



銀娛 GEG

銀河娛樂集團有限公司

Galaxy Entertainment Group Limited

Stock Code 股份代號 : 27

Interim Report 2013 中期報告



OUR VISION

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

GALAXY'S BUSINESS PHILOSOPHY

Local Market Insights

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

Proven Expertise

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

Well Positioned

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

Demand Driven Strategy

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

願景

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

銀娛的經營理念

洞悉本地市場

深明中華文化，對亞洲及中國旅客喜好有透徹了解，為銀娛一大競爭優勢

專業經驗

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

定位清晰

將銀娛定位為領先的綜合博彩及休閒娛樂設施營運商

需求主導策略

密切注意市場發展並迅速作出謹慎的應變





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CORPORATE INFORMATION

CHAIRMAN

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

DEPUTY CHAIRMAN

Mr. Francis Lui Yiu Tung

EXECUTIVE DIRECTORS

Mr. Joseph Chee Ying Keung
Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

NON-EXECUTIVE DIRECTOR

Mr. Anthony Thomas Christopher Carter

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. James Ross Ansell
Dr. William Yip Shue Lam, *LLD*
Professor Patrick Wong Lung Tak, *BBS, JP*

EXECUTIVE BOARD

Dr. Lui Che Woo, *GBM, MBE, JP, LLD, DSSc, DBA*
Mr. Francis Lui Yiu Tung
Mr. Joseph Chee Ying Keung
Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

AUDIT COMMITTEE

Mr. James Ross Ansell (*Chairman*)
Dr. William Yip Shue Lam, *LLD*
Professor Patrick Wong Lung Tak, *BBS, JP*

REMUNERATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*
Mr. Francis Lui Yiu Tung
Professor Patrick Wong Lung Tak, *BBS, JP*

NOMINATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*
Mr. Francis Lui Yiu Tung
Professor Patrick Wong Lung Tak, *BBS, JP*

CORPORATE GOVERNANCE COMMITTEE

Mr. Francis Lui Yiu Tung (*Chairman*)
Mr. James Ross Ansell
Professor Patrick Wong Lung Tak, *BBS, JP*

COMPANY SECRETARY

Mrs. Jenifer Sin Li Mei Wah

INDEPENDENT AUDITOR

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DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Macau) Limited
The Hongkong and Shanghai Banking Corporation Limited

listed in alphabetical order

SOLICITORS*

Jorge Neto Valente, Escritório de Advogados e Notários
Linklaters

* listed in alphabetical order

SHARE LISTING

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

STOCK CODE

SEHK : 27 (Share)
86002 (RMB Bond)
Bloomberg : 27 HK
Reuters : 0027.HK
ADR : GXEY

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CORPORATE PROFILE

Galaxy Entertainment Group Limited (“GEG” or “the Group”), through its subsidiary, Galaxy Casino S.A., is one of Asia’s leading gaming and entertainment companies, and is a member of the Hang Seng Index. The Group develops and operates hotels, gaming and integrated entertainment facilities in the Macau SAR. In addition, GEG manufactures, sells and distributes construction materials through its Construction Materials Division across Mainland China, Hong Kong and Macau.

Since being granted one of the original three gaming concessions by the Macau Government in 2002, GEG has carefully correlated its growth with Macau’s rapidly growing market. GEG’s great success in delivering its unique vision in Macau’s gaming and entertainment industry is underpinned by a deep understanding of the Asian market, and its ability to deliver new and truly innovative products that enhance Macau’s position as one of Asia’s most attractive leisure and tourist destinations.

In 2004, the Group successfully entered Macau through City Club Casinos. This provided the Group with the opportunity to establish a presence in the Macau gaming market and build relationships with key stakeholders such as VIP promoters. Equipped with a strong sense of the future strategic direction of the Group and leveraging the City Clubs experience, GEG opened StarWorld Macau, its stunning and highly successful flagship property in the heart of the Macau Peninsula, in 2006. StarWorld Macau, which has received more than 30 awards including the highly prestigious Five-Star Diamond Award for five consecutive years, provides world class entertainment, dining and lavishly designed 5-star luxury accommodation. It is a market leader and one of the most successful casinos in the world, with strong VIP gaming, a successful mass gaming operation and near capacity hotel occupancy.

In May 2011, GEG successfully introduced a new game changing integrated resort to the market – Galaxy Macau™. This unique property was Macau’s first Asian centric destination resort and is one of the largest leisure complexes in Asia. It has been conceived in the spirit of our ‘World Class, Asian Heart’ philosophy and offers the most diverse range of World Class Asian themed entertainment, accommodation and dining in Macau.

In April 2012, GEG announced the launch of Phase 2 of Galaxy Macau™. Expected to complete by mid-2015 as the next major project in Macau, it will almost double the existing Galaxy Macau™ resort to one million square metres and comprise 3,600 rooms across five luxury hotels; over 100,000 square metres of retail space with nearly 200 high end retail outlets; approximately 100 food & beverage outlets; and an expanded meeting, event and banquet space seating 3,000 guests.

Plans for Phases 3 & 4 of GEG’s remaining one million square metres of landbank in Cotai are well advanced. We expect to commence construction by the end of 2013/early 2014. Expanding GEG’s entire building area on Cotai to two million square metres, Phases 3 & 4 will significantly diversify GEG’s product and service offering to include a multitude of new cultural and entertainment elements predominantly targeting premium mass guests.

The HK\$50 to HK\$60 billion project will provide 5,500 additional hotel rooms and suites; a state of the art multi-purpose 10,000 seat arena for world class entertainment and sporting events, as well as a 50,000 square metre convention centre with a capacity of up to 5,000 guests. The Group expects that these revolutionary and captivating developments will set a new benchmark for the global leisure and tourism industry and enhance Macau’s position as a world class tourism destination.

FINANCIAL & DEVELOPMENT HIGHLIGHTS

Group

Major Achievement:

- GEG included as a constituent to the Hang Seng Index effective from 17 June 2013.

Financial:

- Revenue was HK\$30,813 million for 1H 2013, an increase of HK\$2,491 million or 9%, compared to HK\$28,322 million for 1H 2012.
- Adjusted EBITDA was HK\$5,788 million for 1H 2013, an increase of HK\$1,076 million or 23%, compared to HK\$4,712 million for 1H 2012.
- Quarterly Adjusted EBITDA exceeded HK\$3 billion for the first time.
- Net profit attributable for shareholders was HK\$4,646 million for 1H 2013, an increase of HK\$1,200 million or 35%, compared to HK\$3,446 million for 1H 2012.
- Balance sheet remains strong with cash on hand of HK\$18.1 billion as at 30 June 2013.
- GEG subsequently prepaid HK\$3.5 billion of borrowings where total debt decreased by almost 35% from HK\$10,335 million to HK\$6,835 million in Q3 2013.

Development:

- GEG announced the HK\$3.25 billion strategic acquisition of the Grand Waldo Complex on 5 May 2013 and subsequently completed the acquisition on 17 July 2013.

Galaxy Macau™

Financial:

- Revenue grew HK\$2,151 million or 13% year-on-year to HK\$18,140 million for 1H 2013.
- Adjusted EBITDA grew HK\$1,150 million or 40% year-on-year to HK\$4,019 million for 1H 2013.
- Return On Investment (ROI*) was 45% for 1H 2013, compared to 37% for 1H 2012.

Development:

- Development of Galaxy Macau™ Phase 2 is on budget and on schedule to complete by mid-2015 as the next major project to open in Macau.
- Our Cotai Phases 3 and 4 plans are well advanced with construction targeted to commence by the end of 2013/early 2014.

StarWorld Macau

Financial:

- Revenue was HK\$11,566 million for 1H 2013, an increase of HK\$255 million or 2% year-on-year.
- Adjusted EBITDA was HK\$1,746 million for 1H 2013, compared to HK\$1,758 million for 1H 2012.
- Continues to generate a ROI* in excess of 90% with 92% for 1H 2013.

* ROI calculated based on the total Adjusted EBITDA for the latest twelve months divided by gross book value through 30 June 2013 including allocated land cost.

FINANCIAL & DEVELOPMENT HIGHLIGHTS



Group

Revenue

(HK\$'m)	1H 2012	1H 2013	% change
Gaming and Entertainment	27,382	29,800	9%
Construction Materials	940	1,013	8%
Group Total	28,322	30,813	9%

Adjusted EBITDA

(HK\$'m)	1H 2012	1H 2013	% Change
Gaming and Entertainment	4,551	5,677	25%
Construction Materials	228	191	(16%)
Corporate	(67)	(80)	(19%)
Group Total	4,712	5,788	23%

Key Financial Metrics

	1H 2012	1H 2013	% Change
Net Profit Attributable to Shareholders (HK\$'m)	3,446	4,646	35%
Earnings per share (HK cents)	82.5	110.4	34%
Total Assets (HK\$'m)	39,577	48,632	23%
Cash on Hand (HK\$'m)	11,026	18,109	64%
Gearing Ratio (%) (note)	7%	n/a	n/a
Share Price on 30 June (HK\$)	19.16	38	98%
Market Capitalisation (HK\$'m)	80,249	159,998	99%

Note: The Group was in a net cash position as at 30 June 2013.

FINANCIAL & DEVELOPMENT HIGHLIGHTS



Galaxy Macau™

Financial Highlights

(HK\$'m)	1H 2012	1H 2013	% change
Revenue	15,989	18,140	13%
Adjusted EBITDA	2,869	4,019	40%
Adjusted EBITDA margin (HK GAAP)	18%	22%	n/a
Adjusted EBITDA margin (US GAAP)	26%	31%	n/a
Return On Investment	37%	45%	n/a

1H 2013 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	346,210	11,875	3.4%
Mass Gaming	13,539	4,799	35.4%
Electronic Gaming	13,968	742	5.3%

1H 2012 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	357,835	11,407	3.2%
Mass Gaming	11,912	3,310	27.8%
Electronic Gaming	8,731	569	6.5%



StarWorld Macau

Financial Highlights

(HK\$'m)	1H 2012	1H 2013	% change
Revenue	11,311	11,566	2%
Adjusted EBITDA	1,758	1,746	(1%)
Adjusted EBITDA margin (HK GAAP)	16%	15%	n/a
Adjusted EBITDA margin (US GAAP)	26%	25%	n/a
Return On Investment	98%	92%	n/a

1H 2013 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	311,353	9,612	3.1%
Mass Gaming	5,327	1,658	30.9%
Electronic Gaming	1,675	112	6.7%

1H 2012 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	339,088	9,869	2.9%
Mass Gaming	4,766	1,109	22.9%
Electronic Gaming	1,762	122	6.9%

LETTER FROM THE CHAIRMAN



Chairman

Dr. Lui Che Woo

GBM, MBE, JP, LLD, DSSc, DBA

DEAR SHAREHOLDERS,

It is with great pleasure that I write to update you on the performance of our Company in the first six months of 2013.

Significant financial and operational progress has been made in the first half of this year. Record highs were achieved in revenue and earnings as GEG's second quarter Adjusted EBITDA exceeded the HK\$3 billion mark for the first time ever and half year net profit attributable to shareholders grew to a record HK\$4.6 billion. We also continue to advance with the development of our landbank in Cotai including Galaxy Macau™ Phase 2 on budget and on schedule to complete by mid-2015 and later Phases 3 & 4. To cap off a memorable six months, and a remarkable performance over recent years, GEG was included as a constituent of the Hang Seng Index on 17 June 2013.

