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## GALAXY ENTERTAINMENT GROUP LIMITED

### 銀河娛樂集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 27)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Board of Directors of Galaxy Entertainment Group Limited (“GEG” or the “Company”) is pleased to announce the results of GEG and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2018 as follows:

### Q4 & FULL YEAR 2018 RESULTS HIGHLIGHTS

#### GEG: Delivered Solid Performance, Proceeding on a HK\$1.5 billion Property Enhancement Program for Galaxy Macau™ and StarWorld Macau

- Full Year Group Net Revenue\* of HK\$55.2 billion, up 14% year-on-year
- Full Year Group Adjusted EBITDA of HK\$16.9 billion, up 19% year-on-year
- Full Year net profit attributable to shareholders (“NPAS”) of HK\$13.5 billion, an increase of 29% year-on-year including HK\$0.6 billion of non-recurring charges
- Full year Adjusted NPAS of HK\$14.1 billion, up 28% year-on-year after adjusting for non-recurring charges
- Q4 Group Net Revenue\* of HK\$14.2 billion, up 2% year-on-year and up 9% quarter-on-quarter
- Q4 Group Adjusted EBITDA of HK\$4.3 billion, up 4% year-on-year, up 12% quarter-on-quarter
- Played lucky in Q4 which increased Adjusted EBITDA by approximately HK\$77 million, normalized exclude luck factor (“Normalized”) Q4 Adjusted EBITDA of HK\$4.3 billion, up 4% year-on-year and up 1% quarter-on-quarter

#### Galaxy Macau™: Continued Solid Performance Driven by Mass and Non-gaming

- Full Year Net Revenue\* of HK\$39.5 billion, up 14% year-on-year
- Full Year Adjusted EBITDA of HK\$12.9 billion, up 16% year-on-year
- Q4 Net Revenue\* of HK\$10.4 billion, up 2% year-on-year and up 11% quarter-on-quarter
- Q4 Adjusted EBITDA of HK\$3.4 billion, up 2% year-on-year and up 16% quarter-on-quarter
- Played lucky in Q4 which increased Adjusted EBITDA by approximately HK\$191 million, Normalized Q4 Adjusted EBITDA of HK\$3.2 billion, up 1% year-on-year and down 1% quarter-on-quarter
- Hotel occupancy for Q4 across the five hotels was virtually 100%

#### StarWorld Macau: Continued Solid Performance Driven by Mass

- Full Year Net Revenue\* of HK\$12.2 billion, up 18% year-on-year
- Full Year Adjusted EBITDA of HK\$3.8 billion, up 28% year-on-year
- Q4 Net Revenue\* of HK\$3.0 billion, up 12% year-on-year and up 2% quarter-on-quarter
- Q4 Adjusted EBITDA of HK\$893 million, up 19% year-on-year and down 4% quarter-on-quarter
- Played unlucky in Q4 which decreased Adjusted EBITDA by approximately HK\$115 million, Normalized Q4 Adjusted EBITDA of HK\$1.0 billion, up 18% year-on-year and up 8% quarter-on-quarter
- Hotel occupancy for Q4 was virtually 100%

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

- Full Year Net Revenue\* of HK\$562 million, up 9% year-on-year
- Full Year Adjusted EBITDA of HK\$32 million versus HK\$10 million in FY 2017
- Q4 Net Revenue\* of HK\$144 million, down 1% year-on-year and down 1% quarter-on-quarter
- Q4 Adjusted EBITDA of HK\$8 million versus HK\$7 million in Q4 2017 and HK\$9 million in Q3 2018
- Played lucky in Q4 which increased Adjusted EBITDA by approximately HK\$1 million, Normalized Q4 Adjusted EBITDA of HK\$7 million versus HK\$3 million in Q4 2017 and HK\$13 million in Q3 2018
- Hotel occupancy for Q4 was 98%

#### Balance Sheet: Healthy Balance Sheet

- Cash and liquid investments was HK\$45.8 billion and net cash was HK\$37.0 billion as at 31 December 2018
- Debt of HK\$8.8 billion as of 31 December 2018 primary reflects ongoing yield management initiative
- Paid two special dividends: HK\$0.41 per share on 27 April 2018 and HK\$0.50 per share on 26 October 2018
- Announced another special dividend of HK\$0.45 per share payable on or about 26 April 2019

#### 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
- Hengqin – Plans moving forward to develop a low-density integrated resort to complement our high-energy entertainment resorts in Macau
- International – Continuously exploring opportunities in overseas markets, including Japan

\* Net Revenue is calculated in accordance with the new accounting standard and the Net Revenue in Q4 and full year 2017 is restated for comparison.

