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Wynn Macau, Limited

永利澳門有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1128 and Debt Stock Codes: 5279, 5280, 40102, 40259, 40357)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board of Directors of Wynn Macau, Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 as follows.

FINANCIAL HIGHLIGHTS

	For the Six Months Ended 30 June	
	2021	2020
	HK\$	HK\$
	<i>(in thousands, except for per Share amounts or otherwise stated)</i>	
Casino revenues	5,271,948	2,979,751
Other revenues	1,490,582	985,835
Adjusted EBITDA	660,401	(1,397,043)
Loss attributable to owners	(2,156,817)	(3,918,484)
Loss per Share — basic and diluted	(0.42)	(0.76)

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the Six Months Ended 30 June	
		2021	2020
		HK\$	HK\$
		<i>(in thousands, except for per Share amounts)</i>	
<i>Notes</i>		<i>(unaudited)</i>	<i>(unaudited)</i>
Operating revenues			
	Casino	5,271,948	2,979,751
	Rooms	512,428	316,393
	Food and beverage	321,850	238,987
	Retail and other	656,304	430,455
		<u>6,762,530</u>	<u>3,965,586</u>
Operating costs and expenses			
	Gaming taxes and premiums	2,808,408	1,842,067
	Staff costs	2,209,498	2,376,441
	Other operating expenses	1,243,758	1,249,773
	Depreciation	1,401,350	1,474,145
	Property charges and other	37,796	194,350
		<u>7,700,810</u>	<u>7,136,776</u>
	Operating loss	<u>(938,280)</u>	<u>(3,171,190)</u>
	Finance revenues	10,737	65,966
	Finance costs	(1,168,314)	(896,589)
	Net foreign currency differences	(42,795)	97,180
	Loss on extinguishment of debt	(11,951)	(7,637)
		<u>(1,212,323)</u>	<u>(741,080)</u>
	Loss before tax	<u>(2,150,603)</u>	<u>(3,912,270)</u>
	Income tax expense	6,214	6,214
	Net loss and total comprehensive loss attributable to owners of the Company	<u>(2,156,817)</u>	<u>(3,918,484)</u>
	Basic and diluted loss per Share	<u>(0.42)</u>	<u>(0.76)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2021	As at 31 December 2020
		<i>HK\$</i>	<i>HK\$</i>
	<i>Notes</i>	<i>(in thousands)</i>	
		<i>(unaudited)</i>	<i>(audited)</i>
Non-current assets			
Property and equipment and construction in progress		27,358,286	28,560,638
Right-of-use assets		1,576,499	1,651,637
Goodwill		398,345	398,345
Deposits for acquisition of property and equipment		4,069	6,592
Other non-current assets		522,481	572,232
Restricted cash and cash equivalents		9,216	12,437
Total non-current assets		29,868,896	31,201,881
Current assets			
Inventories		289,938	286,808
Trade and other receivables	9	1,109,811	1,047,020
Prepayments and other current assets		145,072	100,772
Amounts due from related companies		124,752	183,222
Restricted cash and cash equivalents		4,277	5,380
Cash and cash equivalents		13,371,272	18,831,109
Total current assets		15,045,122	20,454,311
Current liabilities			
Accounts payable	10	461,204	438,472
Interest-bearing borrowings	11	9,767,214	4,236,095
Lease liabilities		59,413	68,160
Construction payables and accruals		258,732	295,300
Other payables and accruals	12	4,734,250	6,139,307
Amounts due to related companies		45,568	46,705
Income tax payables		6,214	12,427
Other current liabilities		48,713	127,306
Total current liabilities		15,381,308	11,363,772
Net current (liabilities)/assets		(336,186)	9,090,539
Total assets less current liabilities		29,532,710	40,292,420

		As at 30 June 2021 <i>HK\$</i> <i>(in thousands)</i> <i>(unaudited)</i>	As at 31 December 2020 <i>HK\$</i> <i>(audited)</i>
Non-current liabilities			
Interest-bearing borrowings	<i>11</i>	36,317,679	44,963,402
Lease liabilities		182,690	205,560
Construction retentions payable		1,431	1,182
Other payables and accruals	<i>12</i>	—	70,157
Other long-term liabilities		128,159	108,541
		<hr/>	<hr/>
Total non-current liabilities		36,629,959	45,348,842
		<hr/>	<hr/>
Net liabilities		(7,097,249)	(5,056,422)
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Deficiency in assets attributable to owners of the Company			
Issued capital		5,206	5,197
Share premium account		394,438	386,521
Shares held for employee ownership scheme		(84,155)	(117,327)
Deficit		(7,412,738)	(5,330,813)
		<hr/>	<hr/>
Total deficiency in assets		(7,097,249)	(5,056,422)
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NOTES TO INTERIM FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Impact of COVID-19

In early January 2020, an outbreak of a respiratory illness caused by a novel coronavirus was identified and the disease has since spread rapidly across the world causing the World Health Organization to declare the outbreak a pandemic on 12 March 2020 (the “**COVID-19 Pandemic**”). The COVID-19 Pandemic has had and will continue to have an adverse effect on the Group’s results of operations. Notwithstanding the easing of certain COVID-19 protective measures by authorities throughout the world, certain travel restrictions, quarantine measures, testing requirements, and capacity limitations remain in effect, the Group is currently unable to determine when COVID-19 specific protective measures in effect at our Macau Operations will be lifted. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the COVID-19 Pandemic and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to the Group’s future results of operations, cash flows, or financial condition.

Concession Agreement

The term of the Group’s Concession Agreement with the Macau government ends on 26 June 2022. If the term of this Concession Agreement is not extended or renewed or is not replaced by a new gaming concession, all of the Group’s gaming operations and related equipment in Macau will be automatically transferred to the Macau government without compensation on that date and the Group will cease to generate gaming revenues from its Macau Operations. In addition, under the indentures governing the Company’s HK\$36.49 billion aggregate principal amount of WML Senior Notes, upon the occurrence of any event after which none of WML or any of its subsidiaries own or manage casino or gaming areas or operate casino games of fortune and chance in Macau in substantially the same manner as they are owning or managing casino or gaming areas or operating casino games as of the issue date of the respective senior notes, 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, holders of the WML Senior Notes can require the Company to repurchase all or any part of the WML Senior Notes at par, plus any accrued and unpaid interest (the “**Special Put Option**”).

The Macau government has publicly commented that it is studying the process by which concessions and subconcessions may be renewed, extended or issued. The Group is monitoring developments with respect to the Macau government’s concession renewal or extension process, and at this time believes that its concession will be renewed or extended beyond 26 June 2022. The failure to extend or renew the Group’s Concession Agreement or obtain a new concession and the resulting ability of the WML Senior Notes holders to exercise the Special Put Option would have a material adverse effect on the Group’s business, financial condition, results of operations, and cash flows.

2. ACCOUNTING POLICIES AND BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

As of 30 June 2021, the Group was in a deficiency in assets of HK\$7.10 billion. Nonetheless, the Group had total cash and cash equivalents, excluding restricted cash, of HK\$13.37 billion, and had access to approximately HK\$2.28 billion of available borrowing capacity from the revolving credit facility of the Wynn Macau Credit Facilities. In addition, the Group has undertaken various cost containment initiatives to manage through the current environment. Given the Group’s liquidity position as at 30 June 2021 and the steps the Group has taken as further described in the section headed “Liquidity and Capital Resources”, the Group believes it is able to support continuing operations and respond to the current COVID-19 Pandemic challenges.

Application of revised International Financial Reporting Standards

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of following revised standards effective as of 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions</i>

The adoption of these revised standards did not have a material impact on the interim financial information of the Group and there has been no significant change to the accounting policies applied in the interim financial information.

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

3. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments and making strategic decisions. For management purposes, during the six months ended 30 June 2021, the Group reviewed Wynn Palace and Wynn Macau as two reportable segments. Refer to note 13 for segment information.

4. OTHER OPERATING EXPENSES

	For the Six Months Ended 30 June	
	2021	2020
	HK\$	HK\$
	(in thousands)	(in thousands)
	(unaudited)	(unaudited)
License fees	222,592	171,675
Repairs and maintenance	176,787	207,226
Advertising and promotions	154,646	81,086
Utilities and fuel	142,113	128,460
Cost of sales	137,322	104,183
Operating supplies and equipment	111,282	92,587
Contracted services	72,720	89,685
Provision for credit losses, net	33,721	179,009
Other support services	22,534	22,731
Corporate support services and other	22,196	31,173
Auditor's remuneration	3,822	4,028
Other expenses	144,023	137,930
	<u>1,243,758</u>	<u>1,249,773</u>

5. FINANCE COSTS

	For the Six Months Ended 30 June	
	2021	2020
	HK\$	HK\$
	(in thousands)	(in thousands)
	(unaudited)	(unaudited)
Interest expense	1,109,285	820,717
Amortization of debt financing costs and premiums	43,845	58,855
Bank fees for unused facilities	9,431	3,726
Interest expense on lease liabilities	5,753	13,291
	<u>1,168,314</u>	<u>896,589</u>

6. INCOME TAX EXPENSE

The major components of income tax expense for the six months ended 30 June 2021 and 2020 were:

	For the Six Months Ended 30 June	
	2021	2020
	HK\$	HK\$
	<i>(in thousands)</i>	
	<i>(unaudited)</i>	<i>(unaudited)</i>
Income tax expense:		
Current — overseas	<u>6,214</u>	<u>6,214</u>
	<u><u>6,214</u></u>	<u><u>6,214</u></u>

No provision for Hong Kong profits tax for the six months ended 30 June 2021 has been made as there was no assessable profit generated in Hong Kong (six months ended 30 June 2020: nil). Taxation for overseas jurisdictions is charged at the appropriate prevailing rates ruling in the respective jurisdictions and the maximum rate is 12% (six months ended 30 June 2020: 12%). For the six months ended 30 June 2021, the tax provision of HK\$6.2 million results from the current income tax expense accrued by our subsidiaries owning WRM's shares under the WRM Shareholder Dividend Tax Agreement (six months ended 30 June 2020: HK\$6.2 million). On 15 October 2015, WRM received a 5-year exemption from Macau's 12% Complementary Tax on casino gaming profits (the "Tax Holiday") effective through 31 December 2020. In April 2020, WRM received an extension of the exemption through 26 June 2022, the date on which the Concession Agreement expires. For the six months ended 30 June 2021, the Group did not have any casino gaming profits exempted from the Macau's 12% Complementary Tax (six months ended 30 June 2020: nil). The Group's non-gaming profits remain subject to the Macau's 12% Complementary Tax and its casino winnings remain subject to the Macau special gaming tax and other levies in accordance with its Concession Agreement.

