



銀娛GEG

銀河娛樂集團有限公司  
Galaxy Entertainment Group Limited

Stock Code 股份代號：27

INTERIM REPORT **2018** 中 期 報 告



# OUR VISION

Galaxy's vision is to be:  
**Globally recognized as Asia's leading gaming and entertainment corporation.** This vision will be achieved through adhering to our proven business philosophy.

## GALAXY'S BUSINESS PHILOSOPHY

### LOCAL MARKET INSIGHTS

Leveraging Chinese heritage and deep understanding of Asian and Chinese customer preferences

### PROVEN EXPERTISE

Focus on ROI (return on investment) with prudent CAPEX (capital expenditure) plan, proven construction and hotel expertise, and controlled development

### WELL POSITIONED

Position Galaxy as a leading operator of integrated gaming, leisure and entertainment facilities

### DEMAND DRIVEN STRATEGY

Monitor the market's developments and expand prudently in a timely manner

# 願景

銀娛的願景是：  
成為亞洲首屈一指的博彩及娛樂企業。通過實踐我們的經營理念，我們將可以達成我們所訂下的願景。

## 銀娛的經營理念

### 洞悉本地市場

深明中華文化，對亞洲及中國旅客喜好有透徹了解，為銀娛一大競爭優勢

### 專業經驗

透過審慎的資本開支計劃、憑著在建築及酒店業的專業經驗及嚴密監控的發展計劃，致力為股東帶來投資回報

### 定位清晰

將銀娛定位為領先的綜合博彩及休閒娛樂設施營運商

### 需求主導策略

密切注意市場發展並迅速作出謹慎的應變



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## CORPORATE INFORMATION

### CHAIRMAN

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

### DEPUTY CHAIRMAN

Mr. Francis Lui Yiu Tung

### EXECUTIVE DIRECTORS

Mr. Joseph Chee Ying Keung

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

### NON-EXECUTIVE DIRECTORS

Dr. Charles Cheung Wai Bun, *JP*

Mr. Michael Victor Mecca

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. James Ross Ancell

Dr. William Yip Shue Lam, *LLD*

Professor Patrick Wong Lung Tak, *BBS, JP*

### EXECUTIVE BOARD

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

Mr. Francis Lui Yiu Tung

Mr. Joseph Chee Ying Keung

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

### AUDIT COMMITTEE

Mr. James Ross Ancell (*Chairman*)

Dr. William Yip Shue Lam, *LLD*

Professor Patrick Wong Lung Tak, *BBS, JP*

Dr. Charles Cheung Wai Bun, *JP*

### REMUNERATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*

Mr. Francis Lui Yiu Tung

Professor Patrick Wong Lung Tak, *BBS, JP*

### NOMINATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*

Mr. Francis Lui Yiu Tung

Professor Patrick Wong Lung Tak, *BBS, JP*

### CORPORATE GOVERNANCE COMMITTEE

Mr. Francis Lui Yiu Tung (*Chairman*)

Mr. James Ross Ancell

Professor Patrick Wong Lung Tak, *BBS, JP*

Dr. Charles Cheung Wai Bun, *JP*

### COMPANY SECRETARY

Mrs. Jenifer Sin Li Mei Wah

### INDEPENDENT AUDITOR

PricewaterhouseCoopers

## CORPORATE INFORMATION

## REGISTERED OFFICE

Room 1606, 16th Floor  
Hutchison House  
10 Harcourt Road  
Central, Hong Kong

## SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

PRINCIPAL BANKERS<sup>#</sup>

Banco Nacional Ultramarino, S.A.  
Bank of China Limited, Macau Branch  
DBS Bank (Hong Kong) Limited  
Industrial and Commercial Bank of China (Macau) Limited  
The Hongkong and Shanghai Banking Corporation Limited

<sup>#</sup> listed in alphabetical order

## SOLICITORS\*

Jorge Neto Valente, Escritório de Advogados e Notários  
Linklaters

\* listed in alphabetical order

## SHARE LISTING

The Stock Exchange of Hong Kong Limited ("SEHK")

## STOCK CODE

SEHK : 27  
Bloomberg : 27 HK  
Reuters : 0027.HK

## INVESTOR RELATIONS CONTACT

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<http://www.galaxyentertainment.com>



## CORPORATE PROFILE

Galaxy Entertainment Group (“GEG”, “the Company” or “the Group”) is one of the world’s leading resorts, hospitality and gaming companies. The Group primarily develops and operates a large portfolio of integrated resort, retail, dining, hotel and gaming facilities in Macau. The Group is listed on the Hong Kong Stock Exchange and is a constituent stock of the Hang Seng Index.

GEG is one of the three original concessionaires in Macau with a successful track record of delivering innovative, spectacular and award-winning properties, products and services, underpinned by a “World Class, Asian Heart” service philosophy, that has enabled it to consistently outperform and lead the market in Macau.

GEG operates three flagship destinations in Macau: on Cotai, Galaxy Macau™, one of the world’s largest integrated destination resorts, and the adjoining Broadway Macau™, a unique landmark entertainment and food street destination; and on the Peninsula, StarWorld Macau, an award-winning premium property.

### GALAXY MACAU™

- Opened in May 2011; significantly expanded in May 2015 with the opening of Phase 2
- Footprint of one million square meters
- Comprises five world-class hotels with approximately 3,600 rooms, suites and villas, including:
  - The Ritz-Carlton, Macau
  - Banyan Tree Macau
  - JW Marriott Hotel Macau
  - Hotel Okura Macau
  - Galaxy Hotel™
- Features an unprecedented range of retail, food & beverage, entertainment and leisure options, including:
  - Over 100,000 square meters of retail space with approximately 200 luxury and lifestyle retail brands
  - From award-winning restaurants, authentic Chinese and international favorites, to the best selection of outlets from all around Asia, Galaxy Macau™ features approximately 120 dining options for the widest range of pan-Asian and international cuisines under one roof
  - The Grand Resort Deck of over 75,000 square meters with the world’s longest skytop river ride “Skytop Adventure Rapids” at 575 meters and the world’s largest “Skytop Wave Pool”, plus additional leisure amenities and Asian themed tropical gardens
  - Macau’s most luxurious 10 screen 3D Cineplex – UA Galaxy Cinemas



## CORPORATE PROFILE

## STARWORLD MACAU

- Opened in 2006 as the Group's first 5-star hotel
- Located in the heart of the Macau Peninsula
- Multi award-winning premium property
- Offers over 500 guestrooms and suites
- Offers sophisticated Chinese and International cuisines



## BROADWAY MACAU™

- Opened in May 2015; Broadway Macau™ represents a new concept in Macau, providing visitors with a vibrant food street and entertainment district showcasing the best of Macanese and Asian culture
- Broadway Hotel with approximately 320 rooms and suites, well priced and complementing the luxury properties at Galaxy Macau™
- 3,000 seat Broadway Theatre featuring the best in up-close-and-personal entertainment
- Over 40 popular dining options including authentic local dishes and Asian favorites served in restaurants and roadside hawker stalls

The Group has the largest development pipeline of any casino operators in Macau. It plans to expand its Cotai footprint by a further one million square meters in the coming years with the addition of Cotai Phases 3 & 4.

GEG continues to advance its conceptual plans to develop a world class destination resort on a 2.7 square kilometer of land on Hengqin. The low rise, low density resort will complement the Group's high energy properties in Macau.

In July 2015, GEG made a strategic investment in Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("Monte-Carlo SBM"), a world renowned owner and operator of iconic luxury hotels and resorts in the Principality of Monaco. GEG continues to explore a range of international development opportunities including in Japan and the Philippines.

GEG is committed to building a sustainable future for Macau and contributing to the local community. In July 2014, it launched the HK\$1.3 billion Galaxy Entertainment Group Foundation, which will focus on educating and empowering the young people of Macau and Mainland China.



## FINANCIAL & OPERATIONAL HIGHLIGHTS

### Group

- Net Revenue\* of HK\$28.1 billion, increased 25% year-on-year
- Adjusted EBITDA of HK\$8.6 billion, increased 34% year-on-year
- Net profit attributable to shareholders ("NPAS") of HK\$7.2 billion, increased 56% year-on-year
- Adjusted NPAS of HK\$7.2 billion, increased 49% year-on-year after adjusting for non-recurring charges
- Played unlucky in gaming operations which decreased Adjusted EBITDA by approximately HK\$229 million in 1H 2018. Normalized Adjusted EBITDA grew 38% year-on-year to HK\$8.9 billion
- As of 30 June 2018, balance sheet remains healthy and liquid with cash and liquid investments of HK\$42.9 billion and net cash of HK\$34.3 billion
- Paid a special dividend of HK\$0.41 per share on 27 April 2018. Subsequently announced another special dividend of HK\$0.50 per share payable on or about 26 October 2018



### Galaxy Macau™

- Net Revenue\* of HK\$19.8 billion, increased 25% year-on-year
- Adjusted EBITDA of HK\$6.5 billion, increased 28% year-on-year
- Played unlucky in gaming operations which decreased Adjusted EBITDA by approximately HK\$302 million in 1H 2018. Normalized Adjusted EBITDA grew 33% year-on-year to HK\$6.8 billion
- Hotel occupancy for 1H 2018 across the five hotels was virtually 100%



### StarWorld Macau

- Net Revenue\* of HK\$6.3 billion, increased 28% year-on-year
- Adjusted EBITDA of HK\$2.0 billion, increased 41% year-on-year
- Played lucky in gaming operations which increased Adjusted EBITDA by approximately HK\$72 million in 1H 2018. Normalized Adjusted EBITDA grew 41% year-on-year to HK\$1.9 billion
- Hotel occupancy for 1H 2018 was virtually 100%



### Broadway Macau™

- Net Revenue\* of HK\$273 million, increased 4% year-on-year
- Adjusted EBITDA of HK\$15 million (1H 2017: HK\$7 million)
- Played lucky in gaming operations which increased Adjusted EBITDA by approximately HK\$1 million in 1H 2018. Normalized Adjusted EBITDA grew 8% year-on-year to HK\$14 million
- Hotel occupancy for 1H 2018 was virtually 100%



