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## **GALAXY ENTERTAINMENT GROUP LIMITED**

### **銀河娛樂集團有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 27)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013**

### **INTERIM RESULTS**

The Board of Directors of Galaxy Entertainment Group Limited (“GEG”) is pleased to announce the unaudited results of GEG and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2013 as follows:

#### **HIGHLIGHTS**

##### **GEG: Record half year revenue, Adjusted EBITDA and NPAS**

- Half year revenue increased 9% year-on-year to HK\$30.8 billion
- Half year Adjusted EBITDA of HK\$5.8 billion, up 23% year-on-year
- Second quarter Adjusted EBITDA of HK\$3.02 billion, a year-on-year increase of 18%
- Net profit attributable to shareholders increased by 35% year-on-year to HK\$4.6 billion

##### **GEG: Recognition and strategic acquisition**

- Included as a constituent of the benchmark Hang Seng Index effective from 17 June 2013
- Completed strategic HK\$3.25 billion acquisition of the Grand Waldo Complex on 17 July 2013

##### **Galaxy Macau™: Quarterly Adjusted EBITDA grew for the 8<sup>th</sup> consecutive quarter**

- Half year revenue climbed 13% to HK\$18.1 billion and Adjusted EBITDA rose 40% to HK\$4 billion
- Second quarter Adjusted EBITDA of HK\$2.1 billion increased 34% year-on-year
- Achieved the latest twelve months (LTM) Return on Investment (ROI\*) of 45%
- Construction of Phase 2 is on budget and on schedule to complete by mid-2015
- Plans for phases 3 & 4 are well advanced; construction targeted to commence by the end of 2013 / early 2014

##### **StarWorld Macau: Improving momentum with second best quarter of Adjusted EBITDA**

- Half year revenue increased 2% year-on-year to HK\$11.6 billion
- Half year Adjusted EBITDA of HK\$1.7 billion (1H 2012: HK\$1.8 billion)
- Second quarter Adjusted EBITDA of HK\$885 million, the second best quarter
- Achieved LTM ROI\* of 92%

##### **Balance Sheet: Remains healthy with significant reduction in leverage**

- Cash on hand at 30 June 2013 of HK\$18.1 billion, up from HK\$15.6 billion at 31 December 2012
- Subsequently prepaid HK\$3.5 billion of debt in early Q3 2013, which reduced borrowings by approximately 35% from HK\$10.3 billion as of 30 June 2013 to HK\$6.8 billion
- Gearing ratio remains at zero at 30 June 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.

**CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)**  
**For The Six Months Ended 30 June 2013**

	Note	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue	2	<b>30,812,921</b>	28,321,661
Other income/gains, net		<b>177,774</b>	131,817
Special gaming tax and other related taxes to the Macau Government		<b>(11,319,621)</b>	(10,375,564)
Commission and allowances to gaming counterparties		<b>(9,530,592)</b>	(9,438,335)
Raw materials and consumables used		<b>(473,182)</b>	(383,779)
Amortisation and depreciation		<b>(938,112)</b>	(905,698)
Employee benefit expenses		<b>(2,195,747)</b>	(2,065,522)
Other operating expenses		<b>(1,716,828)</b>	(1,551,356)
Finance costs		<b>(199,152)</b>	(303,768)
Share of profits less losses of:			
Joint ventures		<b>46,836</b>	49,292
Associated companies		<b>641</b>	1,074
Profit before taxation	4	<b>4,664,938</b>	3,479,822
Taxation charge	5	<b>(18,047)</b>	(25,598)
Profit for the period		<b>4,646,891</b>	3,454,224
Attributable to:			
Equity holders of the Company		<b>4,645,939</b>	3,446,507
Non-controlling interests		<b>952</b>	7,717
		<b>4,646,891</b>	3,454,224
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	6		
Basic		<b>110.4</b>	82.5
Diluted		<b>108.7</b>	81.1

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)**  
**For The Six Months Ended 30 June 2013**

