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## **GALAXY ENTERTAINMENT GROUP LIMITED**

### **銀河娛樂集團有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 27)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015**

The Board of Directors of Galaxy Entertainment Group Limited (“GEG”) is pleased to announce the results of GEG and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2015 as follows:

### **Q4 2015 & FULL YEAR HIGHLIGHTS**

#### **GEG: Continue to drive mass revenue and cost control**

- Fourth quarter Group Adjusted EBITDA up sequentially by 18% to HK\$2.5 billion, decreased 7% year-on-year
- Full year Group revenue decreased by 29% year-on-year to HK\$51 billion
- Full year Group Adjusted EBITDA of HK\$8.7 billion, a decrease of 34% year-on-year
- Full year net profit attributable to shareholders (“NPAS”) of HK\$4.2 billion, a decrease of 60% year-on-year including HK\$1.2 billion of non-recurring charges
- Full year Adjusted NPAS of HK\$5.4 billion declined 49% year-on-year after adjusting for non-recurring charges
- Delivered approximately HK\$500 million of operational cost control savings in 2015 towards the HK\$800 million target

#### **Galaxy Macau™: Improving quarter-on-quarter performance as Phase 2 ramped up**

- Fourth quarter Adjusted EBITDA was up sequentially by 21% to HK\$2.0 billion, and in line with last year
- Full year revenue decreased by 24% year-on-year to HK\$35.5 billion; Adjusted EBITDA was 30% lower year-on-year at HK\$6.9 billion
- Non-gaming revenue up 52% year-on-year to HK\$2.3 billion; hotel occupancy across five hotels was 99%

#### **StarWorld Macau: Successfully transitioning to the mass market**

- Fourth quarter Adjusted EBITDA of HK\$557 million up 8% sequentially, down 14% year-on-year
- Full year revenue decreased by 42% year-on-year to HK\$13.0 billion; Adjusted EBITDA was HK\$2.2 billion, a decrease of 37% year-on-year
- Mass revenues increased sequentially every quarter in 2015; hotel occupancy was 99%

#### **Broadway Macau™: Family friendly / Macau SME concept drives traffic across Cotai**

- Seven months’ revenue of HK\$425 million and an Adjusted EBITDA of HK\$ (7) million
- Hotel occupancy at virtually 100%

#### **Development Update: Galaxy Macau™ Phase 2 under budget and first international investment**

- Development cost savings of HK\$400 - HK\$500 million on the HK\$19.6 billion Galaxy Macau™ Phase 2
- Completed strategic investment in SBM of Monaco
- Cotai Phases 3 & 4 — Site investigation works expected to commence in 2016
- Hengqin — Plans to develop a world class destination resort on a 2.7 sq. km land parcel moving forward

#### **Balance Sheet: Continues to be very strong, liquid and virtually debt free**

- Cash on hand of HK\$7.7 billion and a net cash position of HK\$6.5 billion, even after investing a majority of the HK\$25 billion in the development of Galaxy Macau™ Phase 2 and Broadway Macau™
- Paid two special dividends in the year totaling HK\$1.8 billion: HK\$0.28 on 22 May 2015 and HK\$0.14 on 30 October 2015
- Subsequently announced another special dividend of HK\$0.15 per share, totaling approximately HK\$650 million, payable on or about 29 April 2016

**CONSOLIDATED INCOME STATEMENT**  
**For The Year Ended 31 December 2015**

	<b>Note</b>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Revenue	2	<b>50,990,813</b>	71,752,470
Other (losses)/income/gains, net		<b>(55,873)</b>	336,605
Special gaming tax and other related taxes to the Macau Government		<b>(18,233,209)</b>	(26,565,030)
Commission and allowances to gaming counterparties		<b>(12,540,402)</b>	(22,214,046)
Raw materials and consumables used		<b>(836,814)</b>	(984,739)
Amortisation and depreciation		<b>(3,086,292)</b>	(1,884,445)
Employee benefit expenses		<b>(7,052,410)</b>	(5,601,896)
Other operating expenses		<b>(5,005,241)</b>	(4,404,139)
Finance costs		<b>(32,772)</b>	(32,849)
Share of profits less losses of:			
Joint ventures		<b>60,719</b>	162,521
Associated companies		<b>211</b>	-
Profit before taxation	4	<b>4,208,730</b>	10,564,452
Taxation charge	5	<b>(82,441)</b>	(201,904)
Profit for the year		<b>4,126,289</b>	10,362,548
Attributable to:			
Equity holders of the Company		<b>4,161,050</b>	10,339,810
Non-controlling interests		<b>(34,761)</b>	22,738
		<b>4,126,289</b>	10,362,548
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	7		
Basic		<b>97.8</b>	243.9
Diluted		<b>96.9</b>	241.1

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For The Year Ended 31 December 2015**

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year	<b>4,126,289</b>	10,362,548
Other comprehensive loss		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	<b>(94,639)</b>	(88,151)
Currency translation differences	<b>(170,052)</b>	(32,371)
Other comprehensive loss for the year, net of tax	<b>(264,691)</b>	(120,522)
Total comprehensive income for the year	<b>3,861,598</b>	10,242,026
Total comprehensive income attributable to:		
Equity holders of the Company	<b>3,924,909</b>	10,221,105
Non-controlling interests	<b>(63,311)</b>	20,921
	<b>3,861,598</b>	10,242,026

