



銀娛 GEG

GALAXY ENTERTAINMENT GROUP LIMITED

銀河娛樂集團有限公司

Stock Code 股份代號 : 27

2016

INTERIM REPORT 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 DIRECTOR

Dr. Charles Cheung Wai Bun, *JP*

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*

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*

COMPANY SECRETARY

Mrs. Jenifer Sin Li Mei Wah

INDEPENDENT AUDITOR

PricewaterhouseCoopers



CORPORATE INFORMATION

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Central, Hong Kong

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183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS[#]

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

[#] 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

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CORPORATE PROFILE

Galaxy Entertainment Group Limited (“GEG”, “the Company” or “the Group”) is one of the world’s leading hospitality and gaming companies. The Group primarily develops and operates hotels, gaming and integrated resort facilities in Macau. The Group is listed on the Hong Kong Stock Exchange and is a member of the Hang Seng Index.

GEG is one of the six gaming concessionaires in Macau with a track record of delivering innovative, spectacular and industry leading properties, products and services, underpinned by a “World Class, Asian Heart” service philosophy, that has enabled it to consistently outperform the wider market.

GEG operates three flagship properties in Macau: on Cotai, Galaxy Macau™, one of the world’s largest integrated destination resorts, and the adjoining Broadway Macau™, a new hotel, entertainment and retail landmark destination; and on the Peninsula, StarWorld Macau, an award winning high end property.

Galaxy Macau™

- Opened in May 2011; significantly expanded in May 2015 with the opening of Phase 2
- Footprint of 1.1 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 retail space with approximately 160 luxury and lifestyle retail brands
 - Macau’s largest pan-Asian and international cuisine selection under one roof with approximately 80 food and beverage outlets, including the Michelin-star restaurants
 - 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 high end property
- Offers over 500 guestrooms and suites with near capacity hotel occupancy
- 6 restaurants

**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, as well as events and Macau Occasions
- Approximately 40 food and beverage outlets, including numerous local Macanese cuisines and delicacies
- Approximately 20 retail outlets

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. We continue to move forward with Phase 3 with the potential to commence site preparation works in late 2016 and Phase 4 in 2017.

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

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

- Revenue of HK\$25.5 billion for 1H 2016, increased 1% year-on-year
- Adjusted EBITDA of HK\$4.7 billion for 1H 2016, increased 13% year-on-year
- Net profit attributable to shareholders of HK\$2.6 billion for 1H 2016, increased 26% year-on-year
- Adjusted net profit attributable to shareholders of HK\$2.9 billion, decreased 4% year-on-year after adjusting for non-recurring charges
- Played lucky in gaming operations which increased Adjusted EBITDA by approximately HK\$90 million for 1H 2016
- Completed the HK\$800 million cost control program, with approximately HK\$300 million achieved in the first half 2016
- Balance sheet remains healthy with cash and liquid investments of HK\$11.3 billion, up 46% from 31 December 2015
- Virtually debt free with debt of HK\$1.2 billion and net cash of HK\$10.1 billion as of 30 June 2016
- Paid a special dividend of HK\$0.15 per share totaling HK\$640 million on 29 April 2016
- Subsequently announced another special dividend of HK\$0.18 per share totaling approximately HK\$770 million payable on or about 28 October 2016



GALAXY MACAU™

- Revenue of HK\$18.5 billion for 1H 2016, increased 8% year-on-year
- Adjusted EBITDA of HK\$3.9 billion for 1H 2016, increased 22% year-on-year
- Hotel occupancy for 1H 2016 across the five hotels was 97%
- Non-gaming revenue of HK\$1.3 billion for 1H 2016, increased 53% year-on-year



FINANCIAL & OPERATIONAL HIGHLIGHTS

STARWORLD MACAU

- Revenue of HK\$5.6 billion for 1H 2016, decreased 22% year-on-year
- Adjusted EBITDA of HK\$977 million for 1H 2016, decreased 12% year-on-year
- Hotel occupancy for 1H 2016 was 97%

星際酒店
StarWorld Hotel

BROADWAY MACAU™

- Revenue of HK\$350 million for 1H 2016, increased 447% year-on-year
- Adjusted EBITDA of HK\$9 million for 1H 2016 (1H 2015: (HK\$2) million)
- Hotel occupancy for 1H 2016 was near full capacity

澳門百老匯
BROADWAY MACAU

DEVELOPMENT UPDATE

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



FINANCIAL & OPERATIONAL HIGHLIGHTS

GROUP

Revenue

(HK\$'m)	1H 2015	1H 2016	% Change
Gaming and Entertainment	24,462	24,547	0%
Construction Materials	909	991	9%
Group Total	25,371	25,538	1%



Adjusted EBITDA

(HK\$'m)	1H 2015	1H 2016	% Change
Gaming and Entertainment	4,093	4,573	12%
Construction Materials	144	205	42%
Corporate	(78)	(72)	8%
Group Total	4,159	4,706	13%

Key Financial Metrics

	1H 2015	1H 2016	% Change
Net Profit Attributable to Shareholders (HK\$'m)	2,030	2,558	26%
Earnings per Share (HK cents)	47.7	60.0	26%
Total Assets (HK\$'m)	58,606	56,839	(3%)
Cash and Liquid Investments (HK\$'m)	9,439	11,283	20%
Share Price on 30 June (HK\$)	30.90	23.00	(26%)
Market Capitalisation (HK\$'m)	131,524	98,111	(25%)

Note: The Group was in net cash position as at 30 June 2016 and 30 June 2015.

FINANCIAL & OPERATIONAL HIGHLIGHTS

GALAXY MACAU™

Financial Highlights

(HK\$'m)	1H 2015	1H 2016	% Change
Revenue	17,213	18,542	8%
Adjusted EBITDA	3,229	3,933	22%
Adjusted EBITDA Margin (HKFRS)	19%	21%	n/a
Adjusted EBITDA Margin (US GAAP)	25%	27%	n/a



1H 2016 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	245,832	9,866	4.0%
Mass Gaming	15,568	6,537	42.0%
Electronic Gaming	23,203	828	3.6%

1H 2015 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	293,867	10,282	3.5%
Mass Gaming	12,560	5,375	42.8%
Electronic Gaming	17,187	694	4.0%

FINANCIAL & OPERATIONAL HIGHLIGHTS

STARWORLD MACAU

Financial Highlights

(HK\$'m)	1H 2015	1H 2016	% Change
Revenue	7,129	5,599	(22%)
Adjusted EBITDA	1,114	977	(12%)
Adjusted EBITDA Margin (HKFRS)	16%	17%	n/a
Adjusted EBITDA Margin (US GAAP)	23%	24%	n/a



1H 2016 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	105,290	3,131	3.0%
Mass Gaming	6,081	2,319	38.1%
Electronic Gaming	795	42	5.3%

1H 2015 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	159,939	5,017	3.1%
Mass Gaming	4,795	1,890	39.4%
Electronic Gaming	977	66	6.8%

FINANCIAL & OPERATIONAL HIGHLIGHTS

BROADWAY MACAU™

Financial Highlights

(HK\$'m)	1H 2015	1H 2016	% Change
Revenue	64	350	447%
Adjusted EBITDA	(2)	9	550%

1H 2016 Selected Gaming Statistics

(HK\$'m)	Table Drop/ Slots Handle	Net Win	Hold %
Mass Gaming	1,103	246	22.3%
Electronic Gaming	280	16	5.6%

1H 2015 Selected Gaming Statistics

(HK\$'m)	Table Drop/ Slots Handle	Net Win	Hold %
Mass Gaming	177	37	20.7%
Electronic Gaming	58	4	7.1%



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 six months of 2016.