In August 2016, WRM renewed the WRM Shareholder Dividend Tax Agreement with the Macau Special Administrative Region that provided for annual payments of MOP12.8 million (approximately HK\$12.4 million) to the Macau Special Administrative Region in lieu of Complementary Tax on dividend distributions to its shareholders from gaming profits for each of the years 2016 through 2020. In March 2021, an extension was granted with a payment of MOP12.8 million (approximately HK\$12.4 million) for year 2021 and MOP6.3 million (approximately HK\$6.1 million) for the period ending 26 June 2022, the date on which the Concession Agreement expires.

The Group is exempted from income tax in the Isle of Man and the Cayman Islands. The Group's subsidiaries file income tax returns in Macau and various foreign jurisdictions as required by law. The Group's income tax returns are subject to examination by tax authorities in the locations where it operates. The Group's 2016 to 2020 Macau Complementary Tax returns remain subject to examination by the Financial Services Bureau of the Macau Special Administrative Region (the "**Financial Services Bureau**"). In January 2020, the Financial Services Bureau commenced examination of Palo's 2015 and 2016 Macau Complementary Tax returns. In July 2020, the Financial Services Bureau issued final tax assessments for Palo for the years 2015 and 2016 and the examination resulted in no change to the tax returns. In July 2020, the Financial Services Bureau issued final tax assessments for WRM for the years 2015 and 2016, while no additional tax was due, adjustments were made to WRM's tax loss carryforwards. In March 2021, Palo received final tax assessments from the Financial Services Bureau for the years 2017 and 2018 and there is no change to the tax returns.

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

The Group considered whether it has any uncertain tax positions and concluded that it is not probable that the tax authorities will accept certain tax positions taken by the Group. As at 30 June 2021, the Group had unrecognized tax losses of HK\$6.52 billion (31 December 2020: HK\$6.88 billion) and the Group believes that these unrecognized tax losses are adequate to offset any adjustments that might be proposed by the Macau tax authority. The Group believes that it has adequately provided reasonable reserves for prudent and foreseeable outcomes related to uncertain tax matters.

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per Share for the six months ended 30 June 2021 is based on the consolidated net loss attributable to owners of the Company and on the weighted average number of Shares in issue of 5,190,804,423 during the period (six months ended 30 June 2020: 5,185,483,602), excluding Shares issued, purchased and reserved for the Company's employee ownership scheme. No Shares (six months ended 30 June 2020: nil) were purchased and reserved and 8,943,000 Shares (six months ended 30 June 2020: 180,000) were issued and reserved for the Company's employee ownership scheme during the six months ended 30 June 2021.

No adjustment had been made to the basic loss per Share amount presented for the six months ended 30 June 2021 and 2020 in respect of a dilution as the impact of the share options and vesting of awards had an anti-dilutive effect on the basic loss per Share amount presented.

8. DIVIDEND

No interim dividend was declared for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following as at 30 June 2021 and 31 December 2020:

	As at 30 June 2021 HK\$ (in thousands) (unaudited)	As at 31 December 2020 HK\$ (audited)
Casino	988,331	804,830
Retail leases	194,639	242,350
Hotel	10,040	4,629
	<hr/>	<hr/>
Trade receivables	1,193,010	1,051,809
Other receivables	269,810	326,926
Less: allowance for credit losses	(353,009)	(331,715)
	<hr/>	<hr/>
Total trade and other receivables, net	<u>1,109,811</u>	<u>1,047,020</u>

An aged analysis of trade receivables is as follows:

	As at 30 June 2021 HK\$ (in thousands) (unaudited)	As at 31 December 2020 HK\$ (audited)
Within 30 days	462,831	167,125
31 to 90 days	221,507	218,844
91 to 365 days	79,615	257,782
Over 365 days	429,057	408,058
	<hr/>	<hr/>
Trade receivables	1,193,010	1,051,809
Other receivables	269,810	326,926
Less: allowance for credit losses	(353,009)	(331,715)
	<hr/>	<hr/>
Total trade and other receivables, net	<u>1,109,811</u>	<u>1,047,020</u>

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

10. ACCOUNTS PAYABLE

During the six months ended 30 June 2021 and the year ended 31 December 2020, the Group normally received credit terms of 30 days. An aged analysis of accounts payable as at the end of the reporting period, based on invoice dates, is as follows:

	As at 30 June 2021 HK\$ (in thousands) (<i>unaudited</i>)	As at 31 December 2020 HK\$ (<i>audited</i>)
Within 30 days	206,152	236,570
31 to 60 days	90,540	90,959
61 to 90 days	72,720	37,119
Over 90 days	91,792	73,824
	<u>461,204</u>	<u>438,472</u>

11. INTEREST-BEARING BORROWINGS

	As at 30 June 2021 HK\$ (in thousands) (<i>unaudited</i>)	As at 31 December 2020 HK\$ (<i>audited</i>)
Bank loans, secured	9,783,833	12,989,897
Senior notes, unsecured	36,489,796	36,437,321
	<u>46,273,629</u>	<u>49,427,218</u>
Unamortized debt financing costs and premiums, net	(188,736)	(227,721)
Total interest-bearing borrowings	<u>46,084,893</u>	<u>49,199,497</u>

As at 30 June 2021, the Group had approximately HK\$2.28 billion in funding available under the revolving credit facility of the Wynn Macau Credit Facilities.

In August 2021, a subsidiary of the Company received lender commitments for a senior unsecured revolving credit facility in an aggregate principal amount of up to US\$1.50 billion (approximately HK\$11.65 billion) with a final maturity four years from inception. The Company expects to enter into the facility during the third quarter of 2021, and to use a portion of the net proceeds from borrowings under the new facility to facilitate the repayment of the outstanding HK\$9.78 billion of borrowings under the existing Wynn Macau Credit Facilities at closing.

12. OTHER PAYABLES AND ACCRUALS

Other payables and accruals consist of the following as at 30 June 2021 and 31 December 2020:

	As at 30 June 2021 <i>HK\$</i> <i>(in thousands)</i> <i>(unaudited)</i>	As at 31 December 2020 <i>HK\$</i> <i>(audited)</i>
Current:		
Customer deposits	1,936,063	2,236,167
Outstanding chip liabilities	821,085	1,939,193
Gaming taxes payable	390,655	460,450
Donation payable	163,565	89,586
Loyalty program and related liabilities	92,823	86,209
Other gaming-related liabilities	2,233	5,368
Others	1,327,826	1,322,334
	<u>4,734,250</u>	<u>6,139,307</u>
Non-current:		
Donation payable	—	70,157
Total	<u><u>4,734,250</u></u>	<u><u>6,209,464</u></u>

13. SEGMENT INFORMATION

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

		For the Six Months Ended 30 June	
		2021	2020
		HK\$	HK\$
<i>Notes</i>		<i>(in thousands)</i>	
		<i>(unaudited)</i>	<i>(unaudited)</i>
Wynn Palace:			
	Casino	3,088,562	1,527,279
	Rooms	294,112	172,239
	Food and beverage	197,733	136,292
	Retail and other	359,733	251,706
Wynn Macau:			
	Casino	2,183,386	1,452,472
	Rooms	218,316	144,154
	Food and beverage	124,117	102,695
	Retail and other	296,571	178,749
Total operating revenues		6,762,530	3,965,586
Adjusted EBITDA			
	Wynn Palace	508,817	(839,261)
	Wynn Macau	151,584	(557,782)
		660,401	(1,397,043)
Other operating costs and expenses			
	Depreciation	1,401,350	1,474,145
	Pre-opening costs	6,487	4,774
	Property charges and other	37,796	194,350
	Share-based payments	116,111	60,775
	Wynn Macau, Limited corporate expenses	36,937	40,103
Operating loss		(938,280)	(3,171,190)
Non-operating income and expenses			
	Finance revenues	10,737	65,966
	Finance costs	(1,168,314)	(896,589)
5	Net foreign currency differences	(42,795)	97,180
	Loss on extinguishment of debt	(11,951)	(7,637)
Loss before tax		(2,150,603)	(3,912,270)
	Income tax expense	6,214	6,214
6			
Net loss attributable to owners of the Company		(2,156,817)	(3,918,484)

	As at 30 June 2021 <i>HK\$</i> <i>(in thousands)</i> <i>(unaudited)</i>	As at 31 December 2020 <i>HK\$</i> <i>(audited)</i>
Total assets		
Wynn Palace	25,204,754	26,295,571
Wynn Macau	8,295,128	9,745,737
Other Macau	11,414,136	15,614,884
	<u>44,914,018</u>	<u>51,656,192</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

Our strategy in the Greater Bay Area encompasses investment in our integrated resorts, in our people and in the broader community. To attract and retain our customers, we design and continually make enhancements to refresh, improve and expand our resorts. We have continued to design the second phase of Wynn Palace. We currently expect that the next phase of our development at Wynn Palace will become a unique world-class cultural destination, incorporating an array of non-gaming amenities such as event space, interactive entertainment installations, food and beverage offerings, and additional hotel rooms. We also maintain numerous programs to invest in our approximately 12,500 Macau-based employees. Through a robust emphasis on human resources and staff training, we provide opportunities for movement within our Group to ensure employees can pursue their career goals with us and to elevate their functional and leadership skills. Through our “Wynn Care” program, we facilitate reinvestment in our community, encourage volunteerism and promote responsible gaming. Since launching this program, we have centralized our community-focused initiatives under one umbrella and expanded our efforts from various volunteer activities and community events in Macau into the Greater Bay Area and beyond. In 2020, we also set up our charitable foundation, “Wynn Care Foundation”. Through Wynn Care Foundation, we will continue to broaden our efforts in pursuing positive social impact and supporting charitable development within Macau and the PRC. We are also fully committed to supporting sustainable development for the benefit of Macau and the planet by monitoring and reducing inefficient energy and resource consumption and embracing technologies that help us to responsibly use our resources.

