銀娛GEG

GALAXY ENTERTAINMENT GROUP LIMITED
銀 河 娛 樂 集 團 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 27)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Board of Directors of Galaxy Entertainment Group Limited ("GEG") is pleased to announce the results of GEG and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012 as follows:

FULL YEAR AND FOURTH QUARTER 2012 HIGHLIGHTS

GEG: Historic annual highs in revenue and earnings
- Full year Group revenue increased by 38% to HK$56.7 billion
- Full year Group Adjusted EBITDA of HK$9.8 billion, an increase of 71% (2011: HK$5.7 billion)
- Net profit attributable to shareholders grew 146% to HK$7.4 billion
- Fourth quarter Group Adjusted EBITDA increased by 18% year-on-year to HK$2.5 billion

Galaxy Macau™: Continues to strengthen quarter by quarter
- Full year revenue doubled to HK$33 billion, with Adjusted EBITDA up 152% year-on-year to HK$6.5 billion due to first full year of operation
- Fourth quarter revenue of HK$8.7 billion and Adjusted EBITDA of HK$1.9 billion, up 15% and 52% year-on-year, respectively
- Achieved the latest twelve months Return on Investment ("ROI")* of 38%

Galaxy Macau™ Phases 2, 3 & 4: Exciting medium and long-term growth opportunity
- Phase 2 expected to complete in mid-2015 as the next major project to open in Macau
- Phase 2 fit out enhancements and scope adjustments account for majority of budget increase from HK$16 billion to HK$19.6 billion
- Plan to invest HK$50 - HK$60 billion in Phases 3 and 4 of Galaxy Macau™. Spanning 1 million square metres and targeting premium mass customers, GEG intends to submit plans this year with construction targeted to commence by the end of 2013 / early 2014

StarWorld: Full Year Adjusted EBITDA of HK$3.2 billion
- Full year Adjusted EBITDA of HK$3.2 billion, an increase of 10% year-on-year
- Fourth quarter Adjusted EBITDA of HK$646 million, down 22% year-on-year reflecting lower VIP volumes and playing unlucky
- Implementing new growth initiatives to ensure ongoing appeal, expect a majority to be completed in mid-2013
- Recorded the latest twelve months ROI* of 94%

Balance Sheet: Exceptionally strong and liquid
- Cash on hand at 31 December 2012 of HK$15.6 billion
- A net cash position of HK$4.6 billion where the gearing ratio reduced to zero from 19% in 2011

* *ROI calculated based on the total Adjusted EBITDA for the latest twelve months divided by gross book value through 31 December 2012 including allocated land cost.*

CONSOLIDATED INCOME STATEMENT
For The Year Ended 31 December 2012

	Note	**2012** *HK$'000*	2011 *HK$'000*
Revenue	2	**56,746,423**	41,186,446
Other income/gains, net		**246,471**	130,209
Special gaming tax and other related taxes to the Macau Government		**(20,702,234)**	(15,116,844)
Commission and allowances to gaming counterparties		**(18,431,589)**	(14,993,995)
Raw materials and consumables used		**(1,016,874)**	(750,250)
Amortisation and depreciation		**(1,835,355)**	(1,247,898)
Employee benefit expenses		**(4,071,959)**	(3,275,854)
Other operating expenses		**(3,105,763)**	(2,476,195)
Finance costs		**(512,699)**	(399,597)
Change in fair value of derivative under the convertible notes		**-**	(164,718)
Share of profits less losses of:			
Jointly controlled entities		**109,100**	169,468
Associated companies		**173**	456
Profit before taxation	4	**7,425,694**	3,061,228
Taxation charge	5	**(45,268)**	(31,612)
Profit for the year		**7,380,426**	3,029,616
Attributable to:			
Equity holders of the Company		**7,377,839**	3,003,908
Non-controlling interests		**2,587**	25,708
		7,380,426	3,029,616
		HK cents	*HK cents*
Earnings per share	6		
Basic		**176.2**	72.8
Diluted		**173.4**	71.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**7,380,426**	3,029,616
Other comprehensive income		
Change in fair value of non-current investments	**44,262**	36,422
Currency translation differences	**(20,191)**	69,168
Change in fair value of cash flow hedges	**(17,236)**	(63,475)
Other comprehensive income for the year, net of tax	**6,835**	42,115
Total comprehensive income for the year	**7,387,261**	3,071,731
Total comprehensive income attributable to:		
Equity holders of the Company	**7,385,048**	3,032,474
Non-controlling interests	**2,213**	39,257
	7,387,261	3,071,731