LETTER FROM THE CHAIRMAN

Revenue in the first half of the year increased by 9% to HK\$30.8 billion, generating Adjusted EBITDA of HK\$5.8 billion, an increase of 23% year-on-year. This excellent outcome underlines management's success in continuing to optimise every component of Galaxy Macau™ to enable it to fulfill its potential, ensuring new initiatives at StarWorld Macau set the business back on its historic growth path, and maximising both properties' performance in the higher margin and fast growing mass segment of the market. Our two complementary flagship properties were the key contributors to the Group's successful performance. Galaxy Macau™ reinforced its position as the Group's core growth engine by delivering a 40% uplift in Adjusted EBITDA to HK\$4 billion for the first half of the year, and StarWorld Macau concluded the half with second quarter earnings of HK\$885 million, the second highest in its seven year history.

Never content to rest on our laurels, GEG has a clear roadmap to sustain strong growth in the years to come. In the short term, we are focused on adapting our properties to ensure they continue to provide 'best in industry' products and services, while also improving utilisation and floor yield. Further out, the development of Phase 2 of Galaxy Macau™, the New Palace of Asia, is progressing very smoothly and is on budget and on schedule to complete as the next major project in Macau by mid-2015. Coupled with our development plans for Phases 3 and 4 of our Cotai landbank, and supported by the recently completed strategic purchase of the Grand Waldo Complex, we are well positioned for sustainable growth in the future. We are confident our enhanced offering will create a new benchmark for the industry and Macau, capturing the imagination of a new wave of guests looking for an unforgettable vacation.

Macau Gaming Market

Macau presents guests with a vast entertainment and leisure experience. Visitation has grown year-on-year at tremendous rates, and this in turn has driven exponential growth in gaming revenues. As expected, the rate of growth in total gaming revenue is now moderating from unsustainable historic highs. Nevertheless, growth off a high base continues to be robust, with first half total gaming revenue increasing by 15% year-on-year to HK\$166.5 billion and second quarter revenue growing 16% year-on-year to an all-time record HK\$83.7 billion. Visitor arrivals for 1H 2013 increased by 4% to 14.1 million, with visitations from the Mainland Chinese increasing at a faster rate of 10%. Mainland Chinese now account for 63% of total visitor numbers.

Interestingly, the type of customer visiting Macau is changing. An increasing proportion of visitors are seeking a more holistic leisure and tourism experience, and this in turn is fuelling the ongoing evolution in the market to the mass segment. Our complementary portfolio of properties is capitalising on this long-term trend by catering for a wide range of tastes and preferences.

The outlook for Macau and the market is promising. Increasing the number of daily trains on the Guangzhou-Zhuhai Intercity Mass Rapid Transit and a substantial increase in processing capacity following improvements to the border gate at Gongbei, both of which became effective in June 2013, are expected to deliver immediate benefits. Further ahead, construction of major infrastructure projects such as the Guangzhou-Zhuhai Intercity Mass Rapid Transit extension line and the Guangzhou-Zhuhai Super Highway ending at Hengqin Island, the Hong Kong-Zhuhai-Macau Bridge, and the Light Rapid Transit connecting Macau, Taipa and Cotai, are expected to play an instrumental role in improving access and driving visitors to Macau for many years to come.

LETTER FROM THE CHAIRMAN

Galaxy Macau™ – the Group's Growth Engine

Galaxy Macau™, GEG's game changing integrated resort in Cotai, remains as inspiring and spectacular to guests as it was when it first opened back in May 2011. This is reflected in ongoing stellar growth rates – Adjusted EBITDA climbed 40% to HK\$4 billion in the first six months of 2013 – and visitations continued to increase. This is all the more impressive in light of additional capacity in Cotai. In the second quarter of 2013 its Adjusted EBITDA grew 34% year-on-year from HK\$1.56 billion to HK\$2.09 billion for its 8th consecutive quarter of growth while the latest twelve months ROI climbed to 45%.

The mass segment was again the star performer, generating revenue of HK\$4.8 billion in the first half of the year, up 45% on last year. The hotel occupancy rate of the property which includes three 5-star hotels remained very high at averaging 97%.

StarWorld Macau – Improving Momentum

StarWorld Macau's first half performance was solid, with revenue and earnings broadly in line with last year. Sequentially, momentum has improved, as evidenced by a continued outperformance in the mass segment, where revenue surged over 50%, and VIP volumes and win returning to their highest levels since the second quarter of 2012. Achieving the latest twelve months ROI of 92%, it remains one of world's highest returning casinos. Hotel occupancy rate at a near capacity of 99% in the period underscore its enduring appeal and popularity. To maintain StarWorld Macau's leadership position in VIP gaming, improvements to the gaming environment and layout changes, continue to be enacted.

Building Our Future in Cotai

Our overwhelming success in the design, construction and execution of Galaxy Macau™, has given us great confidence that we intrinsically understand the Asian market and customer. Every facet of Phase 2 of Galaxy Macau™, which will nearly double our existing footprint in Cotai to around one million square metres, has been assiduously thought through to ensure we once again strike the right chord with our guests. Construction is forging ahead on budget and on schedule and we are confident it will be the next major project to complete in Macau by mid-2015.

Longer-term, we whole heartedly believe in Macau's excellent prospects. Exciting and awe inspiring plans for Phases 3 and 4 are well advanced and will be shortly submitted to the Macau Government. Providing an unparalleled array of entertainment, cultural and MICE facilities, the twin developments will principally target premium mass and MICE guests. Targeted to open in phases between 2016 to 2018, we believe the new resort amenities of our properties will attract new visitors to Macau.

Dividend

To support the Group's substantial business growth pipeline, the Board of Directors has decided to reinvest all surplus funds into the development of the Company. As a result, The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2013.

Closing Remarks

In the first half of 2013, we moved one step closer to realising our vision to be 'globally recognised as Asia's leading gaming and entertainment corporation'. GEG's inclusion within the Hang Seng Index was a proud moment for the GEG family and a realisation of a dream. Further still, it gives me great pleasure to see that accolades keep on coming our way.

Our balance sheet remains strong and liquid. We subsequently reduced debt by approximately 35% from HK\$10.3 billion to HK\$6.8 billion with HK\$3.5 billion debt prepayment in Q3 2013.

I strongly believe that GEG's future is very bright. Galaxy Macau™ has not reached its full potential, StarWorld Macau has room to build out mass and strengthen its already compelling VIP offer, and finally, there is scope for both properties to more effectively target customers looking for a diverse, rich and all-encompassing experience.

Equipped with two world class properties and Macau's largest landbank, GEG is confident that it can prosper for many years to come as the guiding hand of the Macau Government and major infrastructure developments, support the economic development of Macau.

Dr. Lui Che Woo

GBM, MBE, JP, LLD, DSSc, DBA

Chairman

Hong Kong, 20 August 2013

SELECTED AWARDS

DR. LUI CHE WOO, CHAIRMAN OF GEG

Awards	Institution
Lifetime Achievement Award	Golden Horse Award of China Hotel

MR. FRANCIS LUI, DEPUTY CHAIRMAN OF GEG

Awards	Institution
Best CEO in Hong Kong	FinanceAsia Magazine
Capital Leaders of Excellence Awards	Capital Magazine

MR. ROBERT DRAKE, GROUP CHIEF FINANCIAL OFFICER OF GEG

Awards	Institution
Best CFO in Hong Kong	FinanceAsia Magazine

GEG

Awards	Institution
Best Managed Company in Hong Kong	FinanceAsia Magazine
Casino Operator of the Year Australia/Asia	International Gaming Awards
Best Investor Relations in Hong Kong	FinanceAsia Magazine
Best Corporate Governance in Hong Kong 2nd Place	FinanceAsia Magazine
Best Corporate Social Responsibility in Hong Kong 3rd Place	FinanceAsia Magazine
Best IR Companies 3rd Place	Institutional Investor Magazine – All Asia Executive Team Survey
Best IR Professionals (voted by the buy side) – Mr. Peter Caveny	Institutional Investor Magazine – All Asia Executive Team Survey

SELECTED AWARDS

GALAXY MACAU™

Awards	Institution
Casino VIP Room of the Year	International Gaming Awards
Best Resort Hotel Macau	International Hotel Awards
Most Charming Resort in Asia	Golden Horse Award of China Hotel
Top 10 Resort Hotels of China	China Hotel Starlight Awards

STARWORLD MACAU

Awards	Institution
Best Service Hotel of the Year	Travel Weekly Magazine and Events Magazine – China Travel and Meetings Industry Awards
Top 10 Glamorous Hotels of China	China Hotel Starlight Awards
Best Service Hotel	Golden Horse Award of China Hotel
Macau Elite Service Hotel Award	Ming Pao Weekly
Macau Best Service Hotel Award	Exmoo

CONSTRUCTION MATERIALS DIVISION

Awards	Institution
Hang Seng Pearl River Delta Environment Awards – 3 years+ Entrant, Green Participant	Federation of Hong Kong Industries/Hang Seng Bank
Construction Site Safety Award – Silver Award	Civil Engineering and Development Department
Hong Kong Awards for Environmental Excellence – Energywise Label – Class of Excellence	Environmental Campaign Committee
Hong Kong Awards for Environmental Excellence – Wastewise Label – Class of Excellence	Environmental Campaign Committee



MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

GEG made significant financial and operational progress in the first half of 2013, delivering record six month and quarterly highs in revenue and earnings. Revenue in the first six months increased by 9% year-on-year to \$30.8 billion and Group Adjusted EBITDA climbed 23% to \$5.8 billion. The Group's success in the period was driven by the excellent progress that is being achieved in optimising every component of Galaxy Macau™ so that it reaches its potential, ensuring new initiatives at StarWorld Macau realign the property on its historic growth trajectory, and driving growth in the higher margin and fast growing mass gaming segment, at both properties. City Clubs and the Construction Materials Division also made valuable contributions to the Group's top and bottom line.

Galaxy Macau™ continued to be the Group's growth engine. Adjusted EBITDA for the first half of the year increased by 40% year-on-year to just over \$4 billion, with the second quarter representing the property's 8th consecutive quarter of earnings growth. This growth was achieved primarily as a result of another excellent performance in the mass segment, all the more impressive in light of additional capacity in Cotai.

Development of the Group's remaining landbank on Cotai is proceeding on schedule with Phase 2 of Galaxy Macau™ expected to complete by mid-2015. Plans for the final two phases have almost been finalised and construction is targeted to commence by the end of 2013/early 2014. The \$3.25 billion strategic acquisition of the Grand Waldo Complex announced on 5 May 2013, which is located adjacent to Galaxy Macau™, will further extend the Group's casino permitted landbank in Cotai. The deal was successfully completed on 17 July 2013. GEG is confident that its planned new developments will provide visitors to Macau with a unique product and service experience that will greatly enhance Macau's leisure, entertainment and tourism offer, as well as create shareholder value.

StarWorld Macau, the Group's flagship property on the Macau Peninsula, recorded Adjusted EBITDA for the six month period of \$1.7 billion, broadly flat against last year. Encouragingly, second quarter earnings at \$885 million were its second highest ever, reflecting an ongoing excellent performance in the mass segment and VIP business regaining momentum.

Macau's prospects for the remainder of 2013 are promising. Wide reaching infrastructure and transport improvements continue to improve access to Macau from the Mainland and connectivity within Macau. In the immediate future, GEG expects to see Macau benefit from a significant increase in the number of daily trains on the Guangzhou-Zhuhai Intercity Mass Rapid Transit and major improvements to processing at the immigration gate at Gongbei, both of which became effective in June 2013. GEG is confident that its existing complementary properties and exciting new developments coupled with infrastructure improvement will prove highly attractive to the expected wave of new and existing visitors.