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

**CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)**  
**As at 30 June 2013**

	Note	30 June 2013 HK\$'000	31 December 2012 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
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
		<u>26,183,065</u>	<u>25,565,518</u>
<b>Current assets</b>			
Inventories		141,013	138,611
Debtors and prepayments	7	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
		<u>22,449,434</u>	<u>18,823,048</u>
<b>Total assets</b>		<u>48,632,499</u>	<u>44,388,566</u>
<b>EQUITY</b>			
Share capital		421,046	419,958
Reserves		26,304,239	21,433,430
Shareholders' funds		26,725,285	21,853,388
Non-controlling interests		451,337	440,992
<b>Total equity</b>		<u>27,176,622</u>	<u>22,294,380</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		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
		<u>6,244,123</u>	<u>6,760,238</u>
<b>Current liabilities</b>			
Creditors and accruals	8	10,505,660	10,326,519
Amounts due to joint ventures		24,836	21,259
Current portion of borrowings		4,652,902	4,966,279
Provision for tax		28,356	19,891
		<u>15,211,754</u>	<u>15,333,948</u>
<b>Total liabilities</b>		<u>21,455,877</u>	<u>22,094,186</u>
<b>Total equity and liabilities</b>		<u>48,632,499</u>	<u>44,388,566</u>
<b>Net current assets</b>		<u>7,237,680</u>	<u>3,489,100</u>
<b>Total assets less current liabilities</b>		<u>33,420,745</u>	<u>29,054,618</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 1. 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.

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

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

<u>New standards and amendments</u>		Effective for accounting periods beginning on or after
HKAS 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.

## 2. Revenue

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Gaming operations		
Net gaming wins	28,797,637	26,386,631
Contributions from City Club Casinos ( <i>Note</i> )	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	<u>1,012,876</u>	<u>939,785</u>
	<u><b>30,812,921</b></u>	<u><b>28,321,661</b></u>

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

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

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

### **3. Segment information**

The Board of Directors is responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, based on a measurement of adjusted earnings before interest, tax, depreciation, amortisation and certain items (the “Adjusted EBITDA”). This measurement basis of Adjusted EBITDA excludes the effects of non-recurring income and expenditure from the operating segments, such as pre-opening expenses, sponsorship, gain on 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.



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

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

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

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Corporate and treasury management <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30 June 2012</b>				
Reportable segment revenue	29,187,734	939,785	-	30,127,519
Adjusted for:				
City Club Casinos arrangement set out in note 2				
Revenue not recognised	(1,883,199)	-	-	(1,883,199)
Contributions	75,745	-	-	75,745
Others	1,596	-	-	1,596
Revenue recognised under HKFRS	<u>27,381,876</u>	<u>939,785</u>	<u>-</u>	<u>28,321,661</u>
Adjusted EBITDA	<u>4,551,472</u>	<u>228,139</u>	<u>(67,181)</u>	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				<u>45,487</u>
Profit for the period				<u>3,454,224</u>

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

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Corporate and treasury management <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 30 June 2013</b>				
Total assets	<u>39,624,792</u>	<u>4,590,038</u>	<u>4,417,669</u>	<u>48,632,499</u>
Total assets include:				
Joint ventures	43,911	1,315,442	-	1,359,353
Associated companies	<u>-</u>	<u>1,272</u>	<u>-</u>	<u>1,272</u>
Total liabilities	<u>16,881,172</u>	<u>1,229,039</u>	<u>3,345,666</u>	<u>21,455,877</u>
<b>As at 31 December 2012</b>				
Total assets	<u>37,141,474</u>	<u>4,456,697</u>	<u>2,790,395</u>	<u>44,388,566</u>
Total assets include:				
Joint ventures	31,116	1,320,045	-	1,351,161
Associated companies	<u>-</u>	<u>631</u>	<u>-</u>	<u>631</u>
Total liabilities	<u>17,049,263</u>	<u>1,542,133</u>	<u>3,502,790</u>	<u>22,094,186</u>
<b>Six months ended 30 June 2013</b>				
Additions to non-current assets	<u>1,526,824</u>	<u>48,139</u>	<u>974</u>	<u>1,575,937</u>
<b>Six months ended 30 June 2012</b>				
Additions to non-current assets	<u>707,542</u>	<u>122,756</u>	<u>26</u>	<u>830,324</u>
<b>Geographical analysis</b>				
Six months ended 30 June		<b>2013</b> <i>HK\$'000</i>		2012 <i>HK\$'000</i>
<b>Revenue</b>				
Macau		30,072,144		27,481,948
Hong Kong		564,506		610,675
Mainland China		176,271		229,038
		<u>30,812,921</u>		<u>28,321,661</u>
<b>Non-current assets, other than financial instruments</b>		<b>As at 30 June 2013</b> <i>HK\$'000</i>		<b>As at 31 December 2012</b> <i>HK\$'000</i>
Macau		23,673,064		23,044,941
Hong Kong		470,159		480,537
Mainland China		2,039,842		2,040,040
		<u>26,183,065</u>		<u>25,565,518</u>