CONSOLIDATED BALANCE SHEET
As at 31 December 2012

	Note	**31 December 2012 *HK$'000***	31 December 2011 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**18,263,567**	17,469,329
Investment properties		**82,000**	77,000
Leasehold land and land use rights		**4,391,311**	4,444,253
Intangible assets		**1,103,508**	1,270,424
Jointly controlled entities		**1,351,161**	1,169,155
Associated companies		**631**	458
Long-term pledged bank deposits		**-**	1,702,230
Other non-current assets		**373,340**	348,179
		25,565,518	26,481,028
Current assets			
Inventories		**138,611**	138,471
Debtors and prepayments	7	**1,971,183**	1,578,636
Amounts due from jointly controlled entities		**399,219**	298,194
Taxation recoverable		**6,146**	8,379
Other investments		**8,149**	8,330
Other cash equivalents		**691,136**	1,238,562
Cash and bank balances		**15,608,604**	6,012,706
		18,823,048	9,283,278
Total assets		**44,388,566**	35,764,306
EQUITY			
Share capital		**419,958**	417,421
Reserves		**21,433,430**	13,804,605
Shareholders' funds		**21,853,388**	14,222,026
Non-controlling interests		**440,992**	421,201
Total equity		**22,294,380**	14,643,227
LIABILITIES			
Non-current liabilities			
Borrowings		**6,291,171**	10,530,722
Deferred taxation liabilities		**279,059**	276,220
Derivative financial instruments		**80,711**	63,475
Provisions		**78,787**	101,234
Retention payable		**30,510**	155,984
		6,760,238	11,127,635
Current liabilities			
Creditors and accruals	8	**10,326,519**	8,829,439
Amounts due to jointly controlled entities		**21,259**	14,875
Current portion of borrowings		**4,966,279**	1,141,862
Provision for tax		**19,891**	7,268
		15,333,948	9,993,444
Total liabilities		**22,094,186**	21,121,079
Total equity and liabilities		**44,388,566**	35,764,306
Net current assets/(liabilities)		**3,489,100**	(710,166)
Total assets less current liabilities		**29,054,618**	25,770,862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

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

(a) The adoption of new/revised HKFRS

In 2012, the Group adopted the following new/revised HKFRS which are relevant to its operations.

HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

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

New standards and amendments		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKFRS 7 (Amendments)	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
HKFRS 1 (Amendments)	First Time Adoption of Government Loans	1 January 2013
HKFRSs 10, 11 and 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in other Entities: Transition Guidance	1 January 2013
Fourth Annual Improvements Project (2011)	Improvements to HKFRS published in 2012	1 January 2013
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 7 (Amendments)	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 in the process of assessing the impact on the financial statements.

2. Revenue

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

	2012	2011
	HK$'000	*HK$'000*
Gaming operations		
Net gaming wins	**52,647,123**	38,432,664
Contributions from City Club Casinos (*Note*)	**151,142**	118,167
Tips received	**18,862**	18,385
Hotel operations	**1,866,910**	1,034,318
Administrative fees from gaming operations	**12,300**	8,900
Sales of construction materials	**2,050,086**	1,574,012
	56,746,423	41,186,446

(*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, after deduction of special gaming taxes and other related taxes to the Macau Government, which reflect the gross inflow of economic benefits to the Group. In addition, all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the consolidated financial statements.

During the year ended 31 December 2012, the Group is entitled to HK$151,142,000 (2011: HK$118,167,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the consolidated financial statements.

3. Segment information

The Board of Directors is responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, based on a measurement of adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). This measurement basis of Adjusted EBITDA excludes the effects of non-recurring income and expenditure from the operating segments, such as pre-opening expenses, sponsorship, gain on unlisted investments, loss on disposal of certain property, plant and equipment and impairment charge when the impairment is the result of an isolated, non-recurring event. The Adjusted EBITDA also excludes the effects of forfeiture on equity-settled share-based payments, share option expenses, donation expenses, and unrealised gains or 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 *HK$'000*	Construction materials *HK$'000*	Corporate and treasury management *HK$'000*	Total *HK$'000*
Year ended 31 December 2012				
Reportable segment revenue	**58,204,763**	**2,050,086**	**-**	**60,254,849**
Adjusted for:				
City Club Casinos arrangement set out in note 2				
Revenue not recognised	**(3,671,868)**	**-**	**-**	**(3,671,868)**
Contributions	**151,142**	**-**	**-**	**151,142**
Others	**12,300**	**-**	**-**	**12,300**
Revenue recognised under HKFRS	**54,696,337**	**2,050,086**	**-**	**56,746,423**
Adjusted EBITDA	**9,534,878**	**458,641**	**(146,191)**	**9,847,328**
Interest income and gross earnings on finance lease				**153,962**
Amortisation and depreciation				**(1,835,355)**
Finance costs				**(512,699)**
Taxation charge				**(45,268)**
Taxation of jointly controlled entities				**(28,738)**
Adjusted items:				
Pre-opening expenses of Galaxy Macau™ Phase 2 at Cotai				**(14,401)**
Unrealised loss on listed investments				**(181)**
Share option expenses				**(141,855)**
Donation and sponsorship				**(32,400)**
Loss on disposal of certain property, plant and equipment				**(14,849)**
Impairment of goodwill				**(33,014)**
Gain on unlisted investment and related income				**45,487**
Other losses				**(7,591)**
Profit for the year				**7,380,426**

