

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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 2016

### INTERIM RESULTS

The Board of Directors of Galaxy Entertainment Group Limited (“GEG”) is pleased to announce the unaudited results of GEG and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2016 as follows:

#### HIGHLIGHTS

**GEG: Continues to Drive Mass Business, Profitable Volumes and Control Costs**

- 1H Group Adjusted EBITDA of HK\$4.7 billion, up 13% year-on-year
- 1H Group net profit attributable to shareholders (“NPAS”) of HK\$2.6 billion, up 26% year-on-year
- Q2 Group Adjusted EBITDA of HK\$2.3 billion, up 22% year-on-year and down 7% quarter-on-quarter
- Played lucky in gaming operations in 1H which increased profitability by approximately HK\$90 million and played unlucky in the Q2 which reduced profitability by approximately HK\$10 million

**Galaxy Macau™: Solid Performance Driven by Mass**

- 1H Revenue of HK\$18.5 billion, up 8% year-on-year; 1H Adjusted EBITDA of HK\$3.9 billion, up 22% year-on-year
- Q2 Adjusted EBITDA of HK\$1.9 billion, up 34% year-on-year and down 7% quarter-on-quarter
- Played lucky in Q2 which increased Adjusted EBITDA by approximately HK\$20 million
- Hotel occupancy for Q2 across the five hotels was 97%

**StarWorld Macau: Continues Transition to Mass**

- 1H Revenue of HK\$5.6 billion, down 22% year-on-year; 1H Adjusted EBITDA of HK\$977 million, down 12% year-on-year
- Q2 Adjusted EBITDA of HK\$465 million, down 9% year-on-year and down 9% quarter-on-quarter
- Played unlucky in Q2 which reduced Adjusted EBITDA by approximately HK\$30 million
- Hotel occupancy for Q2 was 97%

**Broadway Macau™: Continues to Drive Visitations to our Cotai Portfolio**

- 1H Revenue of HK\$350 million and 1H Adjusted EBITDA of HK\$9 million
- Q2 Adjusted EBITDA of HK\$6 million
- Played lucky in Q2 which increased Adjusted EBITDA by approximately HK\$2 million
- Hotel occupancy for Q2 was virtually 100%

**Balance Sheet: Remains Well Capitalized, Liquid and Virtually Debt Free**

- Cash and liquid investments stood at HK\$11.3 billion as at 30 June 2016, up 46% from 31 December 2015
- Virtually debt free with debt of HK\$1.2 billion and net cash of HK\$10.1 billion as at 30 June 2016
- The Group paid a special dividend of HK\$0.15 per share on 29 April 2016
- Subsequently, the Group will pay another special dividend of HK\$0.18 per share on or about 28 October 2016

**Development Update: Advancing Plans for Cotai Phases 3 & 4 and Hengqin**

- Cotai Phases 3 & 4 – Continue to move forward with Phase 3 with the potential to commence site preparation works in late 2016 and Phase 4 in 2017, with substantial floor area allocated to non-gaming and primarily targeting Meetings Incentives Conference and Events (MICE), entertainment and family facilities. We expect to be able to provide additional information on our development plans in late 2016 or early 2017
- Hengqin – Plans moving forward to develop a low-density integrated resort to complement our high-energy entertainment resorts in Macau, anticipated to disclose further details later in the year
- International – Continuously exploring opportunities in overseas markets

**CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)**  
**For The Six Months Ended 30 June 2016**

	Note	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	2	<b>25,538,536</b>	25,371,183
Other income/gains, net		<b>75,970</b>	130,176
Special gaming tax and other related taxes to the Macau Government		<b>(9,080,382)</b>	(9,211,386)
Commission and allowances to gaming counterparties		<b>(5,624,667)</b>	(6,904,608)
Raw materials and consumables used		<b>(404,768)</b>	(414,897)
Amortisation and depreciation		<b>(1,849,003)</b>	(1,211,589)
Employee benefit expenses		<b>(3,515,829)</b>	(3,414,778)
Other operating expenses		<b>(2,546,594)</b>	(2,303,389)
Finance costs		<b>(16,391)</b>	(19,407)
Share of profits less losses of:			
Joint ventures		<b>21,663</b>	31,348
Associated companies		<b>834</b>	387
Profit before taxation	4	<b>2,599,369</b>	2,053,040
Taxation charge	5	<b>(40,426)</b>	(34,921)
Profit for the period		<b><u>2,558,943</u></b>	<u>2,018,119</u>
Attributable to:			
Equity holders of the Company		<b>2,558,080</b>	2,030,379
Non-controlling interests		<b>863</b>	(12,260)
		<b><u>2,558,943</u></b>	<u>2,018,119</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	7		
Basic		<b>60.0</b>	47.7
Diluted		<b>59.6</b>	47.2

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)**  
**For The Six Months Ended 30 June 2016**

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<b>2,558,943</b>	2,018,119
Other comprehensive (loss)/income		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	<b>(38,006)</b>	(64,752)
Translation differences of subsidiaries	<b>(25,184)</b>	(170)
Share of translation differences of joint ventures	<b>(27,689)</b>	433
	<u><b>(90,879)</b></u>	<u>(64,489)</u>
Other comprehensive loss for the period, net of tax		
	<u><b>(90,879)</b></u>	<u>(64,489)</u>
Total comprehensive income for the period	<u><b>2,468,064</b></u>	<u>1,953,630</u>
Total comprehensive income attributable to:		
Equity holders of the Company	<b>2,475,767</b>	1,965,764
Non-controlling interests	<b>(7,703)</b>	(12,134)
	<u><b>2,468,064</b></u>	<u>1,953,630</u>

**CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)**

As at 30 June 2016

	Note	30 June 2016 HK\$'000	31 December 2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		34,682,620	35,690,673
Investment properties		42,000	42,000
Leasehold land and land use rights		5,100,146	5,121,699
Intangible assets		1,235,366	1,341,213
Joint ventures		1,301,484	1,321,081
Associated companies		1,906	1,072
Other non-current assets		1,094,436	637,388
		<u>43,457,958</u>	<u>44,155,126</u>
<b>Current assets</b>			
Inventories		163,925	150,789
Debtors and prepayments	8	1,823,449	2,183,880
Amounts due from joint ventures		406,067	404,441
Taxation recoverable		17,282	6,148
Derivative financial instruments		-	9,103
Other investments		-	3,425
Other cash equivalents		208,269	723,748
Cash and bank balances		10,761,914	7,717,681
		<u>13,380,906</u>	<u>11,199,215</u>
<b>Total assets</b>		<u>56,838,864</u>	<u>55,354,341</u>
<b>EQUITY</b>			
Share capital		19,998,251	19,952,107
Reserves		23,209,263	21,149,332
Equity attributable to owners of the Company		<u>43,207,514</u>	<u>41,101,439</u>
Non-controlling interests		567,220	611,898
<b>Total equity</b>		<u>43,774,734</u>	<u>41,713,337</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		606,488	671,461
Deferred taxation liabilities		251,942	250,280
Retention payable		161,391	150,477
Non-current deposits		305,464	323,972
		<u>1,325,285</u>	<u>1,396,190</u>
<b>Current liabilities</b>			
Creditors and accruals	9	10,887,717	11,457,586
Amounts due to joint ventures		8,972	27,306
Current portion of borrowings and short-term bank loans		774,639	718,879
Derivative financial instruments		3,367	-
Provision for tax		64,150	41,043
		<u>11,738,845</u>	<u>12,244,814</u>
<b>Total liabilities</b>		<u>13,064,130</u>	<u>13,641,004</u>
<b>Total equity and liabilities</b>		<u>56,838,864</u>	<u>55,354,341</u>
<b>Net current assets/(liabilities)</b>		<u>1,642,061</u>	<u>(1,045,599)</u>
<b>Total assets less current liabilities</b>		<u>45,100,019</u>	<u>43,109,527</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 1. Basis of preparation and accounting policies

The interim financial information for the six months ended 30 June 2016 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 investment properties, non-current investments, financial assets and financial liabilities (including derivative financial instruments), 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The financial information relating to the year ended 31 December 2015 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2016 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 2015 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 2015, except as described below:

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

### (a) The adoption of amended standards

In 2016, the Group adopted the following amended standards which are relevant to its operations.

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
Annual Improvements to HKFRSs 2012 - 2014 Cycle	
HKFRS 5 (Amendment)	Non-current Assets Held For Sale and Discontinued Operations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKAS 19 (Amendment)	Employee Benefits
HKAS 34 (Amendment)	Interim Financial Reporting

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

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

<u>New standards and amendments</u>		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Lease	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The Group has not early adopted the above standards 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.

### (c) Additional accounting policy applied in current period

#### Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than twelve months after the balance sheet date, which are classified as current assets.

Held-to-maturity investments are carried at amortised cost using the effective interest method.

## 2. Revenue

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

	<b>2016</b>	2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Gaming operations		
Net gaming wins	<b>22,985,514</b>	23,364,980
Contributions from City Club Casinos ( <i>Note</i> )	<b>51,280</b>	51,533
Tips received	<b>4,584</b>	4,290
Hotel and mall operations	<b>1,496,144</b>	1,030,396
Administrative fees from gaming operations	<b>10,026</b>	11,042
Sales of construction materials	<b>990,988</b>	908,942
	<b><u>25,538,536</u></b>	<u>25,371,183</u>

(*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 2016, the Group is entitled to HK\$51,280,000 (2015: HK\$51,533,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the interim financial information.

### **3. Segment information**

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

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



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

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

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

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

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

	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>
<b>Six months ended 30 June 2015</b>				
Reportable segment revenue	25,522,766	908,942	-	26,431,708
Adjusted for:				
City Club Casinos arrangement set out in note 2				
Revenue not recognised	(1,123,100)	-	-	(1,123,100)
Contributions	51,533	-	-	51,533
Others	11,042	-	-	11,042
Revenue recognised under HKFRS	<u>24,462,241</u>	<u>908,942</u>	<u>-</u>	<u>25,371,183</u>
Adjusted EBITDA including share of results of joint ventures and associated companies	<u>4,092,438</u>	<u>144,140</u>	<u>(77,670)</u>	4,158,908
Interest income and gross earnings on finance lease				74,518
Amortisation and depreciation				(1,211,589)
Finance costs				(19,407)
Taxation charge				(34,921)
Adjusted items:				
Taxation of joint ventures				(8,164)
Pre-opening expenses of Galaxy Macau™ Phase 2 at Cotai				(542,169)
Pre-opening expenses of Broadway Macau™ at Cotai				(148,514)
Other pre-opening expenses				(20,191)
Unrealised gain on other investments				3,531
Share option expenses				(106,165)
Share award expenses				(108,883)
Donation and sponsorship				(6,337)
Write off/loss on disposal of certain property, plant and equipment				(8,739)
Others				(3,759)
Profit for the period				<u>2,018,119</u>
Share of results of joint ventures and associated companies	<u>19,630</u>	<u>12,105</u>	<u>-</u>	<u>31,735</u>

