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銀娛GEG

## **GALAXY ENTERTAINMENT GROUP LIMITED**

**銀河娛樂集團有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 27)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

#### **LETTER FROM THE CHAIRMAN OF GALAXY ENTERTAINMENT GROUP LIMITED (“GEG” or the “Company”)**

I wish to share with you my personal grief on the devastating impact of Typhoons Hato and Pakhar experienced by everyone in the Macau community, a place where we all call home.

On Wednesday August 23rd, Typhoon Hato, the most powerful and destructive Typhoon in over half a century, swiftly descended on Macau and caused wide spread damage to Macau and significant hardship to its citizens including many of our Team Members. GEG’s properties were damaged, but fortunately, there were only minor injuries reported which was such a big relief to me and the whole GEG family.

We greatly appreciate every single person who has contributed their time and effort to help during such a difficult time. However, I would like to express my sincere condolences to the family and friends of the people who perished and the citizens who sustained injury as a result of the devastating destruction brought by the two typhoons plus so many who have suffered.

Macau has endured the storm and is now focused on recovering and rebuilding with the helping hands of many, including GEG, which is a testament to the will, strength and character of the Macau people. The community is rallying around each other and together we will all move forward with a very bright future. We too at GEG will continue to actively support the community in these challenging times. Our teams at Galaxy Macau™, StarWorld Macau and Broadway Macau™ are contributing to the relief efforts in a variety of ways ranging from substantial donations of goods and services including food, water and trucks for debris removal to a number of team members volunteering to help Macau in areas of need from clean up efforts to delivering food and water to the elderly.

I am pleased to announce a MOP60 million contribution including MOP30 million from the GEG Foundation plus a MOP30 million matching contribution from the Lui family to support the relief efforts of the people of Macau as well as our GEG team members during this challenging and stressful period including materials and resources of K Wah Construction Materials. We look forward to working with the Macau government to determine the most effective way to deploy our contribution during this critically important period.

We can all learn from this traumatizing experience and be better prepared in the future, including GEG. I encourage unity within society to work together to rebuild our community.

I would like to thank all the hearts and souls who have worked to restore Macau including the resilient citizens of Macau, the Macau and Central Governments, the People’s Liberation Army, the countless volunteers, and, as always, our family of GEG Team Members.

Thank you!

**Dr. Lui Che Woo**

*GBM, MBE, JP, LLD, DSSc, DBA*

*Chairman*

## INTERIM RESULTS

The Board of Directors of GEG is pleased to announce the unaudited results of GEG and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2017 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited) For The Six Months Ended 30 June 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenue	2	28,544,136	25,538,536
Other income/gains, net		221,105	75,970
Special gaming tax and other related taxes to the Macau Government		(10,017,529)	(9,080,382)
Commission and allowances to gaming counterparties		(6,008,686)	(5,624,667)
Raw materials and consumables used		(610,470)	(404,768)
Amortisation and depreciation		(1,659,459)	(1,849,003)
Employee benefit expenses		(3,567,576)	(3,515,829)
Other operating expenses		(2,299,119)	(2,546,594)
Finance costs		(31,596)	(16,391)
Share of profits less losses of:			
Joint ventures		118,024	21,663
Associated companies		(75)	834
Profit before taxation	4	4,688,755	2,599,369
Taxation charge	5	(44,709)	(40,426)
Profit for the period		<u>4,644,046</u>	<u>2,558,943</u>
Attributable to:			
Equity holders of the Company		4,630,706	2,558,080
Non-controlling interests		<u>13,340</u>	<u>863</u>
		<u>4,644,046</u>	<u>2,558,943</u>
Earnings per share	7	<i>HK cents</i>	<i>HK cents</i>
Basic		108.3	60.0
Diluted		<u>107.2</u>	<u>59.6</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)**  
**For The Six Months Ended 30 June 2017**

	<b>2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<b>4,644,046</b>	2,558,943
Other comprehensive income/(loss)		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	<b>33,554</b>	(38,006)
Translation differences of subsidiaries	<b>47,646</b>	(25,184)
Share of translation differences of joint ventures	<b>39,813</b>	(27,689)
	<u><b>121,013</b></u>	<u>(90,879)</u>
Other comprehensive income/(loss) for the period, net of tax		
	<u><b>121,013</b></u>	<u>(90,879)</u>
Total comprehensive income for the period	<u><b>4,765,059</b></u>	<u>2,468,064</u>
Total comprehensive income attributable to:		
Equity holders of the Company	<b>4,739,694</b>	2,475,767
Non-controlling interests	<b>25,365</b>	(7,703)
	<u><b>4,765,059</b></u>	<u>2,468,064</u>

**CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)**

As at 30 June 2017

	Note	30 June 2017 HK\$'000	31 December 2016 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		32,567,349	33,502,151
Investment properties		-	42,000
Leasehold land and land use rights		5,055,009	5,055,566
Intangible assets		1,026,449	1,138,488
Joint ventures		1,367,012	1,253,450
Associated companies		2,242	2,317
Other non-current assets		11,466,709	3,235,300
		<u>51,484,770</u>	<u>44,229,272</u>
<b>Current assets</b>			
Inventories		143,570	158,367
Debtors and prepayments	8	1,916,829	1,583,156
Amounts due from joint ventures		233,728	302,783
Taxation recoverable		23,765	20,382
Other current assets		103,319	11,178
Other cash equivalents		8,335	59,290
Cash and bank balances		18,731,481	19,896,602
		<u>21,161,027</u>	<u>22,031,758</u>
<b>Total assets</b>		<u>72,645,797</u>	<u>66,261,030</u>
<b>EQUITY</b>			
Share capital		20,360,506	20,106,376
Reserves		29,997,949	26,238,974
Equity attributable to owners of the Company		<u>50,358,455</u>	<u>46,345,350</u>
Non-controlling interests		530,912	517,663
<b>Total equity</b>		<u>50,889,367</u>	<u>46,863,013</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		517,549	525,978
Deferred taxation liabilities		257,298	256,783
Retention payable		7,399	-
Non-current deposits		192,127	293,883
		<u>974,373</u>	<u>1,076,644</u>
<b>Current liabilities</b>			
Creditors and accruals	9	14,485,571	12,659,706
Amounts due to joint ventures		64,980	15,729
Current portion of borrowings and short-term bank loans		6,175,641	5,608,695
Derivative financial instruments		-	121
Provision for tax		55,865	37,122
		<u>20,782,057</u>	<u>18,321,373</u>
<b>Total liabilities</b>		<u>21,756,430</u>	<u>19,398,017</u>
<b>Total equity and liabilities</b>		<u>72,645,797</u>	<u>66,261,030</u>
<b>Net current assets</b>		<u>378,970</u>	<u>3,710,385</u>
<b>Total assets less current liabilities</b>		<u>51,863,740</u>	<u>47,939,657</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 1. Basis of preparation and accounting policies

The interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) under the historical cost convention, as modified by the revaluation of non-current investments, financial assets and financial liabilities, which are carried at fair values. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The financial information relating to the year ended 31 December 2016 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2017 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The accounting policies used in the preparation of the interim financial information are consistent with those used and as described in the annual financial statements for the year ended 31 December 2016, except as described below:

(a) The adoption of amended standards

In 2017, the Group adopted the following amended standards which are relevant to its operations.

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to HKFRSs 2014 - 2016 Cycle	
HKFRS 12 (Amendment)	Disclosure of Interests in Other Entities

The Group has assessed the impact of the adoption of these amended HKFRS and considered that there was no significant impact on the Group’s results and financial position.

## 1. Basis of preparation and accounting policies (Cont'd)

(b) Standards, interpretations and amendments to existing standards that are not yet effective

<u>New standards, interpretations and amendments</u>		<u>Effective for accounting periods beginning on or after</u>
HKAS 40 (Amendment)	Transfers of Investment Property	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC)-Int 23	Uncertainty over Income Tax treatment	1 January 2019
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15 and HKFRS 15 (Amendment)	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements to HKFRSs 2014 - 2016 Cycle		
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures	
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards	

The Group has not early adopted the above standards, amendments and interpretation and is in the process of assessing the impact of these new standards and amendments on the Group's accounting policies and financial statements.

## 2. Revenue

Revenue comprises turnover from gaming operations, hotel and mall operations, administrative fees from gaming operations and sales of construction materials.

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Gaming operations		
Net gaming wins	<b>25,395,269</b>	22,985,514
Contributions from City Club Casinos ( <i>Note</i> )	<b>44,032</b>	51,280
Tips received	<b>4,787</b>	4,584
Hotel and mall operations	<b>1,628,410</b>	1,496,144
Administrative fees from gaming operations	<b>5,879</b>	10,026
Sales of construction materials	<b>1,465,759</b>	990,988
	<b>28,544,136</b>	25,538,536

## 2. Revenue (Cont'd)

(Note) : In respect of the operations of city club casinos (the “City Club Casinos”), the Group entered into agreements (the “Agreements”) with third parties for a term equal to the life of the concession agreement with the Government of the Macau Special Administrative Region (the “Macau Government”) up to June 2022.

Under the Agreements, the service providers (the “Service Providers”) undertake for the provision of a steady flow of customers to the City Club Casinos and for procuring and/or introducing customers to these casinos. The Service Providers also agree to indemnify the Group against substantially all risks arising under the leases of the premises used by these casinos; and to guarantee payments to the Group of certain operating and administrative expenses. Revenue attributable to the Group is determined by reference to various rates on the net gaming wins.

After analysing the risks and rewards attributable to the Group, and the Service Providers under the Agreements, revenue from the City Club Casinos is recognised based on the established rates for the net gaming wins which reflect the gross inflow of economic benefits to the Group. In addition, all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the interim financial information.

During the period ended 30 June 2017, the Group is entitled to HK\$44,032,000 (2016: HK\$51,280,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the interim financial information.

## 3. Segment information

The Board of Directors is responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, based on a measurement of adjusted earnings before interest, tax, depreciation, amortisation and certain items (the “Adjusted EBITDA”). This measurement basis of Adjusted EBITDA excludes the effects of non-recurring income and expenditure from the operating segments, such as pre-opening expenses, donation and sponsorship, loss on disposal of other investments, certain property, plant and equipment, and impairment charge when the impairment is the result of an isolated, non-recurring event. The Adjusted EBITDA also excludes taxation of joint ventures, the effects of share option expenses and share award expenses.

In accordance with the internal financial reporting and operating activities of the Group, the reportable segments are the gaming and entertainment segment and the construction materials segment. Corporate and treasury management represents corporate level activities including central treasury management and administrative function.

