



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 2015  
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  
(resigned on 19 August 2015)

### 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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Hutchison House

10 Harcourt Road

Central, Hong Kong

### SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

### 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\*

Jorge Neto Valente, Escritório de Advogados e Notários

Linklaters

\* listed in alphabetical order

### SHARE LISTING

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

### STOCK CODE

SEHK : 27

Bloomberg : 27 HK

Reuters : 0027.HK

ADR : GXYEY

### AMERICAN DEPOSITARY RECEIPTS ("ADR") DEPOSITARY<sup>^</sup>

BNY Mellon Shareowner Services

PO Box 30170

College Station, TX 77842-3170, USA

Tel : 1-888-BNY-ADRS

Email : [shrrelations@cpushareownerservices.com](mailto:shrrelations@cpushareownerservices.com)

<sup>^</sup> the existing ADR facility will be terminated effective on 25 September 2015

### INVESTOR RELATIONS CONTACT

Please direct enquiries to:

Investor Relations Department

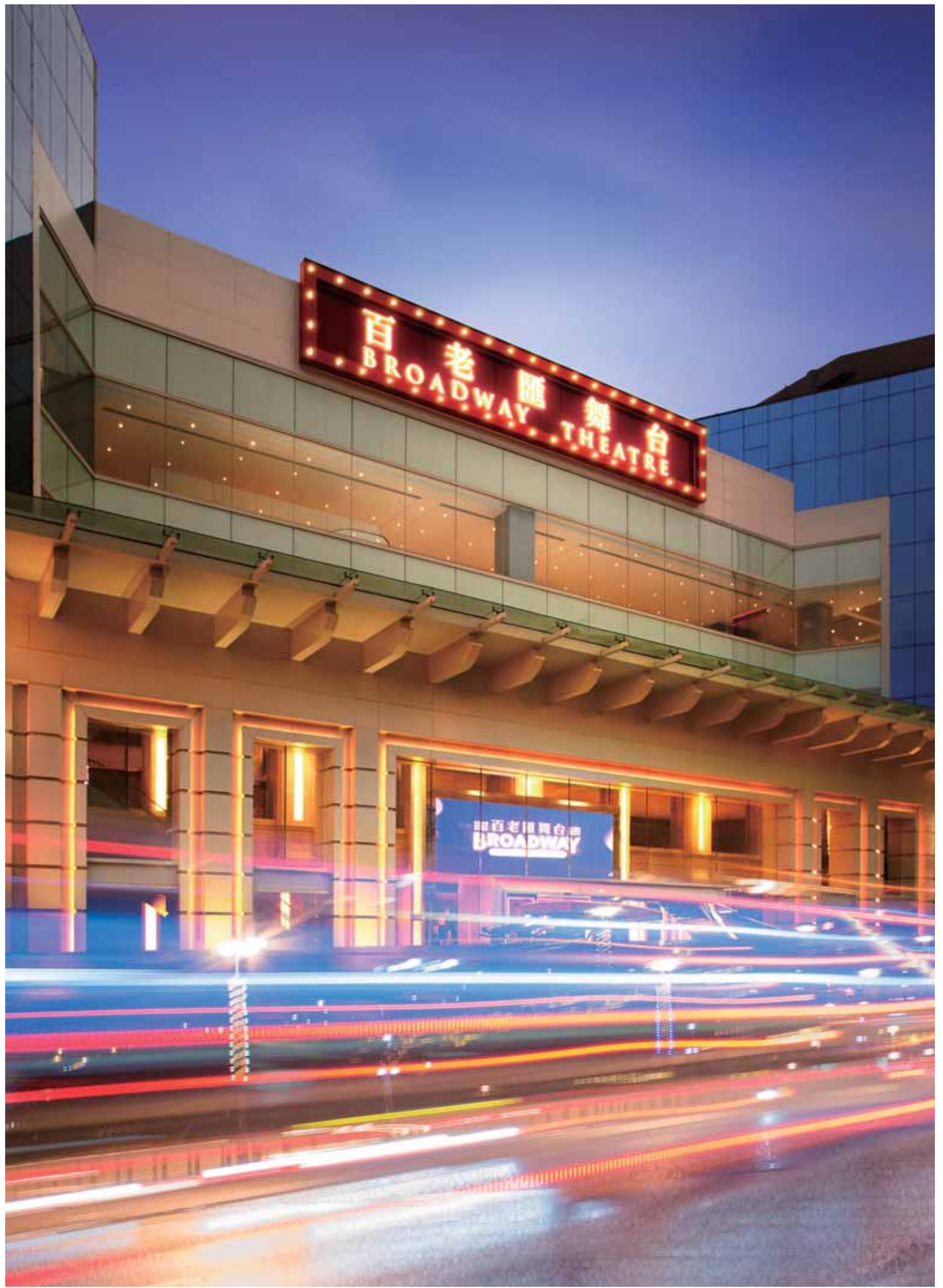
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<http://www.galaxyentertainment.com>



## CORPORATE PROFILE

Galaxy Entertainment Group Limited (“GEG”, “the Group” or “the Company”) is one of the world’s leading hospitality and gaming companies. The Group primarily develops and operates integrated hotel, entertainment and gaming resorts in Macau. The Group is listed on The Stock Exchange of Hong Kong Limited (SEHK: 27) and is a member of the Hang Seng Index.

GEG is one of six gaming concessionaires in Macau with an exceptional track record of delivering innovative, spectacular and industry leading properties, products and services, underpinned by a “World Class, Asian Heart” service philosophy, that has enabled it to consistently outperform the wider market.

GEG operates three flagship venues in Macau: on Cotai, Galaxy Macau™, one of the world’s largest integrated destination resorts, and the adjoining Broadway Macau™, a new hotel, entertainment and retail landmark destination; and on the Peninsula, StarWorld Macau, an award winning high end boutique property.

### Galaxy Macau™

- Opened in May 2011; significantly expanded in May 2015 with the opening of Phase 2
- Footprint of 1.1 million square meters
- Comprises five world-class hotels with approximately 3,500 rooms, suites and villas, including:
  - Banyan Tree Macau
  - Hotel Okura Macau
  - Galaxy Hotel
  - The Ritz-Carlton, Macau
  - JW Marriott Hotel Macau
- Features an unprecedented range of retail, food & beverage, entertainment and leisure options, including:
  - Approximately 160 luxury and lifestyle retail brands
  - 80 food and beverage outlets; Macau’s largest pan-Asian and international cuisine selection under one roof
  - The world’s largest Skytop Wave Pool and the world’s longest Skytop Adventure Rapids at 575 meters
  - Macau’s most luxurious 10 screen 3D Cineplex – UA Galaxy Cinema



## CORPORATE PROFILE

### StarWorld Macau

- Opened in 2006 as the Group's first 5-star hotel
- Located in the heart of the Macau Peninsula
- Multi award winning high end boutique property and one of the highest returning casinos in the world
- Offers over 500 guestrooms and suites with near capacity hotel occupancy
- 6 restaurants



### Broadway Macau™

- Opened in May 2015; Broadway Macau™ represents a new concept in Macau, providing visitors with a vibrant street and entertainment district showcasing the best of Macanese culture
- Broadway Hotel with approximately 320 rooms and suites
- 3,000 seat Broadway Theatre featuring the best in up-close-and-personal entertainment
- 40 food and beverage outlets, including numerous local Macanese cuisines and delicacies
- 20 retail outlets



The Group has the largest development pipeline of any casino operators in Macau. It plans to expand its Cotai footprint by a further one million square meters in the coming years with the addition of Phases 3 & 4. We continue to develop our masterplan and site investigation works are expected to commence in the later part of 2015/early 2016.

GEG continues to advance its conceptual plans to develop a world class destination resort on a 2.7 square kilometer land parcel on Hengqin. The low rise, low density resort will complement the Group's high energy properties located in Macau.

GEG is committed to building a sustainable future for Macau and contributing to the local community. In July 2014, it launched the HK\$1.3 billion GEG Foundation, which will focus on educating and empowering the young people of Macau and Mainland China.