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

## FINANCIAL &amp; OPERATIONAL HIGHLIGHTS

**Development Update**

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



## FINANCIAL &amp; OPERATIONAL HIGHLIGHTS

## GROUP

**Net Revenue**

(HK\$'m)	1H 2017	<b>1H 2018</b>	% change
Gaming and Entertainment	21,070	<b>26,390</b>	25%
Construction Materials	1,466	<b>1,668</b>	14%
<b>Group Total Net Revenue*</b>	22,536	<b>28,058</b>	25%

**Adjusted EBITDA**

(HK\$'m)	1H 2017	<b>1H 2018</b>	% change
Gaming and Entertainment	6,214	<b>8,197</b>	32%
Construction Materials	321	<b>538</b>	68%
Corporate	(69)	<b>(90)</b>	(30%)
<b>Group Total</b>	6,466	<b>8,645</b>	34%

**Key Financial Metrics**

	1H 2017	<b>1H 2018</b>	% change
Net Profit Attributable To Shareholders (HK\$'m)	4,631	<b>7,206</b>	56%
Earnings Per Share (HK cents)	108.3	<b>167.0</b>	54%
Total Assets (HK\$'m)	72,646	<b>85,252</b>	17%
Cash on hand (HK\$'m)	18,731	<b>8,454</b>	(55%)
Debt (HK\$'m)	6,693	<b>8,809</b>	32%
Share Price on 30 June (HK\$)	47.40	<b>60.75</b>	28%
Market Capitalization (HK\$'m)	202,853	<b>262,394</b>	29%

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

## FINANCIAL &amp; OPERATIONAL HIGHLIGHTS

## GALAXY MACAU™

## Financial Highlights

(HK\$'m)	1H 2017	1H 2018	% change
Net Revenue*	15,874	19,793	25%
Adjusted EBITDA	5,063	6,481	28%
Adjusted EBITDA Margin (HKFRS)	32%	33%	n/a



## 1H 2018 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	413,444	14,457	3.5%
Mass Gaming	20,813	9,134	43.9%
Electronic Gaming	26,901	982	3.7%

## 1H 2017 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	264,654	9,943	3.8%
Mass Gaming	17,769	7,813	44.0%
Electronic Gaming	22,572	893	4.0%

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

## FINANCIAL &amp; OPERATIONAL HIGHLIGHTS

## STARWORLD MACAU

## Financial Highlights

(HK\$'m)	1H 2017	1H 2018	% change
Net Revenue*	4,884	6,270	28%
Adjusted EBITDA	1,416	1,990	41%
Adjusted EBITDA Margin (HKFRS)	29%	32%	n/a



## 1H 2018 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	161,996	5,077	3.1%
Mass Gaming	7,783	3,413	43.9%
Electronic Gaming	3,630	89	2.5%

## 1H 2017 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	125,764	3,805	3.0%
Mass Gaming	6,943	2,717	39.1%
Electronic Gaming	3,262	70	2.2%

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

## FINANCIAL &amp; OPERATIONAL HIGHLIGHTS

## BROADWAY MACAU™

## Financial Highlights

(HK\$'m)	1H 2017	1H 2018	% change
Net Revenue*	263	273	4%
Adjusted EBITDA	7	15	114%



## 1H 2018 Selected Gaming Statistics

(HK\$'m)	Table Drop/ Slots Handle	Net Win	Win/Hold %
Mass Gaming	480	132	27.4%
Electronic Gaming	925	22	2.4%

## 1H 2017 Selected Gaming Statistics

(HK\$'m)	Table Drop/ Slots Handle	Net Win	Win/Hold %
Mass Gaming	616	139	22.6%
Electronic Gaming	509	16	3.2%

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

## LETTER FROM THE CHAIRMAN

### DEAR SHAREHOLDERS,

It is with great pleasure that I write to update you on the performance of our Company in the first half of 2018.

Macau's gross gaming revenue ("GGR") was up 19% year-on-year to HK\$145.8 billion in the first six months of this year. Total visitor arrivals to Macau were 16.84 million, up 8% year-on-year, in which overnight visitors increased also by 8% while the average length of stay reached 2.2 days, demonstrating that new hotel capacity has successfully seen growth in both day trip and overnight visitations.

As Macau continued to recover, the Group reported a 25% year-on-year increase in Net Revenue<sup>1</sup> to HK\$28.1 billion and Adjusted EBITDA was HK\$8.6 billion, up 34% year-on-year in the first half of 2018. Net profit attributable to shareholders was HK\$7.2 billion for 1H 2018. In addition, the Group delivered a record quarterly Adjusted EBITDA of HK\$4.3 billion in the second quarter of the year. This is despite the ramp up of new and existing projects in a competitive market. Also of note is that Q2 GGR is historically softer than Q1 and that the World Cup impacted GGR in the latter part of June and into July. Both second quarter and the first half saw our resorts report hotel occupancy of virtually 100%. These solid results reflect that the Group continued to drive every segment of the business and yield our resorts which translated into record Adjusted EBITDA.

<sup>1</sup> Net Revenue is calculated in accordance with the new accounting standard and the comparison percentage is over the restated Net Revenue in 1H 2017.



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

## LETTER FROM THE CHAIRMAN

Our balance sheet continued to be exceptionally strong and liquid. We are pleased to announce another special dividend of HK\$0.50 per share to be paid on or about 26 October 2018. This dividend demonstrates our confidence in the future, and confirms our commitment to return capital to shareholders, whilst maintaining an exceptionally strong and liquid balance sheet to fund our growth development pipeline and international expansion ambitions. In March, we agreed to purchase a passive minority investment of approximately 4.9% in Wynn Resorts at a cost of US\$927.5 million (approximately HK\$7.28 billion), the transaction closed in April 2018.

On the development front, the Group has a clearly defined growth development pipeline. We continued to move forward with the construction of Cotai Phases 3 & 4, which will include approximately 4,500 hotel rooms, including family and premium high-end rooms, significant MICE space, a 16,000-seat multi-purpose arena, food and beverage, retail and casinos, among others. Further, we are finalizing the conceptual plans for our development in Hengqin, a low density integrated resort that will complement our high energy resorts in Macau.

I am very pleased with the recent passing of the Integrated Resort (“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 Monte-Carlo SBM from the Principality of Monaco and our Japanese partners, look forward to bringing our brand of World Class IRs to the country.

We remain confident in the outlook for Macau and GEG specifically over the longer term due to the significant market demand for leisure, tourism and travel. However, we do acknowledge that in the shorter term the global trade tensions, currency volatility and the overall slowing economy may impact consumer confidence in the second half of 2018. We look forward to the opening of additional infrastructure projects such as Hong Kong-Zhuhai-Macau Bridge and the extended train line that will support the future growth of Macau and the integration of the Greater Bay Area.

We expect the market will continue to shift towards the higher margin Mass Market and the Group is well positioned to capitalise on this trend with its significant development pipeline. We will continue to remain focused on this sector. We continue to manage the business with a view to the medium to longer-term horizon and enhance operational efficiencies and reallocate resources to achieve the highest and best use, while at the same time exercising prudent cost control. With a robust development pipeline, GEG is well-positioned for long-term success and remains fully committed to support the Macau Government’s efforts in transforming Macau into a World Centre of Tourism and Leisure.

On a final note, I would like to thank all our professional and valuable team members for delivering ‘World Class, Asian Heart’ service every day and contributing to the success of the Group.

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

Hong Kong, 8 August 2018

## SELECTED MAJOR AWARDS

Award	Presenter
<b>GEG</b>	
Best IR Company (Large Cap)	Hong Kong Investor Relations Association
Top 100 Hong Kong Listed Companies Award – Comprehensive Strength	QQ.com x Finet
Most Honored Company	Institutional Investor Magazine
Best Investor Relations Program (Overall) – First Place	– 2018 All-Asia Executive Team Survey
Best Corporate Governance (Overall) – First Place	
Best ESG SRI Metrics (Overall) – First Place	
Best Analyst Day (Overall) – First Place	
<b>GALAXY MACAU™</b>	
Integrated Resort of the Year	International Gaming Awards
Best Integrated Resort Award	G2E Asia Awards
Best Gaming Floor Award	
Best Hospitality & Gaming Company 2018	APAC Insider Hong Kong Business Awards 2018
The Supreme Award for Asia's Most Popular Resort for Family Trip	The 18th Golden Horse Awards of China Hotel
Best of the Best Macau Shopping Mall Star Performer 2018	Hurun Report
100 Top Tables 2018	South China Morning Post
– 8½ Otto e Mezzo BOMBANA	
– Yamazato Japanese Fine Dining	
– Lai Heen	
My Favorite Hotel Restaurant in Macau – Fook Lam Moon	U Magazine – U Favorite Food Awards 2018

## SELECTED MAJOR AWARDS

Award	Presenter
Five Star Hotel – The Ritz-Carlton, Macau – Banyan Tree Macau	2018 Forbes Travel Guide
Five Star Spa – Banyan Tree Spa Macau – ESPA at The Ritz-Carlton, Macau	
Five Star Restaurant – Belon	
Hotel Merit Awards – Galaxy Hotel™	Travelling Scope – The 1st Stars Awards
<b>STARWORLD MACAU</b>	
The Supreme Award of Asia's Best Hotel for Catering Services	The 18th Golden Horse Awards of China Hotel
My Favorite Hotel Restaurant in Macau – Feng Wei Ju	U Magazine – U Favorite Food Awards 2018
100 Top Tables 2018 – Feng Wei Ju	South China Morning Post
<b>CONSTRUCTION MATERIALS DIVISION</b>	
Caring Company Scheme – 15 Years Plus Caring Company Logo	The Hong Kong Council of Social Service
Hong Kong Green Organization Certification – Wastewi\$e Certificate – Excellence Level	Environmental Campaign Committee
BOCHK Corporate Environmental Leadership Awards 2017 – EcoPartner	Federation of Hong Kong Industries/ Bank of China (Hong Kong)
Charter on External Lighting – Platinum Award	Environment Bureau
2017/18 Airport Safety Recognition Scheme – Corporate Safety Performance Award	Airport Authority Hong Kong
Sustainable Consumption Enterprise Award – Certificate of Excellence	Business Environment Council

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## OVERVIEW OF MACAU GAMING MARKET

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

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

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

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

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

## REVIEW OF OPERATIONS

### Summary of Accounting Changes and the Impact

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



## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

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

**Group Financial Results**

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

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

The Group's total gross gaming revenue on a management basis<sup>1</sup> in 1H 2018 was \$34.3 billion, up 30% year-on-year, total mass table gross gaming revenue was \$13.5 billion, up 18% year-on-year and total VIP gross gaming revenue was \$19.6 billion, up 41% year-on-year. Total electronic gross gaming revenue was \$1.2 billion, up 13% year-on-year.