### 3. Segment information (Cont'd)

The reportable segments derive their revenue from the operation in casino games of chance or games of other forms, provision of hospitality and related services in Macau, and the manufacture, sale and distribution of construction materials in Hong Kong, Macau and Mainland China.

There are no sales or trading transaction between the operating segments.

	<b>Gaming and entertainment</b> <i>HK\$'000</i>	<b>Construction materials</b> <i>HK\$'000</i>	<b>Corporate and treasury management</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Six months ended 30 June 2017</b>				
Reportable segment revenue	28,022,400	1,465,759	-	29,488,159
Adjusted for:				
City Club Casinos arrangement set out in note 2				
Revenue not recognised	(993,934)	-	-	(993,934)
Contributions	44,032	-	-	44,032
Others	5,879	-	-	5,879
	<u>27,078,377</u>	<u>1,465,759</u>	<u>-</u>	<u>28,544,136</u>
Revenue recognised under HKFRS				
Adjusted EBITDA including share of results of joint ventures and associated companies	<u>6,214,241</u>	<u>321,149</u>	<u>(69,195)</u>	6,466,195
Interest income and gross earnings on finance lease				235,590
Amortisation and depreciation				(1,659,459)
Finance costs				(31,596)
Taxation charge				(44,709)
Adjusted items:				
Taxation of joint ventures				(36,360)
Pre-opening expenses				(24,901)
Loss on disposal/write-off of certain property, plant and equipment				(62,567)
Share option expenses				(60,530)
Share award expenses				(128,505)
Donation and sponsorship				(386)
Others				(8,726)
Profit for the period				<u>4,644,046</u>
Share of results of joint ventures and associated companies	<u>21,185</u>	<u>96,764</u>	<u>-</u>	<u>117,949</u>



### 3. Segment information (Cont'd)

	<b>Gaming and entertainment</b> <i>HK\$'000</i>	<b>Construction materials</b> <i>HK\$'000</i>	<b>Corporate and treasury management</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Six months ended 30 June 2016</b>				
Reportable segment revenue	25,620,686	990,988	-	26,611,674
Adjusted for:				
City Club Casinos arrangement set out in note 2				
Revenue not recognised	(1,134,444)	-	-	(1,134,444)
Contributions	51,280	-	-	51,280
Others	10,026	-	-	10,026
Revenue recognised under HKFRS	<u>24,547,548</u>	<u>990,988</u>	<u>-</u>	<u>25,538,536</u>
Adjusted EBITDA including share of results of joint ventures and associated companies	<u>4,572,648</u>	<u>204,978</u>	<u>(71,750)</u>	4,705,876
Interest income and gross earnings on finance lease				46,562
Amortisation and depreciation				(1,849,003)
Finance costs				(16,391)
Taxation charge				(40,426)
Adjusted items:				
Taxation of joint ventures				(9,977)
Pre-opening expenses				(20,798)
Loss on disposal of other investments				(896)
Share option expenses				(100,390)
Share award expenses				(123,249)
Donation and sponsorship				(5,390)
Others				<u>(26,975)</u>
Profit for the period				<u>2,558,943</u>
Share of results of joint ventures and associated companies	<u>10,378</u>	<u>12,119</u>	<u>-</u>	<u>22,497</u>

### 3. Segment information (Cont'd)

	<b>Gaming and entertainment</b> <i>HK\$'000</i>	<b>Construction materials</b> <i>HK\$'000</i>	<b>Corporate and treasury management</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>As at 30 June 2017</b>				
Total assets	<u>66,916,506</u>	<u>5,671,402</u>	<u>57,889</u>	<u>72,645,797</u>
Total assets include:				
Joint ventures	88,050	1,278,962	-	1,367,012
Associated companies	<u>-</u>	<u>2,242</u>	<u>-</u>	<u>2,242</u>
Total liabilities	<u>14,007,072</u>	<u>2,280,012</u>	<u>5,469,346</u>	<u>21,756,430</u>
<b>As at 31 December 2016</b>				
Total assets	<u>60,513,416</u>	<u>5,696,510</u>	<u>51,104</u>	<u>66,261,030</u>
Total assets include:				
Joint ventures	58,684	1,194,766	-	1,253,450
Associated companies	<u>-</u>	<u>2,317</u>	<u>-</u>	<u>2,317</u>
Total liabilities	<u>12,291,216</u>	<u>2,125,796</u>	<u>4,981,005</u>	<u>19,398,017</u>
<b>Six months ended 30 June 2017</b>				
Additions to non-current assets	<u>514,414</u>	<u>49,315</u>	<u>-</u>	<u>563,729</u>
<b>Six months ended 30 June 2016</b>				
Additions to non-current assets	<u>372,938</u>	<u>378,350</u>	<u>-</u>	<u>751,288</u>
<b>Geographical analysis</b>				
		<b>2017</b>		<b>2016</b>
<b>Six months ended 30 June</b>		<i>HK\$'000</i>		<i>HK\$'000</i>
<b>Revenue</b>				
Macau		27,226,298		24,657,696
Hong Kong		885,885		755,357
Mainland China		<u>431,953</u>		<u>125,483</u>
		<u>28,544,136</u>		<u>25,538,536</u>
		<b>As at 30 June</b>		<b>As at 31 December</b>
<b>Non-current assets</b>		<b>2017</b>		<b>2016</b>
		<i>HK\$'000</i>		<i>HK\$'000</i>
Macau		48,163,475		40,999,658
Hong Kong		550,190		576,608
Mainland China		<u>2,771,105</u>		<u>2,653,006</u>
		<u>51,484,770</u>		<u>44,229,272</u>

