THE STAR

ASX Announcement

16 February 2017

HALF YEAR RESULTS ANNOUNCEMENT AND ACCOUNTS

The Star Entertainment Group Limited (***The Star Entertainment Group***) provides the following documents in accordance with ASX Listing Rule 4.2A:

1. Media Release; and
2. Directors' Report and Financial Report for the half-year ended 31 December 2016.

Interim Dividend

The Directors have declared an interim dividend of 7.5 cents per share, fully franked at the company tax rate of 30%, to be paid on 22 March 2017.

The Record Date for the purpose of entitlement to the interim dividend will be 22 February 2017.

Dividend Reinvestment Plan

The Star Entertainment Group's Dividend Reinvestment Plan (***DRP***) will operate for the interim dividend. There will be no discount and no underwriting applicable to the DRP. The price at which shares will be issued under the DRP for the interim dividend is the daily volume weighted average market price of The Star Entertainment Group shares sold in the ordinary course of trading on the Australian Securities Exchange over a period of ten trading days beginning on the fourth trading day after the Record Date.

Shareholders who may participate in the DRP are those with a registered address in Australia or New Zealand. To participate in the DRP for the interim dividend, DRP elections must be received by The Star Entertainment Group's share registry (Link Market Services Limited) by the end of the business day following the Record Date (i.e. 23 February 2017).

Information regarding the DRP can be found on The Star Entertainment Group's website at www.starentertainmentgroup.com.au.

Paula Martin
Group General Counsel & Company Secretary

ASX AND MEDIA RELEASE

Thursday, 16 February 2017

The Star Entertainment Group Limited (ASX: SGR) (Group) today announced its half year results for the period ended 31 December 2016[1]. Highlights include:

- Statutory NPAT of $141.8 million (up 135.2% on the prior comparable period (pcp)), impacted by a high win rate in the International VIP Rebate business
- Normalised[2] NPAT of $107.1 million (down 17.7% on pcp) (after equity accounted investments)
- 1H FY2017 results demonstrate a period of investment in the business with significant capital works progressed, loyalty program relaunched and new capability built to deliver future returns
  - Strong statutory results with Group revenue of $1,230.2 million (up 11.1% on pcp) and EBITDA of $300.4 million[3] (up 55.9% on pcp)
  - Normalised gross revenue of $1,173.9 million (down 3.7% on pcp) impacted by disruption from capital works at Sydney and Gold Coast properties, and International VIP Rebate business volumes following the detention of Crown Resorts employees in China in October 2016
  - Operating expenses[4] of $484.0 million (up 2.9% on pcp) reflecting the investment in marketing, loyalty program relaunch and wage indexation, offset by lower volumes and continuing effective cost management
  - Normalised EBITDA of $250.6 million, down 14.5% on pcp
- Improving momentum in domestic revenues as capital works projects are completed in Sydney and at the Gold Coast
- International VIP Rebate business front money up 4.4% on pcp. Statutory International VIP Rebate business revenue up 63.6% on pcp, with turnover down 11.9% affected in part by the high win rate of 1.62%[5] (0.88% in pcp)
- Interim dividend (fully franked) of 7.5 cents per share (up 36.4% on pcp) reflecting strong statutory results
- Strong balance sheet maintained – 1.1 times Net Debt[6]/ Statutory 12 month trailing EBITDA
- Strategic initiatives and capital works to deliver future earnings progressing well

Chairman John O'Neill AO said: "1H FY2017 has been another period of good progress for the Group in executing its strategy to be Australia's leading integrated resort company. Major capital

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[1] This release should be read in conjunction with The Star Entertainment Group Limited's 1H FY2017 Results Presentation and Directors' Report and Financial Report for the half year ended 31 December 2016.

[2] Normalised results reflect the underlying performance of the business as they remove the inherent volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% of turnover, unless otherwise stated.

[3] Before share of net profit (loss) from equity accounted investments.

[4] Operating expenses exclude gaming taxes, levies and commissions.

[5] The International VIP Rebate business win rate of 1.62% excludes the Premium Mass business (1.64% including Premium Mass).

[6] Net debt is shown as interest bearing liabilities less cash and cash equivalents less net position of derivative financial instruments. Derivative financial instruments reflect the position of currency swaps entered into for the USPP debt and interest rate hedges.

works were completed, resulting in significant improvements to gaming and non-gaming offerings at our Sydney and Gold Coast properties. These enhancements have drawn pleasing initial responses from customers. The Board has declared an interim dividend of 7.5 cents per share (fully franked), up 36.4% versus the pcp, reflecting a 44% payout ratio.

“On 1 January 2017, together with our Destination Brisbane Consortium (DBC) partners Chow Tai Fook Enterprises (CTF) and Far East Consortium (FEC), the Group took possession of the Queen’s Wharf Brisbane development site to begin demolition and enabling works on its $2 billion world-class integrated resort development. This game-changing project in the Brisbane CBD is a significant, tangible and enduring commitment by the Group to Queensland and to tourism, while securing our long-term position in the city.