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

	<b>Gaming and entertainment</b> <i>HK\$'000</i>	<b>Construction materials</b> <i>HK\$'000</i>	<b>Corporate and treasury management</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>As at 30 June 2016</b>				
Total assets	<u>51,328,899</u>	<u>5,475,326</u>	<u>34,639</u>	<u>56,838,864</u>
Total assets include:				
Joint ventures	77,202	1,224,282	-	1,301,484
Associated companies	<u>-</u>	<u>1,906</u>	<u>-</u>	<u>1,906</u>
Total liabilities	<u>10,832,853</u>	<u>1,750,972</u>	<u>480,305</u>	<u>13,064,130</u>
<b>As at 31 December 2015</b>				
Total assets	<u>49,864,096</u>	<u>5,386,459</u>	<u>103,786</u>	<u>55,354,341</u>
Total assets include:				
Joint ventures	66,824	1,254,257	-	1,321,081
Associated companies	<u>-</u>	<u>1,072</u>	<u>-</u>	<u>1,072</u>
Total liabilities	<u>11,673,031</u>	<u>1,494,956</u>	<u>473,017</u>	<u>13,641,004</u>
<b>Six months ended 30 June 2016</b>				
Additions to non-current assets	<u>372,938</u>	<u>378,350</u>	<u>-</u>	<u>751,288</u>
<b>Six months ended 30 June 2015</b>				
Additions to non-current assets	<u>7,421,525</u>	<u>282,777</u>	<u>-</u>	<u>7,704,302</u>
<b>Geographical analysis</b>				
		<b>2016</b>		<b>2015</b>
<b>Six months ended 30 June</b>		<b><i>HK\$'000</i></b>		<b><i>HK\$'000</i></b>
<b>Revenue</b>				
Macau		24,657,696		24,627,041
Hong Kong		755,357		677,309
Mainland China		<u>125,483</u>		<u>66,833</u>
		<u>25,538,536</u>		<u>25,371,183</u>
		<b>As at 30 June</b>		<b>As at 31 December</b>
<b>Non-current assets</b>		<b>2016</b>		<b>2015</b>
		<b><i>HK\$'000</i></b>		<b><i>HK\$'000</i></b>
Macau		40,089,414		41,033,337
Hong Kong		558,487		575,197
Mainland China		<u>2,810,057</u>		<u>2,546,592</u>
		<u>43,457,958</u>		<u>44,155,126</u>

#### 4. Profit before taxation

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before taxation is arrived at after crediting:		
Rental income from investment properties	2,222	1,620
Interest income	46,034	74,184
Dividend income from unlisted investments	600	3,250
Unrealised gain on other investments	-	3,531
Gain on disposal of property, plant and equipment	721	-

and after charging:

Write off/loss on disposal of property, plant and equipment	-	10,750
Depreciation	1,689,751	1,056,788
Amortisation		
Gaming licence	53,023	52,732
Computer software	29,818	15,636
Quarry site improvements	-	4,040
Overburden removal costs	-	1,003
Quarry site development	-	49
Leasehold land and land use rights	32,448	37,378
Reacquired right	43,963	43,963

#### 5. Taxation charge

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	18,828	14,904
Mainland China income tax and withholding tax	621	1,649
Macau complementary tax	3,026	2,348
Net over-provision in prior years	(1,478)	-
Lump sum in lieu of Macau complementary tax on dividend	17,767	17,767
Deferred taxation	1,662	(1,747)
Taxation charge	40,426	34,921

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, these rates range from 12% to 25% (2015: 12% to 25%). The weighted average applicable tax rate was 12% (2015: 12%).

## 6. Dividends

On 25 February 2016, the Board of Directors declared a special dividend of HK\$0.15 per share (2015: HK\$0.28 per share), payable to shareholders of the Company whose names appear on the register of the members of the Company on 15 April 2016. The total amount of the special dividend distributed was HK\$640 million and was paid on 29 April 2016.

The Board of Directors does not declare any interim dividend for the period ended 30 June 2016 (2015: nil).

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

## 7. Earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two (2015: two) categories of dilutive potential ordinary shares: share options and share award. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and share award, the dilutive effect of the share award scheme is assumed if the award shares are issued by new shares, which is yet to be determined.

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

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Profit attributable to equity holders of the Company	<u><b>2,558,080</b></u>	<u>2,030,379</u>
	<b>Number of shares</b>	
	<b>2016</b>	2015
Weighted average number of shares for calculating basic earnings per share	<b>4,262,732,631</b>	4,252,728,713
Effect of dilutive potential ordinary shares		
Share options	<b>9,470,794</b>	30,651,769
Share award	<u><b>22,976,970</b></u>	<u>20,310,121</u>
Weighted average number of shares for calculating diluted earnings per share	<u><b>4,295,180,395</b></u>	<u>4,303,690,603</u>

## 8. Debtors and prepayments

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Trade debtors, net of provision	414,365	447,451
Other debtors and deposit paid, net of provision	1,231,215	1,555,905
Prepayments	152,295	153,582
Amounts due from associated companies	4,283	4,296
Current portion of finance lease receivable	21,291	22,646
	<u>1,823,449</u>	<u>2,183,880</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 (2015: 30 to 60 days) for customers in Hong Kong and Macau and 60 to 120 days (2015: 60 to 120 days) for customers in Mainland China. These are subject to periodic reviews by management.

