



**銀娛 GEG**

銀河娛樂集團有限公司  
Galaxy Entertainment Group Limited

Stock Code 股份代號：27

**INTERIM REPORT 2014 中期報告**

## OUR VISION

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

## 願景

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

## GALAXY'S BUSINESS PHILOSOPHY

### Local Market Insights

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

### Proven Expertise

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

### Well Positioned

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

### Demand Driven Strategy

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

## 銀娛的經營理念

### 洞悉本地市場

深明中華文化，對亞洲及中國旅客喜好有透徹了解，為銀娛一大競爭優勢

### 專業經驗

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

### 定位清晰

將銀娛定位為領先的綜合博彩及休閒娛樂設施營運商

### 需求主導策略

密切注意市場發展並迅速作出謹慎的應變





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## CORPORATE INFORMATION

### CHAIRMAN

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

### DEPUTY CHAIRMAN

Mr. Francis Lui Yiu Tung

### EXECUTIVE DIRECTORS

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

### NON-EXECUTIVE DIRECTOR

Mr. Anthony Thomas Christopher Carter

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### EXECUTIVE BOARD

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

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### CORPORATE GOVERNANCE COMMITTEE

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

### COMPANY SECRETARY

Mrs. Jenifer Sin Li Mei Wah

### INDEPENDENT AUDITOR

PricewaterhouseCoopers

### REGISTERED OFFICE

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### PRINCIPAL BANKERS<sup>#</sup>

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

<sup>#</sup> listed in alphabetical order

### SOLICITORS<sup>\*</sup>

Jorge Neto Valente, Escritório de Advogados e Notários  
Linklaters

<sup>\*</sup> listed in alphabetical order

### SHARE LISTING

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

### STOCK CODE

SEHK : 27  
Bloomberg : 27 HK  
Reuters : 0027.HK  
ADR : GXYEY

### AMERICAN DEPOSITARY RECEIPTS ("ADR") DEPOSITARY

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College Station, TX 77842-3170, USA  
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## CORPORATE PROFILE

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

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

In 2004, the Group successfully entered Macau through City Club Casinos. This provided the Group with the opportunity to establish a presence in the Macau gaming market and build relationships with key stakeholders such as VIP promoters. Equipped with a strong sense of the future strategic direction of the Group and leveraging the City Clubs experience, GEG opened StarWorld Macau, its stunning and highly successful flagship property in the heart of the Macau Peninsula, in 2006. StarWorld Macau has received more than 50 awards including the highly prestigious Best Service Hotel of the Year by the internationally renowned magazine *Travel Weekly* for two consecutive years. StarWorld Macau provides world class entertainment, dining and lavishly designed 5-star luxury accommodation. It is a market leader and one of the most successful casinos in the world, with strong VIP gaming, a successful mass gaming operation and near capacity hotel occupancy.

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

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

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

The HK\$50 to HK\$60 billion project will provide thousands of additional hotel rooms and suites; a state of the art multi-purpose arena for world class entertainment and sporting events; and a large convention centre. The Group expects that these revolutionary and captivating developments will set a new benchmark for the global leisure and tourism industry and enhance Macau’s position as a world class tourism destination.

GEG has entered into a framework agreement with the Hengqin Island authority to develop a 2.7 square kilometre land parcel for a world class destination resort in Hengqin Island. This project will complement GEG’s business in Macau and differentiate us from our peers, as well as play a key role in supporting Macau to become a world centre of tourism and leisure.

## FINANCIAL & OPERATIONAL HIGHLIGHTS

### GROUP

#### Financial:

- Revenue was HK\$38,407 million for 1H 2014, an increase of HK\$7,594 million or 25%, compared to HK\$30,813 million for 1H 2013.
- Adjusted EBITDA was HK\$7,288 million for 1H 2014, an increase of HK\$1,500 million or 26%, compared to HK\$5,788 million for 1H 2013.
- Net profit attributable to shareholders was HK\$5,971 million for 1H 2014, an increase of HK\$1,325 million or 29%, compared to HK\$4,646 million for 1H 2013.
- Balance sheet remains healthy and strong with cash on hand of HK\$14.4 billion and a net cash position of HK\$14.1 billion, virtually debt free at 30 June 2014.

#### Development:

- Phase 2 of Galaxy Macau™ is on budget and on schedule to complete by mid-2015 as the next major project to open in Macau.
- Grand Waldo Complex is expected to re-launch in early 2015.
- Cotai Phases 3 & 4 plans are well advanced with site investigation works targeted to commence in late 2014.
- GEG has entered into a framework agreement with the Hengqin Island authority to develop a 2.7 square kilometre land parcel for a world class destination resort in Hengqin Island.

### GALAXY MACAU™

#### Financial:

- Revenue was HK\$24,955 million for 1H 2014, grew HK\$6,815 million or 38% year-on-year, compared to HK\$18,140 million for 1H 2013.
- Adjusted EBITDA was HK\$5,429 million for 1H 2014, grew HK\$1,410 million or 35% year-on-year, compared to HK\$4,019 million for 1H 2013.
- Latest twelve month ROI\* was 59% for 1H 2014, compared to 45% for 1H 2013.

### STARWORLD MACAU

#### Financial:

- Revenue was HK\$12,341 million for 1H 2014, an increase of HK\$775 million or 7% year-on-year, compared to HK\$11,566 million for 1H 2013.
- Adjusted EBITDA was HK\$1,909 million for 1H 2014, an increase of HK\$163 million or 9% year-on-year, compared to HK\$1,746 million for 1H 2013.
- Latest twelve month ROI\* was 109% for 1H 2014, compared to 92% for 1H 2013.

\* Return on Investment ("ROI") calculated based on the total Adjusted EBITDA for the latest twelve months divided by gross book value through 30 June 2014 including allocated land cost.

## FINANCIAL &amp; OPERATIONAL HIGHLIGHTS



## GROUP

## Revenue

(HK\$m)	1H 2013	1H 2014	% Change
Gaming and Entertainment	29,800	37,388	25%
Construction Materials	1,013	1,019	1%
<b>Group Total</b>	<b>30,813</b>	<b>38,407</b>	<b>25%</b>

## Adjusted EBITDA

(HK\$m)	1H 2013	1H 2014	% Change
Gaming and Entertainment	5,677	7,191	27%
Construction Materials	191	187	(2%)
Corporate	(80)	(90)	(13%)
<b>Group Total</b>	<b>5,788</b>	<b>7,288</b>	<b>26%</b>

## Key Financial Metrics

	1H 2013	1H 2014	% Change
Net Profit Attributable to Shareholders (HK\$m)	4,646	5,971	29%
Earnings per share (HK cents)	110.4	141.0	28%
Total Assets (HK\$m)	48,632	52,534	8%
Cash on Hand (HK\$m)	18,109	14,427	(20%)
Gearing Ratio (%) (Note)	n/a	n/a	n/a
Share Price on 30 June (HK\$)	38.00	62.00	63%
Market Capitalisation (HK\$m)	159,998	263,023	64%

Note: The Group was in net cash position as at 30 June 2014 and 30 June 2013.

## FINANCIAL &amp; OPERATIONAL HIGHLIGHTS



## GALAXY MACAU™

## Financial Highlights

(HK\$'m)	1H 2013	1H 2014	% Change
Revenue	18,140	24,955	38%
Adjusted EBITDA	4,019	5,429	35%
Adjusted EBITDA margin (HK GAAP)/(HKFRS)	22%	22%	n/a
Adjusted EBITDA margin (US GAAP)	31%	31%	n/a
ROI	45%	59%	n/a

## 1H 2014 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	517,174	17,061	3.3%
Mass Gaming	14,311	6,351	44.4%
Electronic Gaming	17,741	796	4.5%

## 1H 2013 Selected Gaming Statistics

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



## FINANCIAL &amp; OPERATIONAL HIGHLIGHTS



## STARWORLD MACAU

## Financial Highlights

(HK\$m)	1H 2013	1H 2014	% Change
Revenue	11,566	12,341	7%
Adjusted EBITDA	1,746	1,909	9%
Adjusted EBITDA margin (HK GAAP)/(HKFRS)	15%	15%	n/a
Adjusted EBITDA margin (US GAAP)	25%	25%	n/a
ROI	92%	109%	n/a

## 1H 2014 Selected Gaming Statistics

(HK\$m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	348,673	9,816	2.8%
Mass Gaming	5,808	2,241	38.1%
Electronic Gaming	1,724	100	5.8%

## 1H 2013 Selected Gaming Statistics

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

## LETTER FROM THE CHAIRMAN



*Chairman*

**Dr. Lui Che Woo**

*GBM, MBE, JP, LLD, DSSc, DBA*

### DEAR SHAREHOLDERS,

It is with great pleasure that I write to update you on the performance of our Company in the first six months of 2014.

Galaxy Entertainment Group celebrated its 10 year anniversary of operation in Macau by delivering record half year results. Group revenue was HK\$38.4 billion, up 25%, Adjusted EBITDA was HK\$7.3 billion, up 26% and net profit attributable to shareholders was HK\$6 billion, up 29% year-on-year. Our continued success lies in providing guests with unforgettable holiday experiences and “World Class, Asian Heart” products and services.

During the period, excellent progress was made in realising our primary strategic objectives across our flagship properties including enhancing our existing operations as the market evolves, and building foundations for the Group’s long term sustainable growth. We are confident that Phases 2, 3 and 4 of GEG on Cotai, re-launching the Grand Waldo Complex, and our conceptual plans for Hengqin Island will further enhance Macau’s reputation as a global tourism capital, catalyse our future earnings and maximise long term shareholder returns.

## LETTER FROM THE CHAIRMAN

### SHARING OUR SUCCESS

As our business has grown, sharing our success with the local communities in Macau, Hong Kong and Mainland China has become ever more important. To mark the 10 year anniversary of GEG and third year anniversary of Galaxy Macau™, it gives me tremendous pleasure to announce the establishment of the HK\$1.3 billion “GEG Charitable Foundation”.

#### **GEG Charitable Foundation**

The Group’s phenomenal success since entering the Macau market in 2004 would not have been possible without the support of Macau’s citizens and visitors from Mainland China and nearby Hong Kong. We believe in the philosophy “what is taken from the community is to be used for the good of the community”. To reinforce this commitment and to mark the auspicious occasion of our 10 year anniversary, we announced the establishment of the GEG Charitable Foundation with an initial HK\$300 million and a further commitment of another HK\$1 billion later on. The GEG Charitable Foundation will focus on educating and empowering young people, which will directly contribute to future stability and prosperity in the region.

### MACAU MARKET REVIEW

The Macau gaming market achieved healthy growth in the first six months of the year, as total gaming revenue increased by 13% year-on-year to HK\$187.5 billion. The mass segment was again the stand out performer, registering 36% growth year-on-year, while VIP posted equivalent gains of 3%. This was despite the 2014 FIFA World Cup creating somewhat of a distraction, and a softer Chinese economy leading to more cautious spending among visitors in the second quarter. Visitor numbers to Macau remained strong, climbing 8% to 15.3 million. This was a faster rate of growth than that achieved by the same period last year. Arrivals from Mainland China now account for 67% of total visitors.

Macau’s growing appeal as a premier holiday destination with a broad array of entertainment and leisure options continues to reshape the market to the mass segment. This evolution will be sustained by major infrastructure improvement works such as the Guangzhou-Zhuhai Intercity Mass Rapid Transit and the Hong Kong-Zhuhai-Macau Bridge which is due to come on stream in the near future, and increased domestic consumption on the Mainland. Hengqin Island’s development into a new regional business and leisure hub, with new attractions such as the resort amusement park, will assist in attracting new visitors to the region.

### GALAXY MACAU™

Galaxy Macau™ celebrated its third anniversary in May 2014 and remains the key growth driver in the Group. Half year revenue and Adjusted EBITDA reached record levels after achieving growth of 38% and 35%, respectively. VIP revenue increased 44% year-on-year, well ahead of the market, while mass revenue surged 32%. Latest twelve months ROI increased to 59%.