We have seen gradual signs of market stabilization in Macau. For Galaxy Entertainment Group, it has been a time of consolidation and steady progress, allowing us to achieve solid financial results for 1H 2016.

Despite the continuing global headwinds and challenging times, Group revenues were steady at HK\$25.5 billion in 1H 2016. Our strong focus on operational efficiency and prudent cost control contributed to our Adjusted EBITDA increasing by 13% year-on-year to HK\$4.7 billion in the same period. Our hotels were virtually fully occupied.

The shift to the mass segment has continued, and GEG has been expanding its footprint and non-gaming offering. Our portfolio of integrated resorts has underpinned our earnings and GEG continues to derive the vast majority of its earnings from the higher margin mass segment and non-gaming amenities.

We remain optimistic about the overall prospects for Macau in general and for GEG specifically in the medium to longer-term.



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



LETTER FROM THE CHAIRMAN

The Macau Government has reinforced its commitment to economic growth and its support of the gaming and tourism industries through the publication of its Interim Review of Gaming Liberalization for Games of Fortune Research Report (“Interim Review”), Macau’s Five-Year Development Plan (“Five-Year Plan”) and the Macau Tourism Industry Development Master Plan (“Tourism Industry Plan”). The reports outline plans to increase synergies between gaming and non-gaming operations, expand offerings in leisure, sports, commerce, Meetings Incentives Conference and Events (MICE), open up new markets, improve infrastructure links and increase Macau’s tourist carrying capacity.

GEG supports these objectives and we are encouraged by the Macau Government’s Interim Review, which showed the positive role of concessionaires in the development of Macau since 2002. Macau has been transformed into one of the world’s leading developed cities, and a growing World Centre of Tourism and Leisure. Importantly, we have continued to support local hiring and upward mobility, and the growth of a thriving SME and supplier network.

On 29 April 2016, we paid a special dividend of HK\$0.15 per share, reflecting our continued confidence in the long-term outlook for Macau and our commitment of returning surplus capital to shareholders. We are pleased to announce another special dividend of HK\$0.18 per share to be paid on or about 28 October 2016.

MACAU MARKET REVIEW

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

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

GALAXY MACAU™

Galaxy Macau™, with its large mass segment and non-gaming entertainment amenities, is the main contributor to our results. Benefitting from its expanded footprint and the completion of Galaxy Macau™ Phase 2 as well as a focus on operational efficiencies, revenue was up 8% year-on-year to HK\$18.5 billion and Adjusted EBITDA was up 22% year-on-year to HK\$3.9 billion in 1H 2016.

STARWORLD MACAU

StarWorld Macau reported that 1H 2016 revenue was down 22% year-on-year to HK\$5.6 billion. Adjusted EBITDA was down 12% year-on-year to HK\$977 million. Both declines occurred as Macau faced challenges in the VIP segment. However, StarWorld Macau’s ongoing steady transition to a Mass focused operation, illustrates the broadening of GEG’s footprint and the expansion of its non-gaming offering.

BROADWAY MACAU™

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

LETTER FROM THE CHAIRMAN

CONSTRUCTION MATERIALS DIVISION

The Construction Materials Division's Adjusted EBITDA was up 42% year-on-year to HK\$205 million in 1H 2016.

DEVELOPMENT PIPELINE

Cotai Phases 3 & 4

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

Hengqin

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

International

GEG is continuously exploring opportunities in the overseas markets.

BALANCE SHEET AND SPECIAL DIVIDENDS

The Group's balance sheet remains healthy. As of 30 June 2016, cash and liquid investments stood at HK\$11.3 billion, up 46% from 31 December 2015, and net cash was HK\$10.1 billion. Total debt was HK\$1.2 billion as of 30 June 2016 (31 December 2015: HK\$1.2 billion). The Group paid a special dividend of HK\$0.15 per share on 29 April 2016. Subsequently, the Group announced another special dividend of HK\$0.18 per share to be paid on or about 28 October 2016.

MACAU MARKET OUTLOOK

GEG remains optimistic about the prospects for Macau in general and GEG specifically over the medium to longer-term.

The Macau market continues to show gradual signs of stabilization. Through the publication of its Interim Review, Five-Year Plan and the Tourism Industry Plan, the Macau Government has reinforced its commitment to economic growth and its support of the gaming and tourism industries.

GEG sees the market shift towards the mass segment continuing, underpinned by the Government's push towards non-gaming development including MICE, entertainment and family facilities. It will also be supported by improved infrastructure, including the Hong Kong-Zhuhai-Macau Bridge, the Taipa Ferry Terminal and the extension of the train line connecting Zhuhai to the Lotus Bridge in Hengqin, a project that will significantly improve access to Cotai.

We expect these factors to combine in the short to medium-term to drive increased overnight visitor numbers, whom stay longer, and have a higher non-gaming spend.



LETTER FROM THE CHAIRMAN

CLOSING REMARKS

Moving forward to the second half of 2016 and beyond, we will continue our focus on the mass market, while maintaining prudent cost control.

We believe that we have created a powerful blend of Macanese, Chinese and international entertainment and cultural elements that cater for a broad range of tastes and price points. These initiatives will encourage visitors to commit to longer stays, diversify the visitor demographic, and enhance the visitor experience.

GEG will be ready to capture future increases in leisure, tourism and travel, and thanks to our healthy balance sheet, we will be able to focus on our development pipeline. In terms of development pipeline, GEG has the most clearly defined development plans in Macau, which includes the construction of Cotai Phases 3 & 4 and the proposed 2.7 sq km Hengqin project. The Cotai Phases 3 & 4 will further bolster GEG's non-gaming footprint by allocating substantial floor space to MICE, entertainment and family facilities. Hengqin will allow the Group to develop a low density integrated resort that will complement our high-energy resorts in Cotai.