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

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Within one month	228,184	268,507
Two to three months	157,298	133,924
Four to six months	20,870	21,720
Over six months	8,013	23,300
	<u>414,365</u>	<u>447,451</u>

## 9. Creditors and accruals

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Trade creditors	2,102,746	1,667,062
Other creditors (note a)	4,577,864	5,428,925
Chips issued	2,069,096	2,023,774
Loans from non-controlling interests	23,266	21,649
Accruals and provision	2,096,822	2,297,178
Deposits received	16,682	17,884
Dividend payable	1,241	1,114
	<u>10,887,717</u>	<u>11,457,586</u>

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

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

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Within one month	<b>1,508,883</b>	1,249,164
Two to three months	<b>127,875</b>	83,123
Four to six months	<b>291,398</b>	35,428
Over six months	<b>174,590</b>	299,347
	<b><u>2,102,746</u></b>	<u>1,667,062</u>

Note:

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

## 10. Post Balance Sheet Event

On 25 August 2016, the Board of Directors declared a special dividend of HK\$0.18 per share, payable to shareholders of the Company whose names appear on the register of members of the Company on 30 September 2016. The total amount of the special dividend to be distributed is estimated to be approximately HK\$770 million and will be paid on or about 28 October 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### OVERVIEW

The first half of 2016 was encouraging for Macau and we continued to see gradual signs of stabilization. As Macau diversifies, the market's structural shift to the mass segment continues.

GEG's footprint and non-gaming offering has been expanding, and the opening of Galaxy Macau™ Phase 2 and Broadway Macau™ in May last year has underpinned its earnings and revenues. In 1H 2016, GEG reported revenue and Group Adjusted EBITDA of \$25.5 billion and \$4.7 billion respectively. This translated to net profit attributable to shareholders ("NPAS") of \$2.6 billion, including \$350 million of non-recurring charges. Adjusted NPAS was \$2.9 billion after adjusting for non-recurring charges.

In the Q2 2016, earnings at GEG rebounded as expected from a year earlier where they were impacted by costs related to the opening of Galaxy Macau™ Phase 2 and Broadway Macau™. GEG has also remained focused on improving operational efficiencies, driving economies of scale and controlling costs prudently to help minimize the impact of any market headwinds. Galaxy Macau™ is the most important contributor to the Group results, delivering 1H 2016 revenue of \$18.5 billion and Adjusted EBITDA of \$3.9 billion.

To support the further evolution of the gaming industry and to address proposals for a better regulated and healthy industry environment, the Macau SAR Government has completed the Interim Review of Gaming Liberalization for Games of Fortune Research Report (“Interim Review”). Additionally, following the Central Government’s 13<sup>th</sup> Five Year Plan, the Macau SAR Government has released its Macau’s Five Year Development Plan (“Five-Year Plan”), as well as the Macau Tourism Industry Development Master Plan Consultation (“Tourism Industry Plan”), which provide guidelines for the growth of Macau’s economy and its tourism industry over the next 15 years.

### **Macau Government’s Interim Review**

The Macau Government’s Interim Review, published in May 2016, provides a positive view of the role of concessionaires in the development of Macau since 2002. Underpinned by the rapid growth of the gaming industry, Macau’s Gross Domestic Product has increased from MOP56.3 billion in 2002 to MOP443.3 billion in 2014. This has transformed Macau into one of the world’s leading developed cities.

### **Macau’s Five Year Development Plan and Macau Tourism Industry Development Master Plan Consultation**

The Five-Year Plan was announced in April 2016 and is an important roadmap to sustainable long-term development. Aimed at extending Macau’s appeal to a broader visitor base, it focuses on four main areas: Strategy; Quality of Life; Development; and Efficient Administration. Many of the development plan’s policies are echoed in the Tourism Industry Plan and the plan’s consultation was completed in July 2016.

### **Overview of the Macau Gaming Market**

The market in the 1H 2016 continued to show gradual signs of stabilization despite the continuing challenging conditions and seasonal factors that impacted revenues. These include the slowdowns in the Chinese and the global economies, uncertainty around the UK’s Brexit decision on financial markets, the UEFA Euro 2016 football championship and the tightening regulatory environment.

Gross Gaming Revenue (“GGR”) was down 11% year-on-year to \$104.6 billion in 1H 2016. We believe that the market trend towards mass has continued with total mass GGR now exceeding VIP GGR. Total visitor arrivals to Macau in 1H 2016 grew marginally by 0.1% year-on-year to 14.8 million and the average length of stay of visitors grew by 0.2 day year-on-year to 1.2 days. Importantly, 1H 2016 overnight visitors grew by 8% year-on-year to 7.2 million due to the opening of additional hotel rooms. Overnight visitors typically spend significantly more on higher margin non-gaming services.