**CONSOLIDATED INCOME STATEMENT**  
**For The Year Ended 31 December 2018**

	Note	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated*)
Revenue (Note)	3	55,210,901	48,639,742
Other income/gains, net		1,146,210	597,646
Special gaming tax and other related taxes to the Macau Government		(25,619,522)	(21,999,205)
Raw materials and consumables used		(1,199,209)	(1,261,578)
Amortisation and depreciation		(3,315,913)	(3,348,665)
Employee benefit expenses		(7,784,742)	(7,368,542)
Other operating expenses		(5,072,801)	(4,811,282)
Finance costs		(138,775)	(63,914)
Share of profits less losses of:			
Joint ventures		387,585	244,275
Associated companies		35	(100)
Profit before taxation	5	13,613,769	10,628,377
Taxation charge	6	(43,485)	(112,775)
Profit for the year		<u>13,570,284</u>	<u>10,515,602</u>
Attributable to:			
Equity holders of the Company		13,507,389	10,504,361
Non-controlling interests		62,895	11,241
		<u>13,570,284</u>	<u>10,515,602</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8		
Basic		312.8	245.1
Diluted		311.3	243.7
		<u>312.8</u>	<u>245.1</u>
		<u>311.3</u>	<u>243.7</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Note: Analysis of revenue</b>			
Gross revenue from gaming operations		65,230,209	55,946,870
Commission and incentives		(18,205,467)	(15,323,345)
Net revenue from gaming operations		47,024,742	40,623,525
Revenue from hotel and mall operations		5,297,977	4,948,839
Sales of construction materials		2,888,182	3,067,378
		<u>55,210,901</u>	<u>48,639,742</u>

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For The Year Ended 31 December 2018**

	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<b>13,570,284</b>	10,515,602
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	<b>(3,215,569)</b>	276,092
Items that may be subsequently reclassified to profit or loss		
Translation differences of subsidiaries	<b>(77,848)</b>	79,399
Share of translation differences of joint ventures	<b>(72,590)</b>	91,912
Other comprehensive (loss)/income for the year, net of tax	<b>(3,366,007)</b>	447,403
Total comprehensive income for the year	<b>10,204,277</b>	10,963,005
Total comprehensive income attributable to:		
Equity holders of the Company	<b>10,160,807</b>	10,924,023
Non-controlling interests	<b>43,470</b>	38,982
	<b>10,204,277</b>	10,963,005

**CONSOLIDATED BALANCE SHEET**

As at 31 December 2018

	Note	2018 HK\$'000	2017 HK\$'000 (Restated*)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		31,359,096	31,801,690
Leasehold land and land use rights		4,921,285	5,013,464
Intangible assets		722,371	921,019
Joint ventures		1,630,959	1,518,367
Associated companies		2,252	2,217
Financial assets at amortised cost		25,778,612	23,688,142
Financial assets at fair value through other comprehensive income		4,530,411	643,189
Other non-current assets		125,809	125,183
		<u>69,070,795</u>	<u>63,713,271</u>
<b>Current assets</b>			
Inventories		189,799	171,443
Debtors and prepayments	9	1,860,409	1,961,509
Amounts due from joint ventures		178,727	204,642
Taxation recoverable		35,373	23,456
Current portion of financial assets at amortised cost		1,543,905	140,012
Other cash equivalents		18,571	35,324
Cash and bank balances		14,486,252	17,565,025
		<u>18,313,036</u>	<u>20,101,411</u>
<b>Total assets</b>		<u>87,383,831</u>	<u>83,814,682</u>
<b>EQUITY</b>			
Share capital and shares held for share award scheme		22,016,854	21,468,693
Reserves		40,263,405	34,013,004
Equity attributable to owners of the Company		<u>62,280,259</u>	<u>55,481,697</u>
Non-controlling interests		550,941	533,896
<b>Total equity</b>		<u>62,831,200</u>	<u>56,015,593</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		251,392	259,392
Deferred taxation liabilities		194,695	268,120
Retention payable		55,160	14,816
Non-current deposits		312,853	221,308
		<u>814,100</u>	<u>763,636</u>
<b>Current liabilities</b>			
Creditors and accruals	10	14,827,617	17,237,224
Amounts due to joint ventures		59,463	66,092
Current portion of borrowings and short-term bank loans		8,803,558	9,684,884
Provision for tax		47,893	47,253
		<u>23,738,531</u>	<u>27,035,453</u>
<b>Total liabilities</b>		<u>24,552,631</u>	<u>27,799,089</u>
<b>Total equity and liabilities</b>		<u>87,383,831</u>	<u>83,814,682</u>
<b>Net current liabilities</b>		<u>(5,425,495)</u>	<u>(6,934,042)</u>
<b>Total assets less current liabilities</b>		<u>63,645,300</u>	<u>56,779,229</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

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

At 31 December 2018, the Group’s current liabilities exceeded its current assets by HK\$5,425 million. Taking into account the cash flows from operations and unutilised banking facilities, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments (principally relating to the development of Galaxy Macau™ resort at Cotai) as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of annual results 2018 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

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

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

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

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

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.

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

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

<u>New standards, interpretation and amendments</u>		<u>Effective for accounting periods beginning on or after</u>
HKAS 1 and HKAS 8 (Amendment)	Definition of Material	1 January 2020
HKAS 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 3 (Amendment)	Definition of a Business	1 January 2020
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		1 January 2019
HKAS 12 (Amendment)	Income Taxes	
HKAS 23 (Amendment)	Borrowing Costs	
HKFRS 3 (Amendment)	Business Combinations	
HKFRS 11 (Amendment)	Joint Arrangements	

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 majority of the 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 the Group's operating leases.

As at 31 December 2018, the Group had operating lease commitments of HK\$172 million. Upon adoption of HKFRS 16 on 1 January 2019, approximately HK\$135 million operating lease commitments will be recognised in the consolidated balance sheet as right-of-use assets and lease liabilities. The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The lease liabilities will be 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 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. The Group has adopted the New Standards retrospectively and has restated comparative figures for the 2017 financial year.