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

Dr. Lui Che Woo

*GBM, MBE, JP, LLD, DSSc, DBA
Chairman*

Hong Kong, 25 August 2016

SELECTED MAJOR AWARDS



Award	Presenter
GEG	
Socially Responsible Operator	International Gaming Awards
Top 100 HK Listed Companies Award – Comprehensive Strength	QQ.com x Finet
Certificate of Excellence in Investor Relations	Hong Kong Investor Relations Association
Gaming and Lodging – Most Honored Company	Institutional Investor Magazine
Best Investor Relations Program	– 2016 All-Asia Executive Team Survey
– First Place (Nominated by the Buy Side)	
– Third Place (Nominated by the Sell Side)	
Best CEO (Mr. Francis Lui)	
– Third Place (Overall)	
– Third Place (Nominated by the Sell Side)	
Best CFO (Mr. Robert Drake)	
– First Place (Nominated by the Buy Side)	
– Second Place (Nominated by the Sell Side)	
Best Investor Relations Professional (Mr. Peter Caveny)	
– First Place (Nominated by the Buy Side)	
– Second Place (Overall)	
Best Analysts Days – First Place	
Best Website – First Place	
The Most Generous Chinese of “Hurun Non-Mainland Chinese Philanthropy List 2016”	Hurun Report
GALAXY MACAU™	
Macau Elite Service Award 2015 – The Best Integrated Resort and Hotel Service and Brand	Exmoo
The Most Popular Hotel in Macau – Galaxy Hotel	Top Magazine – 2016 Quality Life Awards
Best Integrated Resort	Asia Gaming Awards
2015 Macao Green Hotel Award	Macao Environmental Protection Bureau (DSPA)
– Gold (Hotel Okura Macau)	
– Silver (Galaxy Hotel)	
The Supreme Award for the Most Favored Integrated Resort by Parent-Child in Asia	Golden Horse Awards of China Hotel
Top 10 Hoteliers of the Year (Mr. Francis Lui)	China Hotel Starlight Awards

SELECTED MAJOR AWARDS



Award	Presenter
STARWORLD MACAU	
Top 10 Glamorous Hotels of China	China Hotel Starlight Awards
Smiling Enterprise Award – StarWorld Hotel	Smiling Enterprise Award
The Supreme Award for the Most Glamorous Hotel of Asia	Golden Horse Awards of China Hotel
BROADWAY MACAU™	
The Supreme Award for the Most Local Experience Resort in Asia	Golden Horse Awards of China Hotel
CONSTRUCTION MATERIALS DIVISION	
22nd Considerate Contractors Site Award Scheme – Outstanding Environmental Management & Performances Award (Bronze Award) – Public Works – New Works (Bronze Award)	Development Bureau/Construction Industry Council
BOCHK Corporate Environmental Leadership Awards 2015 – 5 Years+ EcoPioneer – KWP Quarry Co. Ltd. – EcoChallenger – KWP Quarry Co. Ltd. – EcoChallenger – Doran Construction Products (Shenzhen) Co., Ltd. – EcoChallenger – Fast Concrete Ltd. – EcoChallenger – K. Wah Materials (Huidong) Limited – EcoChallenger – 深圳嘉華混凝土管樁有限公司	Federation of Hong Kong Industries/Bank of China (Hong Kong)



MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

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

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

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

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

Macau Government's Interim Review

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

Macau's Five Year Development Plan and Macau Tourism Industry Development Master Plan Consultation

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

Overview of the Macau Gaming Market

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

REVIEW OF OPERATIONS

Group Financial Results

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

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

The Group’s total gaming revenue on a management basis¹ in 1H 2016 was down 2% year-on-year to \$24.1 billion as total mass table games revenue was up 22% year-on-year to \$10.0 billion and total VIP revenue was down 15% year-on-year to \$13.2 billion.



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

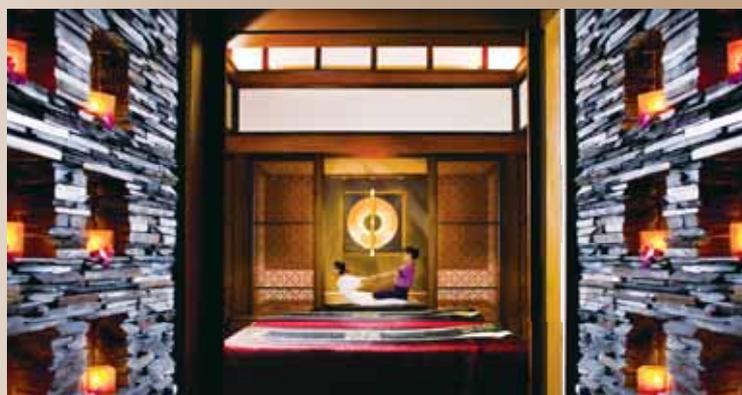


MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Cost Control Initiatives

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

Balance Sheet and Special Dividends

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

GAMING AND ENTERTAINMENT DIVISION

Galaxy Macau™

Financial and Operational Performance

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

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

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

VIP Gaming Performance

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

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

Mass Gaming Performance

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

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

Electronic Gaming Performance

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Non-Gaming Performance

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

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

StarWorld Macau**Financial and Operational Performance**

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

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

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

VIP Gaming Performance

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

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

Mass Gaming Performance

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Non-Gaming Performance

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

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

Broadway Macau™**Financial and Operational Performance**

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

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

Mass Gaming Performance

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Electronic Gaming Performance

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

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

Non-Gaming Performance

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

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

City Clubs

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

CONSTRUCTION MATERIALS DIVISION

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

Hong Kong and Macau

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

Mainland China

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

DEVELOPMENT UPDATE

Cotai Phases 3 & 4

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

Hengqin

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

International

GEG is continuously exploring opportunities in the overseas markets.

GROUP OUTLOOK

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

TREASURY POLICY

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

The Group's borrowings were largely denominated in Renminbi and Euro. Euro bank loan was utilized to fund and hedge the foreign exchange risk on the Euro-denominated Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco investment in August 2015.

CHARGES ON GROUP ASSETS

Property, plant and equipment with net book value of \$1,055 million (31 December 2015: \$764 million) and bank deposits of \$456 million (31 December 2015: \$462 million) have been pledged to secure banking facilities.

GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$22 million (31 December 2015: \$58 million). At 30 June 2016, no facility has been utilized (31 December 2015: nil).

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group, excluding associated companies and joint ventures, employed approximately 21,000 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$3,471 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 2016, GEG supported and participated in a variety of different types of social, philanthropic and volunteering activities.

TEAM MEMBER ENGAGEMENT

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

During the first half of the year, GEG organized approximately 400 training programs for more than 14,400 team members. In addition, the GEG Staff Social Club continued to enhance team bonding and promote work-life balance among team members by organizing 13 different sports and recreational activities for close to 1,100 team members and their family members' enjoyment.



To celebrate the Chinese New Year, GEG organized a "Soccer Fun Day and Carnival" that attracted over 250 GEG executives, team members, family and friends to take part

TALENT MANAGEMENT

Organization Development and Training initiatives engage and support the promotion and delivery of the Group's Mission, Vision and core values. Our team members receive our full support in their development as this is a differentiating factor that attracts, retains and prepares our team members for great personal and organizational success.

