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銀娛 GEG

GALAXY ENTERTAINMENT GROUP LIMITED

銀河娛樂集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 27)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

I would like to take this opportunity to update you on the status of GEG during the period of COVID-19. Q2 2020 continued to be a difficult period for the community and businesses globally including Macau and GEG.

First and foremost, the Macau government continues to perform admirably throughout the pandemic with proactive and decisive leadership and generating community support. They are clearly focused on public health and safety as well as economic and social stability. As a responsible corporation GEG continues to work closely with and support the Macau Government, local SMEs and local employment. COVID-19 had an adverse impact on our financial results in Q2 and in the first half of 2020, as Mainland China, Hong Kong and Macau faced travel restrictions and social distancing. These restrictions resulted in a significant reduction in visitor arrivals and subsequent decline in revenue. With minimal revenue and ongoing staff costs, the Group’s Adjusted EBITDA was negative HK\$1.4 billion for the second quarter.

We are pleased that Macau and Guangdong have taken the critical step in creating a travel bubble followed most notably, by the reinstatement of the Individual Visit Scheme (“IVS”) and group travel for Zhuhai Hukou residents and Zhuhai Resident Permit holders to visit Macau effective yesterday. The government subsequently announced that they will expand the IVS and group travel beyond Zhuhai to Guangdong Province by the end of August 2020 and Nationwide by the end of September 2020 provided the pandemic situation continues to improve. Despite these important positive early steps, it is premature to comment on how quickly the market may recover. Going forward we expect to experience further head winds from the pandemic, which will have an adverse impact on our financial performance. However in the medium to longer term, we continue to remain optimistic in the outlook for Macau in general and GEG specifically.

We continue to make good progress with our development projects, including Cotai Phases 3 & 4 as well as existing enhancement projects at our resorts. These projects will help support the Macau Government’s vision to develop Macau into a World Center of Tourism and Leisure. We also continue to make progress with our international expansion plans and we do acknowledge that timelines for Japan may be impacted by the worldwide pandemic of COVID-19, however we can adjust accordingly and we remain committed to our Japan expansion plans.

Our balance sheet remains strong with HK\$49.8 billion in cash and liquid investments and HK\$43.6 billion of net cash as well as virtually unlevered. On 24 April 2020, GEG paid a special dividend of HK\$0.45 per share. Given the ongoing impact of COVID-19, today the Board has decided not to declare a dividend.

During this period of very low revenue our focus has shifted from revenue generation to effective cost control. However, it is important to not cut costs excessively and therefore adversely impact our ability to deliver upon customer service standards when business returns. We remain committed to support the Macau Government, local employment and SMEs.

I wish to assure you that the management and staff have been working diligently in regards to health, safety and hygiene so that our resorts are operationally ready as travel restrictions ease. These included the introduction of a number of policies and procedures to elevate the cleaning and hygiene standards across our resorts. The wellbeing of our staff and guests is our highest priority. It is pleasing to note that there have been no new locally transmitted COVID-19 cases in Macau since 9 April 2020. The Macau Government, health authorities and the community should be commended for this outstanding achievement.

At GEG we take our corporate social responsibility most seriously. Some of our efforts during the first half of 2020 have included making a cash contribution of HK\$100 million, to assist in the fight against COVID-19. In addition, the Galaxy Entertainment Group Foundation subscribed HK\$100 million to a special purpose Macau COVID-19 Recovery Bond. We also donated 1 million face masks, financially contributed to the deep cleaning of 35 local schools, provided numerous food & hygiene hampers to the needy and provided support to the broader community to name a few.

We would like to thank everyone from the Macau Government, the community and the GEG team who supported the Company in these difficult times. We are proud to report that virtually all team members made voluntary contributions including the Board which also waived their Director's fee, management who participated in our non-paid leave program and the many group members who joined our Flexi Family Care Program. At GEG we have tried to spread the impact of COVID-19 fairly across all team members as we prefer not to engage in redundancies.

Finally, I would like to acknowledge the efforts of the health and emergency personnel who have worked so hard to ensure the safety of Macau and I would also like to thank our staff for being so supportive of our Company during this period of time.

Thank you!

Dr. Lui Che Woo
GBM, MBE, JP, LLD, DSSc, DBA
Chairman

INTERIM RESULTS

The Board of Directors of GEG hereby announces the unaudited results of GEG and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2020 as follows:

Q2 & INTERIM 2020 RESULTS HIGHLIGHTS

GEG: Well Capitalized to Weather the Storm

- 1H Group Net Revenue of HK\$6,223 million, down 76% year-on-year
- 1H Group Adjusted EBITDA of HK\$(1,087) million versus HK\$8,315 million in 1H 2019
- 1H Net Loss Attributable to Shareholders of HK\$2,856 million versus profit of HK\$6,680 million in 1H 2019
- Q2 Group Net Revenue of HK\$1,153 million, down 91% year-on-year and down 77% quarter-on-quarter
- Q2 Group Adjusted EBITDA of HK\$(1,370) million, versus HK\$4,332 million in Q2 2019 and HK\$283 million in Q1 2020
- Played lucky in Q2 which increased Adjusted EBITDA by approximately HK\$3 million, normalized exclude luck factor (“Normalized”) Q2 Adjusted EBITDA of HK\$(1,373) million, versus HK\$3,983 million in Q2 2019 and HK\$199 million in Q1 2020
- Latest twelve months Adjusted EBITDA of HK\$7,077 million, down 57% year-on-year and down 45% quarter-on-quarter