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

	Gaming and entertainment *HK$'000*	Construction materials *HK$'000*	Corporate and treasury management *HK$'000*	Total *HK$'000*
Year ended 31 December 2011				
Reportable segment revenue	42,742,777	1,574,012	-	44,316,789
Adjusted for:				
City Club Casinos arrangement set out in note 2				
Revenue not recognised	(3,250,162)	-	-	(3,250,162)
Contributions	118,167	-	-	118,167
Others	1,652	-	-	1,652
Revenue recognised under HKFRS	39,612,434	1,574,012	-	41,186,446
Adjusted EBITDA	5,408,471	433,306	(93,108)	5,748,669
Interest income and gross earnings on finance lease				61,838
Amortisation and depreciation				(1,247,898)
Finance costs				(399,597)
Change in fair value of derivative under the convertible notes				(164,718)
Taxation charge				(31,612)
Taxation of jointly controlled entities				(25,933)
Adjusted items:				
Pre-opening expenses of Galaxy Macau™ Phase 1 at Cotai				(786,133)
Unrealised loss on listed investments				(12,133)
Share option expenses				(84,616)
Donation and sponsorship				(34,980)
Impairment of property, plant and equipment				(10,809)
Other compensation income				17,538
Profit for the year				3,029,616

3. Segment information (Cont'd)

	Gaming and entertainment *HK$'000*	Construction materials *HK$'000*	Corporate and treasury management *HK$'000*	Total *HK$'000*
As at 31 December 2012				
Total assets	**37,141,474**	**4,456,697**	**2,790,395**	**44,388,566**
Total assets include:				
Jointly controlled entities	**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**
As at 31 December 2011				
Total assets	29,892,938	3,754,280	2,117,088	35,764,306
Total assets include:				
Jointly controlled entities	12,391	1,156,764	-	1,169,155
Associated companies	-	458	-	458
Total liabilities	16,108,124	1,540,599	3,472,356	21,121,079
Year ended 31 December 2012				
Additions to non-current assets	**2,268,793**	**214,916**	**29**	**2,483,738**
Year ended 31 December 2011				
Additions to non-current assets	6,198,636	180,985	5,679	6,385,300

Geographical analysis

Year ended 31 December	**2012** ***HK$'000***	2011 *HK$'000*
Revenue		
Macau	**54,997,845**	39,695,133
Hong Kong	**1,189,162**	927,753
Mainland China	**559,416**	563,560
	56,746,423	41,186,446

Non-current assets, other than financial instruments	**As at 31 December 2012** *HK$'000*	As at 31 December 2011 *HK$'000*
Macau	**23,044,941**	22,499,814
Hong Kong	**480,537**	463,998
Mainland China	**2,040,040**	1,814,986
	25,565,518	24,778,798

4. Profit before taxation

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation is arrived at after crediting:		
Rental income from investment properties	**5,210**	6,246
Interest income	**152,780**	60,262
Dividend income from listed investments	**-**	181
Dividend income from unlisted investments	**28,000**	-
Change in fair value of investment properties	**5,000**	-
and after charging:		
Unrealised loss on listed investments	**181**	12,133
Net loss on disposal and impairment of property, plant and equipment	**29,051**	8,651
Depreciation	**1,602,529**	1,037,689
Amortisation		
Gaming licence	**106,629**	106,337
Computer software	**48,361**	33,607
Quarry site improvements	**16,216**	16,216
Overburden removal costs	**8,385**	8,385
Quarry site development	**316**	316
Leasehold land and land use rights	**52,919**	45,348

5. Taxation charge

	2012	2011
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**29,828**	18,325
Mainland China income tax	**12,845**	15,250
Macau complementary tax	**637**	413
Net over-provision in prior years	**(881)**	(1,041)
Deferred taxation	**2,839**	(1,335)
Taxation charge	**45,268**	31,612

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, these rates range from 12% to 25% (2011: 12% to 25%).