## FINANCIAL & OPERATIONAL HIGHLIGHTS

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

### HIGHLIGHTS FOR FIRST HALF 2015

#### Group

- Revenue was \$25.4 billion for 1H 2015, a decrease of 34% compared to \$38.4 billion for 1H 2014
- Adjusted EBITDA was \$4.2 billion for 1H 2015, a decrease of 43% compared to \$7.3 billion for 1H 2014
- Net profit attributable to shareholders ("NPAS") was \$2.0 billion for 1H 2015 including \$1.0 billion of non-recurring charges, a decrease of \$4.0 billion or 66% compared to \$6.0 billion for 1H 2014
- Adjusted NPAS of \$3.0 billion declined 51% year-on-year after adjusting for non-recurring charges
- Balance sheet remains healthy and liquid with cash on hand of \$9.4 billion and a net cash position of \$4.6 billion, with a debt of \$4.8 billion as of 30 June 2015
- Played unlucky in gaming operations which reduced profitability by approximately \$265 million for the first half
- Paid special dividend of \$0.28 per share on 22 May 2015
- Subsequently announced another special dividend of \$0.14 per share payable on or about 30 October 2015



#### Galaxy Macau™

- Revenue was \$17.2 billion for 1H 2015, a decrease of 31% compared to \$25.0 billion for 1H 2014, Galaxy Macau™ Phase 2 was only operational for 35 days during the period
- Adjusted EBITDA was \$3.2 billion for 1H 2015, a decrease of 41% compared to \$5.4 billion for 1H 2014
- Hotel occupancy for 1H 2015 across the five hotels was 96%





**FINANCIAL & OPERATIONAL HIGHLIGHTS***(All amounts are expressed in Hong Kong dollars unless otherwise stated)***StarWorld Macau**

- Revenue was \$7.1 billion for 1H 2015, a decrease of 42% compared to \$12.3 billion for 1H 2014
- Adjusted EBITDA was \$1.1 billion for 1H 2015, a decrease of 42% compared to \$1.9 billion for 1H 2014
- Hotel occupancy for 1H 2015 was 96%

**Broadway Macau™**

- Broadway Macau™ was only operational for 35 days during the period
- Revenue was \$64 million
- Adjusted EBITDA was \$(2) million including playing unlucky by \$5 million
- Continue to ramp up operations and open the remaining facilities
- Hotel occupancy was 99%

**Development**

- Cotai Phases 3 & 4 plans are well advanced. Site investigation works are scheduled to commence in the later part of 2015/early 2016
- The 2.7 square kilometer land parcel in Hengqin will be developed into a low rise, low density world class destination resort and GEG continues to work on the master plan
- Internationally, GEG is actively exploring opportunities in the overseas markets

**Subsequent Events**

- Declared a special dividend of \$0.14 per share to be paid on or about 30 October 2015
- Announced strategic minority investment of approximately 5% of Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("SBM")
- On 19 August 2015, Mr. Anthony Carter, Non-Executive Director of GEG, advised the Company of his resignation from the Board of GEG effective immediately

## FINANCIAL &amp; OPERATIONAL HIGHLIGHTS

## Group

## Revenue

(HK\$'m)	1H 2014	1H 2015	% Change
Gaming and Entertainment	37,388	24,462	(35%)
Construction Materials	1,019	909	(11%)
<b>Group Total</b>	38,407	25,371	(34%)



## Adjusted EBITDA

(HK\$'m)	1H 2014	1H 2015	% Change
Gaming and Entertainment	7,191	4,093	(43%)
Construction Materials	187	144	(23%)
Corporate	(90)	(78)	13%
<b>Group Total</b>	7,288	4,159	(43%)

## Key Financial Metrics

	1H 2014	1H 2015	% Change
Net Profit Attributable to Shareholders (HK\$'m)	5,971	2,030	(66%)
Earnings per share (HK cents)	141.0	47.7	(66%)
Total Assets (HK\$'m)	52,534	58,606	12%
Cash on Hand (HK\$'m)	14,427	9,439	(35%)
Share Price on 30 June (HK\$)	62.00	30.90	(50%)
Market Capitalisation (HK\$'m)	263,023	131,524	(50%)

Note: The Group was in net cash position as at 30 June 2015 and 30 June 2014.

## FINANCIAL &amp; OPERATIONAL HIGHLIGHTS

## Galaxy Macau™

## Financial Highlights

(HK\$'m)	1H 2014	1H 2015	% Change
Revenue	24,955	<b>17,213</b>	(31%)
Adjusted EBITDA	5,429	<b>3,229</b>	(41%)
Adjusted EBITDA margin (HKFRS)	22%	<b>19%</b>	n/a
Adjusted EBITDA margin (US GAAP)	31%	<b>25%</b>	n/a



## 1H 2015 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	<b>293,867</b>	<b>10,282</b>	<b>3.5%</b>
Mass Gaming	<b>12,560</b>	<b>5,375</b>	<b>42.8%</b>
Electronic Gaming	<b>17,187</b>	<b>694</b>	<b>4.0%</b>

## 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%

## FINANCIAL &amp; OPERATIONAL HIGHLIGHTS

## StarWorld Macau

## Financial Highlights

(HK\$'m)	1H 2014	1H 2015	% Change
Revenue	12,341	<b>7,129</b>	(42%)
Adjusted EBITDA	1,909	<b>1,114</b>	(42%)
Adjusted EBITDA margin (HKFRS)	15%	<b>16%</b>	n/a
Adjusted EBITDA margin (US GAAP)	25%	<b>23%</b>	n/a

星際酒店  
StarWorld Hotel

## 1H 2015 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	<b>159,939</b>	<b>5,017</b>	<b>3.1%</b>
Mass Gaming	<b>4,795</b>	<b>1,890</b>	<b>39.4%</b>
Electronic Gaming	<b>977</b>	<b>66</b>	<b>6.8%</b>

## 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%

## FINANCIAL &amp; OPERATIONAL HIGHLIGHTS

## Broadway Macau™

## Financial Highlights

(HK\$'m)	1H 2015
Revenue	64
Adjusted EBITDA	(2)
Adjusted EBITDA margin (HKFRS)	n/a
Adjusted EBITDA margin (US GAAP)	n/a



## 1H 2015 Selected Gaming Statistics

(HK\$'m)	Table Drop/ Slots Handle	Net Win	Hold %
Mass Gaming	177	37	20.7%
Electronic Gaming	58	4	7.1%

## 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 2015.

GEG achieved credible half year results despite continuing challenging market conditions. The highlight of the period was the successful on time and on budget opening of Galaxy Macau™ Phase 2 and Broadway Macau™. The expansion was only operational for 35 days within the reporting period and we continue to ramp up its performance and open additional facilities to boost its appeal to the mass market.

As anticipated, the spending behavior of visitors to Macau remained cautious, resulting in lower year-on-year revenue of HK\$25.4 billion. Lower revenues coupled with the opening preparation costs of the expanded property, in particular additional staff costs, resulted in lower half year Adjusted EBITDA of HK\$4.2 billion. This anticipated front-loaded investment was made to ensure that GEG's customers received the outstanding service and exceptional standards for which GEG is renowned. Net profit attributable to shareholders was HK\$2.0 billion, which included non-recurring charges of HK\$1.0 billion. Management is continuing to focus on driving efficiencies, exercising rigorous cost controls and adapting our product offer to meet the evolving market conditions.

## LETTER FROM THE CHAIRMAN

We are confident in the long term outlook for GEG and Macau. The launch of Galaxy Macau™ Phase 2 and Broadway Macau™ has been well received, with daily visitor numbers to both resorts rising significantly and all six hotels achieving exceptional occupancy rates. The expected completion of all remaining gaming, retail and F&B outlets by year-end will further enhance the property's mass market appeal. We also look forward to the completion of planned major infrastructure developments that will transform access to Macau, driving strong visitor growth in the future. Our high quality resort's reputation for delivering unique 'World Class, Asian Heart' experiences and unmatched development pipeline, position us well in the long term to capture this opportunity and support Macau in its efforts to become a "World Center of Tourism and Leisure".

On 22 May, we paid a special dividend of HK\$0.28 per share, and reflecting our continued confidence in the long term outlook for Macau and our commitment of returning capital to shareholders, we are pleased to announce another special dividend of HK\$0.14 per share to be paid in October.

## SUCCESSFUL OPENING OF THE MASS MARKET FOCUSED GALAXY MACAU™ PHASE 2 AND THE FAMILY FRIENDLY BROADWAY MACAU™

The expanded mass market focused Galaxy Macau™ Phase 2 and the brand new family friendly Broadway Macau™ both opened simultaneously on time and on budget on 27 May 2015, bringing GEG's total investment in Cotai to HK\$43 billion. It has created a new benchmark for Macau and the industry, generated thousands of new job opportunities, directly supported small and medium sized enterprises and provided Macanese brands with a platform to showcase themselves to the world.

Visitors and residents of Macau alike have embraced both new properties, with daily visitor volumes surging significantly.

