances giving rise to an event of default includes if Wynn Resorts, Limited, the Company's controlling shareholder, ceases to own directly or indirectly at least 51% of the voting rights or issued capital of WRM or ceases to retain the ability or the right to direct or procure the direction of the management and policies of WRM. Upon an event of default, the lenders are entitled to exercise certain remedies including acceleration of the indebtedness under the senior secured credit facilities. The Directors confirm that there is no non-compliance with the financial covenants or general covenants contained in the Wynn Macau Credit Facilities.

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

The Group had approximately HK\$5.85 billion available to draw under the revolving credit facility of the Wynn Macau Credit Facilities as at 31 December 2017.

WML 2021 Notes

On 11 September 2017, the Company commenced a cash offer to purchase and cancel any and all of the outstanding aggregate principal amount of the WML 2021 Notes. On 21 September 2017, approximately US\$946.4 million (approximately HK\$7.39 billion) principal amount of the WML 2021 Notes were repurchased and cancelled by the Company pursuant to the cash offer. The Company redeemed and cancelled the remaining US\$403.6 million (approximately HK\$3.15 billion) principal amount of the outstanding WML 2021 Notes and discharged the indenture under which the WML 2021 Notes were issued on 20 October 2017. The withdrawal of the listing of the WML 2021 Notes became effective on 27 October 2017.

WML Notes

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

At any time prior to 1 October 2020 and 1 October 2022, the Company may redeem the WML 2024 Notes and WML 2027 Notes, respectively, in whole or in part, at a redemption price equal to the greater of (a) 100% of the principal amount of the WML Notes or (b) a “make-whole” amount as determined by an independent investment banker in accordance with the terms of the indentures for the WML Notes, dated as of 20 September 2017 (the “**WML Indentures**”). In either case, the redemption price would include accrued and unpaid interest. In addition, at any time prior to 1 October 2020, the Company may use the net cash proceeds from certain equity offerings to redeem up to 35% of the aggregate principal amount of the WML 2024 Notes and the WML 2027 Notes, at a redemption price equal to 104.875% of the aggregate principal amount of the WML 2024 Notes and 105.5% of the aggregate principal amount of the WML 2027 Notes, as applicable.

On or after 1 October 2020 and 1 October 2022, the Company may redeem the WML 2024 Notes and WML 2027 Notes, respectively, in whole or in part, at a premium decreasing annually from 102.438% and 102.75%, respectively, of the applicable principal amount to 100% of the applicable principal amount, plus accrued and unpaid interest. If the Company undergoes a Change of Control (as defined in the WML Indentures), it must offer to repurchase the WML Notes at a price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest. The circumstances that will constitute a Change of Control includes the sale, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Group to any person other than to Mr. Stephen A. Wynn or a related party of Mr. Wynn, the consummation of any transaction that results in any party other than Mr. Wynn and his related parties becoming the direct or indirect owner of more than 50% of the outstanding voting stock of Wynn Resorts, Limited and the first day on which a majority of the members of the Board are not continuing directors. A related party of Mr. Wynn under the WML Indentures includes any immediate family member or former spouse of Mr. Wynn or any entity or vehicle where Mr. Wynn and/or any immediate family member or former spouse of Mr. Wynn hold 51% or more of the controlling interest. Continuing directors under the WML Indentures means either (i) the Directors as of the date the WML Notes were issued or (ii) Directors that were nominated for election, were elected or appointed to the Board with the approval of a majority of the continuing directors at the time of such nomination, election or appointment. In addition, the Company may redeem the WML Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest, in response to any change in or amendment to certain tax laws or tax positions. Further if a holder or beneficial owner of the WML Notes fails to meet certain requirements imposed by any Gaming Authority (as defined in the WML Indentures), the Company may require the holder or beneficial owner to dispose of or redeem its WML Notes.

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

WMLF Revolving Credit Facility

During 2016, WMLF entered into an agreement as the borrower for a revolving credit facility for up to HK\$3.87 billion (approximately US\$495.2 million) with Bank of China Limited, Macau Branch as the lender.

Borrowings under the WMLF Revolving Credit Facility are required to be secured by pledged US\$ deposits to be 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 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).

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.

As at 31 December 2017, the Group had no outstanding amounts under the WMLF Revolving Credit Facility and the full HK\$3.87 billion available.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

Foreign Currency Exchange Risks

The financial statements of foreign operations are translated into Hong Kong dollars, the Company's functional and presentation currency, for incorporation into the 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.

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 paid 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.

Under the third swap agreement, the Group paid a fixed interest rate of 0.6763% on borrowing of US\$243.8 million (approximately HK\$1.91 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.

All three of the above swap agreements expired 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 2017 and 2016, were charged to the consolidated statement of profit or loss and other comprehensive income.

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.

RELATED PARTY TRANSACTIONS

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

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 2018 and anticipates filing its MFRS Consolidated Financial Statements with the Gaming Inspection and Coordination Bureau of Macau by 31 March 2018. 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 2018. The MFRS Consolidated Financial Statements and the MFRS Condensed Consolidated Financial Statements may not be directly comparable with our Company’s financial results disclosed herein, which are prepared under IFRS.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Group’s listed securities during the year ended 31 December 2017.