#### 4. Profit before taxation

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit before taxation is arrived at after crediting:		
Rental income from investment properties	-	2,222
Interest income	<b>235,091</b>	46,034
Dividend income from unlisted investments	<b>1,300</b>	600
Gain on disposal of property, plant and equipment	-	721
	<u>                    </u>	<u>                    </u>
and after charging:		
Depreciation	<b>1,499,852</b>	1,689,751
Amortisation		
Gaming licence	<b>52,732</b>	53,023
Computer software	<b>19,057</b>	17,225
Leasehold land and land use rights	<b>43,855</b>	45,041
Reacquired right	<b>43,963</b>	43,963
Loss on disposal/write off of property, plant and equipment	<b>63,017</b>	-
	<u>                    </u>	<u>                    </u>

#### 5. Taxation charge

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	<b>15,467</b>	18,828
Mainland China income tax and withholding tax	<b>7,820</b>	621
Macau complementary tax	<b>3,075</b>	3,026
Net under/(over) provision in prior years	<b>65</b>	(1,478)
Lump sum in lieu of Macau complementary tax on dividend	<b>17,767</b>	17,767
Deferred taxation	<b>515</b>	1,662
Taxation charge	<b>44,709</b>	40,426
	<u>                    </u>	<u>                    </u>

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, these rates range from 12% to 25% (2016: 12% to 25%). The weighted average applicable tax rate was 12% (2016: 12%).

## 6. Dividends

On 28 February 2017, the Board of Directors declared a special dividend of HK\$0.26 per share (2016: HK\$0.15 per share), payable to shareholders of the Company whose names appear on the register of the members of the Company on 31 March 2017. The total amount of the special dividend distributed was HK\$1,112 million and was paid on 28 April 2017.

The Board of Directors does not declare any interim dividend for the period ended 30 June 2017 (2016: nil).

Details of the special dividend declared subsequent to the period end are given in note 10.

## 7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two (2016: two) categories of dilutive potential ordinary shares: share options and share award. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and share award, the dilutive effect of the share award scheme is assumed if the award shares are issued by new shares, which is yet to be determined.

The calculation of basic and diluted earnings per share for the period is based on the following:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u><b>4,630,706</b></u>	<u>2,558,080</u>
	<b>Number of shares</b>	
	<b>2017</b>	2016
Weighted average number of shares for calculating basic earnings per share	<b>4,275,536,212</b>	4,262,732,631
Effect of dilutive potential ordinary shares		
Share options	<b>21,332,953</b>	9,470,794
Share award	<u><b>23,702,380</b></u>	<u>22,976,970</u>
Weighted average number of shares for calculating diluted earnings per share	<u><b>4,320,571,545</b></u>	<u>4,295,180,395</u>

## 8. Debtors and prepayments

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Trade debtors, net of provision	<b>703,713</b>	486,408
Other debtors and deposit paid, net of provision	<b>1,017,345</b>	947,829
Prepayments	<b>170,362</b>	125,347
Current portion of finance lease receivable	<b>25,409</b>	23,572
	<b><u>1,916,829</u></b>	<u>1,583,156</u>

Trade debtors mainly arise from the sales of construction materials and mall operations. The Group has established credit policies which follow local industry standards. The Group normally allows an approved credit period ranging from 30 to 60 days (2016: 30 to 60 days) for customers in Hong Kong and Macau and 60 to 180 days (2016: 60 to 180 days) for customers in Mainland China. These are subject to periodic reviews by management.

The ageing analysis of trade debtors of the Group based on the invoice dates and net of provision for bad and doubtful debts is as follows:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Within one month	<b>483,005</b>	320,527
Two to three months	<b>202,725</b>	145,690
Four to six months	<b>12,031</b>	13,993
Over six months	<b>5,952</b>	6,198
	<b><u>703,713</u></b>	<u>486,408</u>

## 9. Creditors and accruals

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Trade creditors	<b>2,907,676</b>	2,251,461
Other creditors (note a)	<b>4,305,708</b>	4,974,565
Chips issued	<b>5,301,672</b>	3,258,253
Loans from non-controlling interests	<b>29,827</b>	26,505
Accruals and provision	<b>1,915,607</b>	2,127,876
Deposits received	<b>25,081</b>	21,046
	<b><u>14,485,571</u></b>	<u>12,659,706</u>

## 9. Creditors and accruals (Cont'd)

The ageing analysis of trade creditors of the Group based on the invoice dates is as follows:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Within one month	<b>2,513,643</b>	1,882,003
Two to three months	<b>76,512</b>	91,372
Four to six months	<b>119,605</b>	95,134
Over six months	<b>197,916</b>	182,952
	<b><u>2,907,676</u></b>	<u>2,251,461</u>

Note:

- (a) Other creditors mainly represent gaming tax payable to the Macau Government and construction payable to contractors.

