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 2018

INTERIM RESULTS

The Board of Directors of Galaxy Entertainment Group Limited ("GEG" or the "Company") 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 2018 as follows:

Q2 & INTERIM 2018 RESULTS HIGHLIGHTS

GEG: Delivered Record Performance, Driven by Record Mass, Strong VIP and Operational Execution

- 1H Group Net Revenue* of HK$28.1 billion, up 25% year-on-year
- 1H Group Adjusted EBITDA of HK$8.6 billion, up 34% year-on-year
- 1H Net Profit Attributable to Shareholders ("NPAS") of HK$7.2 billion, up 56% year-on-year
- Q2 Group Net Revenue* of HK$13.9 billion, up 22% year-on-year and down 1% quarter-on-quarter
- Q2 Group Adjusted EBITDA of HK$4.3 billion, up 32% year-on-year and up modestly quarter-on-quarter
- Played unlucky in Q2 which decreased Adjusted EBITDA by approximately HK$131 million, normalized exclude luck factor ("Normalized") Q2 Adjusted EBITDA of HK$4.5 billion, up 34% year-on-year and up 1% quarter-on-quarter
- Latest twelve months Adjusted EBITDA of HK$16.3 billion, up 35% year-on-year

Galaxy Macau™: 10th Consecutive Quarter of YoY EBITDA Growth, despite Playing Unlucky

- 1H Net Revenue* of HK$19.8 billion, up 25% year-on-year
- 1H Adjusted EBITDA of HK$6.5 billion, up 28% year-on-year
- Q2 Net Revenue* of HK$9.9 billion, up 28% year-on-year and up 1% quarter-on-quarter
- Q2 Adjusted EBITDA of HK$3.2 billion, up 30% year-on-year and down 1% quarter-on-quarter
- Played unlucky in Q2 which decreased Adjusted EBITDA by approximately HK$125 million, Normalized Q2 Adjusted EBITDA of HK$3.3 billion, up 29% year-on-year and down 3% quarter-on-quarter
- Hotel occupancy for Q2 across the five hotels was virtually 100%

StarWorld Macau: 8th Consecutive Quarter of YoY EBITDA Growth Driven by Near Record Mass

- 1H Net Revenue* of HK$6.3 billion, up 28% year-on-year
- 1H Adjusted EBITDA of HK$2.0 billion, up 41% year-on-year
- Q2 Net Revenue* of HK$3.1 billion, up 17% year-on-year and down 5% quarter-on-quarter
- Q2 Adjusted EBITDA of HK$987 million, up 29% year-on-year and down 2% quarter-on-quarter
- Played unlucky in Q2 which decreased Adjusted EBITDA by approximately HK$4 million, Normalized Q2 Adjusted EBITDA of HK$991 million, up 44% year-on-year and up 7% quarter-on-quarter
- Hotel occupancy for Q2 was virtually 100%

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

- 1H Net Revenue* of HK$273 million, up 4% year-on-year
- 1H Adjusted EBITDA of HK$15 million versus HK$7 million in 1H 2017
- Q2 Net Revenue* of HK$131 million, up 3% year-on-year and down 8% quarter-on-quarter
- Q2 Adjusted EBITDA of HK$2 million versus HK$1 million in Q2 2017
- Played unlucky in Q2 which decreased Adjusted EBITDA by approximately HK$2 million, Normalized Q2 Adjusted EBITDA of HK$4 million versus HK$6 million in Q2 2017
- Hotel occupancy for Q2 was virtually 100%

Balance Sheet: Exceptionally Strong Balance Sheet

- Cash and liquid investments was HK$42.9 billion and net cash of HK$34.3 billion as at 30 June 2018
- Debt of HK$8.6 billion as at 30 June 2018
- Paid the previously announced special dividend of HK$0.41 per share on 27 April 2018
- Subsequently announced another special dividend of HK$0.50 per share to be paid on or about 26 October 2018

Development Update: Continuing to Pursue Development Opportunities

- Cotai Phases 3 & 4 – Continue to move forward with Phases 3 & 4, with a strong focus on non-gaming, primarily targeting Meetings Incentives Conference and Events (MICE), entertainment, family facilities and also including gaming
- Wynn Resorts – Completed passive minority investment
- Hengqin – Plans moving forward to develop a low-density integrated resort to complement our high-energy entertainment resorts in Macau, anticipate to disclose further details later in the year
- International – Continuously exploring opportunities in overseas markets, including Japan and Philippines

* Net Revenue is calculated in accordance with the new accounting standard and the comparison percentage is over the restated Net Revenue in Q2 & 1H 2017 and Q1 2018.

CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)
For The Six Months Ended 30 June 2018

	Note	2018 *HK$'000*	2017 *HK$'000* (Restated*)
Revenue (Note)	3	**28,058,405**	22,535,450
Other income/gains, net		**672,463**	221,105
Special gaming tax and other related taxes to the Macau Government		**(13,103,737)**	(10,017,529)
Raw materials and consumables used		**(694,881)**	(610,470)
Amortisation and depreciation		**(1,620,472)**	(1,659,459)
Employee benefit expenses		**(3,615,297)**	(3,567,576)
Other operating expenses		**(2,502,614)**	(2,299,119)
Finance costs		**(52,806)**	(31,596)
Share of profits less losses of:			
Joint ventures		**185,420**	118,024
Associated companies		**-**	(75)
Profit before taxation	5	**7,326,481**	4,688,755
Taxation charge	6	**(75,727)**	(44,709)
Profit for the period		**7,250,754**	4,644,046
Attributable to:			
Equity holders of the Company		**7,206,369**	4,630,706
Non-controlling interests		**44,385**	13,340
		7,250,754	4,644,046
		HK cents	*HK cents*
Earnings per share	8		
Basic		**167.0**	108.3
Diluted		**165.9**	107.2