### STARWORLD MACAU

StarWorld Macau delivered solid half year results on the back of 35% revenue growth in mass and VIP revenues marginally ahead of last year. Second quarter Adjusted EBITDA was HK\$822 million, down 7% year-on-year. This was due primarily to the worst VIP luck in the property’s history.

Hotel occupancy rates stood at near capacity throughout the year at 99%. StarWorld Macau continues to be regarded as one of Macau’s finest 5-star luxury hotels, and its latest twelve month ROI was 109%.

## LETTER FROM THE CHAIRMAN

### CONSTRUCTION MATERIALS DIVISION

The Construction Materials Division achieved results in line with the same period last year, delivering Adjusted EBITDA of HK\$187 million.

### COTAI AND HENGQIN ISLAND DEVELOPMENT UPDATE

GEG arguably has the largest and best defined short, medium and long term development pipeline in the Macau gaming market and the global gaming industry.

In mid 2015, we expect Galaxy Macau™ Phase 2 to complete on budget and on schedule as Macau's next major project.

Additionally, the Grand Waldo Complex will re-open in early 2015 following an extensive refit. It will target the mass market and complement Galaxy Macau™.

Site investigation works on Cotai Phases 3 & 4 is expected to begin later this year. Featuring thousands of additional luxury hotel rooms, a state-of-the-art multi-purpose arena and a large convention centre, it will set a new benchmark for Macau and the industry.

Finally, looking yet further into the future, our non-gaming management team continued to work on conceptual plans to develop a RMB10 billion, low rise and low density world class destination resort on a 2.7 square kilometre land parcel on Hengqin Island. We are very excited by the long term potential of this project, as the island undergoes a transformation into a major business and leisure hub, and believe it will complement our existing high energy properties located in Macau.

### ANNOUNCED ENHANCED EMPLOYEE BENEFITS

Reflecting the importance of our strong team and the critical role each and every member plays in our continued success, we recently extended a new employee benefits package for all our 16,000 Macau general team members. These new incentive measures will help the Group to retain and attract high quality talent while maintaining the exemplary "World Class, Asian Heart" service philosophy for which we are renowned.

### STRONG BALANCE SHEET & SPECIAL DIVIDENDS

We have maintained an exceptionally well capitalised and liquid balance sheet with HK\$14.4 billion cash on hand and virtually no debt as at 30 June 2014. On 31 July 2014, we paid a special dividend of HK\$0.70 per share to shareholders.

The Group continues to have substantial cash holdings, virtually no debt and robust cash flows from operations. The development of Galaxy Macau™ Phase 2 remains on budget and on schedule and we have great confidence in the outlook for GEG specifically and Macau in general. Therefore the Board of Directors has decided to announce the payment of another special dividend of HK\$0.45 per share, payable on or about 31 October 2014.

## LETTER FROM THE CHAIRMAN

**MACAU MARKET OUTLOOK**

We are very optimistic about Macau's prospects. Despite facing some headwinds in the last few months, such as the distraction of the FIFA World Cup and a softer Chinese economic environment that curtailed spending levels, the fundamental long term drivers of growth are unchanged. Major infrastructure works are underway to enhance the accessibility of Macau and extend its penetration into Mainland China. Further, domestic consumption in Mainland China is set to continue its strong growth, which is creating a new class of traveller seeking high quality holiday experiences.

**CLOSING REMARKS**

Once again we have broken a number of half year financial and operational records and are seeding exceptionally strong financial foundations to invest in our future growth. However, we never get carried away by record figures that are immediately consigned to history, or get distracted by short term impacts on trading. Our focus is squarely on executing our strategic objectives to ensure long term sustainable growth for decades to come. As I have already said, we expect infrastructure works and growing domestic consumption to drive a new wave of visitors to Macau and the region. We have a successful track record in building and operating some of the largest and most innovative resorts in the world. This experience gives us confidence that we can successfully roll out our unmatched development pipeline and fulfil our ultimate goal of being "globally recognised as Asia's leading gaming and entertainment corporation".

Last but not least, I would like to thank each and every one of our GEG team members for their tireless effort and contributions to the Group's success. We would also like to extend our gratitude to the Macau Government for its continued support to the industry.

**Dr. Lui Che Woo**

*GBM, MBE, JP, LLD, DSSc, DBA*  
*Chairman*

Hong Kong, 19 August 2014

## SELECTED MAJOR AWARDS

### GEG

Awards	Institution
Best Managed Companies in Asia – Gaming	Euromoney Magazine
Gaming and Lodging – Best Company	Institutional Investor Magazine – All Asia Executive Team Survey
Casino Operator of the Year Australia/Asia	International Gaming Awards

### GALAXY MACAU™

Awards	Institution
Best Resort of the Year (HK/Macau)	Travel Weekly Magazine and Events Magazine jointly organised – China Travel & Meetings Industry Awards
Best Service Resort Asia	Golden Horse Award of China Hotel
Top 10 Resort Hotels of China	China Hotel Starlight Awards
Best Integrated Resort Brand and Service	Exmoo
Hurun Report Best of the Best Awards – Luxury Hotel in Macau Star Performer	Hurun Report
Agoda Gold Circle Award	Agoda.com

## SELECTED MAJOR AWARDS

## STARWORLD MACAU

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

## CONSTRUCTION MATERIALS DIVISION

Awards	Institution
10 Consecutive Years Plus Caring Company Logo	The Hong Kong Council of Social Service
Hang Seng Pan Pearl River Delta Environment Awards – 3 years+ Entrant, Green Medal	Federation of Hong Kong Industries/Hang Seng Bank
CEDD Construction Site Safety Award – Silver Award	Civil Engineering and Development Department
20th Considerate Contractors Site Award Scheme – Outstanding Environmental Management & Performance Award – Bronze Award	Development Bureau/Construction Industry Council





## MANAGEMENT DISCUSSION AND ANALYSIS

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

### OVERVIEW

GEG continued to make good progress financially, operationally and in developing Phase 2 of Galaxy Macau™ in the first six months of 2014. Records were achieved in revenue and earnings, with the revenue increasing 25% year-on-year to \$38.4 billion, and Group Adjusted EBITDA growing 26% to \$7.3 billion. This translated into record net profit attributable to shareholders of \$6 billion, an increase of 29% over the same period last year. The Group's continued success stems from delivering guests memorable leisure and entertainment experiences, high quality resort facilities, and exemplary "World Class, Asian Heart" service. Both of the Group's flagship properties reported strong half year gains in the mass gaming segment, while Group VIP experienced record growth in a challenging market where the entire market has slowed due to a soft landing of the Chinese economy and the impact of the 2014 FIFA World Cup. City Clubs and the Construction Materials Division met expectations by performing broadly in line with last year.

Galaxy Macau™ was again the stand-out performer for the Group, registering Adjusted EBITDA for the first half of the year of \$5.4 billion, an increase of 35% year-on-year. Revenue was \$25 billion, up 38% on the same period. This strong growth reflects continuing excellent performances in the mass and VIP gaming segments. ROI<sup>1</sup> for the latest twelve months was an impressive 59%.

Significant progress was made during the first half in building long-term sustainable growth for the Group in Macau. Construction of Galaxy Macau™ Phase 2 remains on budget and on schedule to complete by mid-2015 as the next major project in Macau. Plans for a \$50 – \$60 billion Cotai Phases 3 & 4 resort continue to move forward and site investigation works are expected to commence later this year. The Grand Waldo Complex, acquired in July 2013, is undergoing extensive renovation. Re-launching in early 2015, the hotel, leisure and entertainment complex will target the mass market. And finally, management is working on developing conceptual plans for its 2.7 square kilometre land parcel on Hengqin Island. The Group plans to invest RMB10 billion in the proposed resort, which will be highly complementary to its high energy properties in Macau.

StarWorld Macau delivered solid half year performance, generating revenue of \$12.3 billion and Adjusted EBITDA of \$1.9 billion, increases of 7% and 9%, respectively. These results were driven by 35% year-on-year growth in the mass revenue, and solid VIP volumes, albeit both softened as the half year progressed.

The first half of 2014 was another successful period for the Group as it achieved record results, executed its strategic objectives, and made great progress in rolling out its unprecedented development pipeline. While there was evidence of increased caution in spending from both VIP and mass gamers, and the FIFA World Cup proved a distraction, sentiment and spending is now showing signs of improving. The fundamental drivers behind Macau's continued growth remain unchanged, with increased domestic consumption and major infrastructure works generating a new wave of visitors to Macau. GEG is confident it has the brand, financial resources, customer understanding and development roadmap to further build shareholder returns.



<sup>1</sup> Return on Investment ("ROI") calculated based on the total Adjusted EBITDA for the latest twelve months divided by gross book value through 30 June 2014 including allocated land cost.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Overview of the Macau Gaming Market

The Macau gaming market saw total gaming revenue increase by 13% year-on-year to \$187.5 billion in 1H 2014. Second quarter revenue growth year-on-year was more modest at 6%, reflecting the impact of the FIFA World Cup in June and a softer economy in China. Nevertheless, visitor arrivals in the first six months held up well at 15.3 million, up 8% year-on-year. This was a faster rate of growth than that achieved over the same period last year. Visitors from Mainland China increased by 15%, and now represent 67% of total visitor numbers (1H 2013: 63%).

In the first six months of the year, VIP revenue was \$116.2 billion, up 3% on 1H 2013. Second quarter revenue was 6% lower year-on-year. VIP remains the largest segment of the market, accounting for 62% of total gaming revenue.

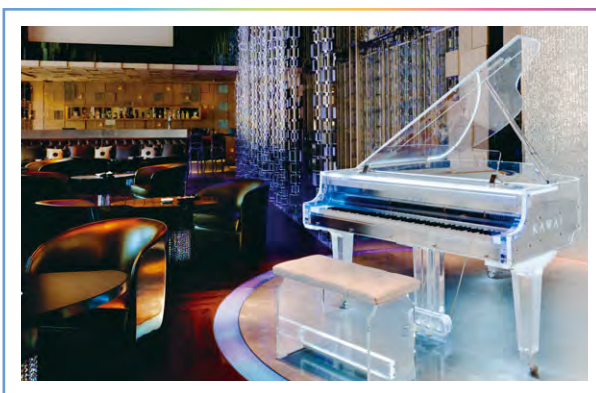
Macau's growing appeal as a premier holiday destination with diverse entertainment and leisure amenities was exemplified in the first half of the year with revenue in the higher margin mass segment growing a very healthy 36% to \$63.9 billion. It now represents 34% of Macau's total gaming revenue. Second quarter revenues were marginally down sequentially due to the slowed Chinese economy and the FIFA World Cup impact, but were still up an impressive 32% on the second quarter of 2013. The structural shift in the market to the mass segment is likely to continue as major infrastructure and transport improvements such as the Taipa Ferry Terminal, Guangzhou-Zhuhai Intercity Mass Rapid Transit, Hong Kong-Zhuhai-Macau Bridge and the Macau Light Rail Transit, roll out in the next two to three years, improving access to Macau from China and connectivity within Macau itself. Hengqin Island, which is undergoing a transformation into a new regional business and leisure hub, and already features new attractions such as a resort amusement park, will also play a role in attracting a new wave of visitors to Macau.

Electronic gaming revenue grew by 7% to \$7.3 billion in the first six months of 2014, and now accounts for 4% of the total gaming market.

## REVIEW OF OPERATIONS

### Group Financial Results

Group revenue and earnings for the first half of the year reached record levels once again. Revenue climbed 25% year-on-year to \$38.4 billion, generating Adjusted EBITDA of \$7.3 billion, an increase of 26% year-on-year. Net profit attributable to shareholders surged 29% to an all-time high of \$6 billion. Both of our flagship properties delivered solid half year performances. Galaxy Macau™ saw Adjusted EBITDA climb 35% to \$5.4 billion, and StarWorld Macau achieved Adjusted EBITDA of \$1.9 billion, up 9% on the same period in the prior year. GEG's Construction Materials Division and City Clubs contributed \$187 million and \$92 million of Adjusted EBITDA in the first half year, respectively.