Galaxy Macau™: Adjusting Operations to the Current Business Environment

- 1H Net Revenue of HK\$3,835 million, down 80% year-on-year
- 1H Adjusted EBITDA of HK\$(848) million versus HK\$6,258 million in 1H 2019
- Q2 Net Revenue of HK\$311 million, down 97% year-on-year and down 91% quarter-on-quarter
- Q2 Adjusted EBITDA of HK\$(1,177) million, versus HK\$3,235 million in Q2 2019 and HK\$329 million in Q1 2020
- Played lucky in Q2 which increased Adjusted EBITDA by approximately HK\$12 million, Normalized Q2 Adjusted EBITDA of HK\$(1,189) million, versus HK\$2,982 million in Q2 2019 and HK\$256 million in Q1 2020
- Hotel occupancy for Q2 across the five hotels was 4%

StarWorld Macau: Adjusting Operations to the Current Business Environment

- 1H Net Revenue of HK\$1,083 million, down 81% year-on-year
- 1H Adjusted EBITDA of HK\$(202) million versus HK\$1,892 million in 1H 2019
- Q2 Net Revenue of HK\$81 million, down 97% year-on-year and down 92% quarter-on-quarter
- Q2 Adjusted EBITDA of HK\$(306) million, versus HK\$943 million in Q2 2019 and HK\$104 million in Q1 2020
- Played unlucky in Q2 which decreased Adjusted EBITDA by approximately HK\$9 million, Normalized Q2 Adjusted EBITDA of HK\$(297) million, versus HK\$851 million in Q2 2019 and HK\$92 million in Q1 2020
- Hotel occupancy for Q2 was 4%

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

- 1H Net Revenue of HK\$65 million versus HK\$298 million in 1H 2019
- 1H Adjusted EBITDA of HK\$(97) million versus HK\$21 million in 1H 2019
- Q2 Net Revenue of HK\$12 million versus HK\$147 million in Q2 2019 and HK\$53 million in Q1 2020
- Q2 Adjusted EBITDA of HK\$(52) million versus HK\$6 million in Q2 2019 and HK\$(45) million in Q1 2020
- There was no luck impact on Q2 Adjusted EBITDA
- Hotel occupancy for Q2 was 9%

Balance Sheet: Maintain a Healthy and Liquid Balance Sheet

- Cash and liquid investments were HK\$49.8 billion and net cash was HK\$43.6 billion as at 30 June 2020
- Debt of HK\$6.2 billion as at 30 June 2020 primarily associated with treasury yield management program
- Paid the previously announced special dividend of HK\$0.45 per share on 24 April 2020
- Given the ongoing impact of COVID-19, today the Board has decided not to declare a dividend

Development Update: Continue to Pursue Development Opportunities

- We continue to make ongoing progressive enhancements to our resorts to ensure that they remain competitive and appealing to our guests
- Cotai Phases 3 & 4 – Continue with development works for 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, given COVID-19, timelines may be impacted
- Hengqin – Refining plans for a lifestyle resort to complement our high-energy entertainment resorts in Macau
- International – Continuously exploring opportunities in overseas markets, including Japan

CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)
For The Six Months Ended 30 June 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue (Note)	2	6,222,665	26,219,471
Other income/gains, net		326,082	582,778
Special gaming tax and other related taxes to the Macau Government		(2,315,300)	(11,626,931)
Raw materials and consumables used		(500,915)	(493,944)
Amortisation and depreciation		(1,597,503)	(1,663,633)
Employee benefit expenses		(3,681,118)	(3,987,121)
Other operating expenses		(1,368,490)	(2,423,392)
Finance costs		(16,128)	(89,501)
Share of profits less losses of:			
Joint ventures		199,842	275,028
Associated companies		79	(3)
(Loss)/profit before taxation	4	(2,730,786)	6,792,752
Taxation charge	5	(71,769)	(71,328)
(Loss)/profit for the period		(2,802,555)	6,721,424
Attributable to:			
Equity holders of the Company		(2,856,181)	6,679,752
Non-controlling interests		53,626	41,672
		(2,802,555)	6,721,424
		HK cents	HK cents
(Loss)/earnings per share	7		
Basic		(65.9)	154.3
Diluted		(65.9)	153.7
		HK\$'000	HK\$'000
Note: Analysis of revenue			
Gross revenue from gaming operations		5,714,749	29,581,395
Commission and incentives		(1,393,132)	(7,347,049)
Net revenue from gaming operations		4,321,617	22,234,346
Revenue from hotel, mall operations and others		678,841	2,652,659
Sales of construction materials		1,222,207	1,332,466
		6,222,665	26,219,471

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For The Six Months Ended 30 June 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/profit for the period	(2,802,555)	6,721,424
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	(2,646,798)	1,129,497
Items that may be subsequently reclassified to profit or loss		
Translation differences of subsidiaries	(47,187)	(9,114)
Share of translation differences of joint ventures	(26,293)	(4,461)
Other comprehensive (loss)/ income for the period, net of tax	(2,720,278)	1,115,922
Total comprehensive (loss)/income for the period	(5,522,833)	7,837,346
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(5,572,472)	7,795,360
Non-controlling interests	49,639	41,986
	(5,522,833)	7,837,346

CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)