“In addition to the Queen’s Wharf Brisbane development, the Group, together with our partners CTF and FEC, continues to demonstrate the depth of our long-term dedication to the development and prosperity of South East Queensland through the masterplan for the Gold Coast. In December 2016, we announced the next step in the transformation of our Gold Coast property with the Queensland Government’s approval of the Group’s application to construct a new approximately $400 million, 700 key hotel and apartment tower. Construction is planned to commence in 2017 subject to successful apartment pre-sales, with completion expected in 2020. Further, we completed the acquisition of the beachfront resort, The Sheraton Grand Mirage Gold Coast, with CTF and FEC on 27 January 2017.

“In Sydney, the Group, CTF and FEC continue to progress the development application in relation to the proposed approximately $500 million, 400 key The Ritz-Carlton hotel and apartment tower.”

Group performance overview

Statutory gross revenue increased in 1H FY2017 versus the pcp, largely due to an above average win rate in the International VIP Rebate business (1.62% versus 0.88% in 1H FY2016). Normalised gross revenue declined in 1H FY2017 versus the pcp, driven by the impact of disruption from capital works, a softer macro-economic environment, lower International VIP Rebate turnover, and lower hold rates in the domestic business.

Statutory EBITDA increased 55.9% to $300.4 million[7] (normalised EBITDA decreased 14.5% to $250.6 million). Operating costs remain well managed, up 2.9%, inclusive of the investment in marketing, loyalty program relaunch and wage indexation.

Gearing levels remain conservative at 1.1 times 31 December 2016 Net Debt to statutory last 12 month trailing EBITDA, positioning the Group well to continue executing on its growth projects.

Sydney

Statutory gross revenue increased in 1H FY2017 versus the pcp, largely due to an above average win rate in the International VIP Rebate business, whilst normalised gross revenue declined. Statutory EBITDA increased 107.5% to $188.1 million over the year (normalised declined 24.4% to $156.4 million).

Aggregate domestic gaming revenue increased versus the pcp, despite the impact of disruption from capital works to the Astral Tower and main gaming floor, and lower hold rates for domestic gaming. Electronic gaming market share for Q1 FY2017 declined versus the pcp, with 5% fewer machines available versus the pcp as the Group executed works on the main gaming floor[8].

Managing Director and Chief Executive Officer, Matt Bekier said: “The improving momentum of our Sydney property into early 2H FY2017 is pleasing, as customers respond to the upgraded offerings with the completion of major capital works. The investment in gaming and non-gaming offerings advances our long term strategy to deliver a differentiated value proposition based on our brand, renewed loyalty program, guest satisfaction and staff engagement.”

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[7] Before share of net profit (loss) from equity accounted investments.
[8] Q2 FY2017 market data not available at the date of this release.

Queensland (Gold Coast and Brisbane)

Statutory and normalised gross revenue increased in 1H FY2017 versus the pcp, largely due to increased International VIP Rebate business turnover. Statutory EBITDA increased 10.0% to $112.3 million (normalised up 9.5% to $94.2 million). The disruption from capital works at the Gold Coast and lower hold rates in domestic gaming impacted domestic revenues in the period. The Gold Coast had 3% fewer electronic gaming machines available versus the pcp as a result of capital works projects.

Mr Bekier said: "1H FY2017 continued the transformation of our Gold Coast property, with the completed refurbishment of all hotel rooms and opening of two new restaurants in December."

International VIP Rebate business

Results for the International VIP Rebate business are included in the property performance overviews above.

International VIP Rebate business front money was up 4.4% on pcp, with turnover of $20.8 billion down 11.9% on pcp. Turnover was impacted by the high win rate of 1.62% in the half (0.88% in pcp) which resulted in a lower turn of 12.2 times (down 15.5% versus pcp), as well as the uncertainty created following the detention of Crown Resorts employees in China in October 2016. Turnover in November and December 2016 was down 27.0% on pcp.

Statutory International VIP Rebate business revenues increased 63.6% to $339.4 million on pcp (normalised revenue decreased 11.2% to $283.1 million).

International VIP Rebate business EBITDA was impacted by higher player rebates as the high win rate in 1H FY2017 increased revenue share junket commissions, as well as the investment in sales staff and marketing costs as the Group continues its diversification of international revenues.

Collections remain well managed, with receivables past due not impaired less than one year at December 2016 of $26.9 million, down from $31.5 million at June 2016.

Mr Bekier said: "We are executing against our strategy of diversifying our international revenues, including through South East Asian VIP and Asian Premium Mass. We continue to assess the North Asian VIP business as the China situation develops."

Trading update and outlook for FY2017

Trading levels in early 2H FY2017 are exhibiting satisfactory growth on pcp, with improving momentum as capital projects continue to progress and more capacity becomes available. Gross revenue, excluding International VIP Rebate business is up 11.4% on pcp, from 1 January 2017 to 12 February 2017. International VIP Rebate business volume comparisons to prior year are difficult to make given the timing of Lunar New Year, but the trends experienced at the end of 1H FY2017 are continuing into the early part of 2H FY2017. Disruption from capital works across the gaming and non-gaming business that impacted 1H FY2017 is abating.