Since the outbreak of COVID-19 in early 2020, steps have been taken by various countries to advise citizens to avoid non-essential travel, to restrict inbound international travel, to implement closures of non-essential operations, and to implement quarantines and lockdowns to contain the spread of the virus. As part of the immediate response to the initial outbreak of COVID-19, our casino operations in Macau were closed for a 15-day period in February 2020, and have since reopened with certain COVID-19 specific protective measures in place. Several vaccines have been granted authorization in numerous countries and are being rolled out to citizens based on availability and priority of need. There can be no assurance as to when a sufficient number of individuals will be vaccinated, permitting travel restrictions to be fully lifted. On 3 August 2021, in response to a risk of a community outbreak, the Macau government has announced enhanced measures including tighter border control and strict mandatory COVID-19 testing requirements.

Wynn Palace

Wynn Palace, a 6 million square foot integrated resort, was opened to the public on 22 August 2016 in the Cotai area of Macau, conveniently located minutes from both Macau International Airport and the Macau Taipa Ferry Terminal and directly adjacent to a stop serviced by Macau's light rail system, which commenced operations of its Taipa section in December 2019.

We have continued to design the second phase of Wynn Palace. We currently expect that the next phase of our development at Wynn Palace will become a unique world-class cultural destination, incorporating an array of non-gaming amenities such as event space, interactive entertainment installations, food and beverage offerings, and additional hotel rooms.

Wynn Palace features:

- Approximately 424,000 square feet of casino space, offering 24-hour gaming and a full range of games, including private gaming salons and sky casinos;
- Free public entertainment attractions including an 8-acre performance lake, animated floral art displays and fine art displays;
- A luxury hotel with a total of 1,706 spacious rooms, suites and villas;
- 14 food and beverage outlets;
- Approximately 107,000 square feet of high-end, brand-name retail shopping;
- Recreation and leisure facilities, including a cable car (“**SkyCab**”) ride, health club, spa, salon and pool; and
- Approximately 37,000 square feet of meeting and convention space.

The following table presents the number of table games available and the number of slot machines on the floor at Wynn Palace:

	As at 30 June	
	2021	2020
VIP table games	85	102
Mass market table games	232	223
Slot machines	1,063	1,047

Wynn Macau

Wynn Macau, a 3 million square foot integrated resort, was opened to the public on 6 September 2006 in the heart of the Macau Peninsula. We completed expansion works at Wynn Macau in December 2007 and November 2009, which added more gaming space and additional food and beverage and retail amenities. Encore at Wynn Macau, a further expansion of Wynn Macau that added hotel accommodations and a range of gaming and non-gaming amenities, opened in April 2010. In 2019, we refreshed 410 rooms in Encore tower.

In November 2019, we opened the first phase of our “Lakeside Casino” expansion at Wynn Macau which features 44 mass market table games and a refurbished high-limit slot area. The second phase, which is substantially completed, will feature two new restaurants and approximately 7,000 square feet of additional retail space. We expect to open portions of the second phase in the near future depending on market conditions and other factors.

Wynn Macau features:

- Approximately 252,000 square feet of casino space, offering 24-hour gaming and a full range of games, including private gaming salons, sky casinos and a poker pit;
- Free public entertainment attractions including a rotunda show featuring a Chinese zodiac-inspired ceiling along with gold “tree of prosperity” and “dragon of fortune” attractions and a performance lake;
- Two luxury hotel towers with a total of 1,010 spacious rooms and suites;
- 12 food and beverage outlets;
- Approximately 59,000 square feet of high-end, brand-name retail shopping;
- Recreation and leisure facilities, including two health clubs and spas, a salon and a pool; and
- Approximately 31,000 square feet of meeting and convention space.

The following table presents the number of table games available and the number of slot machines on the floor at Wynn Macau:

	As at 30 June	
	2021	2020
VIP table games	82	91
Mass market table games	240	240
Slot machines	898	896

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Set forth below are the key factors affecting our results of operations and financial condition. There are also risks and uncertainties inherent in our operations, many of which are beyond our control.

Since the outbreak of COVID-19 in early 2020, steps have been taken by various countries, to advise citizens to avoid non-essential travel, to restrict inbound international travel, to implement closures of non-essential operations, and to implement quarantines and lockdowns to contain the spread of the virus. As part of the immediate response to the initial outbreak of COVID-19, our casino operations in Macau were closed for a 15-day period in February 2020, and have since reopened with certain COVID-19 specific protective measures in place. Several vaccines have been granted authorization in numerous countries and are being rolled out to citizens based on availability and priority of need. There can be no assurance as to when a sufficient number of individuals will be vaccinated, permitting travel restrictions to be fully lifted. On 3 August 2021, in response to a risk of a community outbreak, the Macau government has announced enhanced measures including tighter border control and strict mandatory COVID-19 testing requirements.

Visitation to Macau has fallen significantly since the outbreak of COVID-19, driven by the strong deterrent effect of the COVID-19 Pandemic on travel and social activities, quarantine measures put in place in Macau and elsewhere, travel and entry restrictions and conditions in Macau, the PRC, Hong Kong and Taiwan involving COVID-19 testing, among other things, and the suspension or reduced accessibility of transportation to and from Macau.

Beginning in June 2020 certain restrictions and conditions have eased to allow for some visitation to Macau as certain regions recover from the COVID-19 Pandemic. Quarantine-free travel, subject to COVID-19 safeguards such as testing and the usual visa requirements, has been reintroduced between Macau and most areas and cities within the PRC, and in September 2020, the PRC authorities fully resumed the Individual Visit Scheme exit visa program, which permits individual PRC citizens from nearly 50 PRC cities to travel to Macau for tourism purposes.

Given the evolving conditions created by and in response to the COVID-19 Pandemic, measures that have been lifted may be reintroduced if there are adverse developments in the COVID-19 situation in Macau and other regions with access to Macau.

For further details, see the section headed “Material Risk Factors” of this announcement.

Macau

Macau, which was a territory under Portuguese administration for approximately 450 years, was transferred from Portuguese to Chinese political control in December 1999. Macau is governed as a special administrative region of China and is located in the Greater Bay Area and approximately 37 miles southwest of Hong Kong. The journey between Macau and Hong Kong takes approximately 15 minutes by helicopter, 30 minutes by motor vehicle since the opening of the Hong Kong-Zhuhai-Macau Bridge in October 2018 and one hour by jetfoil ferry. Macau, which has been a casino destination for more than 55 years, consists principally of a peninsula on mainland China, and two neighboring islands, Taipa and Coloane, between which the Cotai area is located. We believe that Macau is located in one of the world's largest concentrations of potential gaming customers. Since the introduction of new casinos starting in 2004, the Macau market has experienced a significant increase in annual gaming revenue. The annual gaming revenue grew from HK\$21.53 billion in 2002 to HK\$283.94 billion in 2019 before falling to HK\$58.68 billion in 2020 due to various quarantine measures and travel and entry restrictions and conditions since the outbreak of the COVID-19 Pandemic. While many aspects of quarantine measures and travel and entry restrictions and conditions continue to adversely impact visitation to Macau, beginning in June 2020, certain restrictions and conditions have eased to allow for some visitation to Macau as certain regions recover from the COVID-19 Pandemic. According to Macau statistical information, casinos in Macau generated HK\$47.60 billion in gaming revenue during the six months ended 30 June 2021, an increase of 45.4% compared to the HK\$32.74 billion generated in the six months ended 30 June 2020.

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 2019. However, visitation to Macau has fallen significantly since the outbreak of COVID-19, driven by the strong deterrent effect of the COVID-19 Pandemic on travel and social activities, quarantine measures put in place in Macau and elsewhere, travel and entry restrictions and conditions in Macau, the PRC, Hong Kong and Taiwan involving COVID-19 testing, among other things, and the suspension or reduced accessibility of transportation to and from Macau. Beginning in June 2020 certain restrictions and conditions have eased to allow for some visitation to Macau as certain regions recover from the COVID-19 Pandemic. Visitation to Macau increased by 20.2% from 3.3 million in the first half of 2020 to 3.9 million in the first half of 2021. Total visitation decreased 80.6% in the first half of 2021 compared to the same period in 2019.

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 the PRC and Asia; restrictions, conditions or other factors which affect visitation by citizens of the PRC to Macau; various countries' policies on currency exchange controls, currency export, currency withdrawal, credit and debit card usage and travel restrictions or policies impacting the issuance of travel visas that may be in place from time to time; and competition from other destinations which offer gaming and/or leisure activities.

Natural and man-made disasters, extreme weather conditions (such as typhoons and heavy rainstorms), outbreaks of highly infectious diseases (such as the COVID-19 Pandemic), 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 the PRC and elsewhere and disrupt travel to and between our resorts. Any of these events may also interfere with our operations and could have a material adverse effect on our business, financial condition and results of operations.

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

Gaming Promoters

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

Gaming promoters introduce premium players to Wynn Palace and Wynn Macau and often assist those players with their travel and entertainment arrangements. In addition, gaming promoters often grant credit to their players. In exchange for their services, Wynn Palace and Wynn Macau pay the gaming promoters a commission which is a percentage of the gross gaming win generated by each gaming promoter. The total amount of commissions paid to gaming promoters is netted against casino revenues.

We typically advance commissions to certain selected gaming promoters with strong operational performance history at the beginning of each month to facilitate their working capital requirements. These advances are provided to a gaming promoter and are offset by the commissions earned by such gaming promoter during the applicable month. The aggregate amounts of exposure to our gaming promoters is the difference between commissions advanced to each individual gaming promoter, and the net commissions payable to each such gaming promoter. At the end of each month, any commissions outstanding are cleared no later than the fifth business day of the succeeding month and prior to the advancement of any further funds to a gaming promoter. We believe we have developed strong relationships with our gaming promoters.