	2018 ***HK$'000***	2017 *HK$'000*
Note : Analysis of revenue		
Gross revenue from gaming operations	**33,367,882**	25,449,967
Commission and incentives	**(9,549,362)**	(6,748,801)
Net revenue from gaming operations	**23,818,520**	18,701,166
Revenue from hotel and mall operations	**2,572,160**	2,368,525
Sales of construction materials	**1,667,725**	1,465,759
	28,058,405	22,535,450

* See note 2 for details regarding the restatements as a result of changes in accounting policies.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For The Six Months Ended 30 June 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**7,250,754**	4,644,046
Other comprehensive (loss)/income		
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	**(346,879)**	33,554
Items that may be subsequently reclassified to profit or loss		
Translation differences of subsidiaries	**(19,002)**	47,646
Share of translation differences of joint ventures	**(15,941)**	39,813
Other comprehensive (loss)/income for the period, net of tax	**(381,822)**	121,013
Total comprehensive income for the period	**6,868,932**	4,765,059
Total comprehensive income attributable to:		
Equity holders of the Company	**6,828,088**	4,739,694
Non-controlling interests	**40,844**	25,365
	6,868,932	4,765,059

CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)
As at 30 June 2018

	Note	**30 June 2018** *HK$'000*	31 December 2017 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**31,873,623**	31,801,690
Leasehold land and land use rights		**4,968,071**	5,013,464
Intangible assets		**819,276**	921,019
Joint ventures		**1,647,600**	1,518,367
Associated companies		**2,264**	2,217
Financial assets at amortised cost		**26,875,640**	23,688,142
Financial assets at fair value through other comprehensive income		**7,562,391**	643,189
Other non-current assets		**127,550**	125,183
		73,876,415	63,713,271
Current assets			
Inventories		**182,130**	171,443
Debtors and prepayments	9	**1,775,760**	1,961,509
Amounts due from joint ventures		**191,527**	204,642
Taxation recoverable		**25,837**	23,456
Current portion of financial assets at amortised cost		**606,627**	140,012
Other cash equivalents		**140,173**	35,324
Cash and bank balances		**8,453,680**	17,565,025
		11,375,734	20,101,411
Total assets		**85,252,149**	83,814,682
EQUITY			
Share capital and shares held for share award scheme		**21,845,407**	21,468,693
Reserves		**39,080,921**	34,013,004
Equity attributable to owners of the Company		**60,926,328**	55,481,697
Non-controlling interests		**563,100**	533,896
Total equity		**61,489,428**	56,015,593
LIABILITIES			
Non-current liabilities			
Borrowings		**256,623**	259,392
Deferred taxation liabilities		**274,800**	268,120
Retention payable		**66,958**	14,816
Non-current deposits		**228,003**	221,308
		826,384	763,636
Current liabilities			
Creditors and accruals	10	**14,253,996**	17,237,224
Amounts due to joint ventures		**55,750**	66,092
Current portion of borrowings and short-term bank loans		**8,552,775**	9,684,884
Provision for tax		**73,816**	47,253
		22,936,337	27,035,453
Total liabilities		**23,762,721**	27,799,089
Total equity and liabilities		**85,252,149**	83,814,682
Net current liabilities		**(11,560,603)**	(6,934,042)
Total assets less current liabilities		**62,315,812**	56,779,229

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

The interim financial information for the six months ended 30 June 2018 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 certain 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

At 30 June 2018, the Group's current liabilities exceeded its current assets by HK$11,561 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 interim financial information.

The financial information relating to the year ended 31 December 2017 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2018 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 2017 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 2017, except as described below:

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

In 2018, the Group adopted the following new and amended standards and interpretation which are relevant to its operations.

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

(a) The adoption of new and amended standards and interpretation (Cont'd)

HKAS 40 (Amendment)	Transfer of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15 and HKFRS 15 (Amendment)	Revenue from Contracts with Customers

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 impact of the adoption of HKFRS 9 and HKFRS 15 are 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 standards, interpretation and amendments to existing standards that are not yet effective

New standards, interpretation and amendments		Effective for accounting periods beginning on or after
HKAS 19 (Amendment)	Employee Benefits	1 January 2019
HKAS 28 (Amendment)	Long-term Interests in an Associate or Joint Venture	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment	1 January 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
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

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

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

(b) New standards, interpretation and amendments to existing standards that are not yet effective (Cont'd)

Further information about those new standards, interpretation and amendments that are not yet effective but are expected to be applicable to the Group is set out below:

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases.

Upon adoption of HKFRS 16, the majority of operating lease commitments will be recognised in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use asset will be depreciated on a straight-line basis during the lease term.