To support the Group's continued success, Organization Development and Training has built and delivered in collaboration with the business units a number of key initiatives.

CORPORATE SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY

Responsible Gaming

Supporting Macau in developing a sustainable and socially responsible gaming industry, GEG works closely with the Macau SAR Government, local non-profit organizations and academic institutions to cultivate a responsible gaming culture for Macau. Focusing on educating and raising the awareness of our team members and patrons, the Group launched a series of initiatives in the first half of 2016, including:

- Collaborated with the University of Macau Institute for the Study of Commercial Gaming and Sheng Kung Hui Macau Social Services Coordination Office in organizing the Responsible Gaming Committee Training Program
- Coordinated with Macao Polytechnic Institute Gaming Teaching & Research Centre on delivering a seminar on the theme of “Responsible Gaming Guidelines, Gambling Disorder and Business Conduct”
- Organized Responsible Gaming Roadshows on the theme of “Helpful Tips for a Healthy Life” in all back-of-houses of GEG properties



GEG actively engages in various activities to strengthen team members' knowledge on responsible gaming

Galaxy Entertainment Group Foundation

Established in April 2015, the Galaxy Entertainment Group Foundation (the “Foundation”) advocates in giving back to the community in Macau and the Greater China Region. The Foundation engages in philanthropic activities, in particular with nurturing young people in developing their positive moral and life values, as well as enhancing their education and employment opportunities so as to enable them to contribute to the community they live in.

The Foundation's most recently approved project, the *GEG Community Nursing Project*, aims to enhance the quality of the community nursing profession in Macau. The project will provide scholarships to encourage nursing school graduates to enter the community nursing profession and support in-service community nurses working in local non-government organizations through professional development courses and research into various issues related to community nursing.

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 contributes to society by implementing different community initiatives and volunteering activities. In the first half of 2016, close to 100 GEG team members participated in our volunteering activities and offered assistance to over 780 underprivileged individuals and animals in need.



GEG invited members and parents from Macau Association of the Hearing Impaired to “Viva La Broadway” variety show at Broadway Macau™



GEG volunteers organized an “Easter Bunny Basket Workshop” for members of the Association of Parents of the People with Intellectual Disabilities of Macau

CHARITABLE ACTIVITIES

Believing in sharing its 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. (third from left), presented a MOP300,000 cheque to Macau Holy House of Mercy in support of the charity’s Welfare Shop Program



Mr. Francis Lui, Deputy Chairman of GEG (third from the right), presented a MOP200,000 cheque donation to the General Union of Neighborhood Associations of Macau in support of the charity’s “Peng On Tung” Tele-assistance Services

CORPORATE SOCIAL RESPONSIBILITY

SPORTS DEVELOPMENT

Committed to making Macau a more culturally diverse and attractive international tourism destination, GEG works closely with the Macau SAR Government and the local community on enhancing the attractiveness, scale and quality of Macau's sports and community events. In the first half of 2016, GEG:

- Title sponsored the "FIVB Volleyball World Grand Prix™ Macau" for the 11th year
- Sponsored the Charity Association of Macau Business Readers in organizing the "Macau Special Olympics Golf Masters" tournament for the 5th consecutive year



GEG team members proactively supported "World Challenge Day" and will eagerly continue to support the Macau SAR Government's message of "Sports for All – Exercising for Better Health"



GEG hosted an Appreciation Gathering to recognize interns for their contributions during their tenure at GEG

EDUCATION AND CULTURE

Supporting the Macau SAR Government on talent cultivation, GEG collaborates with many educational, arts and cultural associations and institutes on developing different programs that assist young people in building a more solid foundation for their future careers. In the first half of 2016, GEG:

- Recruited 60 students, of which 15 students were from special education institutes for the Batch 1 GEG Internship Program 2016
- Title sponsored the "GEG Macau Cup – Teenager National Conditions Knowledge Competition" for the 8th consecutive year
- Sponsored the film screening of "Letters from War" at UA Galaxy Cinemas in support of "The 5th Annual Script Road – Macau Literary Festival" organized by Ponto Final and supported by the Office of the Secretary for Social Affairs and Culture, the Cultural Affairs Bureau, Macau Foundation and Macau Government Tourist Office

CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

Committed to protecting the environment for the benefit of our future generations, GEG continues to push for improvements to its environmental performance. In the first half of the year, GEG continued to:

- Renew its Pearl Membership to WWF-Hong Kong's 2016/17 Corporate Membership Program and took part in WWF's Earth Hour event for the 8th consecutive year
- Take part in the monthly "Lights Out" Activity on the first Tuesday of every month
- Take part in the "2016 Macao International Environmental Co-operation Forum & Exhibition" hosted by the Macau SAR Government

Furthermore, the Group also continued to reduce its energy use, water consumption and waste generation across its properties as follows:

Energy, Water and Waste

By strengthening team member communications and improving the conservation measures across all properties, GEG achieved over 6.19 million kWh of energy and over 68,979 m³ of water savings.

Furthermore, the Group also enhanced its recycling efforts and began food waste recycling at StarWorld Macau. In the first half of 2016, GEG generated approximately 3,957 kg of composites for landscape planting from food waste recycling, collected over 566 tons of cardboard and paper materials, 63.5 tons of plastic, 21 tons of metals, 46.8 tons of glass bottles, and 23,740 liters of waste oil for recycling via the recycling programs at all its properties.



Galaxy Macau™ organized an "Environmental Health & Safety Quiz Competition" to enhance team members' EHS culture and awareness

CORPORATE SOCIAL RESPONSIBILITY

CONSTRUCTION MATERIAL DIVISION

Sustainability Strategy

Considered to be of paramount importance, CMD is committed to ensuring the health, safety and welfare of employees, contractors and those affected by its operations. Its aim is to operate a zero harm culture, and the division continues to intensify its focus on training and safety systems, including new initiatives such as the implementation of a 'Better by Design' concept, that embeds The Health, Safety and Environment (HSE) requirements into the design stage of all new plant and equipment.

CMD is committed to outstanding environmental performance, reducing carbon emissions, and optimizing the use of resources. By working closely with its customers to develop the use of innovative environmental products, such as Ground Granulated Blast-furnace Slag, and providing services and solutions for more sustainable construction, the division continues to increase its contribution to a more sustainable built environment.

Employee Care

CMD emphasizes the health and well-being of employees. To support this, activities including Wellness Talks, Zumba Class and Wine Tasting workshops were conducted to engaging employee's work-life balance. Besides, CMD also commits to employee development. During the period, various programs were conducted, including Leadership Charisma and Problem Solving and Decision Making Skill to all levels of employee to enhance their technical and management skill to keep pace with the changing and challenging working environment, and prepare for the succession of next new level.