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

Gaming promoters may experience certain difficulties in their Macau operations, including intensified competition in attracting customers to come to Macau depending on certain factors, including Chinese government policies. The COVID-19 Pandemic has adversely and materially affected the business volume of gaming promoters due to low visitation to Macau from the PRC and elsewhere. These factors may cause gaming promoters to face a decrease in liquidity, limiting their ability to grant credit to their customers, and difficulty in collecting credit they extend.

Premium Credit Play

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

Number and Mix of Table Games and Slot Machines

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

Renovation, Development and Construction Projects

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

ADJUSTED EBITDA

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

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

	For the Six Months Ended 30 June	
	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
	<i>(in thousands)</i>	
Operating loss	(938,280)	(3,171,190)
Add		
Depreciation	1,401,350	1,474,145
Pre-opening costs	6,487	4,774
Property charges and other	37,796	194,350
Share-based payments	116,111	60,775
Wynn Macau, Limited corporate expenses	36,937	40,103
	<hr/>	<hr/>
Adjusted EBITDA	<u>660,401</u>	<u>(1,397,043)</u>

REVIEW OF HISTORICAL OPERATING RESULTS

Summary Breakdown Table

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

	For the Six Months Ended 30 June	
	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
	<i>(in thousands)</i>	
Wynn Palace:		
Casino ⁽¹⁾	3,088,562	1,527,279
Rooms	294,112	172,239
Food and beverage	197,733	136,292
Retail and other	359,733	251,706
Wynn Macau:		
Casino ⁽¹⁾	2,183,386	1,452,472
Rooms	218,316	144,154
Food and beverage	124,117	102,695
Retail and other	296,571	178,749
	<hr/>	<hr/>
Total operating revenues	<u>6,762,530</u>	<u>3,965,586</u>

**For the Six Months Ended
30 June**

2021 **2020**
HK\$ **HK\$**

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

Wynn Palace:

VIP:		
VIP table games turnover	31,127,028	50,634,833
VIP table games win ⁽¹⁾	1,303,680	855,638
VIP table games win as a percentage of turnover	4.19%	1.69%
Average number of gaming tables ⁽²⁾	99	95
Table games win per unit per day ⁽³⁾	72,945	53,518

Mass market:

Mass market table drop	10,206,084	3,869,991
Mass market table games win ⁽¹⁾	2,291,083	1,072,941
Mass market table games win percentage	22.45%	27.72%
Average number of gaming tables ⁽²⁾	225	201
Table games win per unit per day ⁽³⁾	56,264	31,709

Slot machine handle	6,053,724	3,611,291
Slot machine win ⁽¹⁾	256,253	161,807
Average number of slots ⁽²⁾	707	596
Slot machine win per unit per day ⁽³⁾	2,004	1,617

Wynn Macau:

VIP:		
VIP table games turnover	25,562,099	27,777,562
VIP table games win ⁽¹⁾	760,497	859,970
VIP table games win as a percentage of turnover	2.98%	3.10%
Average number of gaming tables ⁽²⁾	87	86
Table games win per unit per day ⁽³⁾	48,111	59,345

Mass market:

Mass market table drop	9,789,245	4,817,443
Mass market table games win ⁽¹⁾	1,816,991	944,305
Mass market table games win percentage	18.56%	19.60%
Average number of gaming tables ⁽²⁾	240	208
Table games win per unit per day ⁽³⁾	41,832	27,021

Slot machine handle	4,670,190	3,333,252
Slot machine win ⁽¹⁾	150,786	123,799
Average number of slots ⁽²⁾	588	529
Slot machine win per unit per day ⁽³⁾	1,416	1,393

Notes:

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

	For the Six Months Ended	
	30 June	
	2021	2020
	HK\$	HK\$
	<i>(in thousands)</i>	
VIP table games win	2,064,177	1,715,608
Mass market table games win	4,108,074	2,017,246
Slot machine win	407,039	285,606
Poker revenues	—	16,209
Commissions and others (including complimentary revenues allocated from casino revenues to rooms, food and beverage, retail and other revenues)	(1,307,342)	(1,054,918)
Total casino revenues	<u>5,271,948</u>	<u>2,979,751</u>

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

Discussion of Results of Operations

Financial results for the six months ended 30 June 2021 compared to financial results for the six months ended 30 June 2020

Operating Revenues

Total operating revenues increased by 70.5% from HK\$3.97 billion in the six months ended 30 June 2020 to HK\$6.76 billion in the six months ended 30 June 2021, primarily due to an increase in mass market table games win driven by an increase in mass market table drop at both Wynn Palace and Wynn Macau.

Casino Revenues

Casino revenues increased from HK\$2.98 billion (75.1% of total operating revenues) in the six months ended 30 June 2020 to HK\$5.27 billion (78.0% of total operating revenues) in the six months ended 30 June 2021. Our casino operations in Macau were closed for a 15-day period in February 2020, and have since reopened with certain COVID-19 specific protective measures in place. The components of casino revenues are as follows:

VIP casino gaming operations. VIP table games win increased by 20.3%, from HK\$1.72 billion in the six months ended 30 June 2020 to HK\$2.06 billion in the six months ended 30 June 2021. The increase was primarily driven by an increase in VIP table games win as a percentage of turnover at Wynn Palace from 1.69% in the six months ended 30 June 2020 to 4.19% in the six months ended 30 June 2021, partially offset by the lower VIP gaming volumes of both Wynn Palace and Wynn Macau, with total VIP table games turnover down 27.7%, from HK\$78.41 billion in the six months ended 30 June 2020 to HK\$56.69 billion in the six months ended 30 June 2021.

Mass market casino gaming operations. Mass market table games win increased by 103.6%, from HK\$2.02 billion in the six months ended 30 June 2020 to HK\$4.11 billion in the six months ended 30 June 2021. The increase was driven by an increase in business volumes of both Wynn Palace and Wynn Macau, with total mass market table drop up 130.2%, from HK\$8.69 billion in the six months ended 30 June 2020 to HK\$20.00 billion in the six months ended 30 June 2021, partially offset by a decrease in mass market table games win percentage at both Wynn Palace and Wynn Macau.

Slot machine gaming operations. Slot machine win increased by 42.5% from HK\$285.6 million in the six months ended 30 June 2020 to HK\$407.0 million in the six months ended 30 June 2021. The increase was primarily driven by an increase in business volumes of both Wynn Palace and Wynn Macau, with total slot machine handle increasing 54.4% from HK\$6.94 billion in the six months ended 30 June 2020 to HK\$10.72 billion in the six months ended 30 June 2021.

Non-casino Revenues

Net non-casino revenues, which include rooms, food and beverage and retail and other revenues, increased 51.2% from HK\$0.99 billion (24.9% of total operating revenues) in the six months ended 30 June 2020 to HK\$1.49 billion (22.0% of total operating revenues) in the six months ended 30 June 2021.

Room. Our room revenues increased by 62.0% from HK\$316.4 million in the six months ended 30 June 2020 to HK\$512.4 million in the six months ended 30 June 2021, primarily due to higher occupancy rates at both Wynn Palace and Wynn Macau.

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

Room revenues information

	For the Six Months Ended 30 June	
	2021	2020
Wynn Palace:		
Average Daily Rate	HK\$1,390	HK\$2,320
Occupancy ⁽¹⁾	65.6%	23.5%
REVPAR	HK\$912	HK\$544
Wynn Macau:		
Average Daily Rate	HK\$1,698	HK\$2,518
Occupancy ⁽¹⁾	64.4%	28.4%
REVPAR	HK\$1,094	HK\$714

Note:

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

Food and beverage. Food and beverage revenues increased by 34.7% from HK\$239.0 million in the six months ended 30 June 2020 to HK\$321.9 million in the six months ended 30 June 2021, primarily due to increased covers at restaurants of both Wynn Palace and Wynn Macau.

Retail and other. Our retail and other revenues increased by 52.5% from HK\$430.5 million in the six months ended 30 June 2020 to HK\$656.3 million in the six months ended 30 June 2021, primarily due to an increase in visitation at both Wynn Palace and Wynn Macau.

Operating Costs and Expenses

Gaming taxes and premiums. Gaming taxes and premiums increased by 52.5% from HK\$1.84 billion in the six months ended 30 June 2020 to HK\$2.81 billion in the six months ended 30 June 2021. The increase was driven by the 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 decreased by 7.0% from HK\$2.38 billion in the six months ended 30 June 2020 to HK\$2.21 billion in the six months ended 30 June 2021. The decrease was mainly due to the implementation of cost saving initiatives undertaken as a result of the COVID-19 Pandemic, including the consumption by employees of paid time off and unpaid voluntary time off.

Other operating expenses. Other operating expenses remained relatively flat from HK\$1.25 billion in the six months ended 30 June 2020 to HK\$1.24 billion in the six months ended 30 June 2021. Increases in advertising and promotions expenditures, license fees, cost of sales and operating supplies and equipment costs, were offset by decreases in contracted services expenditures, repairs and maintenance costs and provision for credit losses. The provision for credit losses decreased from HK\$179.0 million for the six months ended 30 June 2020 to HK\$33.7 million for the same period of 2021, primarily due to the impact of historical collection patterns and expectations of current and future collection trends, as well as the specific review of customer accounts, on our estimated credit loss for the respective periods.

Depreciation. Depreciation decreased by 4.9% from HK\$1.47 billion in the six months ended 30 June 2020 to HK\$1.40 billion in the six months ended 30 June 2021. The decrease was driven by termination of certain lease contracts during 2020 and certain assets at both Wynn Palace and Wynn Macau being fully depreciated.

Property charges and other. Property charges and other decreased from HK\$194.4 million in the six months ended 30 June 2020 to HK\$37.8 million in the six months ended 30 June 2021. Amounts in each period primarily represent the gain/loss on the sale of equipment as well as costs related to assets retired or abandoned as a result of renovating certain assets of the Group in response to customer preferences and changes in market demand.

As a result of the foregoing, total operating costs and expenses increased by 7.9% from HK\$7.14 billion in the six months ended 30 June 2020 to HK\$7.70 billion in the six months ended 30 June 2021.