## MACAU MARKET REVIEW

As expected, the macro challenges of 2014, in particular anti-corruption measures and softening macro-economic conditions in China, carried through into 2015. This resulted in total gaming revenue decreasing by 37% year-on-year to HK\$118.1 billion. The VIP segment was most impacted, with half-year revenue falling 42% to HK\$67.2 billion. Visitor numbers to Macau in the first half were 14.8 million, slightly down on last year.

The market's shift to mass continued, as Macau diversified its offer by introducing new MICEE, recreational, dining, retail and entertainment options including Galaxy Macau™ Phase 2 and Broadway Macau™ in May 2015. The mass segment increased its share of the market to 38% from 34%, achieving revenue of HK\$45.2 billion.

## GALAXY MACAU™

Galaxy Macau™ is the most important contributor to Group earnings and revenues, but the expanded property was only in operation for 35 days of the reporting period. In the first half adjusted EBITDA was HK\$3.2 billion, following a 31% year-on-year reduction in revenues to HK\$17.2 billion. A combination of 'bad luck' and an inevitable short term mismatch of revenues and costs as GEG geared up for opening by recruiting significant staff, weighed on earnings. GEG is fully focused on realising economies of scale and making the property more efficient, in particular through opening additional facilities, to optimise its mass market appeal and further grow revenues.

## LETTER FROM THE CHAIRMAN

### STARWORLD MACAU

StarWorld Macau performed respectably in light of market conditions, reporting 42% year-on-year reductions in revenue and adjusted EBITDA of HK\$7.1 billion and HK\$1.1 billion respectively.

### BROADWAY MACAU™

Broadway Macau™ represents a new concept in Macau, providing visitors with a vibrant street and entertainment district showcasing the best of Macanese culture. Broadway Macau™ was only opened for 35 days during the period and does not have a VIP gaming component. Revenue for the period was HK\$64 million while Adjusted EBITDA for the period was HK\$(2) million. We continue to ramp up the property and open the remaining facilities including additional food & beverage and retail outlets. Bad luck in gaming operations reduced Adjusted EBITDA by approximately HK\$5 million.

### CONSTRUCTION MATERIALS DIVISION

The Construction Materials Division reported lower Adjusted EBITDA at HK\$144 million as a result of softening of demand in some of its major markets.

### UNRIVALLED DEVELOPMENT PIPELINE

GEG has the largest development pipeline in Macau. Cotai Phases 3 & 4 will double the footprint of the existing property to more than 2 million square meters, add thousands of new hotel rooms, transform Galaxy Macau™'s mass offer and significantly enhance its already compelling leisure and entertainment facilities.

To complement our high energy properties in Macau, we are also advancing conceptual plans for a low rise, low density resort on Hengqin.

### STRONG BALANCE SHEET

GEG's balance sheet remains well capitalised and liquid, with cash on hand at HK\$9.4 billion and net cash at HK\$4.6 billion as of 30 June 2015.

### STRATEGIC INVESTMENT

I am pleased to announce the strategic investment into Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("SBM") which owns and operates a number of world-class, iconic branded hotels and casinos in the Principality of Monaco. We very much look forward to working with them and building upon this strategic relationship.

### MACAU MARKET OUTLOOK

The long-term fundamental drivers for growth are unchanged. A combination of major planned infrastructure works, increasing domestic consumption in China and a fast growing affluent Chinese middle class seeking holistic and convenient holiday experiences, should drive visitor growth in the years ahead.

We are pleased to see some indications of market stabilisation and government support including signs of flexibility with the retention of smoking lounges and improvement in transit visas. We continue to manage our costs and drive operating efficiencies while continuing to invest in staff training and development, among others. We encourage everyone in Macau to harmoniously work together during these challenging times.



## LETTER FROM THE CHAIRMAN

### CLOSING REMARKS

The first half of 2015 has been challenging for all of Macau's operators. However, we are satisfied with our financial performance and delighted with the success of the launch of Galaxy Macau™ Phase 2 and Broadway Macau™. We believe the expanded Galaxy Macau™ and the newly opened Broadway Macau™ have created a unique blend of Macanese, Chinese and international entertainment and cultural elements that cater for a broad range of tastes and price points.

Looking ahead, we are focused on effectively managing our properties through this challenging period of adjustment to a "new normal". We are well placed to achieve sustainable growth thanks to our differentiated proposition and clearly defined development pipeline, when conditions improve.

We look forward to the completion of major infrastructure works that will drive visitor growth and are committed to working with Macau to support its social and economic development as it transforms itself into one of Asia's most vibrant and dynamic tourism hubs.

**Dr. Lui Che Woo**

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

Hong Kong, 19 August 2015

## SELECTED MAJOR AWARDS

### GEG

Award	Presenter
Casino Operator of the Year Australia/Asia	International Gaming Awards
4th Outstanding Corporate Social Responsibility Award	The Mirror
Best Investor Relations Company – Large Cap	Hong Kong Investor Relations Association
Best Investor Relations Presentation Collaterals – Large Cap	Hong Kong Investor Relations Association

### GALAXY MACAU™

Award	Presenter
Casino VIP Room of the Year	International Gaming Awards
World's Best Hotel 2014-2015 – Resort Hotel Macau	International Hotel Awards
2014 Asia's Top Entertainment Complex	NOW Travel Asia Awards
Hurun Report Best of the Best Awards – Luxury Hotel Wedding in Macau Star Performer	Hurun Report
TripAdvisor's Traveler Choice 2015 Winner – Top Hotel for Romance & Top Luxury Hotel (China)	TripAdvisor
2015 Forbes Travel Guide – Five-Star Hotel (Banyan Tree Macau)	Forbes Travel Guide
2015 Forbes Travel Guide – Five-Star Spa (Banyan Tree Spa Macau)	Forbes Travel Guide
2014 Macao Green Hotel Award – Silver Award	DSPA – 2014 Macao Green Hotel Award
LEED gold certification – Galaxy Macau – Phase 2	United States Green Building Council

## SELECTED MAJOR AWARDS

### STARWORLD MACAU

Award	Presenter
Ranked as "Top Class Comfort" 2015	Michelin Guide Hong Kong Macau
Top 10 Glamorous Hotels of China	China Hotel Starlight Awards
Best Service Hotel of Asia	Golden Horse Award of China Hotel

### CONSTRUCTION MATERIALS DIVISION

Award	Presenter
Hang Seng Pan Pearl River Delta Environmental Awards – Silver Award	Federation of Hong Kong Industries/Hang Seng Bank
Hang Seng Pan Pearl River Delta Environmental Awards – 5 years+ Entrant, Green Participant	Federation of Hong Kong Industries/Hang Seng Bank
Caring Company – 10 Years Plus Caring Company Logo	The Hong Kong Council of Social Service
Considerate Contractors Site Award Scheme – Outstanding Environmental Management & Performance Award – Bronze Award – Public Works – New Works – Bronze Award	Development Bureau/Construction Industry Council



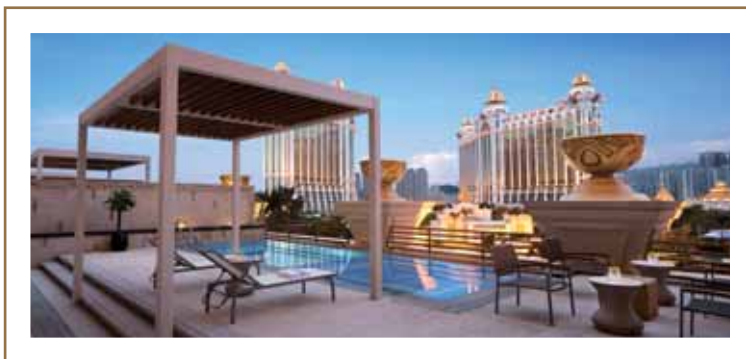
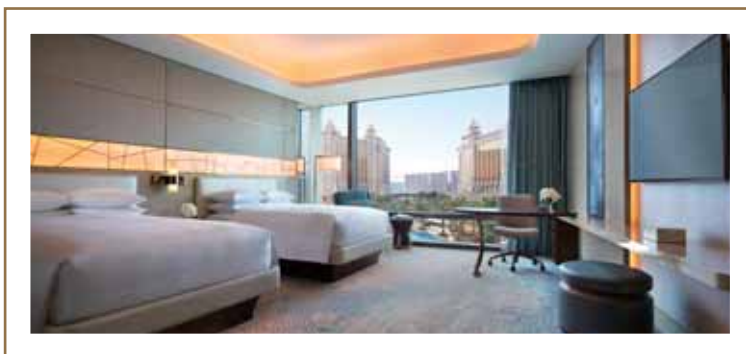
## MANAGEMENT DISCUSSION AND ANALYSIS