One of GEG's business philosophies is to continuously search for products and offerings that will enhance our resorts and increase the appeal to customers. With this in mind, during 1H 2018, we completed a number of enhancements to the main gaming floor and we introduced some new F&B and retail concepts. We believe this approach keeps the property fresh and appealing, particularly to our repeat customers.

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

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

<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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

**Balance Sheet, Special Dividend and Investment**

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

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

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

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

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

  

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

## GAMING AND ENTERTAINMENT DIVISION

**Galaxy Macau™****Financial and Operational Performance**

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

**VIP Gaming Performance (Gross)**

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

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

**Mass Gaming Performance (Gross)**

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

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

**Electronic Gaming Performance (Gross)**

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

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

**Non-Gaming Performance (Previous Accounting Standard)**

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

**StarWorld Macau****Financial and Operational Performance**

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

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

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

**VIP Gaming Performance (Gross)**

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

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

**Mass Gaming Performance (Gross)**

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

**Electronic Gaming Performance (Gross)**

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

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

**Non-Gaming Performance (Previous Accounting Standard)**

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

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

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

<b>Hotel/F&amp;B/Others under New Accounting Standard</b>								
HK\$m	Q2 2017	Q1 2018	Q2 2018	YoY%	QoQ%	1H 2017	1H 2018	YoY%
Hotel/F&B/Others	113	109	109	(4%)	0%	226	218	(4%)

**Broadway Macau™****Financial and Operational Performance**

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

**Mass Gaming Performance (Gross)**

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

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

**Electronic Gaming Performance (Gross)**

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

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

**Non-Gaming Performance (Previous Accounting Standard)**

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

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

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

<b>Hotel/F&amp;B/Others under New Accounting Standard</b>								
HK\$m	Q2 2017	Q1 2018	Q2 2018	YoY%	QoQ%	1H 2017	1H 2018	YoY%
Hotel/F&B/Others	53	56	58	9%	4%	107	114	7%

**City Clubs**

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### CONSTRUCTION MATERIALS DIVISION

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

#### **Hong Kong and Macau**

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

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

#### **Mainland China**

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

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

### DEVELOPMENT UPDATE

#### **Cotai – The Next Chapter**

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

#### **Hengqin**

We continue to make progress with our concept plan for our Hengqin project. Hengqin will allow GEG to develop a leisure destination resort that will complement our high energy resorts in Macau.

#### **International**

On 20 July 2018 the Japanese Diet passed the Integrated Resort (“IR”) Bill. We are very pleased with the recent passing of the IR Bill in Japan. We view Japan as a great long term growth opportunity that will complement our Macau operations and our other international expansion ambitions. GEG, together with Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco (“Monte-Carlo SBM”) from the Principality of Monaco and our Japanese partners, look forward to bringing our brand of World Class IRs to the country.

### SUBSEQUENT EVENT

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### GROUP OUTLOOK

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

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

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

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

### LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

The total borrowings of the Group mainly comprised bank loans and other obligations which were largely denominated in Hong Kong dollar, Renminbi and Euro. The Group's borrowings are closely monitored to ensure a smooth repayment schedule to maturity.

The Group's liquidity position remains strong and the Group is confident that sufficient resources could be secured to meet its commitments and working capital requirements.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### TREASURY POLICY

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

The Group's borrowings were largely denominated in Hong Kong dollar, Renminbi and Euro. Euro bank loan was utilized to fund and hedge the foreign exchange risk on the Euro-denominated Monte-Carlo SBM investment in August 2015.

### CHARGES ON GROUP ASSETS

Property, plant and equipment, leasehold land and land use rights with net book value of \$1,017 million (31 December 2017: \$1,053 million) and bank deposits of \$625 million (31 December 2017: \$628 million) have been pledged to secure banking facilities.

### GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$790 million (31 December 2017: \$790 million). At 30 June 2018, facilities utilized amounted to \$300 million (31 December 2017: \$300 million).

The Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures and an associated company amounting to \$156 million (31 December 2017: \$163 million). At 30 June 2018, facilities utilized amounted to \$71 million (31 December 2017: \$84 million).

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group, excluding associated companies and joint ventures, employed approximately 20,000 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$3,542 million.

#### **Remuneration Policy**

The objective of the Group's remuneration policy is to attract, motivate and retain talented employees to achieve the Group's long-term corporate goals and objectives. To this end, the Group is committed to remunerating its employees in a manner that is market competitive, consistent with good industry practices as well as meeting the interests of shareholders.

The Group's remuneration structure for its employees comprises fixed compensation, performance-based variable incentive and long-term incentives. The overall remuneration arrangements are fair and justified, prudent and subject to regular review.

The Group operates a share option scheme and a share award scheme for its employees. It serves to attract, motivate and retain employees to work for the Group long term and to better align the interests of the employees with the shareholders' interests.

## CORPORATE SOCIAL RESPONSIBILITY

As one of Asia's leading gaming and entertainment corporations, GEG is committed to sharing its success with the community. Investing in the future development of Macau for the long-term benefit and success of all its residents and visitors, GEG supports the local government and makes valuable contributions to the wider society. In the first half of 2018, GEG supported and participated in a variety of different types of social, philanthropic and volunteering activities.

### TEAM MEMBER ENGAGEMENT

GEG considers team members as our biggest assets. Believing that our corporation succeeds when every team member is supported to reach their full potential, GEG provides training, development, and recreational activities to help team members achieve quality work-life balances.

During the first half of 2018, GEG organized 373 training programs for 17,146 team members. In addition, the Group's Employee Relations Teams and GEG Staff Social Club continued to promote team building among team members by organizing 16 different sports and recreational activities for over 10,100 team members and their family members to enjoy.

### TALENT MANAGEMENT

The Group provides training and development opportunities that support team members to achieve both vertical and lateral career paths. Our talent development focuses on diversifying local team members' skills and knowledge to support a diversified business, Macau economy and community.

Organization Development and Training initiatives engage and support the promotion and delivery of the Group's Mission, Vision and core values. Our team members' success in delivering service that stands out from the rest provides the very foundation of our achievements for all of our properties.

### SOCIAL RESPONSIBILITY

#### Responsible Gaming

As an active member of the Responsible Gaming Working Committee, GEG works closely with the Gaming Inspection and Coordination Bureau ("DICJ") of the Macau Special Administrative Region ("SAR") Government, the Social Welfare Bureau ("IAS"), the Institute for the Study of Commercial Gaming ("ISCG") of the University of Macau ("UM"), the Gaming Teaching and Research Centre ("GTRC") of the Macao Polytechnic Institute ("IPM"), local gaming operators and responsible gaming associations to establish an array of initiatives to promote Macau's responsible gaming culture and to deliver relevant messages to team members and guests. In the first half of 2018, GEG:

- Attended the "2017 Responsible Gambling Promotions Closing Ceremony"
- Organized the "Gambling is Not Business, Stay in Control" Responsible Gaming Promotion with Associação de Juventude Voluntária de Macau ("AJVM")
- Collaborated with ISCG and Sheng Kung Hui Macau Social Services Coordination Office in organizing the "Responsible Gaming Committee Training Program"
- Organized team members for a visit to AJVM's new service centre at Seac Pai Van
- Organized team members for a visit to the Integrated Centre on Addiction Prevention and Treatment, the Even Centre and the Healthy Budgeting Family Debt Counseling Centre of Tung Wah Group of Hospitals in Hong Kong
- Held a "Responsible Gaming Knowledge Quiz" at the back-of-house areas of GEG properties

CORPORATE SOCIAL RESPONSIBILITY



GEG consistently organizes internal promotions for team members and works with local non-governmental organizations to support responsible gaming

Galaxy Entertainment Group Foundation

Through its Corporate Social Responsibilities initiatives, GEG believes in tackling emerging social issues in helping our next generation to build a brighter future. In April 2015, GEG established the Galaxy Entertainment Group Foundation (“the Foundation”) to give back to Macau and the Greater China Region. The Foundation focuses on philanthropic activities which nurture young people, enabling them to become responsible citizens in their communities.

The “GEG Chinese Literacy Development Pilot Scheme” was initiated in 2016 with the objective of supporting children, parents and schools in the area of Chinese language development, in particular targeting children with dyslexic tendencies. Teacher training was conducted for all kindergarten teachers in the Scheme’s two seed schools, and 1-on-1 assessments of K3 children were conducted to identify those who require additional help, and who were then enrolled in small intervention groups for extra learning sessions, resulting in teachers having observed noticeable improvements over the course of the school year. A Parent Seminars Series comprising three age-appropriate sessions for each of the kindergarten grades was delivered at the two seed schools with a focus on helping parents better appreciate the importance of language development at this young age and how they can help outside of the classrooms.

The “GEG Community Nursing Scheme” has to date awarded 10 scholarships, with the 2017/18 cohort having gone on a study trip to Australia, a key component of the Scheme. Five students graduated in June 2018 and will pursue their careers as community nurses as part of their scholarship requirements. Separately, the second tranche of the “GEG Community Nursing Continuing Education Course” on public health topics has begun for in-service community nurses in Macau and will continue for the next 18 months. The research component of the “GEG Community Nursing Scheme” focused on two broad topics: Mental Health Literacy and Health Needs Assessment in the Macau Community. Research results on the above topics are expected to be released in the second half of 2018.



Live story-telling demonstration during the Parents Seminar for the “GEG Chinese Literacy Development Pilot Scheme”



2018 Graduation Ceremony for the “GEG Community Nursing Scheme”

## CORPORATE SOCIAL RESPONSIBILITY

## COMMUNITY ACTIVITIES

Following the philosophy of “what is taken from the community is to be used for the good of the community”, GEG continues to remain active in the community. During the first half of 2018, close to 120 GEG team members and their family members took part in our volunteering activities and offered assistance to more than 570 underprivileged individuals and families in need.