The mass segment once again experienced the fastest rate of growth across the Group's portfolio of properties. Galaxy Macau™'s mass win increased from \$4.8 billion in 1H 2013 to \$6.4 billion in 1H 2014, up 32%, while StarWorld Macau experienced growth of 35% to \$2.2 billion. In the VIP segment, Galaxy Macau™ achieved two consecutive quarters of record volume in the half year, resulting in net win rising 44% to just over \$17 billion. StarWorld Macau's VIP volume increased 12%, but net win increased only 2% over the same period last year due to playing unlucky.

The Group's balance sheet remains exceptionally well capitalised. Cash on hand was \$14.4 billion and the net cash position was \$14.1 billion as at 30 June 2014. GEG reported debt of just \$348 million at 30 June 2014.

As previously announced, the Group paid a special dividend of \$0.70 per share to shareholders on 31 July 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group continues to have substantial cash holdings, virtually no debt and robust cash flows from operations. The development of Galaxy Macau™ Phase 2 remains on budget and on schedule and we have great confidence in the outlook for GEG specifically and Macau in general. Therefore the Board of Directors has decided to announce another Special Dividend of \$0.45 per share, payable on or about 31 October 2014.

Set out below is the segmental analysis of the Group's operating results for the half year ended 30 June 2014:

1H 2014 (HK\$'m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	37,388	1,019	–	38,407
Adjusted EBITDA	7,191	187	(90)	7,288

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

## GAMING AND ENTERTAINMENT DIVISION

## Galaxy Macau™

## Financial and Operational Performance

Galaxy Macau™ celebrated its third year anniversary in May 2014, and remains the key growth driver in the Group. Half year revenue increased by 38% to a record \$25 billion (1H 2013: \$18.1 billion). Adjusted EBITDA also hit a record high of \$5.4 billion, up 35% on the first half of 2013. Second quarter Adjusted EBITDA was \$2.6 billion, down slightly by 5% sequentially as a result of playing unlucky in VIP and lower mass volumes. Latest twelve months ROI was 59% (1H 2013: 45%).

Adjusted EBITDA margin under HKFRS and US GAAP remained constant year-on-year at 22% and 31%, respectively, in 1H 2014.

## VIP Gaming Performance

Total VIP rolling chip volume for the first half of the year was \$517 billion, generating revenue of \$17.1 billion, an increase of 44% year-on-year.

Second quarter volume was the best on record at \$264.3 billion, with revenue 40% ahead of the same quarter last year at \$8.4 billion.

VIP Gaming HK\$'m	Q2 2013	Q1 2014	Q2 2014	QoQ%	YoY%	1H 2013	1H 2014	YoY%
Turnover	178,196	252,834	264,340	5%	48%	346,210	517,174	49%
Net Win	5,965	8,697	8,364	(4%)	40%	11,875	17,061	44%
Win %	3.3%	3.4%	3.2%	n/a	n/a	3.4%	3.3%	n/a

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Mass Gaming Performance

In the first half of 2014, revenue in the mass market segment was \$6.4 billion, up 32% year-on-year. Second quarter revenue was \$3 billion, up 19% year-on-year. This slower growth rate can be attributed in part to the 2014 FIFA World Cup, which impacted second quarter results.

Mass Gaming HK\$m	Q2 2013	Q1 2014	Q2 2014	QoQ%	YoY%	1H 2013	1H 2014	YoY%
Table Drop	6,845	7,368	6,943	(6%)	1%	13,539	14,311	6%
Net Win	2,538	3,331	3,020	(9%)	19%	4,799	6,351	32%
Hold %	37.1%	45.2%	43.5%	n/a	n/a	35.4%	44.4%	n/a

### Electronic Gaming Performance

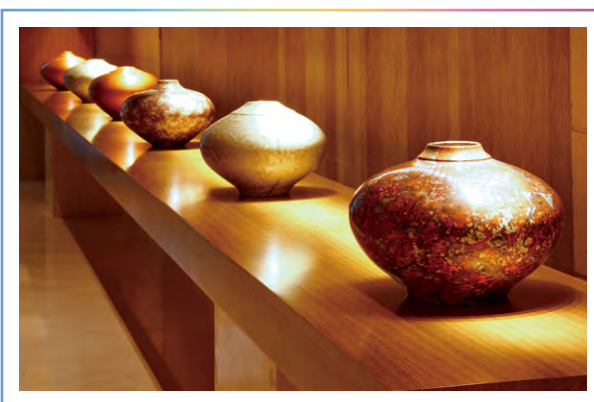
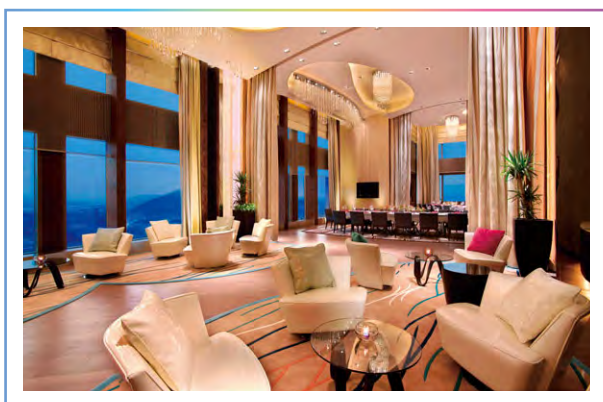
Electronic gaming revenue was \$796 million, up 7% year-on-year.

Electronic Gaming HK\$m	Q2 2013	Q1 2014	Q2 2014	QoQ%	YoY%	1H 2013	1H 2014	YoY%
Slots Handle	7,781	8,918	8,823	(1%)	13%	13,968	17,741	27%
Net Win	383	412	384	(7%)	0.3%	742	796	7%
Hold %	4.9%	4.6%	4.4%	n/a	n/a	5.3%	4.5%	n/a

### Non-Gaming Performance

Non-gaming revenue increased by 3% year-on-year to \$744 million.

Hotel occupancy on a combined basis at the resort's three luxury hotels averaged near capacity at 98% for the half year.

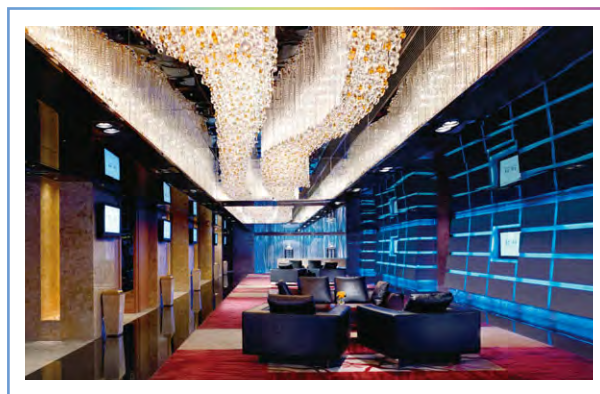


## MANAGEMENT DISCUSSION AND ANALYSIS

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

**StarWorld Macau****Financial and Operational Performance**

StarWorld Macau delivered a solid half year performance, despite facing some headwinds in its VIP business. Revenue increased by 7% year-on-year to \$12.3 billion, and Adjusted EBITDA climbed 9% to \$1.9 billion. Adjusted EBITDA margin in the half year was maintained at 15% and 25% under HKFRS and under US GAAP, respectively. StarWorld Macau reported the latest twelve months ROI of 109% (1H 2013: 92%). Second quarter Adjusted EBITDA was \$822 million, down 7% year-on-year, reflecting lower VIP volumes and playing at the lowest range of historic luck levels.

**VIP Gaming Performance**

StarWorld Macau reported VIP rolling chip volume of \$348.7 billion in the first six months of 2014, up 12% year-on-year. This translated to revenue of \$9.8 billion (1H 2013: \$9.6 billion). Despite enjoying a strong first quarter, demand softened in the second quarter, which was exacerbated by experiencing the worst VIP luck in the property's history.

VIP Gaming HK\$'m	Q2 2013	Q1 2014	Q2 2014	QoQ%	YoY%	1H 2013	1H 2014	YoY%
Turnover	161,913	180,213	168,460	(7%)	4%	311,353	348,673	12%
Net Win	4,807	5,556	4,260	(23%)	(11%)	9,612	9,816	2%
Win %	2.9%	3.1%	2.5%	n/a	n/a	3.1%	2.8%	n/a

**Mass Gaming Performance**

Mass gaming revenue in the period increased by 35% to \$2.2 billion on volume of \$5.8 billion. Second quarter revenue improved by 28% year-on-year to \$1.1 billion, but was down slightly sequentially.

Mass Gaming HK\$'m	Q2 2013	Q1 2014	Q2 2014	QoQ%	YoY%	1H 2013	1H 2014	YoY%
Table Drop	2,663	2,934	2,874	(2%)	8%	5,327	5,808	9%
Net Win	856	1,147	1,094	(5%)	28%	1,658	2,241	35%
Hold %	32.2%	38.6%	37.6%	n/a	n/a	30.9%	38.1%	n/a

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Electronic Gaming Performance

StarWorld Macau's electronic gaming generated half year revenue of \$100 million, down 11% on last year as a result of lower hold. Second quarter net win was broadly in line with the first quarter.

Electronic Gaming HK\$m	Q2 2013	Q1 2014	Q2 2014	QoQ%	YoY%	1H 2013	1H 2014	YoY%
Slots Handle	777	997	727	(27%)	(6%)	1,675	1,724	3%
Net Win	48	52	48	(8%)	0%	112	100	(11%)
Hold %	6.1%	5.2%	6.6%	n/a	n/a	6.7%	5.8%	n/a

### Non-Gaming Performance

Non-gaming revenue in the first six months of 2014 was \$181 million, in line with the same period last year.

Hotel room occupancy remained at near capacity throughout the period at 99%. StarWorld Macau continues to be regarded as one of Macau's premier luxury hotels.

### City Clubs

City Clubs achieved \$92 million of Adjusted EBITDA in the period (1H 2013: \$94 million). It continues to perform in line with the Group's expectations.

## CONSTRUCTION MATERIALS DIVISION

The Construction Materials Division ("CMD") performed solidly in the first half. Revenue was \$1 billion, generating Adjusted EBITDA of \$187 million.

### Hong Kong and Macau

With the major infrastructure projects in Hong Kong entering their construction peaks, the Government's 2014-2015 budget announced in February 2014, provided further stimulus in capital works expenditure to over \$70 billion for each of the next few years, far exceeding the average annual expenditure of about \$40 billion in the past five years. CMD's strategically located aggregates, ready-mixed concrete and asphalt operations are well positioned to benefit from this increasing demand.

In Macau, the demand for construction materials from infrastructure, housing and the continuing expansion of the leisure and entertainment sector, remains robust. CMD's well established production and distribution infrastructure continues to enable the business to capitalise on the growing demand across all construction sectors of the enclave.

### Mainland China

In Yunnan Province, the market demand for cement in the first half of the year remained strong, and all our cement joint ventures delivered solid performances during the period. We remain confident in our growth prospects in the Yunnan cement market and continue to invest in opportunities to generate additional stable revenue streams to drive forward our growth momentum in Yunnan.

Generally improving trends in cement and slag prices in certain geographical areas first noted in the second half of 2013 continued into 2014, which together with a strong focus on cost leadership, enabled the division's ground granulated blast-furnace slag business to increase its profit contribution over the corresponding period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### COTAI AND HENGQIN ISLAND DEVELOPMENT UPDATE

GEG arguably has the largest and best defined short, medium and long term development pipeline in the Macau gaming market and the global gaming industry.

#### Galaxy Macau™ Phase 2

Galaxy Macau™ Phase 2 remains on budget and on schedule to complete as Macau's next major project by mid-2015. We have a significant work force on the site completing the building exterior and fitting out the interior.

#### The Grand Waldo Complex

The Grand Waldo Complex is undergoing an extensive refit with unveiling planned in Q4 2014, and re-launching in early 2015. It will target the mass market. The Group views it is a temporary solution which will complement Galaxy Macau™, and is working on longer term development plans for the site.

#### Cotai Phases 3 & 4

Final plans for Phases 3 and 4 of GEG on Cotai are well advanced, and site investigation works are expected to commence later this year. The resort will double GEG's Cotai footprint to 2 million square metres, and add thousands of luxury hotel rooms to the Group's portfolio. It will also feature a state-of-the-art multi-purpose arena and a large convention centre.