## 10. Post Balance Sheet Event

On 30 August 2017, the Board of Directors declared a special dividend of HK\$0.33 per share, payable to shareholders of the Company whose names appear on the register of members of the Company on 29 September 2017. The total amount of the special dividend to be distributed is estimated to be approximately HK\$1,420 million and will be paid on or about 27 October 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

*(All amounts are expressed in Hong Kong dollars unless otherwise stated)*

### REVIEW OF OPERATIONS

#### Group Financial Results

The Group's 1H 2017 results posted revenue of \$28.5 billion, up 12% year-on-year and generated Adjusted EBITDA of \$6.5 billion, up 37% year-on-year. Net profit attributable to shareholders was \$4.6 billion, up 81% year-on-year. Galaxy Macau™'s Adjusted EBITDA was \$5.1 billion, up 29% year-on-year. StarWorld Macau's Adjusted EBITDA was \$1.4 billion, up 45% year-on-year. Broadway Macau™'s Adjusted EBITDA was \$7 million (1H 2016: \$9 million).

During 1H 2017, GEG experienced good luck in its gaming operations which increased Adjusted EBITDA by approximately \$20 million.

The Group's total gaming revenue on a management basis<sup>1</sup> in 1H 2017 was \$26.4 billion, up 9% year-on-year, total mass table games revenue was \$11.4 billion, up 15% year-on-year and total VIP revenue was \$13.9 billion, up 5% year-on-year. Total electronic gaming revenue was \$1.1 billion, up 12% year-on-year.

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<sup>1</sup> The primary difference between statutory revenue and management basis revenue is the treatment of City Clubs revenue where fee income is reported on a statutory basis and gaming revenue is reported on a management basis.

<b>Group Gaming 1H 2017 (HK\$'b)</b>	<b>Turnover/ Table Drop/ Slots Handle</b>	<b>Net Win</b>	<b>Win / Hold %</b>
<b>VIP Gaming</b>	<b>396.4</b>	<b>13.9</b>	<b>3.5%</b>
<b>Mass Gaming</b>	<b>28.2</b>	<b>11.4</b>	<b>40.6%</b>
<b>Electronic Gaming</b>	<b>30.3</b>	<b>1.1</b>	<b>3.4%</b>

<b>Group Gaming 1H 2016 (HK\$'b)</b>	<b>Turnover/ Table Drop/ Slots Handle</b>	<b>Net Win</b>	<b>Win / Hold %</b>
VIP Gaming	356.6	13.2	3.7%
Mass Gaming	24.8	10.0	40.1%
Electronic Gaming	27.5	0.9	3.4%

### **Balance Sheet, Treasury Management and Special Dividends**

The Group's balance sheet remains healthy and liquid. As of 30 June 2017, cash and liquid investments were \$29.8 billion and net cash was \$23.3 billion. Total debt increased from \$5.9 billion at 31 December 2016 to \$6.5 billion at 30 June 2017. Our debt primarily reflects a treasury management exercise where interest income on cash holdings exceeds corresponding borrowing costs. Our strong balance sheet combined with substantial cash flow from operations allows us to return capital to shareholders via dividends and to fund our development pipeline and international expansion ambitions.

In 1H 2017, GEG returned capital to shareholders by paying a special dividend of \$0.26 per share on 28 April 2017, a 73% increase compared to April 2016. Subsequently, GEG announced another special dividend of \$0.33 per share to be paid on or about 27 October 2017, a 83% increase compared to October 2016.

Set out below is the segmental analysis of the Group's operating results for 1H 2017.

<b>1H 2017 (HK\$'m)</b>	<b>Gaming and Entertainment</b>	<b>Construction Materials</b>	<b>Corporate</b>	<b>Total</b>
<b>Revenue</b>	<b>27,078</b>	<b>1,466</b>	<b>-</b>	<b>28,544</b>
<b>Adjusted EBITDA</b>	<b>6,214</b>	<b>321</b>	<b>(69)</b>	<b>6,466</b>

<b>1H 2016 (HK\$'m)</b>	<b>Gaming and Entertainment</b>	<b>Construction Materials</b>	<b>Corporate</b>	<b>Total</b>
Revenue	24,547	991	-	25,538
Adjusted EBITDA	4,573	205	(72)	4,706

## GAMING AND ENTERTAINMENT DIVISION

### Galaxy Macau™

#### *Financial and Operational Performance*

Galaxy Macau™'s revenue for 1H 2017 was \$20.1 billion, up 8% year-on-year. Adjusted EBITDA was \$5.1 billion, up 29% year-on-year.

Galaxy Macau™ experienced bad luck in its gaming operations which decreased its Adjusted EBITDA by approximately \$30 million in 1H 2017. Normalized exclude luck factor ("Normalized") 1H 2017 Adjusted EBITDA was \$5.1 billion, up 35% year-on-year.

Adjusted EBITDA margin for 1H 2017 calculated under HKFRS was 25% (1H 2016: 21%), or 32% under US GAAP (1H 2016: 27%). Adjusted EBITDA margin for Q2 2017 calculated under HKFRS was 25% (Q2 2016: 22%), or 32% under US GAAP (Q2 2016: 27%).

#### *VIP Gaming Performance*

VIP rolling chip volume for 1H 2017 was \$264.7 billion, up 8% year-on-year. This translated to revenue of \$9.9 billion, up 1% year-on-year.