CORPORATE GOVERNANCE CODE

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

The Company has complied with the code provisions in the Code for the year ended 31 December 2017 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

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has complied with code provision A.2.1 of the Code since 7 February 2018 upon the appointment of Mr. Matthew O. Maddox as the Chief Executive Officer of the Company and Dr. Allan Zeman as the Chairman of the Board. Prior to 7 February 2018, Mr. Wynn, the founder of the Company and WRM, had served as the Chairman and Chief Executive Officer of the Company. The Board had determined that the combination of these roles held singularly by Mr. Wynn was 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. Mr. Wynn's combined role promoted unified leadership and direction for the Board and executive management. The combined role of Mr. Wynn as both Chairman and Chief Executive Officer was balanced by the Company's governance structure, policies and controls.

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 former Chairman, was unable to travel internationally to attend the Company's annual general meeting held on 1 June 2017 while recovering from an orthopedic procedure.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code on 16 September 2009 as its code of conduct for securities transactions by Directors. On 23 March 2010, the Company adopted its own code of conduct for securities transactions, which was 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 2017.

AUDIT AND RISK COMMITTEE

An Audit and Risk Committee has been established by the Company to review and supervise the financial reporting process, internal control procedures and risk management system of the Group. The Audit and Risk Committee comprises three independent non-executive Directors of the Company. The Audit and Risk Committee members have reviewed the Group's results for the year ended 31 December 2017.

ANNUAL REPORT

The Company's annual report for the year ended 31 December 2017 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 2017. The litigation matters set out below are disclosed on a voluntary basis and as with all litigation, no assurances can be provided as to the outcome thereof.

Macau Litigation Related to Okada

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

On 11 July 2017, the Macau Court dismissed all the claims made by the Okada Parties against the Wynn Macau Parties as unfounded and imposed a fine of MOP41,500 (approximately HK\$40,000) on the Okada Parties for being vexatious litigants. In addition, the Macau Court ordered the Okada Parties to pay Court fees and lawyer fees of the Wynn Macau Parties. The Okada Parties appealed the Macau Court’s decision and on 21 December 2017, the Wynn Macau Parties filed its response to the appeal with the Court of Appeal of Macau.

On 8 March 2018, Universal Entertainment Corp. and Aruze USA, Inc. (collectively, the “**Universal Parties**”) agreed to effectively withdraw as parties from these legal proceedings pursuant to the settlement agreement and mutual release entered into by, among others, the Universal Parties and Wynn Resorts, Limited. The Company made a voluntary announcement regarding the settlement agreement and mutual release on 9 March 2018.

These proceedings may continue with respect to Mr. Kazuo Okada as he is not a party to the settlement agreement and mutual release. The Company intends to vigorously defend WRM and the other defendants in the lawsuits.

Macau Litigation Related to Dore

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

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

COOPERATION WITH THE CCAC

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

RE-ELECTION OF DIRECTORS

In accordance with article 17.18 of the Company’s articles of association, one third of our Board will retire from office by rotation at the forthcoming annual general meeting. The three directors who will retire by rotation are Mr. Matthew O. Maddox and Ms. Linda Chen, each an executive Director, and Mr. Bruce Rockowitz, an independent non-executive Director. All retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. In accordance with article 17.2 of the Company’s articles of association, Mr. Maurice L. Wooden having been appointed by the Board as a non-executive Director effective from 7 February 2018 and being eligible, will offer himself for re-election at the forthcoming annual general meeting.

CHANGE IN DIRECTORS AND EXECUTIVE ROLES

On 7 February 2018, Mr. Stephen A. Wynn resigned as Chairman of the Board, an executive Director and Chief Executive Officer of the Company, Mr. Matthew O. Maddox was re-designated from non-executive Director to executive Director and was appointed as Chief Executive Officer of the Company, Mr. Maurice L. Wooden was appointed as a non-executive Director of the Company, and Dr. Allan Zeman was appointed as our non-executive Chairman of the Board.

CHANGE IN COMPOSITION OF THE REMUNERATION COMMITTEE

Mr. Matthew O. Maddox ceased to be a member of the Remuneration Committee with effect from 23 March 2018. The Remuneration Committee comprises of three members, namely Mr. Nicholas Sallnow-Smith (as the Chairman of the Remuneration Committee), Mr. Jeffrey Kin-fung Lam and Mr. Bruce Rockowitz. Mr. Matthew O. Maddox remains an Executive Director and Chief Executive Officer of the Company.

SPECIAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared a special dividend of HK\$0.75 per Share payable to Shareholders whose names appear on the register of members of the Company on 16 April 2018. It is expected that the special dividend will be paid on 25 April 2018.

In order to determine the identity of the Shareholders who are entitled to the special dividend, the register of members of the Company will be closed from 12 April 2018 to 16 April 2018 (both dates inclusive), during which period no transfer of Shares will be effected. All dividends will be paid in Hong Kong dollars. In order to qualify for the special 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 11 April 2018.