#### Hengqin Island

GEG has entered into a framework agreement for a 2.7 square kilometre land parcel to move forward with the proposed development of a world class destination resort in Hengqin Island. The property includes approximately 2.5 kilometres of water front coastline. GEG expects the RMB10 billion, low rise and low density resort to differentiate the Group from its peers and support Macau in its efforts to become a world centre of tourism and leisure.

### SUBSEQUENT EVENTS

#### Announced Enhanced Employee Benefits

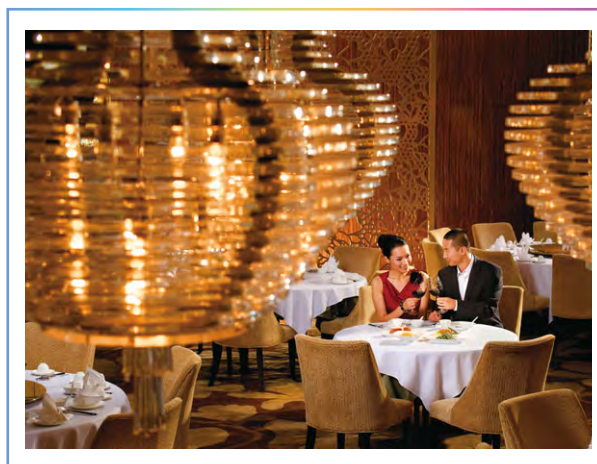
Reflecting the importance of our strong team and the critical role each and every member plays in our continued success, we recently extended a new employee benefits package for all our 16,000 Macau general team members. These new incentive measures will help the Group to retain and attract high quality talent while maintaining the exemplary "World Class, Asian Heart" service philosophy for which we are renowned.

#### Announced the \$1.3 Billion GEG Charitable Foundation

To celebrate its 10th year in operation and the 3rd Anniversary of its flagship property Galaxy Macau™, GEG announced the establishment of GEG Charitable Foundation on 4 July 2014 to reinforce GEG's commitment to promoting a sustainable future for Macau through sharing its success with the community. The GEG Charitable Foundation will be funded initially with \$300 million and a further commitment of another \$1 billion later on.

#### Special Dividends

A special dividend of \$0.70 per share was paid to shareholders on 31 July 2014. The Group is pleased to announce another Special Dividend of \$0.45 per share, payable on or about 31 October 2014.

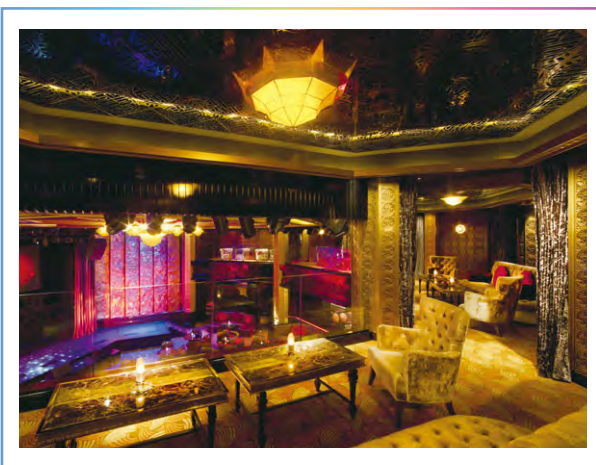


## MANAGEMENT DISCUSSION AND ANALYSIS

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

### GROUP OUTLOOK

The Group remains very optimistic about Macau's prospects. The evolution of the market to mass gaming is likely to continue, supported by longer term drivers such as improved transportation infrastructure and a rapidly growing Chinese middle class looking to broaden its horizons through increased travel. Key developments such as the Guangzhou-Zhuhai Intercity Mass Rapid Transit and the Hong Kong-Zhuhai-Macau Bridge, due to open in the near future, will dramatically improve Macau's accessibility from the Mainland. Additionally, the opening of new resorts, MICE facilities, and entertainment venues in and around Macau, such as the resort amusement park on Hengqin Island, will broaden and heighten the region's appeal to travellers and businesses alike.



GEG's exceptional properties, clear roadmap for short, medium and long term growth through its extensive development pipeline in Macau, increasingly powerful brand, and potential for new opportunities in overseas markets primarily in Asia, give it an exceptional platform to fulfill its ultimate goal of being "globally recognised as Asia's leading gaming and entertainment corporation".

### LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 30 June 2014 was \$35,748 million, an increase of 10% over that as at 31 December 2013 of \$32,441 million while the Group's total assets employed increased to \$52,534 million as at 30 June 2014 as compared with \$46,257 million as at 31 December 2013.

The Group continues to maintain a strong cash position. As at 30 June 2014, total cash and bank balances were \$14,427 million as compared with \$10,360 million as at 31 December 2013. The Group's total indebtedness was \$541 million as at 30 June 2014 as compared with \$643 million as at 31 December 2013. The Group was in a net cash position as at 30 June 2014 and 31 December 2013.

The total indebtedness of the Group mainly comprises bank loans 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 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

### CHARGES ON GROUP ASSETS

Property, plant and equipment with net book value of \$287 million (31 December 2013: \$239 million), leasehold land and land use rights with net book value of \$23 million (31 December 2013: \$24 million), other assets with net book value of \$3 million (31 December 2013: \$51 million) and bank deposits of \$259 million (31 December 2013: \$262 million) have been pledged to secure banking facilities.

### GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$149 million (31 December 2013: \$369 million), of which \$89 million (31 December 2013: \$178 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 \$291 million (31 December 2013: \$258 million). At 30 June 2014, facilities utilised amounted to \$252 million (31 December 2013: \$186 million).

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group, excluding associated companies and joint ventures, employed approximately 16,000 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$2,451 million.

#### Remuneration Policy

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

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

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

#### Organisation Development and Training

Organisation Development and Training initiatives promote the Group's view and core value that employees are our most valuable and differentiating asset and that the Group's continuing success and achievement of our Mission, Vision and Values can only be realised through the efforts and contributions of our employees.

To support and underpin the delivery of Group's Mission, Vision and Values, Organisation Development and Training has built and delivered in collaboration with operating departments and business units a number of key initiatives and programs.

## CORPORATE SOCIAL RESPONSIBILITY

As one of Asia's leading gaming and entertainment corporations, GEG is committed to being a responsible and proactive corporate citizen in Macau, investing in Macau's development for the benefit of all its residents and visitors to ensure its long term success. Our "World Class, Asian Heart" philosophy not only governs the way we treat guests, but also the way in which we interact with the local community. In the first half of 2014 GEG supported and participated in a wide range of social, philanthropic and volunteering activities in Macau, and also contributed to worthwhile causes in Hong Kong and Mainland China.

### ESTABLISHMENT OF THE GEG CHARITABLE FOUNDATION

To celebrate its 10th year in operation and the 3rd Anniversary of its flagship property Galaxy Macau™, GEG subsequently announced the establishment of the GEG Charitable Foundation on 4 July 2014. The GEG Charitable Foundation reinforces the Group's commitment to promoting a sustainable future for Macau through sharing its success with the community. The GEG Charitable Foundation will be funded initially with HK\$300 million and a further commitment of another HK\$1 billion later on.

The GEG Charitable Foundation will invite distinguished people from society to participate in its endeavour to contribute towards the prosperity and social development of Macau and Mainland China.



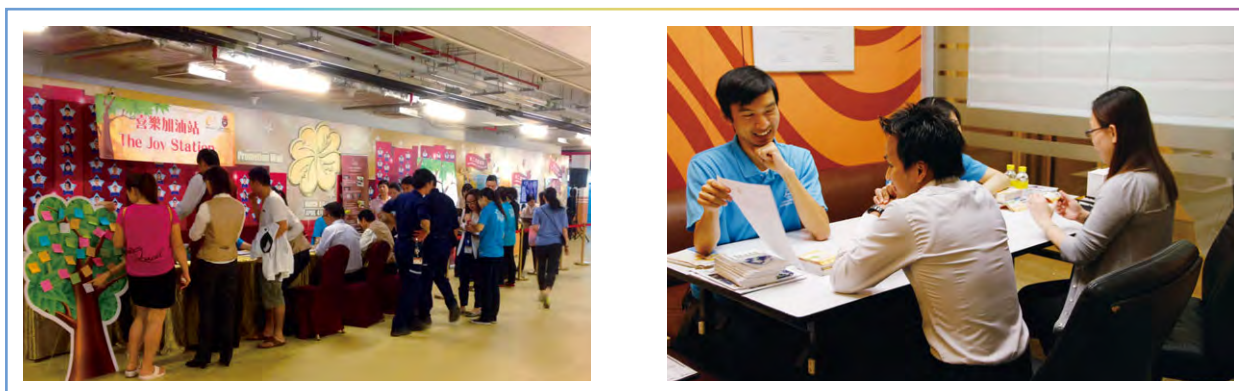
Dr. Lui Che Woo, Chairman of Galaxy Entertainment Group, announced the establishment of GEG Charitable Foundation at the GEG Anniversary Gala Dinner to reinforce the Group's commitment to the long-term development of Macau and Mainland China.

## CORPORATE SOCIAL RESPONSIBILITY

## RESPONSIBLE GAMING

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

- Coordinated with Sheng Kung Hui Macau Social Services Coordination Office (SKH) to launch the “Employee Support Program” and “Responsible Gaming Promotion Program”
- Organised a Responsible Gaming Committee Training Program with the Institute for the Study of Commercial Gaming of the University of Macau
- Conducted responsible gaming seminar with SKH
- Organised responsible gaming roadshows in Galaxy Macau™ and StarWorld Macau
- Disseminated responsible gaming message for the 2014 FIFA World Cup
- Preventing people under the age of 21 from entering and gambling at all GEG properties
- Providing responsible gaming telephone counseling, individual face-to-face counseling, on-site counseling and online counseling options for team members
- Providing casino exclusion forms to patrons on the casino floor and team members at the back-of-house areas
- Placing stickers with responsible gaming messages and helpline details on every slot machine, and providing pamphlets explaining the rules of games on the casino floor
- Including messages of responsible gaming in all promotional pamphlets



GEG organises activities to strengthen team members' knowledge on responsible gaming

## CORPORATE SOCIAL RESPONSIBILITY

### SMOKE-FREE AREAS

GEG is fully committed to creating a healthier environment for its team members and patrons. Supporting the new era of a smoke-free Macau, GEG complies fully with the Regime of Tobacco Prevention and Control. Since 1 January 2012, GEG has adopted the following practices and remains committed to them:

- Held regular briefing sessions with team members to ensure that they understand the Regime of Tobacco Prevention and Control and statutory non-smoking areas
- Placed signs around our properties to clearly identify the smoking and non-smoking zones, and highlight violation penalties
- Removed all ash trays within the statutory non-smoking areas and discouraged patrons from lighting cigars or cigarettes while within these areas
- Removed all back-of-house indoor smoking areas to demonstrate GEG's commitment towards protecting the health of its team members

### ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

As GEG has grown, promoting conservation and environmental sustainability has become a core priority. Key activities and accreditations in the first half of 2014 include:

- Renewed GEG's Pearl Membership to WWF-Hong Kong's 2014/2015 Corporate Membership Programme, and took part in WWF's Earth Hour Event for the sixth consecutive year
- Took part in the 2014 Macao International Environmental Co-operation Forum & Exhibition that is hosted by the Macau SAR Government and supported by National Development and Reform Commission of the People's Republic of China, the Ministry of Science and Technology of the People's Republic of China and the Ministry of Environmental Protection of the People's Republic of China
- Galaxy Macau™ and StarWorld Macau continues to support the monthly "Lights Out" activity on the first Tuesday every month
- Galaxy Macau™ and StarWorld Macau continues to take part in "Macao Energy Saving Contest 2014" organised by Companhia de Electricidade de Macau and the Office for the Development of the Energy Sector of the Macau SAR Government

In the first half of 2014, significant efforts were made to reduce the Group's energy and water consumption, recycle and limit waste, and improve indoor air quality across the Group's properties.