**CONSOLIDATED BALANCE SHEET**  
**As at 31 December 2015**

	Note	2015 HK\$'000	2014 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		35,690,673	30,421,771
Investment properties		42,000	35,000
Leasehold land and land use rights		5,121,699	5,204,858
Intangible assets		1,341,213	1,516,326
Joint ventures		1,321,081	1,450,610
Associated companies		1,072	861
Other non-current assets		637,388	382,481
		<u>44,155,126</u>	<u>39,011,907</u>
<b>Current assets</b>			
Inventories		150,789	143,461
Debtors and prepayments	8	2,183,880	1,981,960
Amounts due from joint ventures		404,441	325,814
Taxation recoverable		6,148	13,945
Derivative financial instruments		9,103	-
Other investments		3,425	6,429
Other cash equivalents		723,748	1,314,993
Cash and bank balances		7,717,681	9,040,327
		<u>11,199,215</u>	<u>12,826,929</u>
<b>Total assets</b>		<u><b>55,354,341</b></u>	<u><b>51,838,836</b></u>
<b>EQUITY</b>			
Share capital		19,952,107	19,774,917
Reserves		21,149,332	18,594,220
Equity attributable to owners of the Company		41,101,439	38,369,137
Non-controlling interests		611,898	619,945
<b>Total equity</b>		<u><b>41,713,337</b></u>	<u><b>38,989,082</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		671,461	576,430
Deferred taxation liabilities		250,280	249,113
Provisions		-	26,029
Retention payable		150,477	195,090
Non-current deposits		323,972	219,761
		<u>1,396,190</u>	<u>1,266,423</u>
<b>Current liabilities</b>			
Creditors and accruals	9	11,457,586	11,112,104
Amounts due to joint ventures		27,306	24,969
Current portion of borrowings and short-term bank loans		718,879	411,574
Provision for tax		41,043	34,684
		<u>12,244,814</u>	<u>11,583,331</u>
<b>Total liabilities</b>		<u><b>13,641,004</b></u>	<u><b>12,849,754</b></u>
<b>Total equity and liabilities</b>		<u><b>55,354,341</b></u>	<u><b>51,838,836</b></u>
<b>Net current (liabilities)/assets</b>		<u><b>(1,045,599)</b></u>	<u><b>1,243,598</b></u>
<b>Total assets less current liabilities</b>		<u><b>43,109,527</b></u>	<u><b>40,255,505</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

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

At 31 December 2015, the Group’s current liabilities exceeded its current assets by HK\$1,046 million. Taking into account the committed unutilised banking facilities of HK\$6.5 billion as at 31 December 2015 and cash flows from operations, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments (principally relating to the development of Galaxy Macau™ resort at Cotai) as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

#### (a) The adoption of new/amended standards

In 2015, the Group adopted the following new/amended standards which are relevant to its operations.

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions
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Annual Improvements to HKFRSs 2010 - 2012 Cycle

HKAS 24 (Amendment)	Related Party Disclosures
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HKFRS 8 (Amendment)	Operating Segments
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HKAS 16 (Amendment)	Property, Plant and Equipment
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HKAS 38 (Amendment)	Intangible Assets
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Annual Improvements to HKFRSs 2011 - 2013 Cycle

HKAS 40 (Amendment)	Investment Property
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HKFRS 3 (Amendment)	Business Combinations
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HKFRS 13 (Amendment)	Fair Value Measurement
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The Group has assessed the impact of the adoption of these new/amended HKFRS and considered that there was no significant impact on the Group's results and financial position.

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

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

<u>New standards and amendments</u>		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 27 (Amendment)	Equity Method In Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 10, 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Annual Improvements to HKFRSs 2012 - 2014 Cycle		1 January 2016
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 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) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, and as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

## 2. Revenue

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Gaming operations		
Net gaming wins	46,215,018	67,626,932
Contributions from City Club Casinos ( <i>Note</i> )	97,449	156,160
Tips received	9,480	10,946
Hotel and mall operations	2,731,027	1,911,312
Administrative fees from gaming operations	19,919	9,900
Sales of construction materials	<u>1,917,920</u>	<u>2,037,220</u>
	<u><b>50,990,813</b></u>	<u><b>71,752,470</b></u>

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

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

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

During the year ended 31 December 2015, the Group is entitled to HK\$97,449,000 (2014: HK\$156,160,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the consolidated financial statements.

### **3. Segment information**

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



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

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
<b>Year ended 31 December 2015</b>				
Reportable segment revenue	51,128,784	1,917,920	-	53,046,704
Adjusted for:				
City Club Casinos arrangement set out in note 2				
Revenue not recognised	(2,173,259)	-	-	(2,173,259)
Contributions	97,449	-	-	97,449
Others	19,919	-	-	19,919
Revenue recognised under HKFRS	<u>49,072,893</u>	<u>1,917,920</u>	<u>-</u>	<u>50,990,813</u>
Adjusted EBITDA including share of results of joint ventures and associated companies	<u>8,571,602</u>	<u>318,064</u>	<u>(154,004)</u>	8,735,662
Interest income and gross earnings on finance lease				117,584
Amortisation and depreciation				(3,086,292)
Finance costs				(32,772)
Taxation charge				(82,441)
Adjusted items:				
Taxation of joint ventures and associated companies				(13,371)
Pre-opening expenses of Galaxy Macau™ Phase 2 at Cotai				(590,735)
Pre-opening expenses of Broadway Macau™ at Cotai				(163,405)
Other pre-opening expenses				(47,697)
Unrealised loss on other investments				(917)
Share option expenses				(201,457)
Share award expenses				(238,389)
Donation and sponsorship				(5,191)
Write-off/loss on disposal of certain property, plant and equipment				(11,555)
Change in fair value of investment properties				7,000
Foreign exchange loss				(202,193)
Others				(57,542)
Profit for the year				<u>4,126,289</u>
Share of results of joint ventures and associated companies	<u>29,705</u>	<u>31,225</u>	<u>-</u>	<u>60,930</u>

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

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Year ended 31 December 2014				
Reportable segment revenue	72,874,718	2,037,220	-	74,911,938
Adjusted for:				
City Club Casinos arrangement set out in note 2				
Revenue not recognised	(3,325,528)	-	-	(3,325,528)
Contributions	156,160	-	-	156,160
Others	9,900	-	-	9,900
Revenue recognised under HKFRS	<u>69,715,250</u>	<u>2,037,220</u>	<u>-</u>	<u>71,752,470</u>
Adjusted EBITDA including share of results of joint ventures and associated companies	<u>12,929,455</u>	<u>465,110</u>	<u>(171,868)</u>	13,222,697
Interest income and gross earnings on finance lease				188,884
Amortisation and depreciation				(1,884,445)
Finance costs				(32,849)
Taxation charge				(201,904)
Adjusted items:				
Taxation of joint ventures and associated companies				(44,044)
Pre-opening expenses of Galaxy Macau™ Phase 2 at Cotai				(168,619)
Other pre-opening expenses				(73,922)
Unrealised loss on other investments				(1,720)
Share option expenses				(211,582)
Share award expenses				(104,816)
Donation and sponsorship				(331,534)
Write-off/loss on disposal of certain property, plant and equipment				(51,033)
Gain on disposal of subsidiaries				77,030
Gain on disposal of investment property				24,660
Foreign exchange gain				5,127
Others				(49,382)
Profit for the year				<u>10,362,548</u>
Share of results of joint ventures and associated companies	<u>56,716</u>	<u>105,805</u>	<u>-</u>	<u>162,521</u>