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 year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one (2011: two) category of dilutive potential ordinary shares: share options (2011: convertible notes and share options). Diluted earnings per share for the year ended 31 December 2011 did not assume the conversion of the convertible notes at the beginning of period and to the date of conversion since the conversion would have an anti-dilutive effect. 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 year is based on the following:

	2012	2011
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**7,377,839**	3,003,908

	Number of shares	
	2012	2011
Weighted average number of shares for calculating basic earnings per share	**4,187,301,189**	4,124,565,318
Effect of dilutive potential ordinary shares		
Share options	**67,245,243**	82,454,717
Weighted average number of shares for calculating diluted earnings per share	**4,254,546,432**	4,207,020,035

7. Debtors and prepayments

	2012	2011
	HK$'000	*HK$'000*
Trade debtors, net of provision	**628,983**	594,833
Other debtors and deposit paid, net of provision	**1,253,587**	901,611
Prepayments	**63,596**	50,438
Amounts due from associated companies	**12,174**	17,420
Current portion of finance lease receivable	**12,843**	14,334
	1,971,183	1,578,636

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 (2011: 30 to 60 days) for customers in Hong Kong and Macau and 120 to 210 days (2011: 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:

	2012	2011
	HK$'000	*HK$'000*
Within one month	**229,972**	240,364
Two to three months	**206,051**	211,222
Four to six months	**97,227**	98,280
Over six months	**95,733**	44,967
	628,983	594,833

8. Creditors and accruals

	2012	2011
	HK$'000	*HK$'000*
Trade creditors	**1,499,732**	943,626
Other creditors	**5,041,421**	4,408,892
Chips issued	**2,300,394**	2,042,824
Loans from non-controlling interests	**75,638**	68,216
Accruals and provision	**1,390,923**	1,304,342
Deposits received	**18,411**	61,539
	10,326,519	8,829,439

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

	2012	2011
	HK$'000	*HK$'000*
Within one month	**1,122,119**	724,053
Two to three months	**256,401**	99,550
Four to six months	**64,974**	35,457
Over six months	**56,238**	84,566
	1,499,732	943,626

FINAL DIVIDEND

With the substantial development 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 final dividend for the year ended 31 December 2012 (2011: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

2012 was characterised by an ongoing shift in the market to the higher margin mass segment, Galaxy Macau™ going from strength to strength each quarter as it strove to fulfil its maximum potential, a solid performance at StarWorld, and the Group as a whole operating more efficiently than ever before. This resulted in Galaxy Entertainment Group delivering another excellent set of results, with revenues growing substantially by 38% to $56.7 billion and Group Adjusted EBITDA up 71% to $9.8 billion.

GEG's unique products and services, underpinned by its 'World Class, Asian Heart' philosophy, ensured the Group's continuing success and further supported its ambition to be 'globally recognised as Asia's leading gaming and entertainment corporation'.

Galaxy Macau™'s performance in its first full financial year of operation was strong. Adjusted EBITDA climbed from $2.6 billion in 2011 to $6.5 billion for the full year in 2012, revenue doubled to $33 billion and the latest twelve months ROI was 38%, reflecting the property's strong performances in all segments. GEG is confident that Phase 2 of Galaxy Macau™, targeted to be completed in mid-2015, will attract a range of new leisure and tourism visitors and maximise returns from the existing broad range of amenities. Additionally, GEG is well advanced in drawing up groundbreaking plans for Phases 3 and 4 of Galaxy Macau™ that will set a new benchmark for the global leisure and entertainment industry and assist Macau in developing into a world centre of tourism and leisure.

Against impressive historical comparisons, StarWorld delivered a solid set of results, achieving a 10% uplift in Adjusted EBITDA to $3.2 billion, its fourth consecutive year of growth. The mass segment was the property's star performer, with net win increasing by 47% year-on-year to $2.4 billion. StarWorld is one of the best returning casinos in the world as evidenced by the latest twelve months ROI rising from 86% in 2011 to 94% in 2012.

Macau's potential for growth remains very healthy. A number of large scale infrastructure projects in Macau and in Mainland China, such as the construction of the Guangzhou-Zhuhai Intercity Mass Rapid Transit extension line and the Guangzhou-Zhuhai Super Highway which links Hengqin Island, the Hong Kong-Zhuhai-Macau Bridge, the Light Rail Transit (connecting Macau, Taipa and Cotai) and the build out of the second ferry terminal at Taipa, are expected to complete over the next few years which will dramatically improve access to Macau from Mainland China and connectivity within Macau. GEG expects that its greatly augmented properties will benefit from the rise in visitor numbers arising from the completion of these infrastructure works, driving substantial top and bottom line growth in the medium and long term. In the more immediate future, GEG is focused on optimising the potential of Galaxy Macau™ by increasing its brand awareness amongst higher value customers and achieving ever better operating efficiency across the property, as well as refreshing StarWorld's product and service experience. Management is confident that this short, medium and long-term blueprint for success will enable it to build a more profitable business, diversify its other income streams and generate substantial value for all its stakeholders.