The Group has not early adopted the above new standards, interpretation and amendments 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. **Changes in Accounting Policies**

This note explains the impact of the adoption of HKFRS 9 'Financial Instruments' and HKFRS 15 'Revenue from Contracts with Customers' (the "New Standards") on the Group's financial statements and accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

Revenue recognition

In prior reporting periods, revenue from gaming operations was recognised when the relevant services had been rendered and was measured at the entitlement of economic inflows of the Group from the business. Under the New Standards, revenue from gaming operations is reported after deduction of commission and incentives, including the allocation of revenue from gaming operations to revenue from hotel operations for services provided on a complimentary basis. In accordance with the transitional provisions in the New Standards, comparative figures have been restated as follows:

Six months ended 30 June 2017			
	As previously stated HK$'000	Effect of the New Standards HK$'000	As restated HK$'000
Net revenue from gaming operations	25,449,967	(6,748,801)	18,701,166
Revenue from hotel and mall operations	1,628,410	740,115	2,368,525
Commission and allowances to gaming counterparties	(6,008,686)	6,008,686	-

2. Changes in Accounting Policies (Cont'd)

Classification and measurement of financial assets

The Group's management has assessed which business models apply to the financial assets held by the Group and the cash flow characteristics of the financial assets. The Group has classified its financial instruments into the appropriate categories. The Group elects to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. Listed and unlisted debt securities that would have previously been classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There is no impact to the Group's financial performance due to the change of classification and measurement of financial assets.

Impairment of financial assets

The Group is required to revise its impairment methodology for each of these classes of assets. The Group has assessed on a forward looking basis for the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment provision is determined based on the 12-month expected credit losses which is not material to the Group.

3. Revenue

Revenue recognised during the period are as follows:

	2018 ***HK$'000***	2017 *HK$'000* (Restated*)
Gaming operations		
Net gaming wins	**33,305,952**	25,395,269
Contributions from City Club Casinos (Note)	**49,290**	44,032
Tips received and administrative fees	**12,640**	10,666
Gross revenue from gaming operations	**33,367,882**	25,449,967
Less: Commission and incentives	**(9,549,362)**	(6,748,801)
Net revenue from gaming operations	**23,818,520**	18,701,166
Revenue from hotel and mall operations	**2,572,160**	2,368,525
Sales of construction materials	**1,667,725**	1,465,759
	28,058,405	22,535,450

* See note 2 for details regarding the restatements as a result of changes in accounting policies.

3. 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 2018, the Group is entitled to HK$49,290,000 (2017: HK$44,032,000), 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.

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, loss on disposal/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 represent corporate level activities including central treasury management and administrative function.

The reportable segments derive their revenue from the operations 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*
Six months ended 30 June 2018				
Reportable segment revenue	**27,329,430**	**1,667,725**	**-**	**28,997,155**
Adjusted for:				
City Club Casinos arrangement set out in note 3				
Revenue not recognised	**(992,994)**	**-**	**-**	**(992,994)**
Contributions	**49,290**	**-**	**-**	**49,290**
Others	**4,954**	**-**	**-**	**4,954**
Revenue recognised under HKFRS	**26,390,680**	**1,667,725**	**-**	**28,058,405**
Adjusted EBITDA including share of results of joint ventures and associated companies	**8,196,749**	**538,414**	**(90,268)**	**8,644,895**
Interest income, dividend income from listed investments and gross earnings on finance lease				**494,686**
Amortisation and depreciation				**(1,620,472)**
Finance costs				**(52,806)**
Taxation charge				**(75,727)**
Adjusted items:				
Taxation of joint ventures and associated companies				**(59,502)**
Pre-opening expenses				**(61,918)**
Loss on disposal/write-off of certain property, plant and equipment				**(2,390)**
Share option expenses				**(57,057)**
Share award expenses				**(45,971)**
Donation and sponsorship				**(5,764)**
Others				**92,780**
Profit for the period				**7,250,754**
Share of results of joint ventures and associated companies	**29,045**	**156,375**	**-**	**185,420**

4. Segment information (Cont'd)

	Gaming and entertainment *HK$'000*	Construction materials *HK$'000*	Corporate and treasury management *HK$'000*	Total *HK$'000*
Six months ended 30 June 2017, restated*				
Reportable segment revenue	21,941,629	1,465,759	-	23,407,388
Adjusted for:				
City Club Casinos arrangement set out in note 3				
Revenue not recognised	(921,849)	-	-	(921,849)
Contributions	44,032	-	-	44,032
Others	5,879	-	-	5,879
Revenue recognised under HKFRS, restated*	21,069,691	1,465,759	-	22,535,450
Adjusted EBITDA including share of results of joint ventures and associated companies	6,214,241	321,149	(69,195)	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				4,644,046
Share of results of joint ventures and associated companies	21,185	96,764	-	117,949

* See note 2 for details regarding the restatements as a result of changes in accounting policies.

4. Segment information (Cont'd)

	Gaming and entertainment *HK$'000*	Construction materials *HK$'000*	Corporate and treasury management *HK$'000*	Total *HK$'000*
As at 30 June 2018				
Total assets	**76,810,808**	**5,391,521**	**3,049,820**	**85,252,149**
Total assets include:				
Joint ventures	**103,634**	**1,543,966**	**-**	**1,647,600**
Associated companies	**-**	**2,264**	**-**	**2,264**
Total liabilities	**13,984,941**	**2,044,722**	**7,733,058**	**23,762,721**
As at 31 December 2017				
Total assets	77,768,177	5,972,591	73,914	83,814,682
Total assets include:				
Joint ventures	94,066	1,424,301	-	1,518,367
Associated companies	-	2,217	-	2,217
Total liabilities	16,662,555	2,330,355	8,806,179	27,799,089
Six months ended 30 June 2018				
Additions to non-current assets	**1,544,376**	**16,711**	**-**	**1,561,087**
Six months ended 30 June 2017				
Additions to non-current assets	514,414	49,315	-	563,729

Geographical analysis

Six months ended 30 June	**2018** *HK$'000*	2017 *HK$'000* (Restated*)
Revenue		
Macau	**26,691,156**	21,217,612
Hong Kong	**937,911**	885,885
Mainland China	**429,338**	431,953
	28,058,405	22,535,450

Non-current assets	**As at 30 June 2018** *HK$'000*	As at 31 December 2017 *HK$'000*
Macau	**70,395,043**	60,289,982
Hong Kong	**548,769**	535,271
Mainland China	**2,932,603**	2,888,018
	73,876,415	63,713,271

* See note 2 for details regarding the restatements as a result of changes in accounting policies.