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

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Corporate and treasury management <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2015</b>				
Total assets	<u>49,864,096</u>	<u>5,386,459</u>	<u>103,786</u>	<u>55,354,341</u>
Total assets include:				
Joint ventures	66,824	1,254,257	-	1,321,081
Associated companies	<u>-</u>	<u>1,072</u>	<u>-</u>	<u>1,072</u>
Total liabilities	<u>11,673,031</u>	<u>1,494,956</u>	<u>473,017</u>	<u>13,641,004</u>
<b>As at 31 December 2014</b>				
Total assets	<u>42,444,282</u>	<u>5,613,151</u>	<u>3,781,403</u>	<u>51,838,836</u>
Total assets include:				
Joint ventures	75,914	1,374,696	-	1,450,610
Associated companies	<u>-</u>	<u>861</u>	<u>-</u>	<u>861</u>
Total liabilities	<u>11,304,762</u>	<u>1,444,455</u>	<u>100,537</u>	<u>12,849,754</u>
<b>Year ended 31 December 2015</b>				
Additions to non-current assets	<u>7,665,670</u>	<u>492,083</u>	<u>1,992</u>	<u>8,159,745</u>
<b>Year ended 31 December 2014</b>				
Additions to non-current assets	<u>9,208,410</u>	<u>457,280</u>	<u>44</u>	<u>9,665,734</u>
<b>Geographical analysis</b>				
<b>Year ended 31 December</b>		<b>2015</b> <i>HK\$'000</i>		<b>2014</b> <i>HK\$'000</i>
<b>Revenue</b>				
Macau		49,387,041		70,048,579
Hong Kong		1,456,179		1,384,701
Mainland China		<u>147,593</u>		<u>319,190</u>
		<u>50,990,813</u>		<u>71,752,470</u>
		<b>As at 31 December</b> <b>2015</b> <i>HK\$'000</i>		<b>As at 31 December</b> <b>2014</b> <i>HK\$'000</i>
<b>Non-current assets</b>				
Macau		41,033,337		36,041,240
Hong Kong		575,197		545,122
Mainland China		<u>2,546,592</u>		<u>2,425,545</u>
		<u>44,155,126</u>		<u>39,011,907</u>

#### 4. Profit before taxation

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before taxation is arrived at after crediting:		
Rental income from investment properties	3,765	6,180
Interest income	116,895	188,663
Dividend income from unlisted investments	4,730	26,000
Change in fair value of investment properties	<u>7,000</u>	<u>-</u>
and after charging:		
Unrealised loss on other investments	917	1,720
Write-off/loss on disposal of property, plant and equipment	17,988	64,781
Depreciation	2,765,733	1,564,745
Amortisation		
Gaming licence	106,337	106,337
Computer software	33,446	43,864
Quarry site improvements	8,804	8,765
Overburden removal costs	2,092	2,097
Quarry site development	98	97
Leasehold land and land use rights	81,856	70,615
Reacquired right	<u>87,926</u>	<u>87,925</u>

#### 5. Taxation charge

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	28,053	37,567
Mainland China income tax and withholding tax	5,961	18,340
Macau complementary tax	8,563	174
Net under/(over) provision in prior years	3,163	(268)
Lump sum in lieu of Macau complementary tax on dividend	35,534	142,816
Deferred taxation	<u>1,167</u>	<u>3,275</u>
Taxation charge	<u>82,441</u>	<u>201,904</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, these rates range from 12% to 25% (2014: 12% to 25%). The weighted average applicable tax rate was 12% (2014: 12%).

## 6. Dividends

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
First special dividend paid of HK\$0.28 (2014: HK\$0.70) per ordinary share	1,191,466	2,969,566
Second special dividend paid of HK\$0.14 (2014: HK\$0.45) per ordinary share	<u>596,145</u>	<u>1,909,415</u>
	<u><b>1,787,611</b></u>	<u><b>4,878,981</b></u>

The Board of Directors does not declare any final dividend for the year ended 31 December 2015 (2014: nil).

Details of the special dividend declared subsequent to the year ended 31 December 2015 are given in note 10.

## 7. Earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two (2014: two) categories of dilutive potential ordinary shares: share options and share award. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued from the share options and the share award, the dilutive effect of the share award scheme is assumed if the awarded shares are issued by new shares, which is yet to be determined.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u><b>4,161,050</b></u>	<u>10,339,810</u>
	<b>Number of shares</b>	
	2015	2014
Weighted average number of shares for calculating basic earnings per share	<b>4,255,528,729</b>	4,238,511,510
Effect of dilutive potential ordinary shares		
Share options	<b>16,179,334</b>	42,586,977
Share award	<u><b>21,432,884</b></u>	<u>8,297,530</u>
Weighted average number of shares for calculating diluted earnings per share	<u><b>4,293,140,947</b></u>	<u>4,289,396,017</u>

## 8. Debtors and prepayments

	2015 HK\$'000	2014 HK\$'000
Trade debtors, net of provision	447,451	441,830
Other debtors and deposit paid, net of provision	1,555,905	1,438,876
Prepayments	153,582	83,977
Amounts due from associated companies	4,296	9,625
Current portion of finance lease receivable	22,646	7,652
	<b>2,183,880</b>	<b>1,981,960</b>

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 (2014: 30 to 60 days) for customers in Hong Kong and Macau and 60 to 120 days (2014: 120 to 210 days) for customers in Mainland China. These are subject to periodic reviews by management.