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 2017 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young (the "**Auditor**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

DEFINITIONS USED IN THIS ANNOUNCEMENT

“Board of Directors” or “Board”	the Board of Directors of our Company
“Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules as applicable on 31 December 2017
“Company” , “our Company” or “WML”	Wynn Macau, Limited, a company incorporated on 4 September 2009 as an exempted company with limited liability under the laws of the Cayman Islands and an indirect subsidiary of Wynn Resorts, Limited
“Concession Agreement”	the Concession Contract for the Operation of Games of Chance or Other Games in Casinos in the Macau Special Administrative Region entered into between WRM and the Macau government on 24 June 2002
“Cotai Land Concession Agreement”	the land concession contract entered into between WRM, Palo and the Macau government for approximately 51 acres of land in the Cotai area of Macau, and for which formal approval from the Macau government was published in the official gazette of Macau on 2 May 2012
“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”	Melco Resorts (Macau) Limited (formally known as Melco Crown (Macau) Limited), one of the six gaming operators in Macau and one of the three sub-concessionaires
“MGM Macau”	MGM Grand Paradise Limited, one of the six gaming operators in Macau and one of the three sub-concessionaires
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“MOP” or “pataca”	Macau pataca, the lawful currency of Macau
“Palo Real Estate Company Limited” or “Palo”	Palo Real Estate Company Limited, a limited liability company incorporated under the laws of Macau, subject to Ms. Linda Chen 10% social and voting interest and MOP1.00 economic interest in WRM, an indirect wholly-owned subsidiary of the Company
“PRC”, “China” or “mainland China”	the People’s Republic of China and, except where the context requires and only for the purpose of this announcement, references in this announcement to the PRC or China do not include Taiwan, Hong Kong or Macau; the term “Chinese” has a correlatives meaning
“SEC”	the U.S. Securities and Exchange Commission
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.001 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“SJM”	Sociedade de Jogos de Macau S.A., one of the six gaming operators in Macau and one of the three concessionaires
“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\$4.69 billion) 5.25% senior notes due 2021 issued by the Company in October 2013 and the additional US\$750 million (approximately HK\$5.86 billion) 5.25% senior notes due 2021 issued by the Company on 20 March 2014 (Debt Stock Code: 5983), which were consolidated and form a single series of notes
“WML 2024 Notes”	the US\$600 million (approximately HK\$4.69 billion) 4.875% senior notes due 2024 issued by the Company in September 2017 (Debt Stock Code: 5279)
“WML 2027 Notes”	the US\$750 million (approximately HK\$5.86 billion) 5.50% senior notes due 2027 issued by the Company in September 2017 (Debt Stock Code: 5280)
“WML Notes”	WML 2027 Notes and together with the WML 2024 Notes, the WML Notes
“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\$1.55 billion (approximately US\$198.1 million) revolving credit facility extended to WMLF on 18 July 2016 and the principal amount was subsequently increased to HK\$3.87 billion (approximately US\$495.2 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 August 2016, for a term of five years between WRM and the Macau Special Administrative Region, that provide for an annual payment to the Macau Special Administrative Region of MOP12.8 million in years 2016 through 2020 in lieu of Complementary Tax otherwise due by WRM shareholders on dividend distributions to them from gaming profits earned in those years
“Wynn International Marketing, Ltd.”	Wynn International Marketing, Ltd., a company incorporated under the laws of Isle of Man and a wholly-owned subsidiary of Wynn Resorts, Limited
“Wynn Macau”	a casino hotel resort located in Macau, owned and operated directly by WRM, which opened on 6 September 2006, and where appropriate, the term also includes Encore at Wynn Macau
“Wynn Macau Credit Facilities”	together, the HK\$17.97 billion (equivalent) fully-funded senior term loan facilities and the HK\$5.85 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 Holdings, LLC”	Wynn Resorts Holdings, LLC, a company formed under the laws of the State of Nevada, United States and a wholly-owned subsidiary of Wynn Resorts, Limited
“Wynn Resorts, Limited”, “Wynn Resorts” 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 accrued complimentarys and 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 and accrued complimentarys
“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, accrued complimentarys 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 progressive jackpot liabilities, accrued complimentarys and a portion of commissions

“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players in the greater Asia region. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based on their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history
“promotional allowance”	the retail value of rooms, food and beverage and retail and other services furnished to guests (typically VIP clients) without charge
“Rolling Chip”	physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and our Macau Operations’ individual VIP players
“table drop”	the amount of cash deposited in a gaming table drop box that serves as a repository for cash, plus cash chips purchased at the casino cage
“turnover”	the sum of all losing Rolling Chip wagers within the VIP program
“VIP client” or “VIP player”	client, patron or player who participates in our Macau Operations’ In-house VIP Program or in the VIP program of any of our gaming promoters
“VIP table games turnover”	turnover resulting from VIP table games only

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

Hong Kong, 23 March 2018

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