Capital expenditure in 1H FY2017 was $216 million, with expectations in the range of $375 million to $425 million for the full year, excluding around $120 million in equity contributions to DBC for the Queen's Wharf development, in line with prior guidance. The majority of growth and maintenance activities for FY2017 relates to the execution of expansion plans at the Sydney and the Gold Coast properties. Preliminary works commenced at the Queen's Wharf development on 1 January 2017.

Mr Bekier said: "The second half of FY2017 has commenced well. The completion of major capital works projects in Sydney and the Gold Coast has returned capacity and delivered an improved offering that customers are responding to positively. The Group continues to focus on executing its previously disclosed long-term strategy of pursuing capital expansion opportunities while improving operational results."

The full 2017 financial year result may be impacted by a number of factors (which may be material in nature) including general macro-economic conditions, potential hold and win rate volatility in the private gaming room and International VIP Rebate business, level of debt or provisions, success of the Group's marketing programs and any uncertainty related to the regulatory environment.

For more information:

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The Star Entertainment Group – Half year results to 31 December 2016

Key financials – Statutory[9]		Variance to pcp
Revenue	$1,230.2 million	Up 11.1%
EBITDA	$300.4 million	Up 55.9%
EBIT	$224.5 million	Up 104.2%
NPAT	$141.8 million	Up 135.2%
Earnings Per Share	17.2 cents	Up 135.2%
Key financials – Normalised[10] (Underlying), at 1.35% Win Rate		**Variance to pcp**
Revenue	$1,173.9 million	Down 3.7%
- Sydney	$804.2 million	Down 7.2%
- Queensland	$369.7 million	Up 5.0%
EBITDA	$250.6 million	Down 14.5%
- Sydney	$156.4 million	Down 24.4%
- Queensland	$94.2 million	Up 9.5%
EBIT	$174.7 million	Down 16.9%
- Sydney	$109.0 million	Down 30.1%
- Queensland	$65.7 million	Up 21.0%
NPAT (after equity accounted investments)	$107.1 million	Down 17.7%
Dividend per share		
Interim dividend per share (fully franked)	7.5 cents	
Balance sheet		
Gross Debt	$1,056.8 million	
Net Debt	$669.8 million	
Net Debt/ EBITDA (statutory)	1.1 times (based on statutory 12 month trailing EBITDA)	

[9] Statutory EBITDA and EBIT are before equity accounted investment loss of $0.3 million. Statutory NPAT is after equity accounted investment loss of $0.3 million.
[10] Normalised results reflect the underlying performance of the business as they remove the inherent volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% of turnover, unless otherwise stated. Normalised EBITDA and EBIT are before equity accounted investment loss of $0.3 million. Normalised NPAT is after equity accounted investment loss of $0.3 million.

THE STAR ENTERTAINMENT GROUP LIMITED

The Star Entertainment Group Limited

A.C.N. 149 629 023

ASX Code: SGR

and its controlled entities

Directors' Report and Financial Report

for the half year ended 31 December 2016

For the half year ended 31 December 2016

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Directors' Report

For the half year ended 31 December 2016

The Directors of The Star Entertainment Group Limited (the ***Company***) submit their report for the consolidated entity comprising the Company and its controlled entities (collectively referred to as the ***Group***) in respect of the half year ended 31 December 2016.

1. Directors

The names and titles of the Company's Directors in office during the half year ended 31 December 2016 and until the date of this report are set out below. Directors were in office for this entire period.

Directors	
John O'Neill AO	Chairman and Non-Executive Director
Matt Bekier	Managing Director and Chief Executive Officer
Gerard Bradley	Non-Executive Director
Greg Hayes	Non-Executive Director
Katie Lahey AM	Non-Executive Director
Sally Pitkin	Non-Executive Director
Richard Sheppard	Non-Executive Director

2. Principal activities

The principal activities of the entities within the Group are gaming, entertainment and hospitality.

The Star Entertainment Group Limited owns and operates The Star Sydney (***Sydney***), Treasury Casino and Hotel, Brisbane (***Brisbane***) and Jupiters Hotel and Casino, Gold Coast (***Gold Coast***). The Group also manages the Gold Coast Convention and Exhibition Centre on behalf of the Queensland Government.

3. Financial results and review of operations

Gross revenue of $1,182.2 million was up 12.2% on the prior comparable period (***pcp***), largely due to an above average win rate in the International VIP Rebate business of 1.62%[1], versus 0.88% in the pcp. Normalised gross revenue declined in 1H FY2017 versus the pcp, driven by the impact of disruption from capital works, a softer macro-economic environment, lower International VIP Rebate turnover, and lower hold rates in the domestic business.

Earnings before interest, tax, depreciation and amortisation (***EBITDA***) of $300.1 million was up 55.8% on the pcp. Normalised[2] EBITDA decreased 14.5% to $250.6 million.

Operating costs remain well managed, up 2.9%, inclusive of the investment in marketing, loyalty program relaunch, and wage indexation.

Depreciation and Amortisation expense of $75.9 million was down 8.2% on the pcp. Finance costs of $20.6 million were down 11.9% on the pcp.

Net profit after tax (***NPAT***) was $141.8 million, 135.2% up on the pcp. Normalised NPAT was $107.1 million, down 17.7% on the pcp.