### 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:

	Twelve months ended 31 December 2017		
	<u>As previously stated</u> <u>HK\$’000</u>	<u>Effect of the New Standards</u> <u>HK\$’000</u>	<u>As restated</u> <u>HK\$’000</u>
Net revenue from gaming operations	55,946,870	(15,323,345)	40,623,525
Revenue from hotel and mall operations	3,436,205	1,512,634	4,948,839
Commission and allowances to gaming counterparties	(13,810,711)	13,810,711	-

### Classification and measurement of financial instruments on adoption of HKFRS 9

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. Accordingly, the Group has classified its financial instruments into the appropriate categories. Equity investments amounted to approximately HK\$325 million and HK\$643 million as at 1 January 2017 and 31 December 2017 respectively, which were previously classified as available-for-sale are now classified as financial assets at fair value through other comprehensive income, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. Listed debt securities amounted to approximately HK\$401 million as at 1 January 2017 were previously classified as available-for-sale would be classified as financial assets at fair value through other comprehensive income. Listed and unlisted debt securities amounted to approximately HK\$2,351 million and HK\$23,828 million as at 1 January 2017 and 31 December 2017 respectively, have previously been classified as held-to-maturity are now classified as financial assets 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 material impact to the Group’s financial performance due to the change of classification and measurement of financial assets.

## 2. Changes in Accounting Policies (Cont'd)

### Impairment of financial assets

The Group is required to revise its impairment methodology for each of these classes of assets except for equity investments classified as financial assets at fair value through other comprehensive income. 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 year are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated*)
Gaming operations		
Net gaming wins	<b>65,104,572</b>	55,826,912
Contributions from City Club Casinos (Note i)	<b>100,849</b>	97,435
Tips received and administrative fees	<b>24,788</b>	22,523
Gross revenue from gaming operations	<b>65,230,209</b>	55,946,870
Less: Commission and incentives	<b>(18,205,467)</b>	(15,323,345)
Net revenue from gaming operations	<b>47,024,742</b>	40,623,525
Revenue from hotel and mall operations (Note ii)	<b>5,297,977</b>	4,948,839
Sales of construction materials	<b>2,888,182</b>	3,067,378
	<b>55,210,901</b>	48,639,742

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

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

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

During the year ended 31 December 2018, the Group is entitled to HK\$100,849,000 (2017: HK\$97,435,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the consolidated financial statements.

Note ii: Revenue from hotel and mall operations includes rental income amounted to approximately HK\$1,218 million (2017: HK\$994 million).

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

#### **4. Segment information**

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

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

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

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

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

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

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

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Corporate and treasury management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2017, restated*				
Reportable segment revenue	47,449,440	3,067,378	-	50,516,818
Adjusted for:				
City Club Casinos arrangement set out in note 3				
Revenue not recognised	(1,985,336)	-	-	(1,985,336)
Contributions	97,435	-	-	97,435
Others	10,825	-	-	10,825
Revenue recognised under HKFRS, restated*	<u>45,572,364</u>	<u>3,067,378</u>	<u>-</u>	<u>48,639,742</u>
Adjusted EBITDA including share of results of joint ventures and associated companies	<u>13,554,409</u>	<u>744,494</u>	<u>(151,494)</u>	<u>14,147,409</u>
Interest income and gross earnings on finance lease				627,017
Amortisation and depreciation				(3,348,665)
Finance costs				(63,914)
Taxation charge				(112,775)
Adjusted items:				
Taxation of joint ventures and associated companies				(75,494)
Pre-opening expenses				(51,469)
Loss on disposal and write-off of certain property, plant and equipment				(122,630)
Share option expenses				(123,777)
Share award expenses				(257,272)
Donation and sponsorship				(6,342)
Others				(96,486)
Profit for the year				<u>10,515,602</u>
Share of results of joint ventures and associated companies	<u>46,330</u>	<u>197,845</u>	<u>-</u>	<u>244,175</u>

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

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

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Corporate and treasury management <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2018</b>				
Total assets	<u>82,214,960</u>	<u>5,097,793</u>	<u>71,078</u>	<u>87,383,831</u>
Total assets include:				
Joint ventures	82,614	1,548,345	-	1,630,959
Associated companies	<u>-</u>	<u>2,252</u>	<u>-</u>	<u>2,252</u>
Total liabilities	<u>14,514,834</u>	<u>1,863,483</u>	<u>8,174,314</u>	<u>24,552,631</u>
<b>As at 31 December 2017</b>				
Total assets	<u>77,768,177</u>	<u>5,972,591</u>	<u>73,914</u>	<u>83,814,682</u>
Total assets include:				
Joint ventures	94,066	1,424,301	-	1,518,367
Associated companies	<u>-</u>	<u>2,217</u>	<u>-</u>	<u>2,217</u>
Total liabilities	<u>16,662,555</u>	<u>2,330,355</u>	<u>8,806,179</u>	<u>27,799,089</u>
<b>Year ended 31 December 2018</b>				
Additions to non-current assets	<u>2,660,080</u>	<u>44,914</u>	<u>48</u>	<u>2,705,042</u>
<b>Year ended 31 December 2017</b>				
Additions to non-current assets	<u>1,304,144</u>	<u>82,369</u>	<u>349</u>	<u>1,386,862</u>
<b>Geographical analysis</b>				
		<b>2018</b>		<b>2017</b>
<b>Year ended 31 December</b>		<b><i>HK\$'000</i></b>		<b><i>HK\$'000</i></b> (Restated*)
<b>Revenue</b>				
Macau		52,737,338		45,883,416
Hong Kong		832,116		1,857,173
Mainland China		<u>1,641,447</u>		<u>899,153</u>
		<u>55,210,901</u>		<u>48,639,742</u>
		<b>As at</b>		<b>As at</b>
		<b>31 December</b>		<b>31 December</b>
		<b>2018</b>		<b>2017</b>
<b>Non-current assets</b>		<b><i>HK\$'000</i></b>		<b><i>HK\$'000</i></b>
Macau		65,716,471		60,289,982
Hong Kong		536,306		535,271
Mainland China		<u>2,818,018</u>		<u>2,888,018</u>
		<u>69,070,795</u>		<u>63,713,271</u>