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

### OVERVIEW

Market conditions within Macau remained challenging in the first half of 2015 as macro factors impacted customer spending behavior. However, GEG achieved credible financial results after it successfully opened, on time and on budget, both Galaxy Macau™ Phase 2 and Broadway Macau™ on 27 May 2015. With the expansion of Galaxy Macau™ and the opening of Broadway Macau™, GEG is confident that the mass market focused properties will offer some of the most exciting and diverse amenities in Macau, driving customer visitations and ultimately, substantial shareholder returns over time. The results include only 35 days of operation of Galaxy Macau™ Phase 2 and Broadway Macau™. In the half, GEG reported revenue and Group Adjusted EBITDA of \$25.4 billion and \$4.2 billion respectively. This translated to net profit attributable to shareholders (“NPAS”) of \$2.0 billion, including \$1.0 billion of non-recurring charges such as \$0.7 billion of pre-opening costs. Adjusted NPAS of \$3.0 billion declined 51% year-on-year after adjusting for non-recurring charges. As expected, earnings at GEG in the second quarter were partially impacted by lower revenues and the opening preparation costs of both Galaxy Macau™ Phase 2 and Broadway Macau™, including the additional staff costs in the lead up to the grand opening. Management has and will continue to focus on driving up efficiencies, exercising rigorous cost controls and adapting our product offering to meet evolving market conditions.

Galaxy Macau™ is the most important contributor to the Group results, delivering half-year revenue of \$17.2 billion and Adjusted EBITDA of \$3.2 billion. The expansion was only operational for 35 days within the reporting period. GEG is now focused on driving economies of scale and moving the property up the efficiency curve as it opens additional facilities to optimise its mass market appeal and revenues.



## MANAGEMENT DISCUSSION AND ANALYSIS

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



StarWorld Macau, the Group's VIP boutique property on the Peninsula, generated revenue of \$7.1 billion and Adjusted EBITDA of \$1.1 billion in the first six months of the year. Its performance was in line with the market, reflecting continuing challenges in the VIP segment.

Broadway Macau™ represents a new concept in Macau, providing visitors with a vibrant street and entertainment district showcasing the best of Macanese culture. Broadway Macau™ was only operational for 35 days during the period with significant pre-opening costs and we continue to ramp up and open additional facilities. Revenue was \$64 million and Adjusted EBITDA was \$(2) million, which include \$5 million of bad luck.

GEG is confident in its prospects and those of Macau in the longer term. The launch of both Galaxy Macau™ Phase 2 and Broadway Macau™ has been well received and the majority of the resort's amenities were launched on the opening date. A majority if not all of the remaining gaming, retail and F&B outlets are expected to be opened by year end. We continue to execute operationally, ramp up the properties with a focus on the mass market. In terms of the market, the fundamental growth drivers – such as increasing domestic consumption, a fast growing affluent middle class in China and planned major infrastructure improvements – remain unaltered, and should drive a new wave of visitors to Macau in the coming years.

On 22 May, we paid a special dividend of \$0.28 per share. Reflecting our commitment of returning capital to shareholders and following the successful launch of Galaxy Macau™ Phase 2 and Broadway Macau™, GEG announces another special dividend of \$0.14 per share to be paid on or about 30 October 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Successful Opening of the Mass Market focused Galaxy Macau™ Phase 2 and the Family Friendly Broadway Macau™

The expanded mass market focused Galaxy Macau™ Phase 2 and newly opened Broadway Macau™ both opened simultaneously on time and on budget on 27 May 2015, bringing GEG's total investment in Cotai to \$43 billion.

#### Galaxy Macau™

It is one of the world's largest destination resorts ever built, and consists of new signature features such as: the new Skytop Adventure Rapids which complements the largest skytop wave pool in the world; five world class hotels; the Promenade, which includes more than 160 outlets, from high-street brands and flagship stores to designer boutiques, first-to-Macau brands including Alexander Wang, Moncler and Qeelin; flagship stores for Burberry, H&M and T-Galleria Beauty by DFS and international luxury brands Bottega Veneta, Bvlgari, Lanvin, Louis Vuitton and many more; and finally; more than 80 food & beverage outlets, offering everything from authentic pan-Asian cuisine to world class dining experiences from Michelin starred chefs.

#### Broadway Macau™

Is a unique family friendly, street entertainment and food resort, consisting of: 3,000 seat Broadway Theatre; the vibrant Broadway street entertainment district celebrating the best of Macanese and Chinese culture; Broadway Hotel; 20 retail outlets and 40 mainly local SMEs food & beverage outlets.

Visitors and residents of Macau alike have embraced both new properties, with daily visitor volumes surging significantly.

### Overview of the Macau Gaming Market

As expected, the macro challenges of 2014, in particular anti-corruption measures and a softening macro-economic conditions in China, carried through into 2015. Total gaming revenue decreased by 37% year-on-year to \$118.1 billion in 1H 2015. Visitation of 14.8 million in the first half of 2015, declined slightly by 3% compared to the same period in 2014. Visitors from mainland China now represent 65% of total visitation (1H 2014: 67%).

The VIP segment was most impacted by macro conditions, with half-year revenue falling 42% to \$67.2 billion (1H 2014: \$116.2 billion). It is still the largest segment of the market, accounting for 57% of total gaming revenue.

The evolution of the market to mass continued, as Macau diversified its offer by adding MICEE, recreational, dining, retail and entertainment options including Galaxy Macau™ Phase 2 and Broadway Macau™ in late May 2015. Mass revenue in Macau as a whole declined by 29% to \$45.2 billion in the first six months of the year but increased its share of the total market to 38% from 34%. Major planned infrastructure such as the Taipa Ferry Terminal, the Hong Kong-Zhuhai-Macau Bridge, the extension of the railway network from Gongbei to Lotus Bridge and the Macau Light Rail Transit, will dramatically improve access to Macau and connectivity within Macau itself, driving visitors to the territory in the future. It is recognised that in the short term, Macau is experiencing some bottlenecks in infrastructure development and completion delays in certain projects.

Electronic gaming revenue was \$5.7 billion in the period (1H 2014: \$7.3 billion). This segment accounts for 5% of the total gaming revenue.

### Smoking Update

We are pleased that the Macau Government has indicated some flexibility and are open-minded to consider the retention of smoking lounges. The enabling legislation for the smoking ban is in the committee stage, and could be held up for another year. Allowing smoking lounges would be viewed as a positive for the market. The gaming concessionaires continue to work together for a pragmatic solution.

## MANAGEMENT DISCUSSION AND ANALYSIS

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



## REVIEW OF OPERATIONS

### Group Financial Results

The results include only 35 days of operation of Galaxy Macau™ Phase 2 and Broadway Macau™, which opened on time and on budget on 27 May 2015. The Group posted revenue of \$25.4 billion (1H 2014: \$38.4 billion), generating Adjusted EBITDA of \$4.2 billion, a reduction of 43% year-on-year. As of 30 June 2015, the latest twelve months Adjusted EBITDA was \$10.0 billion. Net Profit Attributable to Shareholders was \$2.0 billion, including \$1.0 billion of non-recurring charges such as \$0.7 billion of pre-opening costs. Galaxy Macau™'s Adjusted EBITDA was \$3.2 billion, decrease of 41% year-on-year. StarWorld Macau's Adjusted EBITDA decreased 42% year-on-year to \$1.1 billion. Broadway Macau™'s Adjusted EBITDA was \$(2) million, which include \$5.0 million of bad luck.

During the first half of 2015, GEG experienced bad luck in gaming operations which reduced Adjusted EBITDA and NPAS by approximately \$265 million, where the majority occurred at Galaxy Macau™.

The Group's total gaming revenue on a management basis<sup>1</sup> in the first half of 2015 decreased 36% year-on-year to \$24.5 billion as total mass table revenue decreased 17% year-on-year to \$8.2 billion and total VIP revenue dropped 43% year-on-year to \$15.5 billion.

<sup>1</sup> The primary difference between statutory revenue and management basis revenue is the treatment of City Clubs revenue where fee income is reported on a statutory basis and gaming revenue is reported on a management basis.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Accelerating Efficiency after Effective Opening

Consistent with the successful opening of all new large projects, and to ensure absolute operational readiness on the opening day of Galaxy Macau™ Phase 2 and Broadway Macau™, GEG recruited significant additional staff prior to opening. Inevitably this created a short-term mismatch of revenues and costs. This anticipated front-loaded investment was made to ensure that GEG's customers received the outstanding service and exceptional standards for which GEG is renowned. GEG is driving economies of scale and moving the property up the efficiency curve as it opens additional facilities to optimise its mass market appeal and revenues.

