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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Fellow shareholders I wish to share with you my personal concern as a result of the outbreak of the coronavirus. As you are aware in late December 2019, the coronavirus was confirmed and many people have been impacted at different levels. I wish to express my heartfelt sympathy to all those affected and to their family and friends.

GEG is committed to the well-being and safety of all our guests and team members and to maintain high levels of hygiene. In light of the pneumonia outbreak, we have been working closely with the Macau Government and the relevant departments. We have adopted and supported all protective measures laid out by the Macau Government. From midnight 5 February 2020, the Macau Government instructed that all gaming premises suspend casino operations for 15 days, subsequently this suspension was lifted on Thursday, 20th February. In addition, we also reaccelerated work on our construction projects in Cotai. We acknowledge the closure may bring challenges to the industry and Macau’s economy, but GEG fully supports the government’s decision and believes that it is critical for society to unite. GEG has taken a wide range of protective measures against the coronavirus and we are working together to contain the spread of the virus.

GEG has donated MOP20 million through the Galaxy Entertainment Group Foundation to Hubei Province in order to help the region fight against the pneumonia outbreak and assist in relief efforts. The donation was made under the coordination of the Liaison Office of the Central People’s Government in the Macau SAR. We have also made a donation of MOP5 million to support the prevention initiatives in the Macau community. GEG also donated one million protective face masks to the Macau Government, Zhuhai City Government and Hengqin New Area Government in support of their prevention efforts.

It is times like this that the entire community needs to work together to overcome these challenges. We have faced similar challenges in the past, and we have overcome these previous challenges. I am confident that in time we will overcome the current challenge.

I would like to personally thank all of the related government departments and officials, emergency and medical personnel who have worked tirelessly to assist the community in this challenging time. I would also like to thank the GEG team members for their assistance during this period.

Thank you!

Dr. Lui Che Woo

GBM, MBE, JP, LLD, DSSc, DBA

Chairman

ANNUAL RESULTS

The Board of Directors of GEG is pleased to announce the results of GEG and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2019 as follows:

Q4 & FULL YEAR 2019 RESULTS HIGHLIGHTS

GEG: Strong Mass Performance, Solid VIP

- Full Year Group Net Revenue of HK\$51.9 billion, down 6% year-on-year
- Full Year Group Adjusted EBITDA of HK\$16.5 billion, down 2% year-on-year
- Full Year net profit attributable to shareholders (“NPAS”) of HK\$13.0 billion, down 3% year-on-year including HK\$954 million of non-recurring and other charges
- Full year Adjusted NPAS of HK\$14.0 billion, flat year-on-year after adjusting for non-recurring and other charges
- Q4 Group Net Revenue of HK\$13.0 billion, down 8% year-on-year and up 2% quarter-on-quarter
- Q4 Group Adjusted EBITDA of HK\$4.1 billion, down 6% year-on-year and down 1% quarter-on-quarter
- Played lucky in Q4 which increased Adjusted EBITDA by approximately HK\$180 million, normalized exclude luck factor (“Normalized”) Q4 Adjusted EBITDA of HK\$3.9 billion, down 9% year-on-year and down 1% quarter-on-quarter

Galaxy Macau™: Strong Mass Performance, Property Enhancement Program on Track

- Full Year Net Revenue of HK\$37.4 billion, down 5% year-on-year
- Full Year Adjusted EBITDA of HK\$12.6 billion, down 2% year-on-year
- Q4 Net Revenue of HK\$9.3 billion, down 10% year-on-year and flat quarter-on-quarter
- Q4 Adjusted EBITDA of HK\$3.2 billion, down 6% year-on-year and up 1% quarter-on-quarter
- Played lucky in Q4 which increased Adjusted EBITDA by approximately HK\$202 million, Normalized Q4 Adjusted EBITDA of HK\$3.0 billion, down 7% year-on-year and flat quarter-on-quarter
- Hotel occupancy for Q4 across the five hotels was virtually 100%

StarWorld Macau: Solid Mass Performance, Property Enhancement Program on Track

- Full Year Net Revenue of HK\$10.9 billion, down 10% year-on-year
- Full Year Adjusted EBITDA of HK\$3.5 billion, down 8% year-on-year
- Q4 Net Revenue of HK\$2.7 billion, down 11% year-on-year and up 5% quarter-on-quarter
- Q4 Adjusted EBITDA of HK\$782 million, down 12% year-on-year and down 6% quarter-on-quarter
- Played unlucky in Q4 which decreased Adjusted EBITDA by approximately HK\$21 million, Normalized Q4 Adjusted EBITDA of HK\$803 million, down 20% year-on-year and down 1% quarter-on-quarter
- Hotel occupancy for Q4 was virtually 100%

Broadway Macau™: A Unique Family Friendly Resort, Strongly Supported by Macau SMEs

- Full Year Net Revenue of HK\$593 million, versus HK\$562 million in 2018
- Full Year Adjusted EBITDA of HK\$39 million, versus HK\$32 million in 2018
- Q4 Net Revenue of HK\$154 million, versus HK\$141 million in Q3 2019 and HK\$144 million in Q4 2018
- Q4 Adjusted EBITDA of HK\$16 million, versus HK\$2 million in Q3 2019 and HK\$8 million in Q4 2018
- Played unlucky in Q4 which decreased Adjusted EBITDA by approximately HK\$1 million, Normalized Q4 Adjusted EBITDA of HK\$17 million, versus HK\$4 million in Q3 2019 and HK\$7 million in Q4 2018
- Hotel occupancy for Q4 was virtually 100%

Balance Sheet: Healthy and Liquid Balance Sheet

- As at 31 December 2019, cash and liquid investments were HK\$52.3 billion and net cash was HK\$51.7 billion
- As at 31 December 2019, debt was HK\$0.6 billion
- Paid two special dividends of HK\$0.45 per share in April 2019 and HK\$0.46 per share in October 2019
- Announced another special dividend of HK\$0.45 per share payable on or about 24 April 2020