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

## 5. Profit before taxation

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before taxation is arrived at after crediting:		
Interest income	994,501	625,623
Dividend income from listed investments	65,030	-
Dividend income from unlisted investments	4,100	2,650
Gain on disposal of property, plant and equipment	<u>3,562</u>	<u>-</u>
and after charging:		
Loss on disposal and write-off of property, plant and equipment	-	121,652
Depreciation	3,002,816	3,028,726
Amortisation		
Gaming licence	106,337	106,337
Computer software	28,679	36,602
Leasehold land and land use rights	90,156	89,075
Reacquired right	<u>87,925</u>	<u>87,925</u>

## 6. Taxation charge

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	28,719	37,810
Mainland China income tax and withholding tax	39,858	24,973
Macau complementary tax	7,623	3,756
Net under/(over) provision in prior years	5,176	(635)
Lump sum in lieu of Macau complementary tax on dividend	35,534	35,534
Deferred taxation	<u>(73,425)</u>	<u>11,337</u>
Taxation charge	<u>43,485</u>	<u>112,775</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, these rates range from 12% to 25% (2017: 12% to 25%). The weighted average applicable tax rate was 12% (2017: 12%).

## 7. Dividends

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
First special dividend paid of HK\$0.41 (2017: HK\$0.26) per ordinary share	<b>1,769,884</b>	1,111,839
Second special dividend paid of HK\$0.50 (2017: HK\$0.33) per ordinary share	<b>2,160,048</b>	1,413,750
	<b>3,929,932</b>	2,525,589

The Board of Directors does not declare any final dividend for the year ended 31 December 2018 (2017: nil).

Details of the special dividend declared subsequent to the year ended 31 December 2018 are given in note 11.

## 8. Earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two (2017: two) categories of dilutive potential ordinary shares: share options and share awards. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued from the share options and the share awards, the dilutive effect of the share award scheme is assumed if the awarded shares are issued by new shares, which is yet to be determined.

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<b>13,507,389</b>	10,504,361
	<b>Number of shares</b>	
	<b>2018</b>	2017
Weighted average number of shares for calculating basic earnings per share	<b>4,318,166,938</b>	4,285,220,145
Effect of dilutive potential ordinary shares		
Share options	<b>19,803,705</b>	23,880,906
Share awards	<b>601,906</b>	2,039,150
Weighted average number of shares for calculating diluted earnings per share	<b>4,338,572,549</b>	4,311,140,201

## 9. Debtors and prepayments

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade debtors, net of loss allowance	<b>374,331</b>	627,360
Other debtors and deposit paid, net of loss allowance	<b>1,167,127</b>	1,062,193
Contract assets	<b>127,654</b>	104,795
Prepayments	<b>157,409</b>	139,595
Current portion of finance lease receivable	<b>33,888</b>	27,566
	<b>1,860,409</b>	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. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one month	<b>223,669</b>	363,959
Two to three months	<b>133,952</b>	234,065
Four to six months	<b>8,887</b>	16,877
Over six months	<b>7,823</b>	12,459
	<b>374,331</b>	627,360

## 10. Creditors and accruals

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade creditors	<b>4,433,403</b>	4,330,338
Other creditors	<b>4,116,913</b>	4,373,944
Chips issued	<b>3,770,448</b>	6,245,684
Loans from non-controlling interests	<b>93,399</b>	26,509
Accruals and provision	<b>2,369,381</b>	2,223,640
Deposits received	<b>44,073</b>	37,109
	<b>14,827,617</b>	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:

	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	<b>4,022,831</b>	3,865,907
Two to three months	<b>69,868</b>	137,366
Four to six months	<b>136,522</b>	133,962
Over six months	<b>204,182</b>	193,103
	<b>4,433,403</b>	4,330,338

## 11. Post Balance Sheet Event

On 28 February 2019, the Board of Directors declared a special dividend of HK\$0.45 per share, payable to shareholders of the Company whose names appear on the register of members of the Company on 29 March 2019. The total amount of the special dividend to be distributed is estimated to be approximately HK\$1,960 million and will be paid on or about 26 April 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### OVERVIEW OF MACAU GAMING MARKET

Investor sentiment throughout 2018 experienced periods of volatility. This was a result of a number of geo-political and economic issues such as global trade tensions, the slowing Chinese economy, rising interest rates, currency fluctuations and also the planned introduction of smoking restrictions, to name a few. Despite the above, gross gaming revenue (“GGR”) for full year 2018 was \$294.0 billion, up 14% year-on-year. Quarterly GGR in Q4 2018 was \$76.5 billion, up 9% year-on-year and up 7% quarter-on-quarter.