## **REVIEW OF OPERATIONS**

### **Group Financial Results**

The Group’s 1H 2016 revenue was up 1% year-on-year to \$25.5 billion. Adjusted EBITDA was up 13% year-on-year to \$4.7 billion. As of 30 June 2016, the latest twelve months Adjusted EBITDA was \$9.3 billion. NPAS was \$2.6 billion, including \$350 million of non-recurring charges. Galaxy Macau™’s Adjusted EBITDA was up 22% year-on-year to \$3.9 billion. StarWorld Macau’s Adjusted EBITDA was down 12% year-on-year to \$977 million. Broadway Macau™’s Adjusted EBITDA was \$9 million (1H 2015: (\$2) million).

During 1H 2016, GEG experienced good luck in gaming operations which increased its Adjusted EBITDA by approximately \$90 million.



The Group's total gaming revenue on a management basis<sup>1</sup> in 1H 2016 was down 2% year-on-year to \$24.1 billion as total mass table games revenue was up 22% year-on-year to \$10.0 billion and total VIP revenue was down 15% year-on-year to \$13.2 billion.

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

Group Gaming 1H 2015 (HK\$'b)	Turnover/ Table Drop/ Slots Handle	Net Win	Win / Hold %
VIP Gaming	461.7	15.5	3.4%
Mass Gaming	20.3	8.2	40.2%
Electronic Gaming	18.8	0.8	4.2%

### Driving Efficiencies, Cost Savings and Mass Business in an Evolving Market

Following the opening of the Galaxy Macau™ Phase 2 and Broadway Macau™ and the extra costs that were incurred, GEG has focused closely on operational efficiencies and prudent cost control. This is complemented by GEG's shift towards greater economies of scale, and its subsequent ability to optimise its mass market appeal and revenues.

#### Cost Control Initiatives

Previously we announced an \$800 million cost control initiative. Up to the end of Q1 2016 we had delivered \$650 million and during Q2 we delivered the remaining \$150 million. Importantly, this has been achieved without any local labor redundancies or without compromising our renowned "World Class, Asian Heart" service standard. We have identified an incremental \$300 million of additional cost savings which will be delivered in 2016.

#### Balance Sheet and Special Dividends

The Group's balance sheet remains healthy. As of 30 June 2016, cash and liquid investments stood at \$11.3 billion, up 46% from 31 December 2015, and net cash was \$10.1 billion. Total debt was \$1.2 billion as of 30 June 2016 (31 December 2015: \$1.2 billion).

The Group paid a special dividend of \$0.15 per share on 29 April 2016. Subsequently, the Group announced another special dividend of \$0.18 per share to be paid on or about 28 October 2016.

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

Set out below is the segmental analysis of the Group's operating results for the 1H 2016.

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

1H 2015 (HK\$m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	24,462	909	-	25,371
Adjusted EBITDA	4,093	144	(78)	4,159

## GAMING AND ENTERTAINMENT DIVISION

### Galaxy Macau™

#### *Financial and Operational Performance*

Galaxy Macau™ is the main contributor to Group revenue and earnings. In 1H 2016, revenue was up 8% year-on-year to \$18.5 billion and Adjusted EBITDA was up 22% year-on-year to \$3.9 billion. The Group expects to leverage economies of scale as it continues to see the growth of Macau's mass market.

Galaxy Macau™ experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$155 million in 1H 2016.

Adjusted EBITDA margin for 1H 2016 calculated under HKFRS was 21% (1H 2015: 19%), or 27% under US GAAP (1H 2015: 25%). Good luck had a modest impact on margin for 1H 2016.

#### *VIP Gaming Performance*

VIP rolling chip volume for 1H 2016 was \$245.8 billion, down 16% year-on-year. This translated to revenue of \$9.9 billion, down 4% year-on-year.

VIP Gaming								
HK\$m	Q2 2015	Q1 2016	Q2 2016	QoQ%	YoY%	1H 2015	1H 2016	YoY%
Turnover	137,222	130,536	115,296	(12%)	(16%)	293,867	245,832	(16%)
Net Win	4,659	5,458	4,408	(19%)	(5%)	10,282	9,866	(4%)
Win %	3.4%	4.2%	3.8%	n/a	n/a	3.5%	4.0%	n/a

#### *Mass Gaming Performance*

Mass gaming revenue for 1H 2016 was \$6.5 billion, up 22% year-on-year.

Mass Gaming								
HK\$m	Q2 2015	Q1 2016	Q2 2016	QoQ%	YoY%	1H 2015	1H 2016	YoY%
Table Drop	6,542	7,734	7,834	1%	20%	12,560	15,568	24%
Net Win	2,496	3,284	3,253	(1%)	30%	5,375	6,537	22%
Hold %	38.2%	42.5%	41.5%	n/a	n/a	42.8%	42.0%	n/a

### *Electronic Gaming Performance*

Electronic gaming revenue for 1H 2016 was \$828 million, up 19% year-on-year.