#### 4. Profit before taxation

	<b>2013</b> <b>HK\$'000</b>	2012 <i>HK\$'000</i>
Profit before taxation is stated after crediting:		
Rental income from investment properties	<b>2,850</b>	4,376
Interest income	<b>116,468</b>	53,460
Dividend income from unlisted investments	<b>22,380</b>	28,000
(Loss)/gain on disposal of property, plant and equipment	<b>(14,471)</b>	602
and after charging:		
Unrealised loss on listed investments	<b>1,811</b>	2,082
Depreciation	<b>820,792</b>	790,411
Amortisation		
Gaming licence	<b>52,732</b>	53,023
Computer software	<b>26,137</b>	23,981
Quarry site improvements	<b>7,756</b>	7,756
Overburden removal costs	<b>4,010</b>	4,010
Quarry site development	<b>191</b>	158
Leasehold land and land use rights	<b>26,494</b>	26,359

#### 5. Taxation charge

	<b>2013</b> <b>HK\$'000</b>	2012 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	<b>10,985</b>	17,303
Mainland China income tax	<b>10,528</b>	6,325
Macau complementary tax	<b>2,400</b>	-
Net over-provision in prior years	<b>-</b>	(889)
Deferred taxation	<b>(5,866)</b>	2,859
Taxation charge	<b>18,047</b>	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, these rates range from 12% to 25% (2012: 12% to 25%). The weighted average applicable tax rate was 12% (2012: 12%).

## 6. 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:

	<b>2013</b> <b>HK\$'000</b>	2012 <b>HK\$'000</b>
Profit attributable to equity holders of the Company	<b>4,645,939</b>	3,446,507
	<b>Number of shares</b>	
	<b>2013</b>	2012
Weighted average number of shares for calculating basic earnings per share	<b>4,206,829,880</b>	4,179,839,646
Effect of dilutive potential ordinary shares		
Share options	<b>65,839,185</b>	68,540,235
Weighted average number of shares for calculating diluted earnings per share	<b>4,272,669,065</b>	4,248,379,881

## 7. Debtors and prepayments

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

## 7. Debtors and prepayments (Cont'd)

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:

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

## 8. Creditors and accruals

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

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

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

## INTERIM DIVIDEND

With the substantial business growth pipeline, the Board of Directors has decided to reinvest all surplus funds into the development of GEG. As a result, the Board of Directors does not declare any interim dividend for the six months ended 30 June 2013 (2012: nil).

## 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 8<sup>th</sup> 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.

## **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 Mainlanders 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.

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 8<sup>th</sup> 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						
HK\$'m	Q2 2012	Q2 2013	YoY%	1H 2012	1H 2013	YoY%
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

### ***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.

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

### ***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.

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

### ***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, Asia 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.

### ***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.

### *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

### *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 (4<sup>th</sup> 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.

### **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 top 50 companies within the 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.

## **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).

## **DEALINGS IN LISTED SECURITIES**

Neither GEG nor any of its subsidiaries has purchased, sold or redeemed any of the GEG'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 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 will be included in the Interim Report 2013 to shareholders.

## **CORPORATE GOVERNANCE**

Throughout the six months ended 30 June 2013, GEG has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (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 GEG, the Board considers that the Group is best served by not requiring the Chairman to retire by rotation as his continuity in office is of considerable benefit to and his leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of GEG.

## **INTERIM REPORT 2013**

The Interim Report 2013 of GEG containing all the information required by the Listing Rules will be published on the respective websites of Hong Kong Exchanges and Clearing Limited and GEG and printed copies will be sent to the shareholders in due course.

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

Hong Kong, 20 August 2013

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

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