REVIEW OF OPERATIONS

GROUP FINANCIAL RESULTS

The Group delivered a strong set of results in 2012, with revenue increasing by 38% to $56.7 billion, Group Adjusted EBITDA rising by 71% to $9.8 billion and net profit attributable to shareholders increasing 146% to $7.4 billion. This tremendous growth was due largely to the first full year contribution from Galaxy Macau™, StarWorld also achieved double digit growth in earnings despite a more challenging VIP gaming environment. GEG's Construction Materials Division and City Clubs also made solid contributions, delivering Adjusted EBITDA of $459 million and $163 million, respectively.

In terms of gaming revenue, the mass segment achieved the strongest growth with Galaxy Macau™ driving the net win from $2.8 billion in 2011 to $7.3 billion in 2012, and StarWorld achieving growth of 47% to $2.4 billion.

GEG's highly cash generative business model resulted in cash on hand more than doubling to $15.6 billion (2011: $7.7 billion) as of 31 December 2012, including restricted cash of $2.1 billion. The Group is in a net cash position of $4.6 billion as at 31 December 2012 where the gearing ratio reduced to zero from 19% in 2011.

Set out below is the segmental analysis of the Group's operating results for the year ended 31 December 2012.

2012 (HK$'m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	**54,696**	**2,050**	**-**	**56,746**
Adjusted EBITDA	**9,534**	**459**	**(146)**	**9,847**

2011 (HK$'m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	39,612	1,574	-	41,186
Adjusted EBITDA	5,409	433	(93)	5,749

GAMING AND ENTERTAINMENT DIVISION

Overview of the Macau Gaming Market

2012 was another important year for Macau as it sought to diversify its leisure offerings and enhance its appeal to residents and higher value visitors. Cotai continued to be Macau's growth engine, with three new hotels opening during the year.

Total gaming revenue reached $295 billion in 2012, a year-on-year increase of 14% from $260 billion in 2011. Visitor numbers rose marginally to almost 28.1 million. Visitation from Mainland China increased at a faster rate, with Mainlanders now accounting for more than 60% of total visitor numbers in 2012 (2011: 58%).

VIP remains the largest segment of the market, accounting for more than 69% of total gaming revenue. VIP revenue is increased by 8% to just under $205 billion. While 2012 saw a softer environment for VIP gaming, fourth quarter revenue growth was markedly better than in the preceding quarter.

Higher margin mass segment revenue grew by 33% to $77.7 billion (2011: $58.6 billion) and now represents over 26% of Macau's total gaming revenue. This significant increase when factored against a marginal rise in visitor numbers, strongly indicates that Macau is succeeding in attracting higher value guests. GEG believes that the current Galaxy Macau™ and StarWorld offerings and the exciting development plans for Phases 2, 3 and 4 on Cotai, position it well to benefit from this evolution in the market.

Efforts to dramatically improve accessibility to Macau from Mainland China are extensive and ongoing. The completion of the Guangzhou-Zhuhai Intercity Mass Rapid Transit in late December 2012 has already had an immediate positive impact with a noticeable increase in visitors utilising the railway link, and airlines responding by offering very competitive packages. Macau should also benefit from the nearly completed expansion of the immigration gate at Gongbei. This coupled with other important projects including the Super Highway between Guangzhou and Zhuhai should provide a major boost to the Macau economy by driving visitation in the years to come.

Electronic gaming now accounts for more than 4% of Macau's overall gaming revenue. It achieved year-on-year growth of 16% to $12.9 billion.

Galaxy Macau™

Financial and Operational Performance

Galaxy Macau™ recorded an excellent financial performance in 2012, delivering full year revenue of $33 billion and Adjusted EBITDA of $6.5 billion, increases of 102% and 152% respectively when compared to the seven and a half months of operation in 2011. In the twelve months period, Adjusted EBITDA margin under HK GAAP rose from 16% to 20% and from 23% to 28% under US GAAP, driven by continuously improving mass revenues and increased efficiency. The property ended the year with fourth quarter Adjusted EBITDA of $1.9 billion, an increase of 6% on the previous quarter and its sixth consecutive quarter of EBITDA growth. The latest twelve months ROI climbed to 38%.