Development Update: Continuing to Pursue Development Opportunities

- Property Enhancement Program – Almost completed the previously announced HK\$1.5 billion property enhancement program in both Galaxy Macau™ and StarWorld Macau, we have identified and are reviewing additional enhancement opportunities
- Cotai Phases 3 & 4 – Continue with development works for Phases 3 & 4, with a strong focus on non-gaming, primarily targeting Meetings Incentives Conferences and Events (MICE), entertainment, family facilities and also including gaming
- GICC & Galaxy Arena - In August 2019 introduced Galaxy International Convention Center (GICC) and Galaxy Arena and are pleased to welcome Hyatt Hotels Corporation’s first Andaz Hotel to Macau and the Galaxy Integrated Resorts precinct
- Hengqin – Refining plans for a lifestyle resort to complement our high-energy entertainment resorts in Macau
- International – Continuously exploring opportunities in overseas markets, including Japan

CONSOLIDATED INCOME STATEMENT
For The Year Ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue (Note)	3	51,901,991	55,210,901
Other income/gains, net		1,113,294	1,146,210
Special gaming tax and other related taxes to the Macau Government		(22,487,289)	(25,619,522)
Raw materials and consumables used		(1,087,023)	(1,199,209)
Amortisation and depreciation		(3,456,596)	(3,315,913)
Employee benefit expenses		(7,981,133)	(7,784,742)
Other operating expenses		(5,122,254)	(5,072,801)
Finance costs		(129,326)	(138,775)
Share of profits less losses of:			
Joint ventures		532,173	387,585
Associated companies		(18)	35
Profit before taxation	5	13,283,819	13,613,769
Taxation charge	6	(155,964)	(43,485)
Profit for the year		13,127,855	13,570,284
Attributable to:			
Equity holders of the Company		13,041,545	13,507,389
Non-controlling interests		86,310	62,895
		13,127,855	13,570,284
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8		
Basic		301.1	312.8
Diluted		300.0	311.3
		<i>HK\$'000</i>	<i>HK\$'000</i>
Note: Analysis of revenue			
Gross revenue from gaming operations		57,205,198	65,230,209
Commission and incentives		(13,623,781)	(18,205,467)
Net revenue from gaming operations		43,581,417	47,024,742
Revenue from hotel, mall operations and others		5,486,582	5,297,977
Sales of construction materials		2,833,992	2,888,182
		51,901,991	55,210,901

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2019

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	13,127,855	13,570,284
Other comprehensive income/(loss)		
Items that will not be subsequently reclassified to profit or loss		
Change in fair value of financial assets at fair value through other comprehensive income	1,768,354	(3,215,569)
Items that may be subsequently reclassified to profit or loss		
Translation differences of subsidiaries	(40,905)	(77,848)
Share of translation differences of joint ventures	(28,575)	(72,590)
	<hr/>	<hr/>
Other comprehensive income/(loss) for the year, net of tax	1,698,874	(3,366,007)
	<hr/>	<hr/>
Total comprehensive income for the year	14,826,729	10,204,277
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Total comprehensive income attributable to:		
Equity holders of the Company	14,747,381	10,160,807
Non-controlling interests	79,348	43,470
	<hr/>	<hr/>
	14,826,729	10,204,277
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CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		32,736,635	31,359,096
Right-of-use assets		4,950,013	-
Leasehold land and land use rights		-	4,921,285
Intangible assets		554,524	722,371
Joint ventures		1,836,036	1,630,959
Associated companies		2,238	2,252
Financial assets at amortised cost		25,164,997	25,778,612
Financial assets at fair value through other comprehensive income		6,262,099	4,530,411
Long-term bank deposits		4,470,886	-
Other non-current assets		202,293	125,809
		<u>76,179,721</u>	<u>69,070,795</u>
Current assets			
Inventories		177,834	189,799
Debtors and prepayments	9	2,145,046	1,860,409
Amounts due from joint ventures		161,946	178,727
Taxation recoverable		40,093	35,373
Current portion of financial assets at amortised cost		2,345,444	1,543,905
Cash and cash equivalents and other bank deposits		14,646,088	14,504,823
		<u>19,516,451</u>	<u>18,313,036</u>
Total assets		<u><u>95,696,172</u></u>	<u><u>87,383,831</u></u>
EQUITY			
Share capital and shares held for share award scheme		22,433,668	22,016,854
Reserves		51,153,725	40,263,405
Equity attributable to owners of the Company		73,587,393	62,280,259
Non-controlling interests		567,486	550,941
Total equity		<u><u>74,154,879</u></u>	<u><u>62,831,200</u></u>
LIABILITIES			
Non-current liabilities			
Borrowings		8,931	251,392
Deferred taxation liabilities		201,218	194,695
Lease Liabilities		310,647	-
Retention payable		112,843	55,160
Non-current deposits		240,064	312,853
		<u>873,703</u>	<u>814,100</u>
Current liabilities			
Creditors and accruals	10	19,973,302	14,827,617
Amounts due to joint ventures		41,725	59,463
Current portion of lease liabilities		49,387	-
Current portion of borrowings and short-term bank loans		544,183	8,803,558
Provision for tax		58,993	47,893
		<u>20,667,590</u>	<u>23,738,531</u>
Total liabilities		<u><u>21,541,293</u></u>	<u><u>24,552,631</u></u>
Total equity and liabilities		<u><u>95,696,172</u></u>	<u><u>87,383,831</u></u>
Net current liabilities		<u><u>(1,151,139)</u></u>	<u><u>(5,425,495)</u></u>
Total assets less current liabilities		<u><u>75,028,582</u></u>	<u><u>63,645,300</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) under the historical cost convention as modified by the revaluation of certain financial assets and financial liabilities, which are carried at fair values.