KWCM Social Club organized Balloon Twisting Classes, the fun-filled activities spread joy and happiness to the participants



CMD saves lives through organizing blood donation day. Most of the participants are regular donors and some of them even donated blood for more than 60 times

CORPORATE SOCIAL RESPONSIBILITY

Community Activities

CMD is devoted to contribute and reciprocate to the communities by involving into charitable activities including Food Donation Campaign, Pok Oi Cycle for Millions, and Blood Donation Day.

Recognition and Awards

CMD strives to achieve its working principles on environment protection and community care. In return, a number of accolades were received to recognize significant achievements selectively listed below.

- 10 Consecutive Years Plus Caring Company Logo from the Hong Kong Council of Social Service
- CEDD Construction Site Safety Award 2015 (Gold Award – The Rehabilitation of Anderson Quarry) from The Civil Engineering & Development Department (CEDD)
- BOCHK Corporate Environmental Leadership Awards 2015 – EcoChallenger & 5 Years+ EcoPioneer Companies from Federation of Hong Kong Industries and Bank of China (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 38 to 61, which comprises the condensed consolidated balance sheet of Galaxy Entertainment Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2016 and the related 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 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 August 2016

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	5	25,538,536	25,371,183
Other income/gains, net	7(a)	75,970	130,176
Special gaming tax and other related taxes to the Macau Government		(9,080,382)	(9,211,386)
Commission and allowances to gaming counterparties		(5,624,667)	(6,904,608)
Raw materials and consumables used		(404,768)	(414,897)
Amortisation and depreciation		(1,849,003)	(1,211,589)
Employee benefit expenses		(3,515,829)	(3,414,778)
Other operating expenses		(2,546,594)	(2,303,389)
Finance costs	8	(16,391)	(19,407)
Share of profits less losses of:			
Joint ventures		21,663	31,348
Associated companies		834	387
Profit before taxation	7(b)	2,599,369	2,053,040
Taxation charge	9	(40,426)	(34,921)
Profit for the period		2,558,943	2,018,119
Attributable to:			
Equity holders of the Company		2,558,080	2,030,379
Non-controlling interests		863	(12,260)
		2,558,943	2,018,119
Earnings per share	11	HK cents	HK cents
Basic		60.0	47.7
Diluted		59.6	47.2

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2016

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

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2016

	Note	30 June 2016 HK\$'000	31 December 2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	34,682,620	35,690,673
Investment properties		42,000	42,000
Leasehold land and land use rights	12	5,100,146	5,121,699
Intangible assets	12	1,235,366	1,341,213
Joint ventures		1,301,484	1,321,081
Associated companies		1,906	1,072
Other non-current assets	13	1,094,436	637,388
		43,457,958	44,155,126
Current assets			
Inventories		163,925	150,789
Debtors and prepayments	14	1,823,449	2,183,880
Amounts due from joint ventures		406,067	404,441
Taxation recoverable		17,282	6,148
Derivative financial instruments		–	9,103
Other investments		–	3,425
Other cash equivalents		208,269	723,748
Cash and bank balances		10,761,914	7,717,681
		13,380,906	11,199,215
Total assets		56,838,864	55,354,341

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2016

	Note	30 June 2016 HK\$'000	31 December 2015 HK\$'000
EQUITY			
Share capital	15	19,998,251	19,952,107
Reserves		23,209,263	21,149,332
Equity attributable to owners of the Company		43,207,514	41,101,439
Non-controlling interests		567,220	611,898
Total equity		43,774,734	41,713,337
LIABILITIES			
Non-current liabilities			
Borrowings	16	606,488	671,461
Deferred taxation liabilities		251,942	250,280
Retention payable		161,391	150,477
Non-current deposits		305,464	323,972
		1,325,285	1,396,190
Current liabilities			
Creditors and accruals	17	10,887,717	11,457,586
Amounts due to joint ventures		8,972	27,306
Current portion of borrowings and short-term bank loans	16	774,639	718,879
Derivative financial instruments		3,367	–
Provision for tax		64,150	41,043
		11,738,845	12,244,814
Total liabilities		13,064,130	13,641,004
Total equity and liabilities		56,838,864	55,354,341
Net current assets/(liabilities)		1,642,061	(1,045,599)
Total assets less current liabilities		45,100,019	43,109,527

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2016

	2016 HK\$'000	2015 HK\$'000
Net cash from operating activities	4,995,366	2,398,732
Net cash used in investing activities	(5,593,448)	(5,096,998)
Net cash (used in)/from financing activities	(652,423)	2,844,736
Net (decrease)/increase in cash and cash equivalents from 1 January to 30 June	(1,250,505)	146,470
Cash and cash equivalents at 1 January	7,979,218	8,330,951
Translation differences	(7,649)	462
Cash and cash equivalents at 30 June	6,721,064	8,477,883
Analysis of cash and cash equivalents		
Cash and bank balances at 30 June	10,761,914	9,439,328
Less: short-term bank deposits with maturity over three months and short-term pledged deposits	(4,249,119)	(1,855,465)
Other cash equivalents	208,269	894,020
Cash and cash equivalents at 30 June	6,721,064	8,477,883

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2016

	Share capital 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 2016	19,952,107	21,149,332	41,101,439	611,898	41,713,337
Comprehensive income					
Profit for the period	-	2,558,080	2,558,080	863	2,558,943
Other comprehensive loss					
Change in fair value of available-for-sale financial assets	-	(38,006)	(38,006)	-	(38,006)
Translation differences of subsidiaries	-	(19,952)	(19,952)	(5,232)	(25,184)
Share of translation differences of joint ventures	-	(24,355)	(24,355)	(3,334)	(27,689)
Total other comprehensive loss, net of tax	-	(82,313)	(82,313)	(8,566)	(90,879)
Total comprehensive income for the period	-	2,475,767	2,475,767	(7,703)	2,468,064
Transactions with equity holders					
Return of capital to non-controlling interests	-	-	-	(16,484)	(16,484)
Dividend paid to non-controlling interests	-	-	-	(20,491)	(20,491)
Issue of shares upon exercise of share options	46,144	(13,785)	32,359	-	32,359
Fair value of share options granted	-	100,390	100,390	-	100,390
Fair value of share award granted	-	137,198	137,198	-	137,198
Special dividends (note 10)	-	(639,639)	(639,639)	-	(639,639)
At 30 June 2016	19,998,251	23,209,263	43,207,514	567,220	43,774,734
At 1 January 2015	19,774,917	18,594,220	38,369,137	619,945	38,989,082
Comprehensive income					
Profit for the period	-	2,030,379	2,030,379	(12,260)	2,018,119
Other comprehensive (loss)/income					
Change in fair value of available-for-sale financial assets	-	(64,752)	(64,752)	-	(64,752)
Translation differences of subsidiaries	-	(228)	(228)	58	(170)
Share of translation differences of joint ventures	-	365	365	68	433
Total other comprehensive (loss)/income, net of tax	-	(64,615)	(64,615)	126	(64,489)
Total comprehensive income for the period	-	1,965,764	1,965,764	(12,134)	1,953,630
Transactions with equity holders					
Dividend paid to non-controlling interests	-	-	-	(5,313)	(5,313)
Issue of shares upon exercise of share options	118,487	(34,934)	83,553	-	83,553
Fair value of share options granted	-	106,165	106,165	-	106,165
Fair value of share award granted	-	124,331	124,331	-	124,331
Special dividends (note 10)	-	(1,191,467)	(1,191,467)	-	(1,191,467)
At 30 June 2015	19,893,404	19,564,079	39,457,483	602,498	40,059,981