<b>VIP Gaming</b>								
HK\$m	Q2 2016	Q1 2017	Q2 2017	YoY%	QoQ%	1H 2016	1H 2017	YoY%
Turnover	115,296	<b>131,755</b>	<b>132,899</b>	<b>15%</b>	<b>1%</b>	245,832	<b>264,654</b>	<b>8%</b>
Net Win	4,408	<b>5,113</b>	<b>4,830</b>	<b>10%</b>	<b>(6%)</b>	9,866	<b>9,943</b>	<b>1%</b>
Win %	3.8%	<b>3.9%</b>	<b>3.6%</b>	<b>n/a</b>	<b>n/a</b>	4.0%	<b>3.8%</b>	<b>n/a</b>

#### *Mass Gaming Performance*

Mass gaming revenue for 1H 2017 was \$7.8 billion, up 20% year-on-year.

<b>Mass Gaming</b>								
HK\$m	Q2 2016	Q1 2017	Q2 2017	YoY%	QoQ%	1H 2016	1H 2017	YoY%
Table Drop	7,834	<b>8,839</b>	<b>8,930</b>	<b>14%</b>	<b>1%</b>	15,568	<b>17,769</b>	<b>14%</b>
Net Win	3,253	<b>3,968</b>	<b>3,845</b>	<b>18%</b>	<b>(3%)</b>	6,537	<b>7,813</b>	<b>20%</b>
Hold %	41.5%	<b>44.9%</b>	<b>43.1%</b>	<b>n/a</b>	<b>n/a</b>	42.0%	<b>44.0%</b>	<b>n/a</b>

#### *Electronic Gaming Performance*

Electronic gaming revenue for 1H 2017 was \$893 million, up 8% year-on-year.

<b>Electronic Gaming</b>								
HK\$m	Q2 2016	Q1 2017	Q2 2017	YoY%	QoQ%	1H 2016	1H 2017	YoY%
Slots Handle	11,661	<b>11,385</b>	<b>11,187</b>	<b>(4%)</b>	<b>(2%)</b>	23,203	<b>22,572</b>	<b>(3%)</b>
Net Win	447	<b>454</b>	<b>439</b>	<b>(2%)</b>	<b>(3%)</b>	828	<b>893</b>	<b>8%</b>
Hold %	3.8%	<b>4.0%</b>	<b>3.9%</b>	<b>n/a</b>	<b>n/a</b>	3.6%	<b>4.0%</b>	<b>n/a</b>



### *Non-Gaming Performance*

In 1H 2017, non-gaming revenue for 1H 2017 was \$1.4 billion, up 9% year-on-year. The combined five hotels registered strong occupancy of 97% for 1H 2017. Net rental revenue for the Promenade was \$434 million for 1H 2017, up 22% year-on-year.

<b>Non-Gaming</b>								
HK\$m	Q2 2016	Q1 2017	Q2 2017	YoY%	QoQ%	1H 2016	1H 2017	YoY%
Net Rental Revenue	161	222	212	31%	(5%)	357	434	22%
Hotel Revenue / F&B / Others	478	485	501	5%	3%	948	986	4%
Total	639	707	713	12%	1%	1,305	1,420	9%

### **StarWorld Macau**

#### *Financial and Operational Performance*

StarWorld Macau's revenue for 1H 2017 was \$6.7 billion, up 20% year-on-year. Adjusted EBITDA was \$1.4 billion, up 45% year-on-year.

StarWorld Macau experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$60 million in 1H 2017. Normalized 1H 2017 Adjusted EBITDA was \$1.4 billion, up 30% year-on-year.

Adjusted EBITDA margin for 1H 2017 calculated under HKFRS was 21% (1H 2016: 17%), or 29% under US GAAP (1H 2016: 24%). Adjusted EBITDA margin for Q2 2017 calculated under HKFRS was 21% (Q2 2016: 17%), or 29% under US GAAP (Q2 2016: 23%).

#### *VIP Gaming Performance*

VIP rolling chip volume for 1H 2017 was \$125.8 billion, up 19% year-on-year. This translated to revenue of \$3.8 billion, up 22% year-on-year.

<b>VIP Gaming</b>								
HK\$m	Q2 2016	Q1 2017	Q2 2017	YoY%	QoQ%	1H 2016	1H 2017	YoY%
Turnover	46,090	63,066	62,698	36%	(1%)	105,290	125,764	19%
Net Win	1,472	1,703	2,102	43%	23%	3,131	3,805	22%
Win %	3.2%	2.7%	3.4%	n/a	n/a	3.0%	3.0%	n/a

#### *Mass Gaming Performance*

Mass gaming revenue for 1H 2017 was \$2.7 billion, up 17% year-on-year.

<b>Mass Gaming</b>								
HK\$m	Q2 2016	Q1 2017	Q2 2017	YoY%	QoQ%	1H 2016	1H 2017	YoY%
Table Drop	3,062	3,442	3,501	14%	2%	6,081	6,943	14%
Net Win	1,141	1,291	1,426	25%	10%	2,319	2,717	17%
Hold %	37.3%	37.5%	40.7%	n/a	n/a	38.1%	39.1%	n/a

### *Electronic Gaming Performance*

Electronic gaming revenue for 1H 2017 was \$70 million, up 67% year-on-year.

<b>Electronic Gaming</b>								
HK\$m	Q2 2016	Q1 2017	Q2 2017	YoY%	QoQ%	1H 2016	1H 2017	YoY%
Slots Handle	386	1,594	1,668	332%	5%	795	3,262	310%
Net Win	18	34	36	100%	6%	42	70	67%
Hold %	4.7%	2.1%	2.2%	n/a	n/a	5.3%	2.2%	n/a

### *Non-Gaming Performance*

Non-gaming revenue in 1H 2017 was \$101 million, down 3% year-on-year. Hotel room occupancy was 99% for 1H 2017.