5. Profit before taxation

	2018	2017
	HK$'000	*HK$'000*
Profit before taxation is arrived at after crediting:		
Interest income	**471,777**	235,091
Dividend income from unlisted investments	**1,500**	1,300
Dividend income from listed investments	**21,834**	-
Gain on disposal/write-off of property, plant and equipment	**3,095**	-
and after charging:		
Depreciation	**1,462,601**	1,499,852
Amortisation		
Gaming licence	**52,732**	52,732
Computer software	**16,158**	19,057
Leasehold land and land use rights	**45,018**	43,855
Reacquired right	**43,963**	43,963
Loss on disposal/write off of property, plant and equipment	**-**	63,017

6. Taxation charge

	2018	2017
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**22,335**	15,467
Mainland China income tax and withholding tax	**16,247**	7,820
Macau complementary tax	**5,446**	3,075
Under provision in prior years, net	**7,252**	65
Lump sum in lieu of Macau complementary tax on dividend	**17,767**	17,767
Deferred taxation	**6,680**	515
Taxation charge	**75,727**	44,709

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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, and these rates range from 12% to 25% (2017: 12% to 25%). The weighted average applicable tax rate was 12% (2017: 12%).

7. Dividends

On 28 February 2018, the Board of Directors declared a special dividend of HK$0.41 per share (2017: HK$0.26 per share), payable to shareholders of the Company whose names appear on the register of the members of the Company on 29 March 2018. The total amount of the special dividend distributed was HK$1,770 million and was paid on 27 April 2018.

The Board of Directors does not declare any interim dividend for the period ended 30 June 2018 (2017: nil).

Details of the special dividend declared subsequent to the period end 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 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 (2017: 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 below is compared with the number of shares that would have been issued from the share options and the share award, 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 period is based on the following:

	2018	2017
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**7,206,369**	4,630,706

	Number of shares	
	2018	2017
Weighted average number of shares for calculating basic earnings per share	**4,315,349,409**	4,275,536,212
Effect of dilutive potential ordinary shares		
Share options	**24,079,076**	21,332,953
Share award	**3,734,403**	23,702,380
Weighted average number of shares for calculating diluted earnings per share	**4,343,162,888**	4,320,571,545

9. Debtors and prepayments

	30 June 2018 HK$'000	31 December 2017 HK$'000
Trade debtors, net of provision	**466,307**	627,360
Other debtors and deposit paid, net of provision	**1,123,550**	1,166,988
Prepayments	**152,021**	139,595
Current portion of finance lease receivable	**33,882**	27,566
	1,775,760	1,961,509

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 (2017: 30 to 60 days) for customers in Hong Kong and Macau and 60 to 180 days (2017: 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:

	30 June 2018 HK$'000	31 December 2017 HK$'000
Within one month	**213,773**	363,959
Two to three months	**207,386**	234,065
Four to six months	**33,344**	16,877
Over six months	**11,804**	12,459
	466,307	627,360

10. Creditors and accruals

	30 June 2018 HK$'000	31 December 2017 HK$'000
Trade creditors	**4,183,052**	4,330,338
Other creditors	**4,031,978**	4,373,944
Chips issued	**4,034,446**	6,245,684
Loans from non-controlling interests	**26,459**	26,509
Accruals and provision	**1,943,658**	2,223,640
Deposits received	**34,403**	37,109
	14,253,996	17,237,224

10. Creditors and accruals (Cont'd)

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Within one month	**3,800,847**	3,865,907
Two to three months	**111,645**	137,366
Four to six months	**46,530**	133,962
Over six months	**224,030**	193,103
	4,183,052	4,330,338

11. Post Balance Sheet Event

On 8 August 2018, the Board of Directors declared a special dividend of HK$0.50 per share, payable to shareholders of the Company whose names appear on the register of members of the Company on 28 September 2018. The total amount of the special dividend to be distributed is estimated to be approximately HK$2,170 million and will be paid on or about 26 October 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW OF MACAU GAMING MARKET

Despite increased competition both in Macau and regionally, combined with a number of geo-political and economic events occurring globally during first half of 2018, including global trade tensions, currency volatility and the overall slowing economy, we are encouraged to see that Macau has continued to deliver solid results.

Based on DICJ reporting, Macau's gross gaming revenue ("GGR") for 1H 2018 was up 19% year-on-year to $145.8 billion. The GGR number includes the short term negative impact of the World Cup on gaming revenue in the latter part of June and historically Q2 GGR is seasonally softer than Q1.

In the first half of 2018, visitor arrivals to Macau were 16.84 million, up 8% year-on-year, in which overnight visitors also grew at 8% year-on-year with the average length of stay increased 0.1 day year-on-year to 2.2 days, demonstrating new hotel capacity has successfully grown both the day trip and overnight visitation.