As at 30 June 2020

	Note	30 June 2020 HK\$'000	31 December 2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		33,628,821	32,736,635
Right-of-use assets		4,880,397	4,950,013
Intangible assets		461,903	554,524
Joint ventures		1,733,426	1,836,036
Associated companies		2,315	2,238
Financial assets at amortised cost		22,772,768	25,164,997
Financial assets at fair value through other comprehensive income		3,578,332	6,262,099
Long-term bank deposits		4,448,931	4,470,886
Other non-current assets		275,304	202,293
		<u>71,782,197</u>	<u>76,179,721</u>
Current assets			
Inventories		190,837	177,834
Debtors and prepayments	8	1,882,862	2,145,046
Amounts due from joint ventures		156,204	161,946
Taxation recoverable		33,641	40,093
Current portion of financial assets at amortised cost		2,625,601	2,345,444
Cash and cash equivalents and other bank deposits		16,988,524	14,646,088
		<u>21,877,669</u>	<u>19,516,451</u>
Total assets		<u>93,659,866</u>	<u>95,696,172</u>
EQUITY			
Share capital and shares held for share award scheme		22,515,346	22,433,668
Reserves		43,766,104	51,153,725
Equity attributable to owners of the Company		66,281,450	73,587,393
Non-controlling interests		612,125	567,486
Total equity		<u>66,893,575</u>	<u>74,154,879</u>
LIABILITIES			
Non-current liabilities			
Borrowings		-	8,931
Deferred taxation liabilities		203,542	201,218
Lease liabilities		295,547	310,647
Retention payable		249,105	112,843
Non-current deposits and other payables		155,730	240,064
		<u>903,924</u>	<u>873,703</u>
Current liabilities			
Creditors and accruals	9	19,570,884	19,973,302
Amounts due to joint ventures		1,442	41,725
Current portion of lease liabilities		46,799	49,387
Current portion of borrowings and short-term bank loans		6,175,434	544,183
Provision for tax		67,808	58,993
		<u>25,862,367</u>	<u>20,667,590</u>
Total liabilities		<u>26,766,291</u>	<u>21,541,293</u>
Total equity and liabilities		<u>93,659,866</u>	<u>95,696,172</u>
Net current liabilities		<u>(3,984,698)</u>	<u>(1,151,139)</u>
Total assets less current liabilities		<u>67,797,499</u>	<u>75,028,582</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 2020 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities, which are carried at fair values. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

At 30 June 2020, the Group’s current liabilities exceeded its current assets by HK\$3,985 million. Taking into account the unutilised banking facilities and liquid investments, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments (principally relating to the development of Galaxy Macau™ resort at Cotai) as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the interim financial information.

The financial information relating to the year ended 31 December 2019 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2020 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 2019 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.

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

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 2019, except as described below:

(a) The adoption of amended standards

In 2020, the Group adopted the following amended standards which are relevant to its operations.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting
HKFRS 3 (Amendment)	Definition of a Business

In addition, the Group has early adopted the following amendment to the accounting standards for the accounting period commencing 1 January 2020:

HKFRS 16 (Amendment)	Covid-19-Related Rent Concessions
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The Group has assessed the impact of the adoption of these amended standards and considered that there was no significant impact on the Group's results and financial position.

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

<u>New standard and amendments</u>		Effective for accounting periods <u>beginning on or after</u>
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendment)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements to HKFRSs 2018 - 2020 Cycle		1 January 2022
HKAS 41 (Amendment)	Agriculture	
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards	
HKFRS 9 (Amendment)	Financial Instruments	
HKFRS 16 (Amendment)	Leases	

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

2. Revenue

Revenue recognised during the period are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gaming operations		
Net gaming wins	5,695,066	29,516,990
Contributions from City Club Casinos (Note i)	12,598	51,766
Tips received and administrative fees	7,085	12,639
Gross revenue from gaming operations	<u>5,714,749</u>	<u>29,581,395</u>
Less: Commission and incentives	<u>(1,393,132)</u>	<u>(7,347,049)</u>
Net revenue from gaming operations	4,321,617	22,234,346
Revenue from hotel, mall operations and others (Note ii)	678,841	2,652,659
Sales of construction materials	<u>1,222,207</u>	<u>1,332,466</u>
	<u>6,222,665</u>	<u>26,219,471</u>

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 interim financial information.

During the period ended 30 June 2020, the Group is entitled to HK\$12,598,000 (2019: HK\$51,766,000), 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.

Note ii: Revenue from hotel, mall operations and others includes rental income amounted to approximately HK\$220 million (2019: HK\$644 million).