Major Achievements

GEG reached further milestones in the first half of 2013 in its vision to be 'globally recognised as Asia's leading gaming and entertainment corporation'. The Group's exceptional growth and performance in recent years was rewarded by it becoming a constituent of Hong Kong's benchmark Hang Seng Index effective from 17 June 2013. This achievement is testimony to the unwavering commitment and dedication of the GEG family and its unqualified success in delivering 'World Class, Asian Heart' service philosophy.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Overview of the Macau Gaming Market

The Macau gaming market experienced another robust period of growth as total gaming revenue increased by 15% year-on-year to \$166.5 billion. Revenue in the second quarter grew by 16% year-on-year to an all-time record \$83.7 billion. Visitor arrivals in the first six months were 14.1 million, an increase of 4% on the first half of 2012. Visitation from Mainland China grew at a faster rate of 10%, with Mainland Chinese now accounting for 63% of total visitor numbers (1H 2012: 60%).

VIP remains the largest segment of the market, accounting for 68% of total gaming revenue. In the first six months of 2013 it registered year-on-year growth of 10% to \$112.5 billion. Sequentially, modest growth has been achieved in each of the last three quarters, indicating an improving trend in the segment.

The evolution in the market toward the mass segment continued in the first half of the year, with higher margin mass revenue growing 30% year-on-year to \$47.1 billion. It now represents 28% of Macau's total gaming revenue. The rate of growth has moderated sequentially in the last two quarters, but GEG expects planned major improvements in infrastructure and transport links over the coming years such as the expansion of the Zhuhai Gongbei border gate and the Macau Taipa Ferry Terminal, the construction of Macau's Light Rail and the Hong Kong-Zhuhai-Macau Bridge, to dramatically improve access and boost visitation. GEG's complementary properties and exciting development pipeline for Cotai leave it well positioned to capture future opportunities in the market.

Electronic gaming accounts for just over 4% of the total gaming market. Revenue increased by 7% year-on-year to \$6.9 billion.

REVIEW OF OPERATIONS

Group Financial Results

In the first six months of 2013, GEG generated revenue of \$30.8 billion and Adjusted EBITDA of \$5.8 billion, year-on-year increases of 9% and 23% respectively. On a latest twelve months basis, Group Adjusted EBITDA increased by 26% to \$10.9 billion. Net profit attributable to shareholders was \$4.6 billion in 1H 2013, an increase of 35% on 1H 2012. All parts of the business delivered year-on-year revenue growth for the half year, while Galaxy Macau™'s 40% growth in Adjusted EBITDA was the key factor in the Group's healthy increase in earnings.

In terms of the gaming segments, mass once again recorded the fastest rate of growth. Galaxy Macau™'s mass net win improved from \$3.3 billion in 1H 2012 to \$4.8 billion in 1H 2013, an increase of 45%. StarWorld Macau also achieved excellent growth, with net win rising 50% from \$1.1 billion in 1H 2012 to \$1.7 billion in 1H 2013. The VIP performance at both properties was solid.

GEG's strong cash generative profile resulted in cash on hand increasing to \$18.1 billion at 30 June 2013 (\$15.6 billion at 31 December 2012), including restricted cash of \$2.2 billion.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Set out below are the segmental statistics of the Group's operating results for the half year ended 30 June 2013:

1H 2013 (HK\$'m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	29,800	1,013	–	30,813
Adjusted EBITDA	5,677	191	(80)	5,788

1H 2012 (HK\$'m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	27,382	940	–	28,322
Adjusted EBITDA	4,551	228	(67)	4,712

GAMING AND ENTERTAINMENT DIVISION

Galaxy Macau™

Financial and Operational Performance

Galaxy Macau™, GEG's flagship resort in Cotai, delivered a record breaking performance. Revenue in the six months grew 13% to \$18.1 billion against the same period last year, generating a 40% year-on-year uplift in Adjusted EBITDA to \$4.02 billion. Second quarter Adjusted EBITDA was \$2.1 billion, a 34% increase on the equivalent quarter last year and its 8th consecutive quarter of growth. Latest twelve months ROI climbed to an impressive 45% for the six months ended 30 June 2013 (1H 2012: 37%).

Adjusted EBITDA margin under HK GAAP rose from 18% in 1H 2012 to 22% in 1H 2013, and from 26% to 31% under US GAAP. This was due to continuously improving mass revenues and increased efficiency across the business.

VIP Gaming Performance

Total VIP rolling chip volume for the first six months of the year was \$346 billion, which translated to revenue of \$11.9 billion (1H 2012: \$11.4 billion). While volume was down year-on-year in the first half of 2013, the volume in Q2 2013 improved by 6% over Q1 2013.

VIP Gaming	Q2 2012	Q2 2013	YoY%	1H 2012	1H 2013	YoY%
HK\$'m						
Turnover	186,442	178,196	(4%)	357,835	346,210	(3%)
Net Win	6,287	5,965	(5%)	11,407	11,875	4%
Win %	3.4%	3.3%	n/a	3.2%	3.4%	n/a

MANAGEMENT DISCUSSION AND ANALYSIS

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

Mass Gaming Performance

Revenue in the mass market segment was \$4.8 billion, representing an increase of 45% compared to the first half of 2012. Second quarter revenue increased by 48% year-on-year and by 12% sequentially. These growth rates are particularly impressive given the introduction of additional capacity in Cotai in the second half of 2012 and beginning of 2013.

Mass Gaming HK\$m	Q2 2012	Q2 2013	YoY%	1H 2012	1H 2013	YoY%
Table Drop	6,041	6,845	13%	11,912	13,539	14%
Net Win	1,717	2,538	48%	3,310	4,799	45%
Hold %	28.4%	37.1%	n/a	27.8%	35.4%	n/a

Electronic Gaming Performance

Electronic gaming revenue was \$742 million, up 30% year-on-year. Second quarter revenue increased 41% year-on-year and 7% quarter-on-quarter.

Electronic Gaming HK\$m	Q2 2012	Q2 2013	YoY%	1H 2012	1H 2013	YoY%
Slots Handle	4,385	7,781	77%	8,731	13,968	60%
Net Win	271	383	41%	569	742	30%
Hold %	6.2%	4.9%	n/a	6.5%	5.3%	n/a

Non-Gaming Performance

Non-gaming revenue rose by almost 4% year-on-year to \$720 million in the first half of 2013. Galaxy Macau™ remains one of Macau's premier destinations, with guests continuing to be drawn to its glittering features and lavish architecture, vast array of retail, food & beverage outlets, the world's largest skytop wave pool, a modern 3D Cineplex and private members club China Rouge. Its compelling offer has played an important role in attracting higher value guests that want a holistic leisure, entertainment and tourism experience.

Hotel occupancy rate at the resort's three five star hotels remained very high at averaging 97% for the first six months of 2013.

Major Awards

Galaxy Macau™ has become synonymous with GEG's 'World Class, Asian Heart' product and service philosophy. In 2013 the property's reputation was further enhanced with a number of new accolades, including Most Charming Resort in Asia at the Golden Horse Award of China Hotel; Top 10 Resort Hotels of China at the China Hotel Starlight Awards; and, Casino VIP Room of the Year from the prestigious International Gaming Awards.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Development of the Cotai landbank – Phases 2, 3 and 4

We completed the piling work of Phase 2 at the end of last year. Currently we are working on the hotel tower. We expect it to complete on budget and on schedule by mid-2015 and to be the next major project to open in Macau.

The planning for Phases 3 & 4 has almost been finalised. Proposals are due to be submitted shortly and construction is targeted to commence by the end of 2013/early 2014. The \$50 to \$60 billion project will double the footprint of the first two phases. Non-gaming amenities will account for 95% of the total floor area. Highlights include:

- A state of the art multi-purpose 10,000 seat arena for world class entertainment and sporting events
- A 50,000 square metre convention centre with a capacity of up to 5,000 people
- Approximately 5,500 additional hotel rooms and suites of the very finest quality

Targeted to complete in stages between 2016 to 2018, the new development is pivotal in GEG securing a strong share of the expected influx of new visitors to Macau over the coming years.

Strategic Acquisition of the Grand Waldo Complex

In May 2013, GEG entered into an agreement to purchase 100% of the properties of the Grand Waldo Complex for a purchase price of \$3.25 billion. This transaction was completed subsequently on 17 July 2013.

Grand Waldo Complex is a casino, hotel and entertainment complex. It is located adjacent to Galaxy Macau™ and the Group's Cotai landbank and is strategically important as GEG develops its development pipeline.



StarWorld Macau

Financial and Operational Performance

StarWorld Macau achieved a solid performance in the first half of the year, posting revenue of \$11.6 billion, an increase of \$255 million or 2% year-on-year. Adjusted EBITDA was \$1.7 billion and in line with the same period last year. Of particular note is StarWorld Macau's improving performance sequentially. 1H 2013 revenue and Adjusted EBITDA was up 14% and 17% respectively on 2H 2012. Second quarter earnings at \$885 million were its second highest ever. StarWorld Macau continues to be one of the highest returning casinos in the world, generating the latest twelve months ROI of 92%.

StarWorld Macau's improving results were due to a number of factors including outperforming the market in the mass segment and a better performance in the VIP segment.

MANAGEMENT DISCUSSION AND ANALYSIS

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

VIP Gaming Performance

VIP rolling chip volume in the first six months of 2013 was \$311 billion, down 8% (1H 2012: \$339 billion). This translated to revenue of \$9.6 billion (1H 2012: \$9.9 billion). There were positive signs of increased demand in the VIP market with volumes and win in both Q1 and Q2 of this year returning to their highest levels since the second quarter of 2012.

VIP Gaming HK\$m	Q2 2012	Q2 2013	YoY%	1H 2012	1H 2013	YoY%
Turnover	162,971	161,913	(1%)	339,088	311,353	(8%)
Net Win	5,115	4,807	(6%)	9,869	9,612	(3%)
Win %	3.1%	2.9%	n/a	2.9%	3.1%	n/a

Mass Gaming Performance

Mass gaming revenue in the first half of the year climbed 50% year-on-year to \$1.7 billion on volume of \$5.3 billion. Second quarter revenue increased 7% on Q1 2013.

Mass Gaming HK\$m	Q2 2012	Q2 2013	YoY%	1H 2012	1H 2013	YoY%
Table Drop	2,374	2,663	12%	4,766	5,327	12%
Net Win	545	856	57%	1,109	1,658	50%
Hold %	22.5%	32.2%	n/a	22.9%	30.9%	n/a

Electronic Gaming Performance

StarWorld Macau's electronic gaming generated revenue of \$112 million in the first half of 2013, broadly flat against the same period last year. Second quarter revenue was \$48 million, a decrease of 25% on Q1 2013.

Electronic Gaming HK\$m	Q2 2012	Q2 2013	YoY%	1H 2012	1H 2013	YoY%
Slots Handle	835	777	(7%)	1,762	1,675	(5%)
Net Win	60	48	(20%)	122	112	(8%)
Hold %	7.2%	6.1%	n/a	6.9%	6.7%	n/a

MANAGEMENT DISCUSSION AND ANALYSIS

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

Non-Gaming Performance

Non-gaming revenue in the period was \$181 million (1H 2012: \$207 million). Hotel room occupancy remained at near capacity throughout the half year at 99%, underlining StarWorld Macau's status as one of Macau's premier luxury hotels. The reduction in revenue was due primarily to construction disruption to an existing restaurant.

Major Awards

StarWorld Macau received a number of prestigious plaudits in 2013, including Best Service Hotel of the Year at the China Travel and Meetings Industry Awards; Best Service Hotel from the Golden Horse Award of China Hotel; and, Top 10 Glamorous Hotels of China (4th consecutive year) at China Hotel Starlight Awards.

City Clubs

City Clubs contributed \$94 million of Adjusted EBITDA in the first half of the year, an increase of almost 15% year-on-year.

Following the period end, the Grand Waldo casino operations were suspended as part of the acquisition of the property complex on 17 July 2013.