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 2015 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2016 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

The interim financial information has been approved for issue by the Board of Directors on 25 August 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) under the historical cost convention, as modified by the revaluation of investment properties, non-current investments, financial assets and financial liabilities (including derivative financial instruments), which are carried at fair values. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

NOTES TO THE INTERIM FINANCIAL INFORMATION

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The accounting policies used in the preparation of the interim financial information are consistent with those used and as described in the annual financial statements for the year ended 31 December 2015, except as described below:

(a) The adoption of amended standards

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

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

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

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

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

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

(c) Additional accounting policy applied in current period***Held-to-maturity financial assets***

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

3. 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 2015.

4. 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 2015. There have been no changes in the financial risk management objectives and policies of the Group since 2015 year end.

4.1 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).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2016 and 31 December 2015.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2016				
Assets				
Available-for-sale financial assets				
– Equity securities	319,458	–	26,426	345,884
– Unlisted investment in Hong Kong	–	–	6,000	6,000
Total	319,458	–	32,426	351,884
Liabilities				
Derivative financial instruments	–	3,367	–	3,367
Total	–	3,367	–	3,367

NOTES TO THE INTERIM FINANCIAL INFORMATION

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Fair value estimation (Continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2015				
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	3,425	–	–	3,425
Derivative financial instruments	–	9,103	–	9,103
Available-for-sale financial assets				
– Equity securities	351,217	–	26,381	377,598
Total	354,642	9,103	26,381	390,126

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 equity investments classified as other investments.

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.

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the period ended 30 June 2016 and 30 June 2015.

	Available-for-sale financial assets	
	2016 HK\$'000	2015 HK\$'000
At beginning of the period	26,381	106,407
Additions	6,000	–
Gains/(losses) recognised in other comprehensive income	45	(64,778)
Return of capital	–	(1,928)
At end of the period	32,426	39,701
Total gains for the period included in profit or loss for assets held at the end of the period	–	–

5. REVENUE

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. REVENUE (CONTINUED)

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

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

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

During the period ended 30 June 2016, the Group is entitled to HK\$51,280,000 (2015: HK\$51,533,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the interim financial information.

6. SEGMENT INFORMATION

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

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

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (CONTINUED)

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (CONTINUED)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Six months ended 30 June 2015				
Reportable segment revenue	25,522,766	908,942	–	26,431,708
Adjusted for:				
City Club Casinos arrangement set out in note 5				
Revenue not recognised	(1,123,100)	–	–	(1,123,100)
Contributions	51,533	–	–	51,533
Others	11,042	–	–	11,042
Revenue recognised under HKFRS	24,462,241	908,942	–	25,371,183
Adjusted EBITDA including share of results of joint ventures and associated companies	4,092,438	144,140	(77,670)	4,158,908
Interest income and gross earnings on finance lease				74,518
Amortisation and depreciation				(1,211,589)
Finance costs				(19,407)
Taxation charge				(34,921)
Adjusted items:				
Taxation of joint ventures				(8,164)
Pre-opening expenses of Galaxy Macau™				
Phase 2 at Cotai				(542,169)
Pre-opening expenses of Broadway Macau™ at Cotai				(148,514)
Other pre-opening expenses				(20,191)
Unrealised gain on other investments				3,531
Share option expenses				(106,165)
Share award expenses				(108,883)
Donation and sponsorship				(6,337)
Write off/loss on disposal of certain property, plant and equipment				(8,739)
Others				(3,759)
Profit for the period				2,018,119
Share of results of joint ventures and associated companies	19,630	12,105	–	31,735

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (CONTINUED)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
As at 30 June 2016				
Total assets	51,328,899	5,475,326	34,639	56,838,864
Total assets include:				
Joint ventures	77,202	1,224,282	-	1,301,484
Associated companies	-	1,906	-	1,906
Total liabilities	10,832,853	1,750,972	480,305	13,064,130
As at 31 December 2015				
Total assets	49,864,096	5,386,459	103,786	55,354,341
Total assets include:				
Joint ventures	66,824	1,254,257	-	1,321,081
Associated companies	-	1,072	-	1,072
Total liabilities	11,673,031	1,494,956	473,017	13,641,004
Six months ended 30 June 2016				
Additions to non-current assets	372,938	378,350	-	751,288
Six months ended 30 June 2015				
Additions to non-current assets	7,421,525	282,777	-	7,704,302

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (CONTINUED)

Geographical analysis

Six months ended 30 June	2016 HK\$'000	2015 HK\$'000
Revenue		
Macau	24,657,696	24,627,041
Hong Kong	755,357	677,309
Mainland China	125,483	66,833
	25,538,536	25,371,183
Non-current assets	As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
Macau	40,089,414	41,033,337
Hong Kong	558,487	575,197
Mainland China	2,810,057	2,546,592
	43,457,958	44,155,126

NOTES TO THE INTERIM FINANCIAL INFORMATION

7. OTHER INCOME/GAINS, NET AND PROFIT BEFORE TAXATION

	2016 HK\$'000	2015 HK\$'000
(a) Other income/gains, net		
Rental income from investment properties	2,222	1,620
Interest income		
Bank deposits	41,032	70,471
Loans to joint ventures	2,500	3,066
Deferred receivables	751	647
Held-to-maturity financial assets	1,751	–
Dividend income from unlisted investments	600	3,250
Gross earnings on finance lease	528	334
Unrealised gain on other investments	–	3,531
Loss on disposal of other investments	(896)	–
Gain on disposal/(loss on disposal/write off) of property, plant and equipment	721	(10,750)
Fair value change on financial derivative instruments	(12,474)	–
Foreign exchange gain	21,561	41,442
Others	17,674	16,565
	75,970	130,176
(b) Profit before taxation is stated after charging		
Depreciation	1,689,751	1,056,788
Amortisation		
Gaming licence	53,023	52,732
Computer software	29,818	15,636
Quarry site improvements	–	4,040
Overburden removal costs	–	1,003
Quarry site development	–	49
Leasehold land and land use rights	32,448	37,378
Reacquired right	43,963	43,963

NOTES TO THE INTERIM FINANCIAL INFORMATION

8. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest expenses		
Bank loans and overdrafts	18,138	31,484
Obligations under finance leases	5,677	5,236
Other borrowing costs	173	941
	23,988	37,661
Amount capitalised in assets under construction	(7,597)	(18,254)
	16,391	19,407

9. TAXATION CHARGE

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

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

During the year ended 31 December 2014, 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 2013. In January 2015, GCSA entered into another Shareholder Dividend Tax Agreement with Macau Government for an extension of the agreement through 2018 to correspond to the Macau Complementary Tax exemption on its gaming activities.