#### Energy

##### Galaxy Macau™

- Saved approximately 3.6 million kWh of energy for the first half of the year through implementing various energy saving initiatives, including re-lamping of 15,500 pieces of lights with LED lighting in restaurants, retail streets and hotel towers

## CORPORATE SOCIAL RESPONSIBILITY

**StarWorld Macau**

- Saved approximately 15,360 kWh of energy per month through further replacing a total of 2,000 pieces of 40w Tungsten Halogen lamps from the guest rooms with 5w LED lamps
- Installed motion sensor light switches to low usage areas such as pantries, team member toilets, hotel floor corridors and back of house areas
- Continued to use the following energy saving devices:
  - Variable speed drive to secondary chilled water pumps – the pump output will closely match the load without wasting energy
  - Frequency inverter to escalators – the escalators will assume a redundant mode when no one or few people ride on them
  - Automation System to control the central air-conditioning system to achieve a best energy efficiency status
  - CO<sub>2</sub> sensors to monitor and operate ventilation system of parking area through its Building Management System

**Water****Galaxy Macau™**

- Installed another 200 pieces of water restrictors to faucets in the first half of year so that there are 700 pieces currently in use with approximately 1.4 million liters of water savings
- Recycled condensed water from air-conditioning systems for cleaning and irrigation purposes
- Further developing the recycling of condensed water for cooling tower water usage

**StarWorld Macau**

- Adopted a computerised chemical dosing system to reduce the blow down rate of cooling tower
- Continued to use water saving faucets, showerheads and dual flush water closets in guest rooms and facilities to reduce water usage
- Continued to recycle condensed water from air-conditioning systems for cleaning and irrigation purposes

**Waste****Galaxy Macau™**

- Purchased a food waste decomposing machine which, in the first half of the year, produced over 1,500 kg of composite for planting; additional machinery will be purchased for Galaxy Macau™ Phase 2 operation
- Commenced HP used printing cartridges collection and recycling
- Commenced a glass bottle recycling program

## CORPORATE SOCIAL RESPONSIBILITY

### StarWorld Macau

- Collected approximately 78.4 tons of cardboard and paper materials, 6.5 tons of plastic, 0.51 tons of metal and approximately 2,800 liters of waste oil for recycling in the first half of the year

### Air Quality

#### Galaxy Macau™

- Met all parameters for Indoor Air Quality for the smoking areas in gaming halls in accordance with the “Regime of Tobacco Prevention and Control”
- Conducted an annual Indoor Environment Quality Audit for Team Member Facilities to ensure that air quality and water safety met established standards

### StarWorld Macau

- Further enhanced the indoor air quality of the gaming area by installing 64 additional duct-type ionizers throughout the entire building
- Continued to use water recycling hoods and electronic precipitators to remove the grease content in the kitchen exhaust and reduce the temperature of the kitchen exhaust, before discharging outside to minimise pollution
- Continued to use CO & CO<sub>2</sub> sensors in gaming areas in order to continuously monitor levels of concentration. The sensor signal regulates the fresh air intake into the casino halls in order to ensure that the indoor air quality can be improved without wasting energy to cool unnecessary fresh air
- Continued to use air purifiers in some of the hotel guest rooms to effectively remove smoke residue, odours and other pollutants
- Continued to assign non-smoking guest rooms to non-smoking guests

### Ongoing Initiatives

#### Galaxy Macau™

- Continued to replace lightings with LED lights across the property to reduce energy consumption
- Continued to conduct regular energy audits to achieve efficient energy management and strike for greater energy conservation
- Continued to optimise chillers and heat pump systems to further reduce energy consumption
- Continued to identify additional locations for placement of recycling bins at both front and back of house areas
- Continued to post and publish green tips for team members on a bi-weekly basis so as to create a collective culture

## CORPORATE SOCIAL RESPONSIBILITY

**StarWorld Macau**

- Continued to actively participate in environmental protection activities and campaigns
- Continued to place information cards inside guest rooms to encourage long staying guests to reduce the frequency of changing towels and bed linens
- Continued to post reminders at back-of-house areas to encourage team members to save water
- Continued to use environmental friendly chemicals for laundry and cleaning purposes
- Continued to provide toilet paper rolls certified by “Forest Stewardship Council” and paper hand towels endorsed with “Green Mark”

**COMMUNITY ACTIVITIES**

GEG is attentive to the needs of the local community. The Group’s “Asian Heart” culture and service philosophy not only permeates its business operations, but also shapes the way in which it engages with the Macau community. In the first half of the year, GEG implemented a high number of diverse community and volunteering activities.

- Hosted a New Year Luncheon for the elderly members of General Union of Neighbors’ Association of Macao
- Organised a shopping activity for mentally handicapped members from Pou Choi Centre of Fuhong Society of Macau
- Invited elderly residents of Asilo de Felicidade and Lar de Idosos Ian Oi Limitada to Galaxy Macau™ to explore the various resort amenities and learn some useful massage techniques from the experts at “Foot Hub”
- Hosted a fun-filled Mother’s Day cards making workshop for mentally handicapped members from Associação dos Familiares Encarregados dos Deficientes Mentais de Macau



GEG volunteers teach mentally handicapped members how to make and decorate their Mother’s Day card. The activity helps participants develop finger dexterity.

## CORPORATE SOCIAL RESPONSIBILITY

### CHARITABLE ACTIVITIES

GEG strongly believes in sharing its success with the local community. To this end, GEG donates to organisations and people in need, and a selected list is presented below:

- Associação dos Familiares Encarregados dos Deficientes Mentais de Macau
- Cradle of Hope Association
- International Ladies Club of Macau
- Macau Populace Mental Health Promotion Association
- Macau Holy House of Mercy
- Macau Special Olympics
- Obra Das Mães
- ORBIS Macau
- The Macau Association for the Mentally Handicapped
- World Wide Fund For Nature Hong Kong

### SPORTS DEVELOPMENT

GEG is committed to making Macau a more culturally diverse and attractive international tourism destination. The Group contributes significantly towards enhancing the attractiveness, scale and quality of Macau's various sports and community events. Initiatives in the first half of 2014 are outlined below:

- Sponsored the first "Junior Masters Golf Championship" held in Augusta Golf Course in support of Make A Wish Foundation, an international charity organisation that grants wishes to children and young people fighting life-threatening conditions
- Sponsored the Charity Association of Macau Business Readers and Macau Special Olympics in organising the "2014 Special Olympics Golf Masters" at Caesars Golf Macau for the third consecutive year
- Sponsored the Macau Gaming Industry Laborers Association (MGILA) in organising the "2014 M.G.I.L.A. Cups" in five areas of sport competitions – basketball, football, table tennis, bowling and running
- Supporting the Associação de Vela de Macau in promoting and teaching the sport of sailing to Macau's residents by sponsoring the non-profit sports association in purchasing new life-boats and equipment for their sailing activities



## CORPORATE SOCIAL RESPONSIBILITY



Mr. Buddy Lam, Vice President of Public Relations of GEG (Center Right) presented sponsorship cheque to Mr. William Kuan, President of Associação de Vela de Macau (Center) in the witness of Mr. Pun Weng Kun, Vice President of Macau Sport Development Board of Macau SAR (Center Left).

## EDUCATION & CULTURE

GEG believes that developing the skills and expertise of young people is vital to enhancing the overall competitiveness of Macau. GEG collaborated with various educational and professional training institutes to develop different programs that can help young people explore their career opportunities and build a more solid foundation for their long term career development. In the first half of 2014, GEG:

- Took part in the “Parade for the Celebration of the Year of Horse” jointly organised by Macau Government Tourist Office, Macau Civic and Municipal Affairs Bureau, Macau Cultural Affairs Bureau and Macau Sport Development Board
- Supported “World Autism Awareness Day” by sponsoring the exhibition of “My Animal Friends Painting Competition for People with Autism and People with Mental Handicap in Macau” awarded drawings at Galaxy Macau™ East Square
- Title sponsored the “GEG Macau Cup – Teenager National Conditions Knowledge Competition” for the sixth consecutive year
- Recruited 40 students, including 11 students from special education institutes to take part in the GEG Internship Program 2014
- Sponsored the “G2E Asia 2014” co-organised by the American Gaming Association and Reed Exhibitions Greater China
- Sponsored “The Script Road – 2014 Macau Literary Festival” jointly organised by Macau Cultural Affairs Bureau and Portuguese newspaper Ponto Final
- Sponsored the Hong Kong Philharmonic Orchestra 40th Anniversary Gala Concert and Dinner

## EMPLOYEE ENGAGEMENT

Recognising that our team members are critical to the Group’s future success, GEG offers high quality professional and personal development training programs to enable colleagues to reach their full potential. These includes:

- Continuing to offer the GEG Leaders Program to team members at senior manager positions and above, and expanding the intake to selective manager positions

## CORPORATE SOCIAL RESPONSIBILITY

- Continuing to work with Macau Productivity and Technology Transfer Center (CPTTM) to offer professional training for GEG team members; a total of 25 courses on computer, language, professional development and occupational skills were jointly organised by GEG and CPTTM for team members
- Organised a “GEG Leaders Program Graduation Ceremony” to congratulate over 300 executives who have completed the “GEG Leaders Program” in 2013

### Announced Enhanced Employee Benefits

Reflecting the importance of our strong team and the critical role each and every member plays in our continued success, we recently extended a new employee benefits package for all our 16,000 Macau general team members. These new incentive measures will help the Group to retain and attract high quality talent while maintaining the exemplary “World Class, Asian Heart” service philosophy for which we are renowned.

### Employee Activities

GEG also develops and organises numerous activities to promote a healthy work-life balance through its “GEG Staff Social Club” and “GEG Volunteer Team” programmes. Some of the activities organised for team members’ enjoyment in the first half of 2014 include:

- Organised different monthly sports and recreational activities including “Lunar New Year Soccer Cup”, “Badminton Fun Day”, “Mother’s Day L’ecrin Flower Workshop” and “Rice Dumplings Wrapping Workshop” to enhance team bonding and promote work-life balance among team members
- Organised a “Star of the Year 2013” Award Presentation Ceremony to recognise 15 outstanding team members
- Invited over 200 team members to join the “2014 World Challenge Day” 15-minutes group exercises at Banyan Ballroom at Banyan Tree Macau
- Garnered a total of seven awards at the “2014 Macau International Dragon Boat Races”



Deputy Chairman of GEG, Mr. Francis Lui (sixth to the right) presents Certificates of Completion to the vice presidents and senior vice presidents who have completed the “GEG Leaders Program”.

## CONSTRUCTION MATERIALS DIVISION

### Health, Safety & Environment

CMD is committed to upholding the very highest standards in health and safety and protecting the natural environment. To tackle climate change, CMD continues to invest in environmental facilities and implemented an Energy and Carbon IT System in the first half 2014. To minimise consumption of natural resources, waste glass bottles are collected through the “Hong Chi Jockey Club Glass Bottle Recycling Project” for the production of paving blocks.

### Community Activities

In line with GEG’s commitment to community care, CMD participated in several community events, including the “2014 Sai Kung Dragon Boat Gala”, “HSBC Cycle for Millions 2014” and the “MSF Orienteering Competition 2014”. CMD also collaborated with the Evangelical Lutheran Church of Hong Kong to organise the organic farming program “1314 Stand By You” earlier this year.

### Employee Care

CMD strives to create a healthy work-life balance for its staff by providing a variety of recreational activities. In addition to the Dragon Boat, cycling and organic farming events described above, the Social Club of CMD also organised wine tasting, craft, karaoke, movie premier activities in the first half 2014.

### Recognition

CMD received a number of accolades in the first half 2014, including the “20th Considerate Contractors Site Award Scheme – Outstanding Environmental Management & Performance Award – Bronze Award” from the Development Bureau and the “Caring Company Logo” from the Hong Kong Council of Social Service for an 11th consecutive year.



CMD organised the organic farming program “1314 Stand By You” for underprivileged families.