CONSTRUCTION MATERIALS DIVISION

Construction Materials Division ("CMD") continues to deliver a solid performance in the first half of 2013. Revenue for the period grew 8% year-on-year to \$1,013 million. Half year Adjusted EBITDA was \$191 million, a decrease of \$37 million or 16% on 1H 2012. The decrease in earnings was due primarily to the softening selling price for cement and ground granulated blast-furnace slag ("slag") in some provinces in Mainland China.

Hong Kong and Macau

In Hong Kong, the increased spending on major infrastructure and construction projects by the Government in the first half of the year contributed to strong demand for conventional products such as aggregates, ready-mixed concrete and asphalt.

In Macau, increasing construction activities from the public sector and the construction works in the gaming industry continued to lead to increased demand for ready-mixed concrete for the period, and CMD is well positioned to benefit from this.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Mainland China

The weak market demand for cement, particularly in Northern and Eastern China, continued in the first half of 2013 and led to a drop in the selling price of cement, which also impacted the selling price of slag. However, we saw the selling price of slag stabilising in Q2 2013 over Q1 2013.

Unlike other areas in Mainland China, the demand for cement remains strong in the Yunnan Province where its development continued to be supported by Central Government policies. CMD will continue to expand cement production capacity in the Yunnan Province given the promising outlook.

GROUP OUTLOOK

The first six months of 2013 have been successful and eventful for GEG. The Group has delivered strong gains in revenue and earnings, made significant progress in the construction of Phase 2 of Galaxy Macau™, announced and subsequently completed the strategic acquisition of the Grand Waldo Complex which is complementary to the Group's existing Cotai landbank development pipeline, paid down \$3.5 billion of existing bank debt, and been rewarded for its stellar growth over many years by joining Hong Kong's Hang Seng Index. GEG's reputation has never been so elevated and it can now claim to be the world's third most valuable gaming company.

Macau's prospects for the remainder of 2013 and beyond are bright. The momentum behind the shift in the market to mass gaming shows no sign of relenting and momentum behind the VIP segment has improved. Planned infrastructure and transport improvements and a supportive government will facilitate growth in consumer consumption and drive visitation to Macau over the longer term.

GEG has a clear roadmap for growth over the short, medium and longer term. Optimising utilisation and improving the yield from the floor space at both of our flagship properties is an immediate priority. Further out, we are confident that Phase 2, and later Phases 3 & 4, will provide a massive boost for the business, capturing the attention of a new wave of visitors drawn to one of the world's most diverse, dynamic and exciting entertainment and leisure destinations.



LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 30 June 2013 was \$26,725 million, an increase of 22% over that as at 31 December 2012 of \$21,853 million while the Group's total assets employed increased to \$48,632 million as at 30 June 2013 as compared with \$44,389 million as at 31 December 2012.

The Group continues to maintain a strong cash position. As at 30 June 2013, total cash and bank balances were \$18,109 million as compared with \$15,609 million as at 31 December 2012. The Group's total indebtedness was \$10,413 million as at 30 June 2013 as compared with \$11,257 million as at 31 December 2012. The Group was in a net cash position as at 30 June 2013 and 31 December 2012. Subsequently, the Group made an early repayment of \$3.5 billion of bank debt, and funded \$2.6 billion of the first instalment of the Grand Waldo Complex acquisition at closing of the transaction.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

TREASURY POLICY

The Group continues to adopt a conservative treasury policy with a majority of bank deposits in Hong Kong Dollar, Renminbi or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks. All of the Group's borrowings are in Hong Kong Dollar and Renminbi. Forward foreign exchange contracts are utilised 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.

CHARGES ON GROUP ASSETS

Property, plant and equipment with net book value of \$14,812 million (31 December 2012: \$15,377 million), leasehold land and land use rights with net book value of \$2,561 million (31 December 2012: \$2,584 million), other assets with net book value of \$298 million (31 December 2012: \$300 million), bank deposits of \$1,935 million (31 December 2012: \$1,892 million) and shares of certain subsidiaries 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 \$6,970 million (31 December 2012: \$7,552 million), of which \$6,772 million (31 December 2012: \$7,314 million) have 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 \$112 million (31 December 2012: \$9 million). At 30 June 2013, facilities utilised amounted to \$77 million (31 December 2012: \$9 million).



EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group, excluding associated companies and joint ventures, employed approximately 15,000 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$2,143 million.

Remuneration Policy

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

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

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

Organisation Development and Training

Our employees are the most valuable asset of the Group and the talents and contributions of each individual are critical to our continuing success and achievement of our Mission, Vision and Values. We are committed to the development and growth of all employees and promote training and development as a life-long process. We offer ongoing personal and professional development opportunities to all employees beginning with our new hire orientation program and progressing to the delivery of technical, guest service and leadership skills training. Our training assists employees in achieving competency and professionalism in their jobs while instilling a culture of continuous improvement.

CORPORATE SOCIAL RESPONSIBILITY

As one of Asia's leading entertainment gaming operators, GEG is committed to being a responsible and proactive member of the Macau community, investing in the development of Macau for the benefit of all its residents and visitors to ensure its long term success. In the first half of the year, GEG supported and participated in a wide range of social, philanthropic and volunteering activities.

RESPONSIBLE GAMING

As an active member of the Responsible Gaming Working Committee, GEG works closely with local gaming operators, the Social Welfare Bureau of Macau SAR Government, the Gaming Inspection and Coordination Bureau of Macau SAR Government and the Institute for the Study of Commercial Gaming of the University of Macau, to develop a wide range of initiatives to enhance Macau's responsible gaming culture. GEG promotes responsible gaming to team members and patrons through the following initiatives:

- Launching a new responsible gaming mandatory refreshment training program to all frontline team members
- Organising a seminar about problem gaming and financial management for team members
- Supporting the Sheng Kung Hui Macau Social Services Coordination Office to promote its "Rainbow Life Gaming Industry Employees Service Scheme" to team members
- Providing casino exclusion forms to patrons on the casino floor and team members at the back-of-house areas



Invited professionals from Sheng Kung Hui Gambling Counseling and Family Wellness Centre to deliver a seminar on "Knowledge and Solution of Problem Gambling" to team members.

- Placing stickers with responsible gaming messages and helpline details on every slot machine and pamphlets of rules of games that are available on the casino floor
- Including messages of responsible gaming in all promotional pamphlets
- Providing around-the-clock telephone counseling, individual face-to-face counseling and online counseling options for team members to receive responsible gaming support

SMOKE-FREE AREAS

Supporting the new era of a smoke-free Macau, GEG complies fully to the new Regime of Tobacco Prevention and Control. Since 1 January 2012, GEG has adopted the following practices and remains committed to them:

- Held regular briefing sessions with team members to ensure that they understand the new Regime of Tobacco Prevention and Control and statutory no smoking areas
- Placed signs around our properties to clearly identify the smoking and non-smoking zones, and highlight violation penalties
- Removed all ash trays within the statutory no smoking areas and discourage patrons from lighting cigars or cigarettes while within those areas
- Removed all back-of-house indoor smoking areas to demonstrate GEG's commitment towards protecting the health of its team members

CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

To promote conservation and environmental sustainability, GEG participated in the following activities in the first half of 2013:

- Renewed our Pearl Membership to WWF-Hong Kong's 2013/2014 Corporate Membership Programme, and took part in WWF's Earth Hour Event for the fifth consecutive year
- Participated in the 2013 Macau Energy Saving Week "Lights Out" and "Dress Light, Dress Right" activities organised by the Office for the Development of the Energy Sector of the Macau SAR
- Enrolled Galaxy Macau™ and StarWorld Macau to participate in the "Macao Energy Saving Contest 2013" organised by Companhia de Electricidade de Macau and Office for the Development of the Energy Sector of the Macau SAR
- Galaxy Macau™ and StarWorld Macau joined a number of Macau's hotel and resort properties in the monthly "Lights Out" activity on the first Tuesday of every month, since March and May 2013 respectively
- Reduced our energy consumption by:

Galaxy Macau™

- Saving approximately 1.8 million kWh of energy since the beginning of the year through implementing various energy saving initiatives including continuum of re-lamping to LED lights; reviewing and reprogramming the property's lighting profiles regularly, and analysing the optimal load demand and profile of the property's central chiller system.

StarWorld Macau

- Saving approximately 73,000 kWh of energy per month through replacing 2,000 pieces of 50w Tungsten Halogen lamps in the guest rooms and lift lobby areas, and 400 pieces of 35w Tungsten Halogen lamps in the chandeliers, with 5w LED lamps between January and May 2013
- Adopting the following devices to further improve energy saving:
 - Variable speed drive to secondary chilled water pumps – the pump output will closely match the load without wasting energy
 - Frequency inverter to escalator – the escalators will assume redundant mode when no one or few people rides on them
 - Building Automation System to control the central air-conditioning system to achieve the best energy efficient status always
- Enhanced our water saving through:

Galaxy Macau™

- Installing water saving units to faucets to save an average of 30% of water at installed usage points in the first half of 2013

StarWorld Macau

- Extending the use of water saving faucets, showerheads and dual flush water closets to its guest rooms and facilities and reduced water usage in the period by 30%
- Recollecting drained off water from air-conditioning systems' cooling tower for cleansing and irrigation purposes

CORPORATE SOCIAL RESPONSIBILITY

- Continued to recycle and reduce our waste through:

Galaxy Macau™

- In the first half of 2013, collecting over 370 tons of cardboard, plastic bottles and metals for recycling equivalent to almost 75% of the total volume collected in 2012
- In the first half of 2013, collecting 6,400 pieces of reusable materials such as wooden pallets from suppliers and vendors equivalent to almost 65% of the total volume collected in 2012
- Starting recycling used photocopy machine toners containers

StarWorld Macau

- Between January and May 2013, collecting almost 50 tons of cardboards and paper material, nearly 6 tons of plastic and approximately 0.5 tons of metals for recycling

- Further improved the air quality:

Galaxy Macau™

- Received the "Indoor Environmental Quality" Certificate for its gaming halls and guest common areas from SGS Hong Kong Limited, the leading certification company in Hong Kong
- Met all parameters for Indoor Air Quality for the smoking areas in gaming halls in accordance with the new Regime of Tobacco Prevention and Control

StarWorld Macau

- Used water recycling hoods and electronic precipitators to remove the grease content in the kitchen exhaust and reducing the temperature of the kitchen exhaust before discharging out to the outside air as to minimize pollution

- Installed CO & CO2 sensors in gaming areas in order to continuously monitor levels of concentration. The sensor signal will regulate the fresh air intake into the casino halls so that the indoor quality can be improved but without wasting energy to cool unnecessary fresh air

- Installed air purifiers in some of the hotel guest rooms to effectively remove smoke residue, odours and other pollutants

- On-going initiatives:

Galaxy Macau™

- Conducting a feasibility study on food waste handling, including waste decomposition and conversion to organic fertiliser and the establishment of an organic farm at the integrated resort
- Issuing bi-weekly "Green Tips" to team members to improve awareness

StarWorld Macau

- Improving noise control by monitoring the sound intensity emitted from the chiller plants and restricting construction work to designated timeslots for the benefits of guests
- Reducing light pollution and conserving energy by installing timers and solar sensors on external lights and switching off external façade lights after mid-night
- Placing information cards inside guest rooms to encourage long staying guests to reduce the frequency of changing towels and bed linens
- Placing reminders at back-of-house areas to encourage team members to save water
- Using environmentally friendly chemicals for laundry and cleaning purposes
- Providing toilet paper rolls certified by "Forest Stewardship Council" and paper hand towels endorsed with "Green Mark"

COMMUNITY ACTIVITIES

GEG is attentive to the needs of its community and committed to sharing its success. The Group's 'Asian Heart' culture and service philosophy not only permeates its business operations, but also shapes the way in which it engages with the Macau community. Below is a list of selected community activities that were organised by the Group during the period.