<b>Electronic Gaming</b>								
<b>HK\$m</b>	<b>Q2 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>QoQ%</b>	<b>YoY%</b>	<b>1H 2015</b>	<b>1H 2016</b>	<b>YoY%</b>
<b>Slots Handle</b>	9,579	11,542	<b>11,661</b>	<b>1%</b>	<b>22%</b>	17,187	<b>23,203</b>	<b>35%</b>
<b>Net Win</b>	378	381	<b>447</b>	<b>17%</b>	<b>18%</b>	694	<b>828</b>	<b>19%</b>
<b>Hold %</b>	3.9%	3.3%	<b>3.8%</b>	<b>n/a</b>	<b>n/a</b>	4.0%	<b>3.6%</b>	<b>n/a</b>

### *Non-Gaming Performance*

Non-gaming revenue for 1H 2016 was \$1.3 billion, up 53% year-on-year. The combined five hotels registered strong occupancy of 97% in 1H 2016. Net rental revenue for the Promenade was \$357 million for 1H 2016, up 129% year-on-year.

<b>Non-Gaming</b>								
<b>HK\$m</b>	<b>Q2 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>QoQ%</b>	<b>YoY%</b>	<b>1H 2015</b>	<b>1H 2016</b>	<b>YoY%</b>
<b>Net Rental Revenue</b>	100	196	<b>161</b>	<b>(18%)</b>	<b>61%</b>	156	<b>357</b>	<b>129%</b>
<b>Hotel Revenue / F&amp;B / Others</b>	364	470	<b>478</b>	<b>2%</b>	<b>31%</b>	697	<b>948</b>	<b>36%</b>
<b>Total</b>	464	666	<b>639</b>	<b>(4%)</b>	<b>38%</b>	853	<b>1,305</b>	<b>53%</b>

### **StarWorld Macau**

#### *Financial and Operational Performance*

StarWorld Macau reported that revenue was down 22% year-on-year to \$5.6 billion during the 1H 2016. Adjusted EBITDA was down 12% year-on-year to \$977 million. Both declines occurred as Macau faces challenges in the VIP business.

StarWorld Macau experienced bad luck in its gaming operations which reduced its Adjusted EBITDA by approximately \$65 million in 1H 2016.

Adjusted EBITDA margin for 1H 2016 calculated under HKFRS was 17% (1H 2015: 16%), or 24% under US GAAP (1H 2015: 23%). Bad luck reduced margin by approximately 140 basis points for 1H 2016.

#### *VIP Gaming Performance*

VIP rolling chip volume for 1H 2016 was \$105.3 billion, down 34% year-on-year. This translated to revenue of \$3.1 billion, down 38% year-on-year.

<b>VIP Gaming</b>								
<b>HK\$m</b>	<b>Q2 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>QoQ%</b>	<b>YoY%</b>	<b>1H 2015</b>	<b>1H 2016</b>	<b>YoY%</b>
<b>Turnover</b>	71,448	59,200	<b>46,090</b>	<b>(22%)</b>	<b>(36%)</b>	159,939	<b>105,290</b>	<b>(34%)</b>
<b>Net Win</b>	2,112	1,659	<b>1,472</b>	<b>(11%)</b>	<b>(30%)</b>	5,017	<b>3,131</b>	<b>(38%)</b>
<b>Win %</b>	3.0%	2.8%	<b>3.2%</b>	<b>n/a</b>	<b>n/a</b>	3.1%	<b>3.0%</b>	<b>n/a</b>

#### *Mass Gaming Performance*

Mass gaming revenue for 1H 2016 was \$2.3 billion, up 23% year-on-year.

<b>Mass Gaming</b>								
<b>HK\$m</b>	<b>Q2 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>QoQ%</b>	<b>YoY%</b>	<b>1H 2015</b>	<b>1H 2016</b>	<b>YoY%</b>
<b>Table Drop</b>	2,465	3,019	<b>3,062</b>	<b>1%</b>	<b>24%</b>	4,795	<b>6,081</b>	<b>27%</b>
<b>Net Win</b>	951	1,178	<b>1,141</b>	<b>(3%)</b>	<b>20%</b>	1,890	<b>2,319</b>	<b>23%</b>
<b>Hold %</b>	38.6%	39.0%	<b>37.3%</b>	<b>n/a</b>	<b>n/a</b>	39.4%	<b>38.1%</b>	<b>n/a</b>

### *Electronic Gaming Performance*

Electronic gaming revenue for 1H 2016 was \$42 million, down 36% year-on-year.

<b>Electronic Gaming</b>								
<b>HK\$m</b>	<b>Q2 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>QoQ%</b>	<b>YoY%</b>	<b>1H 2015</b>	<b>1H 2016</b>	<b>YoY%</b>
<b>Slots Handle</b>	480	409	<b>386</b>	<b>(6%)</b>	<b>(20%)</b>	977	<b>795</b>	<b>(19%)</b>
<b>Net Win</b>	33	24	<b>18</b>	<b>(25%)</b>	<b>(45%)</b>	66	<b>42</b>	<b>(36%)</b>
<b>Hold %</b>	7.0%	5.9%	<b>4.7%</b>	<b>n/a</b>	<b>n/a</b>	6.8%	<b>5.3%</b>	<b>n/a</b>

### *Non-Gaming Performance*

Non-gaming revenue in 1H 2016 was \$104 million, down 32% year-on-year. Hotel room occupancy was 97% for 1H 2016.