Finance Revenues

Finance revenues decreased from HK\$66.0 million in the six months ended 30 June 2020 to HK\$10.7 million in the six months ended 30 June 2021. The decrease was primarily due to holding lower average cash balances in the six months ended 30 June 2021 compared to the same period in 2020. During 2021 and 2020, 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 30.3% from HK\$0.90 billion in the six months ended 30 June 2020 to HK\$1.17 billion in the six months ended 30 June 2021. The increase was mainly due to an increase in interest-bearing borrowings balances, as a result of WML senior notes issuance during 2020, partially offset by the prepayments and contractual amortization payments of term loan facility of the Wynn Macau Credit Facilities during 2020 and the six months ended 30 June 2021.

Income Tax Expense

In the six months ended 30 June 2021 and 2020, our income tax expense was HK\$6.2 million. Our income tax expense for the six months ended 30 June 2021 and 2020 relates to the current tax expense recorded by our subsidiaries owning WRM's shares under the WRM Shareholder Dividend Tax Agreement.

Net Loss Attributable to Owners of the Company

As a result of the foregoing, net loss attributable to owners of the Company decreased by 45.0% from HK\$3.92 billion for the six months ended 30 June 2020 to HK\$2.16 billion for the six months ended 30 June 2021.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

The COVID-19 Pandemic has impacted and will continue to impact, materially, our business, financial condition and results of operations. While we believe our strong liquidity position will enable us to fund our current obligations for the foreseeable future, COVID-19 has resulted in significant disruption, which has had and will continue to have a negative impact on our operating profit and could have a negative impact on our ability to access capital in the future. We continue to monitor the rapidly evolving situation and guidance from international and domestic authorities.

Our cash and cash equivalents balance as at 30 June 2021 were approximately HK\$13.37 billion. This cash is available for operations, new development activities, enhancements to our operating properties, debt service and retirement, and general corporate purposes.

As at 30 June 2021, the Group had approximately HK\$2.28 billion of available borrowing capacity under the Wynn Macau Credit Facilities. The term loan facility of the Wynn Macau Credit Facilities is repayable in graduating installments of between 2.875% and 4.50% of the principal amount on a quarterly basis commencing 30 September 2020, with a final installment of 75% of the principal amount repayable on 26 June 2022 (or if 26 June 2022 is not a business day, the immediately preceding business day). The Group voluntarily prepaid approximately HK\$3.20 billion equivalent, excluding contractual amortization payments of HK\$405.0 million equivalent, of the term loan facility of the Wynn Macau Credit Facilities during the six months ended 30 June 2021, and the future contractual amortization payments were amended on a pro-rata basis. In August 2021, a subsidiary of the Company received lender commitments for a senior unsecured revolving credit facility in an aggregate principal amount of up to US\$1.50 billion (approximately HK\$11.65 billion) with a final maturity four years from inception. The Company expects to enter into the facility during the third quarter of 2021, and to use a portion of the net proceeds from borrowings under the new facility to facilitate the repayment of the outstanding HK\$9.78 billion of borrowings under the existing Wynn Macau Credit Facilities at closing.

On 17 December 2019, the Company completed the issuance of 5.125% senior notes due 2029 with an aggregate principal amount of US\$1.00 billion (approximately HK\$7.76 billion). The Company expects to use certain amounts from the net proceeds from the WML 2029 Notes to facilitate the repayment of the term loan of the Wynn Macau Credit Facilities, subject to business recovery from the effects of COVID-19 Pandemic.

During 2020, the Company issued US\$1.00 billion (approximately HK\$7.76 billion) of 5.500% senior notes due 2026 and US\$1.35 billion (approximately HK\$10.48 billion) of 5.625% senior notes due 2028. The Company expects to use the proceeds from the WML 2026 Notes to facilitate repayments of the term loans outstanding under the Wynn Macau Credit Facilities and for general corporate purposes, and used the proceeds from the WML 2028 Notes to facilitate repayments on the Wynn Macau Credit Facilities.

The Group has continued to design the second phase of Wynn Palace. We do not expect to incur significant capital expenditures related to the construction of this project for the remainder of 2021.

The Company paid no dividends during 2020 or the first half of 2021. The Board will be continuously monitoring the situation and market conditions in Macau and Greater China and may consider a special dividend when such conditions have stabilized.

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 deficiency plus net debt. The table below presents the calculation of our gearing ratio.

	As at	
	30 June 2021	31 December 2020
	<i>HK\$</i>	<i>HK\$</i>
	<i>(in thousands, except for percentages)</i>	
Interest-bearing borrowings	46,084,893	49,199,497
Accounts payable	461,204	438,472
Construction payables and accruals and construction retentions payable	260,163	296,482
Other payables and accruals	4,734,250	6,209,464
Amounts due to related companies	45,568	46,705
Other liabilities	176,872	235,847
Lease liabilities	242,103	273,720
Less: cash and cash equivalents restricted cash and cash equivalents	(13,371,272) (13,493)	(18,831,109) (17,817)
Net debt	38,620,288	37,851,261
Deficiency in assets	(7,097,249)	(5,056,422)
Total capital deficiency	(7,097,249)	(5,056,422)
Capital and net debt	31,523,039	32,794,839
Gearing ratio	122.5%	115.4%

Cash Flows

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

	For the Six Months Ended 30 June	
	2021	2020
	HK\$	HK\$
	<i>(in millions)</i>	
Net cash used in operating activities	(887.3)	(1,445.8)
Net cash used in investing activities	(160.6)	(385.5)
Net cash (used in)/generated from financing activities	(4,430.6)	6,650.6
Net (decrease)/increase in cash and cash equivalents	(5,478.5)	4,819.3
Cash and cash equivalents at beginning of period	18,831.1	14,087.5
Effect of foreign exchange rate changes, net	18.7	(47.3)
Cash and cash equivalents at end of period	13,371.3	18,859.5

Net cash used in operating activities

Our net cash used in operating activities is primarily driven by changes in our working capital and operating loss generated by our Macau Operations. Net cash used in operating activities was HK\$887.3 million for the six months ended 30 June 2021, compared to HK\$1.45 billion for the six months ended 30 June 2020. As a result of the COVID-19 Pandemic, operating loss was HK\$938.3 million for the six months ended 30 June 2021, compared to HK\$3.17 billion for the six months ended 30 June 2020. The decrease in net cash used in operating activities was primarily due to decreased operating loss and changes in working capital accounts. During the six months ended 30 June 2020, the decrease in net cash from operating activities was primarily due to the adverse effects of the COVID-19 Pandemic.

Net cash used in investing activities

Net cash used in investing activities was HK\$160.6 million for the six months ended 30 June 2021, compared to HK\$385.5 million for the six months ended 30 June 2020. Net cash used in the six months ended 30 June 2021 included HK\$171.8 million of costs, primarily related to maintenance capital expenditures, partially offset by HK\$11.3 million of interest receipts. Net cash used in the six months ended 30 June 2020 included HK\$471.7 million of costs, primarily related to maintenance capital expenditures, partially offset by HK\$69.7 million of interest receipts and HK\$16.6 million of proceeds from insurance claims.

Net cash used in financing activities

Net cash used in financing activities was HK\$4.43 billion during the six months ended 30 June 2021, compared to net cash of HK\$6.65 billion generated from financing activities during the six months ended 30 June 2020. During the six months ended 30 June 2021, net cash used in financing activities was primarily due to HK\$3.60 billion in repayments of our term loan facility of the Wynn Macau Credit Facilities, HK\$1.15 billion of interest payments, HK\$54.5 million payments for principal and interest components of lease liabilities and HK\$16.7 million payments on debt financing costs, partially offset by HK\$388.6 million proceeds from our revolving credit facility of Wynn Macau Credit Facilities. During the six months ended 30 June 2020, net cash generated from financing activities was primarily due to receipts of HK\$5.77 billion net proceeds from issuance of WML 2026 Notes and HK\$5.64 billion proceeds from our revolving credit facility of the Wynn Macau Credit Facilities, partially offset by HK\$3.89 billion in repayments of our term loan facility and revolving credit facility of the Wynn Macau Credit Facilities, HK\$808.0 million of interest payments and HK\$56.5 million payments for principal and interest components of lease liabilities.

Indebtedness

The following table presents a summary of our indebtedness.

Indebtedness information

	As at	
	30 June 2021	31 December 2020
	<i>HK\$</i>	<i>HK\$</i>
	<i>(in thousands)</i>	
Bank loans	9,783,833	12,989,897
Senior notes	36,489,796	36,437,321
Unamortized debt financing costs and premiums, net	(188,736)	(227,721)
	<hr/>	<hr/>
Total interest-bearing borrowings	<u>46,084,893</u>	<u>49,199,497</u>

Wynn Macau Credit Facilities

Overview

On 21 December 2018, WRM's senior secured bank facilities were amended to, among other things, extend the maturity dates of the senior secured term loan and revolving credit facilities. As at 30 June 2021, the Wynn Macau Credit Facilities consisted of approximately HK\$12.06 billion equivalent in a combination of Hong Kong dollar and U.S. dollar facilities, including an approximately HK\$6.23 billion equivalent fully funded senior term loan facility and an approximately HK\$5.83 billion equivalent senior revolving credit facility. As at 30 June 2021, the Group had approximately HK\$2.28 billion in funding available under the revolving credit facility of the Wynn Macau Credit Facilities.

The amended term loan facility is repayable in graduating installments of between 2.875% and 4.50% of the principal amount on a quarterly basis commencing 30 September 2020, with a final installment of 75% of the principal amount repayable on 26 June 2022 (or if 26 June 2022 is not a business day, the immediately preceding business day). The Group voluntarily prepaid approximately HK\$3.20 billion equivalent, excluding contractual amortization payments of HK\$405.0 million equivalent, of the term loan facility of the Wynn Macau Credit Facilities during the six months ended 30 June 2021, and the future contractual amortization payments were amended on a pro-rata basis.

The final maturity of any outstanding borrowings from the revolving credit facility is 26 June 2022 (or if 26 June 2022 is not a business day, the immediately preceding business day), by which time any outstanding borrowings from the revolving credit facility must be repaid.