GEG held its “Pre-Chinese New Year Celebration” for the elderly at Broadway Macau™, inviting the elderly of organizations under Caritas Macau to enjoy afternoon tea at the one Michelin star restaurant Xin Dau Ji



Seeing an opportunity to promote social inclusion, the GEG Volunteer Team invited members of the Rehabilitation Centre for the Blind of Macau Holy House of Mercy and local teenagers for the first “HUSH!! GEG Silent Disco” at Hac Sa Beach

## CHARITABLE ACTIVITIES

Sharing our success with the local community, GEG attends to the needs of the community and donates to organizations and people in need.



Mr. Philip Cheng, Director of Galaxy Casino S.A. (right), presented a MOP400,000 cheque to Mr. Albano Martins, President of Anima Macau (left) in support of the association’s ongoing animal rescue work



Mr. Philip Cheng, Director of Galaxy Casino S.A. (center right), presented a MOP300,000 cheque to Macau Holy House of Mercy in support of the charity’s Welfare Shop Program

## CORPORATE SOCIAL RESPONSIBILITY

## SPORTS DEVELOPMENT

Committed to making Macau a more culturally diverse and attractive world center for tourism and leisure, GEG works closely with the Macau SAR Government and the local community on enhancing the scale and quality of Macau's sports and community events. In the first half of 2018, GEG:

- Sponsored Benfica de Macau to participate in the "Asia Football Confederation ("AFC") Cup 2018"
- Title sponsored the "FIVB Women's Volleyball Nations League – Macao 2018" for the 13th year
- Sponsored the Macau Jockey Club in organizing the "2018 Macau Hong Kong Trophy Day"
- Sponsored the Charity Association of Macau Business Readers in organizing the "Inclusive Education, Sports & Social Media Conference and Macau Golf Masters 2018"

## EDUCATION AND CULTURE

Supporting the Macau SAR Government on cultivating Macau's future talents, GEG collaborates with many educational, arts and cultural associations on developing different programs that assist young people in building a more solid foundation for their future careers. During the first half of 2018, GEG:

- Became the first gaming operator to collaborate with the Association of Parents of the People with Intellectual Disabilities of Macau on hosting an employee training on service for customers with intellectual disabilities
- Supported the Macao Government Tourism Office in promoting Macau as a UNESCO Creative City of Gastronomy by hosting a "Local Culture & Food Festival" at Broadway Macau™
- Title sponsored the first "HUSH!! GEG Silent Disco"
- Title sponsored the "GEG Macau Cup – Teenager National Conditions Knowledge Competition" for the 10th consecutive year
- Sponsored Ponto Final in organizing "The Script Road – 7th Macau Literary Festival"



Mr. Daniel Lye, Vice President of Security of Galaxy Macau™ (left) received a souvenir from the representative of the Association of Parents of the People with Intellectual Disabilities of Macau (right) during the employee training on service for customers with intellectual disabilities



Leveraging on the "Local Culture & Food Festival" at Broadway Macau™, GEG organized a cooking workshop for members of the Fuhong Society of Macau. The workshop was hosted by award-winning chefs at Broadway Macau™

## CORPORATE SOCIAL RESPONSIBILITY

## ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

Committed to protecting the health and safety of our team members, the community and the environment, GEG integrates environmental sustainability into our business strategy and supports our properties in establishing the specialized tools and management systems that can help GEG achieve our goals to reduce our environmental impact, build a safer and healthier environment for the future, and reduce our energy, water and material consumption. During the first half of 2018, GEG:

- Renewed the Pearl Membership to WWF-Hong Kong's "2018/19 Corporate Membership Program" and took part in WWF's "Earth Hour" event for the 10th consecutive year
- Participated in the monthly "Lights Out" Activity on the first Tuesday of every month
- Participated in the "2018 Macao International Environmental Co-operation Forum & Exhibition" hosted by the Macau SAR Government
- Successfully passed the certification audit of Integrated Management System, which includes OHSAS 18001:2007 and transition to ISO14001:2015 covering Galaxy Macau™ Phase 1 & 2 and Broadway Macau™
- Organized a "Certified Energy Manager ("CEM") Training" for the Facilities Management Team of Galaxy Macau™; more than 20 team members achieved the CEM title certified by Association of Energy Engineers ("AEE") in USA

In addition, the Group also continued to monitor, improve and reduce its energy use, water consumption and waste generation as follows:

- Continued to replace LED lights in the back-of-house areas at Galaxy Macau™ and Broadway Macau™
- Implemented a smart lighting system in the car park at Galaxy Macau™ Phase 2
- Optimized the chilled water pumping system in the chiller plant at Galaxy Macau™ Phase 2
- Installed motion sensor controls to the lighting system at disable toilets for guests at Galaxy Macau™
- Enhanced the sub-metering of the power management system at Galaxy Macau™
- Installed solar power panels for roof lighting at StarWorld Hotel

In the first half of 2018, GEG collected approximately 16,231 kg of food waste for generation into composites for landscape planting, as well as collected approximately 582.2 tons of cardboard and paper materials, 53.1 tons of plastic, 29.8 tons of metals, 0.67 tons of glass bottles, and 34 tons of waste oil for recycling from its various properties.

CORPORATE SOCIAL RESPONSIBILITY

CONSTRUCTION MATERIALS DIVISION

Corporate Social Responsibility

In recognition of its contribution to the community, K. Wah Construction Materials Limited ("KWCM") has been recognized as a Caring Company for 16 consecutive years by the Hong Kong Council of Social Service. As a responsible company, KWCM is committed to build a sustainable business by balancing social, environmental and economic considerations.

Corporate social responsibility is a significant part in KWCM's sustainability value proposition. KWCM has developed partnerships with various non-government organizations and supports charitable events including the "Mine Challenge" organized by Evangelical Lutheran Church Social Service – Hong Kong, the "Shanghai Commercial Pok Oi Cycle For Millions" and "The Community Chest Skip Lunch Day".

With an innovative, caring and people-oriented approach, KWCM values its team members and workforce by promoting a caring culture among employees, enhancing team members' working environment, providing comprehensive training and excellent career prospects. In addition, the KWCM Social Club organizes a variety of activities such as wellness workshops, interactive sports games and movie premiers, to promote work-life balance.

Health, Safety and Environmental Protection

Health, safety and environmental protection ("HSE") is always a key concern of KWCM's operation. In 2018, KWCM further strengthened and standardized its safety measures and environmental management system across all operations in Hong Kong, Macau and Mainland China. KWCM anticipates that HSE risk and impacts will be significantly mitigated in the future.

In its Hong Kong concrete batching plant, KWCM is pioneering the use of screw press technology for slurry dehydration in order to effectively increase the quantity and quality of recycled water.

In Macau, an intelligent driving safety system – Mobileye has been installed in KWCM's concrete delivery fleet to provide instant driving safety performance monitoring and road danger alert for drivers.

In the Nanjing Nangang slag plant in Mainland China, a new "state-of-the-art" environmental dust shelter effectively contains airborne dust emission from raw slag stockpiling area.



"Shanghai Commercial Pok Oi Cycle For Millions 2018"



Employees with friends and family participated in the "Mine Challenge 2018" organized by Evangelical Lutheran Church Social Service – Hong Kong

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

## TO THE BOARD OF DIRECTORS OF GALAXY ENTERTAINMENT GROUP LIMITED

*(incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 34 to 63, which comprises the condensed consolidated balance sheet of Galaxy Entertainment Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2018 and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

#### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 8 August 2018

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# CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2018

	Note	2018 HK\$'000	2017 HK\$'000 (Restated*)
Revenue (Note)	6	<b>28,058,405</b>	22,535,450
Other income/gains, net	8(a)	<b>672,463</b>	221,105
Special gaming tax and other related taxes to the Macau Government		<b>(13,103,737)</b>	(10,017,529)
Raw materials and consumables used		<b>(694,881)</b>	(610,470)
Amortisation and depreciation		<b>(1,620,472)</b>	(1,659,459)
Employee benefit expenses		<b>(3,615,297)</b>	(3,567,576)
Other operating expenses		<b>(2,502,614)</b>	(2,299,119)
Finance costs	9	<b>(52,806)</b>	(31,596)
Share of profits less losses of:			
Joint ventures		<b>185,420</b>	118,024
Associated companies		<b>-</b>	(75)
Profit before taxation	8(b)	<b>7,326,481</b>	4,688,755
Taxation charge	10	<b>(75,727)</b>	(44,709)
Profit for the period		<b>7,250,754</b>	4,644,046
Attributable to:			
Equity holders of the Company		<b>7,206,369</b>	4,630,706
Non-controlling interests		<b>44,385</b>	13,340
		<b>7,250,754</b>	4,644,046
		<b>HK cents</b>	HK cents
Earnings per share	12		
Basic		<b>167.0</b>	108.3
Diluted		<b>165.9</b>	107.2
		<b>HK\$'000</b>	HK\$'000
<b>Note: Analysis of revenue</b>			
Gross revenue from gaming operations		<b>33,367,882</b>	25,449,967
Commission and incentives		<b>(9,549,362)</b>	(6,748,801)
Net revenue from gaming operations		<b>23,818,520</b>	18,701,166
Revenue from hotel and mall operations		<b>2,572,160</b>	2,368,525
Sales of construction materials		<b>1,667,725</b>	1,465,759
		<b>28,058,405</b>	22,535,450

\* See note 3 for details regarding the restatements as a result of changes in accounting policies.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2018

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Profit for the period	<b>7,250,754</b>	4,644,046
Other comprehensive (loss)/ income		
Items that will not be subsequently reclassified to profit or loss		
Change in fair value of financial assets at fair value through other comprehensive income	<b>(346,879)</b>	33,554
Items that may be subsequently reclassified to profit or loss		
Translation differences of subsidiaries	<b>(19,002)</b>	47,646
Share of translation differences of joint ventures	<b>(15,941)</b>	39,813
Other comprehensive (loss)/ income for the period, net of tax	<b>(381,822)</b>	121,013
Total comprehensive income for the period	<b>6,868,932</b>	4,765,059
Total comprehensive income attributable to:		
Equity holders of the Company	<b>6,828,088</b>	4,739,694
Non-controlling interests	<b>40,844</b>	25,365
	<b>6,868,932</b>	4,765,059

# CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2018

	Note	30 June 2018 HK\$'000	31 December 2017 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	31,873,623	31,801,690
Leasehold land and land use rights	13	4,968,071	5,013,464
Intangible assets	13	819,276	921,019
Joint ventures		1,647,600	1,518,367
Associated companies		2,264	2,217
Financial assets at amortised cost	14	26,875,640	23,688,142
Financial assets at fair value through other comprehensive income	15	7,562,391	643,189
Other non-current assets	16	127,550	125,183
		<b>73,876,415</b>	63,713,271
<b>Current assets</b>			
Inventories		182,130	171,443
Debtors and prepayments	17	1,775,760	1,961,509
Amounts due from joint ventures		191,527	204,642
Taxation recoverable		25,837	23,456
Current portion of financial assets at amortised cost	14	606,627	140,012
Other cash equivalents		140,173	35,324
Cash and bank balances		8,453,680	17,565,025
		<b>11,375,734</b>	20,101,411
<b>Total assets</b>		<b>85,252,149</b>	83,814,682
<b>EQUITY</b>			
Share capital and shares held for share award scheme	18	21,845,407	21,468,693
Reserves		39,080,921	34,013,004
Equity attributable to owners of the Company		<b>60,926,328</b>	55,481,697
Non-controlling interests		563,100	533,896
<b>Total equity</b>		<b>61,489,428</b>	56,015,593

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2018

	Note	30 June 2018 HK\$'000	31 December 2017 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	19	256,623	259,392
Deferred taxation liabilities		274,800	268,120
Retention payable		66,958	14,816
Non-current deposits		228,003	221,308
		<b>826,384</b>	763,636
<b>Current liabilities</b>			
Creditors and accruals	20	14,253,996	17,237,224
Amounts due to joint ventures		55,750	66,092
Current portion of borrowings and short-term bank loans	19	8,552,775	9,684,884
Provision for tax		73,816	47,253
		<b>22,936,337</b>	27,035,453
<b>Total liabilities</b>		<b>23,762,721</b>	27,799,089
<b>Total equity and liabilities</b>		<b>85,252,149</b>	83,814,682
<b>Net current liabilities</b>		<b>(11,560,603)</b>	(6,934,042)
<b>Total assets less current liabilities</b>		<b>62,315,812</b>	56,779,229

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2018

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Net cash from operating activities	<b>5,810,054</b>	8,048,195
Net cash used in investing activities	<b>(10,952,870)</b>	(3,366,426)
Net cash used in financing activities	<b>(2,623,808)</b>	(439,842)
Net (decrease)/increase in cash and cash equivalents from 1 January to 30 June	<b>(7,766,624)</b>	4,241,927
Cash and cash equivalents at 1 January	<b>15,702,430</b>	6,803,466
Translation differences	<b>(2,474)</b>	7,608
Cash and cash equivalents at 30 June	<b>7,933,332</b>	11,053,001
Analysis of cash and cash equivalents		
Cash and bank balances at 30 June	<b>8,453,680</b>	18,731,481
Less: short-term bank deposits with maturity over three months and short-term pledged bank deposits	<b>(660,521)</b>	(7,686,815)
Other cash equivalents	<b>140,173</b>	8,335
Cash and cash equivalents at 30 June	<b>7,933,332</b>	11,053,001

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2018

	Share capital HK\$'000	Shares held for share award scheme HK\$'000	Reserves HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2018	21,468,700	(7)	34,013,004	55,481,697	533,896	56,015,593
Comprehensive income						
Profit for the period	-	-	7,206,369	7,206,369	44,385	7,250,754
Other comprehensive loss						
Change in fair value of financial assets at fair value through other comprehensive income	-	-	(346,879)	(346,879)	-	(346,879)
Translation differences of subsidiaries	-	-	(17,059)	(17,059)	(1,943)	(19,002)
Share of translation differences of joint ventures	-	-	(14,343)	(14,343)	(1,598)	(15,941)
Total other comprehensive loss, net of tax	-	-	(378,281)	(378,281)	(3,541)	(381,822)
Total comprehensive income for the period	-	-	6,828,088	6,828,088	40,844	6,868,932
Transactions with equity holders						
Dividend paid to non-controlling interests	-	-	-	-	(11,640)	(11,640)
Issue of shares pursuant to share award scheme	2,462	1	(2,463)	-	-	-
Issue of shares upon exercise of share options	374,251	-	(90,852)	283,399	-	283,399
Fair value of share options granted	-	-	57,057	57,057	-	57,057
Fair value of share award granted	-	-	45,971	45,971	-	45,971
Special dividends (note 11)	-	-	(1,769,884)	(1,769,884)	-	(1,769,884)
<b>At 30 June 2018</b>	<b>21,845,413</b>	<b>(6)</b>	<b>39,080,921</b>	<b>60,926,328</b>	<b>563,100</b>	<b>61,489,428</b>
At 1 January 2017	20,106,376	-	26,238,974	46,345,350	517,663	46,863,013
Comprehensive income						
Profit for the period	-	-	4,630,706	4,630,706	13,340	4,644,046
Other comprehensive income						
Change in fair value of financial assets at fair value through other comprehensive income	-	-	33,554	33,554	-	33,554
Translation differences of subsidiaries	-	-	41,030	41,030	6,616	47,646
Share of translation differences of joint ventures	-	-	34,404	34,404	5,409	39,813
Total other comprehensive income, net of tax	-	-	108,988	108,988	12,025	121,013
Total comprehensive income for the period	-	-	4,739,694	4,739,694	25,365	4,765,059
Transactions with equity holders						
Dividend paid to non-controlling interests	-	-	-	-	(12,116)	(12,116)
Issue of shares upon exercise of share options	254,130	-	(71,382)	182,748	-	182,748
Fair value of share options granted	-	-	60,530	60,530	-	60,530
Fair value of share award granted	-	-	141,972	141,972	-	141,972
Special dividends (note 11)	-	-	(1,111,839)	(1,111,839)	-	(1,111,839)
At 30 June 2017	20,360,506	-	29,997,949	50,358,455	530,912	50,889,367

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

Galaxy Entertainment Group Limited (“GEG” or the “Company”) is a limited liability company incorporated in Hong Kong and has its listing on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”). The address of its registered office and principal place of business is Room 1606, 16th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are 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.

The financial information relating to the year ended 31 December 2017 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2018 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

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

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

The interim financial information has been approved for issue by the Board of Directors on 8 August 2018.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities, which are carried at fair values. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

At 30 June 2018, the Group’s current liabilities exceeded its current assets by HK\$11,561 million. Taking into account the cash flows from operations and unutilised banking facilities, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments (principally relating to the development of Galaxy Macau™ resort at Cotai) as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the interim financial information.

The accounting policies used in the preparation of the interim financial information are consistent with those used and as described in the annual financial statements for the year ended 31 December 2017, except as described below:

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

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

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 3 below. The other amended standards and interpretation did not have significant impact on the Group’s accounting policies and did not require retrospective adjustments.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

<b>New standards, interpretation and amendments</b>		<b>Effective for accounting periods beginning on or after</b>
HKAS 19 (Amendment)	Employee Benefits	1 January 2019
HKAS 28 (Amendment)	Long-term Interests in an Associate or Joint Venture	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment	1 January 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements to HKFRSs 2015–2017 Cycle		
HKAS 12 (Amendment)	Income Taxes	
HKAS 23 (Amendment)	Borrowing Costs	
HKFRS 3 (Amendment)	Business Combinations	
HKFRS 11 (Amendment)	Joint Arrangements	

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

**HKFRS 16 'Leases'**

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

The accounting for lessors will not significantly change.

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

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

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

**3. CHANGES IN ACCOUNTING POLICIES**

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

**Revenue recognition**

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

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

**Classification and measurement of financial assets**

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

**Impairment of financial assets**

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from their estimates.

The significant judgments, estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2017.

#### 5. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017. There have been no changes in the financial risk management objectives and policies of the Group since 2017 year end.

##### 5.1 Fair value estimation

The table below analyses financial instruments that are measured in the balance sheet at fair value, by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 5. FINANCIAL RISK MANAGEMENT (Continued)

## 5.1 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2018 and 31 December 2017.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 30 June 2018</b>				
<b>Assets</b>				
Financial assets at fair value through other comprehensive income				
– Equity securities	7,541,876	–	20,515	7,562,391
<b>Total</b>	<b>7,541,876</b>	<b>–</b>	<b>20,515</b>	<b>7,562,391</b>

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 31 December 2017</b>				
<b>Assets</b>				
Financial assets at fair value through other comprehensive income				
– Equity securities	621,111	–	22,078	643,189
<b>Total</b>	<b>621,111</b>	<b>–</b>	<b>22,078</b>	<b>643,189</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

**5. FINANCIAL RISK MANAGEMENT (Continued)****5.1 Fair value estimation (Continued)**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current price within the bid-ask spread which is the most representative of the fair value in the given circumstances. These instruments are included in level 1. Instruments included in level 1 comprise primarily financial assets at fair value through other comprehensive income.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swap is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 5. FINANCIAL RISK MANAGEMENT (Continued)

## 5.1 Fair value estimation (Continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

The following table presents the changes in level 3 instruments for the period ended 30 June 2018 and 30 June 2017.

	<b>Financial assets at fair value through other comprehensive income</b>	
	<b>2018 HK\$'000</b>	2017 HK\$'000
At beginning of the period	<b>22,078</b>	24,412
Losses recognised in other comprehensive income	<b>(1,563)</b>	(1,569)
At end of the period	<b>20,515</b>	22,843
Total gains for the period included in profit or loss for assets held at the end of the period	<b>-</b>	-

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 6. REVENUE

Revenue recognised during the period are as follows:

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

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

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

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

During the period ended 30 June 2018, the Group is entitled to HK\$49,290,000 (2017: HK\$44,032,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the interim financial information.