At 31 December 2019, the Group’s current liabilities exceeded its current assets by HK\$1,151 million. Taking into account the cash flows from operations and unutilised banking facilities, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments (principally relating to the development of Galaxy Macau™ resort at Cotai) as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of annual results 2019 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those 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 financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2019 in due course.

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

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

- (a) The adoption of new and amended standards and interpretation

In 2019, the Group adopted the following new and amended standards and interpretation which are relevant to its operations.

HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendment)	Long-term Interests in Associates or Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKFRS 16	Leases

Annual Improvements to HKFRSs 2015 - 2017 Cycle

HKAS 12 (Amendment)	Income Taxes
HKAS 23 (Amendment)	Borrowing Costs
HKFRS 3 (Amendment)	Business Combinations
HKFRS 11 (Amendment)	Joint Arrangements

The impact of the adoption of HKFRS 16 is disclosed in note 2 below. The other amended standards and interpretation did not have significant impact on the Group's accounting policies and did not require retrospective adjustments.

- (b) New standard and amendments to existing standards that are not yet effective

<u>New standard and amendments</u>		<u>Effective for accounting periods beginning on or after</u>
HKAS 1 and HKAS 8 (Amendment)	Definition of Material	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendment)	Hedge Accounting	1 January 2020
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2. Changes in Accounting Policies

HKFRS 16 ‘Leases’

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s consolidated financial statements and accounting policy that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019 and summarised as follows:

	<u>As at 31</u> <u>December</u> <u>2018</u> <u>HK\$’000</u>	<u>Adjustments</u> <u>under</u> <u>HKFRS 16</u> <u>HK\$’000</u>	<u>As at</u> <u>1 January</u> <u>2019</u> <u>HK\$’000</u>
Obligations under finance leases – non-current (included in borrowings)	(224,001)	224,001	-
Lease liabilities – current	-	(43,610)	(43,610)
Lease liabilities – non-current	-	(318,196)	(318,196)
Leasehold land and land use rights	4,921,285	(4,921,285)	-
Right-of-use assets	-	5,059,090	5,059,090

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

Lease payments include fixed payments, less any lease incentives receivable; and variable lease payment that are based on an index or a rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.34%.

2. Changes in Accounting Policies (Cont'd)

As a result, the obligations under finance leases of HK\$224 million recognised and the operating lease commitments of HK\$172 million disclosed at 31 December 2018, adjusted by the effect of discounting and exclusion of short-term leases and low-value asset leases, resulted as HK\$138 million, are combined as lease liabilities of HK\$362 million and recognised on 1 January 2019. The amount was split into current portion and non-current portion of HK\$44 million and HK\$318 million respectively.

As of 1 January 2019, leasehold land and land use rights arising from land concessions from Macau Government amounted to HK\$4,921 million while other right-of-use assets arising from other property, plant and equipment amounted to HK\$138 million. The other right-of-use assets are measured at the amount equal to the corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018. These are presented together in the consolidated balance sheet as right-of-use assets with the total amount of HK\$5,059 million as of 1 January 2019. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In applying HKFRS 16 for the first time, the Group has considered the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application,
- using past experience in determining the lease term where the contract contains options to extend or terminate the lease

There is no material impact to the Group's financial performance due to the adoption of this new accounting standard.

3. Revenue

Revenue recognised during the year are as follows:

	2019	2018
	HK\$'000	HK\$'000
Gaming operations		
Net gaming wins	57,072,885	65,104,572
Contributions from City Club Casinos (Note i)	107,332	100,849
Tips received and administrative fees	24,981	24,788
Gross revenue from gaming operations	57,205,198	65,230,209
Less: Commission and incentives	(13,623,781)	(18,205,467)
Net revenue from gaming operations	43,581,417	47,024,742
Revenue from hotel, mall operations and others (Note ii)	5,486,582	5,297,977
Sales of construction materials	2,833,992	2,888,182
	51,901,991	55,210,901

3. Revenue (Cont'd)

Note i: 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 consolidated financial statements.

During the year ended 31 December 2019, the Group is entitled to HK\$107,332,000 (2018: HK\$100,849,000), 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 consolidated financial statements.

Note ii: Revenue from hotel, mall operations and others includes rental income amounted to approximately HK\$1,328 million (2018: HK\$1,218 million).

4. 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, gain/loss on disposal and write-off of 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 and associated companies, 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.

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.

4. Segment information (Cont'd)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Year ended 31 December 2019				
Reportable segment revenue	51,099,351	2,833,992	-	53,933,343
Adjusted for:				
City Club Casinos arrangement set out in note 3				
Revenue not recognised	(2,149,634)	-	-	(2,149,634)
Contributions	107,332	-	-	107,332
Others	10,950	-	-	10,950
Revenue recognised under HKFRS	<u>49,067,999</u>	<u>2,833,992</u>	<u>-</u>	<u>51,901,991</u>
Adjusted EBITDA including share of results of joint ventures and associated companies	<u>15,497,211</u>	<u>1,161,843</u>	<u>(179,910)</u>	16,479,144
Interest income, dividend income from listed investments and gross earnings on finance lease				1,403,226
Amortisation and depreciation				(3,456,596)
Finance costs				(129,326)
Taxation charge				(155,964)
Adjusted items:				
Taxation of joint ventures and associated companies				(147,682)
Pre-opening expenses				(240,991)
Loss on disposal and write-off of certain property, plant and equipment				(106,177)
Share option expenses				(166,314)
Share award expenses				(109,077)
Donation and sponsorship				(11,812)
Foreign exchange loss				(227,025)
Others				(3,551)
Profit for the year				<u>13,127,855</u>
Share of results of joint ventures and associated companies	<u>50,078</u>	<u>482,077</u>	<u>-</u>	<u>532,155</u>