### Cost Control Initiatives

Given the current challenging trading environment we have actively engaged in a review of our cost structures and implemented a number of cost saving initiatives while simultaneously opening two major resorts – Galaxy Macau™ Phase 2 and Broadway Macau™. These initiatives are designed to align our costs with current revenues without compromising customer service standards where, as an example, we have implemented a salary freeze for all senior executives.

### Balance Sheet, Treasury Management and Special Dividend

The Group's balance sheet remains healthy. As of 30 June 2015, cash on hand stood at \$9.4 billion and net cash was \$4.6 billion. Total debt increased from \$2 billion at 31 March 2015 to \$4.8 billion at 30 June 2015 due solely to a treasury management exercise where interest income on cash holdings exceeds corresponding borrowing costs. The Group paid a special dividend of \$0.28 per share on 22 May 2015. Following the successful launch of Galaxy Macau™ Phase 2 and Broadway Macau™, the Group will pay another special dividend of \$0.14 per share on or about 30 October 2015.

Set out below is the segmental analysis of the Group's operating results for the half year ended 30 June 2015:

<b>1H 2015 (HK\$m)</b>	<b>Gaming and Entertainment</b>	<b>Construction Materials</b>	<b>Corporate</b>	<b>Total</b>
Revenue	<b>24,462</b>	<b>909</b>	<b>-</b>	<b>25,371</b>
Adjusted EBITDA	<b>4,093</b>	<b>144</b>	<b>(78)</b>	<b>4,159</b>
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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### GAMING AND ENTERTAINMENT DIVISION

#### Galaxy Macau™

##### Financial and Operational Performance

Galaxy Macau™ is the most important contributor to Group revenue and earnings. In the first half of 2015, Adjusted EBITDA decreased 41% year-on-year to \$3.2 billion, on the back of a 31% year-on-year reduction in revenue to \$17.2 billion, this includes Galaxy Macau™ Phase 2 which was only opened for 35 days. The Group expects to leverage economies of scale across the business as we open all outstanding gaming areas, hotel rooms, retail and F&B outlets, ramp up the property and drive efficiencies. We also experienced bad luck in our gaming operations which reduced Adjusted EBITDA by approximately \$250 million in the first half.

Adjusted EBITDA margin for the first half calculated under HKFRS was 19% (1H 2014: 22%), or 25% under US GAAP (1H 2014: 31%). Bad luck reduced margin by approximately 100 basis points for the first half.

##### VIP Gaming Performance

Total VIP rolling chip volume in the first half of the year was \$294 billion. This generated revenue of \$10.3 billion, a reduction of 40% year-on-year.

VIP Gaming			Q1 2015	Q2 2015	QoQ%	YoY%	1H 2014	1H 2015	YoY%
HK\$m	Q2 2014								
Turnover	264,340		<b>156,645</b>	<b>137,222</b>	<b>(12%)</b>	<b>(48%)</b>	517,174	<b>293,867</b>	<b>(43%)</b>
Net Win	8,364		<b>5,623</b>	<b>4,659</b>	<b>(17%)</b>	<b>(44%)</b>	17,061	<b>10,282</b>	<b>(40%)</b>
Win %	3.2%		<b>3.6%</b>	<b>3.4%</b>	<b>n/a</b>	<b>n/a</b>	3.3%	<b>3.5%</b>	<b>n/a</b>

##### Mass Gaming Performance

Half-year mass revenue was \$5.4 billion, down 15% year-on-year. The property is expected to further grow the mass segment as management focuses on extending its privilege rewards base program and builds out more profitable volumes by developing its premium mass and premium direct offers.

Mass Gaming			Q1 2015	Q2 2015	QoQ%	YoY%	1H 2014	1H 2015	YoY%
HK\$m	Q2 2014								
Table Drop	6,943		<b>6,018</b>	<b>6,542</b>	<b>9%</b>	<b>(6%)</b>	14,311	<b>12,560</b>	<b>(12%)</b>
Net Win	3,020		<b>2,879</b>	<b>2,496</b>	<b>(13%)</b>	<b>(17%)</b>	6,351	<b>5,375</b>	<b>(15%)</b>
Hold %	43.5%		<b>47.8%</b>	<b>38.2%</b>	<b>n/a</b>	<b>n/a</b>	44.4%	<b>42.8%</b>	<b>n/a</b>

##### Electronic Gaming Performance

Electronic gaming revenue was \$694 million, down 13% year-on-year.

Electronic Gaming			Q1 2015	Q2 2015	QoQ%	YoY%	1H 2014	1H 2015	YoY%
HK\$m	Q2 2014								
Slots Handle	8,823		<b>7,608</b>	<b>9,579</b>	<b>26%</b>	<b>9%</b>	17,741	<b>17,187</b>	<b>(3%)</b>
Net Win	384		<b>316</b>	<b>378</b>	<b>20%</b>	<b>(2%)</b>	796	<b>694</b>	<b>(13%)</b>
Hold %	4.4%		<b>4.2%</b>	<b>3.9%</b>	<b>n/a</b>	<b>n/a</b>	4.5%	<b>4.0%</b>	<b>n/a</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Non-Gaming Performance

Non-gaming revenue increased by 15% year-on-year to \$853 million.

The opening of Galaxy Macau™ Phase 2 has significantly enhanced GEG's non-gaming offer. The new developments have more than doubled Galaxy Macau™'s footprint, welcomed two additional world-class hotels: the Ritz Carlton Macau and the JW Marriott Hotel Macau and; transformed Galaxy's entertainment, leisure, MICEE, retail and food & beverage offering, creating one of the most spectacular and diverse integrated resorts in the world. The combined five hotels registered strong occupancy of 96% for the half year on available rooms. Occupancy across the five hotels for the month of June 2015 for the expanded resort was 97%.

Net Rental Revenue for the Promenade was \$156 million for 1H 2015, an increase of 86% compared to \$84 million in the corresponding period. The primary reason for the increase was the opening of the Promenade in late May 2015.

<b>Non-Gaming Revenue</b>				
HK\$m		1H 2014	<b>1H 2015</b>	<b>YoY%</b>
Net Rental Revenue		84	<b>156</b>	<b>86%</b>
Hotel Revenue/F&B/Others		660	<b>697</b>	<b>6%</b>
Total		744	<b>853</b>	<b>15%</b>

### StarWorld Macau

#### Financial and Operational Performance

StarWorld Macau reported 42% year-on-year reductions in revenue and Adjusted EBITDA of \$7.1 billion and \$1.1 billion respectively, as strong headwinds impacted its VIP business in particular. Adjusted EBITDA margin in the half year under HKFRS improved by one percentage point to 16% compared to the same period last year, and under US GAAP was lower by two percentage points at 23% in the same period. We also experienced bad luck in our gaming operations which reduced Adjusted EBITDA by approximately \$10 million in the first half. Bad luck reduced Adjusted EBITDA margin by approximately 100 basis points for the first half of 2015.

#### VIP Gaming Performance

StarWorld Macau reported VIP rolling chip volume of \$160 billion (1H 2014: \$348.7 billion) in the first six months of 2015, a decrease of 54% year-on-year. This resulted in a 49% year-on-year reduction in revenue to \$5 billion (1H 2014: \$9.8 billion).

<b>VIP Gaming</b>								
HK\$m	Q2 2014	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>QoQ%</b>	<b>YoY%</b>	1H 2014	<b>1H 2015</b>	<b>YoY%</b>
Turnover	168,460	<b>88,491</b>	<b>71,448</b>	<b>(19%)</b>	<b>(58%)</b>	348,673	<b>159,939</b>	<b>(54%)</b>
Net Win	4,260	<b>2,905</b>	<b>2,112</b>	<b>(27%)</b>	<b>(50%)</b>	9,816	<b>5,017</b>	<b>(49%)</b>
Win %	2.5%	<b>3.3%</b>	<b>3.0%</b>	<b>n/a</b>	<b>n/a</b>	2.8%	<b>3.1%</b>	<b>n/a</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Mass Gaming Performance

StarWorld Macau reported mass gaming revenue of \$1.9 billion in the first half of 2015 (1H 2014: \$2.2 billion), 16% lower year-on-year.

Mass Gaming		Q1 2015	Q2 2015	QoQ%	YoY%	1H 2014	1H 2015	YoY%
HK\$m	Q2 2014							
Table Drop	2,874	2,330	2,465	6%	(14%)	5,808	4,795	(17%)
Net Win	1,094	939	951	1%	(13%)	2,241	1,890	(16%)
Hold %	37.6%	40.3%	38.6%	n/a	n/a	38.1%	39.4%	n/a

### Electronic Gaming Performance

StarWorld Macau's electronic gaming generated revenue of \$66 million (1H 2014: \$100 million).