VIP Gaming Performance

Total VIP rolling chip volume for the year was $699 billion, up from $380 billion in 2011, which translated into revenue of $23.1 billion. In the early part of the year management enhanced Galaxy Macau™'s VIP offer by opening two new luxurious Sky Casinos, the Pavilion High Limit Slots and an additional VIP room.

VIP Gaming							
HK$'m	**Q1 2012**	**Q2 2012**	**Q3 2012**	**Q4 2012**	**FY 2011**	**FY 2012**	**YoY%**
Turnover	**171,393**	**186,442**	**173,295**	**167,590**	379,671	**698,720**	**84.0%**
Net Win	**5,120**	**6,287**	**5,720**	**5,956**	12,193	**23,083**	**89.3%**
Win %	**3.0%**	**3.4%**	**3.3%**	**3.6%**	3.2%	**3.3%**	**n/a**

Mass Gaming Performance

Revenue in the mass segment was $7.3 billion (2011: $2.8 billion), with growth accelerating in the second half of the year. Fourth quarter revenue increased by 52% year-on-year to $2.1 billion, and sequentially by 11%.

Mass Gaming							
HK$'m	**Q1 2012**	**Q2 2012**	**Q3 2012**	**Q4 2012**	**FY 2011**	**FY 2012**	**YoY%**
Table Drop	**5,871**	**6,041**	**6,297**	**6,497**	13,092	**24,706**	**88.7%**
Net Win	**1,593**	**1,717**	**1,885**	**2,096**	2,840	**7,291**	**156.7%**
Hold %	**27.1%**	**28.4%**	**29.9%**	**32.3%**	21.7%	**29.5%**	**n/a**

Electronic Gaming Performance

Electronic gaming revenue was $1.2 billion, up considerably from $645 million in the previous year.

Electronic Gaming							
HK$'m	**Q1 2012**	**Q2 2012**	**Q3 2012**	**Q4 2012**	**FY 2011**	**FY 2012**	**YoY%**
Slots Handle	**4,346**	**4,385**	**5,345**	**5,484**	10,129	**19,560**	**93.1%**
Net Win	**298**	**271**	**313**	**328**	645	**1,210**	**87.6%**
Hold %	**6.9%**	**6.2%**	**5.8%**	**6.0%**	6.4%	**6.2%**	**n/a**

Non-Gaming Performance

Non-gaming revenue more than doubled to $1.5 billion in the year when compared to the seven and a half months of operation in 2011. Galaxy Macau™ has been very successful in attracting a broader cross section of new customers, including families that aspire for a truly unique resort experience in Macau. Guests continue to be impressed by the resort's splendor and lavish architecture, vast array of retail, food and beverage outlets, the world's largest skytop wave pool, a modern 3D Cineplex and private members club China Rouge. The distinctive layout of the property has been instrumental in growing revenue, as it facilitates a seamless navigation between the gaming areas and entertainment, retail, and food and beverage outlets.

Hotel occupancy on a combined basis at the resort's three luxury hotels stood at 95% for the full year.

Major Awards

Galaxy Macau™ has built an excellent reputation for providing customers with a unique, high quality Asia centric experience. In 2012 it received numerous accolades, including its new luxurious Sky Casinos being named Casino VIP Room of the Year at the prestigious International Gaming Awards, and the resort as a whole being awarded Best Resort Hotels by Travel & Leisure China and Best Integrated Resort of Asia by Asia Hotel Awards, among others.

Developing our landbank in Cotai - Phase 2 and Phases 3 & 4

Galaxy Macau™ has been critical to the success for GEG and contributed to the diversification of Macau. However, it is only the first stage of a multi-stage resort destination development covering a total of two million square metres.

During the first half of 2012, GEG announced the fast tracking of Phase 2 of Galaxy Macau™. Targeted for completion in mid-2015, it is expected to be the next major project to open in Macau. Extending the existing footprint of the resort to cover one million square metres, it will provide:

- 3,600 rooms, suites and villas across five luxury hotels, including the Ritz Carlton's first ever all-suite hotel and the world's largest JW Marriott
- Two world-class, award-winning spas
- Largest pan-Asian cuisine selection under one roof, with approximately 100 restaurants, cafes, bars and lounges
- Over 100,000 square metres retail area with nearly 200 luxury and lifestyles outlets
- Expansion of the Grand Resort Deck including the world's largest skytop wave pool and lush tropical gardens covering 80,000 square metres
- Meeting, events and banquet capacity for 3,000 guests
- Expanded gaming capacity by up to 500 tables and over 1,000 slot machines

The planning for the final two phases of the development is nearing a conclusion. GEG intends to submit planning proposals to the government this year and targets to commence construction by the end of 2013 / early 2014. Spanning one million square metres, Phases 3 and 4 on Cotai will significantly diversify GEG's product and service offering to include a multitude of new non-gaming elements including entertainment.