NOTES TO THE INTERIM FINANCIAL INFORMATION

10. DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
First special dividend paid of HK\$0.15 (2015: HK\$0.28) per ordinary share	639,639	1,191,467

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

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

Details of the special dividend declared subsequent to the period end are given in note 20.

11. EARNINGS PER SHARE

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

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

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

	2016 HK\$'000	2015 HK\$'000
Profit attributable to equity holders of the Company	2,558,080	2,030,379

	Number of shares	
	2016	2015
Weighted average number of shares for calculating basic earnings per share	4,262,732,631	4,252,728,713
Effect of dilutive potential ordinary shares		
Share options	9,470,794	30,651,769
Share award	22,976,970	20,310,121
Weighted average number of shares for calculating diluted earnings per share	4,295,180,395	4,303,690,603

NOTES TO THE INTERIM FINANCIAL INFORMATION

12. CAPITAL EXPENDITURE

For the six months ended 30 June 2016, the Group incurred HK\$719 million (2015: HK\$7,688 million) on property, plant and equipment, HK\$8 million (2015: HK\$16 million) on intangible assets and HK\$24 million (2015: nil) on land use right.

13. OTHER NON-CURRENT ASSETS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Available-for-sale financial assets		
Unlisted investments in overseas, at fair value	26,426	26,381
Listed investments in overseas, at fair value	318,756	351,188
Listed investments in Hong Kong, at fair value	702	29
Unlisted investments in Hong Kong, at fair value	6,000	–
Held-to-maturity financial assets		
Listed debt securities, at amortised cost	521,479	–
Finance lease receivable	53,006	58,976
Deferred receivable	26,100	43,226
Deposits paid for property, plant and equipment	132,460	147,681
Others	9,507	9,907
	1,094,436	637,388

14. DEBTORS AND PREPAYMENTS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Trade debtors, net of provision	414,365	447,451
Other debtors and deposit paid, net of provision	1,231,215	1,555,905
Prepayments	152,295	153,582
Amounts due from associated companies	4,283	4,296
Current portion of finance lease receivable	21,291	22,646
	1,823,449	2,183,880

Trade debtors mainly arise from the sales of construction materials and mall operations. The Group has established credit policies which follow local industry standards. The Group normally allows an approved credit period ranging from 30 to 60 days (2015: 30 to 60 days) for customers in Hong Kong and Macau and 60 to 120 days (2015: 60 to 120 days) for customers in Mainland China. These are subject to periodic reviews by management.

NOTES TO THE INTERIM FINANCIAL INFORMATION

14. DEBTORS AND PREPAYMENTS (CONTINUED)

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

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

15. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2015	4,244,889,689	19,774,917
Issue of shares upon exercise of share options	11,549,003	118,487
At 30 June 2015	4,256,438,692	19,893,404
Issue of shares upon exercise of share options	4,298,333	58,703
At 31 December 2015 and 1 January 2016	4,260,737,025	19,952,107
Issue of shares upon exercise of share options (note a)	4,957,002	46,144
At 30 June 2016	4,265,694,027	19,998,251

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 (2015: 15,514,000) were granted and 4,957,002 options (2015: 11,549,003) were exercised and 3,589,940 options (2015: 911,008) have lapsed. The number of share options outstanding at 30 June 2016 was 78,242,613 (2015: 63,928,222).

- (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 (2015: 3,117,500) were granted and 1,193,030 share awards (2015: 1,301,880) have lapsed. The number of share awards outstanding as at 30 June 2016 was 23,090,330 (2015: 21,610,380), all of which are unvested.

NOTES TO THE INTERIM FINANCIAL INFORMATION

16. BORROWINGS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Bank loans		
Secured (note a)	804,461	820,660
Unsecured	365,560	363,723
	1,170,021	1,184,383
Obligations under finance leases (note b)	211,106	205,957
Total borrowings	1,381,127	1,390,340
Current portion included in current liabilities	(107,735)	(47,744)
Short-term bank loans	(666,904)	(671,135)
	(774,639)	(718,879)
	606,488	671,461

Notes:

- (a) The bank loans of HK\$804 million (2015: HK\$821 million) are secured by:
- (i) property, plant and equipment with net book value of HK\$1,055 million (2015: HK\$764 million); and
 - (ii) bank deposits of HK\$456 million (2015: HK\$462 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	
	30 June 2016 HK\$'000	31 December 2015 HK\$'000	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Bank loans	1,170,021	1,184,383	1,170,021	1,184,383
Obligations under finance leases	211,106	205,957	446,872	447,172
	1,381,127	1,390,340	1,616,893	1,631,555

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

17. CREDITORS AND ACCRUALS

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

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

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

Note:

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

18. CAPITAL COMMITMENTS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Contracted but not provided for	1,100,100	1,147,547

NOTES TO THE INTERIM FINANCIAL INFORMATION

19. 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\$2,500,000 (2015: HK\$3,066,000) are charged at prevailing market rate.
- (b) Management fee received from joint ventures and an associated company amounted to HK\$2,515,000 (2015: HK\$2,738,000) are charged at terms agreed among the parties.
- (c) Rental expenses of HK\$719,000 (2015: HK\$663,000) 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) Sales to joint ventures amounted to HK\$548,000 (2015: HK\$264,000) at terms agreed among the parties.
- (e) Purchases from joint ventures and its partner and an associated company amounted to HK\$58,620,000 (2015: HK\$65,923,000) at terms agreed among the parties.
- (f) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. Key management compensation amounted to HK\$45,000,000 for the six months ended 30 June 2016 (2015: HK\$70,000,000).

20. POST BALANCE SHEET EVENT

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

OTHER INFORMATION

SPECIAL DIVIDENDS

A special dividend of HK\$0.15 per share totaling HK\$640 million was paid to the shareholders of the Company on 29 April 2016.

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

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS FOR SPECIAL DIVIDEND

Book close dates for Special Dividend	:	27 September 2016 (Tuesday) to 30 September 2016 (Friday) (both days inclusive)
Record date for Special Dividend	:	30 September 2016 (Friday)
Ex-dividend date	:	23 September 2016 (Friday)
Expected payment date	:	28 October 2016 (Friday)
Latest time to lodge transfer documents with the Company's share registrar to entitle Special Dividend	:	4:30 p.m. on 26 September 2016 (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

DIRECTORS' INTERESTS IN SECURITIES AND SHARE OPTIONS

At 30 June 2016, the interests 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:

OTHER INFORMATION

(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	33,037,632	2,181,518	363,726,401 ⁽¹⁾	1,362,225,231 ⁽²⁾	1,761,170,782	41.29
Francis Lui Yiu Tung	43,904,896	–	396,150,099 ⁽³⁾	1,362,225,231 ⁽²⁾	1,802,280,226	42.25
Joseph Chee Ying Keung	2,520,000	–	–	–	2,520,000	0.06
Paddy Tang Lui Wai Yu	13,934,722	–	–	1,362,225,231 ⁽²⁾	1,376,159,953	32.26
James Ross Ancell	250,000	–	–	50,000 ⁽⁴⁾	300,000	0.00
William Yip Shue Lam	250,000	–	–	–	250,000	0.00
Patrick Wong Lung Tak	–	–	–	–	–	–
Charles Cheung Wai Bun	–	–	–	–	–	–

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 founder 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 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 interested in 60,000,000 shares of the Company and 61,138,039 underlying 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 Kentlake 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.