\* See note 3 for details regarding the restatements as a result of changes in accounting policies.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

**7. SEGMENT INFORMATION**

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

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

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

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 7. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2018</b>				
Reportable segment revenue	27,329,430	1,667,725	-	28,997,155
Adjusted for:				
City Club Casinos arrangement set out in note 6				
Revenue not recognised	(992,994)	-	-	(992,994)
Contributions	49,290	-	-	49,290
Others	4,954	-	-	4,954
Revenue recognised under HKFRS	26,390,680	1,667,725	-	28,058,405
Adjusted EBITDA including share of results of joint ventures and associated companies	8,196,749	538,414	(90,268)	8,644,895
Interest income, dividend income from listed investments and gross earnings on finance lease				494,686
Amortisation and depreciation				(1,620,472)
Finance costs				(52,806)
Taxation charge				(75,727)
Adjusted items:				
Taxation of joint ventures and associated companies				(59,502)
Pre-opening expenses				(61,918)
Loss on disposal/write-off of certain property, plant and equipment				(2,390)
Share option expenses				(57,057)
Share award expenses				(45,971)
Donation and sponsorship				(5,764)
Others				92,780
Profit for the period				7,250,754
Share of results of joint ventures and associated companies	29,045	156,375	-	185,420

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 7. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2017, restated*</b>				
Reportable segment revenue	21,941,629	1,465,759	–	23,407,388
Adjusted for:				
City Club Casinos arrangement set out in note 6				
Revenue not recognised	(921,849)	–	–	(921,849)
Contributions	44,032	–	–	44,032
Others	5,879	–	–	5,879
Revenue recognised under HKFRS, restated*	21,069,691	1,465,759	–	22,535,450
Adjusted EBITDA including share of results of joint ventures and associated companies	6,214,241	321,149	(69,195)	6,466,195
Interest income and gross earnings on finance lease				235,590
Amortisation and depreciation				(1,659,459)
Finance costs				(31,596)
Taxation charge				(44,709)
Adjusted items:				
Taxation of joint ventures				(36,360)
Pre-opening expenses				(24,901)
Loss on disposal/write-off of certain property, plant and equipment				(62,567)
Share option expenses				(60,530)
Share award expenses				(128,505)
Donation and sponsorship				(386)
Others				(8,726)
Profit for the period				4,644,046
Share of results of joint ventures and associated companies	21,185	96,764	–	117,949

\* See note 3 for details regarding the restatements as a result of changes in accounting policies.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 7. SEGMENT INFORMATION (Continued)

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



## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 8. OTHER INCOME/GAINS, NET AND PROFIT BEFORE TAXATION

	2018 HK\$'000	2017 HK\$'000
<b>(a) Other income/gains, net</b>		
Interest income		
Bank deposits	65,869	152,268
Loans to joint ventures	412	304
Deferred receivable	593	762
Financial assets at amortised cost	404,903	81,757
Dividend income from unlisted investments	1,500	1,300
Dividend income from listed investments	21,834	–
Gross earnings on finance lease	1,075	499
Gain/(loss) on disposal/write-off of property, plant and equipment	3,095	(63,017)
Fair value change/realised loss on financial derivative instruments	–	(1,605)
Foreign exchange gain	109,649	33,564
Others	63,533	15,273
	<b>672,463</b>	221,105
<b>(b) Profit before taxation is stated after charging</b>		
Depreciation	1,462,601	1,499,852
Amortisation		
Gaming licence	52,732	52,732
Computer software	16,158	19,057
Leasehold land and land use rights	45,018	43,855
Reacquired right	43,963	43,963

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 9. FINANCE COSTS

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Interest expenses		
Bank loans and overdrafts	<b>60,305</b>	54,672
Obligations under finance leases	<b>6,408</b>	5,904
Other borrowing costs	<b>55</b>	111
	<b>66,768</b>	60,687
Amount capitalised in assets under construction	<b>(13,962)</b>	(29,091)
	<b>52,806</b>	31,596

## 10. TAXATION CHARGE

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

## Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the period after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, and these rates range from 12% to 25% (2017: 12% to 25%). The weighted average applicable tax rate was 12% (2017: 12%).
- (b) During the year ended 31 December 2015, Galaxy Casino, S.A. ("GCSA"), the Company's principal subsidiary, entered into a Shareholder Dividend Tax Agreement with the Macau Government. The agreement provided for an annual payment in lieu of Macau Complementary Tax otherwise due by the GCSA's shareholders on dividend distributions to them from gaming profits, effective through the end of 2018 to correspond to the Macau Complementary Tax exemption on its gaming activities.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 11. DIVIDENDS

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
First special dividend paid of HK\$0.41 (2017: HK\$0.26) per ordinary share	<b>1,769,884</b>	1,111,839

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

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

Details of the special dividend declared subsequent to the period end are given in note 23.

## 12. EARNINGS PER SHARE

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

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

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

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Profit attributable to equity holders of the Company	<b>7,206,369</b>	4,630,706

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 12. EARNINGS PER SHARE (Continued)

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

## 13. CAPITAL EXPENDITURE

For the six months ended 30 June 2018, the Group incurred HK\$1,550 million (2017: HK\$558 million) on property, plant and equipment, HK\$11 million (2017: HK\$4 million) on intangible assets and nil (2017: nil) on land use right.

## 14. FINANCIAL ASSETS AT AMORTISED COST

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Listed debt securities in Hong Kong, at amortised cost (note a)	<b>15,531,044</b>	13,827,059
Listed debt securities in overseas, at amortised cost (note a)	<b>11,849,272</b>	9,288,390
Unlisted debt securities, at amortised cost (note a)	<b>101,951</b>	712,705
	<b>27,482,267</b>	23,828,154
Less: current portion of financial assets at amortised cost		
– listed debt securities in Hong Kong, at amortised cost (note a)	<b>(606,627)</b>	(140,012)
	<b>26,875,640</b>	23,688,142

(a) The listed/unlisted debt securities are denominated in US dollar.

(b) As at 30 June 2018, the carrying amounts of these listed/unlisted debt securities approximate their fair values.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Unlisted investments in overseas, at fair value	<b>20,515</b>	22,078
Listed investments in overseas, at fair value (Note)	<b>7,541,070</b>	620,420
Listed investments in Hong Kong, at fair value	<b>806</b>	691
	<b>7,562,391</b>	643,189

Note:

In early April 2018, the Group completed the acquisition of 5,300,000 shares of common stock in Wynn Resorts, Limited at the consideration of US\$927.5 million (equivalent to approximately HK\$7.28 billion) or US\$175 per acquisition share. The acquisition shares represent approximately 4.9% of the issued share capital of Wynn Resorts, Limited.

## 16. OTHER NON-CURRENT ASSETS

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Finance lease receivable	<b>56,987</b>	46,334
Deferred receivable	<b>10,715</b>	10,304
Deposits paid for property, plant and equipment	<b>45,042</b>	53,453
Others	<b>14,806</b>	15,092
	<b>127,550</b>	125,183

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 17. DEBTORS AND PREPAYMENTS

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

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

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 18. SHARE CAPITAL AND SHARES HELD FOR SHARE AWARD SCHEME

	Number of ordinary shares	Ordinary shares capital HK\$'000	Shares held for share award scheme HK\$'000	Total HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January 2017	4,271,673,502	20,106,376	–	20,106,376
Issue of shares upon exercise of share options (note a)	7,928,392	254,130	–	254,130
At 30 June 2017 and 1 July 2017	4,279,601,894	20,360,506	–	20,360,506
Share award scheme – shares issued to the trustee	21,420,047	214	(214)	–
Share award scheme – shares repurchased by the trustee	–	–	(18,408)	(18,408)
Issue of shares pursuant to share award scheme	–	876,940	18,615	895,555
Issue of shares upon exercise of share options	7,119,654	231,040	–	231,040
At 31 December 2017 and 1 January 2018	4,308,141,595	21,468,700	(7)	21,468,693
Issues of shares pursuant to share award scheme	–	2,462	1	2,463
Issue of shares upon exercise of share options (note a)	11,095,968	374,251	–	374,251
<b>At 30 June 2018</b>	<b>4,319,237,563</b>	<b>21,845,413</b>	<b>(6)</b>	<b>21,845,407</b>

## Notes:

- (a) The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected qualifying grantees.

During the period, no new options (2017: nil) were granted and 11,095,968 options (2017: 7,928,392) were exercised and 973,724 options (2017: 1,447,856) lapsed. The number of share options outstanding at 30 June 2018 was 43,196,646 (2017: 55,799,150).

- (b) The Group operates a share award scheme (adopted on 4 August 2014) under which the Group has absolute discretion to select any qualifying grantee for participation in the scheme and determine the terms and conditions of the awards and the number of shares to be awarded.

During the period, no share awards (2017: nil) were granted and 154,726 share awards (2017: 1,015,730) lapsed. 115,467 share awards (2017: nil) were vested. The number of share awards outstanding as at 30 June 2018 was 3,734,403 (2017: 23,702,380), all of which are unvested.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 19. BORROWINGS

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Bank loans		
Secured (note a)	<b>625,727</b>	702,886
Unsecured	<b>7,965,003</b>	9,028,056
Obligations under finance leases (note b)	<b>8,590,730</b>	9,730,942
	<b>218,668</b>	213,334
Total borrowings	<b>8,809,398</b>	9,944,276
Current portion included in current liabilities	<b>(281,106)</b>	(348,123)
Short-term bank loans	<b>(8,271,669)</b>	(9,336,761)
	<b>(8,552,775)</b>	(9,684,884)
Non-current portion of borrowing	<b>256,623</b>	259,392

Notes:

- (a) The bank loans of HK\$626 million (2017: HK\$703 million) are secured by:
- (i) property, plant and equipment and leasehold land and land use rights with net book value of HK\$1,017 million (2017: HK\$1,053 million); and
  - (ii) bank deposits of HK\$334 million (2017: HK\$337 million).
- (b) Obligations under finance leases mainly represent land renewal considerations to the Macau Government for land in Cotai or Macau under the concession contract.