The buildout of infrastructure that will support Macau's growth, continued to progress. We look forward to the opening of the Hong Kong-Zhuhai-Macau Bridge and the extension of the train line that will further enhance the appeal and accessibility to Macau for both Chinese and international visitors.

On the regulatory side, in response to the smoking bill, operators are enhancing standards of their smoking lounges on the main gaming floor and installing smoking lounges into VIP rooms that will complete no later than 1 January 2019. These enhancements will improve the work place environment.

REVIEW OF OPERATIONS

Summary of Accounting Changes and the Impact

In accordance with the Hong Kong Institute of Certified Public Accountants (HKICPA), GEG adopted a new accounting standard in reporting revenue from gaming operation beginning from 1 January 2018. GEG's first mandatory reporting period is the six months period ended 30 June 2018. The main changes due to this reporting standard are that commission and incentives are to be deducted from the net wins from gaming operation to arrive at the net gaming revenue. In addition, GEG now also reports all complimentary provided to gaming customers at market rate. The comparative figures of revenue in 2017 have been restated to conform with the current period's presentation.

In summary the impact will be lower reported gaming revenue, an increased Adjusted EBITDA margin, and an increase in non-gaming revenue such as hotels and F&B. There will be no change in the Adjusted EBITDA or NPAS.

New Accounting Standard

	2017 (Restated)			**2018**		
(HK$'m)	Q1	Q2	1H	**Q1**	**Q2**	**1H**
Total Net Revenue	11,128	11,408	22,536	**14,133**	**13,925**	**28,058**
Net Revenue, Gaming Operations	9,328	9,373	18,701	**11,921**	**11,898**	**23,819**
NPAS			4,631			**7,206**
Adjusted EBITDA	3,180	3,286	6,466	**4,319**	**4,326**	**8,645**
Adjusted EBITDA Margin	28.6%	28.8%	28.7%	**30.6%**	**31.1%**	**30.8%**

Previous Accounting Standard

	2017			**2018**		
(HK$'m)	Q1	Q2	1H	**Q1**	**Q2**	**1H**
Total Revenue	14,097	14,447	28,544	**18,549**	**18,288**	**36,837**
Gross Revenue, Gaming Operations	12,672	12,777	25,449	**16,720**	**16,648**	**33,368**
NPAS			4,631			**7,206**
Adjusted EBITDA	3,180	3,286	6,466	**4,319**	**4,326**	**8,645**
Adjusted EBITDA Margin	22.6%	22.7%	22.7%	**23.3%**	**23.7%**	**23.5%**

New Accounting Standard

	2017 (Restated)			**2018**		
(HK$'m)	Q1	Q2	1H	**Q1**	**Q2**	**1H**
VIP Gross Gaming Revenue	6,816	6,932	13,748	**9,823**	**9,711**	**19,534**
Mass Gross Gaming Revenue	5,334	5,335	10,669	**6,306**	**6,373**	**12,679**
Electronic Gross Gaming Revenue	496	483	979	**562**	**531**	**1,093**
Contributions, Admin Fees from City Clubs and Tips received	26	27	53	**29**	**33**	**62**
Gross Revenue, Gaming Operations	12,672	12,777	25,449	**16,720**	**16,648**	**33,368**
Commission and incentives	(3,344)	(3,404)	(6,748)	**(4,799)**	**(4,750)**	**(9,549)**
Net Revenue, Gaming Operations	9,328	9,373	18,701	**11,921**	**11,898**	**23,819**

Group Financial Results

The Group's 1H 2018 results posted Net Revenue of $28.1 billion, up 25% year-on-year and generated Adjusted EBITDA of $8.6 billion, up 34% year-on-year. Net profit attributable to shareholders increased to $7.2 billion. Galaxy Macau™'s Adjusted EBITDA was $6.5 billion, up 28% year-on-year. StarWorld Macau's Adjusted EBITDA was $2.0 billion, up 41% year-on-year. Broadway Macau™'s Adjusted EBITDA was $15 million (1H 2017: $7 million).

During 1H 2018, GEG experienced bad luck in its gaming operations which decreased its Adjusted EBITDA by approximately $229 million. Normalized 1H 2018 Adjusted EBITDA grew 38% year-on-year to $8.9 billion.

The Group's total gross gaming revenue on a management basis[1] in 1H 2018 was $34.3 billion, up 30% year-on-year, total mass table gross gaming revenue was $13.5 billion, up 18% year-on-year and total VIP gross gaming revenue was $19.6 billion, up 41% year-on-year. Total electronic gross gaming revenue was $1.2 billion, up 13% 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, during 1H 2018, we completed a number of enhancements to the main gaming floor and we introduced some new F&B and retail concepts. We believe this approach keeps the property fresh and appealing, particularly to our repeat customers.

Gross Group Gaming in 1H 2018 (before deducting commission and incentives) (HK$'b)	**Turnover/ Table Drop/ Slots Handle**	**Net Win**	**Win / Hold %**
VIP Gaming	**578.1**	**19.6**	**3.4%**
Mass Gaming	**32.3**	**13.5**	**41.9%**
Electronic Gaming	**36.1**	**1.2**	**3.3%**

Gross Group Gaming in 1H 2017 (before deducting commission and incentives) (HK$'b)	Turnover/ Table Drop/ Slots Handle	Net Win	Win / Hold %
VIP Gaming	396.4	13.9	3.5%
Mass Gaming	28.2	11.4	40.6%
Electronic Gaming	30.3	1.1	3.4%

Gross Group Gaming in Q2 2018 (before deducting commission and incentives) (HK$'b)	**Turnover/ Table Drop/ Slots Handle**	**Net Win**	**Win / Hold %**
VIP Gaming	**289.3**	**9.8**	**3.4%**
Mass Gaming	**16.4**	**6.8**	**41.8%**
Electronic Gaming	**18.2**	**0.6**	**3.1%**

[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.