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

Security and Guarantees

Borrowings under the Wynn Macau Credit Facilities are guaranteed by Palo and by certain subsidiaries of the Company that own equity interests in WRM, and are secured by substantially all of the assets of, and equity interests in WRM and Palo.

Second Ranking Lender

WRM is also a party to a bank guarantee reimbursement agreement with Banco Nacional Ultramarino S.A. to secure a guarantee in favor of the Macau government as required under the Concession Agreement. The amount of this guarantee is MOP300.0 million (approximately HK\$291.3 million) and it lasts until 180 days after the end of the term of the Concession Agreement. The guarantee assures WRM's performance under the Concession Agreement, including the payment of certain premiums, fines and indemnities for breach. The guarantee is secured by a second priority security interest in the same collateral package securing the Wynn Macau Credit Facilities.

Other Terms

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

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

Wynn Macau Credit Facilities Refinancing Commitment

In August 2021, a subsidiary of the Company received lender commitments for a senior unsecured revolving credit facility in an aggregate principal amount of up to US\$1.50 billion (approximately HK\$11.65 billion) with a final maturity four years from inception. The Company expects to enter into the facility during the third quarter of 2021, and to use a portion of the net proceeds from borrowings under the new facility to facilitate the repayment of the outstanding HK\$9.78 billion of borrowings under the existing Wynn Macau Credit Facilities at closing.

WML Senior Notes

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

On 17 December 2019, the Company completed the issuance of WML 2029 Notes. The Company expects to use certain amounts from the net proceeds from the WML 2029 Notes to facilitate the repayment of the term loan of the Wynn Macau Credit Facilities, subject to business recovery from the effects of COVID-19 Pandemic. Interest on the WML 2029 Notes is payable semi-annually in arrears on 15 June and 15 December of each year, beginning on 15 June 2020. The WML 2029 Notes, which are listed on the Hong Kong Stock Exchange, mature on 15 December 2029.

During 2020, the Company completed the issuance of WML 2026 Notes and WML 2028 Notes. The Company expects to use the proceeds from the WML 2026 Notes to facilitate repayments of the term loans outstanding under the Wynn Macau Credit Facilities and for general corporate purposes, and used the proceeds from the WML 2028 Notes to facilitate repayments on the Wynn Macau Credit Facilities. Interest on the WML 2026 Notes is payable semi-annually in arrears on 15 January and 15 July of each year, beginning on 15 January 2021. Interest on the WML 2028 Notes is payable semi-annually in arrears on 26 February and 26 August of each year, beginning on 26 February 2021. The WML 2026 Notes and WML 2028 Notes, which are listed on the Hong Kong Stock Exchange, mature on 15 January 2026 and 26 August 2028 respectively.

The WML Senior Notes are WML's general unsecured obligations and rank pari passu in right of payment with all of WML's existing and future senior unsecured indebtedness, will rank senior to all of WML's future subordinated indebtedness, if any; will be effectively subordinated to all of WML's future secured indebtedness to the extent of the value of the assets securing such debt; and will be structurally subordinated to all existing and future obligations of WML's subsidiaries, including the Wynn Macau Credit Facilities.

The WML Senior Notes indentures contain covenants limiting WML's (and certain of its subsidiaries') ability to, among other things: merge or consolidate with another company; transfer or sell all or substantially all of its properties or assets; and lease all or substantially all of its properties or assets. The WML Senior Notes indentures also contain customary events of default. In the case of an event of default arising from certain events of bankruptcy or insolvency, all WML Senior Notes then outstanding will become due and payable immediately without further action or notice.

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 on which each of the WML Senior Notes are issued, 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 Senior Notes will have the right to require the Company to repurchase all or any part of such holder's WML Senior Notes at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest.

If the Company undergoes a Change of Control (as defined in the WML Senior Notes indentures), it must offer to repurchase the WML Senior Notes at a price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest. Under the indentures of the WML 2024 Notes and WML 2027 Notes, the circumstances that will constitute a Change of Control include, among others, the sale, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Group to any person other than to the Company's former Chairman and Chief Executive Officer or a related party of the Company's former Chairman and Chief Executive Officer, the consummation of any transaction that results in any party other than the Company's former Chairman and Chief Executive Officer and his related parties becoming the direct or indirect owner of more than 50% of the outstanding voting stock of WRL and the first day on which a majority of the members of the Board are not continuing directors. Under the indentures of the WML 2026 Notes, WML 2028 Notes and WML 2029 Notes, respectively, the circumstances that will constitute a Change of Control include, among others, the consummation of any transaction that results in any party other than WRL or any affiliate of WRL becoming the beneficial owner, directly or indirectly, of more than 50% of the outstanding voting stock of the Company, measured by voting power rather than number of equity interests.

OFF BALANCE SHEET ARRANGEMENTS

We have not entered into any transactions with special purpose entities nor do we engage in any transactions involving derivatives. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity.

OTHER LIQUIDITY MATTERS

We expect to fund our operations and capital expenditure requirements from cash on hand, availability under our credit facilities, new borrowings and operating cash flows. 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, including related to COVID-19, 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, availability under our credit facilities, proceeds from notes issuance and internally generated funds, we believe that we have sufficient liquid assets to meet our current and anticipated working capital and operating requirements.

RELATED PARTY TRANSACTIONS

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

MATERIAL RISK FACTORS

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

Risks Related to our Business

The initial outbreak of COVID-19 and subsequent COVID-19 Pandemic have had and will likely continue to have an adverse effect on our business, operations, financial condition and operating results, and the ability of our subsidiaries to pay dividends and distributions.

In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified and has since then spread around the world. Currently, there are no fully-effective treatments that are broadly approved for COVID-19 and there can be no assurance that a fully-effective treatment will be developed. While vaccines have been developed and approved for use by certain governmental health agencies, there is considerable uncertainty with regard to how quickly such vaccines can be deployed to the general public and how quickly they will stem the spread of COVID-19. The COVID-19 Pandemic and the spread, and risk of resurgence, of COVID-19 will continue to negatively impact many aspects of our business and the ability and desire of people to travel and participate in activities at crowded indoor places, such as those we offer at our properties.

In response to and as part of a continuing effort to reduce the initial spread of COVID-19, our casino operations in Macau were closed temporarily pursuant to government directives. Since reopening, we have implemented certain COVID-19 specific protective measures. Currently, measures such as limiting the number of seats per table game, increasing the space between slot machines, temperature checks, and mask protection, health declarations and proof of negative COVID-19 test results for travelers seeking entry to Macau remain in effect at the present time. Although all of our properties are currently open, we cannot predict whether future closures, in full or in part, will occur. For instance, if a confirmed COVID-19 case is linked to a casino in Macau in the future, it could result in the suspension of all casino operations in Macau, including those of Wynn Palace and Wynn Macau.

Visitation to Macau and gross gaming revenues in Macau have significantly decreased since the outbreak of COVID-19, driven by the strong deterrent effect of the COVID-19 Pandemic on travel and social activities, broad quarantine measures, and travel restrictions and advisories. While some of the initial protective measures and restrictions have eased since their initial implementation, certain border control, travel-related restrictions and conditions, including quarantine and medical observation measures, stringent health declarations, COVID-19 testing and other procedures remain in place. Given the evolving conditions created by and in response to the COVID-19 Pandemic, measures that have been lifted may be reintroduced if there are adverse developments in the COVID-19 situation. Moreover, once travel advisories and restrictions are fully lifted, demand for casino resorts may remain weak for a significant length of time and inbound tourism to Macau may be slow to recover. We cannot predict when, or even if, operating results at our properties will return to pre-outbreak levels. In particular, consumer behavior related to discretionary spending and traveling, including demand for casino resorts may be negatively impacted by the adverse changes in the perceived or actual economic climate, including higher unemployment rates, declines in income levels and loss of personal wealth resulting from the impact of the COVID-19 Pandemic. In addition, we cannot predict the impact that the COVID-19 Pandemic will have on our partners, such as tenants, travel agencies, suppliers and other vendors, which may adversely impact our operations.

Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19 and around the imposition or relaxation of containment measures, the impact on our results of operations, cash flows and financial condition in 2021 and potentially thereafter will be material, but cannot be reasonably estimated at this time. To the extent the COVID-19 Pandemic adversely affects our business, operations, financial condition and operating results, it may also have the effect of heightening many of the other risks related to our business, including those relating to our ability to raise capital, our high level of indebtedness, our need to generate sufficient cash flows to service our indebtedness, and our ability to comply with the covenants or other restrictions contained in the agreements that govern our indebtedness. In addition, the COVID-19 Pandemic has significantly increased global economic and demand uncertainty. Global recovery from the economic fallout of the COVID-19 Pandemic could take many years, which could continue to have adversely impact our financial condition and operations.

Revenues from our Macau gaming operations will end if we cannot secure an extension or renewal of our concession, or a new concession, by 26 June 2022.

The term of our Concession Agreement with the Macau government and the relevant concession or subconcession held by Galaxy, SJM, Venetian Macau, MGM Macau and Melco end on 26 June 2022. Unless the term of our Concession Agreement is extended or renewed or we receive a new gaming concession or other right to operate gaming business at our resorts in Macau, subject to any separate agreement with the Macau government, all of our gaming operations, casino area and related equipment in Macau will be automatically transferred to the Macau government without compensation to us and we will cease to generate gaming revenues from these operations at the end of our Concession Agreement. In addition, under the indentures governing the Company's HK\$36.49 billion aggregate principal amount of WML Senior Notes, upon the occurrence of any event after which none of WML or any of its subsidiaries own or manage casino or gaming areas or operate casino games of fortune and chance in Macau in substantially the same manner as they are owning or managing casino or gaming areas or operating casino games as of the issue date of the respective senior notes, 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, holders of the WML Senior Notes can require the Company to repurchase all or any part of the WML Senior Notes at par, plus any accrued and unpaid interest (the **“Special Put Option”**).