<b>Non-Gaming</b>								
<b>HK\$m</b>	<b>Q2 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>QoQ%</b>	<b>YoY%</b>	<b>1H 2015</b>	<b>1H 2016</b>	<b>YoY%</b>
<b>Net Rental Revenue</b>	8	9	<b>9</b>	<b>0%</b>	<b>13%</b>	16	<b>18</b>	<b>13%</b>
<b>Hotel Revenue / F&amp;B / Others</b>	58	47	<b>39</b>	<b>(17%)</b>	<b>(33%)</b>	138	<b>86</b>	<b>(38%)</b>
<b>Total</b>	66	56	<b>48</b>	<b>(14%)</b>	<b>(27%)</b>	154	<b>104</b>	<b>(32%)</b>

### **Broadway Macau™**

#### *Financial and Operational Performance*

Broadway Macau™ opened on 27 May 2015. A unique family friendly, street entertainment and food resort, it does not have a VIP gaming component. Revenue for the 1H 2016 was \$350 million and Adjusted EBITDA for the period was \$9 million (1H 2015: (\$2) million).

Broadway Macau™ experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$1 million in 1H 2016.

#### *Mass Gaming Performance*

Mass gaming revenue for 1H 2016 was \$246 million.

<b>Mass Gaming</b>								
<b>HK\$m</b>	<b>Q2 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>QoQ%</b>	<b>YoY%</b>	<b>1H 2015</b>	<b>1H 2016</b>	<b>YoY%</b>
<b>Table Drop</b>	177	600	<b>503</b>	<b>(16%)</b>	<b>184%</b>	177	<b>1,103</b>	<b>523%</b>
<b>Net Win</b>	37	131	<b>115</b>	<b>(12%)</b>	<b>211%</b>	37	<b>246</b>	<b>565%</b>
<b>Hold %</b>	20.7%	21.9%	<b>22.9%</b>	<b>n/a</b>	<b>n/a</b>	20.7%	<b>22.3%</b>	<b>n/a</b>

### *Electronic Gaming Performance*

Electronic gaming revenue for 1H 2016 was \$16 million.

<b>Electronic Gaming</b>								
<b>HK\$m</b>	<b>Q2 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>QoQ%</b>	<b>YoY%</b>	<b>1H 2015</b>	<b>1H 2016</b>	<b>YoY%</b>
<b>Slots Handle</b>	58	143	<b>137</b>	<b>(4%)</b>	<b>136%</b>	58	<b>280</b>	<b>383%</b>
<b>Net Win</b>	4	7	<b>9</b>	<b>29%</b>	<b>125%</b>	4	<b>16</b>	<b>300%</b>
<b>Hold %</b>	7.1%	5.1%	<b>6.2%</b>	<b>n/a</b>	<b>n/a</b>	7.1%	<b>5.6%</b>	<b>n/a</b>

### *Non-Gaming Performance*

Non-gaming revenue in 1H 2016 was \$88 million. Hotel room occupancy was virtually 100% for 1H 2016.

<b>Non-Gaming</b>								
<b>HK\$m</b>	<b>Q2 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>QoQ%</b>	<b>YoY%</b>	<b>1H 2015</b>	<b>1H 2016</b>	<b>YoY%</b>
<b>Net Rental Revenue</b>	3	14	<b>14</b>	<b>0%</b>	<b>367%</b>	3	<b>28</b>	<b>833%</b>
<b>Hotel Revenue / F&amp;B / Others</b>	20	29	<b>31</b>	<b>7%</b>	<b>55%</b>	20	<b>60</b>	<b>200%</b>
<b>Total</b>	23	43	<b>45</b>	<b>5%</b>	<b>96%</b>	23	<b>88</b>	<b>283%</b>

### **City Clubs**

City Clubs contributed \$56 million of Adjusted EBITDA to the Group's earnings for 1H 2016, flat year-on-year.

### **CONSTRUCTION MATERIALS DIVISION**

Construction Materials Division ("CMD") delivered solid performance for the 1H 2016. Revenue was up 9% year-on-year to \$991 million and Adjusted EBITDA was up 42% year-on-year to \$205 million.

### **Hong Kong and Macau**

Recent demand for construction materials in Hong Kong has been stronger due to ongoing infrastructure projects. However as competition increases it is anticipated that there could be downward pricing pressure in the second half of 2016. CMD has been proactively implementing strict cost controls across the business and enhancing operational efficiency to ensure continued competitiveness. In Macau, reduced construction activities in the public and private sectors have led to a decrease in demand for construction materials.

### **Mainland China**

Mainland China continues to experience over-capacity of construction materials, particularly in the Northern and Eastern Provinces, which has impacted the price of both cement and ground granulated blast-furnace slag. Encouragingly, continued infrastructure projects and development of rural Yunnan Province underpins demand for cement in the region, while the Southeast Asia development of the "One Belt, One Road" strategy will provide further market stimulus and increase demand for construction materials.

## **DEVELOPMENT UPDATE**

### **Cotai Phases 3 & 4**

With the largest contiguous landbank in Cotai, GEG is uniquely positioned for the medium and long-term growth in tourism and leisure visitors throughout Asia and specifically Mainland China. Cotai Phases 3 & 4 will provide GEG with the opportunity to expand its non-gaming footprint even further. GEG continues to move forward with Phase 3 with the potential to commence site preparation works in late 2016 and Phase 4 in 2017, with substantial floor area allocated to non-gaming and primarily targeting MICE, entertainment and family facilities. We expect to be able to provide additional information on our development plans in late 2016 or early 2017.