Electronic Gaming		Q1 2015	Q2 2015	QoQ%	YoY%	1H 2014	1H 2015	YoY%
HK\$m	Q2 2014							
Slots Handle	727	497	480	(3%)	(34%)	1,724	977	(43%)
Net Win	48	33	33	0%	(31%)	100	66	(34%)
Hold %	6.6%	6.6%	7.0%	n/a	n/a	5.8%	6.8%	n/a

### Non-Gaming Performance

Non-gaming revenue in the first half of 2015 was \$154 million (1H 2014: \$181 million).

Hotel room occupancy throughout the period remained very high at 96% in 1H 2015, underlining the enduring appeal of StarWorld Macau to a discerning customer base.

### Broadway Macau™

Broadway Macau™ was only open for 35 days during the period and does not have a VIP gaming component. Revenue for the period was \$64 million while Adjusted EBITDA for the period was \$(2) million. We continue to ramp up the property and open the remaining facilities including additional food & beverage and retail outlets. We also experienced bad luck in our gaming operations which reduced Adjusted EBITDA by approximately \$5 million in the first half.

### Mass Gaming Performance

Broadway Macau™'s mass gaming revenue was \$37 million.

Mass Gaming		Q2 2015	QoQ%	YoY%	1H 2015	YoY%
HK\$m						
Table Drop		177	n/a	n/a	177	n/a
Net Win		37	n/a	n/a	37	n/a
Hold %		20.7%	n/a	n/a	20.7%	n/a

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Electronic Gaming Performance

Broadway Macau™'s electronic gaming revenue was \$4 million.

<b>Electronic Gaming</b> HK\$m	<b>Q2 2015</b>	<b>QoQ%</b>	<b>YoY%</b>	<b>1H 2015</b>	<b>YoY%</b>
Table Drop	<b>58</b>	<b>n/a</b>	<b>n/a</b>	<b>58</b>	<b>n/a</b>
Net Win	<b>4</b>	<b>n/a</b>	<b>n/a</b>	<b>4</b>	<b>n/a</b>
Hold %	<b>7.1%</b>	<b>n/a</b>	<b>n/a</b>	<b>7.1%</b>	<b>n/a</b>

### Non-Gaming Performance

Non-gaming revenue for the 35 days that the property was opened was \$23 million and hotel room occupancy was 99%.

### City Clubs

City Clubs registered \$56 million of Adjusted EBITDA in the period (1H 2014: \$92 million). Its performance has tracked the market and 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 and Adjusted EBITDA were \$909 million and \$144 million respectively in the first six months of the year, declining year-on-year as a result of a softening of demand in a number of its major markets. Trading performance for the first half was generally in line with expectations; anticipating continuing sluggish growth in the Mainland economy and the consequential softening in market demand for construction material products, CMD has progressively implemented aggressive reductions in direct and indirect costs from stringent cost control measures, ensuring continuing competitiveness.

### Hong Kong and Macau

In Hong Kong and Macau, the demand for construction materials remained stable despite delays in the progress of certain major infrastructure and entertainment related projects. During the first half, the division proactively implemented a number of significant cost reduction measures across the business, and this emphasis on operational efficiency and commercial delivery is providing a satisfactory base for profit contribution.

### Mainland China

In line with general economic performance, the construction materials market in the Mainland was affected particularly by the declining growth rate in real estate investment, and general slowdown of infrastructure projects. The overall demand for cement and ground granulated blast-furnace slag decreased across the Mainland, applying downward pressure on selling prices. However, the cement market in Yunnan continues to be comparatively resilient. The "Western Development Plan" of Central Government underpins continued infrastructure construction, rural development and urbanisation in the province, and CMD's strategically located production facilities are advantageously positioned to benefit from these developments.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### COTAI, HENGQIN AND INTERNATIONAL DEVELOPMENT UPDATE

#### Phases 3 & 4 on Cotai

GEG has an unrivalled development pipeline in Macau. It plans to expand its Cotai footprint by a further one million square meters in the coming years with the addition of Phases 3 & 4. GEG continues to develop its masterplan and site investigation works are expected to commence in the later part of 2015/early 2016.

#### Hengqin

GEG continues to advance its conceptual plans to develop a world class destination resort on a 2.7 square kilometer land parcel on Hengqin. The low rise, low density leisure and entertainment destination resort will complement the Group's high energy properties in Macau.

#### International

GEG continues to actively explore development opportunities in overseas markets.

### SUBSEQUENT EVENTS – STRATEGIC MINORITY INVESTMENT AND ANOTHER SPECIAL DIVIDEND

#### Strategic Investment

On 25 July 2015, GEG announced a strategic minority investment in Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("SBM") listed on the Euronext Paris.

SBM is a world renowned owner and operator of iconic luxury hotels and casinos in the Principality of Monaco. SBM's hotel properties include: Hôtel de Paris Monte-Carlo, Hôtel Hermitage Monte-Carlo, Monte-Carlo Beach, Monte-Carlo Bay Hotel & Resort, Villa La Vigie and Villas du Sporting, and its casino properties comprise: Casino de Monte-Carlo, Casino Café de Paris, Sun Casino and Monte-Carlo Bay Casino.

GEG is acquiring ordinary shares equivalent to approximately 5.00% of the issued share capital of SBM from an independent third party who is unconnected with GEG or its connected persons.

#### Special Dividend

GEG has healthy cash holdings and solid cash flows from operations. The Board of Directors has decided to announce another special dividend of \$0.14 per share, payable on or about 30 October 2015.

### GROUP OUTLOOK

GEG performed credibly during the first half of the year considering continuing challenging market conditions. The successfully opening of Galaxy Macau™ Phase 2 and Broadway Macau™ has created significant additional jobs, supported the development of small and local enterprises in the region, and provided a platform for Asian and Chinese brands to showcase themselves to the world.

GEG is optimistic about the prospects for Macau and the Group in the medium to long term. Future visitation to Macau will be driven by major infrastructure works that will significantly enhance access to Macau and the ongoing transformation of the Pearl Delta River region through the development of new entertainment, leisure, cultural and business venues.

GEG will continue to effectively manage its properties through this challenging period of adjustment to a "new normal", and will be well positioned to achieve sustainable growth as a result of its differentiated proposition and unparalleled development pipeline, when conditions improve.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

We are pleased to see some indications of market stabilisation and government support including signs of flexibility with the retention of smoking lounges and improvement in transit visas. We continue to manage our costs and drive operating efficiencies while continuing to invest in staff training and development, among others. We encourage everyone in Macau to harmoniously work together during these challenging times. GEG will work alongside with the Macau Government and the Central Government to develop Macau as the “World Center of Tourism and Leisure”.

## LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 30 June 2015 increased to \$39,457 million as at 30 June 2015 as compared with \$38,369 million as at 31 December 2014 while the Group’s total assets employed increased to \$58,606 million as at 30 June 2015 as compared with \$51,839 million as at 31 December 2014.

The Group continues to maintain a strong cash position. As at 30 June 2015, total cash and bank balances were \$9,439 million as compared with \$9,040 million as at 31 December 2014. The Group’s total indebtedness was \$4,970 million as at 30 June 2015 as compared with \$988 million as at 31 December 2014. The Group was in a net cash position as at 30 June 2015 and 31 December 2014.

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 in liquidity and financial management. Cash is generally placed in short-term deposits mostly denominated in Hong Kong Dollar, Renminbi or in the local currencies of the operating subsidiaries. All of the Group’s borrowings are in Hong Kong Dollar or Renminbi. Forward foreign exchange contracts are utilised when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposure, which are considered necessary for the Group’s treasury management activities.

## CHARGES ON GROUP ASSETS

Property, plant and equipment with net book value of \$596 million (31 December 2014: \$358 million) and bank deposits of \$1,855 million (31 December 2014: \$560 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 2014: \$149 million), of which \$89 million (31 December 2014: \$89 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 \$352 million (31 December 2014: \$299 million). At 30 June 2015, facilities utilised amounted to \$296 million (31 December 2014: \$282 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group, excluding associated companies and joint ventures, employed approximately 22,000 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$3,345 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 engage and support the promotion and delivery of the Group's Mission, Vision and Core Values. Our employees receive our full support in their development as this is a differentiating factor that attracts, retains and prepares our employees for great personal and organisational success.

Their success in delivering service that stands out from the rest provides the very foundation of our achievements for both our established businesses and for the opening of Galaxy Macau™ Phase 2 and Broadway Macau™.