Basic and diluted earnings per share (***EPS***) was 17.2 cents, up 135.2% on the pcp. An interim dividend of 7.5 cents fully franked was declared, up 36.4% on the pcp and reflecting a payout ratio of 43.7% of statutory NPAT.

The Group's net assets increased by 2.3% compared with June 2016.

Receivables remain well managed, with receivables past due not impaired less than one year at December 2016 of $26.9 million, down from $31.5 million at June 2016.

Net debt[3] was $669.8 million (30 June 2016: $473.8 million) with $228 million in undrawn facilities and an average drawn debt maturity of 2.6 years. Gearing levels remain conservative at 1.1 times (net debt to actual last 12 months trailing EBITDA) positioning the Group well to continue executing on its growth projects. Operating cash flow before interest and tax was $287.1 million (31 December 2015: $190.7 million) with an EBITDA to cash conversion ratio of 96% (31 December 2015: 99%).

Trade and other payables of $237.5 million were down 9.3% from June 2016 as a result of lower gaming related payables, representing players' funds deposited and chips in circulation at 31 December 2016.

[1] The International VIP Rebate business win rate of 1.62% excludes the Premium Mass business (1.64% including Premium Mass).

[2] Normalised results reflect the underlying performance of the business as they remove the inherent volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% of actual turnover.

[3] Net debt is shown as interest bearing liabilities, less cash and cash equivalents, less net position of derivative financial instruments. Derivative financial instruments reflect the position of currency swaps and interest rate hedges entered into for the USPP debt.

Directors' Report

For the half year ended 31 December 2016

The Group comprises the following three operating segments:

- Sydney;
- Gold Coast; and
- Brisbane.

Refer to note A1 to the Financial Report for more details of the financial performance of the Company's operating segments. The activities and drivers of the results for these operations are discussed below.

Sydney

Gross revenue was $840.4 million, up 13.9% on the pcp and EBITDA was $188.1 million, up 107.5% on the pcp. The increase is largely due to an above average win rate in the International VIP Rebate business.

Normalised EBITDA declined 24.4% to $156.4 million on the pcp. Normalised gross revenue declined versus the pcp.

Domestic gaming revenue across tables and slots combined increased versus the pcp, including the impact of disruption from capital works to the Astral Tower and Residences, the main gaming floor, and lower hold rates. Electronic gaming market share for Q1 FY2017 declined versus the pcp, with 5% fewer machines available[4].

The Sydney property is one of the main partners to the Sydney Festival, a Leadership Partner of City of Sydney's Chinese New Year Festival and a sponsor of the Sydney Swans and New South Wales Rugby League (NSW Blues). The Sydney property also contributed to various charities during the period, including Barnardos Australia and Taronga Conservation Society Australia.

Queensland (Gold Coast and Brisbane)

Gross revenue was $389.8 million, up 5.4% on the pcp and EBITDA was $112.3 million, up 10.0% on the pcp. The increase is largely due to increased International VIP Rebate turnover.

Normalised EBITDA increased 9.5% to $94.2 million. Normalised gross revenue increased versus the pcp due to increased International VIP Rebate turnover. The disruption from capital works at the Gold Coast and lower hold rates in domestic gaming impacted domestic revenues in the period. Electronic gaming market share for 1H FY2017 declined versus the pcp. The Gold Coast had 3% fewer electronic gaming machines available versus the pcp as a result of capital works projects.

The Brisbane property was a sponsor of the Brisbane Festival and Queensland Rugby League (Queensland Maroons) during the period. The Queensland properties also contribute to various charities and not-for-profit organisations including Ronald McDonald House and Surf Life Saving Queensland.

International VIP Rebate business

Results for the International VIP Rebate business are included in the property performance overviews above.

International VIP Rebate business turnover of $20.8 billion was down 11.9% on pcp. International VIP Rebate business gross revenues increased 63.6% to $339.4 million on pcp (normalised gross revenue decreased 11.2% to $283.1 million). The 1H FY2017 International VIP Rebate business actual win rate of 1.62% was above the pcp of 0.88% and normalised rate of 1.35%.

[4] Q2 FY2017 market data not yet available.

Directors' Report

For the half year ended 31 December 2016

4. Earnings per share (EPS)

Basic and diluted EPS for the period was 17.2 cents (31 December 2015: 7.3 cents), up 135.2% on the pcp.

5. Dividends

5.1. Interim dividend

Since the end of the half year ended 31 December 2016, the Directors have declared an interim dividend of 7.5 cents per ordinary share, fully franked (31 December 2015: 5.5 cents).

The aggregate amount of the interim dividend expected to be paid on 22 March 2017 out of retained earnings at 31 December 2016, but not recognised as a liability at the end of the half year, is approximately $61.9 million.

5.2. Dividend Reinvestment Plan (DRP)

The Company's DRP is in operation for the interim dividend. The last date for receipt of election notices to enable participation for the interim dividend is 23 February 2017. The price at which shares are allocated under the DRP is the daily volume weighted average market price of the Company's shares sold in the ordinary course of trading on the ASX over a period of 10 trading days beginning on (and including) the fourth trading day after the Record Date (22 February 2017). Shares allocated under the DRP will rank equally with the Company's existing fully paid ordinary shares.