4. Segment information (Cont'd)

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Corporate and treasury management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2018				
Reportable segment revenue	54,238,964	2,888,182	-	57,127,146
Adjusted for:				
City Club Casinos arrangement set out in note 3				
Revenue not recognised	(2,027,294)	-	-	(2,027,294)
Contributions	100,849	-	-	100,849
Others	10,200	-	-	10,200
Revenue recognised under HKFRS	<u>52,322,719</u>	<u>2,888,182</u>	<u>-</u>	<u>55,210,901</u>
Adjusted EBITDA including share of results of joint ventures and associated companies	<u>16,110,608</u>	<u>939,697</u>	<u>(193,080)</u>	<u>16,857,225</u>
Interest income, dividend income from listed investments and gross earnings on finance lease				1,061,690
Amortisation and depreciation				(3,315,913)
Finance costs				(138,775)
Taxation charge				(43,485)
Adjusted items:				
Taxation of joint ventures and associated companies				(117,928)
Pre-opening expenses				(168,591)
Gain on disposal and loss on write-off of certain property, plant and equipment				5,857
Share option expenses				(114,457)
Share award expenses				(94,796)
Donation and sponsorship				(7,278)
Non-recurring employee benefit expenses				(343,265)
Others				(10,000)
Profit for the year				<u>13,570,284</u>
Share of results of joint ventures and associated companies	<u>56,481</u>	<u>331,139</u>	<u>-</u>	<u>387,620</u>

4. Segment information (Cont'd)

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Corporate and treasury management <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2019				
Total assets	<u>90,612,484</u>	<u>5,007,568</u>	<u>76,120</u>	<u>95,696,172</u>
Total assets include:				
Joint ventures	104,879	1,731,157	-	1,836,036
Associated companies	<u>-</u>	<u>2,238</u>	<u>-</u>	<u>2,238</u>
Total liabilities	<u>19,705,940</u>	<u>1,295,256</u>	<u>540,097</u>	<u>21,541,293</u>
As at 31 December 2018				
Total assets	<u>82,214,960</u>	<u>5,097,793</u>	<u>71,078</u>	<u>87,383,831</u>
Total assets include:				
Joint ventures	82,614	1,548,345	-	1,630,959
Associated companies	<u>-</u>	<u>2,252</u>	<u>-</u>	<u>2,252</u>
Total liabilities	<u>14,514,834</u>	<u>1,863,483</u>	<u>8,174,314</u>	<u>24,552,631</u>
Year ended 31 December 2019				
Additions to non-current assets	<u>4,615,329</u>	<u>75,082</u>	<u>19,072</u>	<u>4,709,483</u>
Year ended 31 December 2018				
Additions to non-current assets	<u>2,660,080</u>	<u>44,914</u>	<u>48</u>	<u>2,705,042</u>
Geographical analysis				
		2019		2018
Year ended 31 December		<i>HK\$'000</i>		<i>HK\$'000</i>
Revenue				
Macau		49,386,330		52,737,338
Hong Kong		1,459,115		1,641,447
Mainland China		<u>1,056,546</u>		<u>832,116</u>
		<u>51,901,991</u>		<u>55,210,901</u>
		As at		As at
		31 December		31 December
		2019		2018
Non-current assets		<i>HK\$'000</i>		<i>HK\$'000</i>
Macau		72,780,810		65,716,471
Hong Kong		522,308		536,306
Mainland China		<u>2,876,603</u>		<u>2,818,018</u>
		<u>76,179,721</u>		<u>69,070,795</u>

5. Profit before taxation

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation is arrived at after crediting:		
Interest income	1,293,950	994,501
Dividend income from listed investments	107,008	65,030
Dividend income from unlisted investments	12,045	4,100
Gain on disposal of property, plant and equipment	-	3,562
and after charging:		
Depreciation		
Property, plant and equipment	3,097,873	3,002,816
Right-of-use assets	137,615	-
Amortisation		
Gaming licence	106,337	106,337
Computer software	26,846	28,679
Leasehold land and land use rights	-	90,156
Reacquired right	87,925	87,925
Loss on disposal and write-off of property, plant and equipment	120,173	-

6. Taxation charge

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	22,557	28,719
Mainland China income tax and withholding tax	77,963	39,858
Macau complementary tax	7,836	7,623
Net under provision in prior years	4,677	5,176
Lump sum in lieu of Macau complementary tax on dividend	36,408	35,534
Deferred taxation	6,523	(73,425)
Taxation charge	155,964	43,485

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year 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% (2018: 12% to 25%). The weighted average applicable tax rate was 12% (2018: 12%).

7. Dividends

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
First special dividend paid of HK\$0.45 (2018: HK\$0.41) per ordinary share	1,947,991	1,769,884
Second special dividend paid of HK\$0.46 (2018: HK\$0.50) per ordinary share	1,992,168	2,160,048
	3,940,159	3,929,932

The Board of Directors does not declare any final dividend for the year ended 31 December 2019 (2018: nil).

Details of the special dividend declared subsequent to the year ended 31 December 2019 are given in note 11.

8. 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 year.

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 (2018: two) categories of dilutive potential ordinary shares: share options and share awards. 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 below is compared with the number of shares that would have been issued from the share options and the share awards, the dilutive effect of the share award scheme is assumed if the awarded shares are issued by new shares, which is yet to be determined.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	13,041,545	13,507,389
	Number of shares	
	2019	2018
Weighted average number of shares for calculating basic earnings per share	4,331,681,470	4,318,166,938
Effect of dilutive potential ordinary shares		
Share options	13,744,855	19,803,705
Share awards	1,264,296	601,906
Weighted average number of shares for calculating diluted earnings per share	4,346,690,621	4,338,572,549

9. Debtors and prepayments

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade debtors, net of loss allowance	510,322	374,331
Other debtors and deposit paid, net of loss allowance	1,381,200	1,167,127
Contract assets	119,824	127,654
Prepayments	113,593	157,409
Current portion of finance lease receivable	20,107	33,888
	<u>2,145,046</u>	<u>1,860,409</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 (2018: 30 to 60 days) for customers in Hong Kong and Macau and 60 to 180 days (2018: 60 to 180 days) for customers in Mainland China. These are subject to periodic reviews by management. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