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

	2015 HK\$'000	2014 HK\$'000
Within one month	268,507	215,931
Two to three months	133,924	168,824
Four to six months	21,720	24,542
Over six months	23,300	32,533
	<b>447,451</b>	<b>441,830</b>

## 9. Creditors and accruals

	2015 HK\$'000	2014 HK\$'000
Trade creditors	1,667,062	1,616,457
Other creditors	5,428,925	4,674,558
Chips issued	2,023,774	2,617,506
Loans from non-controlling interests	21,649	43,586
Accruals and provision	2,297,178	2,145,486
Deposits received	17,884	13,540
Dividend payable	1,114	971
	<b>11,457,586</b>	<b>11,112,104</b>

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

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

	2015 HK\$'000	2014 HK\$'000
Within one month	1,249,164	1,363,379
Two to three months	83,123	62,847
Four to six months	35,428	45,112
Over six months	299,347	145,119
	<u>1,667,062</u>	<u>1,616,457</u>

## 10. Post Balance Sheet Event

On 25 February 2016, the Board of Directors declared a special dividend of HK\$0.15 per share, payable to shareholders of the Company whose names appear on the register of members of the Company on 15 April 2016. The total amount of the special dividend to be distributed is estimated to be approximately HK\$650 million and will be paid on or about 29 April 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### OVERVIEW

2015 was one of the most challenging years for Macau and its entertainment industry as macro factors impacted customer spending behaviour and stymied visitor growth. However, this was a year of considerable progress for GEG as it once again delivered a solid set of results by improving its revenue market share, made its first international investment by taking a strategic minority equity stake in Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco (“SBM”), a renowned luxury hotels and casino business in the Principality of Monaco, and, most importantly, transformed its already compelling World Class integrated resort with the successful opening of Galaxy Macau™ Phase 2 and Broadway Macau™ on 27 May 2015, on time and under budget on a combined basis. The two interconnected properties have significantly enhanced GEG’s mass segment and family appeal.

GEG is pleased to report Group revenue and Adjusted EBITDA of \$51 billion and \$8.7 billion, respectively, in 2015, which includes the seven months contribution from Galaxy Macau™ Phase 2 and Broadway Macau™. Net profit attributable to shareholders was \$4.2 billion, including \$1.2 billion of non-recurring charges such as \$0.8 billion of pre-opening costs, \$0.2 billion of foreign exchange loss mainly due to treasury yield management exercise<sup>1</sup>, and a significant increase in depreciation and amortization post the opening of Galaxy Macau™ Phase 2 and Broadway Macau™. Management is focused on rigorously managing all costs, without adversely impacting service standards, and has successfully implemented an \$800 million operational cost control program, with approximately \$500 million achieved to date with the balance to be delivered through 2016.

<sup>1</sup> Throughout the term of the yield management exercise, the Group’s actual net gain was approximately \$0.1 billion.

The market's structural transition to the higher margin mass segment continued in 2015 due to the increasing appetite among middle class Chinese visitors for more holistic holiday experiences. In the second half of 2015, the combined mass and slots revenue was reportedly approximately 50% of total gaming revenue in Macau. In 2015, GEG actively managed its business to meet this evolution by opening Galaxy Macau™ Phase 2 and Broadway Macau™, reallocating tables to their highest and best use, particularly to the premium mass segment, and significantly expanding non-gaming amenities to attract a broader cross section of visitors. As a result the vast majority of Group EBITDA continues to be generated by our non-VIP business.

GEG finished the year with its strongest quarterly performance in over a year. For the full year GEG delivered \$51 billion of revenue and \$8.7 billion of Adjusted EBITDA, including Galaxy Macau™ contributing \$35.5 billion of revenue and \$6.9 billion of Adjusted EBITDA. The property continues to ramp up after the successful opening of Galaxy Macau™ Phase 2, with additional facilities coming on stream boosting its mass appeal.

StarWorld Macau, the Group's award-winning hotel, achieved revenue of \$13.0 billion and Adjusted EBITDA of \$2.2 billion in 2015. It continues to experience challenges in the VIP segment. We are successfully transitioning the property to the more profitable mass market business.

Broadway Macau™, a new family friendly / Macau SME concept that showcases the best of Macanese and Asian culture, made a small loss of \$7 million in its first seven months in 2015. The property has enriched the Group's Cotai offer and contributed to an increase in traffic at Galaxy Macau™.

There can be no doubt that 2015 was one of the most challenging years on record for the industry, as China's continuing transition to a consumption based economy and Government led anti-corruption measures, curtailed spending in Macau and deterred high rollers from travelling. Nevertheless, GEG achieved credible financial results, with successfully opening two major new projects on time and under budget on a combined basis which was 100% funded by internally generated funds and returned \$1.8 billion of capital to shareholders in dividends in 2015.

GEG has entered 2016 on a very solid footing with one of the strongest balance sheets of any Macau concessionaire. It has an excellent mass offer and is now far less reliant on the VIP segment and is making good progress in moving its portfolio of properties up the efficiency curve and implementing rigorous cost reductions without compromising service standards. While macro conditions remain challenging, management is encouraged by early positive signs of gradual market stabilization, as evidenced by the sequential quarterly growth in Q4 in Macau's gross gaming revenue. Supportive comments made by the Government, new capacity being built in Macau and clearer visibility on the completion of major infrastructure projects such as the Hong Kong-Zhuhai-Macau Bridge and Taipa Ferry Terminal, afford GEG confidence that a positive environment is being created that will stimulate future growth and increased visitation. The Group's extremely healthy balance sheet and robust medium to long term development pipeline coupled with a focus on executing operationally leave it well placed to navigate the continuing choppy economic waters and prosper as conditions turn more positive.

### **Successful Opening of Galaxy Macau™ Phase 2 and Broadway Macau™ Enhances Mass and Family Friendly Appeal**

GEG reached a major milestone in 2015 by opening its expanded mass market focused Galaxy Macau™ Phase 2 and new Broadway Macau™ on time and under budget, on a combined basis, on 27 May 2015. Bringing GEG's total investment in Cotai to \$43 billion, both properties have been well received by guests. Daily visitation to Galaxy Macau™ has increased to approximately 60,000 and occupancy rates across the five world class hotels averaged an impressive 99% at year-end. Subsequent to opening the budgeted \$19.6 billion Galaxy Macau™ Phase 2, the Group can confirm development cost savings in the



range of \$400-\$500 million. Broadway Macau™ offers a new family friendly / Macau SME concept in Macau that caters for all price points. It has been well received by visitors and hotel occupancy was virtually 100%.