To support the Group's continued growth, Organisation Development and Training has built and delivered in collaboration with operating departments and business units a number of key initiatives.



## CORPORATE SOCIAL RESPONSIBILITY

As one of Asia's leading gaming and entertainment corporations, GEG is committed to being a responsible and proactive member of the Macau community, investing in the development of Macau for the benefit of all its residents and visitors to ensure its long term success. In the first half of 2015, 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.

### THE GALAXY ENTERTAINMENT GROUP FOUNDATION

Established in April 2015, the GEG Foundation (the "Foundation") advocates in giving back to the community in Macau and the Greater China Region. The Foundation engages in philanthropic activities, in particular with nurturing young people in developing their positive moral and life values, as well as enhancing their education and employment opportunities so as to enable them to contribute to the community they live in.

### RESPONSIBLE GAMING

GEG pledges to supporting Macau in developing a sustainable and socially responsible gaming industry. Working closely with the Macau SAR Government, local non-profit organisations and academic institutions to cultivate a responsible gaming culture for Macau, GEG focuses on educating and raising the awareness of our team members and continually organises different training courses and activities to engage our team members in understanding the social impact of problem gambling and the importance of responsible gaming.



GEG organised and took part in 20 different activities and promotional campaigns to strengthen team members' responsible gaming knowledge

**CORPORATE SOCIAL RESPONSIBILITY**

**SMOKE-FREE AREAS**

To advocate the new era of a smoke-free Macau and create a healthy environment for the comfort and well-being of our team members and patrons, GEG acts in accordance with the Regime of Tobacco Prevention and Control, and implements different measures to improve the indoor air quality and eliminate second hand smoke within our properties.

**ENVIRONMENTAL PROTECTION AND SUSTAINABILITY**

Reflecting on our priority to protect the environment and build a greener world for our future generations, GEG continues to promote environmental conservation by improving the environmental management of our properties and enhancing the initiatives taken to minimize the environmental impacts of our operations.

In the first half of 2015, efforts were made to improve energy and water efficiency, waste management, and indoor air quality at all GEG properties. Some examples include:

**Energy, Water & Waste**

GEG reduced energy consumption by approximately 5.4 million kWh and water consumption by 20,000 m<sup>3</sup> in the first half of the year by implementing various energy and water saving initiatives.

GEG generated approximately 3,000 kg of composite from food waste for planting and collected approximately 24 tons of glass bottles, 67 tons of cardboard and paper materials, 5 tons of plastic, 0.1 ton of metal and 400 liters of waste oil for recycling.



The new Hobart Pulper food waste handling machine installed at the team members' canteen at Galaxy Macau™ Phase 2 greatly reduces the food waste volume by 80% through compression and dehydration



The compressed and dehydrated food waste is then placed inside the decomposing machine, which produces composites for landscape planting at Galaxy Macau™

**CORPORATE SOCIAL RESPONSIBILITY**

**COMMUNITY ACTIVITIES**

GEG demonstrates our “Asian Heart” by implementing a number of community initiatives and volunteering activities. In the first half of 2015, close to 130 GEG team members took part in our volunteering program by offering assistance to over 730 underprivileged individuals and families from 19 different charitable associations.



GEG partnered with TONI&GUY in offering the elderly new haircuts before Chinese New Year



Ms. SunYoung Yi, Assistant Vice President of Database Marketing, volunteered and worked with people with disabilities at the “Me and My Galaxy” Inclusive Arts Workshop

**CHARITABLE ACTIVITIES**

Ruminating over the importance of sharing its success, GEG attends to the needs of the community by donating to organisations and people in need.



In response to the devastating earthquake that struck Nepal earlier this year, Ms. Eileen Lui, Group Director of Human Resources & Administration (second right), and Mr. Buddy Lam, Vice President of Public Relations (first right), represented GEG in presenting a MOP500,000 cheque to representatives of Macau Red Cross and organised a company-wide donation drive where the Group matched team member contributions dollar-for-dollar



Enabling the elderly and people with long-term disabilities immediate access to emergency support services, Mr. Francis Lui, Deputy Chairman of GEG (third left), represented the Group in presenting a MOP200,000 cheque to representatives of General Union of Neighborhood Association of Macau in allowing more individuals to receive free monthly subscription to the association’s “Peng On Tung” Tele-assistance Service

## CORPORATE SOCIAL RESPONSIBILITY

### SPORTS DEVELOPMENT

Invested in assisting Macau in becoming a more culturally diverse international tourism hub, GEG works closely with the Macau SAR Government and local community on enhancing the attractiveness, scale and quality of Macau's sports and community activities.



Group photo at the "2015 Special Olympics Golf Masters" at Caesars Golf Macau

### EDUCATION & CULTURE

Supporting the Macau SAR Government's policies on talent cultivation and the development of Macau's cultural, tourism and creative industries, GEG collaborates with many educational, arts and cultural associations and institutes on developing different programs aimed at assisting young people to build a more solid foundation for their future careers.



The "2015 Youth Achievement Program Launch Event and Cooperation Agreement Signing Ceremony" was officiated by Mr. Philip Cheng, Director of Galaxy Casino S.A., Mr. Francis Lui, Deputy Chairman of GEG, Ms. Leong Lai, Director of Education and Youth Affairs Bureau, Ms. Xu Ting, The Head of Department of Culture and Education, Liaison Office of the Central People's Government in the Macao SAR, Mr. Lau Wai Meng, Deputy Director of Labor Affairs Bureau, Mr. Paul Tse, Vice Council Chairman and Honorary Secretary General of MMA and Mr. Alex Mok, Vice Council Chairman and Honorary Treasurer of MMA (left to right)

## CORPORATE SOCIAL RESPONSIBILITY

### EMPLOYEE ENGAGEMENT

GEG believes that our organisation succeeds when every team member is supported to reach their full potential. Through the provision of training, development opportunities and recreational activities, GEG hopes to help team members achieve quality work-life balance.

In January 2015, GEG launched a four-month “GEG Accelerated Development Program” to assist the promotion of team members who were ready for supervisory and management roles, and of the 692 team members who were selected to take part in the program, 98% of them successfully graduated and received promotions in May 2015.



“GEG Accelerated Development Program” offers both in-class and on-the-job training to help team members master their supervisory and management skills

A group of team members completed the “GEG Accelerated Development Program” and were promoted to fill key positions in the management level

**CORPORATE SOCIAL RESPONSIBILITY**

**CONSTRUCTION MATERIALS DIVISION**

**Health, Safety & Environment**

CMD is committed to achieving high standards in health & safety and enhancing its environmental credentials across all operations. Over the period, a number of initiatives were implemented in these two areas, including installing nitrogen oxide reduction facilities at the Company’s cement plants and widely applying variable frequency devices at cement and ground granulated blastfurnace slag plants to reduce energy consumption.

**Employee Care**

A series of sports activities with the main theme of “Employee Caring through Sports and Funs” were rolled out in early 2015 and will continue throughout the year. CMD also promotes a healthy work-life balance for its staff, organising activities such as Chinese calligraphy classes, movie premieres and summer tours in the first half of 2015.

**Recognition**

CMD became eligible for the “10 Years Plus Caring Company Logo” and achieved 9 safety and environment performance awards in the first half of 2015; these awards include: “Hang Seng Pan Pearl River Delta Environmental Awards – Silver Award” and the “Outstanding Environmental Management & Performance Award – Bronze Award”.