CMD participated in “HSBC Cycle for Millions 2014”.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

## TO THE BOARD OF DIRECTORS OF GALAXY ENTERTAINMENT GROUP LIMITED

*(incorporated in Hong Kong with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 58, which comprises the condensed consolidated balance sheet of Galaxy Entertainment Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2014 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 19 August 2014

*PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong  
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## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2014

	Note	2014 HK\$'000	2013 HK\$'000
Revenue	5	<b>38,406,510</b>	30,812,921
Other income/gains, net	7(a)	<b>97,501</b>	177,774
Special gaming tax and other related taxes to the Macau Government		<b>(14,277,598)</b>	(11,319,621)
Commission and allowances to gaming counterparties		<b>(12,142,786)</b>	(9,530,592)
Raw materials and consumables used		<b>(527,529)</b>	(473,182)
Amortisation and depreciation		<b>(969,582)</b>	(938,112)
Employee benefit expenses		<b>(2,524,014)</b>	(2,195,747)
Other operating expenses		<b>(2,008,625)</b>	(1,716,828)
Finance costs	8	<b>(16,610)</b>	(199,152)
Share of profits less losses of:			
Joint ventures		<b>77,997</b>	46,836
Associated companies		<b>518</b>	641
Profit before taxation	7(b)	<b>6,115,782</b>	4,664,938
Taxation charge	9	<b>(143,971)</b>	(18,047)
Profit for the period		<b>5,971,811</b>	4,646,891
Attributable to:			
Equity holders of the Company		<b>5,970,520</b>	4,645,939
Non-controlling interests		<b>1,291</b>	952
		<b>5,971,811</b>	4,646,891
Earnings per share	11	<b>HK cents</b>	HK cents
Basic		<b>141.0</b>	110.4
Diluted		<b>139.4</b>	108.7

Details of dividends to Shareholders of the Company are set out in Note 10.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2014

	2014 HK\$'000	2013 HK\$'000
Profit for the period	5,971,811	4,646,891
Other comprehensive (loss)/income		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of non-current investments	(10)	(419)
Currency translation differences	(30,095)	29,280
Change in fair value of cash flow hedges	–	23,672
Other comprehensive (loss)/income for the period, net of tax	(30,105)	52,533
Total comprehensive income for the period	5,941,706	4,699,424
Total comprehensive income attributable to:		
Equity holders of the Company	5,945,057	4,693,416
Non-controlling interests	(3,351)	6,008
	5,941,706	4,699,424

# CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2014

Note	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>26,066,930</b>	23,226,216
Investment properties	<b>88,500</b>	88,500
Leasehold land and land use rights	<b>5,071,771</b>	5,106,987
Intangible assets	<b>1,605,472</b>	1,715,360
Joint ventures	<b>1,480,397</b>	1,373,021
Associated companies	<b>1,379</b>	861
Other non-current assets	<b>506,487</b>	515,823
	<b>34,820,936</b>	32,026,768
<b>Current assets</b>		
Inventories	<b>141,316</b>	133,596
Debtors and prepayments	<b>1,735,902</b>	1,975,443
Amounts due from joint ventures	<b>323,210</b>	350,500
Taxation recoverable	<b>9,186</b>	10,534
Other investments	<b>6,248</b>	8,149
Other cash equivalents	<b>1,070,384</b>	1,391,640
Cash and bank balances	<b>14,427,001</b>	10,360,208
	<b>17,713,247</b>	14,230,070
<b>Total assets</b>	<b>52,534,183</b>	46,256,838

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2014

	Note	30 June 2014 HK\$'000	31 December 2013 HK\$'000
<b>EQUITY</b>			
Share capital	14	19,725,638	421,971
Reserves		16,022,124	32,019,490
Shareholders' funds		35,747,762	32,441,461
Non-controlling interests		606,540	612,827
<b>Total equity</b>		<b>36,354,302</b>	33,054,288
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	191,480	236,973
Deferred taxation liabilities		248,293	245,165
Provisions		41,141	40,982
Retention payable		267,838	155,007
Other non-current payable		–	650,000
		748,752	1,328,127
<b>Current liabilities</b>			
Creditors and accruals	16	11,914,222	11,412,055
Amounts due to joint ventures		41,208	36,769
Current portion of borrowings and short-term bank loans	15	349,811	406,004
Dividend payable	10	2,969,566	–
Provision for tax		156,322	19,595
		15,431,129	11,874,423
<b>Total liabilities</b>		<b>16,179,881</b>	13,202,550
<b>Total equity and liabilities</b>		<b>52,534,183</b>	46,256,838
<b>Net current assets</b>		<b>2,282,118</b>	2,355,647
<b>Total assets less current liabilities</b>		<b>37,103,054</b>	34,382,415



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2014

	2014 HK\$'000	2013 HK\$'000
Net cash from operating activities	7,475,214	6,182,358
Net cash used in investing activities	(4,246,394)	(3,782,179)
Net cash from/(used in) financing activities	108,906	(869,188)
Net increase in cash and cash equivalents	3,337,726	1,530,991
Cash and cash equivalents at beginning of period	9,028,320	8,907,342
Changes in exchange rates	(1,352)	5,434
Cash and cash equivalents at end of period	12,364,694	10,443,767
Analysis of cash and cash equivalents		
Cash and bank balances	14,427,001	18,108,755
Less: short-term bank deposits with maturity over three months and short-term pledged deposits	(3,132,691)	(9,389,281)
Other cash equivalents	1,070,384	1,724,293
Cash and cash equivalents	12,364,694	10,443,767

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2014

	Share capital HK\$'000	Reserves HK\$'000	Shareholders' funds HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2014	421,971	32,019,490	32,441,461	612,827	33,054,288
Comprehensive income					
Profit for the period	–	5,970,520	5,970,520	1,291	5,971,811
Other comprehensive loss					
Change in fair value of non-current investments	–	(10)	(10)	–	(10)
Currency translation differences	–	(25,453)	(25,453)	(4,642)	(30,095)
Total other comprehensive loss, net of tax	–	(25,463)	(25,463)	(4,642)	(30,105)
Total comprehensive income for the period	–	5,945,057	5,945,057	(3,351)	5,941,706
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	246	246
Dividend paid to non-controlling interests	–	–	–	(3,182)	(3,182)
Issue of shares upon exercise of share options	164,841	56,505	221,346	–	221,346
Fair value of share options granted	–	109,464	109,464	–	109,464
Transition to no-par value regime on 3 March 2014 (note 14)	19,138,826	(19,138,826)	–	–	–
Special dividends (note 10)	–	(2,969,566)	(2,969,566)	–	(2,969,566)
<b>At 30 June 2014</b>	<b>19,725,638</b>	<b>16,022,124</b>	<b>35,747,762</b>	<b>606,540</b>	<b>36,354,302</b>
At 1 January 2013	419,958	21,433,430	21,853,388	440,992	22,294,380
Comprehensive income					
Profit for the period	–	4,645,939	4,645,939	952	4,646,891
Other comprehensive income					
Change in fair value of non-current investments	–	(419)	(419)	–	(419)
Currency translation differences	–	24,224	24,224	5,056	29,280
Change in fair value of cash flow hedges	–	23,672	23,672	–	23,672
Total other comprehensive income, net of tax	–	47,477	47,477	5,056	52,533
Total comprehensive income for the period	–	4,693,416	4,693,416	6,008	4,699,424
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	20,473	20,473
Return of capital to non-controlling interests	–	–	–	(2)	(2)
Dividend paid to non-controlling interests	–	–	–	(16,134)	(16,134)
Issue of shares upon exercise of share options	1,088	78,000	79,088	–	79,088
Fair value of share options granted	–	99,393	99,393	–	99,393
At 30 June 2013	421,046	26,304,239	26,725,285	451,337	27,176,622

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 1. General Information

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

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

The interim financial information has been approved for issue by the Board of Directors on 19 August 2014.

## 2. Basis of Preparation and Accounting Policies

The interim financial information for the six months ended 30 June 2014 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 2013, 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 2013, except as described below:

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

In 2014, the Group adopted the following new/amended standards and interpretations which are relevant to its operations.

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives
HKFRS 2 (Amendment)	Share-Based Payment
HKFRS 3, HKAS 37 and 39 (Amendments)	Business Combinations and Consequential Amendments to Other Related Standards
HKFRS 10, 12, and HKAS 27 (Amendments)	Investment Entities
HK(IFRIC) – Int 21	Levies

The Group has assessed the impact of the adoption of these new/amended HKFRS and considered that there was no significant impact on the Group’s results and financial position.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 2. Basis of Preparation and Accounting Policies (Continued)

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

<b>New standards, interpretations and amendments</b>		<b>Effective for accounting periods beginning on or after</b>
HKAS 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 19 (Amendment)	Defined Benefit Plans	1 July 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual Improvements to HKFRSs 2010–2012 Cycle		1 July 2014
HKAS 24 (Amendment)	Related Party Disclosures	
HKFRS 8 (Amendment)	Operating Segments	
HKAS 16 (Amendment)	Property, Plant and Equipment	
HKAS 38 (Amendment)	Intangible Assets	
Annual Improvements to HKFRSs 2011–2013 Cycle		1 July 2014
HKAS 40 (Amendment)	Investment Property	
HKFRS 3 (Amendment)	Business Combinations	
HKFRS 13 (Amendment)	Fair Value Measurement	

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

## 3. Critical Accounting Estimates and Judgments

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

The significant judgments, estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2013.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 4. Financial Risk Management

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

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013. There have been no changes in the financial risk management objectives and policies of the Group since 2013 year end.

### 4.1 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2014 and 31 December 2013.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 30 June 2014</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Equity securities	6,248	–	–	6,248
Available-for-sale financial assets				
– Equity securities	37	–	194,548	194,585
<b>Total</b>	<b>6,285</b>	<b>–</b>	<b>194,548</b>	<b>200,833</b>
<b>At 31 December 2013</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Equity securities	8,149	–	–	8,149
Available-for-sale financial assets				
– Equity securities	40	–	194,555	194,595
<b>Total</b>	<b>8,189</b>	<b>–</b>	<b>194,555</b>	<b>202,744</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 4. Financial Risk Management (Continued)

## 4.1 Fair value estimation (Continued)

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

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

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

Specific valuation techniques used to value financial instruments include:

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

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

The following table presents the changes in level 3 instruments for the period ended 30 June 2014 and 30 June 2013.

	Available-for-sale financial assets	
	2014 HK\$'000	2013 HK\$'000
At beginning of the period	194,595	117,033
Losses recognised in other comprehensive income	(10)	(406)
Additions	–	2,000
Return of capital	–	(1,394)
At end of the period	194,585	117,233
Total gains for the period included in profit or loss for assets held at the end of the period	–	–

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 5. Revenue

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

	2014 HK\$'000	2013 HK\$'000
Gaming operations		
Net gaming wins	<b>36,365,205</b>	28,797,637
Contributions from City Club Casinos (note)	<b>87,185</b>	87,594
Tips received	<b>6,009</b>	7,099
Hotel operations	<b>924,564</b>	901,571
Administrative fees from gaming operations	<b>4,944</b>	6,144
Sales of construction materials	<b>1,018,603</b>	1,012,876
	<b>38,406,510</b>	30,812,921

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 2014, the Group is entitled to HK\$87,185,000 (2013: HK\$87,594,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the interim financial information.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 6. Segment Information

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

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

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

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



## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 6. Segment Information (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2014</b>				
Reportable segment revenue	39,152,067	1,018,603	–	40,170,670
Adjusted for:				
City Club Casinos arrangement set out in note 5				
Revenue not recognised	(1,856,289)	–	–	(1,856,289)
Contributions	87,185	–	–	87,185
Others	4,944	–	–	4,944
Revenue recognised under HKFRS	37,387,907	1,018,603	–	38,406,510
Adjusted EBITDA	7,191,164	186,808	(89,763)	7,288,209
Interest income and gross earnings on finance lease				85,372
Amortisation and depreciation				(969,582)
Finance costs				(16,610)
Taxation charge				(143,971)
Taxation of joint ventures				(21,797)
Adjusted items:				
Pre-opening expenses of Galaxy Macau™				
Phase 2 at Cotai				(43,283)
Other pre-opening expenses				(18,131)
Unrealised loss on listed investments				(1,901)
Share option expenses				(109,464)
Donation and sponsorship				(23,823)
Write off/loss on disposal of certain property, plant and equipment				(50,989)
Gain on disposals of subsidiaries				41,237
Others				(43,456)
Profit for the period				5,971,811