6. Significant events after the end of the half year

Other than those events that have already been disclosed in this report or elsewhere in the Financial Report, there have been no other significant events occurring after 31 December 2016 and up to the date of this report that have materially affected or may materially affect the Group's operations, the results of those operations or the Group's state of affairs.

7. Rounding of amounts

The Star Entertainment Group Limited is a company of the kind specified in the Australian Securities and Investments Commission's *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. In accordance with that Instrument, amounts in the Financial Report and the Directors' Report have been rounded to the nearest hundred thousand dollars unless specifically stated to be otherwise.

8. Auditor's independence declaration

Attached is a copy of the auditor's independence declaration provided under section 307C of the *Corporations Act 2001 (Cth)* in relation to the review of the Financial Report for the half year ended 31 December 2016. The auditor's independence declaration forms part of this Directors' Report.

This report has been signed in accordance with a resolution of directors.

John O'Neill

John O'Neill AO
Chairman
Sydney
16 February 2017

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Auditor's Independence Declaration to the Directors of The Star Entertainment Group Limited

As lead auditor for the review of The Star Entertainment Group Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of The Star Entertainment Group and the entities it controlled during the financial period.

Ernst + Young

Ernst & Young

John Robinson
Partner
16 February 2017

Financial Report
Consolidated income statement
For the half year ended 31 December 2016

	Note	December 2016 $m	December 2015 $m
Revenue	A2	**1,182.2**	1,053.3
Other income		**0.9**	1.1
Government taxes and levies		**(262.4)**	(244.8)
Commissions and fees		**(135.4)**	(145.8)
Employment costs		**(301.9)**	(294.2)
Depreciation and amortisation		**(75.9)**	(82.7)
Cost of sales		**(43.8)**	(41.3)
Property costs		**(37.7)**	(37.3)
Advertising and promotions		**(44.0)**	(43.0)
Other expenses		**(57.5)**	(55.4)
Share of net loss of associate and joint venture entities accounted for using the equity method	D2	**(0.3)**	-
Earnings before interest and tax (EBIT)		**224.2**	109.9
Net finance costs		**(20.6)**	(23.4)
Profit before income tax (PBT)		**203.6**	86.5
Income tax expense		**(61.8)**	(26.2)
Net profit after tax (NPAT)		**141.8**	60.3
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of cash flow hedges taken to equity, net of tax		**(7.1)**	0.8
Total comprehensive income for the period		**134.7**	61.1
Earnings per share:			
Basic and diluted earnings per share		**17.2 cents**	7.3 cents
Dividends per share:			
Fully franked dividend per share	A3	**7.5 cents**	5.5 cents

The above consolidated income statement should be read in conjunction with accompanying notes.

Consolidated balance sheet

For the half year ended 31 December 2016

	Note	December 2016 $m	June 2016 $m
ASSETS			
Cash and cash equivalents		**195.7**	159.0
Trade and other receivables		**102.2**	130.3
Inventories		**12.0**	9.0
Derivative financial instruments	B1	**15.7**	14.5
Other assets		**48.0**	38.5
Total current assets		**373.6**	351.3
Property, plant and equipment		**2,255.0**	2,120.9
Intangible assets		**1,843.6**	1,836.7
Derivative financial instruments	B1	**235.3**	242.0
Investment in associate and joint venture entities	D2	**145.5**	29.3
Other assets		**14.7**	15.2
Total non current assets		**4,494.1**	4,244.1
TOTAL ASSETS		**4,867.7**	4,595.4
LIABILITIES			
Trade and other payables		**237.5**	261.9
Income tax payable		**13.4**	20.8
Provisions		**55.9**	58.3
Derivative financial instruments	B1	**17.8**	17.8
Other liabilities		**20.3**	20.9
Total current liabilities		**344.9**	379.7
Interest bearing liabilities		**1,056.8**	813.5
Deferred tax liabilities		**191.6**	181.9
Provisions		**13.4**	14.6
Derivative financial instruments	B1	**41.9**	58.0
Total non current liabilities		**1,303.7**	1,068.0
TOTAL LIABILITIES		**1,648.6**	1,447.7
NET ASSETS		**3,219.1**	3,147.7
EQUITY			
Share capital		**2,580.5**	2,580.5
Retained earnings		**641.7**	561.8
Reserves		**(3.1)**	5.4
TOTAL EQUITY		**3,219.1**	3,147.7

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half year ended 31 December 2016

	Note	December 2016 $m	December 2015 $m
Cash flows from operating activities			
Net cash receipts from customers (inclusive of GST)		**1,216.1**	1,097.5
Payments to suppliers and employees (inclusive of GST)		**(655.6)**	(645.4)
Payment of government levies, gaming taxes and GST		**(273.4)**	(261.4)
Interest received		**0.6**	0.8
Income taxes paid		**(56.5)**	(62.4)
Net cash inflow from operating activities		**231.2**	129.1
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(213.5)**	(155.4)
Payments for investment in associate and joint venture entities	D2	**(116.5)**	(5.0)
Net cash (outflow) used in investing activities		**(330.0)**	(160.4)
Cash flows from financing activities			
Proceeds from interest bearing liabilities		**292.5**	95.0
Repayment of interest bearing liabilities		**(70.0)**	(40.0)
Dividends paid	A3	**(61.9)**	(49.5)
Finance costs		**(25.1)**	(24.0)
Net cash inflow/(outflow) from financing activities		**135.5**	(18.5)
Net (decrease)/increase in cash and cash equivalents		**36.7**	(49.8)
Cash and cash equivalents at beginning of the year		**159.0**	196.6
Cash and cash equivalents at end of the period		**195.7**	146.8