Gross Group Gaming in Q2 2017 (before deducting commission and incentives) (HK$'b)	Turnover/ Table Drop/ Slots Handle	Net Win	Win / Hold %
VIP Gaming	198.6	7.1	3.6%
Mass Gaming	14.1	5.7	40.3%
Electronic Gaming	15.2	0.5	3.4%

Balance Sheet, Special Dividend and Investment

The Group's balance sheet remains healthy and liquid. 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.

Subsequently GEG announced another special dividend of $0.50 per share to be paid on or about 26 October 2018.

In March 2018, GEG announced a passive minority equity investment in Wynn Resorts, Limited ("Wynn Resorts") where GEG agreed to purchase 5.3 million shares of common stock in Wynn Resorts at US$175 per share. The shares purchased represent approximately 4.9% of Wynn Resorts. In early April, the Group closed the transaction by paying a total of US$927.5 million (approximately HK$7.28 billion) to Wynn Resorts.

Set out below is the segmental analysis of the Group's operating results for 1H 2018.

1H 2018 (HK$'m)	**Gaming and Entertainment**	**Construction Materials**	**Corporate**	**Total**
Net Revenue	**26,390**	**1,668**	**-**	**28,058**
Adjusted EBITDA	**8,197**	**538**	**(90)**	**8,645**

1H 2017 (HK$'m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Net Revenue (Restated)	21,070	1,466	-	22,536
Adjusted EBITDA	6,214	321	(69)	6,466

GAMING AND ENTERTAINMENT DIVISION

Galaxy Macau™

Financial and Operational Performance

Galaxy Macau™ is the primary contributor to the Group revenue and earnings. Net Revenue for 1H 2018 was $19.8 billion, up 25% year-on-year. Adjusted EBITDA was $6.5 billion, up 28% year-on-year.

Galaxy Macau™ experienced bad luck in its gaming operations which decreased its Adjusted EBITDA by approximately $302 million in 1H 2018. Normalized 1H 2018 Adjusted EBITDA was $6.8 billion, up 33% year-on-year.

Adjusted EBITDA margin for 1H 2018 calculated under HKFRS was 33% (1H 2017: 32%). Adjusted EBITDA margin for Q2 2018 calculated under HKFRS was 32% (Q2 2017: 32%).

VIP Gaming Performance (Gross)

VIP rolling chip volume for 1H 2018 was $413.4 billion, up 56% year-on-year. This translated to gross gaming revenue of $14.5 billion, up 45% year-on-year.

VIP Gaming								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Turnover	132,899	**204,938**	**208,506**	**57%**	**2%**	264,654	**413,444**	**56%**
Net Win	4,830	**7,153**	**7,304**	**51%**	**2%**	9,943	**14,457**	**45%**
Win %	3.6%	**3.5%**	**3.5%**	**n/a**	**n/a**	3.8%	**3.5%**	**n/a**

Mass Gaming Performance (Gross)

Mass gross gaming revenue for 1H 2018 was $9.1 billion, up 17% year-on-year.

Mass Gaming								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Table Drop	8,930	**10,423**	**10,390**	**16%**	**(0.3%)**	17,769	**20,813**	**17%**
Net Win	3,845	**4,524**	**4,610**	**20%**	**2%**	7,813	**9,134**	**17%**
Hold %	43.1%	**43.4%**	**44.4%**	**n/a**	**n/a**	44.0%	**43.9%**	**n/a**

Electronic Gaming Performance (Gross)

Electronic gross gaming revenue for 1H 2018 was $982 million, up 10% year-on-year.

Electronic Gaming								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Slots Handle	11,187	**13,590**	**13,311**	**19%**	**(2%)**	22,572	**26,901**	**19%**
Net Win	439	**509**	**473**	**8%**	**(7%)**	893	**982**	**10%**
Hold %	3.9%	**3.7%**	**3.6%**	**n/a**	**n/a**	4.0%	**3.7%**	**n/a**

Non-Gaming Performance (Previous Accounting Standard)

In 1H 2018, non-gaming revenue was $1.6 billion, up 11% year-on-year. The combined five hotels registered strong occupancy of virtually 100%. Net rental revenue for the Promenade was $553 million, up 27% year-on-year.

Non-Gaming								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Net Rental Revenue	212	**293**	**260**	**23%**	**(11%)**	434	**553**	**27%**
Hotel Revenue / F&B / Others	501	**513**	**514**	**3%**	**0.2%**	986	**1,027**	**4%**
Total	713	**806**	**774**	**9%**	**(4%)**	1,420	**1,580**	**11%**

Under the new Accounting Standard, hotel, F&B, others would be recorded as below.

Hotel / F&B / Others under New Accounting Standard								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Hotel / F&B / Others	784	**819**	**820**	**5%**	**0.1%**	1,558	**1,639**	**5%**

StarWorld Macau

Financial and Operational Performance

StarWorld Macau's Net Revenue for 1H 2018 was $6.3 billion, up 28% year-on-year. Adjusted EBITDA was $2.0 billion, up 41% year-on-year.

StarWorld Macau experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately $72 million in 1H 2018. Normalized 1H 2018 Adjusted EBITDA was $1.9 billion, up 41% year-on-year.