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

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

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

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

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>
Six months ended 30 June 2020				
Reportable segment revenue	5,262,250	1,222,207	-	6,484,457
Adjusted for:				
City Club Casinos arrangement set out in note 2				
Revenue not recognised	(279,344)	-	-	(279,344)
Contributions	12,598	-	-	12,598
Others	4,954	-	-	4,954
Revenue recognised under HKFRS	<u>5,000,458</u>	<u>1,222,207</u>	<u>-</u>	<u>6,222,665</u>
Adjusted EBITDA including share of results of joint ventures and associated companies	<u>(1,506,006)</u>	<u>508,815</u>	<u>(89,599)</u>	<u>(1,086,790)</u>
Interest income, dividend income from listed investments and gross earnings on finance lease				664,769
Amortisation and depreciation				(1,597,503)
Finance costs				(16,128)
Taxation charge				(71,769)
Adjusted items:				
Taxation of joint ventures and associated companies				(63,366)
Pre-opening expenses				(122,392)
Loss on disposal and write-off of certain property, plant and equipment				(152,135)
Share option expenses				(90,142)
Share award expenses				(64,300)
Donation and sponsorship				(1,618)
Unrealised foreign exchange loss				(193,134)
Others				<u>(8,047)</u>
Loss for the period				<u>(2,802,555)</u>
Share of results of joint ventures and associated companies	<u>(7,302)</u>	<u>207,223</u>	<u>-</u>	<u>199,921</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>
Six months ended 30 June 2019				
Reportable segment revenue	25,868,994	1,332,466	-	27,201,460
Adjusted for:				
City Club Casinos arrangement set out in note 2				
Revenue not recognised	(1,039,009)	-	-	(1,039,009)
Contributions	51,766	-	-	51,766
Others	5,254	-	-	5,254
Revenue recognised under HKFRS	<u>24,887,005</u>	<u>1,332,466</u>	<u>-</u>	<u>26,219,471</u>
Adjusted EBITDA including share of results of joint ventures and associated companies	<u>7,837,610</u>	<u>564,147</u>	<u>(87,100)</u>	8,314,657
Interest income, dividend income from listed investments and gross earnings on finance lease				693,537
Amortisation and depreciation				(1,663,633)
Finance costs				(89,501)
Taxation charge				(71,328)
Adjusted items:				
Taxation of joint ventures and associated companies				(79,292)
Pre-opening expenses				(101,378)
Loss on disposal and write-off of certain property, plant and equipment				(32,305)
Share option expenses				(84,305)
Share award expenses				(54,609)
Donation and sponsorship				(5,011)
Unrealised foreign exchange loss				(101,278)
Others				<u>(4,130)</u>
Profit for the period				<u>6,721,424</u>
Share of results of joint ventures and associated companies	<u>25,974</u>	<u>249,051</u>	<u>-</u>	<u>275,025</u>

3. Segment information (Cont'd)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
As at 30 June 2020				
Total assets	88,551,050	5,042,135	66,681	93,659,866
Total assets include:				
Joint ventures	86,897	1,646,529	-	1,733,426
Associated companies	-	2,315	-	2,315
Total liabilities	19,449,579	1,446,052	5,870,660	26,766,291
As at 31 December 2019				
Total assets	90,612,484	5,007,568	76,120	95,696,172
Total assets include:				
Joint ventures	104,879	1,731,157	-	1,836,036
Associated companies	-	2,238	-	2,238
Total liabilities	19,705,940	1,295,256	540,097	21,541,293
Six months ended 30 June 2020				
Additions to non-current assets	2,457,850	27,571	844	2,486,265
Six months ended 30 June 2019				
Additions to non-current assets	1,709,019	77,350	44,558	1,830,927
Geographical analysis				
Six months ended 30 June		2020 HK\$'000		2019 HK\$'000
Revenue				
Macau		5,108,711		25,027,525
Hong Kong		686,585		683,068
Mainland China		427,369		508,878
		6,222,665		26,219,471
		As at 30 June 2020 HK\$'000		As at 31 December 2019 HK\$'000
Non-current assets				
Macau		68,535,368		72,780,810
Hong Kong		487,643		522,308
Mainland China		2,759,186		2,876,603
		71,782,197		76,179,721

4. (Loss)/profit before taxation

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/profit before taxation is arrived at after crediting:		
Interest income	636,269	642,446
Dividend income from unlisted investments	2,500	4,880
Dividend income from listed investments	<u>28,225</u>	<u>49,963</u>
and after charging:		
Depreciation		
Property, plant and equipment	1,415,780	1,487,595
Right-of-use assets	70,471	66,174
Amortisation		
Gaming licence	53,023	52,732
Computer software and others	14,266	13,169
Reacquired right	43,963	43,963
Loss on disposal and write-off of property, plant and equipment	<u>156,501</u>	<u>41,925</u>

5. Taxation charge

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	9,747	10,398
Mainland China income tax and withholding tax	37,301	36,375
Macau complementary tax	2,373	2,563
Under provision in prior years, net	1,819	1,125
Lump sum in lieu of Macau complementary tax on dividend	18,204	18,204
Deferred taxation	<u>2,325</u>	<u>2,663</u>
Taxation charge	<u>71,769</u>	<u>71,328</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, and these rates range from 12% to 25% (2019: 12% to 25%). The weighted average applicable tax rate was 12% (2019: 12%).

6. Dividends

On 27 February 2020, the Board of Directors declared a special dividend of HK\$0.45 per share (2019: HK\$0.45 per share), payable to shareholders of the Company whose names appear on the register of members of the Company on 31 March 2020. The total amount of the special dividend distributed was HK\$1,951 million and was paid on 24 April 2020.

The Board of Directors does not declare any interim dividend for the period ended 30 June 2020 (2019: nil).

7. (Loss)/earnings per share

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

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the period ended 30 June 2019, the Company has 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. For the period ended 30 June 2020, the diluted loss per share equals to the basic loss per share since the conversion of the outstanding share options and share awards would not have a dilutive effect on the loss per share.