The Macau government has publicly commented that it is studying the process by which concessions and subconcessions may be renewed, extended or issued. The Company is monitoring developments with respect to the Macau government's concession renewal or extension process, and at this time believes that its concession will be renewed or extended beyond 26 June 2022. The failure to extend or renew the Concession Agreement or obtain a new concession and the resulting ability of the WML Senior Notes holders to exercise the Special Put Option would have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

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

The operations of our resorts are contingent upon us maintaining all regulatory licenses, permits, approvals, registrations, findings of suitability, orders and authorizations pursuant to Macau laws and regulations. The laws, regulations and ordinances 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 requirements in Macau could result in the revocation of the Concession Agreement or otherwise negatively affect our operations in Macau. Developments in the regulation of the gaming industry could be difficult to comply with and significantly increase our costs, which could adversely affect our business.

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

Our business is particularly sensitive to reductions in discretionary consumer spending, including as a result of economic downturns or increasing geopolitical tensions.

The global macroeconomic environment is facing significant challenges, including an extended economic downturn, and possibly a global recession, caused primarily by the global COVID-19 Pandemic, dampened business sentiment and outlook, and various geopolitical and trade related tensions. Our financial results have been, and are expected to continue to be, affected by the global and regional economy. Any severe or prolonged slowdown in the global or regional economy may materially and adversely affect our business, results of operations and financial condition.

Recently there have also been heightened tensions in international relations, notably with respect to international trade, including increases in tariffs and company and industry specific restrictions. These issues, in addition to changes in national security policies and geopolitical issues, can impact the global and regional economy and impact our business in a negative fashion. Various types of restrictions have been placed by government agencies on targeted industries and companies which could potentially negatively impact the intended subject as well as other companies and persons sharing a common country of operations. These types of events have also caused significant volatility in global equity and debt capital markets, which could trigger a severe contraction of liquidity in the global credit markets.

Consumer demand for hotels, casino resorts, trade shows, conventions and for the type of luxury amenities that we offer is particularly sensitive to downturns in the economy, which adversely affect discretionary spending on leisure activities. Because a significant number of our customers come from the PRC, Hong Kong and Taiwan, the economic condition of our surrounding region, in particular, affects the gaming industry in Macau and our business. Changes in discretionary consumer spending or consumer preferences brought about by factors such as perceived or actual general economic conditions, high unemployment, perceived or actual changes in disposable consumer income and wealth, economic recession, changes in consumer confidence in the economy, fears of war and acts of terrorism could reduce customer demand for the luxury amenities and leisure activities we offer and may negatively impact our operating results.

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

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

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

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

Demand for our products and services may be negatively impacted by strained international relations, economic disruptions, visa and travel restrictions or difficulties, anti-corruption campaigns, restrictions on international money transfers and other policies or campaigns implemented by regional governments.

A significant amount of our gaming revenues is generated from customers arriving from the PRC, Hong Kong and Taiwan. Strained international relations, economic disruption and other similar events could negatively impact the number of visitors to our facilities and the amount they spend. In addition, policies adopted from time to time by governments, including any visa and travel restrictions or difficulties faced by our customers such as restrictions on exit visas for travelers requiring them or restrictions on visitor entry visas for the jurisdiction in which we operate, could disrupt the number of visitors to our properties from those affected places, including from the PRC, Hong Kong and Taiwan. It is not known when, or if, policies restricting visitation by PRC citizens will be put in place and such policies may be adjusted, without notice, in the future. Furthermore, anti-corruption campaigns may influence the behavior of certain of our customers and their spending patterns. Such campaigns, as well as monetary outflow policies have specifically led to tighter monetary transfer regulations in a number of areas. These policies may affect and impact the number of visitors and the amount of money they spend. The overall effect of these campaigns and monetary transfer restrictions may negatively affect our revenues and results of operations.

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

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

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

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

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

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

- changes in local economic and competitive conditions;
- the impact on the travel and leisure industry from factors such as an outbreak of an infectious disease, such as COVID-19, public incidents of violence, riots, demonstrations, extreme weather patterns or natural disasters, certain geopolitical events, military conflicts and any future security alerts and/or terrorist attacks in Macau and nearby regions;
- changes in local governmental laws and regulations, or interpretations thereof, including gaming laws and regulations, anti-smoking legislation and travel and visa policies;
- extensive regulation of our business and the cost of compliance or failure to comply with applicable laws and regulations;
- restrictions or conditions on visitation by citizens of the PRC, Hong Kong or Taiwan to Macau, including as a result of the COVID-19 Pandemic and certain initiatives impacting applicable visa issuance for prospective travelers to Macau in place from time to time;
- increased government oversight with respect to international financial transactions;
- shortages of skilled and unskilled labor affecting construction, development and/or operations;
- an increase in the cost of maintaining our properties;
- a decline in the number of visitors to Macau; and
- a decrease in gaming and non-casino activities at our resorts.

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

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

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

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

The casino/hotel industry is highly competitive. Since the liberalization of Macau’s gaming industry in 2002, there has been a significant increase in the number of casino properties in Macau. There are six gaming operators in Macau, including WRM. The three concessionaires are WRM, SJM, and Galaxy. The three subconcessionaires are Melco, MGM Macau, and Venetian Macau. As at 30 June 2021, there were 41 casinos in Macau, including 22 operated by SJM. Each of the six current operators has operational casinos and several have expansion plans underway. The Macau government has had the ability to grant additional gaming concessions since April 2009. If the Macau government were to allow additional competitors to operate in Macau through the grant of additional concessions or subconcessions, we would face additional competition, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Several of the current concessionaires and subconcessionaires have opened facilities in the Cotai area over the past few years, which has significantly increased gaming and non-gaming offerings in Macau, with continued development and further openings in Cotai expected in the near future.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our business may be adversely affected by fraudulent websites.

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

If our efforts to cause these sites to be shut down through civil action and by reporting these sites to the appropriate authorities (where applicable, including for possible criminal prosecution) are unsuccessful or not timely completed, these unauthorized activities may continue and harm our reputation and negatively affect our business. Efforts we take to acquire and protect our intellectual property rights against unauthorized use throughout the world, 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.

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

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

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

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

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

Risks associated with our operations in Macau

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

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

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

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

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

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

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

The Macau government has the right to unilaterally terminate our concession in the event of our material non-compliance with the basic obligations under the concession and applicable Macau laws. The Concession Agreement expressly provides a non exhaustive list of facts and circumstances under which the government of Macau may unilaterally rescind the Concession Agreement of our Macau Operations, including if it:

- conducts unauthorized games or activities that are excluded from its corporate purpose;
- suspends gaming operations in Macau for more than seven consecutive days (or more than 14 days in a civil year) without justification;
- defaults in payment of taxes, premiums, contributions or other required amounts;
- does not comply with government inspections or supervision;
- systematically fails to observe its obligations under the concession system;
- or does not comply with directions issued by the Macau government, in particular the Macau gaming regulator;
- fails to maintain bank guarantees or bonds satisfactory to the government;
- is the subject of bankruptcy proceedings or becomes insolvent;
- engages in serious fraudulent activity, damaging to the public interest; or
- repeatedly violates applicable gaming laws.

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

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

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

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

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

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

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

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

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

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

The financial statements of foreign operations are translated into Hong Kong dollars, the Company's functional and presentation currency, for incorporation into the consolidated financial statements. The majority of our assets and liabilities are denominated in U.S. dollars, Hong Kong dollars and Macau patacas, and there are no significant assets and liabilities denominated in other currencies. Assets and liabilities are translated at the prevailing foreign exchange rates in effect at the end of the reporting period. Income, expenditures and cash flow items are measured at the actual foreign exchange rates or average foreign exchange rates for the period. Besides, the currency delineated in our Macau Operations' Concession Agreement with the government of Macau is the Macau pataca. The Macau pataca is linked to the Hong Kong dollar, and the two are often used interchangeably in Macau. The Hong Kong dollar is linked to the U.S. dollar and the exchange rate between these two currencies has remained relatively stable over the past several years. If the Hong Kong dollar and the Macau pataca are no longer linked to the U.S. dollar, the exchange rate for these currencies may severely fluctuate. The current rate of exchange fixed by the applicable monetary authorities for these currencies may also change.

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

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

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

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

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

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

WRL, the Company's controlling shareholder, is listed on the NASDAQ global select market. WRL owned approximately 72% of our Shares as of 30 June 2021. We and certain of our officers and Directors also serve as officers and/or directors of WRL. Decisions that could have different implications for us and WRL, including contractual arrangements that we have entered into or may in the future enter into with WRL, may give rise to the appearance of a potential conflict of interest.

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

As at 30 June 2021, we had a total of 317 table games at Wynn Palace and 322 at Wynn Macau. The mix of table games in operation at Wynn Palace and Wynn Macau changes from time to time as a result of marketing and operating strategies in response to changing market demand and industry competition. Failure to shift the mix of our table games in anticipation of market demands and industry trends may negatively impact our operating results.

Risks related to our indebtedness

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

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

Our indebtedness could have important consequences. For example:

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

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

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

On 27 July 2017, the UK Financial Conduct Authority (the “FCA”) announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “FCA Announcement”). The FCA Announcement and a subsequent speech by the Director of Markets and Wholesale Policy at the FCA on 28 January 2019 indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed, and market participants should not rely on its publication after 2021. The FCA announced on 5 March 2021, that it will cease to compel panel banks to submit LIBOR submissions and that the publication of certain LIBOR settings will cease with effect from 31 December 2021. At the date of this announcement, it is not possible to predict the effect that any discontinuance, modification or other reforms to LIBOR or any other reference rate, or the establishment of alternative reference rates may have on LIBOR or other benchmarks. Furthermore, the use of alternative reference rates or other reforms could cause the interest rate calculated on certain debt instruments to be materially different from the rate that is currently expected.

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

DIVIDEND

No interim dividend was declared for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the six months ended 30 June 2021.

CORPORATE GOVERNANCE CODE

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

The Company has complied with the code provisions in the Code for the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code on 16 September 2009 as its code of conduct for securities transactions by Directors. On 23 March 2010, the Company adopted its own code of conduct for securities transactions, which was most recently updated in March 2017. The terms of such code are no less exacting than those set out in the Model Code. Having made specific enquiry of the Directors, all Directors have confirmed that they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code and the Company's own code of conduct for the six months ended 30 June 2021.