Adjusted EBITDA margin for 1H 2018 calculated under HKFRS was 32% (1H 2017: 29%). Adjusted EBITDA margin for Q2 2018 calculated under HKFRS increased to 32% (Q2 2017: 29%).

VIP Gaming Performance (Gross)

VIP rolling chip volume for 1H 2018 was $162.0 billion, up 29% year-on-year. This translated to gross gaming revenue of $5.1 billion, up 33% year-on-year.

VIP Gaming								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Turnover	62,698	**82,293**	**79,703**	**27%**	**(3%)**	125,764	**161,996**	**29%**
Net Win	2,102	**2,670**	**2,407**	**15%**	**(10%)**	3,805	**5,077**	**33%**
Win %	3.4%	**3.2%**	**3.0%**	**n/a**	**n/a**	3.0%	**3.1%**	**n/a**

Mass Gaming Performance (Gross)

Mass gross gaming revenue for 1H 2018 was $3.4 billion, up 26% year-on-year.

Mass Gaming								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Table Drop	3,501	**3,691**	**4,092**	**17%**	**11%**	6,943	**7,783**	**12%**
Net Win	1,426	**1,709**	**1,704**	**19%**	**(0.3%)**	2,717	**3,413**	**26%**
Hold %	40.7%	**46.3%**	**41.6%**	**n/a**	**n/a**	39.1%	**43.9%**	**n/a**

Electronic Gaming Performance (Gross)

Electronic gross gaming revenue for 1H 2018 was $89 million, up 27% year-on-year.

Electronic Gaming								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Slots Handle	1,668	**1,710**	**1,920**	**15%**	**12%**	3,262	**3,630**	**11%**
Net Win	36	**43**	**46**	**28%**	**7%**	70	**89**	**27%**
Hold %	2.2%	**2.5%**	**2.4%**	**n/a**	**n/a**	2.2%	**2.5%**	**n/a**

Non-Gaming Performance (Previous Accounting Standard)

Non-gaming revenue in 1H 2018 was $102 million, up 1% year-on-year. Hotel room occupancy was virtually 100% for 1H 2018.

Non-Gaming								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Net Rental Revenue	11	**13**	**13**	**18%**	**0%**	23	**26**	**13%**
Hotel Revenue / F&B / Others	39	**40**	**36**	**(8%)**	**(10%)**	78	**76**	**(3%)**
Total	50	**53**	**49**	**(2%)**	**(8%)**	101	**102**	**1%**

Under the new Accounting Standard, hotel, F&B, others would be recorded as below.

Hotel / F&B / Others under New Accounting Standard								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Hotel / F&B / Others	113	**109**	**109**	**(4%)**	**0%**	226	**218**	**(4%)**

Broadway Macau™

Financial and Operational Performance

Broadway Macau™ is a unique family friendly, street entertainment and food resort supported by Macau SMEs and does not have a VIP gaming component. Broadway Macau™'s Net Revenue in 1H 2018 was $273 million, up 4% year-on-year. Adjusted EBITDA was $15 million for 1H 2018 (1H 2017: $7 million).

Broadway Macau™ experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately $1 million in 1H 2018. Normalized 1H 2018 Adjusted EBITDA grew 8% year-on-year to $14 million.

Mass Gaming Performance (Gross)

Mass gross gaming revenue for 1H 2018 was $132 million, down 5% year-on-year.

Mass Gaming								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Table Drop	291	**257**	**223**	**(23%)**	**(13%)**	616	**480**	**(22%)**
Net Win	64	**73**	**59**	**(8%)**	**(19%)**	139	**132**	**(5%)**
Hold %	22.0%	**28.4%**	**26.2%**	**n/a**	**n/a**	22.6%	**27.4%**	**n/a**

Electronic Gaming Performance (Gross)

Electronic gross gaming revenue for 1H 2018 was $22 million, up 37% year-on-year.

Electronic Gaming								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Slots Handle	308	**409**	**516**	**68%**	**26%**	509	**925**	**82%**
Net Win	8	**10**	**12**	**50%**	**20%**	16	**22**	**37%**
Hold %	2.6%	**2.4%**	**2.4%**	**n/a**	**n/a**	3.2%	**2.4%**	**n/a**

Non-Gaming Performance (Previous Accounting Standard)

Non-gaming revenue in 1H 2018 was $119 million, up 11% year-on-year. Hotel room occupancy was virtually 100% for 1H 2018.

Non-Gaming								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Net Rental Revenue	10	**11**	**10**	**0%**	**(9%)**	20	**21**	**5%**
Hotel Revenue / F&B / Others	45	**48**	**50**	**11%**	**4%**	87	**98**	**13%**
Total	55	**59**	**60**	**9%**	**2%**	107	**119**	**11%**

Under the new Accounting Standard, hotel, F&B, others would be recorded as below.

Hotel / F&B / Others under New Accounting Standard								
HK$'m	Q2 2017	**Q1 2018**	**Q2 2018**	**YoY%**	**QoQ%**	1H 2017	**1H 2018**	**YoY%**
Hotel / F&B / Others	53	**56**	**58**	**9%**	**4%**	107	**114**	**7%**

City Clubs

City Clubs contributed $54 million of Adjusted EBITDA to the Group's earnings for 1H 2018, up 10% year-on-year.

CONSTRUCTION MATERIALS DIVISION

Construction Materials Division ("CMD") recorded a strong result for the first half of 2018. Revenue was up 14% year-on-year to $1,668 million and Adjusted EBITDA was up 68% year-on-year to $538 million.