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half year ended 31 December 2016

	Note	Ordinary shares $m	Retained earnings $m	Hedging reserve $m	Share based payment reserve $m	Total $m
2017						
Balance at 1 July 2016		**2,580.5**	**561.8**	**(0.4)**	**5.8**	**3,147.7**
Profit for the year		**-**	**141.8**	**-**	**-**	**141.8**
Other comprehensive income		**-**	**-**	**(7.1)**	**-**	**(7.1)**
Total comprehensive income		**-**	**141.8**	**(7.1)**	**-**	**134.7**
Dividends paid	A3	**-**	**(61.9)**	**-**	**-**	**(61.9)**
Employee share based payments		**-**	**-**	**-**	**(1.4)**	**(1.4)**
Balance at 31 December 2016		**2,580.5**	**641.7**	**(7.5)**	**4.4**	**3,219.1**
2016						
Balance at 1 July 2015		2,580.5	462.3	(10.0)	2.6	3,035.4
Profit for the year		-	60.3	-	-	60.3
Other comprehensive income		-	-	0.8	-	0.8
Total comprehensive income		-	60.3	0.8	-	61.1
Dividends paid	A3	-	(49.5)	-	-	(49.5)
Employee share based payments		-	-	-	1.1	1.1
Balance at 31 December 2015		2,580.5	473.1	(9.2)	3.7	3,048.1

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the half year ended 31 December 2016

A Key income statement disclosures

A1 Segment information

The Group's operating segments have been determined based on the internal management reporting structure and the nature of products and services provided by the Group. They reflect the business level at which financial information is provided to the executive decision makers, being the Managing Director and Chief Executive Officer and the Chief Financial Officer, for decision making regarding resource allocation and performance assessment.

The Group has three reportable segments:

Sydney	Comprises The Star Sydney's casino operations, including hotels, apartment complex, restaurants, bars and night club.
Gold Coast	Comprises Jupiters' casino operations, including hotel, theatre, restaurants and bars.
Brisbane	Comprises Treasury's casino operations, including hotel, restaurants and bars.

For the half year ended 31 December 2016	Sydney $m	Gold Coast $m	Brisbane $m	Total $m
Gross revenues - VIP [a]	**273.9**	**49.3**	**16.2**	**339.4**
Gross revenues - domestic [a]	**566.5**	**153.9**	**170.4**	**890.8**
Segment revenue (refer to note A2)	**840.4**	**203.2**	**186.6**	**1,230.2**
Segment earnings before interest, tax and significant items	**140.7**	**35.6**	**48.2**	**224.5**
Depreciation and amortisation	**47.4**	**14.5**	**14.0**	**75.9**
Capital expenditure	**105.7**	**95.7**	**14.4**	**215.8**

For the half year ended 31 December 2015	Sydney $m	Gold Coast $m	Brisbane $m	Total $m
Gross revenues - VIP [a]	174.0	32.9	0.6	207.5
Gross revenues - domestic [a]	563.6	159.1	177.3	900.0
Segment revenue (refer to note A2)	737.6	192.0	177.9	1,107.5
Segment earnings before interest, tax and significant items	39.6	31.8	38.5	109.9
Depreciation and amortisation	50.9	18.6	13.2	82.7
Capital expenditure	80.0	64.1	13.4	157.5

a Gross revenue is presented as the actual gross gaming win before player rebates and promotional allowances.

	December 2016 $m	December 2015 $m
Reconciliation of reportable segment profit to profit before income tax		
Segment earnings before interest, tax and significant items	**224.5**	109.9
Unallocated items:		
- net finance costs	**(20.6)**	(23.4)
- share of net loss of associate and joint venture accounted for using the equity method	**(0.3)**	-
Profit before income tax (PBT)	**203.6**	86.5

Notes to the financial statements
For the half year ended 31 December 2016

A2 Revenue

	December 2016 $m	December 2015 $m
Gaming	**1,102.5**	973.0
Non-gaming and other	**127.7**	134.5
Total gross revenue	**1,230.2**	1,107.5
Player rebates and promotional allowances	**(48.0)**	(54.2)
	1,182.2	1,053.3

Revenue is up $128.9m or 12.2% on the prior comparable period (*pcp*) with the main revenue growth driven by the high win rate in the International VIP Rebate business.

A3 Dividends

	December 2016 Cents per share	December 2015 Cents per share
Dividends per share		
Interim dividend	**7.5**	5.5

	December 2016 $m	December 2015 $m
Dividends declared and paid during the half year on ordinary shares		
Final dividend paid during the half year in respect of the year ended 30 June [a]	**61.9**	49.5

a A final dividend of 7.5 cents per share fully franked for the year ended 30 June 2016 (30 June 2015: 6 cents) was declared on 25 August 2016 and paid on 30 September 2016 (2015: declared on 11 August 2015 and paid on 16 September 2015).