The ambitious $50 – $60 billion project will target premium mass guests, with non-gaming amenities representing approximately 95% of the total floor area, providing approximately 5,500 additional five-star hotel rooms, 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 up to 5,000 people, as well as a 1,500 seat multi-purpose showroom. Gaming capacity will be up to 1,000 tables and 3,000 slots.

StarWorld Hotel & Casino

Financial and Operational Performance

StarWorld performed solidly in 2012, with Adjusted EBITDA increasing by 10% to $3.2 billion and revenue broadly in line with the previous year at $21.5 billion. Adjusted EBITDA margin improved from 13% to 15% under HK GAAP. StarWorld continues to be one of the highest returning casinos in the world, generating the latest twelve months ROI of 94% (2011: 86%).

Fourth quarter Adjusted EBITDA was down by 22% to $646 million against prior year, reflecting the fact the property played unlucky in VIP and experienced a softer overall market. The growing mass segment performed extremely well delivering 47% growth in revenue to $2.4 billion.

VIP Gaming Performance

VIP rolling chip volume in 2012 was $633 billion. This generated revenue of $18.4 billion, reflecting softer overall market conditions. StarWorld played less lucky by 0.2 percentage points against the previous year. A number of new growth initiatives to reenergise the property are expected to be completed in mid-2013.

VIP Gaming							
HK$'m	**Q1 2012**	**Q2 2012**	**Q3 2012**	**Q4 2012**	**FY 2011**	**FY 2012**	**YoY%**
Turnover	**176,117**	**162,971**	**147,064**	**146,915**	663,886	**633,067**	**-4.6%**
Net Win	**4,754**	**5,115**	**4,416**	**4,098**	20,252	**18,383**	**-9.2%**
Win %	**2.7%**	**3.1%**	**3.0%**	**2.8%**	3.1%	**2.9%**	**n/a**

Mass Gaming Performance

Mass revenue for the year increased by 47% to $2.4 billion (2011: $1.7 billion), with fourth quarter revenue on a sequential basis increasing by 14% to $706 million. GEG expects its sharpened focus on targeting higher value customers by promoting the collective strength of its property portfolio will continue to benefit StarWorld.

Mass Gaming							
HK$'m	**Q1 2012**	**Q2 2012**	**Q3 2012**	**Q4 2012**	**FY 2011**	**FY 2012**	**YoY%**
Table Drop	**2,392**	**2,374**	**2,627**	**2,585**	8,616	**9,978**	**15.8%**
Net Win	**564**	**545**	**618**	**706**	1,661	**2,433**	**46.5%**
Hold %	**23.2%**	**22.5%**	**23.1%**	**26.7%**	18.9%	**23.9%**	**n/a**

Electronic Gaming Performance

StarWorld's electronic gaming generated revenue of $247 million, marginally up on last year.

Electronic Gaming							
HK$'m	**Q1 2012**	**Q2 2012**	**Q3 2012**	**Q4 2012**	**FY 2011**	**FY 2012**	**YoY%**
Slots Handle	**927**	**835**	**882**	**901**	4,025	**3,545**	**-11.9%**
Net Win	**62**	**60**	**59**	**66**	241	**247**	**2.5%**
Hold %	**6.6%**	**7.2%**	**6.7%**	**7.3%**	6.0%	**7.0%**	**n/a**

Non-Gaming Performance

Non-gaming revenue increased by 20% to $416 million in 2012 compared to previous year. Room occupancy remained at near capacity throughout the year at 99%, underlining StarWorld's status as one of Macau's preeminent 5 star luxury hotels.

Major Awards

Since opening in 2006, StarWorld has garnered more than 30 awards from the industry. Its exemplary service standards and unique products were recognised once again in 2012, with the property receiving a whole host of awards including Annual Best Hotel Service of Asia by Asia Forum Award, CMN Most Popular Brand in Hong Kong & Macau by China Media Network, and Top Ten Influential Hotel of Asia and The Best Guest Experience Hotel of China from Asia Hotel Golden-Olive Awards.

City Clubs

City Clubs contributed $163 million of Adjusted EBITDA to the Group.

CONSTRUCTION MATERIALS DIVISION

The Construction Materials Division ("CMD") delivered a solid performance in 2012. Revenue grew by 30% over the previous year to $2 billion and Adjusted EBITDA increased by 6% year-on-year to $459 million.