Hong Kong and Macau

Amid a drop in construction material market price under keen competition in Hong Kong, CMD continued to deliver good performance by means of continuing efforts to lower cost and enhance operating efficiency. Going forward, Hong Kong International Airport's Third Runway System will rejuvenate construction material's demand over the medium term.

With the recovery of gaming business and completion of the Hong Kong-Zhuhai-Macau Bridge project, casino expansion plans are resuming which has driven up demands for construction materials in Macau.

Mainland China

In Yunnan, increasing infrastructure projects facilitated continued rise in demand for cement which supported a rise in cement prices. All of our cement operations benefited from this positive market force in the first half of 2018.

Continuing rise in cement price across the Mainland also support a rise in overall Ground Granulated Blast-furnace Slag ("GGBS") price. Most of our GGBS operations across the Mainland achieved better than expected interim results. However, GGBS market in Northern China is still challenging, and it is expected that overcapacity situation in this area can only be digested over a period of time under central government's supply-side reform policy.

DEVELOPMENT UPDATE

Cotai – The Next Chapter

GEG is uniquely positioned for long term growth. We continue to move forward with Phases 3 & 4, which will include approximately 4,500 hotel rooms, including family and premium high end rooms, 400,000 square feet of MICE space, a 16,000-seat multi-purpose arena, F&B, retail and casinos, among others. 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

On 20 July 2018 the Japanese Diet passed the Integrated Resort ("IR") Bill. We are very pleased with the recent passing of the IR Bill in Japan. 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 IRs to the country.

SUBSEQUENT EVENT

GEG announced a special dividend of $0.50 per share payable on or about 26 October 2018.

GROUP OUTLOOK

GEG delivered solid results in 1H 2018 despite macro economic issues and the recently completed World Cup. The Group continues to drive every segment of our business by enhancing operational efficiencies and reallocating resources to achieve the highest and best use, while at the same time exercising prudent cost control. We continue to manage the business with a view to the medium to longer term horizon.

We look forward to the opening of additional infrastructure projects such as Hong Kong-Zhuhai-Macau Bridge and the extended train line that will support the future growth of Macau. The ongoing integration of the Greater Bay Area within the expanded Pearl River Delta is expected to increase ease of travel within the region and encourage multiple destination trips and the development of new industries which should support the longer term growth of Macau.

With a strong and liquid balance sheet, GEG is able to comfortably return capital to shareholders through dividends and fund its future development pipeline and other international ambitions, such as Japan and the Philippines.

With the ongoing trade tensions, currency volatility and the overall slowing economy, we are cautious that consumer confidence may be impacted for the shorter term. However, we remain positive about the longer-term outlook for Macau in general and for GEG in particular. The growth of the Mainland middle-class has a strong desire for leisure, tourism and travel. GEG is ideally positioned to capitalize on this future growth with its unique and differentiated resort offerings. GEG has a clearly defined growth development pipeline. We are committed to invest in Macau's economic diversification and support the Macau Government's vision to develop the city into a World Centre of Tourism and Leisure.

LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 30 June 2018 increased to $60,926 million, an increase of approximately 10% over that as at 31 December 2017 of $55,482 million while the Group's total assets employed increased to $85,252 million as at 30 June 2018 as compared to $83,815 million as at 31 December 2017.

The Group continues to maintain a strong financial position. We continue to invest surplus cash in low risk short term fixed deposits as well as high quality debt securities issued by large financial institutions and corporations with weighted average tenor of approximately 4 years to generate low risk interest income for the Group. As at 30 June 2018, the Group invested $27,482 million ($23,828 million as at 31 December 2017) in debt securities and other marketable securities of $6,959 million as of 30 June 2018 (nil as at 31 December 2017); while cash and bank balances were $8,454 million as compared to $17,565 million as at 31 December 2017.

The Group's total borrowings were $8,809 million as at 30 June 2018 as compared to $9,944 million as at 31 December 2017. The gearing ratio, defined as the ratio of total borrowing outstanding less cash balances and total assets (excludes cash balances), was maintained at a low level of 0.5% as at 30 June 2018 as compared to net cash position at 31 December 2017.

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. Surplus cash is generally placed in short-term 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 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, leasehold land and land use rights with net book value of $1,017 million (31 December 2017: $1,053 million) and bank deposits of $625 million (31 December 2017: $628 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 2017: $790 million). At 30 June 2018, facilities utilized amounted to $300 million (31 December 2017: $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 $156 million (31 December 2017: $163 million). At 30 June 2018, facilities utilized amounted to $71 million (31 December 2017: $84 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 2018.

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended 30 June 2018 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 2018 to shareholders.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2018, 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 2018, the Board of Directors declared a special dividend of HK$0.41 per share (2017: HK$0.26 per share) to shareholders whose names appear on the register of members of the Company on 29 March 2018. The total amount of the special dividend distributed was approximately HK$1,770 million (2017: HK$1,112 million) and was paid on 27 April 2018.

The Board of Directors is pleased to announce that it has declared another special dividend of HK$0.50 per share (2017: HK$0.33 per share) payable to shareholders whose names appear on the register of members of the Company on 28 September 2018 and expected to be paid on or about 26 October 2018. The total amount of this special dividend distributed was approximately HK$2,170 million (2017: HK$1,414 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$5,023 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, 26 September 2018 to Friday, 28 September 2018, 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 Monday, 24 September 2018.

INTERIM REPORT 2018

The Interim Report 2018 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, 8 August 2018

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