In 2018, visitor arrivals to Macau were 35.8 million, up 10% year-on-year, in which visitors from Mainland China grew at a faster rate of 14% year-on-year. Overnight visitors accounted for 52% of total visitation. The average length of stay for overnight visitors increased 0.1 day year-on-year to 2.2 days. The visitation growth in 2018 was also assisted by improvements in infrastructure, including the opening of the Hong Kong-Shenzhen-Guangzhou high speed train, the Hong Kong-Zhuhai-Macau Bridge and further relaxation of visas for Mainland Chinese to enter Macau.

## **REVIEW OF OPERATIONS**

### **Summary of Accounting Changes During 2018**

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 full year reporting period is the twelve months period ended 31 December 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 of these accounting changes 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.

### **Group Financial Results**

The Group posted net revenue of \$55.2 billion, up 14% year-on-year, and generating Adjusted EBITDA of \$16.9 billion, up 19% year-on-year in 2018. NPAS was \$13.5 billion, up 29% year-on-year. Galaxy Macau™'s Adjusted EBITDA was \$12.9 billion, up 16% year-on-year. StarWorld Macau's Adjusted EBITDA was \$3.8 billion, up 28% year-on-year. Broadway Macau™'s Adjusted EBITDA was \$32 million versus \$10 million in 2017.

GEG experienced bad luck in its gaming operation during 2018, which decreased its Adjusted EBITDA by approximately \$484 million. Normalized 2018 Adjusted EBITDA grew 22% year-on-year to \$17.3 billion.

The Group's total GGR on a management basis<sup>1</sup> in 2018 was \$67.2 billion, up 16% year-on-year. Total mass table GGR was \$27.5 billion, up 14% year-on-year. Total VIP GGR was \$37.3 billion, up 18% year-on-year. Total electronic GGR was \$2.5 billion, up 15% 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 2018, we completed a number of enhancements to the main gaming floor, completed construction of new smoking lounges, and introduced some new F&B and retail concepts. We believe this approach keeps the property fresh and appealing, particularly to our repeat customers.

### **Balance Sheet and Special Dividends**

As of 31 December 2018, cash and liquid investments were \$45.8 billion (2017: \$41.4 billion) and net cash was \$37.0 billion (2017: \$31.7 billion). Total debt was \$8.8 billion as at 31 December 2018 (2017: \$9.7 billion), this was due solely to an ongoing treasury management exercise where interest income on cash holdings exceeds corresponding borrowing costs. Our balance sheet combined with cash flow from operations allows us to return capital to shareholders via dividends and to fund both our Macau development pipeline and international expansion ambitions. Additionally, the Group purchased a minority equity stake of approximately 4.9% of Wynn Resorts, Limited during the year.

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<sup>1</sup> 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.

During 2018, GEG returned capital to shareholders by paying two special dividends of \$0.41 per share and \$0.50 per share on 27 April 2018 and 26 October 2018, respectively. GEG announced another special dividend of \$0.45 per share to be paid on or about 26 April 2019.

Set out below is the segmental analysis of the Group's operating results for 2018:

(HK\$'m)

	2017 (Restated)	2018
<b>Revenues:</b>		
Net Gaming	40,624	<b>47,025</b>
Non-gaming	4,949	<b>5,298</b>
Construction Materials	3,067	<b>2,888</b>
Total Net Revenue <sup>2</sup>	48,640	<b>55,211</b>
<b>Adjusted EBITDA</b>	14,147	<b>16,857</b>

<b>Gaming Statistics<sup>3</sup></b>		
<i>(HK\$'m)</i>		
	2017	2018
Rolling Chip Volume	912,147	<b>1,103,107</b>
Win Rate %	3.5%	<b>3.4%</b>
Win	31,600	<b>37,250</b>
Mass Table Drop <sup>4</sup>	100,252	<b>119,657</b>
Win Rate %	24.1%	<b>23.0%</b>
Win	24,208	<b>27,487</b>
Electronic Gaming Volume	61,847	<b>72,461</b>
Win Rate %	3.5%	<b>3.4%</b>
Win	2,161	<b>2,476</b>
Total GGR Win <sup>5</sup>	57,969	<b>67,213</b>

<sup>2</sup> Total net revenue is reported under the new accounting standard and the corresponding figures for past periods are restated.

<sup>3</sup> Gaming statistics are presented before deducting commission and incentives.

<sup>4</sup> Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

<sup>5</sup> Total GGR win includes gaming win from City Clubs.

## GAMING AND ENTERTAINMENT DIVISION

### Galaxy Macau™

#### *Financial and Operational Performance*

Galaxy Macau™ is the primary contributor to the Group revenue and earnings. Net Revenue for 2018 was \$39.5 billion, up 14% year-on-year. Adjusted EBITDA was \$12.9 billion, up 16% year-on-year. Adjusted EBITDA margin for 2018 calculated under HKFRS was 33% (2017: 32%).