- Pre-Lunar New Year celebration visits to the senior citizens' homes of Peng On Tung Tele-Assistance Services
- New Year luncheon with 120 senior citizens from six elderly and rehabilitation centers under Caritas Macau
- Easter Wonderland at Galaxy Macau™ with 50 children from Caritas Macau and Cradle of Hope Association
- Charity crafts-making activities with members of the Macau Special Olympics
- Mother's Day celebration with 90 senior female residents at Asilo Vila Madalena for the second consecutive year
- Hampers gifts to around 200 families at the Macau Holy House of Mercy Welfare Shop
- Father's Day celebration with over 130 senior male residents at Asilo de Betânia for the second consecutive year



New Year Luncheon with 120 senior citizens from six elderly and rehabilitation centers under Caritas Macau.

CHARITABLE ACTIVITIES

GEG strongly believes that as it grows and achieves success it should reciprocate in turn to the community. To this end, in the first half of 2013, GEG donated to over 20 organisations and people in need, and a selected list is presented below:

- Charity Association of Macau Business Readers
- Macau Holy House of Mercy
- Macau Industrial Evangelistic Fellowship Rehabilitation Centre for Problem Gamblers
- ORBIS Macau
- Victims of Sichuan Ya'an earthquake
- WWF – Hong Kong
- Youth Committee of Macao Chamber of Commerce



To show support for the victims of the Sichuan Ya'an Earthquake, Deputy Chairman of GEG Mr. Francis Lui (second left) and Vice President of Public Relations Mr. Buddy Lam (first left) presented a MOP2,000,000 cheque to Liaison Office of the Central People's Government of the Macao SAR in April 2013. The cheque was received by then Deputy Director of the Liaison Office Ms. Gao Yan (second right) and Director General for Economic Affairs Department of the Liaison Office Mr. Wang Xindong (first right).

CORPORATE SOCIAL RESPONSIBILITY

SPORTS DEVELOPMENT

GEG is committed to making Macau a more culturally diverse and attractive international tourism destination. The Group contributes significantly towards enhancing the attractiveness, scale and quality of Macau's various sports and community initiatives including:

- Sponsored the Macao Muay-Thai Association's "2013 Muay-Thai Kick Boxing Competition"
- Sponsored the Charity Association of Macau Business Readers' "Special Olympics Asia-Pacific Golf Masters in Macau"
- Sponsored the Youth Committee of Macao Chamber of Commerce's Youth Charity Golf Tournament in celebration of the Macao Chamber of Commerce's 100th anniversary

EDUCATION & CULTURE

GEG believes that developing the skills and expertise of young people is vital to enhancing the overall competitiveness of Macau. GEG collaborated with various educational and professional training institutes to develop different programs that can help young people explore their career opportunities and build a more solid foundation for their future careers. In the first half of 2013, GEG:

- Took part in the first "2013 Chinese New Year Parade" jointly organised by the Macau Government Tourist Office, Macau Civic and Municipal Affairs Bureau and Macau Cultural Affairs Bureau

- Supported "World Autism Awareness Day" by sponsoring the exhibition of "My Dream Painting Competition of Persons with Autism and Persons with Mental Handicap in Macau" awarded drawings at Galaxy Macau™ East Square
- Supported the Macau Cultural Affairs Bureau in organising the "Genesis and Spirit Showcase of Yunnan Province Intangible Cultural Heritage" exhibition at Galaxy Macau™
- Title sponsored the "GEG Macau Cup – Teenager National Conditions Knowledge Competition" for the fifth consecutive year
- Sponsored Cornell University School of Hotel Administration in organising the "Cornell International Summit: Hospitality, Real Estate and the Built Environment" in Shanghai
- Sponsored the University of Macau in organising the "4th Asia Pacific CHRIE (APAC-CHRIE) Youth Conference"
- Offered internship opportunities to 65 students, including four students from special education institutes
- Sponsored the student scholarship program offered by the Macao Polytechnic Institute and the University of Saint Joseph



GEG senior executives and representatives of the participating educational institutes attended the Internship Appreciation Ceremony and extended their best wishes to the interns.

CORPORATE SOCIAL RESPONSIBILITY

EMPLOYEE ENGAGEMENT

Recognising that our team members are our most valuable assets, GEG offers the highest quality professional and personal development training to enable them to reach their full potential. GEG also creates and organises numerous activities to promote a healthy work-life balance through its "GEG Staff Social Club" and "GEG Volunteer Team" programmes.

Some of the activities organised for team members' enjoyment in the first half of 2013 include:

- Continuing the GEG Leaders Program I and II, and the 1-Day Executive Leaders Programme

Since launching the GEG Leaders Program in 2012, 79% of team members at senior manager positions and above have joined the "GEG Leaders Program I", 30% of team members at senior manager positions and above have joined the "GEG Leaders Program II" and 70% of team members at vice president positions and above have completed the "1-Day Executive Leaders Program I"

- Offering computer, language, professional development and occupational skills courses

In 2012 GEG became the first gaming operator to join the Macau Productivity and Technology Transfer Center to offer professional training to GEG team members. GEG has provided over 50 courses on computer, language, professional development and occupational skills to over 900 team members

- Organised a "Stars of the Year 2012" Award Presentation Ceremony to recognise 16 outstanding team members
- Distributed Chinese New Year rice puddings and organised fun-filled games for team members
- Hosting a Mother's Day Postcard Design Competition and a Father's Day – Love SMS Competition
- Celebrating Galaxy Macau™'s 2nd anniversary
- Participating in the "2013 World Challenge Day" activity organised by the Macau Sport Development Board and Macau Civic and Municipal Affairs Bureau
- Employee Assistant Program roadshow



Over 200 GEG team members participating in the "2013 World Challenge Day".

CORPORATE SOCIAL RESPONSIBILITY

CONSTRUCTION MATERIALS DIVISION

In line with GEG's commitment to be a caring and responsible corporate citizen, CMD continues to devote time and resources to support a wide range of community activities and charity events. CMD recognises its responsibility to promote the well-being of our employees and to protect the environment of our home in Hong Kong.

CHARITY

In 2013, CMD donated and raised funds by participating in several charity social events including, but not limited to, the "HSBC Cycle for Millions 2013" and "MSF Orienteering Competition 2013".

EMPLOYEE CARE

We are committed to promote health of our employees by providing a comfortable and safe working environment. We regularly organise social, recreational and sports activities including soccer games, special interest classes, and theme park tours, to encourage a healthy work-life balance and team spirit.

HEALTH, SAFETY & ENVIRONMENT

CMD greatly emphasises its employees' health and work safety. As a responsible employer, we strictly comply to all safety procedure requirements on factory sites. Through implementing health, safety and environment management and promoting experience sharing by senior employees, CMD is one of the most committed employers in health, safety and environment. Safety of our work places further improved for the period.

To facilitate the transition to a low carbon global economy, CMD focuses on energy efficiency and conservation through the introduction of "Green products", such as slag cement and concrete. In partnership with the Hong Chi Association, CMD collects waste glass, together with other recycled wastes, for manufacturing eco-friendly paving blocks.

RECOGNITION

CMD has received the "Caring Company Logo" from the Hong Kong Council of Social Service for 10 consecutive years, in recognition of its longstanding commitment to serve the community of Hong Kong.



CMD participating in "HSBC Cycle for Millions 2013".

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF GALAXY ENTERTAINMENT GROUP LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 32 to 55, which comprises the condensed consolidated balance sheet of Galaxy Entertainment Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2013 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 August 2013

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CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2013

	Note	2013 HK\$'000	2012 HK\$'000
Revenue	5	30,812,921	28,321,661
Other income/gains, net	7(a)	177,774	131,817
Special gaming tax and other related taxes to the Macau Government		(11,319,621)	(10,375,564)
Commission and allowances to gaming counterparties		(9,530,592)	(9,438,335)
Raw materials and consumables used		(473,182)	(383,779)
Amortisation and depreciation		(938,112)	(905,698)
Employee benefit expenses		(2,195,747)	(2,065,522)
Other operating expenses		(1,716,828)	(1,551,356)
Finance costs	8	(199,152)	(303,768)
Share of profits less losses of:			
Joint ventures		46,836	49,292
Associated companies		641	1,074
Profit before taxation	7(b)	4,664,938	3,479,822
Taxation charge	9	(18,047)	(25,598)
Profit for the period		4,646,891	3,454,224
Attributable to:			
Equity holders of the Company		4,645,939	3,446,507
Non-controlling interests		952	7,717
		4,646,891	3,454,224
		HK cents	HK cents
Earnings per share	11		
Basic		110.4	82.5
Diluted		108.7	81.1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2013

	2013 HK\$'000	2012 HK\$'000
Profit for the period	4,646,891	3,454,224
Other comprehensive income/(loss)		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of non-current investments	(419)	(1,872)
Currency translation differences	29,280	(21,281)
Change in fair value of cash flow hedges	23,672	(22,791)
Other comprehensive income/(loss) for the period, net of tax	52,533	(45,944)
Total comprehensive income for the period	4,699,424	3,408,280
Total comprehensive income attributable to:		
Equity holders of the Company	4,693,416	3,402,899
Non-controlling interests	6,008	5,381
	4,699,424	3,408,280

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2013

	Note	30 June 2013 HK\$'000	31 December 2012 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		18,971,105	18,263,567
Investment properties		82,000	82,000
Leasehold land and land use rights		4,365,354	4,391,311
Intangible assets		1,035,214	1,103,508
Joint ventures		1,359,353	1,351,161
Associated companies		1,272	631
Other non-current assets		368,767	373,340
		26,183,065	25,565,518
Current assets			
Inventories		141,013	138,611
Debtors and prepayments	13	2,053,804	1,971,183
Amounts due from joint ventures		414,188	399,219
Taxation recoverable		1,043	6,146
Other investments		6,338	8,149
Other cash equivalents		1,724,293	691,136
Cash and bank balances		18,108,755	15,608,604
		22,449,434	18,823,048
Total assets		48,632,499	44,388,566

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2013

		30 June 2013 HK\$'000	31 December 2012 HK\$'000
	Note		
EQUITY			
Share capital	14	421,046	419,958
Reserves		26,304,239	21,433,430
		26,725,285	21,853,388
Shareholders' funds		451,337	440,992
Non-controlling interests			
Total equity		27,176,622	22,294,380
LIABILITIES			
Non-current liabilities			
Borrowings	15	5,760,371	6,291,171
Deferred taxation liabilities		273,194	279,059
Derivative financial instruments		57,039	80,711
Provisions		66,473	78,787
Retention payable		87,046	30,510
		6,244,123	6,760,238
Current liabilities			
Creditors and accruals	16	10,505,660	10,326,519
Amounts due to joint ventures		24,836	21,259
Current portion of borrowings	15	4,652,902	4,966,279
Provision for tax		28,356	19,891
		15,211,754	15,333,948
Total liabilities		21,455,877	22,094,186
Total equity and liabilities		48,632,499	44,388,566
Net current assets		7,237,680	3,489,100
Total assets less current liabilities		33,420,745	29,054,618

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2013

	2013 HK\$'000	2012 HK\$'000
Net cash from operating activities	6,182,358	4,639,387
Net cash used in investing activities	(3,782,179)	(3,963,136)
Net cash used in financing activities	(869,188)	(251,019)
Net increase in cash and cash equivalents	1,530,991	425,232
Cash and cash equivalents at beginning of period	8,907,342	6,793,088
Changes in exchange rates	5,434	(626)
Cash and cash equivalents at end of period	10,443,767	7,217,694
Analysis of cash and cash equivalents		
Cash and bank balances	18,108,755	9,333,620
Less: short-term bank deposits with maturity over three months and short-term pledged deposits	(9,389,281)	(3,229,386)
Other cash equivalents	1,724,293	1,113,460
Cash and cash equivalents	10,443,767	7,217,694