### ***Galaxy Macau™***

It is one of the world's largest destination resorts ever built and offers an unparalleled selection of amenities, including:

- Five world class hotels, including The Ritz-Carlton Macau with over 250 suites and JW Marriott Hotel Macau with over 1,100 rooms and suites; complemented by Banyan Tree Macau, Hotel Okura Macau and Galaxy Hotel
- New signature features such as the world's longest skytop river ride Skytop Adventure Rapids, which complements the largest skytop wave pool in the world
- Approximately 160 retail outlets, offering many first-to-Macau designer and lifestyle brands, including: Alexander McQueen, Alexander Wang, Delvaux, Harry Winston, Maje, Moncler, Mulberry, Murano Art Glass, Proenza Schouler, Roger Vivier, Sandro and more. Visitors will also find flagship Macau shopping opportunities from luxury brands such as Louis Vuitton, Burberry, Dior, Prada, Tiffany, Bvlgari and many other lifestyle brands such as H&M, Nike, Adidas and DFS Beauty
- Approximately 80 food and beverage outlets, including Michelin 1-star restaurants 8½ Otto e Mezzo BOMBANA and Terrazza Italian Restaurant; Michelin recommended restaurants such as Lai Heen, Gosto and The Ritz-Carlton Cafe. This is complemented by other highly rated restaurants such as Fook Lam Moon and popular food outlets such as Tsui Wah and Tim Ho Wan. We offer Macau's largest range of pan-Asian cuisine under one roof

### ***Broadway Macau™***

Broadway Macau™ is a unique family friendly, street entertainment and food resort. GEG is committed to working with the local SME community as evidenced by the inclusion of numerous SME businesses within the Broadway Macau™ development. Facilities in Broadway Macau™ include:

- The 3,000 seat Broadway Theatre, showcasing the best in Asian entertainment, dance and music, as well as events and Macau occasions
- A vibrant Broadway street market and entertainment district celebrating the best of Macanese and Asian culture and cuisine
- 320 room Broadway Hotel, well priced and complementing the luxury properties at Galaxy Macau™
- Approximately 20 retail outlets
- Approximately 40 mainly local SMEs food and beverage options

During the course of the second half of the year, additional facilities have come on stream at both properties. This contributed to Galaxy Macau™'s performance strengthening as the year progressed and the Group reportedly securing the largest revenue market share in Macau in the final quarter.

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

As expected, a number of well publicized factors continued to weigh on sentiment and impact market revenues in 2015. These included: a Government led anti-corruption programme in Mainland China; a slowing Chinese economy; smoking restrictions in Macau; and concerns about liquidity and volatility in financial markets. During 2015, there was significant consolidation within the VIP market due to falling VIP revenue, liquidity challenges and their internal control issues. This resulted in a reduction in the number of junkets operating within Macau and contributed to the reported 45% year-on-year decline in VIP revenue to \$112 billion.

Total gaming revenue decreased by 34% year-on-year to \$224 billion, albeit the final quarter of 2015 registered very slight growth sequentially. Visitor numbers to Macau held up relatively well at 30.7 million, a reduction of just 3% on the prior year. Mainland China visitors represented 66% of total visitation, a modest drop of 4% on 2014.

As Macau has diversified and new integrated resorts have opened, the market has experienced a structural shift to the mass segment. This change in mix has accelerated in recent years as the fast growing middle class in China actively seeks more holistic family friendly holiday experiences. In the year under review mass and electronic gaming revenue in Macau was reportedly \$100.5 billion and \$11.4 billion, down 19% and 19% on last year respectively. In the second half of 2015, the combined mass and slots revenue was reportedly around 50% of the total gaming revenue.

## **Government Support for the Industry and Potential Stabilization**

While considerable challenges persist in 2016, GEG is encouraged by positive supportive comments made by the Government in relation to the industry, including greater clarity on the completion of the Taipa Ferry Terminal and Hong Kong-Zhuhai-Macau Bridge, due in 2016 and 2018, respectively.

GEG is cautiously optimistic that the market is stabilizing as demonstrated by a modest sequential uplift in Macau's gross gaming revenue in the final quarter of 2015. The reported easing of transit visas in July 2015 has been positive in increasing overnight stay, the scheduled opening of new integrated resorts this year and clear Government guidance on the infrastructure limitations removes uncertainty. These infrastructure developments, coupled with Macau's ongoing diversification and the transformation of nearby Hengqin, should drive a new wave of visitors to Macau in the medium to long term.

## **REVIEW OF OPERATIONS**

### **Group Financial Results**

The expanded Galaxy Macau™ and new Broadway Macau™ contributed seven months of results to the Group, which saw total revenue in the year decline by 29% year-on-year to \$51 billion and Adjusted EBITDA fall 34% year-on-year to \$8.7 billion. Net profit attributable to shareholders was 60% lower year-on-year at \$4.2 billion, reflecting \$1.2 billion of non-recurring charges such as \$0.8 billion of pre-opening costs and a significant increase in depreciation and amortization post the opening of Galaxy Macau™ Phase 2 and Broadway Macau™. Galaxy Macau™'s Adjusted EBITDA was \$6.9 billion, a reduction of 30% year-on-year. StarWorld Macau's Adjusted EBITDA was \$2.2 billion, 37% lower year-on-year. Broadway Macau™ reported a small loss of \$7 million. GEG's Construction Materials Division and City Clubs made solid Adjusted EBITDA contributions of \$318 million and \$107 million respectively.

GEG experienced bad luck in its gaming operation during 2015, which reduced its Adjusted EBITDA by approximately \$210 million.

The Group's total gaming revenue on a management basis<sup>2</sup> in 2015 decreased by 32% year-on-year to \$48.4 billion as total mass table games revenue decreased by 6% year-on-year to \$17.7 billion and total VIP revenue dropped 43% year-on-year to \$28.9 billion.

<b>Group Gaming 2015 (HK\$'b)</b>	<b>Turnover/ Table Drop/ Slots Handle</b>	<b>Net Win</b>	<b>Win / Hold %</b>
<b>VIP Gaming</b>	<b>850.5</b>	<b>28.9</b>	<b>3.4%</b>
<b>Mass Gaming</b>	<b>43.8</b>	<b>17.7</b>	<b>40.3%</b>
<b>Electronic Gaming</b>	<b>51.3</b>	<b>1.8</b>	<b>3.5%</b>

<b>Group Gaming 2014 (HK\$'b)</b>	<b>Turnover/ Table Drop/ Slots Handle</b>	<b>Net Win</b>	<b>Win / Hold %</b>
<b>VIP Gaming</b>	1,592.4	50.4	3.2%
<b>Mass Gaming</b>	45.0	18.8	41.8%
<b>Electronic Gaming</b>	38.9	1.8	4.6%

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

As with any major project launch, and to ensure absolute readiness on the opening day of Galaxy Macau™ Phase 2 and Broadway Macau™, GEG recruited additional staff prior to opening. This inevitably created a short term mismatch of revenues and costs, but was a vital step in ensuring GEG's customers received outstanding service and exceptional standards for which GEG is renowned. As 2015 progressed, GEG sought to drive economies of scale and move the property up the efficiency curve as it opened additional mass centric facilities. A critical part of this process has involved re-allocating tables and hotel rooms to their highest and best use, particularly in the premium mass area. As the market has evolved to mass, so has GEG, which continues to derive the vast majority of its earnings from the higher margin mass segment while retaining its leadership position in VIP.