Galaxy Macau™ experienced bad luck in its gaming operations which decreased its Adjusted EBITDA by approximately \$434 million in 2018. Normalized 2018 Adjusted EBITDA was \$13.3 billion, up 19% year-on-year.

The combined five hotels registered strong occupancy and was virtually 100% for 2018.

#### *Galaxy Macau™ Key Financial Data*

(HK\$'m)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY2017 (restated)	FY2018
<b>Revenues:</b>						
Net Gaming	8,732	8,869	8,181	9,201	30,500	<b>34,983</b>
Hotel / F&B / Others	819	820	888	858	3,279	<b>3,385</b>
Mall	293	260	268	302	906	<b>1,123</b>
Total Net Revenue <sup>6</sup>	9,844	9,949	9,337	10,361	34,685	<b>39,491</b>
<b>Adjusted EBITDA</b>	3,262	3,219	2,957	3,433	11,130	<b>12,871</b>
<b>Adjusted EBITDA Margin</b>	33%	32%	32%	33%	32%	<b>33%</b>

#### **Gaming Statistics<sup>7</sup>**

(HK\$'m)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY2017	FY2018
Rolling Chip Volume	204,938	208,506	189,607	172,378	621,525	<b>775,429</b>
Win Rate %	3.5%	3.5%	3.4%	3.8%	3.7%	<b>3.5%</b>
Win	7,153	7,304	6,354	6,612	23,060	<b>27,423</b>
Mass Table Drop <sup>8</sup>	16,754	17,289	17,650	18,593	59,041	<b>70,286</b>
Win Rate %	27.0%	26.7%	25.1%	27.8%	28.2%	<b>26.7%</b>
Win	4,524	4,610	4,434	5,178	16,664	<b>18,746</b>
Electronic Gaming Volume	13,590	13,311	13,026	12,851	46,062	<b>52,778</b>
Win Rate %	3.7%	3.6%	4.0%	4.5%	4.0%	<b>3.9%</b>
Win	509	473	527	573	1,842	<b>2,082</b>
Total GGR Win	12,186	12,387	11,315	12,363	41,566	<b>48,251</b>

<sup>6</sup> Total net revenue is reported under the new accounting standard and the corresponding figures for past periods are restated.

<sup>7</sup> Gaming statistics are presented before deducting commission and incentives.

<sup>8</sup> Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

## StarWorld Macau

### Financial and Operational Performance

StarWorld Macau's Net Revenue for 2018 was \$12.2 billion, up 18% year-on-year. Adjusted EBITDA was \$3.8 billion, up 28% year-on-year. Adjusted EBITDA margin for 2018 calculated under HKFRS was 31% (2017: 29%).

StarWorld Macau experienced bad luck in its gaming operations which decreased its Adjusted EBITDA by approximately \$48 million in 2018. Normalized 2018 Adjusted EBITDA was \$3.9 billion, up 30% year-on-year.

Hotel occupancy was virtually 100% for 2018.

### StarWorld Macau Key Financial Data

(HK\$'m)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY2017 (restated)	FY2018
<b>Revenues:</b>						
Net Gaming	3,088	2,938	2,794	2,839	9,758	<b>11,659</b>
Hotel / F&B / Others	109	109	110	121	461	<b>449</b>
Mall	13	13	12	13	48	<b>51</b>
Total Net Revenue <sup>9</sup>	3,210	3,060	2,916	2,973	10,267	<b>12,159</b>
<b>Adjusted EBITDA</b>	1,003	987	927	893	2,966	<b>3,810</b>
<b>Adjusted EBITDA Margin</b>	31%	32%	32%	30%	29%	<b>31%</b>

### Gaming Statistics<sup>10</sup>

(HK\$'m)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY2017	FY2018
Rolling Chip Volume	82,293	79,703	73,750	87,317	278,575	<b>323,063</b>
Win Rate %	3.2%	3.0%	3.0%	2.7%	2.9%	<b>3.0%</b>
Win	2,670	2,407	2,191	2,386	8,213	<b>9,654</b>
Mass Table Drop <sup>11</sup>	8,547	9,146	9,062	9,620	29,509	<b>36,375</b>
Win Rate %	20.0%	18.6%	18.5%	16.9%	19.0%	<b>18.5%</b>
Win	1,709	1,704	1,680	1,630	5,609	<b>6,723</b>
Electronic Gaming Volume	1,710	1,920	1,945	2,010	6,472	<b>7,585</b>
Win Rate %	2.5%	2.4%	2.1%	2.1%	2.3%	<b>2.3%</b>
Win	43	46	41	42	146	<b>172</b>
Total GGR Win	4,422	4,157	3,912	4,058	13,968	<b>16,549</b>

<sup>9</sup> Total net revenue is reported under the new accounting standard and the corresponding figures for past periods are restated.

<sup>10</sup> Gaming statistics are presented before deducting commission and incentives.

<sup>11</sup> Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

## Broadway Macau™

### Financial and Operational Performance

Broadway Macau™ is a unique family friendly, street entertainment and food resort supported by Macau SMEs, it does not have a VIP gaming component. Broadway Macau™'s Net Revenue in 2018 was \$562 million, up 9% year-on-year. Adjusted EBITDA was \$32 million for 2018 (2017: \$10 million). Adjusted EBITDA margin for 2018 calculated under HKFRS was 6% (2017: 2%).