(b) Underlying Shares – Share Options

Details are set out in the Share Options section below.

All the interests stated above represent long positions.

Save as disclosed above, as at 30 June 2016, 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 associated corporations (within the meaning of Part XV of the SFO).

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 30 June 2016, the interests 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	22.82
CWL Assets (PTC) Limited	1,362,225,231	31.93
HSBC International Trustee Limited	1,363,000,491 ⁽¹⁾	31.95
Super Focus Company Limited	274,494,154	6.43
Lui Che Woo Foundation Limited	295,421,000	6.93
The Capital Group Companies, Inc.	247,372,000	5.80

Note:

- (1) HSBC International Trustee Limited, the trustee of a discretionary trust established by Dr. Lui Che Woo as founder, 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; and
- (iii) 274,494,154 shares of the Company between CWL Assets (PTC) Limited and Super Focus Company Limited.

Save as disclosed above, as at 30 June 2016, 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

Name	Date of grant	Number of Options				Held at 30 June 2016	Exercise price (HK\$)	Exercise period
		Held at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period			
Employees ^(c) (in aggregate)	23 Jul 2010	3,998,669	-	1,315,334 ^(b)	-	2,683,335	4.67	23 Jul 2011 – 22 Jul 2016
	20 Apr 2011	629,668	-	10,000 ^(b)	-	619,668	13.82	20 Apr 2012 – 19 Apr 2017
	9 Jan 2012	3,171,015	-	181,668 ^(b)	2	2,989,345	14.22	9 Jan 2013 – 8 Jan 2018
	16 Mar 2012	3,283,000	-	-	-	3,283,000	20.10	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	8,484,867	-	-	613,605	7,871,262	32.50	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	1,242,668	-	-	120,000	1,122,668	37.45	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	4,639,000	-	-	364,000	4,275,000	77.75	15 Jan 2015 – 14 Jan 2020
	16 Jul 2014	1,249,999	-	-	116,999	1,133,000	62.75	16 Jul 2015 – 15 Jul 2020
	16 Jan 2015	10,307,000	-	-	907,001	9,399,999	39.86	16 Jan 2016 – 15 Jan 2021
24 Dec 2015	23,093,000	-	-	1,443,000	21,650,000	24.80	24 Dec 2016 – 23 Dec 2021	
Others (in aggregate)	17 Jan 2013	109,001	-	-	18,333	90,668	32.50	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	186,668	-	-	-	186,668	37.45	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	133,000	-	-	7,000	126,000	77.75	15 Jan 2015 – 14 Jan 2020
	16 Jan 2015	125,000	-	-	-	125,000	39.86	16 Jan 2016 – 15 Jan 2021
	24 Dec 2015	220,000	-	-	-	220,000	24.80	24 Dec 2016 – 23 Dec 2021
Total		86,789,555	-	4,957,002	3,589,940	78,242,613		

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\$28.00.
- (b) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$25.34.
- (c) Include associate of director, Ms. Lui Wai Ling who held 1,000,000, 400,000, 80,000, 126,000, 337,000 and 594,000 options granted on 9 January 2012, 17 January 2013, 5 July 2013, 15 January 2014, 16 January 2015 and 24 December 2015 respectively at an exercise price and exercise period shown above as at 1 January 2016 and 30 June 2016. No options were exercised by Ms. Lui during the period.

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 that the vesting period for the balance of 634,000 options granted on 20 April 2011 is 100% vesting on the first anniversary of the date of grant.

Vesting period may accelerate if triggered by certain events stated in the respective share option schemes adopted on 30 May 2002 and 22 June 2011.

OTHER INFORMATION

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.

SHARE AWARD SCHEME

The particulars of the movements in the share awards held by the employees of the Company in aggregate and associates of Directors granted under the Share Award Scheme adopted by the Board of Directors of the Company on 4 August 2014 (the "Share Award Scheme") during the six months ended 30 June 2016 were as follows:

Name	Date of grant	Number of Awards			Vesting Date	Closing price at date of grant (HK\$)
		Held at 1 January 2016	Lapsed during the period	Held at 30 June 2016		
Employees (in aggregate)	28 Oct 2014	17,830,430	609,950	17,220,480	31 Dec 2017	47.70
	16 Jan 2015	1,270,170	73,590	1,196,580	31 Dec 2017	38.35
	7 May 2015	1,197,590	135,330	1,062,260	31 Dec 2017	37.10
	13 Jul 2015	3,243,330	257,810	2,985,520	31 Dec 2017	35.45
	24 Nov 2015	637,570	116,350	521,220	31 Dec 2017	23.45
	24 Dec 2015	101,790	–	101,790	30 Jun 2018	24.80
Associates of Directors	7 May 2015	2,480	–	2,480	31 Dec 2017	37.10
Total		24,283,360	1,193,030	23,090,330		

Save as disclosed above, no share awards were granted to employees, Directors of the Company or their respective associates under the Share Award Scheme during the period ended 30 June 2016. No share awards were exercised 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 2016.

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended 30 June 2016 have been reviewed by the Audit Committee of 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.

OTHER INFORMATION

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 2016.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2016, 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.

CHANGE IN DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change in Directors’ information since the publication of Annual Report 2015 is set out below:

Mr. James Ross Ancell

- Mr. Ancell is a non-executive director of MJ Gleeson PLC (a company listed on the London Stock Exchange) which is the holding company of M J Gleeson Group PLC, of which Mr. Ancell was a non-executive director from October 2006 up to December 2014.

Professor Patrick Wong Lung Tak, *BBS, JP*

- Professor Wong has been appointed as an independent non-executive director of Li Bao Ge Group Limited (a company listed on the Stock Exchange) with effect from 16 June 2016.

Dr. Charles Cheung Wai Bun, *JP*

- Dr. Cheung has been appointed as an independent non-executive director of Jiayuan International Group Limited (a company listed on the Stock Exchange) with effect from 12 February 2016.
- Dr. Cheung has resigned as the chairman of the board and an independent non-executive director of Grand T G Gold Holdings Limited with effect from 23 March 2016.

By Order of the Board

Galaxy Entertainment Group Limited

Jenifer Sin Li Mei Wah

Company Secretary

Hong Kong, 25 August 2016



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