Further the Group constantly reviews its operations and cost structures and during 2015 identified an \$800 million cost control program. Approximately \$500 million of these operational cost control initiatives were achieved in 2015 with the remaining balance targeted for 2016, without compromising customer service.

On top of the operational cost control program outlined above, the project budget for the development of Galaxy Macau™ Phase 2 was \$19.6 billion where the Group can confirm development cost savings in the range of \$400-\$500 million.

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

The Group's balance sheet is one of the strongest in the industry even after investing approximately \$25 billion in the development of Galaxy Macau™ Phase 2 and Broadway Macau™ and paying special dividends totalling \$1.8 billion during the year. At year-end cash on hand was \$7.7 billion and the Group's net cash position was \$6.5 billion. The Group is virtually debt free.

<sup>2</sup> The primary difference between statutory revenue and management basis revenue is the treatment of City Clubs revenue where fee income is reported on a statutory basis and gaming revenue is reported on a management basis.

Including the latest announced dividend, GEG will have returned \$7.3 billion to shareholders since 2014, confirming our confidence in Macau and our commitment of returning surplus capital to shareholders.

Set out below is the segmental analysis of the Group's operating results for the year ended 31 December 2015:

2015 (HK\$m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	49,073	1,918	-	50,991
Adjusted EBITDA	8,572	318	(154)	8,736

2014 (HK\$m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	69,715	2,037	-	71,752
Adjusted EBITDA	12,930	465	(172)	13,223

## GAMING AND ENTERTAINMENT DIVISION

### Galaxy Macau™

#### *Financial and Operational Performance*

With a 1.1 million square meter footprint, Galaxy Macau™ is one of the largest integrated resorts in the world. 95% of its floor area is allocated to non-gaming. In 2015, revenue was of \$35.5 billion (2014: \$46.9 billion) and Adjusted EBITDA of \$6.9 billion (2014: \$9.9 billion). Adjusted EBITDA margin under HKFRS was 20% (2014: 21%), or 25% under US GAAP (2014: 30%).

Galaxy Macau™ experienced bad luck in its gaming operations which reduced its Adjusted EBITDA by approximately \$214 million in 2015.

#### *VIP Gaming Performance*

Total VIP rolling chip volume for the year was \$555.1 billion, 41% lower than last year. This translated to revenue of \$19.9 billion (2014: \$31.7 billion).

VIP Gaming							
HK\$m	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015	YoY%
Turnover	156,645	137,222	124,645	136,630	941,679	555,142	(41%)
Net Win	5,623	4,659	4,481	5,177	31,669	19,940	(37%)
Win %	3.6%	3.4%	3.6%	3.8%	3.4%	3.6%	n/a

#### *Mass Gaming Performance*

Full year mass revenue was \$11.6 billion (2014: \$12.1 billion), a decrease of 4% year-on-year.

Mass Gaming							
HK\$m	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015	YoY%
Table Drop	6,018	6,542	7,014	7,410	27,516	26,984	(2%)
Net Win	2,879	2,496	3,013	3,217	12,125	11,605	(4%)
Hold %	47.8%	38.2%	43.0%	43.4%	44.1%	43.0%	n/a

### *Electronic Gaming Performance*

Electronic gaming revenue was in line with last year at \$1.6 billion.

Electronic Gaming							
HK\$m	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015	YoY%
Slots Handle	7,608	9,579	11,435	12,323	35,581	40,945	15%
Net Win	316	378	442	468	1,576	1,604	2%
Hold %	4.2%	3.9%	3.9%	3.8%	4.4%	3.9%	n/a

### *Non-Gaming Performance*

Non-gaming revenue was \$2.3 billion, an increase of 52% on last year.

The opening of Galaxy Macau™ Phase 2 has significantly enhanced GEG's non-gaming offer and its appeal to the mass market. Welcoming two new additional hotels, The Ritz-Carlton Macau and the JW Marriot Hotel Macau; and a vast selection of new retail, food and beverage, entertainment, leisure and MICE options, it has become a must visit destination for visitors and residents of Macau alike. The combined five hotels registered strong occupancy of 99% for 2015.

Net rental revenue for the Promenade was \$661 million in the year, an increase of 252% compared to \$188 million in 2014. This was primarily due to the opening of the Promenade in late May 2015 and the Promenade was virtually fully operational at year end.

To illustrate the success and popularity of our offer, during the peak summer season guest numbers to the expanded Grand Resort Deck surged to approximately 4,000 per day. The ten screen UA Galaxy Cineplex has been a huge success since it opened in December 2011, achieving some of the highest volume ticket sales of any cinema house in either Hong Kong or Macau.

Non-Gaming							
HK\$m	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015	YoY%
Net Rental Revenue	56	100	236	269	188	661	252%
Hotel Revenue / F&B / Others	333	364	506	473	1,350	1,676	24%
Total	389	464	742	742	1,538	2,337	52%

### **StarWorld Macau**

#### *Financial and Operational Performance*

StarWorld Macau on the Peninsula had a challenging year, posting annual revenue of \$13.0 billion and Adjusted EBITDA of \$2.2 billion, decreases year-on-year of 42% and 37% respectively due to lower VIP volumes. However, StarWorld Macau is successfully transitioning to a mass centric property with mass revenue achieving all-time records in every quarter of 2015.

Adjusted EBITDA margin in the year improved by two percentage points year-on-year to 17% under HKFRS but under US GAAP decreased by one percentage point to 24%.

StarWorld Macau experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$18 million during 2015.

### ***VIP Gaming Performance***

StarWorld Macau reported VIP rolling chip volume of \$280.5 billion (2014: \$622.8 billion), a decrease of 55%. This translated to a 52% year-on-year reduction in revenue to \$8.5 billion (2014: \$17.8 billion).