The carrying amounts and fair value of the borrowings are as follows:

	Carrying amount		Fair value	
	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Bank loans	<b>8,590,730</b>	9,730,942	<b>8,590,730</b>	9,730,942
Obligations under finance leases	<b>218,668</b>	213,334	<b>346,741</b>	404,977
	<b>8,809,398</b>	9,944,276	<b>8,937,471</b>	10,135,919

The fair value of the borrowings is calculated using cash flows discounted at prevailing borrowing rates or based on quoted market price. The carrying amounts of other current borrowings approximate their fair value. All borrowings are within level 2 of the fair value hierarchy.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 20. CREDITORS AND ACCRUALS

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

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

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

Note:

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

## 21. CAPITAL COMMITMENTS

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Contracted but not provided for	<b>5,324,623</b>	3,592,661

## NOTES TO THE INTERIM FINANCIAL INFORMATION

**22. RELATED PARTY TRANSACTIONS**

In addition to the transactions or balances disclosed elsewhere in the interim financial information, the significant related party transactions carried out in the normal course of the Group's business activities during the period are as follows:

- (a) Interest income from joint ventures amounted to HK\$412,000 (2017: HK\$304,000) are charged at prevailing market rate.
- (b) Management fee received from joint ventures amounted to HK\$4,853,000 (2017: HK\$3,842,000) are charged at terms agreed among the parties.
- (c) Rental expenses of HK\$738,000 (2017: HK\$691,000) were paid to a subsidiary of K. Wah International Holdings Limited, a shareholder of the Company, based on the terms of the rental agreement between the parties. This is a continuing connected transaction which is fully exempted from reporting and disclosure requirements under rule 14A.76(1) of the Rules Governing the Listing of Securities on SEHK.
- (d) Purchases from joint ventures and non-controlling interests amounted to HK\$49,328,000 (2017: HK\$63,666,000) at terms agreed among the parties.
- (e) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. Key management compensation amounted to HK\$73,000,000 for the six months ended 30 June 2018 (2017: HK\$69,000,000).

**23. POST BALANCE SHEET EVENT**

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

## OTHER INFORMATION

### DIVIDENDS

A special dividend of HK\$0.41 per share totaling approximately HK\$1,770 million was paid to the shareholders of the Company on 27 April 2018.

The Board of Directors is pleased to announce that it has declared another special dividend of HK\$0.50 per share (2017: HK\$0.33 per share) payable to shareholders whose names appear on the register of members of the Company on 28 September 2018 and expected to be paid on or about 26 October 2018. The total amount of this special dividend distributed was approximately HK\$2,170 million (2017: HK\$1,414 million). It will be funded by dividends received by the Company from wholly-owned subsidiaries after the date of its last audited financial statements, as a result of which the Company has distributable reserves of approximately HK\$5,023 million. These will be reflected in a special purpose financial statement to be delivered to the Registrar of Companies in Hong Kong for registration, in compliance with the Companies Ordinance, before payment of the special dividend.

### RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS FOR SPECIAL DIVIDEND

Book close dates for Special Dividend	:	26 September 2018 (Wednesday) to 28 September 2018 (Friday) (both days inclusive)
Record date for Special Dividend	:	28 September 2018 (Friday)
Ex-dividend date	:	21 September 2018 (Friday)
Expected payment date	:	26 October 2018 (Friday)
Latest time to lodge transfer documents with the Company's share registrar to entitle Special Dividend	:	4:30 p.m. on 24 September 2018 (Monday)
Name and address of the Company's share registrar	:	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

## OTHER INFORMATION

## DIRECTORS' INTERESTS IN SECURITIES AND UNDERLYING SHARES

As at 30 June 2018, the interests or short positions of each Director in the shares, underlying shares and debentures of the Company, and the details of any right to subscribe for shares of the Company and of the exercise of such rights, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

## (a) Shares (including underlying shares)

Name	Number of shares (including underlying shares)				Total	Percentage of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che Woo	33,735,744	2,181,518	363,726,401 <sup>(1)</sup>	1,362,225,231 <sup>(2)</sup>	1,761,868,894	40.79
Francis Lui Yiu Tung	44,741,379	–	396,150,099 <sup>(3)</sup>	1,362,225,231 <sup>(2)</sup>	1,803,116,709	41.75
Joseph Chee Ying Keung	1,992,321	–	–	–	1,992,321	0.05
Paddy Tang Lui Wai Yu	13,881,607	–	–	1,362,225,231 <sup>(2)</sup>	1,376,106,838	31.86
James Ross Ancell	250,000	–	–	50,000 <sup>(4)</sup>	300,000	0.01
William Yip Shue Lam	250,000	–	–	–	250,000	0.01
Patrick Wong Lung Tak	–	–	–	–	–	–
Charles Cheung Wai Bun	–	–	–	–	–	–
Michael Victor Mecca	1,560,946	–	–	–	1,560,946	0.04

Notes:

- (1) 305,401 shares, 295,421,000 shares and 68,000,000 shares of the Company were held by Po Kay Securities & Shares Company Limited, Lui Che Woo Foundation Limited ("Lui Che Woo Foundation") and LUI Che Woo Prize Limited ("LUI Che Woo Prize") respectively, all of which are controlled by Dr. Lui Che Woo. Lui Che Woo Foundation and LUI Che Woo Prize are charitable organizations.
- (2) A discretionary family trust established by Dr. Lui Che Woo as settlor was interested in 1,362,225,231 shares of the Company. Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as discretionary beneficiaries of the discretionary family trust, are deemed to have an interest in those shares in which the trust has an interest.
- (3) 103,096,039 shares of the Company held by Recurrent Profits Limited, is controlled by Mr. Francis Lui Yiu Tung. Top Notch Opportunities Limited ("Top Notch") was interested in 171,916,021 underlying shares of the Company. Kentlake International Investments Limited ("Kentlake") was directly and indirectly interested in a total of 121,138,039 shares of the Company. Both Top Notch and Kentlake are controlled by Mr. Francis Lui Yiu Tung. The aforesaid underlying shares had not been delivered to Top Notch and are still counted towards the public float.
- (4) Mr. James Ross Ancell was interested in 50,000 shares of the Company as being one of the trustees and a major beneficiary of a pension scheme.

## OTHER INFORMATION

**(b) Underlying Shares – Share Options and Share Awards**

Details are set out in the sections headed “Share Options” and “Share Awards” below.

All the interests stated above represent long positions.

Save as disclosed above, as at 30 June 2018, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its other associated corporations (within the meaning of Part XV of the SFO).

**SUBSTANTIAL SHAREHOLDERS’ AND OTHER SHAREHOLDERS’ INTERESTS**

As at 30 June 2018, the interests or short positions of every person (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Number of Shares (Long Position)	Percentage of Issued Share Capital
City Lion Profits Corp.	973,282,206	22.53
CWL Assets (PTC) Limited	1,362,225,231	31.54
HSBC International Trustee Limited	1,363,000,491 <sup>(1)</sup>	31.56
Super Focus Company Limited	274,494,154	6.36
Lui Che Woo Foundation Limited	295,421,000	6.84
The Capital Group Companies, Inc.	259,886,000	6.02

Note:

- (1) HSBC International Trustee Limited, the trustee of a discretionary trust established by Dr. Lui Che Woo as settlor, was interested in 1,362,225,231 shares of the Company.

There was duplication of interests of:

- (i) 1,362,225,231 shares of the Company between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, CWL Assets (PTC) Limited and HSBC International Trustee Limited;
- (ii) 973,282,206 shares of the Company between City Lion Profits Corp. and CWL Assets (PTC) Limited;
- (iii) 274,494,154 shares of the Company between CWL Assets (PTC) Limited and Super Focus Company Limited; and
- (iv) 295,421,000 shares of the Company between Lui Che Woo Foundation and Dr. Lui Che Woo.

Save as disclosed above, as at 30 June 2018, the Company had not been notified by any person who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of the SFO.

## OTHER INFORMATION

## SHARE OPTIONS

The particulars of the movements in the options held by each of the Directors of the Company and their associates, the employees of the Company in aggregate and other participants granted under the share option scheme adopted on 22 June 2011 by the Company during the six months ended 30 June 2018 were as follows:

Name	Date of grant	Number of Options					Held at 30 June 2018	Exercise price (HK\$)	Exercise period
		Held at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	Re-classified during the period			
Lui Che Woo	16 Mar 2012	2,700,000	-	2,700,000 <sup>(a)</sup>	-	-	-	20.10	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	1,150,000	-	-	-	-	1,150,000	32.50	17 Jan 2014 – 16 Jan 2019
	24 Dec 2015	2,601,000	-	-	-	-	2,601,000	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	1,021,312	-	-	-	-	1,021,312	28.35	12 Mar 2018 – 11 Sep 2022
	28 Dec 2016	1,002,000	-	-	-	-	1,002,000	33.49	28 Dec 2017 – 27 Dec 2022
	27 Dec 2017	616,000	-	-	-	-	616,000	62.36	27 Dec 2018 – 26 Dec 2023
Francis Lui Yiu Tung	17 Jan 2013	1,650,000	-	-	-	-	1,650,000	32.50	17 Jan 2014 – 16 Jan 2019
	24 Dec 2015	1,912,000	-	-	-	-	1,912,000	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	1,445,483	-	-	-	-	1,445,483	28.35	12 Mar 2018 – 11 Sep 2022
	28 Dec 2016	1,417,000	-	-	-	-	1,417,000	33.49	28 Dec 2017 – 27 Dec 2022
	27 Dec 2017	871,000	-	-	-	-	871,000	62.36	27 Dec 2018 – 26 Dec 2023
Joseph Chee Ying Keung	17 Jan 2013	180,000	-	-	-	-	180,000	32.50	17 Jan 2014 – 16 Jan 2019
	24 Dec 2015	120,000	-	-	-	-	120,000	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	24,321	-	-	-	-	24,321	28.35	12 Mar 2018 – 11 Sep 2022
	26 Jul 2017	130,000	-	-	-	-	130,000	46.95	26 Jul 2018 – 25 Jul 2023
Paddy Tang Lui Wai Yu	17 Jan 2013	400,000	-	-	-	-	400,000	32.50	17 Jan 2014 – 16 Jan 2019
	24 Dec 2015	229,000	-	-	-	-	229,000	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	111,285	-	-	-	-	111,285	28.35	12 Mar 2018 – 11 Sep 2022
	28 Dec 2016	79,000	-	-	-	-	79,000	33.49	28 Dec 2017 – 27 Dec 2022
	27 Dec 2017	49,000	-	-	-	-	49,000	62.36	27 Dec 2018 – 26 Dec 2023
James Ross Ancell	-	-	-	-	-	-	-	-	-
William Yip Shue Lam	-	-	-	-	-	-	-	-	-
Patrick Wong Lung Tak	-	-	-	-	-	-	-	-	-
Charles Cheung Wai Bun	-	-	-	-	-	-	-	-	-
Michael Victor Mecca <sup>(b)</sup>	24 Dec 2015	-	-	100,000 <sup>(c)</sup>	-	723,334	623,334	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	-	-	-	-	481,278	481,278	28.35	12 Mar 2018 – 11 Sep 2022
	28 Dec 2016	-	-	-	-	371,000	371,000	33.49	28 Dec 2017 – 27 Dec 2022