### **Hengqin**

GEG's concept plans for the proposed Hengqin project continues to progress. Hengqin will allow GEG to develop a low rise, low-density integrated resort that will complement our high energy resorts in Cotai. We anticipate to be able to provide further details later in the year.

### **International**

GEG is continuously exploring opportunities in the overseas markets.

## **GROUP OUTLOOK**

GEG delivered solid results during 1H 2016, despite some seasonal factors and challenging conditions caused by global economic factors, including: the slowdown in the Chinese and global economies, uncertainty around the UK's Brexit decision on financial markets, the UEFA Euro 2016 football championship and the tightening regulatory environment. Faced with these headwinds, GEG will continue to enhance operational efficiencies, allocate resources to the highest and best use and continue with its prudent cost control.

There were gradual signs of stabilization during 1H 2016 and these were complemented by the encouraging 1H 2016 performance of Galaxy Macau™ Phase 2 and Broadway Macau™. Their opening in 2015 has provided GEG with a broader mass-market offering, significantly expanded the Group's footprint and non-gaming offering and further enriched Macau's tourism offering and enhanced its position as a World Centre of Tourism and Leisure.

GEG sees the market shift towards the mass segment continuing, underpinned by the Government's push towards non-gaming development including MICE, entertainment and family facilities. The market shift will also be supported by improved infrastructure, including the Hong Kong-Zhuhai-Macau Bridge, the Taipa Ferry Terminal and the extension of the train line connecting Zhuhai to the Lotus Bridge in Hengqin, a project that will significantly improve access to Cotai. We expect these factors to combine in the short to medium-term to drive increased overnight visitor numbers, whom stay longer, and have a higher non-gaming spend.

With our healthy balance sheet, our capital allocation strategy is a careful balance of returning capital to shareholders through dividends and focusing on our development pipeline to ensure we have the capacity to capture the future increase in leisure, tourism and travel. This will include the implementation of Cotai Phases 3 & 4, the largest contiguous landbank of any casino operator in Macau, and the proposed development of the 2.7 sq km Hengqin project.

GEG remains optimistic about the prospects for Macau in general and GEG specifically over the medium to longer-term. GEG believes that the opening of Galaxy Macau™ Phase 2 and Broadway Macau™ helped stabilize the market and slow the rate of decline in overall GGR. While we do acknowledge that there might be increased competition with the opening of additional properties in Cotai, we are hopeful that the new properties will also be a catalyst for increased visitation and increased length of visitor stay. GEG will continue to support the Government in its efforts to create a sustainable and long-lasting gaming industry that not only drives economic development but also ensures Macau's sustainable future.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The equity attributable to owners of the Company as at 30 June 2016 increased to \$43,208 million as compared to \$41,101 million as at 31 December 2015 while the Group's total assets employed increased to \$56,839 million as at 30 June 2016 as compared to \$55,354 million as at 31 December 2015.

The Group continues to maintain a strong cash position. As at 30 June 2016, total cash and bank balances were \$10,762 million as compared to \$7,718 million as at 31 December 2015. The Group's total borrowings were \$1,381 million as at 30 June 2016 as compared to \$1,390 million as at 31 December 2015. The Group was in a net cash position as at 30 June 2016 and 31 December 2015.

The total borrowings of the Group mainly comprised bank loans and other obligations 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.

## **TREASURY POLICY**

The Group continues to adopt a conservative treasury policy in liquidity and financial management. Cash is generally placed in short-term deposits mostly denominated in Hong Kong Dollar, Renminbi or in the local currencies of the operating subsidiaries. Forward foreign exchange contracts are utilized 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**

Property, plant and equipment with net book value of \$1,055 million (31 December 2015: \$764 million) and bank deposits of \$456 million (31 December 2015: \$462 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 \$22 million (31 December 2015: \$58 million). At 30 June 2016, no facility has been utilized (31 December 2015: nil).

The Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures and an associated company amounting to \$246 million (31 December 2015: \$290 million). At 30 June 2016, facilities utilized amounted to \$218 million (31 December 2015: \$266 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 2016.

## **REVIEW OF INTERIM RESULTS**

The Group's interim results for the six months ended 30 June 2016 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 2016 to shareholders.

## **CORPORATE GOVERNANCE**

Throughout the six months ended 30 June 2016, 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 25 February 2016, the Board of Directors declared a special dividend of HK\$0.15 per share (2015: HK\$0.28 per share) to shareholders whose names appear on the register of members of GEG on 15 April 2016. The total amount of the special dividend distributed was HK\$640 million (2015: HK\$1,191 million) and was paid on 29 April 2016.

On 25 August 2016, the Board of Directors has resolved to declare another special dividend of HK\$0.18 per share (2015: HK\$0.14 per share) for the year ending 31 December 2016, totalling approximately HK\$770 million payable to shareholders whose names appear on the register of members of GEG on 30 September 2016. This special dividend is expected to be paid on or about 28 October 2016.



## **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 Tuesday, 27 September 2016 to Friday, 30 September 2016 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed Special Dividend, all share certificates with completed transfer documents must be lodged with GEG's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 26 September 2016.

## **INTERIM REPORT 2016**

The Interim Report 2016 of GEG containing all the information required by the Listing Rules will be published on the respective websites of Hong Kong Exchanges and Clearing Limited and GEG and will be sent to the shareholders in due course.

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

Hong Kong, 25 August 2016

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

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