<b>VIP Gaming</b>							
<b>HK\$m</b>	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>YoY%</b>
<b>Turnover</b>	<b>88,491</b>	<b>71,448</b>	<b>67,543</b>	<b>52,981</b>	622,753	<b>280,463</b>	<b>(55%)</b>
<b>Net Win</b>	<b>2,905</b>	<b>2,112</b>	<b>1,795</b>	<b>1,692</b>	17,755	<b>8,504</b>	<b>(52%)</b>
<b>Win %</b>	<b>3.3%</b>	<b>3.0%</b>	<b>2.7%</b>	<b>3.2%</b>	2.9%	<b>3.0%</b>	<b>n/a</b>

### ***Mass Gaming Performance***

Full year mass revenue decreased by 4% to \$4.1 billion (2014: \$4.3 billion).

<b>Mass Gaming</b>							
<b>HK\$m</b>	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>YoY%</b>
<b>Table Drop</b>	<b>2,330</b>	<b>2,465</b>	<b>2,642</b>	<b>2,887</b>	10,890	<b>10,324</b>	<b>(5%)</b>
<b>Net Win</b>	<b>939</b>	<b>951</b>	<b>1,063</b>	<b>1,187</b>	4,321	<b>4,140</b>	<b>(4%)</b>
<b>Hold %</b>	<b>40.3%</b>	<b>38.6%</b>	<b>40.3%</b>	<b>41.1%</b>	39.4%	<b>40.1%</b>	<b>n/a</b>

### ***Electronic Gaming Performance***

StarWorld Macau's electronic gaming decreased by 35% to \$117 million (2014: \$181 million).

<b>Electronic Gaming</b>							
<b>HK\$m</b>	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>YoY%</b>
<b>Slots Handle</b>	<b>497</b>	<b>480</b>	<b>558</b>	<b>467</b>	2,937	<b>2,002</b>	<b>(32%)</b>
<b>Net Win</b>	<b>33</b>	<b>33</b>	<b>27</b>	<b>24</b>	181	<b>117</b>	<b>(35%)</b>
<b>Hold %</b>	<b>6.6%</b>	<b>7.0%</b>	<b>4.9%</b>	<b>5.1%</b>	6.2%	<b>5.9%</b>	<b>n/a</b>

### ***Non-Gaming Performance***

Non-gaming revenue decreased by 26% to \$275 million (2014: \$373 million), and hotel occupancy rates remained high at 99%.

### **Broadway Macau™**

#### ***Financial and Operational Performance***

Broadway Macau™, a new family friendly / Macau SME concept in Macau that caters for all price points and provides visitors with a vibrant street market and entertainment district, was opened for seven months of the year under review. It does not have a VIP gaming component. The property recorded revenue of \$425 million and an Adjusted EBITDA loss of \$7 million.

Broadway Macau™ experienced bad luck in its gaming operations which reduced its Adjusted EBITDA by approximately \$14 million during 2015.

### *Mass Gaming Performance*

Broadway Macau™'s mass gaming revenue was \$285 million.

<b>Mass Gaming</b>							
<b>HK\$m</b>	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>YoY%</b>
<b>Table Drop</b>	n/a	177	495	548	n/a	1,220	n/a
<b>Net Win</b>	n/a	37	124	124	n/a	285	n/a
<b>Hold %</b>	n/a	20.7%	25.1%	22.7%	n/a	23.4%	n/a

### *Electronic Gaming Performance*

Electronic gaming revenue was \$20 million.

<b>Electronic Gaming</b>							
<b>HK\$m</b>	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>YoY%</b>
<b>Slots Handle</b>	n/a	58	122	131	n/a	311	n/a
<b>Net Win</b>	n/a	4	8	8	n/a	20	n/a
<b>Hold %</b>	n/a	7.1%	6.8%	5.6%	n/a	6.4%	n/a

### *Non-Gaming Performance*

Non-gaming revenue was \$120 million and hotel occupancy was virtually 100%.

The property's unique selection of small and medium sized Macanese and Asian food & beverage and retail outlets has been well received by visitors. In addition, the 3,000 seat Broadway Theatre has virtually sold out every concert and is playing an important role in enhancing the overall appeal of Cotai.

### **City Clubs**

City Clubs contributed \$107 million of Adjusted EBITDA to the Group's earnings, a decrease of 36% year-on-year reflecting the wider challenges in the market.

## **CONSTRUCTION MATERIALS DIVISION**

Construction Materials Division ("CMD") delivered a satisfactory performance during the year considering the challenging macro environment in Mainland China. In line with expectations, CMD's revenue and Adjusted EBITDA for the year declined by 6% to \$1.9 billion and by 32% to \$318 million respectively, over the corresponding period last year.

## **Hong Kong and Macau**

In Hong Kong, the demand for construction materials remained stable despite delays to major infrastructure projects such as the Hong Kong-Zhuhai-Macau Bridge and the territory's section of the high-speed rail line to Guangzhou. A new flagship concrete production facility at Tai Po in the New Territories, which commenced operation in July 2015, will further strengthen CMD's market position and result in significant cost savings.

In Macau, CMD's relentless focus on operational efficiency and cost reduction initiatives, coupled with its vertically integrated business model, ensured the division's performance was comparable to last year's.

## **Mainland China**

Moderating economic growth in Mainland China reduced overall demand for cement and ground granulated blast-furnace slag ("GGBS") during the year, which in turn exerted downward pricing pressure on GGBS in particular in the important Northern and Eastern markets. However, despite these prevailing national headwinds, the Central Government's "Go West" Policy continued to underpin robust demand for cement in the Yunnan Province, where CMD has strategically positioned its cement facilities.

While the outlook for 2016 remains challenging in light of the country's continuing adjustment to a 'new normal' economy, the combination of lower energy costs and recent cuts in interest and deposit reserve ratios and the commencement of new infrastructure projects relating to "The Belt and Road Initiative", are expected to drive medium to long-term demand for construction materials.

## **FIRST INTERNATIONAL EXPANSION – SBM**

On 25 July 2015, GEG announced a strategic minority equity investment in SBM listed on the Euronext Paris.

SBM is a world renowned owner and operator of iconic luxury hotels and casinos in the Principality of Monaco. SBM's hotel properties include: Hôtel de Paris Monte-Carlo, Hôtel Hermitage Monte-Carlo, Monte-Carlo Beach, Monte-Carlo Bay Hotel & Resort, Villa La Vigie and Villas du Sporting, and its casino properties comprise: Casino de Monte-Carlo, Casino Café de Paris, Sun Casino and Monte-Carlo Bay Casino.