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 6. Segment Information (Continued)

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 6. Segment Information (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
<b>As at 30 June 2014</b>				
Total assets	43,486,426	5,004,614	4,043,143	52,534,183
Total assets include:				
Joint ventures	83,291	1,397,106	–	1,480,397
Associated companies	–	1,379	–	1,379
Total liabilities	12,064,130	1,085,469	3,030,282	16,179,881
<b>As at 31 December 2013</b>				
Total assets	38,212,082	4,979,395	3,065,361	46,256,838
Total assets include:				
Joint ventures	51,722	1,321,299	–	1,373,021
Associated companies	–	861	–	861
Total liabilities	11,871,368	1,250,582	80,600	13,202,550
<b>Six months ended 30 June 2014</b>				
Additions to non-current assets	3,800,121	176,335	–	3,976,456
Six months ended 30 June 2013				
Additions to non-current assets	1,526,824	48,139	974	1,575,937

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 6. Segment Information (Continued)

**Geographical analysis**

	2014 HK\$'000	2013 HK\$'000
<b>Six months ended 30 June</b>		
<b>Revenue</b>		
Macau	<b>37,556,203</b>	30,072,144
Hong Kong	<b>678,608</b>	564,506
Mainland China	<b>171,699</b>	176,271
	<b>38,406,510</b>	30,812,921
	<b>As at 30 June 2014 HK\$'000</b>	<b>As at 31 December 2013 HK\$'000</b>
<b>Non-current assets, other than financial instruments</b>		
Macau	<b>31,926,515</b>	29,333,957
Hong Kong	<b>583,424</b>	515,620
Mainland China	<b>2,310,997</b>	2,177,191
	<b>34,820,936</b>	32,026,768

## NOTES TO THE INTERIM FINANCIAL INFORMATION

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

	2014 HK\$'000	2013 HK\$'000
<b>(a) Other income/gains, net</b>		
Rental income from investment properties	3,090	2,850
Interest income		
Bank deposits	79,036	109,428
Loans to joint ventures	5,473	6,236
Deferred receivables	728	804
Dividend income from unlisted investments	18,000	22,380
Gross earnings on finance lease	135	453
Gain on disposals of subsidiaries	41,237	–
Unrealised loss on listed investments	(1,901)	(1,811)
Write off/loss on disposal of property, plant and equipment	(52,871)	(14,471)
Foreign exchange (loss)/gain	(23,467)	26,680
Others	28,041	25,225
	<b>97,501</b>	<b>177,774</b>
<b>(b) Profit before taxation is stated after charging</b>		
Depreciation	812,403	820,792
Amortisation		
Gaming licence	52,732	52,732
Computer software	25,028	26,137
Quarry site improvements	3,860	7,756
Overburden removal costs	1,002	4,010
Quarry site development	49	191
Leasehold land and land use rights	35,173	26,494
Reacquired right	39,335	–

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 8. Finance Costs

	2014 HK\$'000	2013 HK\$'000
Interest expenses		
Fixed rate bonds wholly repayable within five years	–	48,259
Bank loans and overdrafts wholly repayable within five years	<b>11,407</b>	168,591
Obligations under finance leases	<b>4,859</b>	29,166
Losses on financial instruments		
Interest rate swaps – cash flow hedges	–	12,268
Other borrowing costs	<b>1,199</b>	1,788
	<b>17,465</b>	260,072
Amount capitalised in assets under construction	<b>(855)</b>	(60,920)
	<b>16,610</b>	199,152

## 9. Taxation Charge

	2014 HK\$'000	2013 HK\$'000
Current taxation		
Hong Kong profits tax	<b>10,212</b>	10,985
Mainland China income tax	<b>3,040</b>	10,528
Macau complementary tax	<b>2,504</b>	2,400
Lump sum in lieu of Macau complementary tax on dividend	<b>125,087</b>	–
Deferred taxation	<b>3,128</b>	(5,866)
Taxation charge	<b>143,971</b>	18,047

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, and these rates range from 12% to 25% (2013: 12% to 25%). The weighted average applicable tax rate was 12% (2013: 12%).

During the period ended 30 June 2014, Galaxy Casino, S.A. ("GCSA"), the Company's principal subsidiary, made an application to the Macau Government for a tax concession arrangement for its shareholders. Pursuant to the proposed terms issued by the Macau Government, it provides for an annual payment in lieu of Macau complementary tax otherwise due by GCSA's shareholders on dividend distributions to them from gaming activities. For the six months ended 30 June 2014, the taxation charge relates primarily to the amount accrued.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

**10. Dividends**

On 19 March 2014, the Board of Directors has resolved to declare a special dividend of HK\$0.70 per share (2013: nil), which was paid on 31 July 2014 to shareholders who are on the register of members of the Company at 30 May 2014. This special dividend, amounting to HK\$2,969,566,000 (2013: nil), has been recognised as a liability in this interim financial information.

Details of the special dividend declared subsequent to the period end are given in note 19.

**11. Earnings Per Share**

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one (2013: 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:

	2014 HK\$'000	2013 HK\$'000
Profit attributable to equity holders of the Company	5,970,520	4,645,939

	Number of shares	
	2014	2013
Weighted average number of shares for calculating basic earnings per share	4,233,418,547	4,206,829,880
Effect of dilutive potential ordinary shares		
Share options	48,953,872	65,839,185
Weighted average number of shares for calculating diluted earnings per share	4,282,372,419	4,272,669,065

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

For the six months ended 30 June 2014, the Group incurred HK\$3,969 million (2013: HK\$1,565 million) on property, plant and equipment and HK\$7 million on intangible assets (2013: HK\$11 million).

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 13. Debtors and Prepayments

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Trade debtors, net of provision	459,842	642,012
Other debtors and deposit paid, net of provision	1,134,006	1,234,583
Prepayments	129,103	81,745
Amounts due from associated companies	3,240	11,293
Current portion of finance lease receivable	9,711	5,810
	<b>1,735,902</b>	1,975,443

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 (2013: 30 to 60 days) for customers in Hong Kong and Macau and 120 to 210 days (2013: 120 to 210 days) for customers in Mainland China. These are subject to periodic reviews by management.

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

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Within one month	270,630	249,290
Two to three months	107,704	238,784
Four to six months	7,284	67,488
Over six months	74,224	86,450
	<b>459,842</b>	642,012



## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 14. Share Capital

	Ordinary shares of HK\$0.10 each (note b)	HK\$'000
Authorised (note a):		
At 31 December 2013	9,000,000,000	900,000
<b>At 30 June 2014</b>	–	–
	Number of shares	HK\$'000
Ordinary shares, issued and fully paid (note b):		
At 1 January 2013	4,199,584,690	419,958
Issue of shares upon exercise of share options	10,880,057	1,088
At 30 June 2013	4,210,464,747	421,046
Issue of shares upon exercise of share options	9,241,783	925
At 31 December 2013 and 1 January 2014	4,219,706,530	421,971
Issue of shares upon exercise of share options (note c)	22,607,983	164,841
Transition to no-par value regime on 3 March 2014 (note d)	–	19,138,826
<b>At 30 June 2014</b>	<b>4,242,314,513</b>	<b>19,725,638</b>

Notes:

- (a) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (c) The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected qualifying grantees.

During the period, 7,193,000 new options (2013: 16,608,000) were granted and 22,607,983 options (2013: 10,880,057) were exercised and 13,377,696 options (2013: 976,335) have lapsed. The number of share options outstanding at 30 June 2014 was 62,684,011 (2013: 98,800,691).

- (d) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account and capital redemption reserve has become part of the Company's share capital.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 15. Borrowings

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Bank loans		
Secured	347,653	359,791
Unsecured	–	90,649
Obligations under finance leases (note a)	347,653 193,638	450,440 192,537
Total borrowings	541,291	642,977
Current portion included in current liabilities	(102,943)	(137,316)
Short-term bank loans	(246,868)	(268,688)
	(349,811)	(406,004)
	191,480	236,973

Notes:

- (a) Obligations under finance leases mainly represent land renewal considerations to the Macau government for land in Cotai or Macau under the concession contract.
- (b) The carrying amounts and fair value of the borrowings are as follows:

	Group			
	Carrying amount		Fair value	
	30 June 2014 HK\$'000	31 December 2013 HK\$'000	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Bank loans	347,653	450,440	347,653	450,440
Obligations under finance leases	193,638	192,537	225,118	224,081
	541,291	642,977	572,771	674,521

The fair value of the borrowings is calculated using cash flows discounted at prevailing borrowing rates or based on quoted market price. The carrying amounts of other current borrowings approximate their fair value and are within level 2 of the fair value hierarchy.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 16. Creditors and Accruals

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Trade creditors	1,768,151	1,872,761
Other creditors	5,321,557	4,974,158
Chips issued	3,495,351	3,018,755
Loans from non-controlling interests	54,147	62,653
Accruals and provision	1,195,783	1,451,360
Deposits received	79,233	32,368
	<b>11,914,222</b>	<b>11,412,055</b>

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

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Within one month	1,482,116	1,490,260
Two to three months	64,880	168,386
Four to six months	69,478	99,863
Over six months	151,677	114,252
	<b>1,768,151</b>	<b>1,872,761</b>

## 17. Capital Commitments

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Contracted but not provided for	9,260,643	10,935,570
Authorised but not contracted for	5,645,101	6,855,777

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 18. Related Party Transactions

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

- (a) Interest income from joint ventures amounted to HK\$5,473,000 (2013: HK\$6,236,000) are charged at prevailing market rate.
- (b) Management fee received from joint ventures amounted to HK\$2,962,000 (2013: HK\$4,584,000) are charged at terms agreed among the parties.
- (c) Rental expenses of HK\$661,000 (2013: HK\$654,000) were paid to a subsidiary of K. Wah International Holdings Limited, a shareholder of the Company, based on the terms of the rental agreement between the parties. This is a continuing connected transaction which is fully exempted from reporting and disclosure requirements under rule 14A.76(1) of the Rules Governing the Listing of Securities on SEHK.
- (d) Sales to joint ventures amounted to HK\$7,766,000 (2013: HK\$1,733,000) at terms agreed among the parties.
- (e) Purchases from and processing fee paid to joint ventures and associated companies amounted to HK\$116,617,000 (2013: HK\$58,332,000) at terms agreed among the parties.
- (f) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. Key management compensation amounted to HK\$73,000,000 for the six months ended 30 June 2014 (2013: HK\$53,000,000).

### 19. Post Balance Sheet Event

Arrangements have been made for Galaxy Casino S.A., the Company's principal subsidiary, to declare and pay a dividend of approximately HK\$1,942 million which will ultimately be received, through dividends of wholly-owned subsidiaries (the "Subsidiary Dividend"), by the Company. On declaration of the Subsidiary Dividend, the Company will have distributable reserves of approximately HK\$2,053 million, which will be reflected in a special purpose financial statement to be prepared by the Company and delivered to the Registrar of Companies in Hong Kong for registration, in compliance with the Companies Ordinance.

As a result of the above, the Board of Directors is pleased to announce that it has declared the payment of a special cash dividend of HK\$0.45 per share ("Special Dividend") for the year ending 31 December 2014, subject to and conditional upon the Subsidiary Dividend receivable by the Company being declared (which is expected to occur on or about 31 August 2014), payable to shareholders whose names appear on the register of members of the Company on 30 September 2014. This Special Dividend is expected to be paid on or about 31 October 2014.

## OTHER INFORMATION

### Special Dividends

A special dividend of HK\$0.70 per share for the year ending 31 December 2014 was paid on 31 July 2014.

The Board of Directors has resolved to declare the payment of another special dividend of HK\$0.45 per share for the year ending 31 December 2014, payable to shareholders whose names appear on the register of members of the Company on 30 September 2014. This Special Dividend is expected to be paid on or about 31 October 2014.