Dividends declared after the end of the half year		
Interim dividend declared for the half year ended 31 December [b]	**61.9**	45.4

b Since the end of the half year, the Directors have declared an interim dividend of 7.5 cents per ordinary share (31 December 2015: 5.5 cents), fully franked. The aggregate amount is expected to be paid on 22 March 2017 out of retained earnings at 31 December 2016, but not recognised as a liability at the end of the half year.

Notes to the financial statements

For the half year ended 31 December 2016

B Key balance sheet disclosures

B1 Derivative financial instruments

Swaps

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at the balance sheet date.

Forward currency contracts

Fair value is calculated using forward exchange market rates at the balance sheet date.

*US Private Placement (**USPP**)*

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at the balance sheet date, in combination with restatement to current foreign exchange rates.

	December 2016 $m	June 2016 $m
Current assets		
Cross currency swaps	**13.5**	12.6
Forward currency contracts	**2.2**	1.9
	15.7	14.5
Non current assets		
Cross currency swaps	**234.0**	239.8
Forward currency contracts	**1.3**	2.2
	235.3	242.0
Current liabilities		
Interest rate swaps	**17.8**	17.8
	17.8	17.8
Non current liabilities		
Interest rate swaps	**41.9**	58.0
	41.9	58.0
Net financial assets	**191.3**	180.7

Net derivative assets up $10.6 million due to an increase in the value of the cross currency swap used to hedge the USPP loan as a result of a reduction in value of the AUD vs USD exchange rate.

Valuation of derivatives and other financial instruments

The valuation of derivatives and financial instruments is based on market conditions at the balance sheet date. The value of the instrument fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the balance sheet date.

Financial Instruments - fair value hierarchy

There are various methods available in estimating the fair value of a financial instrument.
The methods comprise:

Level 1	the fair value is calculated using quoted prices in active markets.
Level 2	the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3	the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

All of the Group's derivative financial instruments are valued using the Level 2 valuation techniques, being observable inputs. There have been no transfers between levels during the period.

Notes to the financial statements

For the half year ended 31 December 2016

C Commitments, contingencies and subsequent events

C1 Commitments and contingent liabilities

Other commitments [a]

	December 2016 $m	June 2016 $m
Not later than one year	**142.9**	238.2
Later than one year but not later than five years	**70.5**	40.7
Later than five years	**0.4**	-
	213.8	278.9

a Other commitments mainly include capital construction and related costs in connection with the Gold Coast refurbishment and redevelopment in Sydney.

The Group will invest approximately $1 billion into Destination Brisbane Consortium (***DBC***) to fund the construction of the Integrated Resort (expected to open in 2022).

There have been no changes to the Group's contingencies and commitments since communicated in its Financial Report for the year ended 30 June 2016.

C2 Subsequent events

Since 31 December 2016, the Directors have declared a dividend of 7.5 cents per ordinary share. The total amount of the dividend is approximately $61.9 million. This has not been provided for in the financial statements for the half year ended 31 December 2016 (refer to note A3).

On 27 January 2017, Destination Gold Coast Investments Pty Ltd, an associate in which the Group will contribute 50% of the capital, acquired the Sheraton Grand Mirage Resort, Gold Coast. The total equity contribution by the Group into the associate entity was approximately $40 million. The associate continues the Group's relationship with Hong Kong-based organisations Chow Tai Fook Enterprises Limited (***CTF***) and Far East Consortium International Limited (***FEC***).

Other than those events disclosed in the Directors' Report or elsewhere in these half year financial statements, there have been no other significant events occurring after the balance sheet date and up to the date of this report, which may materially affect either the Group's operations or results of those operations or the Group's state of affairs.

Notes to the financial statements
For the half year ended 31 December 2016

D Group structure
D1 Related party disclosure
Investments in controlled entities

On 18 October 2016, the Company incorporated the following Australian entities:

Name of controlled entities	Country of incorporation	Equity type	Equity interest at 31 December 2016 %	Equity interest at 30 June 2016 %
The Star Entertainment Gold Coast Holdings Pty Ltd	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment GC Investments Pty Ltd	Australia	ordinary shares	**100.0**	0.0
The Star Entertainment GC Investments No.1 Pty Ltd	Australia	ordinary shares	**100.0**	0.0

Echo Entertainment (Shanghai) Trading Co. Ltd was deregistered on 24 August 2016.

The consolidated financial statements incorporate the assets, liabilities and results of the above controlled entities in accordance with the accounting policy described in the Financial Report for the year ended 30 June 2016. The contribution of the above entities to the Group's profit from ordinary activities was not material. The financial years of all controlled entities are the same as that of the Company.