<b>Non-Gaming</b>								
HK\$m	Q2 2016	Q1 2017	Q2 2017	YoY%	QoQ%	1H 2016	1H 2017	YoY%
Net Rental Revenue	9	12	11	22%	(8%)	18	23	28%
Hotel Revenue / F&B / Others	39	39	39	0%	0%	86	78	(9%)
Total	48	51	50	4%	(2%)	104	101	(3%)

### **Broadway Macau™**

#### *Financial and Operational Performance*

Broadway Macau™ is a unique family friendly, street entertainment and food resort supported by Macau SMEs, it does not have a VIP gaming component. Broadway Macau™'s revenue in 1H 2017 was \$262 million (1H 2016: \$350 million). Adjusted EBITDA was \$7 million for 1H 2017 (1H 2016: \$9 million).

Broadway Macau™ experienced bad luck in its gaming operations which decreased its Adjusted EBITDA by approximately \$6 million in 1H 2017. Normalized 1H 2017 Adjusted EBITDA was \$13 million, up 63% year-on-year.

#### *Mass Gaming Performance*

Mass gaming revenue for 1H 2017 was \$139 million.

<b>Mass Gaming</b>								
HK\$m	Q2 2016	Q1 2017	Q2 2017	YoY%	QoQ%	1H 2016	1H 2017	YoY%
Table Drop	503	325	291	(42%)	(11%)	1,103	616	(44%)
Net Win	115	75	64	(44%)	(15%)	246	139	(43%)
Hold %	22.9%	23.1%	22.0%	n/a	n/a	22.3%	22.6%	n/a

### ***Electronic Gaming Performance***

Electronic gaming revenue for 1H 2017 was \$16 million.

<b>Electronic Gaming</b>								
HK\$m	Q2 2016	Q1 2017	Q2 2017	YoY%	QoQ%	1H 2016	1H 2017	YoY%
Slots Handle	137	201	308	125%	53%	280	509	82%
Net Win	9	8	8	(5%)	0%	16	16	0%
Hold %	6.2%	4.0%	2.6%	n/a	n/a	5.6%	3.2%	n/a

### ***Non-Gaming Performance***

Non-gaming revenue in 1H 2017 was \$107 million. Hotel room occupancy was virtually 100% for 1H 2017.

<b>Non-Gaming</b>								
HK\$m	Q2 2016	Q1 2017	Q2 2017	YoY%	QoQ%	1H 2016	1H 2017	YoY%
Net Rental Revenue	14	10	10	(29%)	0%	28	20	(29%)
Hotel Revenue / F&B / Others	31	42	45	45%	7%	60	87	45%
Total	45	52	55	22%	6%	88	107	22%

### **City Clubs**

City Clubs contributed \$49 million of Adjusted EBITDA to the Group's earnings for 1H 2017 (1H 2016: \$56 million).

## **CONSTRUCTION MATERIALS DIVISION**

Construction Materials Division ("CMD") achieved a solid performance for the first half of 2017. Revenue was up 48% year-on-year to \$1.5 billion and Adjusted EBITDA was up 57% year-on-year to \$321 million.

### **Hong Kong and Macau**

The demand for construction materials in Hong Kong remains generally stable but market price has declined due to intensifying competition. Despite declining market price, CMD was able to deliver solid results by maintaining disciplined cost management and efficient operations.

In Macau, demand for construction materials remains soft due to the delays of certain casino, infrastructure and property projects.

### **Mainland China**

In Yunnan, improved cement market price and volume, due to growth in infrastructure projects, combined with cost saving measures contributed to improved earnings. However, severe market competition continued to prevail in Northern China, and it may take time for the market to resolve the overcapacity situation.

Benefiting from the rise in cement price, overall Ground Granulated Blast-furnace Slag selling price improved, which contributed to better than expected profit.

## **DEVELOPMENT UPDATE**

### **Cotai - The Next Chapter**

GEG is uniquely positioned for long term growth. We continue to move forward with our plans for Phases 3 and 4, and we look forward to formally announcing our development plans in the future.

### **Hengqin**

We continue to make progress with our concept plan for our Hengqin project. Hengqin will allow GEG to develop a leisure destination resort that will complement our high energy resorts in Macau.

### **International**

GEG and Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco (“Monte-Carlo SBM”) continue to progress our strategic partnership, which includes a mutual commitment to enhance the respective businesses and brands of each company and to work together on the development and operation of entertainment businesses including Integrated Resort (“IR”) projects in the Asia-Pacific region, including opportunities in Japan. The announcement of this agreement follows a strategic investment made by GEG in Monte-Carlo SBM in July 2015.

## **SUBSEQUENT EVENT**

GEG announced a special dividend of \$0.33 per share payable on or about 27 October 2017.

## **GROUP OUTLOOK**

Macau has suffered from the impact of Typhoon Hato in late August 2017, the most powerful typhoon to hit Macau in over a half a century, which was followed by Typhoon Pakhar just a few days after. Macau has endured the storms and is focusing on recovering and rebuilding with the help of many, including GEG, which is a testament to the will, strength, and character of the people of Macau. We are supporting the Macau community in their rebuilding efforts, assisting GEG team members and repairing damages to our properties as quickly as possible. We are doing our best to resume normal operations as quickly as possible and we are confident that Macau and GEG’s short and long term prospects remain bright and promising.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The equity attributable to owners of the Company as at 30 June 2017 was \$50,358 million, an increase of 9% over that as at 31 December 2016 of \$46,345 million, while the Group’s total assets employed increased to \$72,646 million as at 30 June 2017 as compared to \$66,261million as at 31 December 2016.