## OTHER INFORMATION

Name	Date of grant	Number of Options					Held at 30 June 2018	Exercise price (HK\$)	Exercise period
		Held at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	Re-classified during the period			
Employees <sup>(d)</sup> (in aggregate)	9 Jan 2012	163,333	-	163,333 <sup>(a)</sup>	-	-	-	14.22	9 Jan 2013 – 8 Jan 2018
	16 Mar 2012	1,300,000	-	1,300,000 <sup>(a)</sup>	-	-	-	20.10	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	3,799,580	-	2,058,740 <sup>(d)(e)</sup>	-	-	1,740,840	32.50	17 Jan 2014 – 16 Jan 2019
	15 Jan 2014	69,000	-	-	-	-	69,000	77.75	15 Jan 2015 – 14 Jan 2020
	16 Jul 2014	66,000	-	-	-	-	66,000	62.75	16 Jul 2015 – 15 Jul 2020
	16 Jan 2015	175,668	-	67,000 <sup>(a)</sup>	-	-	108,668	39.86	16 Jan 2016 – 15 Jan 2021
	24 Dec 2015	13,859,040	-	2,256,556 <sup>(a)</sup>	163,877	723,334	10,715,273	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	4,671,878	-	1,364,162 <sup>(a)</sup>	21,367	481,278	2,805,071	28.35	12 Mar 2018 – 11 Sep 2022
	28 Dec 2016	6,384,335	-	689,061 <sup>(a)</sup>	177,842	371,000	5,146,432	33.49	28 Dec 2017 – 27 Dec 2022
	26 Jul 2017	1,282,000	-	-	52,000	-	1,230,000	46.95	26 Jul 2018 – 25 Jul 2023
	27 Dec 2017	4,698,000	-	-	381,244	-	4,316,756	62.36	27 Dec 2018 – 26 Dec 2023
Others (in aggregate)	17 Jan 2013	18,666	-	-	-	-	18,666	32.50	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	80,000	-	-	-	-	80,000	37.45	5 Jul 2014 – 4 Jul 2019
	24 Dec 2015	546,114	-	100,000 <sup>(f)</sup>	163,334	-	282,780	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	385,323	-	297,116 <sup>(f)</sup>	14,060	-	74,147	28.35	12 Mar 2018 – 11 Sep 2022
	28 Dec 2016	36,000	-	-	-	-	36,000	33.49	28 Dec 2017 – 27 Dec 2022
	27 Dec 2017	23,000	-	-	-	-	23,000	62.36	27 Dec 2018 – 26 Dec 2023
<b>Total</b>		<b>55,266,338</b>	<b>-</b>	<b>11,095,968</b>	<b>973,724</b>	<b>-</b>	<b>43,196,646</b>		

## Notes:

- (a) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$62.90.
- (b) Mr. Michael Victor Mecca was appointed as a non-executive Director of the Company on 4 May 2018 and his options were re-classified from “Employees” to “Director”.
- (c) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$67.05.

## OTHER INFORMATION

- (d) Employees include associates of directors and the movements in the options held by each of the associates of directors during the period with exercise price and period shown above were as follows:

Name	Date of grant	Number of Options			Held at 30 June 2018
		Held at 1 January 2018	Granted during the period	Exercised during the period	
Eileen Lui Wai Ling	17 Jan 2013	400,000	–	400,000	–
	24 Dec 2015	594,000	–	–	594,000
	12 Sep 2016	224,540	–	–	224,540
	28 Dec 2016	204,000	–	–	204,000
	27 Dec 2017	130,000	–	–	130,000
Joanna Claudia Lui	27 Dec 2017	3,000	–	–	3,000

The weighted average closing price of the shares immediately before the date on which 400,000 options were exercised by Ms. Eileen Lui Wai Ling during the period was HK\$64.35.

- (e) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period (excluding associates of directors) was HK\$67.28.
- (f) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$69.80.

The vesting period for all options is 1/3 vesting on each of the first, second and third anniversary of the date of grant except the options granted on 12 September 2016 is 100% vesting on 18 months after the date of grant.

Vesting period may accelerate if triggered by certain events stated in the share option scheme adopted on 22 June 2011.

The consideration paid by each grantee for each grant of options was HK\$1.00.

Details of the options exercised or lapsed during the period are set out above. No options were granted or cancelled during the period.

## OTHER INFORMATION

## SHARE AWARDS

The particulars of the movements in the share awards held by the Directors of the Company and their associates, and the employees of the Company in aggregate granted under the share award scheme adopted by the Board of Directors of the Company on 4 August 2014 during the six months ended 30 June 2018 were as follows:

Name	Date of grant	Number of Awards					Held at 30 June 2018	Vesting Date	Closing price at date of grant (HK\$)
		Held at 1 January 2018	Vested during the period	Lapsed during the period	Re-classified during the period	Held at 30 June 2018			
Lui Che Woo	28 Dec 2016	115,166	-	-	-	115,166	28 Dec 2018	33.25	
	28 Dec 2016	115,168	-	-	-	115,168	28 Dec 2019	33.25	
	27 Dec 2017	70,766	-	-	-	70,766	27 Dec 2018	61.65	
	27 Dec 2017	70,766	-	-	-	70,766	27 Dec 2019	61.65	
	27 Dec 2017	70,768	-	-	-	70,768	27 Dec 2020	61.65	
Francis Lui Yiu Tung	28 Dec 2016	162,933	-	-	-	162,933	28 Dec 2018	33.25	
	28 Dec 2016	162,934	-	-	-	162,934	28 Dec 2019	33.25	
	27 Dec 2017	50,066	-	-	-	50,066	27 Dec 2018	61.65	
	27 Dec 2017	50,066	-	-	-	50,066	27 Dec 2019	61.65	
	27 Dec 2017	50,068	-	-	-	50,068	27 Dec 2020	61.65	
Paddy Tang Lui Wai Yu	28 Dec 2016	9,000	-	-	-	9,000	28 Dec 2018	33.25	
	28 Dec 2016	9,000	-	-	-	9,000	28 Dec 2019	33.25	
	27 Dec 2017	5,533	-	-	-	5,533	27 Dec 2018	61.65	
	27 Dec 2017	5,533	-	-	-	5,533	27 Dec 2019	61.65	
	27 Dec 2017	5,534	-	-	-	5,534	27 Dec 2020	61.65	
Michael Victor Mecca <sup>(a)</sup>	28 Dec 2016	-	-	-	42,666	42,666	28 Dec 2018	33.25	
	28 Dec 2016	-	-	-	42,668	42,668	28 Dec 2019	33.25	
Employees (in aggregate)	24 Dec 2015	101,790	101,790	-	-	-	30 Jun 2018	24.80	
	28 Dec 2016	640,329	4,359	17,538	42,666	575,766	28 Dec 2018	33.25	
	28 Dec 2016	640,542	2,900	19,006	42,668	575,968	28 Dec 2019	33.25	
	26 Jul 2017	6,432	-	-	-	6,432	26 Jul 2018	46.95	
	26 Jul 2017	6,432	-	-	-	6,432	26 Jul 2019	46.95	
	26 Jul 2017	6,436	-	-	-	6,436	26 Jul 2020	46.95	
	27 Dec 2017	468,781	2,751	38,778	-	427,252	27 Dec 2018	61.65	
	27 Dec 2017	468,781	1,833	39,696	-	427,252	27 Dec 2019	61.65	
	27 Dec 2017	619,638	1,834	39,708	-	578,096	27 Dec 2020	61.65	
Associates of Directors <sup>(b)</sup>	28 Dec 2016	23,366	-	-	-	23,366	28 Dec 2018	33.25	
	28 Dec 2016	23,368	-	-	-	23,368	28 Dec 2019	33.25	
	27 Dec 2017	15,132	-	-	-	15,132	27 Dec 2018	61.65	
	27 Dec 2017	15,132	-	-	-	15,132	27 Dec 2019	61.65	
	27 Dec 2017	15,136	-	-	-	15,136	27 Dec 2020	61.65	
<b>Total</b>		<b>4,004,596</b>	<b>115,467</b>	<b>154,726</b>	<b>-</b>	<b>3,734,403</b>			

## OTHER INFORMATION

### Notes:

- (a) Mr. Michael Victor Mecca was appointed as a non-executive Director of the Company on 4 May 2018 and his share awards were re-classified from “Employees” to “Director”.
- (b) Except share awards granted to Ms. Joanna Claudia Lui on 27 December 2017 for 266, 266 and 268 share awards with vesting dates on 27 December 2018, 27 December 2019 and 27 December 2020 respectively, all share awards were granted to Ms. Eileen Lui Wai Ling.

Details of the share awards vested or lapsed during the period are set out above. No share awards were granted or cancelled during the period.

## DEALINGS IN LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares during the six months ended 30 June 2018.

## REVIEW OF INTERIM RESULTS

The Group’s interim results for the six months ended 30 June 2018 have been reviewed by the Audit Committee of the Company and by the Company’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 is included in this interim report.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors. The Company, having made specific enquiry of all Directors, confirms that the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

## CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2018, the Company 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 the Company, 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 the Company.

## OTHER INFORMATION

**CHANGE IN DIRECTORS' INFORMATION**

Pursuant to Rule 13.51B(1) of the Listing Rules, change in Directors' information since the publication of Annual Report 2017 is set out below:

Mr. Michael Victor Mecca

- Mr. Mecca has been appointed as a non-executive Director of the Company with effect from 4 May 2018.

Dr. Charles Cheung Wai Bun, *JP*

- Dr. Cheung has been appointed as a member of each of the Audit Committee and Corporate Governance Committee with effect from 14 June 2018.

By Order of the Board

**Galaxy Entertainment Group Limited**

**Jenifer Sin Li Mei Wah**

*Company Secretary*

Hong Kong, 8 August 2018



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