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

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit attributable to equity holders of the Company	<u>(2,856,181)</u>	<u>6,679,752</u>
	Number of shares	
	2020	2019
Weighted average number of shares for calculating basic (loss)/earnings per share	4,335,195,676	4,330,465,460
Effect of dilutive potential ordinary shares		
Share options	-	14,698,826
Share awards	-	567,042
Weighted average number of shares for calculating diluted (loss)/earnings per share	<u>4,335,195,676</u>	<u>4,345,731,328</u>

8. Debtors and prepayments

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade debtors, net of loss allowance	353,307	510,322
Other debtors and deposit paid, net of loss allowance	1,194,477	1,381,200
Contract assets	105,464	119,824
Prepayments	218,759	113,593
Current portion of finance lease receivable	10,855	20,107
	<u>1,882,862</u>	<u>2,145,046</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 (2019: 30 to 60 days) for customers in Hong Kong and Macau and 30 to 60 days (2019: 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:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within one month	162,154	306,381
Two to three months	168,519	159,375
Four to six months	10,993	35,450
Over six months	11,641	9,116
	<u>353,307</u>	<u>510,322</u>

9. Creditors and accruals

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade creditors	3,688,500	4,019,224
Other creditors	1,965,786	4,166,514
Chips issued	11,776,636	9,315,854
Loans from non-controlling interests	86,153	86,967
Accruals and provision	2,009,644	2,327,154
Deposits received	44,165	57,589
	<u>19,570,884</u>	<u>19,973,302</u>

9. Creditors and accruals (Cont'd)

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Within one month	3,386,584	3,679,447
Two to three months	12,143	64,647
Four to six months	107,036	24,771
Over six months	182,737	250,359
	<u>3,688,500</u>	<u>4,019,224</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW OF MACAU GAMING MARKET

COVID-19 had an adverse impact on the market for the majority of the first half of 2020. Based on DICJ reporting, Macau's gross gaming revenue ("GGR") for the first half of 2020 was down 77% year-on-year to \$32.7 billion. Q2 2020 GGR was down 96% year-on-year and down 89% quarter-on-quarter to \$3.1 billion.

In the first half of 2020, visitor arrivals to Macau were 3.3 million, down 84% year-on-year, in which overnight visitors and same-day visitors both decreased 84% year-on-year. Mainland visitor arrivals to Macau were 2.3 million, down 84% year-on-year. For Q2 2020, visitor arrivals to Macau were 49,730, down 99% year-on-year. Mainland visitor arrivals to Macau were 46,360, down 99% year-on-year.

Macau confirmed its first case of COVID-19 on 22 January, on the same day the DICJ required all staff in casinos to wear protective masks whilst at work. The Macao Government Tourism Office also announced that all activities and events it had planned for the Chinese New Year period would be cancelled. Within a week, group travel tours and the IVS to Macau and Hong Kong were suspended.

The Macau Government acted rapidly and decisively to the pandemic with the announcement of the suspension of operations at all casinos, government services, and entertainment facilities for 15 days to contain the COVID-19 outbreak from midnight 5 February 2020. Furthermore, border entry restrictions were introduced. On 15 July, Macau and Guangdong took the first step in creating a travel bubble through the reduction of quarantine restrictions. On 12 August, the IVS and group tour visas were reinstated for Zhuhai Hukou residents and Zhuhai Resident Permit holders to visit Macau, and will be further expanded Nationwide by the end of September provided the pandemic remains manageable.

REVIEW OF OPERATIONS

Group Financial Results

The Group's 1H 2020 results posted Net Revenue of \$6,223 million, down 76% year-on-year and Adjusted EBITDA was \$(1,087) million versus \$8,315 million in 1H 2019. Net loss attributable to shareholders was \$2,856 million versus profit of \$6,680 million in 1H 2019. Galaxy Macau™'s Adjusted EBITDA was \$(848) million versus \$6,258 million in 1H 2019. StarWorld Macau's Adjusted EBITDA was \$(202) million versus \$1,892 million in 1H 2019. Broadway Macau™'s Adjusted EBITDA was \$(97) million versus \$21 million in 1H 2019.

During 1H 2020, GEG experienced good luck in its gaming operation, which increased its Adjusted EBITDA by approximately \$87 million. Normalized 1H 2020 Adjusted EBITDA was \$(1,174) million, versus \$7,855 million in 1H 2019.

The Group's total GGR on a management basis ¹ in 1H 2020 was \$6,006 million, down 80% year-on-year as total mass table GGR was \$2,953 million, down 80% year-on-year and total VIP GGR was \$2,790 million, down 81% year-on-year. Total electronic GGR was \$263 million, down 78% year-on-year.

Balance Sheet and Special Dividends

The Group's balance sheet remains liquid and healthy. As of 30 June 2020, cash and liquid investments were \$49.8 billion and net cash was \$43.6 billion. Total debt was \$6.2 billion as at 30 June 2020, this was due primarily to an ongoing treasury management exercise where interest income on cash holdings exceeds corresponding borrowing costs.

On 24 April 2020, GEG paid a special dividend of \$0.45 per share. Given the ongoing impact of COVID-19, today the Board has decided not to declare a dividend.

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

Set out below is the segmental analysis of the Group's operating results for 1H 2020:

Group Key Financial Data

(HK\$'m)

	1H 2019	1H 2020
Revenues:		
Net Gaming	22,234	4,322
Non-gaming	2,653	679
Construction Materials	1,332	1,222
Total Net Revenue	26,219	6,223
Adjusted EBITDA	8,315	(1,087)

Gaming Statistics²

(HK\$'m)

	1H 2019	1H 2020
Rolling Chip Volume ³	383,234	74,873
Win Rate %	3.8%	3.7%
Win	14,754	2,790
Mass Table Drop ⁴	60,854	11,971
Win Rate %	24.0%	24.7%
Win	14,611	2,953
Electronic Gaming Volume	32,825	8,485
Win Rate %	3.7%	3.1%
Win	1,213	263
Total GGR Win ⁵	30,578	6,006

² Gaming statistics are presented before deducting commission and incentives.