Broadway Macau™ experienced bad luck in its gaming operations which decreased its Adjusted EBITDA by approximately \$2 million in 2018. Normalized 2018 Adjusted EBITDA was \$34 million (2017: \$12 million).

Hotel occupancy was 97% for 2018.

### Broadway Macau™ Key Financial Data

(HK\$'m)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY2017 (restated)	FY2018
<b>Revenues:</b>						
Net Gaming	75	63	65	69	258	272
Hotel / F&B / Others	56	58	69	63	216	246
Mall	11	10	11	12	40	44
Total Net Revenue <sup>12</sup>	142	131	145	144	514	562
<b>Adjusted EBITDA</b>	13	2	9	8	10	32
<b>Adjusted EBITDA Margin</b>	9%	2%	6%	6%	2%	6%

### Gaming Statistics<sup>13</sup>

(HK\$'m)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY2017	FY2018
Mass Table Drop <sup>14</sup>	368	322	368	346	1,456	1,404
Win Rate %	19.7%	18.1%	16.9%	18.9%	18.0%	18.4%
Win	73	59	62	65	262	259
Electronic Gaming Volume	409	516	509	574	1,019	2,008
Win Rate %	2.4%	2.4%	2.1%	2.3%	3.0%	2.3%
Win	10	12	11	13	31	46
Total GGR Win	83	71	73	78	293	305

<sup>12</sup> Total net revenue is reported under the new accounting standard and the corresponding figures for past periods are restated.

<sup>13</sup> Gaming statistics are presented before deducting commission and incentives.

<sup>14</sup> Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

## City Clubs

City Clubs contributed \$111 million of Adjusted EBITDA to the Group's earnings for 2018, up 4% year-on-year.

### City Clubs Key Financial Data

(HK\$'m)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY2017	FY2018
<b>Adjusted EBITDA</b>	26	28	28	29	107	<b>111</b>

### Gaming Statistics<sup>15</sup>

(HK\$'m)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY2017	FY2018
Rolling Chip Volume	1,562	1,109	1,134	810	12,047	<b>4,615</b>
Win Rate %	2.9%	3.0%	5.2%	4.4%	2.7%	<b>3.7%</b>
Win	45	33	59	36	327	<b>173</b>
Mass Table Drop <sup>16</sup>	2,841	2,896	2,843	3,012	10,246	<b>11,592</b>
Win Rate %	14.4%	16.0%	15.2%	15.1%	16.3%	<b>15.2%</b>
Win	409	463	432	455	1,673	<b>1,759</b>
Electronic Gaming Volume	2,119	2,493	2,722	2,756	8,294	<b>10,090</b>
Win Rate %	1.9%	1.7%	1.6%	1.9%	1.7%	<b>1.7%</b>
Win	40	41	42	53	142	<b>176</b>
Total GGR Win	494	537	533	544	2,142	<b>2,108</b>

## CONSTRUCTION MATERIALS DIVISION

Construction Materials Division ("CMD") once again delivered a solid set of results. We are pleased to report CMD's revenue and Adjusted EBITDA were \$2.9 billion and \$940 million, respectively, for the year. These results were driven by strong demand for construction materials across Mainland China and a stable market in Hong Kong and Macau.

### Hong Kong and Macau

Despite competitive market condition, CMD continued to deliver a satisfactory result. The Asphalt and Ready Mixed Concrete business generated good profit contribution from major construction projects such as the Hong Kong-Zhuhai-Macau Bridge. Looking forward, as major projects complete, the price for construction products will gradually weaken. CMD continues to look for demand opportunities in the Greater Bay Area and has successfully secured a license to install a ready mixed concrete site-plant for the Hong Kong International Airport's three-runway system project.

In Macau, demand for ready mixed concrete from projects driven by expansion in the entertainment, infrastructure and property sectors, will grow in the medium term.

<sup>15</sup> Gaming statistics are presented before deducting commission and incentives.

<sup>16</sup> Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

## **Mainland China**

In Yunnan, all CMD's cement operation benefited from increased infrastructure expenditure which stimulated demand and increased cement price.

The general increase in cement price across the Mainland also stimulated demand for Ground Granulated Blast-furnace Slag ("GGBS"). Most of CMD's GGBS operations across the Mainland achieved better than expected results. However, the GGBS market in Northern China is still challenging, due to the government driven supply-side reforms and the Three-Year Action Plan to reduce emissions which curtailed capacity.

CMD continues to actively pursue opportunities arising from the Belt & Road initiative and the Greater Bay Area integration with ecologically friendly and value-added construction material solutions.

## **DEVELOPMENT UPDATE**

### **Galaxy Macau™ and StarWorld Macau**

To maintain our attractiveness, we are proceeding on a \$1.5 billion property enhancement program for Galaxy Macau™ and StarWorld Macau. This program not only enhances our attractiveness, but also includes preparation work for the effective future integration and connectivity of Phases 3 & 4.

### **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 500,000 square feet 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 Japan.

## **SUBSEQUENT EVENT**

GEG announced a special dividend of \$0.45 per share payable on or about 26 April 2019.

## **GROUP OUTLOOK**

In 2019, we will continue to focus on driving every segment of our business with a particular focus on the mass segment and we will continue to allocate resources to their highest and best use.