The Group continues to maintain a strong cash position. As at 30 June 2017, total cash and bank balances were \$18,731 million as compared to \$19,897 million as at 31 December 2016. The Group’s total borrowings were \$6,693 million as at 30 June 2017 as compared to \$6,135 million as at 31 December 2016. The Group was in a net cash position as at 30 June 2017 and 31 December 2016.

The total borrowings of the Group mainly comprised bank loans and other obligations which were largely denominated in Hong Kong dollar, Renminbi and Euro. The Group’s borrowings are closely monitored to ensure a smooth repayment schedule to maturity.

The Group’s liquidity position remains strong and the Group is confident that sufficient resources could be secured to meet its commitments and working capital requirements.

## **TREASURY POLICY**

The Group continues to adopt a conservative treasury policy in liquidity and financial management. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollar, U.S. dollar, Renminbi or in the local currencies of the operating subsidiaries. Forward foreign exchange contracts are utilized and borrowings in foreign currencies are arranged when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposure, which are considered necessary for the Group's treasury management activities.

The Group's borrowings were largely denominated in Hong Kong dollar, Renminbi and Euro. Euro bank loan was utilized to fund and hedge the foreign exchange risk on the Euro denominated Monte-Carlo SBM investment in August 2015.

## **CHARGES ON GROUP ASSETS**

Property, plant and equipment and leasehold land and land use rights with net book value of \$1,043 million (31 December 2016: \$1,023 million) and bank deposits of \$630 million (31 December 2016: \$315 million) have been pledged to secure banking facilities.

## **GUARANTEES**

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$790 million (31 December 2016: \$590 million). At 30 June 2017, facility utilized amounted to \$300 million (31 December 2016: \$300 million).

The Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures and an associated company amounting to \$280 million (31 December 2016: \$297 million). At 30 June 2017, facilities utilized amounted to \$255 million (31 December 2016: \$255 million).

## **DEALINGS IN LISTED SECURITIES**

Neither GEG nor any of its subsidiaries has purchased, sold or redeemed any of GEG's shares during the six months ended 30 June 2017.

## **REVIEW OF INTERIM RESULTS**

The Group's interim results for the six months ended 30 June 2017 have been reviewed by the Audit Committee of GEG and by GEG's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard 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 interim financial information by the auditor will be included in the Interim Report 2017 to shareholders.

## **CORPORATE GOVERNANCE**

Throughout the six months ended 30 June 2017, GEG has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except code provision A.4.2.

Given that the other Directors do retire by rotation in accordance with the Articles of Association of GEG, the Board considers that the Group is best served by not requiring the Chairman to retire by rotation as his continuity in office is of considerable benefit to and his leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of GEG.

## **DIVIDENDS**

On 28 February 2017, the Board of Directors declared a special dividend of HK\$0.26 per share (2016: HK\$0.15 per share) to shareholders whose names appear on the register of members of the Company on 31 March 2017. The total amount of the special dividend distributed was approximately HK\$1,112 million (2016: HK\$640 million) and was paid on 28 April 2017.

The Board of Directors is pleased to announce that it has declared another special dividend of HK\$0.33 per share (2016: HK\$0.18 per share) payable to shareholders whose names appear on the register of members of the Company on 29 September 2017 and expected to be paid on or about 27 October 2017. The total amount of this special dividend distributed was approximately HK\$1,420 million (2016: HK\$769 million). It will be funded by dividends received by the Company from wholly-owned subsidiaries after the date of its last audited financial statements, as a result of which the Company has distributable reserves of approximately HK\$2,751 million. These will be reflected in a special purpose financial statement to be delivered to the Registrar of Companies in Hong Kong for registration, in compliance with the Companies Ordinance, before payment of the special dividend.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of ascertaining the shareholders who are entitled to the special dividend, the register of members of GEG will be closed from Wednesday, 27 September 2017 to Friday, 29 September 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed special dividend, all share certificates with completed transfer documents must be lodged with GEG's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 26 September 2017.

## **INTERIM REPORT 2017**

The Interim Report 2017 of GEG containing all the information required by the Listing Rules will be available on the respective websites of Hong Kong Exchanges and Clearing Limited and GEG and dispatched to the shareholders in due course.

By Order of the Board  
**Galaxy Entertainment Group Limited**  
**Jenifer Sin Li Mei Wah**  
*Company Secretary*

Hong Kong, 30 August 2017

*As at the date of this announcement, the executive Directors of GEG are Dr. Lui Che Woo (Chairman), Mr. Francis Lui Yiu Tung, Mr. Joseph Chee Ying Keung and Ms. Paddy Tang Lui Wai Yu; the non-executive Director of GEG is Dr. Charles Cheung Wai Bun; and the independent non-executive Directors of GEG are Mr. James Ross Ancell, Dr. William Yip Shue Lam and Professor Patrick Wong Lung Tak.*

Website: [www.galaxyentertainment.com](http://www.galaxyentertainment.com)