³ Reflects junket rolling chip volume only.

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

⁵ Total GGR win includes gaming win from City Clubs.

GAMING AND ENTERTAINMENT DIVISION

Galaxy Macau™

Financial and Operational Performance

Galaxy Macau™ is the primary contributor to the Group's revenue and earnings. Net Revenue in 1H 2020 was \$3,835 million, down 80% year-on-year. Adjusted EBITDA was \$(848) million versus \$6,258 million in 1H 2019.

Galaxy Macau™ experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$85 million in 1H 2020. Normalized 1H 2020 Adjusted EBITDA was \$(933) million, versus \$5,966 million in 1H 2019.

The combined five hotels registered occupancy of 21% for 1H 2020.

Galaxy Macau™ Key Financial Data

(HK\$'m)

	Q2 2019	Q1 2020	Q2 2020	1H 2019	1H 2020
Revenues:					
Net Gaming	8,405	3,060	200	16,535	3,260
Hotel / F&B / Others	832	313	60	1,661	373
Mall	289	151	51	594	202
Total Net Revenue	9,526	3,524	311	18,790	3,835
Adjusted EBITDA	3,235	329	(1,177)	6,258	(848)
Adjusted EBITDA Margin	34%	9%	NEG ⁶	33%	NEG ⁶

Gaming Statistics⁷

(HK\$'m)

	Q2 2019	Q1 2020	Q2 2020	1H 2019	1H 2020
Rolling Chip Volume ⁸	125,051	47,842	5,040	260,395	52,882
Win Rate %	4.4%	4.1%	4.9%	4.1%	4.2%
Win	5,501	1,962	246	10,754	2,208
Mass Table Drop ⁹	18,118	6,519	267	36,024	6,786
Win Rate %	27.6%	29.1%	25.6%	27.9%	29.0%
Win	4,993	1,897	69	10,061	1,966
Electronic Gaming Volume	11,235	4,482	463	22,341	4,945
Win Rate %	4.6%	4.0%	2.9%	4.5%	3.9%
Win	512	178	14	1,014	192
Total GGR Win	11,006	4,037	329	21,829	4,366

⁶ NEG represents negative margin.

⁷ Gaming statistics are presented before deducting commission and incentives.

⁸ Reflects junket rolling chip volume only.

⁹ 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 was \$1,083 million in 1H 2020, down 81% year-on-year. Adjusted EBITDA was \$(202) million versus \$1,892 million in 1H 2019.

StarWorld Macau experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$3 million in 1H 2020. Normalized 1H 2020 Adjusted EBITDA was \$(205) million, versus \$1,732 million in 1H 2019.

Hotel occupancy was 23% for 1H 2020.

StarWorld Macau Key Financial Data

(HK\$'m)

	Q2 2019	Q1 2020	Q2 2020	1H 2019	1H 2020
Revenues:					
Net Gaming	2,633	948	73	5,491	1,021
Hotel / F&B / Others	110	49	5	225	54
Mall	13	5	3	27	8
Total Net Revenue	2,756	1,002	81	5,743	1,083
Adjusted EBITDA	943	104	(306)	1,892	(202)
Adjusted EBITDA Margin	34%	10%	NEG ¹⁰	33%	NEG ¹⁰

Gaming Statistics¹¹

(HK\$'m)

	Q2 2019	Q1 2020	Q2 2020	1H 2019	1H 2020
Rolling Chip Volume ¹²	53,905	18,509	1,216	121,485	19,725
Win Rate %	3.3%	2.4%	4.9%	3.3%	2.6%
Win	1,789	451	60	3,954	511
Mass Table Drop ¹³	8,877	3,584	314	18,142	3,898
Win Rate %	19.5%	20.2%	11.9%	19.2%	19.5%
Win	1,730	725	37	3,479	762
Electronic Gaming Volume	1,967	1,149	211	3,985	1,360
Win Rate %	2.0%	2.1%	2.6%	2.2%	2.2%
Win	40	24	6	86	30
Total GGR Win	3,559	1,200	103	7,519	1,303

¹⁰ NEG represents negative margin.

¹¹ Gaming statistics are presented before deducting commission and incentives.

¹² Reflects junket rolling chip volume only.

¹³ 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. The property's Net Revenue was \$65 million for 1H 2020 versus \$298 million for 1H 2019. Adjusted EBITDA was \$(97) million for 1H 2020 versus \$21 million in 1H 2019.

Broadway Macau™ experienced bad luck in its gaming operations which decreased its Adjusted EBITDA by approximately \$1 million in 1H 2020. Normalized 1H 2020 Adjusted EBITDA was \$(96) million versus \$13 million in 1H 2019.

Hotel occupancy was 22% for 1H 2020.