### Record Date and Closure of Register of Members for Special Dividend

Book close dates for Special Dividend	:	25 September 2014 (Thursday) to 30 September 2014 (Tuesday)
Record date for Special Dividend	:	30 September 2014 (Tuesday)
Expected payment date	:	31 October 2014 (Friday)
Latest time to lodge transfer documents with the Company's share registrar to entitle Special Dividend	:	4:30 p.m. on 24 September 2014 (Wednesday)
Name and address of the Company's share registrar	:	Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

### Directors' Interests in Securities and Share Options

At 30 June 2014, the interests of each Director in the shares, underlying shares and debentures of the Company, and the details of any right to subscribe for shares of the Company and of the exercise of such rights, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

#### (a) Shares (including underlying shares)

Name	Number of Shares (including underlying shares)				Total	Percentage of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che Woo	28,777,632	2,181,518	23,121,401 <sup>(1)</sup>	1,697,536,231 <sup>(2)</sup>	1,751,616,782	41.28
Francis Lui Yiu Tung	39,644,896	–	396,150,099 <sup>(3)</sup>	1,697,536,231 <sup>(2)</sup>	2,133,331,226	50.28
Joseph Chee Ying Keung	2,268,000	–	–	–	2,268,000	0.05
Paddy Tang Lui Wai Yu	13,575,722	–	–	1,697,536,231 <sup>(2)</sup>	1,711,111,953	40.33
James Ross Ancell	250,000	–	–	50,000 <sup>(4)</sup>	300,000	0.00
William Yip Shue Lam	250,000	–	–	–	250,000	0.00
Anthony Thomas	1,000,000	–	–	–	1,000,000	0.02
Christopher Carter	–	–	–	–	–	–
Patrick Wong Lung Tak	–	–	–	–	–	–

## OTHER INFORMATION

Notes:

- (1) 305,401 shares and 22,816,000 shares of the Company were held by Po Kay Securities & Shares Company Limited and a charitable organisation, Lui Che Woo Foundation Limited, respectively, both are controlled by Dr. Lui Che Woo.
- (2) A discretionary family trust established by Dr. Lui Che Woo as founder was interested in 1,697,536,231 shares of the Company. Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as either direct or indirect discretionary beneficiaries of the discretionary family trust, are deemed to have an interest in those shares in which the trust has an interest.
- (3) 103,096,039 shares of the Company were held by Recurrent Profits Limited which is controlled by Mr. Francis Lui Yiu Tung. Top Notch Opportunities Limited ("Top Notch") was interested in 171,916,021 underlying shares of the Company. Kentlake International Investments Limited ("Kentlake") was interested in 60,000,000 shares of the Company and 61,138,039 underlying shares of the Company. Both Top Notch and Kentlake are controlled by Mr. Francis Lui Yiu Tung. The aforesaid underlying shares had not been delivered to Top Notch and Kentlake and are still counted towards the public float.
- (4) Mr. James Ross Ancell was interested in 50,000 shares of the Company as being one of the trustees and a major beneficiary of a pension scheme.

### (b) Underlying Shares – Share Options

Details are set out in the Share Options section below.

All the interests stated above represent long positions.

Save as disclosed above, as at 30 June 2014, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

### Substantial Shareholders' Interests

At 30 June 2014, the interests of every person (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Number of Shares (Long Position)	Percentage of Issued Share Capital
City Lion Profits Corp.	1,313,887,206	30.97
CWL Assets (PTC) Limited	1,697,536,231	40.01
HSBC International Trustee Limited	1,709,062,231 <sup>(1)</sup>	40.28
Super Focus Company Limited	269,200,154	6.34
Waddell & Reed Financial, Inc.	295,450,000	6.96

Notes:

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

## OTHER INFORMATION

There was duplication of interests of:

- (i) 1,697,536,231 shares of the Company between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, CWL Assets (PTC) Limited and HSBC International Trustee Limited;
- (ii) 1,313,887,206 shares of the Company between City Lion Profits Corp. and CWL Assets (PTC) Limited;
- (iii) 269,200,154 shares of the Company between CWL Assets (PTC) Limited and Super Focus Company Limited.

Save as disclosed above, as at 30 June 2014, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of the SFO.

## Share Options

The particulars of the movements in the options held by each of the Directors of the Company, the employees of the Company in aggregate and other participants granted under the Share Option Scheme adopted on 22 June 2011 or under any other share option schemes of the Company during the six months ended 30 June 2014 were as follows:

Name	Date of grant	Number of Options					Held at 30 June 2014	Exercise price (HK\$)	Exercise period
		Held at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Re-classified during the period <sup>(a)</sup>			
Lui Che Woo	17 Jan 2008	3,450,000	-	-	3,450,000	-	-	6.972	17 Jan 2010 – 16 Jan 2014
	8 May 2009	3,450,000	-	880,000 <sup>(b)</sup>	-	-	2,570,000	2.160	8 May 2010 – 7 May 2015
	11 Oct 2010	3,450,000	-	-	-	-	3,450,000	6.810	11 Oct 2011 – 10 Oct 2016
	16 Mar 2012	2,700,000	-	-	-	-	2,700,000	20.100	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	1,150,000	-	-	-	-	1,150,000	32.500	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	168,000	-	-	-	-	168,000	37.450	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	-	672,000	-	-	-	672,000	77.750	15 Jan 2015 – 14 Jan 2020
Francis Lui Yiu Tung	17 Jan 2008	5,000,000	-	-	5,000,000	-	-	6.972	17 Jan 2010 – 16 Jan 2014
	8 May 2009	1,666,668	-	1,666,668 <sup>(c)</sup>	-	-	-	2.160	8 May 2010 – 7 May 2015
	11 Oct 2010	5,000,000	-	5,000,000 <sup>(d)</sup>	-	-	-	6.810	11 Oct 2011 – 10 Oct 2016
	16 Mar 2012	3,900,000	-	-	-	-	3,900,000	20.100	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	1,650,000	-	-	-	-	1,650,000	32.500	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	238,000	-	-	-	-	238,000	37.450	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	-	950,000	-	-	-	950,000	77.750	15 Jan 2015 – 14 Jan 2020
Joseph Chee Ying Keung	21 Oct 2009	642,000	-	642,000 <sup>(d)</sup>	-	-	-	3.600	21 Oct 2010 – 20 Oct 2015
	20 Apr 2011	642,000	-	-	-	-	642,000	13.820	20 Apr 2012 – 19 Apr 2017
	17 Jan 2013	180,000	-	-	-	-	180,000	32.500	17 Jan 2014 – 16 Jan 2019
Paddy Tang Lui Wai Yu	17 Jan 2008	2,000,000	-	-	2,000,000	-	-	6.972	17 Jan 2010 – 16 Jan 2014
	8 May 2009	2,000,000	-	1,000,000 <sup>(e)</sup>	-	-	1,000,000	2.160	8 May 2010 – 7 May 2015
	11 Oct 2010	1,334,000	-	-	-	-	1,334,000	6.810	11 Oct 2011 – 10 Oct 2016
	16 Mar 2012	730,000	-	-	-	-	730,000	20.100	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	400,000	-	-	-	-	400,000	32.500	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	80,000	-	-	-	-	80,000	37.450	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	-	126,000	-	-	-	126,000	77.750	15 Jan 2015 – 14 Jan 2020

## OTHER INFORMATION

Name	Date of grant	Number of Options					Held at 30 June 2014	Exercise price (HK\$)	Exercise period
		Held at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	Re-classified during the period <sup>(a)</sup>			
James Ross Ancell	-	-	-	-	-	-	-	-	
William Yip Shue Lam	-	-	-	-	-	-	-	-	
Anthony Thomas Christopher Carter	-	-	-	-	-	-	-	-	
Patrick Wong Lung Tak	-	-	-	-	-	-	-	-	
Employees	17 Jan 2008	2,500,000	-	-	2,500,000	-	-	6.972	17 Jan 2010 – 16 Jan 2014
(in aggregate)	18 Aug 2008	238,000	-	178,000 <sup>(b)</sup>	-	-	60,000	3.320	18 Aug 2009 – 17 Aug 2014
	8 May 2009	3,300,000	-	800,000 <sup>(b)</sup>	-	-	2,500,000	2.160	8 May 2010 – 7 May 2015
	21 Oct 2009	304,000	-	239,000 <sup>(b)</sup>	-	-	65,000	3.600	21 Oct 2010 – 20 Oct 2015
	23 Jul 2010	11,062,003	-	2,068,334 <sup>(b)</sup>	-	-	8,993,669	4.670	23 Jul 2011 – 22 Jul 2016
	20 Apr 2011	2,338,006	-	1,270,670 <sup>(b)</sup>	-	-	1,067,336	13.820	20 Apr 2012 – 19 Apr 2017
	9 Jan 2012	10,463,679	-	4,017,462 <sup>(b)</sup>	121,523	373,336	5,951,358	14.220	9 Jan 2013 – 8 Jan 2018
	16 Mar 2012	4,533,000	-	500,000 <sup>(b)</sup>	-	-	4,033,000	20.100	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	12,624,000	-	2,012,515 <sup>(b)</sup>	214,288	362,668	10,034,529	32.500	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	1,790,000	-	-	-	160,000	1,630,000	37.450	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	-	5,445,000	-	91,885	252,000	5,101,115	77.750	15 Jan 2015 – 14 Jan 2020
Others	8 May 2009	333,334	-	333,334 <sup>(b)</sup>	-	-	-	2.160	8 May 2010 – 7 May 2015
	11 Oct 2010	2,000,000	-	2,000,000 <sup>(b)</sup>	-	-	-	6.810	11 Oct 2011 – 10 Oct 2016
	9 Jan 2012	-	-	-	-	373,336	373,336	14.220	9 Jan 2013 – 8 Jan 2018
	17 Jan 2013	-	-	-	-	362,668	362,668	32.500	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	160,000	-	-	-	160,000	320,000	37.450	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	-	-	-	-	252,000	252,000	77.750	15 Jan 2015 – 14 Jan 2020

Notes:

- (a) Options were re-classified during the period from Employees to Others.
- (b) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$76.15.
- (c) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$68.60.
- (d) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$67.59.
- (e) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$67.95.
- (f) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$71.47.
- (g) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$75.68.

The vesting period for options granted on 17 January 2008 is 25% vesting on each of the second and third anniversary of the date of grant and 50% vesting on the fourth anniversary of the date of grant.

The vesting period for options granted on 18 August 2008 and 21 October 2009 and for 1,165,000 options granted on 20 April 2011 is 100% vesting on the first anniversary of the date of grant.



## OTHER INFORMATION

Save as disclosed above, the vesting period for all options is 1/3 vesting on each of the first, second and third anniversary of the date of grant.

Vesting period may accelerate if triggered by certain events stated in the respective share option schemes adopted on 30 May 2002 and 22 June 2011.

The consideration paid by each grantee for each grant of options was HK\$1.00.

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

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

	Fair value per option (HK\$)	Share price at date of grant (HK\$)	Exercise price (HK\$)	Standard deviation of expected share price return	Expected life of options	Expected dividend paid out rate	Annual risk-free interest rate
Granted on 15 January 2014 – 7,101,115 options outstanding as at 30 June 2014	26.65	77.75	77.75	50%	3.5 to 4.5 years	2%	0.942% to 1.266%

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

The closing price of the Company's shares immediately before the date on which the share options were granted on 15 January 2014 was HK\$77.60.

## Dealings in Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2014.

## Review of Interim Results

The Group's interim results for the six months ended 30 June 2014 have been reviewed by the Audit Committee of the Company and by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information by the auditor is included in this interim report.

## OTHER INFORMATION

### Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors. The Company, having made specific enquiry of all Directors, confirms that the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2014.

### Corporate Governance

Throughout the six months ended 30 June 2014, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, except code provision A.4.2.

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

### Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information since the publication of Annual Report 2013 are set out below:

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

- Dr. Lui was presented the Outstanding Contribution Award at the International Gaming Awards, as well as Entrepreneur of the Year at the Asian Awards in 2014.

By Order of the Board

**Galaxy Entertainment Group Limited**

**Jenifer Sin Li Mei Wah**

*Company Secretary*

Hong Kong, 19 August 2014



This interim report is printed on environmentally friendly paper.  
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