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013

	Share capital HK\$'000	Reserves HK\$'000	Shareholders' funds HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2013	419,958	21,433,430	21,853,388	440,992	22,294,380
Comprehensive income					
Profit for the period	–	4,645,939	4,645,939	952	4,646,891
Other comprehensive (loss)/income					
Change in fair value of non-current investments	–	(419)	(419)	–	(419)
Currency translation differences	–	24,224	24,224	5,056	29,280
Change in fair value of cash flow hedges	–	23,672	23,672	–	23,672
Total other comprehensive income, net of tax	–	47,477	47,477	5,056	52,533
Total comprehensive income for the period	–	4,693,416	4,693,416	6,008	4,699,424
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	20,473	20,473
Return of capital to non-controlling interests	–	–	–	(2)	(2)
Dividend paid to non-controlling interests	–	–	–	(16,134)	(16,134)
Issue of shares upon exercise of share options	1,088	78,000	79,088	–	79,088
Fair value of share options granted	–	99,393	99,393	–	99,393
At 30 June 2013	421,046	26,304,239	26,725,285	451,337	27,176,622
At 1 January 2012	417,421	13,804,605	14,222,026	421,201	14,643,227
Comprehensive income					
Profit for the period	–	3,446,507	3,446,507	7,717	3,454,224
Other comprehensive loss					
Change in fair value of non-current investments	–	(1,872)	(1,872)	–	(1,872)
Currency translation differences	–	(18,945)	(18,945)	(2,336)	(21,281)
Change in fair value of cash flow hedges	–	(22,791)	(22,791)	–	(22,791)
Total other comprehensive loss, net of tax	–	(43,608)	(43,608)	(2,336)	(45,944)
Total comprehensive income for the period	–	3,402,899	3,402,899	5,381	3,408,280
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	24,650	24,650
Return of capital to non-controlling interests	–	–	–	(1,024)	(1,024)
Dividend paid to non-controlling interests	–	–	–	(4,643)	(4,643)
Issue of shares upon exercise of share options	1,413	49,075	50,488	–	50,488
Fair value of share options granted	–	70,167	70,167	–	70,167
At 30 June 2012	418,834	17,326,746	17,745,580	445,565	18,191,145

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. General Information

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

The principal activities of the Company and its subsidiaries (together the “Group”) are operation in casino games of chance or games of other forms, provision of hospitality and related services in Macau, and the manufacture, sale and distribution of construction materials in Hong Kong, Macau and Mainland China.

The interim financial information has been approved for issue by the Board of Directors on 20 August 2013.

2. Basis of Preparation and Accounting Policies

The interim financial information for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) under the historical cost convention, as modified by the revaluation of investment properties, non-current investments, financial assets and financial liabilities (including derivative financial instruments), which are carried at fair values. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies used in the preparation of the interim financial information are consistent with those used and as described in the annual financial statements for the year ended 31 December 2012, except as described below:

(a) The adoption of new/amended standards and interpretations

In 2013, the Group adopted the following new/amended standards and interpretations which are relevant to its operations.

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 19 (Amendment)	Employee Benefits
HKAS 32 (Amendment)	Financial Instruments: Presentation
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 1 (Amendment)	First time adoption Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the adoption of HKAS 1 (Amendment) and HKFRS 13 which affected the Group’s presentation and required additional disclosures, the Group has assessed the impact of the adoption of these new/revised HKFRS and considered that there was no significant impact on the Group’s results and financial position.

NOTES TO THE INTERIM FINANCIAL INFORMATION

2. Basis of Preparation and Accounting Policies (Continued)

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

New standards and amendments		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKFRS 10, 12, and HKAS 27 (Amendments)	Investment Entities	1 January 2014
HK(IFRIC) Int 21	Levies	1 January 2014
HKFRS 7 (Amendment)	Financial Instruments: Disclosure – Mandatory Effective Date of HKFRS 9 and Transitional Disclosure	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015

The Group has not early adopted the above standards and amendments and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of financial statements will be resulted.

3. Critical Accounting Estimates and Judgments

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

The significant judgments, estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2012.

4. Financial Risk Management

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

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012. There have been no changes in the financial risk management objectives and policies of the Group since 2012 year end.

NOTES TO THE INTERIM FINANCIAL INFORMATION

4. Financial Risk Management (Continued)

4.1 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2013 and 31 December 2012.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2013				
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	6,338	–	–	6,338
Available-for-sale financial assets				
– Equity securities	14	–	117,233	117,247
Total	6,352	–	117,233	123,585
Liabilities				
Derivative financial instruments	–	57,039	–	57,039
Total	–	57,039	–	57,039

At 31 December 2012

Assets

Financial assets at fair value through profit or loss

– Equity securities	8,149	–	–	8,149
Available-for-sale financial assets				
– Equity securities	27	–	117,033	117,060

Total	8,176	–	117,033	125,209
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Liabilities

Derivative financial instruments	–	80,711	–	80,711
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Total	–	80,711	–	80,711
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NOTES TO THE INTERIM FINANCIAL INFORMATION

4. Financial Risk Management (Continued)

4.1 Fair value estimation (Continued)

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

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

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

Specific valuation techniques used to value financial instruments include:

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

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

The following table presents the changes in level 3 instruments for the period ended 30 June 2013.

	Available-for-sale financial assets HK\$'000	Derivative financial instruments HK\$'000
Opening balance as of 1 January 2013	117,033	–
Losses recognised in equity	(406)	–
Increase in investment	2,000	–
Return of capital	(1,394)	–
Closing balance as of 30 June 2013	117,233	–
Total gains for the period included in profit or loss for assets held at the end of the period	–	–

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. Revenue

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

	2013 HK\$'000	2012 HK\$'000
Gaming operations		
Net gaming wins	28,797,637	26,386,631
Contributions from City Club Casinos (note)	87,594	75,745
Tips received	7,099	11,026
Hotel operations	901,571	902,327
Administrative fees from gaming operations	6,144	6,147
Sales of construction materials	1,012,876	939,785
	30,812,921	28,321,661

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

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

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

During the period ended 30 June 2013, the Group is entitled to HK\$87,594,000 (2012: HK\$75,745,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Segment Information

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

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

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Segment Information (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Six months ended 30 June 2013				
Reportable segment revenue	31,652,062	1,012,876	–	32,664,938
Adjusted for:				
City Club Casinos arrangement set out in note 5				
Revenue not recognised	(1,945,755)	–	–	(1,945,755)
Contributions	87,594	–	–	87,594
Others	6,144	–	–	6,144
Revenue recognised under HKFRS	29,800,045	1,012,876	–	30,812,921
Adjusted EBITDA	5,677,053	191,029	(79,632)	5,788,450
Interest income and gross earnings on finance lease				116,921
Amortisation and depreciation				(938,112)
Finance costs				(199,152)
Taxation charge				(18,047)
Taxation of joint ventures				(12,475)
Adjusted items:				
Pre-opening expenses of Galaxy Macau™				
Phase 2 at Cotai				(8,738)
Unrealised loss on listed investments				(1,811)
Share option expenses				(99,393)
Donation and sponsorship				(6,181)
Others				25,429
Profit for the period				4,646,891

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Segment Information (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Six months ended 30 June 2012				
Reportable segment revenue	29,187,734	939,785	–	30,127,519
Adjusted for:				
City Club Casinos arrangement set out in note 5				
Revenue not recognised	(1,883,199)	–	–	(1,883,199)
Contributions	75,745	–	–	75,745
Others	1,596	–	–	1,596
Revenue recognised under HKFRS	27,381,876	939,785	–	28,321,661
Adjusted EBITDA	4,551,472	228,139	(67,181)	4,712,430
Interest income and gross earnings on finance lease				54,096
Amortisation and depreciation				(905,698)
Finance costs				(303,768)
Taxation charge				(25,598)
Taxation of joint ventures				(13,628)
Adjusted items:				
Pre-opening expenses of Galaxy Macau™				
Phase 2 at Cotai				(7,115)
Unrealised loss on listed investments				(2,082)
Share option expenses				(70,167)
Donation and sponsorship				(14,884)
Impairment of certain property, plant and equipment				(14,849)
Gain on unlisted investment and other income				45,487
Profit for the period				3,454,224

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Segment Information (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
As at 30 June 2013				
Total assets	39,624,792	4,590,038	4,417,669	48,632,499
Total assets include:				
Joint ventures	43,911	1,315,442	–	1,359,353
Associated companies	–	1,272	–	1,272
Total liabilities	16,881,172	1,229,039	3,345,666	21,455,877
As at 31 December 2012				
Total assets	37,141,474	4,456,697	2,790,395	44,388,566
Total assets include:				
Joint ventures	31,116	1,320,045	–	1,351,161
Associated companies	–	631	–	631
Total liabilities	17,049,263	1,542,133	3,502,790	22,094,186
Six months ended 30 June 2013				
Additions to non-current assets	1,526,824	48,139	974	1,575,937
Six months ended 30 June 2012				
Additions to non-current assets	707,542	122,756	26	830,324

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Segment Information (Continued)

Geographical analysis

	2013 HK\$'000	2012 HK\$'000
Six months ended 30 June		
Revenue		
Macau	30,072,144	27,481,948
Hong Kong	564,506	610,675
Mainland China	176,271	229,038
	30,812,921	28,321,661
	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Non-current assets, other than financial instruments		
Macau	23,673,064	23,044,941
Hong Kong	470,159	480,537
Mainland China	2,039,842	2,040,040
	26,183,065	25,565,518

NOTES TO THE INTERIM FINANCIAL INFORMATION

7. Other Income/Gains, Net and Profit Before Taxation

	2013 HK\$'000	2012 HK\$'000
(a) Other income/gains, net		
Rental income from investment properties	2,850	4,376
Interest income		
Bank deposits	109,428	46,396
Loans to joint ventures	6,236	6,362
Deferred receivables	804	702
Dividend income from unlisted investments	22,380	28,000
Gross earnings on finance lease	453	636
Unrealised loss on listed investments	(1,811)	(2,082)
(Loss)/gain on disposal of property, plant and equipment	(14,471)	602
Impairment of property, plant and equipment	–	(24,901)
Foreign exchange gain	26,680	9,209
Gain on unlisted investment	–	16,593
Others	25,225	45,924
	177,774	131,817
(b) Profit before taxation is stated after charging		
Depreciation	820,792	790,411
Amortisation		
Gaming licence	52,732	53,023
Computer software	26,137	23,981
Quarry site improvements	7,756	7,756
Overburden removal costs	4,010	4,010
Quarry site development	191	158
Leasehold land and land use rights	26,494	26,359

NOTES TO THE INTERIM FINANCIAL INFORMATION

8. Finance Costs

	2013 HK\$'000	2012 HK\$'000
Interest expenses		
Fixed rate bonds wholly repayable within five years	48,259	47,735
Bank loans and overdrafts wholly repayable within five years	168,591	231,775
Obligations under finance leases	29,166	28,806
Fair value losses on financial instruments		
Interest rate swaps: cash flow hedges	12,268	–
Other borrowing costs	1,788	1,646
	260,072	309,962
Amount capitalised in assets under construction	(60,920)	(6,194)
	199,152	303,768

9. Taxation Charge

	2013 HK\$'000	2012 HK\$'000
Current taxation		
Hong Kong profits tax	10,985	17,303
Mainland China income tax	10,528	6,325
Macau complementary tax	2,400	–
Net over-provision in prior years	–	(889)
Deferred taxation	(5,866)	2,859
Taxation charge	18,047	25,598

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the period after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, and these rates range from 12% to 25% (2012: 12% to 25%). The weighted average applicable tax rate was 12% (2012: 12%).