The ageing analysis of trade debtors of the Group based on the invoice dates and net of loss allowance is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within one month	306,381	223,669
Two to three months	159,375	133,952
Four to six months	35,450	8,887
Over six months	9,116	7,823
	<u>510,322</u>	<u>374,331</u>

10. Creditors and accruals

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade creditors	4,019,224	4,433,403
Other creditors	4,166,514	4,116,913
Chips issued	9,315,854	3,770,448
Loans from non-controlling interests	86,967	93,399
Accruals and provision	2,327,154	2,369,381
Deposits received	57,589	44,073
	<u>19,973,302</u>	<u>14,827,617</u>

10. Creditors and accruals (Cont'd)

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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	3,679,447	4,022,831
Two to three months	64,647	69,868
Four to six months	24,771	136,522
Over six months	250,359	204,182
	4,019,224	4,433,403

11. Post Balance Sheet Event

On 27 February 2020, the Board of Directors declared a special dividend of HK\$0.45 per share, payable to shareholders of the Company whose names appear on the register of members of the Company on 31 March 2020. The total amount of the special dividend to be distributed is estimated to be approximately HK\$1,960 million and will be paid on or about 24 April 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW OF MACAU GAMING MARKET

Investor sentiment throughout 2019 experienced periods of fluctuation. This was a result of a number of geo-political and economic issues such as Sino-US trade tensions, a slowing world economy, introduction of the VIP smoking ban, RMB fluctuations, continuing competition from regional markets and disruption in Hong Kong. Gross gaming revenue (“GGR”) for the full year 2019 was \$283.9 billion, down 3% year-on-year. GGR in Q4 2019 was \$70.1 billion, down 8% year-on-year and up 2% quarter-on-quarter.

In 2019, visitor arrivals to Macau were 39.4 million, up 10% year-on-year, in which visitors from Mainland China accounted for 71% of all visitor arrivals. Visitors from Greater Bay Area grew 26% year-on-year. Overnight visitors accounted for 47% of total visitation. The average length of stay for overnight visitors remained at 2.2 days. Thanks to the further diversification of tourism product offerings in Macau, we also noticed a trend of changing visitor mix from Mainland China to Macau with more family oriented and younger visitors, according to data released by Ctrip.

REVIEW OF OPERATIONS

Group Financial Results

The Group posted net revenue of \$51.9 billion, down 6% year-on-year. Adjusted EBITDA was \$16.5 billion, down 2% year-on-year. Net profit attributable to shareholders was \$13.0 billion, down 3% year-on-year. Galaxy Macau™'s Adjusted EBITDA was \$12.6 billion, down 2% year-on-year. StarWorld Macau's Adjusted EBITDA was \$3.5 billion, down 8% year-on-year. Broadway Macau™'s Adjusted EBITDA was \$39 million versus \$32 million in 2018.

GEG experienced good luck in its gaming operation during 2019, which increased its Adjusted EBITDA by approximately \$824 million. Normalized 2019 Adjusted EBITDA was \$15.7 billion, down 10% year-on-year.

The Group's total GGR on a management basis¹ in 2019 was \$59.4 billion, down 12% year-on-year. Mass GGR was \$29.3 billion, up 6% year-on-year. VIP GGR was \$27.6 billion, down 26% year-on-year. Electronic GGR was \$2.5 billion, up 2% year-on-year.

One of GEG's business philosophies is to continuously search for products and offerings that will enhance our resorts and increase the appeal to customers. With this in mind, starting in 2018, we introduced a \$1.5 billion property enhancement program to refurbish the main gaming floor, hotel rooms, non-gaming facilities, and introduced some new F&B and retail concepts. We have almost completed the previously announced property enhancement program in both Galaxy Macau™ and StarWorld Macau, and we have identified and are reviewing additional enhancement opportunities. We believe this approach keeps the property fresh and appealing, particularly to our repeat customers. This also demonstrates our continued commitment to invest in Macau.

Balance Sheet and Special Dividends

The Group's balance sheet remains liquid and healthy. Our balance sheet combined with cash flow from operations allows us to return capital to shareholders via dividends and to fund both our Macau development pipeline and our international expansion ambitions.

As of 31 December 2019, cash and liquid investments were \$52.3 billion and net cash was \$51.7 billion. Total debt was \$0.6 billion.

During 2019, GEG returned capital to shareholders by paying two special dividends of \$0.45 per share and \$0.46 per share on 26 April 2019 and 25 October 2019 respectively. GEG announced another special dividend of \$0.45 per share to be paid on or about 24 April 2020.

¹ The primary difference between statutory gross revenue and management basis gross revenue is the treatment of City Clubs revenue where fee income is reported on a statutory basis and gross gaming revenue is reported on a management basis. At the group level the gaming statistics include Company owned resorts plus City Clubs.

Set out below is the segmental analysis of the Group's operating results for 2019:

(HK\$m)

	2018	2019
Revenues:		
Net Gaming	47,025	43,582
Non-gaming	5,298	5,486
Construction Materials	2,888	2,834
Total Net Revenue	55,211	51,902
Adjusted EBITDA	16,857	16,479

Gaming Statistics²		
(HK\$m)		
	2018	2019
Rolling Chip Volume ³	1,103,107	715,988
Win Rate %	3.4%	3.9%
Win	37,250	27,583
Mass Table Drop ⁴	119,657	121,879
Win Rate %	23.0%	24.0%
Win	27,487	29,260
Electronic Gaming Volume	72,461	67,942
Win Rate %	3.4%	3.7%
Win	2,476	2,513
Total GGR Win ⁵	67,213	59,356

² Gaming statistics are presented before deducting commission and incentives.