AUDIT AND RISK COMMITTEE

An audit and risk committee has been established by the Company to review and supervise the financial reporting process, internal control procedures and risk management system of the Group. The audit and risk committee comprises three independent non-executive Directors of the Company. The audit and risk committee members have reviewed the Group's results for the six months ended 30 June 2021.

INTERIM REPORT

The Group's unaudited interim financial information for the reporting period has been reviewed by the Company's audit and risk committee members which comprises three independent non-executive Directors: Mr. Nicholas Sallnow-Smith, Mr. Bruce Rockowitz and Dr. Allan Zeman and by the Company's auditor in accordance with Hong Kong Standards on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. The report on review of the interim financial information by the auditors will be included in the interim report of the Group for the six months ended 30 June 2021 to be sent to the Shareholders.

LITIGATION

The Group did not have any material litigation outstanding as at 30 June 2021. The litigation matter set out below is disclosed on a voluntary basis and, as with all litigations, no assurances can be provided as to the outcome thereof.

Macau Litigation Related to Dore

WRM has been named as a defendant in lawsuits filed in the Macau Court of First Instance by individuals who claim to be investors in or persons with credit in accounts maintained by Dore Entertainment Company Limited ("**Dore**"), an independent, Macau registered and licensed company that operates a gaming promoter business at Wynn Macau. In connection with the alleged theft, embezzlement, fraud and/or other crime(s) perpetrated by a former employee of Dore (the "**Dore Incident**"), the plaintiffs of the lawsuits allege that Dore failed to honor withdrawal of funds deposited with Dore as investments or gaming deposits that allegedly resulted in certain losses for these individuals. The principal allegations common to the lawsuits are that WRM, as a gaming concessionaire, should be held responsible for Dore's conduct on the basis that WRM is responsible for the supervision of Dore's activities at Wynn Macau that resulted in the purported losses. The Company made a voluntary announcement in connection with the Dore Incident on 14 September 2015.

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

DEFINITIONS USED IN THIS ANNOUNCEMENT

“Board of Directors” or “Board”	the Board of Directors of our Company
“Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules as applicable on 30 June 2021
“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
“COVID-19 Pandemic”	an outbreak of a respiratory illness caused by a new strain of coronavirus (the “ COVID-19 ”) that was identified in January 2020. The disease has since spread rapidly across the world, causing the World Health Organization to declare the outbreak a pandemic on 12 March 2020
“DICJ”	The Gaming Inspection and Coordination Bureau of Macau
“Director(s)”	the director(s) of our Company
“Encore” or “Encore at Wynn Macau”	a casino resort located in Macau, connected to and fully integrated with Wynn Macau, owned and operated directly by WRM, which opened on 21 April 2010
“Galaxy”	Galaxy Casino, S.A., one of the six gaming operators in Macau and one of the three concessionaires
“Group”, “we”, “us” or “our”	our Company and its subsidiaries, or any of them, and the businesses carried on by such subsidiaries, except where the context makes it clear that the reference is only to the Company itself and not to the Group

“HIBOR”	Hong Kong Interbank Offered Rate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards
“LIBOR”	London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Macau” or “Macau Special Administrative Region”	the Macau Special Administrative Region of the PRC
“Macau Operations”	the integrated Wynn Palace and Wynn Macau and Encore at Wynn Macau
“Melco”	Melco Resorts (Macau) Limited, one of the six gaming operators in Macau and one of the three sub-concessionaires
“MGM Macau”	MGM Grand Paradise Limited, one of the six gaming operators in Macau and one of the three sub-concessionaires
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“MOP” or “pataca”	Macau pataca, the lawful currency of Macau
“NASDAQ”	National Association of Securities Dealers Automatic Quotation System
“Palo”	Palo Real Estate Company Limited, a limited liability company incorporated under the laws of Macau, subject to Ms. Linda Chen 10% social and voting interest and MOP1.00 economic interest in WRM, an indirect wholly-owned subsidiary of the Company

“PRC”, “China” or “mainland China”	the People’s Republic of China and, except where the context requires and only for the purpose of this announcement for geographical and statistical reference only, references in this announcement to the PRC or China do not include Taiwan, Hong Kong or Macau; the term “Chinese” has a correlative meaning
“SEC”	the U.S. Securities and Exchange Commission
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.001 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s) of the Company from time to time
“SJM”	SJM Resorts, S.A., formerly known as Sociedade de Jogos de Macau, S.A., one of the six gaming operators in Macau and one of the three concessionaires
“US\$”	United States dollars, the lawful currency of the United States
“U.S. GAAP”	the Generally Accepted Accounting Principles of the United States
“Venetian Macau”	Venetian Macau, S.A., one of the six gaming operators in Macau and one of the three sub-concessionaires
“WML 2021 Notes”	the US\$600.0 million (approximately HK\$4.66 billion) 5.250% senior notes due 2021 issued by the Company in October 2013 and the additional US\$750.0 million (approximately HK\$5.82 billion) 5.250% 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\$600.0 million (approximately HK\$4.66 billion) 4.875% senior notes due 2024 issued by the Company in September 2017 (Debt Stock Code: 5279)
“WML 2026 Notes”	the US\$750.0 million (approximately HK\$5.82 billion) 5.500% senior notes due 2026 issued by the Company in June 2020 and the additional US\$250.0 million (approximately HK\$1.94 billion) 5.500% senior notes due 2026 issued by the Company in August 2020 (Debt Stock Code: 40259), which were consolidated and form a single series of notes

“WML 2027 Notes”	the US\$750.0 million (approximately HK\$5.82 billion) 5.500% senior notes due 2027 issued by the Company in September 2017 (Debt Stock Code: 5280)
“WML 2028 Notes”	the US\$600.0 million (approximately HK\$4.66 billion) 5.625% senior notes due 2028 issued by the Company in August 2020 and the additional US\$750.0 million (approximately HK\$5.82 billion) 5.625% senior notes due 2028 issued by the Company in December 2020 (Debt Stock Code: 40357), which were consolidated and form a single series of notes
“WML 2029 Notes”	the US\$1.00 billion (approximately HK\$7.76 billion) 5.125% senior notes due 2029 issued by the Company in December 2019 (Debt Stock Code: 40102)
“WML Senior Notes”	Collectively, the WML 2024 Notes, WML 2026 Notes, WML 2027 Notes, WML 2028 Notes and WML 2029 Notes
“WRL Group”	Wynn Resorts, Limited and its subsidiaries (other than the Group)
“WRM”	Wynn Resorts (Macau) S.A., a company incorporated under the laws of Macau and a wholly-owned subsidiary of the Company
“WRM Shareholder Dividend Tax Agreement”	the agreements, entered into during August 2016, for a term of five years between WRM and the Macau Special Administrative Region, that provide for an annual payment to the Macau Special Administrative Region of MOP12.8 million in years 2016 through 2020 in lieu of Complementary Tax otherwise due by WRM shareholders on dividend distributions to them from gaming profits earned in those years; and extended in March 2021 with a payment of MOP12.8 million for year 2021 and MOP6.3 million for the period ending 26 June 2022
“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\$17.90 billion (equivalent) fully-funded senior term loan facility and the HK\$5.83 billion (equivalent) senior revolving credit facility extended to WRM as subsequently amended from time to time and refinanced on 21 December 2018

“Wynn Palace”	an integrated resort situated on approximately 51 acres of land in the Cotai area of Macau in accordance with the terms of the Cotai Land Concession Agreement, which is operated by WRM and opened on 22 August 2016
“Wynn Resorts Holdings, LLC”	Wynn Resorts Holdings, LLC, a company formed under the laws of the State of Nevada, United States and a wholly-owned subsidiary of Wynn Resorts, Limited
“Wynn Resorts, Limited”, or “WRL”	Wynn Resorts, Limited, a company formed under the laws of the State of Nevada, United States, and our controlling shareholder (as defined in the Listing Rules)

GLOSSARY OF TERMS USED IN THIS ANNOUNCEMENT

“Average Daily Rate”	average daily rate which is calculated by dividing total room revenues, including complimentary (less service charges, if any), by total rooms occupied
“chip(s)”	a token; usually in the form of plastic disc(s) or plaque(s) issued by a casino to customers in exchange for cash or credit, which must be used (in lieu of cash) to place bets on gaming tables
“gaming promoters”	individuals or companies licensed by and registered with the Macau government to promote games of fortune and chance or other casino games to customers, through the arrangement of certain services, including transportation, accommodation, dining and entertainment, whose activity is regulated by Macau Administrative Regulation no. 6/2002
“gross gaming win”	the total win generated by all casino gaming activities combined, calculated before deduction of commissions and others (including complimentary revenues allocated from casino revenues to rooms, food and beverage, retail and other revenues)
“In-house VIP Program”	an internal marketing program wherein we directly market our casino resorts to gaming clients, including to high-end or premium players in the greater Asia region. These players are invited to qualify for a variety of gaming rebate programs whereby they earn cash commissions and room, food and beverage and other complimentary allowances based on their turnover level. We often extend credit to these players based upon knowledge of the players, their financial background and payment history
“REVPAR”	revenue per available room which is calculated by dividing total room revenues, including complimentary (less service charges, if any), by total rooms available
“Rolling Chip”	physically identifiable chip that is used to track VIP wagering volume for purposes of calculating commissions and other allowances payable to gaming promoters and our Macau Operations’ individual VIP players

“slot machine win”	the amount of handle (representing the total amount wagered) that is retained and recorded as casino revenues. Slot machine win is after adjustment for progressive accruals, but before the allocation of casino revenues to rooms, food and beverage and other revenues for services provided to casino customers on a complimentary basis
“table drop”	the amount of cash deposited in a gaming table’s drop box that serves as a repository for cash, plus cash chips purchased at the casino cage
“table games win”	the amount of table drop or turnover that is retained and recorded as casino revenues. Table games win is before commissions and the allocation of casino revenues to rooms, food and beverage and other revenues for services provided to casino customers on a complimentary basis
“turnover”	the sum of all losing Rolling Chip wagers within the VIP program
“VIP player”	client, customer or player who participates in our Macau Operations’ In-house VIP Program or in the VIP program of any of our gaming promoters

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

Hong Kong, 13 August 2021

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