10. Interim Dividend

The Board of Directors does not declare any interim dividend for the six months ended 30 June 2013 (2012: nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION

11. Earnings Per Share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one (2012: one) category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

	2013 HK\$'000	2012 HK\$'000
Profit attributable to equity holders of the Company	4,645,939	3,446,507

	Number of shares	
	2013	2012
Weighted average number of shares for calculating basic earnings per share	4,206,829,880	4,179,839,646
Effect of dilutive potential ordinary shares		
Share options	65,839,185	68,540,235
Weighted average number of shares for calculating diluted earnings per share	4,272,669,065	4,248,379,881

12. Additions of Property, Plant and Equipment and Intangible Assets

For the six months ended 30 June 2013, the Group incurred HK\$1,565 million (2012: HK\$814 million) on property, plant and equipment and HK\$11 million on intangible assets (2012: HK\$16 million).

NOTES TO THE INTERIM FINANCIAL INFORMATION

13. Debtors and Prepayments

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Trade debtors, net of provision	633,533	628,983
Other debtors and deposit paid, net of provision	1,296,201	1,253,587
Prepayments	101,168	63,596
Amounts due from associated companies	10,355	12,174
Current portion of finance lease receivable	12,547	12,843
	2,053,804	1,971,183

Trade debtors mainly arise from the sales of construction materials. 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 (2012: 30 to 60 days) for customers in Hong Kong and Macau and 120 to 210 days (2012: 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:

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Within one month	238,484	229,972
Two to three months	215,712	206,051
Four to six months	42,881	97,227
Over six months	136,456	95,733
	633,533	628,983

NOTES TO THE INTERIM FINANCIAL INFORMATION

14. Share Capital

	Ordinary shares of HK\$0.10 each	HK\$'000
Authorised:		
At 30 June 2012, 31 December 2012 and at 30 June 2013	9,000,000,000	900,000
Issued and fully paid:		
At 1 January 2012	4,174,208,722	417,421
Issue of shares upon exercise of share options	14,128,972	1,413
At 30 June 2012	4,188,337,694	418,834
Issue of shares upon exercise of share options	11,246,996	1,124
At 31 December 2012 and 1 January 2013	4,199,584,690	419,958
Issue of shares upon exercise of share options	10,880,057	1,088
At 30 June 2013	4,210,464,747	421,046

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

During the period, 16,608,000 new options (2012: 26,889,000) were granted and 10,880,057 options (2012: 14,128,972) were exercised and 976,335 options (2012: 311,668) have lapsed. The number of share options outstanding at 30 June 2013 was 98,800,691 (2012: 106,223,081).

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. Borrowings

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Bank loans		
Secured	8,215,933	8,392,808
Unsecured	80,000	583,811
Other borrowings	8,295,933	8,976,619
Fixed rate bonds – unsecured (note a)	1,724,087	1,684,767
Bank loans and other borrowings	10,020,020	10,661,386
Obligations under finance leases (note b)	393,253	596,064
Total borrowings	10,413,273	11,257,450
Current portion included in current liabilities	(4,450,835)	(4,572,098)
Short-term bank loans	(202,067)	(394,181)
	(4,652,902)	(4,966,279)
	5,760,371	6,291,171

Note:

- (a) In December 2010, the Company issued fixed rate senior unsecured bonds in an aggregate amount of RMB1.38 billion. The senior unsecured bonds bear fixed interest at 4.625% per annum and will be fully repayable in December 2013. The fixed rate bonds are listed on the SEHK.
- (b) Obligations under finance leases at 30 June 2013 included land premium payable to the Macau government in respect of the outstanding installment payable for a piece of land in Cotai, Macau under the concession contract amounting to MOP208 million (approximately HK\$202 million).

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. Borrowings (Continued)

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

	Group			
	Carrying amount		Fair value	
	30 June 2013 HK\$'000	31 December 2012 HK\$'000	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Bank loans	8,295,933	8,976,619	8,295,933	8,976,619
Fixed rate bonds	1,724,087	1,684,767	1,731,218	1,712,869
Obligations under finance leases	393,253	596,064	413,441	631,017
	10,413,273	11,257,450	10,440,592	11,320,505

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

16. Creditors and Accruals

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Trade creditors	1,485,013	1,499,732
Other creditors	4,651,933	5,041,421
Chips issued	2,919,994	2,300,394
Loans from non-controlling interests	68,356	75,638
Accruals and provision	1,355,389	1,390,923
Deposits received	24,975	18,411
	10,505,660	10,326,519

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

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Within one month	1,276,134	1,122,119
Two to three months	84,699	256,401
Four to six months	50,607	64,974
Over six months	73,573	56,238
	1,485,013	1,499,732

NOTES TO THE INTERIM FINANCIAL INFORMATION

17. Capital Commitments

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Contracted but not provided for	10,639,440	11,971,291
Authorised but not contracted for	6,426,320	6,096,906

18. Related Party Transactions

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

- (a) Interest income from joint ventures amounted to HK\$6,236,000 (2012: HK\$6,362,000) are charged at prevailing market rate.
- (b) Management fee received from joint ventures amounted to HK\$4,584,000 (2012: HK\$2,419,000) are charged at terms agreed among the parties.
- (c) Rental expenses of HK\$654,000 (2012: HK\$792,000) were paid to a subsidiary of K. Wah International Holdings Limited, a shareholder of the Company, based on the terms of the rental agreement between the parties. This is a continuing connected transaction which is fully exempted from reporting and disclosure requirements under rule 14A.33(3) of the Rules Governing the Listing of Securities on SEHK.
- (d) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. Key management compensation amounted to HK\$53,000,000 for the six months ended 30 June 2013 (2012: HK\$39,000,000).

19. Post Balance Sheet Events

- (a) On 4 May 2013, the Group entered into an assets purchase agreement with Get Nice Holdings Limited and its subsidiaries for the purchase of land and buildings, vehicles, intellectual property rights, computer systems, software and hardware, communication systems and equipment, and the rights of Grand Waldo Entertainment Limited, at an aggregate consideration of HK\$3,250 million. The acquisition is a strategic investment and is expected to have synergistic effect on the Group's development at Cotai, Macau.

Subsequent to the period end, on 17 July 2013, the acquisition pursuant to the assets purchase agreement was completed.

- (b) Subsequent to the period end, the Group made an early repayment of HK\$3,500 million of bank loans.

OTHER INFORMATION

Directors' Interests in Securities and Share Options

At 30 June 2013, the interests of each Director in the shares, underlying shares and debentures of the Company, and the details of any right to subscribe for shares of the Company and of the exercise of such rights, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Shares (including underlying shares)

Name	Number of shares (including underlying shares)				Total	Percentage of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che Woo	31,387,632	2,181,518	23,121,401 ⁽¹⁾	1,697,536,231 ⁽²⁾	1,754,226,782	41.66
Francis Lui Yiu Tung	43,456,896	–	396,150,099 ⁽³⁾	1,697,536,231 ⁽²⁾	2,137,143,226	50.75
Joseph Chee Ying Keung	2,268,000	–	–	–	2,268,000	0.05
Paddy Tang Lui Wai Yu	15,369,722	–	–	1,697,536,231 ⁽²⁾	1,712,905,953	40.68
James Ross Ancell	250,000	–	–	–	250,000	0.00
William Yip Shue Lam	250,000	–	–	–	250,000	0.00
Anthony Thomas	2,800,000	–	–	–	2,800,000	0.06
Christopher Carter	–	–	–	–	–	–
Patrick Wong Lung Tak	–	–	–	–	–	–

Notes:

- (1) 305,401 shares and 22,816,000 shares of the Company were held by Po Kay Securities & Shares Company Limited and a charitable organization, Lui Che Woo Foundation Limited respectively, both are controlled by Dr. Lui Che Woo.
- (2) A discretionary family trust established by Dr. Lui Che Woo as founder was interested in 1,697,536,231, shares of the Company. Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as either direct or indirect discretionary beneficiaries of the discretionary family trust, are deemed to have an interest in those shares in which the trust has an interest.
- (3) 103,096,039 shares of the Company were held by Recurrent Profits Limited which is controlled by Mr. Francis Lui Yiu Tung. Top Notch Opportunities Limited ("Top Notch") was interested in 171,916,021 underlying shares of the Company. Kentlake International Investments Limited ("Kentlake") was interested in 60,000,000 shares of the Company and 61,138,039 underlying shares of the Company. Both Top Notch and Kentlake are controlled by Mr. Francis Lui Yiu Tung. The aforesaid underlying shares had not been delivered to Top Notch and Kentlake and are still counted towards the public float.

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(b) Underlying Shares – Share Option

Details are set out in the Share Options section below.

All the interests stated above represent long positions.

Save as disclosed above, as at 30 June 2013, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' Interests

At 30 June 2013, the interests of every person (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Number of Shares (Long Position)	Percentage of Issued Share Capital
City Lion Profits Corp.	1,313,887,206	31.20
CWL Assets (PTC) Limited	1,697,536,231	40.31
HSBC International Trustee Limited	1,709,062,231 ⁽¹⁾	40.59
Super Focus Company Limited	269,200,154	6.39
Waddell & Reed Financial, Inc.	312,289,000	7.41

Notes:

- (1) HSBC International Trustee Limited, the trustee of a discretionary family trust established by Dr. Lui Che Woo as founder, was interested in 1,697,536,231 shares of the Company.

There was duplication of interests of:

- (i) 1,697,536,231 shares of the Company between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, CWL Assets (PTC) Limited and HSBC International Trustee Limited;
- (ii) 1,313,887,206 shares of the Company between City Lion Profits Corp. and CWL Assets (PTC) Limited;

Save as disclosed above, as at 30 June 2013, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of the SFO.

OTHER INFORMATION

Share Options

The particulars of the movements in the options held by each of the Directors of the Company, the employees of the Company in aggregate and other participants granted under the Share Option Scheme adopted on 22 June 2011 or under any other share option schemes of the Company during the six months ended 30 June 2013 were as follows:

Name	Date of grant	Number of options				Held at 30 June 2013	Exercise price (HK\$)	Exercise period
		Held at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period			
Lui Che Woo	28 Feb 2003	2,000,000	-	2,000,000 ^(a)	-	-	0.514	1 Mar 2004 – 28 Feb 2013
	17 Jan 2008	862,500	-	-	-	862,500	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	862,500	-	-	-	862,500	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,725,000	-	-	-	1,725,000	6.972	17 Jan 2012 – 16 Jan 2014
	8 May 2009	1,150,000	-	-	-	1,150,000	2.160	8 May 2010 – 7 May 2015
	8 May 2009	1,150,000	-	-	-	1,150,000	2.160	8 May 2011 – 7 May 2015
	8 May 2009	1,150,000	-	-	-	1,150,000	2.160	8 May 2012 – 7 May 2015
	11 Oct 2010	1,150,000	-	-	-	1,150,000	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	1,150,000	-	-	-	1,150,000	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	1,150,000	-	-	-	1,150,000	6.810	11 Oct 2013 – 10 Oct 2016
	16 Mar 2012	900,000	-	-	-	900,000	20.100	16 Mar 2013 – 15 Mar 2018
	16 Mar 2012	900,000	-	-	-	900,000	20.100	16 Mar 2014 – 15 Mar 2018
	16 Mar 2012	900,000	-	-	-	900,000	20.100	16 Mar 2015 – 15 Mar 2018
	17 Jan 2013	-	383,333	-	-	383,333	32.500	17 Jan 2014 – 16 Jan 2019
	17 Jan 2013	-	383,333	-	-	383,333	32.500	17 Jan 2015 – 16 Jan 2019
17 Jan 2013	-	383,334	-	-	383,334	32.500	17 Jan 2016 – 16 Jan 2019	
Francis Lui Yiu Tung	17 Jan 2008	1,250,000	-	-	-	1,250,000	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	1,250,000	-	-	-	1,250,000	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	2,500,000	-	-	-	2,500,000	6.972	17 Jan 2012 – 16 Jan 2014
	8 May 2009	1,666,668	-	-	-	1,666,668	2.160	8 May 2012 – 7 May 2015
	11 Oct 2010	1,666,666	-	-	-	1,666,666	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	1,666,666	-	-	-	1,666,666	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	1,666,668	-	-	-	1,666,668	6.810	11 Oct 2013 – 10 Oct 2016
	16 Mar 2012	1,300,000	-	-	-	1,300,000	20.100	16 Mar 2013 – 15 Mar 2018
	16 Mar 2012	1,300,000	-	-	-	1,300,000	20.100	16 Mar 2014 – 15 Mar 2018
	16 Mar 2012	1,300,000	-	-	-	1,300,000	20.100	16 Mar 2015 – 15 Mar 2018
	17 Jan 2013	-	550,000	-	-	550,000	32.500	17 Jan 2014 – 16 Jan 2019
	17 Jan 2013	-	550,000	-	-	550,000	32.500	17 Jan 2015 – 16 Jan 2019
	17 Jan 2013	-	550,000	-	-	550,000	32.500	17 Jan 2016 – 16 Jan 2019