³ Reflects junket rolling chip volume only.

⁴ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

⁵ Total GGR win includes gaming win from City Clubs.

GAMING AND ENTERTAINMENT DIVISION

Galaxy Macau™

Financial and Operational Performance

Galaxy Macau™ is the primary contributor to Group revenue and earnings. In 2019, net revenue was down 5% year-on-year to \$37.4 billion. Adjusted EBITDA was down 2% year-on-year to \$12.6 billion. Adjusted EBITDA margin under HKFRS was 34% (2018: 33%).

Galaxy Macau™ experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$665 million. Normalized 2019 Adjusted EBITDA decreased 10% year-on-year to \$12.0 billion.

The combined five hotels registered strong occupancy at virtually 100% for 2019.

Galaxy Macau™ Key Financial Data

(HK\$m)

	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Revenues:					
Net Gaming	9,201	8,108	8,137	34,983	32,780
Hotel / F&B / Others	858	897	872	3,385	3,430
Mall	302	310	327	1,123	1,231
Total Net Revenue	10,361	9,315	9,336	39,491	37,441
Adjusted EBITDA	3,433	3,172	3,211	12,871	12,641
Adjusted EBITDA Margin	33%	34%	34%	33%	34%

Gaming Statistics⁶

(HK\$m)

	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Rolling Chip Volume ⁷	172,378	110,279	114,669	775,429	485,343
Win Rate %	3.8%	4.4%	4.0%	3.5%	4.2%
Win	6,612	4,805	4,612	27,423	20,171
Mass Table Drop ⁸	18,593	18,403	18,359	70,286	72,786
Win Rate %	27.8%	27.9%	28.4%	26.7%	28.0%
Win	5,178	5,129	5,221	18,746	20,411
Electronic Gaming Volume	12,851	11,359	11,872	52,778	45,572
Win Rate %	4.5%	4.6%	4.5%	3.9%	4.6%
Win	573	523	539	2,082	2,076
Total GGR Win	12,363	10,457	10,372	48,251	42,658

⁶ Gaming statistics are presented before deducting commission and incentives.

⁷ Reflects junket rolling chip volume only.

⁸ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

StarWorld Macau

Financial and Operational Performance

In 2019, StarWorld Macau's net revenue was down 10% year-on-year to \$10.9 billion. Adjusted EBITDA was down 8% year-on-year to \$3.5 billion. Adjusted EBITDA margin under HKFRS was 32% (2018: 31%).

StarWorld Macau experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$154 million. Normalized 2019 Adjusted EBITDA decreased 13% year-on-year to \$3.3 billion.

Hotel occupancy was virtually 100% for 2019.

StarWorld Macau Key Financial Data

(HK\$m)

	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Revenues:					
Net Gaming	2,839	2,397	2,515	11,659	10,403
Hotel / F&B / Others	121	111	125	449	461
Mall	13	13	13	51	53
Total Net Revenue	2,973	2,521	2,653	12,159	10,917
Adjusted EBITDA	893	828	782	3,810	3,502
Adjusted EBITDA Margin	30%	33%	29%	31%	32%

Gaming Statistics⁹

(HK\$m)

	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Rolling Chip Volume ¹⁰	87,317	49,990	50,539	323,063	222,014
Win Rate %	2.7%	2.8%	3.5%	3.0%	3.2%
Win	2,386	1,394	1,770	9,654	7,118
Mass Table Drop ¹¹	9,620	8,915	9,217	36,375	36,274
Win Rate %	16.9%	19.0%	17.5%	18.5%	18.7%
Win	1,630	1,694	1,614	6,723	6,787
Electronic Gaming Volume	2,010	2,226	2,421	7,585	8,632
Win Rate %	2.1%	2.5%	2.2%	2.3%	2.3%
Win	42	55	55	172	196
Total GGR Win	4,058	3,143	3,439	16,549	14,101

⁹ Gaming statistics are presented before deducting commission and incentives.

¹⁰ Reflects junket rolling chip volume only.

¹¹ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

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. In 2019, Broadway Macau™'s net revenue was \$593 million, versus \$562 million in 2018. Adjusted EBITDA was \$39 million versus \$32 million in 2018. Adjusted EBITDA margin under HKFRS was 7% (2018: 6%).

Broadway Macau™ experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$5 million. Normalized 2019 Adjusted EBITDA was \$34 million versus \$34 million in 2018.

Hotel occupancy was virtually 100% for 2019.

Broadway Macau™ Key Financial Data

(HK\$m)

	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Revenues:					
Net Gaming	69	65	65	272	282
Hotel / F&B / Others	63	66	78	246	267
Mall	12	10	11	44	44
Total Net Revenue	144	141	154	562	593
Adjusted EBITDA	8	2	16	32	39
Adjusted EBITDA Margin	6%	1%	10%	6%	7%

Gaming Statistics¹²

(HK\$m)

	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Mass Table Drop ¹³	346	329	320	1,404	1,334
Win Rate %	18.9%	19.2%	19.1%	18.4%	20.0%
Win	65	63	61	259	267
Electronic Gaming Volume	574	454	471	2,008	1,923
Win Rate %	2.3%	2.3%	2.3%	2.3%	2.4%
Win	13	10	11	46	47
Total GGR Win	78	73	72	305	314

¹² Gaming statistics are presented before deducting commission and incentives.

¹³ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

City Clubs

City Clubs contributed \$117 million of Adjusted EBITDA to the Group's earnings for 2019 versus \$111 million in 2018.