D2 Investment in associate and joint venture entities
Set out below are the investments of the Group as at 31 December 2016 which, in the opinion of the Directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

For the half year ended 31 December 2016 Name of entity	Country of incorporation	% of ownership	Nature of ownership	Measurement method	Carrying amount $m
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd	Australia	50	Associate	Equity method	124.2
Festival Car Park Pty Ltd	Australia	50	Joint venture	Equity method	13.3
Destination Gold Coast Investments Pty Ltd (i)	Australia	50	Associate	Equity method	8.0
Total equity accounted investments					**145.5**

The carrying amount of the equity-accounted investments has changed in the six months to 31 December 2016, as follows:

Name of entity	Balance at 1 July 2016 $m	Additions $m	Profit/(loss) for the period $m	Dividends paid $m	Balance at 31 December 2016 $m
Destination Brisbane Consortium Integrated Resort Holdings Pty Ltd (ii)	16.2	108.5	(0.5)	-	**124.2**
Festival Car Park Pty Ltd	13.1	-	0.2	-	**13.3**
Destination Gold Coast Investments Pty Ltd (i)	-	8.0	-	-	**8.0**
	29.3	**116.5**	**(0.3)**	**-**	**145.5**

(i) On 20 October 2016 a 50% interest was acquired in Destination Gold Coast Investments Pty Ltd (***DGCI***) as an associate with CTF and FEC for the purpose of acquiring the Sheraton Grand Mirage Resort, Gold Coast. The shareholder agreement for DGCI has not yet been finalised, however it is not intended that all Board decisions will require unanimous consent and each partner will have significant influence over DGCI. The investment has therefore been classified as an associate.

(ii) Additions consist of equity contributions required to fund the construction of the Integrated Resort and the Group's share of a payment made to the Queensland Government due to the issuance of the casino licence and related land premium payment in October 2016.

Commitments and contingent liabilities

DBC will invest approximately $2 billion to fund the construction of the Integrated Resort, which is expected to open in 2022 (subject to various approvals).

E Accounting policies and corporate information

Corporate Information

The Star Entertainment Group Limited (the ***Company***) is a company incorporated and domiciled in Australia. The Financial Report of the Company for the half year ended 31 December 2016 comprises the Company and its controlled entities (collectively referred to as the ***Group***). The Company's registered office is Level 3, 159 William Street, Brisbane QLD 4000.

The Company is of the kind specified in Australian Securities and Investments Commission (***ASIC***) Instrument 2016/191. In accordance with that Instrument, amounts in the Financial Report and the Directors' Report have been rounded to the nearest hundred thousand dollars, unless specifically stated to be otherwise. All amounts are in Australian dollars ($). The Company is a for profit organisation.

The half year Financial Report was authorised for issue by the Directors on 16 February 2017.

Basis of preparation of the half year report

The principal accounting policies adopted in the preparation of this half year Financial Report are consistent with those applied in the annual Financial Report for the year ended 30 June 2016.

The interim condensed consolidated financial statements for the six months ended 31 December 2016 have been prepared in accordance with the Australian Accounting Standard AASB 134 Interim Financial Reporting.

The half year Financial Report does not include all the notes of the type normally included in an annual Financial Report. Accordingly, this report is to be read in conjunction with the audited Financial Report for the year ended 30 June 2016, and any public announcements made by the Company during the interim reporting period in accordance with its continuous disclosure obligations under ASX listing rules.

Significant accounting judgements, estimates and assumptions

Preparation of the financial statements, in conformity with Australian Accounting Standards and IFRS, requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The fair value of the Group's financial assets and financial liabilities approximates their carrying value as at the balance sheet date.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Asset useful lives and residual values;
- Impairment of assets;
- Valuation of derivatives and other financial instruments (refer note B1);
- Provision for impairment of trade receivables; and
- Provisions.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

Standards and amendments issued but not yet effective

The Group has not applied Australian Accounting Standards and IFRS that were issued or amended but not yet effective. These Standards are disclosed in the table below:

Reference	Title	Application date
AASB 9 *	Financial Instruments	1 January 2018
AASB 15 *	Revenue from Contracts with Customers	1 January 2018
AASB 16 *	Leases	1 January 2019

*AASB 9 will replace AASB 139 Financial Instruments: Recognition and Measurement. The Group is currently assessing the impact of the new requirements on the consolidated financial statements.

*AASB 15 specifies how and when revenue is recognised, based on the concept of recognising revenue for performance obligations as they are satisfied. AASB 15 also requires enhanced disclosures. The Group is currently assessing the impact of the new requirements on the consolidated financial statements.

*AASB 16 will replace AASB 117 Leases. It requires recognition of a right of use asset along with the associated lease liability where the Group is a lessee. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The Group will first apply AASB 16 in the financial year beginning 1 July 2019. The Group is currently assessing the impact of the new requirements on the consolidated financial statements.

Directors' declaration

In the opinion of the Directors of The Star Entertainment Group Limited:

(a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's consolidated financial position as at 31 December 2016 and of its performance for the half year ended on that date; and

(ii) complying with the Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.

John O'Neill

John O'Neill AO
Chairman
Sydney
16 February 2017

Building a better working world

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To the members of The Star Entertainment Group

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of The Star Entertainment Group Limited, which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of The Star Entertainment Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, 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 Australian Auditing Standards 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The Star Entertainment Group Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst + Young

Ernst & Young

John Robinson
Partner
Sydney
16 February 2017