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

Mainland China has significant demand for leisure, tourism and travel. GEG is uniquely positioned to capitalize on future growth potential having the largest development pipeline in Macau with Phases 3 & 4.

In addition, we believe the Greater Bay Area integration plan will further facilitate the flow of people, logistics and capital within Macau, Hong Kong and the nine cities of southern Guangdong. GEG will continue to support and leverage on the plan by enhancing the competitiveness of our resort portfolio, including our development plans on Hengqin.

We also look forward to the continued improvements in infrastructure. The opening of the Hong Kong-Shenzhen-Guangzhou high speed train and the Hong Kong-Zhuhai-Macau Bridge in 2018 will further enhance the appeal and accessibility to Macau for both Chinese and international visitors. In addition, the expected opening of the Light Rail Transport (LRT) in Taipa in the second half of 2019 will also help to enhance the ease of travel within Macau.

The recent developments in the United States and China trade discussions are certainly cause for optimism, having said that we expect to continue to experience geo-political and economic challenges that may have an impact on consumer confidence in 2019.

We remain confident in the longer term outlook for Macau in general, and GEG specifically. We look forward to celebrating the 20th anniversary of Macau's handover to China and continue to support the Central Government's Greater Bay Area Initiative. GEG is committed to invest in Macau's economic diversification and support the Macau Government's vision of becoming a World Centre of Tourism and Leisure.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The equity attributable to owners of the Company as at 31 December 2018 increased to \$62,280 million, an increase of approximately 12% over that as at 31 December 2017 of \$55,482 million while the Group's total assets employed increased to \$87,384 million as at 31 December 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 31 December 2018, the Group invested \$27,323 million (\$23,828 million as at 31 December 2017) in debt securities and other marketable securities of \$4,028 million as of 31 December 2018 (nil as at 31 December 2017); while cash and bank balances were \$14,486 million as compared to \$17,565 million as at 31 December 2017.

The Group's total borrowings were \$9,055 million as at 31 December 2018 as compared to \$9,944 million as at 31 December 2017. The Group was in a net cash position as at 31 December 2018 and 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. The Company has no gearing ratio.

## **TREASURY POLICY**

The Group continues to adopt a conservative treasury policy in liquidity and financial management. Surplus cash is generally placed in 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 Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco investment in August 2015.

## **CHARGES ON GROUP ASSETS**

No property, plant and equipment, leasehold land and land use rights was pledged to secure banking facilities (2017: net book value of \$1,053 million). Bank deposits of \$727 million (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 \$4,790 million (2017: \$790 million). At 31 December 2018, facilities utilized by the subsidiaries amounted to \$300 million (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 \$148 million (2017: \$163 million). At 31 December 2018, facilities utilized amounted to \$39 million (2017: \$84 million).

## **DEALINGS IN LISTED SECURITIES**

During the year 2018, the trustee of the Share Award Scheme, pursuant to the terms of the Trust Deed, purchased on the Stock Exchange of Hong Kong Limited ("the Stock Exchange") a total of 508,460 shares of the Company for a total consideration of approximately HK\$23.12 million for satisfying the share awards granted to the connected persons (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")), who are also employees of the Company. All 508,460 shares were subsequently transferred to those connected persons on the respective vesting dates of the share awards.

Save as disclosed, neither GEG nor any of its subsidiaries has purchased, sold or redeemed any of GEG's shares during the year ended 31 December 2018.

## **REVIEW OF ANNUAL RESULTS**

The Group's annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee of GEG. The figures in this preliminary announcement of the results of the Group for the year ended 31 December 2018 have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by GEG's auditor, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

## **CORPORATE GOVERNANCE**

Throughout the year under review, GEG has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, except code provision A.4.2.

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

## **DIVIDENDS**

Special dividends of HK\$0.41 and HK\$0.50 per share for the year ended 31 December 2018 were paid to the shareholders of the Company on 27 April 2018 and 26 October 2018 respectively.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

Total dividends paid to shareholders of the Company for the year ended 31 December 2018 were HK\$0.91 per share (2017: HK\$0.59 per share).

On 28 February 2019, the Board of Directors has resolved to declare special dividend of HK\$0.45 per share totaling approximately HK\$1,960 million, payable to shareholders whose names appear on the register of members of the Company on 29 March 2019. This special dividend is expected to be paid on or about 26 April 2019.

## **CLOSURE OF REGISTER OF MEMBERS**

### **SPECIAL DIVIDEND**

For the purpose of ascertaining the shareholders who are entitled to the special dividend, the register of members of GEG will be closed from Wednesday, 27 March 2019 to Friday, 29 March 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed special dividend, all share certificates with completed transfer documents must be lodged with GEG's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 26 March 2019.

### **ENTITLEMENT TO ATTEND AND VOTE AT THE 2019 ANNUAL GENERAL MEETING**

The 2019 Annual General Meeting of the shareholders of GEG will be held on Thursday, 16 May 2019. The register of members of GEG will be closed from Friday, 10 May 2019 to Thursday, 16 May 2019, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2019 Annual General Meeting, all share certificates with completed transfer documents must be lodged with the 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 Thursday, 9 May 2019.

## **ANNUAL REPORT 2018**

The Annual 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, 28 February 2019

*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](http://www.galaxyentertainment.com)