City Clubs Key Financial Data

(HK\$m)

	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Adjusted EBITDA	29	33	28	111	117

Gaming Statistics¹⁴

(HK\$m)

	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Rolling Chip Volume ¹⁵	810	3,510	3,767	4,615	8,631
Win Rate %	4.4%	4.9%	2.1%	3.7%	3.4%
Win	36	170	78	173	294
Mass Table Drop ¹⁶	3,012	2,777	2,705	11,592	11,485
Win Rate %	15.1%	15.6%	16.1%	15.2%	15.6%
Win	455	433	434	1,759	1,795
Electronic Gaming Volume	2,756	3,094	3,220	10,090	11,815
Win Rate %	1.9%	1.7%	1.7%	1.7%	1.6%
Win	53	53	54	176	194
Total GGR Win	544	656	566	2,108	2,283

CONSTRUCTION MATERIALS DIVISION

Construction Materials Division ("CMD") has, once again, delivered solid results. CMD's revenue and Adjusted EBITDA for the year were \$2.8 billion and \$1.2 billion, respectively. Adjusted EBITDA rose 24% year-on-year to \$1.2 billion. The results were mainly driven by strong market demand for cement and Ground Granulated Blast-furnace Slag ("GGBS") in Mainland China.

In Hong Kong, CMD has been facing keen competition and severe price pressure in the construction market after completion of the Hong Kong-Zhuhai-Macau Bridge. CMD has secured a license to operate a ready mixed concrete site-plant in Hong Kong International Airport's three-runway system ("3RS") project and expects to commence operation in the second half of 2020. Going forward, CMD will continue to look for demand opportunities in 3RS and the Greater Bay Area.

¹⁴ Gaming statistics are presented before deducting commission and incentives.

¹⁵ Reflects junket rolling chip volume only.

¹⁶ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

In Yunnan China, increasing infrastructure projects contributed to a rise in demand for cement. All of our cement operations benefited from this positive market force in 2019.

Continuing rise in demand for cement also supports the demand and market price for GGBS. Most of our GGBS operations achieved better than expected results. However, GGBS market in Northern China is still facing challenges due to Central Government's new environmental policy to maintain blue sky which have reduced production capacity of GGBS.

DEVELOPMENT UPDATE

Galaxy Macau™ and StarWorld Macau

We have almost completed the previously announced \$1.5 billion property enhancement program in both Galaxy Macau™ and StarWorld Macau, and we have identified and are reviewing additional enhancement opportunities.

Cotai – The Next Chapter

GEG is uniquely positioned for long term growth. Our development works for Phases 3 & 4 include approximately 4,000 hotel rooms and villas, including family and premium high end rooms, 400,000 square feet of MICE space, a 500,000 square feet 16,000-seat multi-purpose arena, F&B, retail and casinos, among others. In August 2019 we introduced Galaxy International Convention Center (GICC) and Galaxy Arena and we are pleased to welcome Hyatt Hotel Corporation's first Andaz Hotel to Macau and the Galaxy Integrated Resorts precinct.

Hengqin

We continue to make progress with our concept plan for a lifestyle resort on Hengqin that will complement our high energy resorts in Macau.

International

Our Japan based team continues with our Japan development efforts. We view Japan as a great long term growth opportunity that will complement our Macau operations and our other international expansion ambitions. GEG, together with Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("Monte-Carlo SBM") from the Principality of Monaco and our Japanese partners, look forward to bringing our brand of World Class Integrated Resorts to Japan. We continue to strengthen our Japan Development team and build our resources as we move forward in the Integrated Resorts process.

SUBSEQUENT EVENT

GEG announced a special dividend of \$0.45 per share payable on or about 24 April 2020.

GROUP OUTLOOK

In December 2019, the coronavirus was discovered in Wuhan China. The Central Government has dedicated significant resources to combat the virus. All the concessionaires are working diligently with the Macau government to minimize the impact of the virus. GEG is committed to providing a safe and healthy environment for all our guests and staff and we will continue to remain alert for the incident.

Consumer spending in 2019 was impacted by a range of geo-political and economic issues such as Sino-US trade tensions and a slowing Chinese economy. In mid-January 2020, China and the United States signed a trade agreement, this has resulted in a more positive consumer outlook. Additionally, infrastructure continues to improve, in particular, the targeted early-2020 opening of the train line which extends from Zhuhai to Hengqin and the associated new immigration centre, as well as the already commenced Macau Light Rail Transport (LRT) in Taipa which increases the ease of travel to and within Macau. Having said that, we expect Macau may continue to experience geo-political and economic challenges that may have an impact on consumer confidence in 2020.

At this point in time we cannot determine the duration of the coronavirus and therefore we are not yet able to quantify the full financial impact. We wish to highlight that a prolonged coronavirus crisis may have a material effect on our 2020 financial results and our development projects in Macau.

It is premature to forecast when the coronavirus will be controlled. However we remain confident in the longer term outlook for Macau in general, and GEG specifically. We are working closely with the new Macau SAR Government led by Chief Executive Mr. Ho Iat Seng. GEG is committed to invest in Macau's economic diversification and support Macau to develop into a World Centre of Tourism and Leisure. Furthermore, we will continue to support the Central Government's Greater Bay Area integration plan which will further facilitate the flow of people, logistics and capital within Macau, Hong Kong and the nine cities of southern Guangdong. GEG will continue to leverage on the plan by enhancing the competitiveness of our resort portfolio, including our development plan on Hengqin.

GEG will continue to focus on driving every segment of our business by allocating resources to their highest and best use. Mainland China has significant demand for leisure, tourism and travel and GEG is uniquely positioned to capitalize on this future growth potential having the largest development pipeline in Macau with Phases 3 & 4.

Our strong and healthy balance sheet allows us to return capital to shareholders through special dividends and fund both our Macau development pipeline and international expansion opportunities. These include Cotai Phases 3 & 4, Hengqin and Japan.

Finally, we are working diligently to ensure the health and safety of our staff and guests.

LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 31 December 2019 increased to \$73,587 million, an increase of approximately 18% over that as at 31 December 2018 of \$62,280 million while the Group's total assets employed increased to \$95,696 million as at 31 December 2019 as compared to \$87,384 million as at 31 December 2018.