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Name	Date of grant	Number of options				Held at 30 June 2013	Exercise price (HK\$)	Exercise period
		Held at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period			
Joseph Chee Ying Keung	21 Oct 2009	642,000	-	-	-	642,000	3.600	21 Oct 2010 – 20 Oct 2015
	20 Apr 2011	642,000	-	-	-	642,000	13.820	20 Apr 2012 – 19 Apr 2017
	17 Jan 2013	-	60,000	-	-	60,000	32.500	17 Jan 2014 – 16 Jan 2019
	17 Jan 2013	-	60,000	-	-	60,000	32.500	17 Jan 2015 – 16 Jan 2019
	17 Jan 2013	-	60,000	-	-	60,000	32.500	17 Jan 2016 – 16 Jan 2019
Paddy Tang Lui Wai Yu	17 Jan 2008	500,000	-	-	-	500,000	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	500,000	-	-	-	500,000	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,000,000	-	-	-	1,000,000	6.972	17 Jan 2012 – 16 Jan 2014
	8 May 2009	666,666	-	-	-	666,666	2.160	8 May 2010 – 7 May 2015
	8 May 2009	666,666	-	-	-	666,666	2.160	8 May 2011 – 7 May 2015
	8 May 2009	666,668	-	-	-	666,668	2.160	8 May 2012 – 7 May 2015
	11 Oct 2010	666,666	-	-	-	666,666	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	666,666	-	-	-	666,666	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	666,668	-	-	-	666,668	6.810	11 Oct 2013 – 10 Oct 2016
	16 Mar 2012	243,333	-	-	-	243,333	20.100	16 Mar 2013 – 15 Mar 2018
	16 Mar 2012	243,333	-	-	-	243,333	20.100	16 Mar 2014 – 15 Mar 2018
	16 Mar 2012	243,334	-	-	-	243,334	20.100	16 Mar 2015 – 15 Mar 2018
	17 Jan 2013	-	133,333	-	-	133,333	32.500	17 Jan 2014 – 16 Jan 2019
	17 Jan 2013	-	133,333	-	-	133,333	32.500	17 Jan 2015 – 16 Jan 2019
17 Jan 2013	-	133,334	-	-	133,334	32.500	17 Jan 2016 – 16 Jan 2019	
James Ross Ancell	-	-	-	-	-	-	-	-
William Yip Shue Lam	-	-	-	-	-	-	-	-
Anthony Thomas Christopher Carter	-	-	-	-	-	-	-	-
Patrick Wong Lung Tak	-	-	-	-	-	-	-	-

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Name	Date of grant	Number of options				Held at 30 June 2013	Exercise price (HK\$)	Exercise period
		Held at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period			
Employees	17 Jan 2008	625,000	-	-	-	625,000	6.972	17 Jan 2010 – 16 Jan 2014
(in aggregate)	17 Jan 2008	625,000	-	-	-	625,000	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,250,000	-	-	-	1,250,000	6.972	17 Jan 2012 – 16 Jan 2014
	18 Aug 2008	263,000	-	25,000 ^(b)	-	238,000	3.320	18 Aug 2009 – 17 Aug 2014
	8 May 2009	717,332	-	13,333 ^(b)	-	703,999	2.160	8 May 2010 – 7 May 2015
	8 May 2009	1,737,331	-	86,667 ^(b)	-	1,650,664	2.160	8 May 2011 – 7 May 2015
	8 May 2009	3,012,004	-	-	-	3,012,004	2.160	8 May 2012 – 7 May 2015
	21 Oct 2009	397,000	-	70,000 ^(b)	-	327,000	3.600	21 Oct 2010 – 20 Oct 2015
	11 Feb 2010	66	-	66 ^(b)	-	-	2.910	11 Feb 2012 – 10 Feb 2016
	11 Feb 2010	1,483,672	-	1,483,672 ^(b)	-	-	2.910	11 Feb 2013 – 10 Feb 2016
	23 Jul 2010	3,500,332	-	333,666 ^(b)	-	3,166,666	4.670	23 Jul 2011 – 22 Jul 2016
	23 Jul 2010	6,174,997	-	2,666,000 ^(b)	-	3,508,997	4.670	23 Jul 2012 – 22 Jul 2016
	23 Jul 2010	9,093,012	-	-	-	9,093,012	4.670	23 Jul 2013 – 22 Jul 2016
	11 Oct 2010	666,666	-	-	-	666,666	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	666,666	-	-	-	666,666	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	666,668	-	-	-	666,668	6.810	11 Oct 2013 – 10 Oct 2016
	20 Apr 2011	2,370,664	-	438,666 ^(b)	-	1,931,998	13.820	20 Apr 2012 – 19 Apr 2017
	20 Apr 2011	1,174,329	-	673,999 ^(b)	-	500,330	13.820	20 Apr 2013 – 19 Apr 2017
	20 Apr 2011	1,174,342	-	-	-	1,174,342	13.820	20 Apr 2014 – 19 Apr 2017
	9 Jan 2012	4,806,980	-	2,777,988 ^(b)	-	2,028,992	14.220	9 Jan 2013 – 8 Jan 2018
	9 Jan 2012	4,806,980	-	-	250,665	4,556,315	14.220	9 Jan 2014 – 8 Jan 2018
	9 Jan 2012	4,807,040	-	-	250,670	4,556,370	14.220	9 Jan 2015 – 8 Jan 2018
	16 Mar 2012	1,510,998	-	-	-	1,510,998	20.100	16 Mar 2013 – 15 Mar 2018
	16 Mar 2012	1,510,998	-	-	-	1,510,998	20.100	16 Mar 2014 – 15 Mar 2018
	16 Mar 2012	1,511,004	-	-	-	1,511,004	20.100	16 Mar 2015 – 15 Mar 2018
	17 Jan 2013	-	4,409,252	-	84,331	4,324,921	32.500	17 Jan 2014 – 16 Jan 2019
	17 Jan 2013	-	4,409,252	-	84,331	4,324,921	32.500	17 Jan 2015 – 16 Jan 2019
	17 Jan 2013	-	4,409,496	-	84,338	4,325,158	32.500	17 Jan 2016 – 16 Jan 2019
Others	8 May 2009	333,334	-	-	-	333,334	2.160	8 May 2012 – 7 May 2015
	20 Apr 2011	100,000	-	100,000 ^(c)	-	-	13.820	20 Apr 2012 – 19 Apr 2017
	20 Apr 2011	200,000	-	200,000 ^(c)	-	-	13.820	20 Apr 2013 – 19 Apr 2017
	20 Apr 2011	200,000	-	-	200,000	-	13.820	20 Apr 2014 – 19 Apr 2017
	9 Jan 2012	11,000	-	11,000 ^(c)	-	-	14.220	9 Jan 2013 – 8 Jan 2018
	9 Jan 2012	11,000	-	-	11,000	-	14.220	9 Jan 2014 – 8 Jan 2018
	9 Jan 2012	11,000	-	-	11,000	-	14.220	9 Jan 2015 – 8 Jan 2018

OTHER INFORMATION

Notes:

- (a) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$30.00.
- (b) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$33.95.
- (c) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$34.78.

The vesting periods for the above options are the periods from the respective dates of grant to the respective commencement dates of the exercise periods of the options as disclosed above. The consideration paid by each grantee for each grant of options was HK\$1.00.

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

The fair values of the options granted during the period are estimated based on the Black-Scholes valuation model, and such fair values and significant inputs into the model are as follows:

	Fair value per option (HK\$)	Share price at date of grant (HK\$)	Exercise price (HK\$)	Standard deviation of expected share price return	Expected life of options	Expected dividend paid out rate	Annual risk-free interest rate
Granted on 17 January 2013 –16,355,000 options outstanding as at 30 June 2013	\$12.96	\$32.50	\$32.50	55% to 65%	3.5 to 4.5 years	2%	0.208% to 0.315%

The volatility measured at the standard deviation of expected share price return is based on the historical share price movement of the Company in the relevant periods matching expected time to exercise prior to the date of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

The closing price of the Company's shares immediately before the date on which the share options were granted on 17 January 2013 was HK\$32.15.

Dealings in Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares or listed debt securities during the six months ended 30 June 2013.

Review of Interim Results

The Group's interim results for the six months ended 30 June 2013 have been reviewed by the Audit Committee and by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information by the Auditor is included in this interim report.

OTHER INFORMATION

Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors. The Company, having made specific enquiry of all Directors, confirms that our Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013.

Disclosure Pursuant to Rule 13.21 of the Listing Rules

Pursuant to the terms of a secured six-year HK\$9 billion club loan entered in June 2010, and made available by a consortium of several banks to Galaxy Entertainment Finance (Galaxy Macau) Limited, a subsidiary of the Company, there is a requirement that the Lui Family is the single largest shareholder of the Company and maintains a minimum 35% interest in the Company during the term of the facility. Failure to comply with this obligation will result in the facility becoming mandatorily repayable and all commitments under the facility will be cancelled. For this purpose, the Lui Family includes Dr. Lui Che Woo and any heir, estate, lineal descendent, spouse or parent of him; and any trust, corporation, partnership or other entity in which Dr. Lui Che Woo and/or any of the said persons beneficially holds, directly or indirectly, a 100% controlling interest.

Corporate Governance

Throughout the six months ended 30 June 2013, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, except code provision A.4.2.

A.4.2 – Given that the other Directors do retire by rotation in accordance with the Articles of Association of the Company, the Board considers that the Group is best served by not requiring the Chairman to retire by rotation as his continuity in office is of considerable benefit to and his leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of the Company.

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information since the publication of Annual Report 2012 are set out below:

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

- received "Asia Pacific Entrepreneurship Award 2012 – Lifetime Achievement Award" by Enterprise Asia in 2012 and "Lifetime Achievement Award" by Golden Horse Award of China Hotel in 2013.

Dr. William Yip Shue Lam, *LLD*

- Dr. Yip is the founder and the Chairman of Canada Land Limited since 1972, a company listed in 1994 on the Australian Stock Exchange and was privatised in May 2013.

By Order of the Board

Galaxy Entertainment Group Limited

Jenifer Sin Li Mei Wah

Company Secretary

Hong Kong, 20 August 2013



This interim report is printed on environmentally friendly paper.
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