GEG acquired ordinary shares equivalent to approximately 5% of the issued share capital of SBM from an independent third party who is unconnected with GEG or its connected persons.

This strategic stake in SBM is the first step in an exciting partnership with SBM and its other strategic partner, LVMH, which could result in these iconic brands being used in GEG's developments.

## **DEVELOPMENT UPDATE – COTAI AND HENGQIN**

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

GEG has the largest contiguous development landbank of any operator in Macau. Plans are advancing well on Cotai Phases 3 & 4, which will add a further one million square meters to GEG's existing footprint. It is envisaged that the properties will be more mass and family orientated, with a significant MICE component. Site investigation works are expected to begin this year.



## **Hengqin**

Hengqin has been earmarked as a national New Area in China for certain designated industries. GEG is excited by its potential to become another major business and leisure hub and is exploring the option to develop a world class destination resort on a 2.7 square kilometre land parcel on the island. This low rise, low density resort will complement the Group's existing properties in Macau.

## **Overseas**

GEG continues to actively examine development opportunities in overseas markets.

## **SUBSEQUENT EVENT**

GEG announced a special dividend of \$0.15 per share payable on or about 29 April 2016.

## **GROUP OUTLOOK**

GEG performed credibly in 2015 considering the challenging market conditions. The successful opening of Galaxy Macau™ Phase 2 and Broadway Macau™ has transformed GEG's already compelling customer offer, repositioned the business to the higher margin and more resilient mass segment and significantly increased the Group's market share in the fourth quarter of 2015 post the opening of Galaxy Macau™ Phase 2 and Broadway Macau™.

Looking ahead, GEG remains confident in the long term potential of China. Its transition to a domestic consumption based economy, combined with rising incomes and continuing urbanisation, will drive long-term demand for tourism and travel. Macau is well positioned to benefit from this growth, as is GEG, which has demonstrated that it can leverage its Chinese heritage and intrinsic understanding of Asia and Chinese customer preferences to deliver differentiated 'World Class, Asian Heart' products and services that Chinese customers appreciate and enjoy.

While it is too early to call outright stabilization in the market, supportive comments from the Government on the industry, sequential growth in Q4 in Macau gaming revenue, greater clarity on the completion dates of major infrastructure works, and new properties coming on stream this year are viewed positively. However, we acknowledge that the global economy is currently experiencing a wide range of challenges. This could result in less predictive trends and greater volatility in the shorter term. We will continue to manage the business cautiously until more definitive business trends emerge.

GEG's focus in 2016 will be to drive profitable volumes and focus on the \$800 million cost control program while delivering an exceptional customer experience. Further out, GEG's sizeable approved landbank and exciting development plans, strong balance sheet and track record of execution, position us well to capture a significant share of new visitors to Macau as market conditions and sentiment turn more positive.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The equity attributable to owners of the Company as at 31 December 2015 was \$41,101 million, an increase of approximately 7% over that as at 31 December 2014 of \$38,369 million, while the Group's total assets employed increased to \$55,354 million as at 31 December 2015 as compared to \$51,839 million as at 31 December 2014.

The Group continues to maintain a strong cash position. As at 31 December 2015, total cash and bank balances were \$7,718 million, as compared to \$9,040 million as at 31 December 2014. The Group's total borrowings were \$1,390 million as at 31 December 2015 as compared to \$988 million as at 31 December 2014. The Group was in a net cash position as at 31 December 2015 and 31 December 2014.

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 utilised and borrowings in foreign currencies are arranged when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposure, which are considered necessary for the Group's treasury management activities.

The Group's borrowings were largely denominated in Renminbi and Euro. Euro bank loan was utilised to fund and hedge the foreign exchange risk on the Euro-denominated SBM investment in August 2015.

## **CHARGES ON GROUP ASSETS**

Property, plant and equipment with net book value of \$764 million (2014: \$358 million) and bank deposits of \$462 million (2014: \$560 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 \$58 million (2014: \$149 million). No facility has been utilised (2014: facilities of \$89 million had been utilised).

The Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures and an associated company amounting to \$290 million (2014: \$299 million). At 31 December 2015, facilities utilised amounted to \$266 million (2014: \$282 million).

## **DEALINGS IN LISTED SECURITIES**

Neither GEG nor any of its subsidiaries has purchased, sold or redeemed any of GEG's shares during the year ended 31 December 2015.

## **REVIEW OF ANNUAL RESULTS**

The Group's annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee of GEG. The figures in this preliminary announcement of the results of the Group for the year ended 31 December 2015 have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by GEG's auditor, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

## **CORPORATE GOVERNANCE**

Throughout the year under review, GEG has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except code provision A.4.2.

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

## **DIVIDENDS**

Special dividends of HK\$0.28 and HK\$0.14 per share for the year ended 31 December 2015 were paid to the shareholders of the Company on 22 May 2015 and 30 October 2015 respectively.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

Total dividends paid to shareholders of the Company for the year ended 31 December 2015 were HK\$0.42 per share (2014: HK\$1.15 per share).

On 25 February 2016, the Board of Directors has resolved to declare special dividend of HK\$0.15 per share totaling approximately HK\$650 million, payable to shareholders whose names appear on the register of members of the Company on 15 April 2016. This special dividend is expected to be paid on or about 29 April 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

### **SPECIAL DIVIDEND**

For the purpose of ascertaining the shareholders who are entitled to the Special Dividend, the register of members of GEG will be closed from Tuesday, 12 April 2016 to Friday, 15 April 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed Special Dividend, all share certificates with completed transfer documents must be lodged with GEG's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 11 April 2016.

## **ENTITLEMENT TO ATTEND AND VOTE AT THE 2016 ANNUAL GENERAL MEETING**

The 2016 Annual General Meeting of the shareholders of GEG will be held on Tuesday, 10 May 2016. The register of members of GEG will be closed from Friday, 6 May 2016 to Tuesday, 10 May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2016 Annual General Meeting, all share certificates with completed transfer documents must be lodged with the GEG's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 5 May 2016.

## **ANNUAL REPORT 2015**

The Annual Report 2015 of GEG containing all the information required by the Listing Rules will be available on the respective websites of Hong Kong Exchanges and Clearing Limited and GEG and dispatched to the shareholders in due course.

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

Hong Kong, 25 February 2016

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

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