Broadway Macau™ Key Financial Data

(HK\$'m)

	Q2 2019	Q1 2020	Q2 2020	1H 2019	1H 2020
Revenues:					
Net Gaming	76	22	1	152	23
Hotel / F&B / Others	59	25	7	123	32
Mall	12	6	4	23	10
Total Net Revenue	147	53	12	298	65
Adjusted EBITDA	6	(45)	(52)	21	(97)
Adjusted EBITDA Margin	4%	NEG ¹⁴	NEG ¹⁴	7%	NEG ¹⁴

Gaming Statistics¹⁵

(HK\$'m)

	Q2 2019	Q1 2020	Q2 2020	1H 2019	1H 2020
Mass Table Drop ¹⁶	343	114	-	685	114
Win Rate %	21.3%	17.9%	-	20.9%	17.9%
Win	73	20	-	143	20
Electronic Gaming Volume	444	220	74	998	294
Win Rate %	2.4%	2.0%	2.1%	2.6%	2.1%
Win	11	5	1	26	6
Total GGR Win	84	25	1	169	26

¹⁴ NEG represents negative margin.

¹⁵ Gaming statistics are presented before deducting commission and incentives.

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

City Clubs

City Clubs contributed \$18 million of Adjusted EBITDA to the Group's earnings for 1H 2020, down 68% year-on-year.

City Clubs Key Financial Data

(HK\$m)

	Q2 2019	Q1 2020	Q2 2020	1H 2019	1H 2020
Adjusted EBITDA	29	16	2	56	18

Gaming Statistics¹⁷

(HK\$m)

	Q2 2019	Q1 2020	Q2 2020	1H 2019	1H 2020
Rolling Chip Volume ¹⁸	710	1,818	448	1,354	2,266
Win Rate %	5.0%	3.4%	2.0%	3.4%	3.1%
Win	35	62	9	46	71
Mass Table Drop ¹⁹	3,053	972	201	6,003	1,173
Win Rate %	15.4%	17.8%	15.6%	15.5%	17.4%
Win	470	173	32	928	205
Electronic Gaming Volume	3,001	1,268	618	5,501	1,886
Win Rate %	1.5%	1.9%	1.9%	1.6%	1.9%
Win	44	24	11	87	35
Total GGR Win	549	259	52	1,061	311

CONSTRUCTION MATERIALS DIVISION

Construction Materials Division ("CMD") contributed Adjusted EBITDA of \$509 million in 1H 2020, down 10% year-on-year. The performance of CMD has been very strong in Q2 2020 with Adjusted EBITDA of \$390 million, up 7% year-on-year and up 228% quarter-on-quarter. This was due to pent-up demand for construction materials in both Hong Kong and Mainland after the lifting of the lockdown in Q1 and demand for cement in Yunnan driven by government infrastructure projects. We continue with the construction of our ready mix concrete plant at the Hong Kong International Airport and anticipate the plant to open in Q4 2020, which will support the construction of the third runway, terminal building and support facilities.

¹⁷ Gaming statistics are presented before deducting commission and incentives.

¹⁸ Reflects junket rolling chip volume only.

¹⁹ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

DEVELOPMENT UPDATE

Galaxy Macau™ and StarWorld Macau

We continue to make ongoing progressive enhancements to our resorts to ensure that they remain competitive and appealing to our guests.

Cotai – The Next Chapter

GEG is uniquely positioned for long term growth. Our development works for Phases 3 & 4 include approximately 3,500 hotel rooms, including family and premium high end rooms and villas, 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 will try to maintain our development targets, however due to COVID-19, development timelines may be impacted. At this point we cannot quantify the impact but we will endeavor to maintain our schedule.

Hengqin

We continue to make progress with our concept plan for a lifestyle resort on Hengqin that will complement our high energy resorts in Macau. We are encouraged by the Macau Chief Executive's recent positive comments in his inaugural Policy Address about the future role of Hengqin in the further development of Macau. We look forward to working with respective governments to develop our plan in Hengqin and support the government's strategy to diversify Macau's economy.

International

Our Japan based team continues with our Japan development efforts even as they deal with the COVID-19 crisis. We view Japan as a great long term growth opportunity that will complement our Macau operations and our other international expansion ambitions. GEG, together with Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("Monte-Carlo SBM") from the Principality of Monaco and our Japanese partners, look forward to bringing our brand of World Class Integrated Resorts to Japan.

GROUP OUTLOOK

Macau and Guangdong have taken the critical step in creating a travel bubble followed most notably, by the reinstatement of the IVS and group travel for Zhuhai Hukou residents and Zhuhai Resident Permit holders to visit Macau effective yesterday. The government subsequently announced that they will expand the IVS and group travel beyond Zhuhai to Guangdong Province by the end of August 2020 and Nationwide by the end of September 2020 provided the pandemic situation continues to improve. Despite these important positive early steps, it is premature to comment on how quickly the market may recover. Going forward we expect to experience further head winds from the pandemic, which will have an adverse impact on our financial performance. However in the medium to longer term, we continue to remain optimistic in the outlook for Macau in general and GEG specifically.

Given our views of the immediate future, we wish to highlight that the COVID-19 crisis will continue to have an adverse effect on our 2020 financial results.

We believe that there is a significant pent-up demand for leisure, tourism and travel from China. This belief is supported by both our own discussions with customers and our observations of popular travel destinations within China being in high demand. Moreover, we believe that at least initially there will be a reluctance by Asians to travel outside of Asia which should support the demand for travel to Macau.