The Group continues to maintain a strong financial position. To preserve funds for future capital expenditure and new business opportunities, we continue to invest surplus cash in low risk fixed deposits as well as high quality debt securities issued by large financial institutions and corporations to generate low risk interest income for the Group. As at 31 December 2019, the debt securities were denominated in U.S. dollar with weighted average tenor of approximately 3 years and significant majority in investment grade rating. Debt securities investments are closely monitored by designated team with the help of international leading banks. The debt securities were classified as financial assets at amortized cost and their carrying amounts as at 31 December 2019 approximated their fair values. No provision for impairment loss was made at 31 December 2019 as these debt securities were considered to be of low credit risk and the expected credit loss was minimal. As at 31 December 2019, none of the debt securities in any individual investee company held by the Group equaled or exceeded 5 per cent of the Group's total assets.

As at 31 December 2019, the Group invested \$27,510 million (\$27,323 million as at 31 December 2018) in debt securities and \$5,625 million in listed investment of Wynn Resorts, Limited ("Wynn Resorts") (\$4,028 million as at 31 December 2018). As at 31 December 2019, the Group held 5.2 million shares of Wynn Resorts, which represented approximately 4.8% of the issued share capital of Wynn Resorts. Investment cost was \$7,142 million. Principal businesses of Wynn Resorts are to develop and operate high end hotels and casinos and its shares are listed on the Nasdaq Stock Exchange (stock code: WYNN). This listed investment is denominated in U.S. dollar. The directors of the Group considered that the closing price as at 31 December 2019 was the fair value of this listed investment. As of 31 December 2019, fair value of our investment in Wynn Resorts was \$5,625 million, representing 5.9% of the Group's total asset of \$95,696 million. The market value of Wynn Resorts as of 31 December 2019 and 31 December 2018, and the performance of the investment during the year ended 31 December 2019 and 2018 are as follows:

(HK\$'m)	2019	2018
Market value	5,625	4,028
Unrealised gain/(loss) for the year ended 31 December	1,597	(3,114)
Dividend income for the year ended 31 December	107	65

The Group considers this investment a long term asset and will continue to closely monitor the performance of our passive minority equity investment in Wynn Resorts, which is a globally recognized entertainment corporation with exceptionally high quality assets and significant development pipeline.

The Group's total cash and bank balances (including fixed deposits) were \$19,117 million as at 31 December 2019 compared to \$14,486 million as at 31 December 2018 while total borrowings were \$553 million as at 31 December 2019 as compared to \$9,055 million as at 31 December 2018. The Group was in a net cash position as at 31 December 2019 and 31 December 2018.

The total borrowings of the Group mainly comprised bank loans which were largely denominated in 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. The Group has no gearing ratio.

TREASURY POLICY

The Group continues to adopt a conservative treasury policy in liquidity and financial management. Surplus cash is generally placed in fixed deposits and high-quality debt securities 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 Renminbi and Euro. Euro bank loan was utilized to fund and hedge the foreign exchange risk on the Euro-denominated Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco investment in August 2015.

CHARGES ON GROUP ASSETS

No property, plant and equipment, leasehold land and land use rights was pledged to secure banking facilities (2018: nil). Bank deposits of \$430 million (2018: \$727 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 \$5,470 million (2018: \$4,790 million). At 31 December 2019, no facility has been utilised by the subsidiaries (2018: \$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 \$145 million (2018: \$148 million). At 31 December 2019, facilities utilized amounted to \$3 million (2018: \$39 million).

DEALINGS IN LISTED SECURITIES

During the year 2019, the trustee of the Share Award Scheme, pursuant to the terms of the Trust Deed, purchased on the Stock Exchange of Hong Kong Limited ("the Stock Exchange") a total of 741,802 shares of the Company for a total consideration of approximately HK\$39.59 million for satisfying the share awards granted to the connected persons (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")), who are also employees of the Company. All 741,802 shares were subsequently transferred to those connected persons on the respective vesting dates of the share awards.

Save as disclosed, neither GEG nor any of its subsidiaries has purchased, sold or redeemed any of GEG's shares during the year ended 31 December 2019.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee of GEG. The figures in this preliminary announcement of the results of the Group for the year ended 31 December 2019 have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by GEG's auditor, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

Throughout the year under review, GEG has complied with the Corporate Governance Code as set out in Appendix 14 of 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

Special dividends of HK\$0.45 and HK\$0.46 per share for the year ended 31 December 2019 were paid to the shareholders of the Company on 26 April 2019 and 25 October 2019 respectively.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

Total dividends paid to shareholders of the Company for the year ended 31 December 2019 were HK\$0.91 per share (2018: HK\$0.91 per share).

On 27 February 2020, the Board of Directors has resolved to declare special dividend of HK\$0.45 per share totaling approximately HK\$1,960 million, payable to shareholders whose names appear on the register of members of the Company on 31 March 2020. This special dividend is expected to be paid on or about 24 April 2020.

CLOSURE OF REGISTER OF MEMBERS

SPECIAL DIVIDEND

For the purpose of ascertaining the shareholders who are entitled to the special dividend, the register of members of GEG will be closed from Friday, 27 March 2020 to Tuesday, 31 March 2020, 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 26 March 2020.

ENTITLEMENT TO ATTEND AND VOTE AT THE 2020 ANNUAL GENERAL MEETING

The 2020 Annual General Meeting of GEG will be held on or before 30 June 2020. Notice of the 2020 Annual General Meeting, including details on closure of register of members for the purpose of determining the entitlement to attend and vote at the 2020 Annual General Meeting, will be published and dispatched to the shareholders of GEG in the manner as required by the Listing Rules in due course.

ANNUAL REPORT 2019

The Annual Report 2019 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, 27 February 2020

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 Directors of GEG are Dr. Charles Cheung Wai Bun and Mr. Michael Victor Mecca; 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