Hong Kong and Macau

The demand for construction materials in Hong Kong continued to increase in 2012, which benefited the sales volumes of CMD's aggregates, ready-mixed concrete and asphalt operations, and contributed significantly to the Division's full year profits.

In Macau, CMD's ready-mixed concrete operations achieved an improved performance following the commencement of construction of new major projects and an increase in public housing.

Mainland China

In 2012, CMD further strengthened its position as a market leader in granulated blast-furnace slag ("slag") in the Mainland by expanding the production capacity of slag despite weaker market conditions during the year.

Unlike other areas in Mainland China, market demand for cement in Yunnan Province remained strong. This is due to its geographical location and the Central Government's policy to accelerate the western region's economic growth through infrastructure construction and developing Yunnan Province into a bridgehead. CMD will continue to expand its cement production capacity in the Province given the promising outlook.

GROUP OUTLOOK

2012 was another very successful year for GEG, with the Group posting strong growth in earnings and revenues. GEG believes there is still upside as the management team strives to drive visitation and optimise utilisation and returns from the property, particularly once Phase 2 of Galaxy Macau™ commences operations in mid-2015.

As expected, 2012 saw a more challenging economic environment. However, GEG has every confidence in the excellent prospects for the industry and Macau as a whole in the years to come. Key infrastructure developments such as the extension of the high speed railway network, and major new road infrastructure connecting Macau to Hong Kong and cities in Southern China, will measurably improve access to and from Macau, driving visitation. GEG is confident that its portfolio approach, which enables it to market a compelling all round offer catering for a range of tastes, will hold it in good stead to capture a strong share of this new influx of Mainland visitors.

Furthermore, with the evolution in the market toward the mass segment gathering pace, GEG believes its medium and long-term development plans for Phases 2, 3 and 4 of Cotai, will provide an unforgettable customer experience for higher value guests looking for a rich and varied holiday getaway.

GEG will continue to drive the growth and synergies at Galaxy Macau™ and StarWorld, and pursue the next phases of its Cotai development plans. The Group has total confidence that its plans for Phases 2, 3 and 4 will not only transform its financial profile and create substantial value for shareholders, but also elevate Macau's standing in the global tourism and leisure community.

LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 31 December 2012 was $21,853 million, an increase of approximately 54% over that as at 31 December 2011 of $14,222 million, while the Group's total assets employed increased to $44,389 million as at 31 December 2012 as compared to $35,764 million as at 31 December 2011.

The Group continues to maintain a strong cash position. As at 31 December 2012, total cash and bank balances were $15,609 million, as compared to $7,715 million (includes $1,702 million long-term pledged bank deposits classified as non-current assets) as at 31 December 2011. The Group's total indebtedness was $11,257 million as at 31 December 2012 as compared to $11,672 million as at 31 December 2011. The Group was in a net cash position as at 31 December 2012 where the gearing ratio reduced to zero from 19% in 2011.

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, working capital requirements and future assets acquisitions.

TREASURY POLICY

The Group continues to adopt a conservative treasury policy with all bank deposits primarily in Hong Kong Dollar, United States 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 or 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 $15,377 million (2011: $16,349 million), leasehold land and land use rights with net book value of $2,584 million (2011: $2,828 million), other assets with net book value of $300 million (2011: $235 million), bank deposits of $1,892 million (2011: $1,802 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 $7,552 million (2011: $10,057 million), of which $7,314 million (2011: $7,543 million) have been utilised.

The Group has executed guarantees in favour of a bank in respect of facilities granted to an associated company amounting to $9 million (2011: $9 million). At 31 December 2012, facilities utilised amounted to $9 million (2011: $9 million).

DEALINGS IN LISTED SECURITIES

Neither GEG nor any of its subsidiaries has purchased, sold or redeemed any of GEG's shares or listed debt securities during the year ended 31 December 2012.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2012 have been reviewed by the Audit Committee of GEG. The figures in this preliminary announcement of the results of the Group for the year ended 31 December 2012 have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by GEG's auditor, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

Throughout the year under review, GEG has complied with the code provisions in the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 31 December 2012 as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except code provision A.4.2, A.6.7 and E.1.2.

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.

A.6.7 – Two non-executive Directors were unable to attend the annual general meeting of the GEG held on 22 May 2012 due to other commitment.

E.1.2 – The Chairman of the Board was unable to attend the annual general meeting held on 22 May 2012 and the Deputy Chairman took the chair and together with the other directors answered questions from the floor. The Board considered that the purpose to achieve an effective communication with the shareholders was not compromised.

ANNUAL REPORT 2012

The Annual Report 2012 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, 26 March 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 Director 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