Additionally, infrastructure continues to improve, including the expansion of high-speed train lines in Mainland China and the ongoing development of immigration facilities. Phase one of the Hengqin immigration custom building was handed over to the Macau Government in March 2020, including the passenger clearance terminal, the surrounding traffic channels, a transport hub and an access road to the Lotus Bridge that connects Hengqin to Macau. Furthermore, the Macau Government plans to rebuild part of the Taipa Ferry Terminal into the second terminal building of the Macau International Airport. The current terminal can handle approximately 10 million passengers per year and the second terminal can increase the capacity to approximately 12 million. The Macau Government also plans to build the east section of the Light Rail Transport which will connect the peninsula's Border Gate checkpoint to the Taipa Ferry Terminal.

Fortunately, GEG has a strong and virtually unlevered balance sheet. This allows us to continue to invest into and upgrade our existing resorts and proceed with the planned opening of Cotai Phases 3 & 4, which position us well for the future growth. However, we do acknowledge it is hard to determine the speed of recovery with anticipated progressive-opening of travel restrictions and expected social distancing within our resorts. Further, we are also mindful that consumer sentiment has been impacted by a slower global economy, ongoing trade tension and currency fluctuation among others. These events have been impacting consumer sentiment and subsequent spending habits.

We continue to make progress with our international expansion plans and we do acknowledge that timelines for Japan may be impacted by the worldwide pandemic of COVID-19, however we can adjust accordingly and we remain committed to our Japan expansion plans.

We look forward to updating you next quarter and reporting our progress accordingly. Again, we would like to express our appreciation of our staff for being supportive of our Company and we encourage everyone to take caution of their personal hygiene and remain well during this period of time.

LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 30 June 2020 decreased to \$66,281 million, a decrease of approximately 10% over that as at 31 December 2019 of \$73,587 million while the Group's total assets employed decreased to \$93,660 million as at 30 June 2020 as compared to \$95,696 million as at 31 December 2019.

The Group continues to maintain a strong financial position. To preserve funds for future capital expenditure and new business opportunities, we continue to invest surplus cash in low risk fixed deposits as well as high quality debt securities issued by large financial institutions and corporations to generate low risk interest income for the Group. As at 30 June 2020, the debt securities were denominated in U.S. dollar with weighted average tenor of approximately 3 years and significant majority in investment grade rating. Debt securities investments are closely monitored by designated team with the help of international leading banks. The debt securities were classified as financial assets at amortized cost and their carrying amounts as at 30 June 2020 approximated their fair values. No provision for impairment loss was made at 30 June 2020 as these debt securities were considered to be of low credit risk and the expected credit loss was minimal. As at 30 June 2020, none of the debt securities in any individual investee company held by the Group equaled or exceeded 5 per cent of the Group's total assets.

As at 30 June 2020, the Group invested \$25,398 million (\$27,510 million as at 31 December 2019) in debt securities and \$3,002 million in listed investment of Wynn Resorts, Limited (“Wynn Resorts”) (\$5,625 million as at 31 December 2019). As at 30 June 2020, the Group held 5.2 million shares of Wynn Resorts, which represented approximately 4.8% of the issued share capital of Wynn Resorts. Investment cost was \$7,142 million. Principal businesses of Wynn Resorts are to develop and operate high end hotels and casinos and its shares are listed on the Nasdaq Stock Exchange (stock code: WYNN). This listed investment is denominated in U.S. dollar. The directors of the Group considered that the closing price as at 30 June 2020 was the fair value of this listed investment. As of 30 June 2020, fair value of our investment in Wynn Resorts was \$3,002 million, representing 3.2% of the Group’s total asset of \$93,660 million. The market value of Wynn Resorts as of 30 June 2020 and 31 December 2019, and the performance of the investment during the period ended 30 June 2020 and year ended 31 December 2019 are as follows:

(HK\$’m)	2020	2019
Market value as at 30 June 2020 and 31 December 2019	3,002	5,625
Unrealised (loss)/gain for the period ended 30 June	(2,623)	1,010
Dividend income for the period ended 30 June	28	50

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

The Group’s total cash and bank balances (including fixed deposits) were \$21,437 million as at 30 June 2020 compared to \$19,117 million as at 31 December 2019 while total borrowings were \$6,175 million as at 30 June 2020 as compared to \$553 million as at 31 December 2019. The Group was in a net cash position as at 30 June 2020 and 31 December 2019.

The total borrowings of the Group mainly comprised bank loans which were largely denominated in Hong Kong dollar, the U.S. 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 Group has no gearing ratio.

TREASURY POLICY

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

The Group’s borrowings were largely denominated in Hong Kong dollar, the U.S. 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 (31 December 2019: nil). Bank deposits of \$428 million (31 December 2019: \$430 million) have been pledged to secure banking facilities.

GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$5,470 million (31 December 2019: \$5,470 million). At 30 June 2020, facilities utilized by a subsidiary amounted to \$300 million (31 December 2019: Nil).

The Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures and an associated company amounting to \$107 million (31 December 2019: \$145 million). At 30 June 2020, facilities utilized amounted to \$3 million (31 December 2019: \$3 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 2020.

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended 30 June 2020 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 2020 to shareholders.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2020, 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 27 February 2020, the Board of Directors declared a special dividend of HK\$0.45 per share (2019: HK\$0.45 per share) to shareholders whose names appear on the register of members of the Company on 31 March 2020. The total amount of the special dividend distributed was approximately HK\$1,951 million (2019: HK\$1,948 million) and was paid on 24 April 2020.

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: nil) or another special dividend (2019: HK\$0.46 per share).

INTERIM REPORT 2020

The Interim Report 2020 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, 13 August 2020

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

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