CMD participated in the “2015 Sai Kung Dragon Boat Racing Gala”



CMD participated in the “Shanghai Commercial Pok Oi Cycle for Millions 2015”

# 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 38 to 61, which comprises the condensed consolidated balance sheet of Galaxy Entertainment Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2015 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 2015

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## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	5	<b>25,371,183</b>	38,406,510
Other income/gains, net	7(a)	<b>130,176</b>	97,501
Special gaming tax and other related taxes to the Macau Government		<b>(9,211,386)</b>	(14,277,598)
Commission and allowances to gaming counterparties		<b>(6,904,608)</b>	(12,142,786)
Raw materials and consumables used		<b>(414,897)</b>	(527,529)
Amortisation and depreciation		<b>(1,211,589)</b>	(969,582)
Employee benefit expenses		<b>(3,414,778)</b>	(2,524,014)
Other operating expenses		<b>(2,303,389)</b>	(2,008,625)
Finance costs	8	<b>(19,407)</b>	(16,610)
Share of profits less losses of:			
Joint ventures		<b>31,348</b>	77,997
Associated companies		<b>387</b>	518
Profit before taxation	7(b)	<b>2,053,040</b>	6,115,782
Taxation charge	9	<b>(34,921)</b>	(143,971)
Profit for the period		<b>2,018,119</b>	5,971,811
Attributable to:			
Equity holders of the Company		<b>2,030,379</b>	5,970,520
Non-controlling interests		<b>(12,260)</b>	1,291
		<b>2,018,119</b>	5,971,811
Earnings per share	11	<b>HK cents</b>	HK cents
Basic		<b>47.7</b>	141.0
Diluted		<b>47.2</b>	139.4

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 2015

	2015 HK\$'000	2014 HK\$'000
Profit for the period	<b>2,018,119</b>	5,971,811
Other comprehensive (loss)/income		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	<b>(64,752)</b>	(10)
Currency translation differences	<b>263</b>	(30,095)
Other comprehensive loss for the period, net of tax	<b>(64,489)</b>	(30,105)
Total comprehensive income for the period	<b>1,953,630</b>	5,941,706
Total comprehensive income attributable to:		
Equity holders of the Company	<b>1,965,764</b>	5,945,057
Non-controlling interests	<b>(12,134)</b>	(3,351)
	<b>1,953,630</b>	5,941,706

# CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2015

	Note	30 June 2015 HK\$'000	31 December 2014 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	36,969,590	30,421,771
Investment properties		35,000	35,000
Leasehold land and land use rights		5,167,490	5,204,858
Intangible assets		1,420,366	1,516,326
Joint ventures		1,468,890	1,450,610
Associated companies		1,247	861
Other non-current assets		429,217	382,481
		<b>45,491,800</b>	39,011,907
<b>Current assets</b>			
Inventories		154,159	143,461
Debtors and prepayments	13	2,236,464	1,981,960
Amounts due from joint ventures		368,573	325,814
Taxation recoverable		11,445	13,945
Other investments		9,960	6,429
Other cash equivalents		894,020	1,314,993
Cash and bank balances		9,439,328	9,040,327
		<b>13,113,949</b>	12,826,929
<b>Total assets</b>		<b>58,605,749</b>	51,838,836

**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**

As at 30 June 2015

	Note	30 June 2015 HK\$'000	31 December 2014 HK\$'000
<b>EQUITY</b>			
Share capital	14	19,893,404	19,774,917
Reserves		19,564,079	18,594,220
Equity attributable to owners of the Company		39,457,483	38,369,137
Non-controlling interests		602,498	619,945
<b>Total equity</b>		<b>40,059,981</b>	38,989,082
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	746,336	576,430
Deferred taxation liabilities		247,381	249,113
Provisions		–	26,029
Retention payable		189,460	195,090
Other non-current deposit		317,830	219,761
		1,501,007	1,266,423
<b>Current liabilities</b>			
Creditors and accruals	16	12,758,787	11,112,104
Amounts due to joint ventures		13,449	24,969
Current portion of borrowings and short-term bank loans	15	4,223,599	411,574
Provision for tax		48,926	34,684
		17,044,761	11,583,331
<b>Total liabilities</b>		<b>18,545,768</b>	12,849,754
<b>Total equity and liabilities</b>		<b>58,605,749</b>	51,838,836
<b>Net current (liabilities)/assets</b>		<b>(3,930,812)</b>	1,243,598
<b>Total assets less current liabilities</b>		<b>41,560,988</b>	40,255,505

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2015

	2015 HK\$'000	2014 HK\$'000
Net cash from operating activities	<b>2,398,732</b>	7,475,214
Net cash used in investing activities	<b>(5,096,998)</b>	(4,246,394)
Net cash from financing activities	<b>2,844,736</b>	108,906
Net increase in cash and cash equivalents	<b>146,470</b>	3,337,726
Cash and cash equivalents at beginning of period	<b>8,330,951</b>	9,028,320
Changes in exchange rates	<b>462</b>	(1,352)
Cash and cash equivalents at end of period	<b>8,477,883</b>	12,364,694
Analysis of cash and cash equivalents		
Cash and bank balances	<b>9,439,328</b>	14,427,001
Less: short-term bank deposits with maturity over three months and short-term pledged deposits	<b>(1,855,465)</b>	(3,132,691)
Other cash equivalents	<b>894,020</b>	1,070,384
Cash and cash equivalents	<b>8,477,883</b>	12,364,694

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2015

	Share capital HK\$'000	Reserves HK\$'000	Equity attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2015	19,774,917	18,594,220	38,369,137	619,945	38,989,082
Comprehensive income					
Profit for the period	-	2,030,379	2,030,379	(12,260)	2,018,119
Other comprehensive loss					
Change in fair value of available-for-sale financial assets	-	(64,752)	(64,752)	-	(64,752)
Currency translation differences	-	137	137	126	263
Total other comprehensive loss, net of tax	-	(64,615)	(64,615)	126	(64,489)
Total comprehensive income for the period	-	1,965,764	1,965,764	(12,134)	1,953,630
Transactions with equity holders					
Dividend paid to non-controlling interests	-	-	-	(5,313)	(5,313)
Issue of shares upon exercise of share options	118,487	(34,934)	83,553	-	83,553
Fair value of share options granted	-	106,165	106,165	-	106,165
Fair value of share award granted	-	124,331	124,331	-	124,331
Special dividends (note 10)	-	(1,191,467)	(1,191,467)	-	(1,191,467)
<b>At 30 June 2015</b>	<b>19,893,404</b>	<b>19,564,079</b>	<b>39,457,483</b>	<b>602,498</b>	<b>40,059,981</b>
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 available-for-sale financial assets	-	(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	-	(2,969,566)	(2,969,566)	-	(2,969,566)
At 30 June 2014	19,725,638	16,022,124	35,747,762	606,540	36,354,302

# 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.

During the period, Galaxy Macau™ Phase 2 and Broadway Macau™ have successfully opened on 27 May 2015.

The interim financial information has been approved for issue by the Board of Directors on 19 August 2015.

## 2. Basis of Preparation and Accounting Policies

The interim financial information for the six months ended 30 June 2015 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

At 30 June 2015, the Group’s current liabilities exceeded its current assets by HK\$3,931 million. Taking into account the committed unutilised banking facilities of HK\$6.4 billion as at 30 June 2015 and cash flows from operations, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments (principally relating to the development of Galaxy Macau™ resort at Cotai) as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the interim financial information.

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 2014, except as described below:

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

In 2015, the Group adopted the following new/amended standards which are relevant to its operations.

HKAS 19 (Amendment)	Defined Benefit Plans
Annual Improvements to HKFRSs 2010–2012 Cycle	
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	
HKAS 40 (Amendment)	Investment Property
HKFRS 3 (Amendment)	Business Combinations
HKFRS 13 (Amendment)	Fair Value Measurement

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 and amendments to existing standards that are not yet effective

New standards and amendments	Effective for accounting periods beginning on or after	
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 27 (Amendment)	Equity Method In Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 10, 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
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 2012–2014 Cycle		1 January 2016
HKFRS 5 (Amendment)	Non-current Assets Held For Sale and Discontinued Operations	
HKFRS 7 (Amendment)	Financial Instruments: Disclosures	
HKAS 19 (Amendment)	Employee Benefits	
HKAS 34 (Amendment)	Interim Financial Reporting	

The Group has not early adopted the above standards and amendments and is in the process of assessing the impact of these new standards and amendments on the Group's accounting policies and financial statements.

## 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 2014.

## 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 2014. There have been no changes in the financial risk management objectives and policies of the Group since 2014 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 2015 and 31 December 2014.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 30 June 2015</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Equity securities	9,960	–	–	9,960
Available-for-sale financial assets				
– Equity securities	63	–	39,701	39,764
<b>Total</b>	<b>10,023</b>	<b>–</b>	<b>39,701</b>	<b>49,724</b>
<b>At 31 December 2014</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Equity securities	6,429	–	–	6,429
Available-for-sale financial assets				
– Equity securities	37	–	106,407	106,444
<b>Total</b>	<b>6,466</b>	<b>–</b>	<b>106,407</b>	<b>112,873</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.

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 2015 and 30 June 2014.

	Available-for-sale financial assets	
	2015 HK\$'000	2014 HK\$'000
At beginning of the period	106,407	194,595
Losses recognised in other comprehensive income	(64,778)	(10)
Return of capital	(1,928)	–
At end of the period	39,701	194,585
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.

	2015 HK\$'000	2014 HK\$'000
Gaming operations		
Net gaming wins	<b>23,364,980</b>	36,365,205
Contributions from City Club Casinos (note)	<b>51,533</b>	87,185
Tips received	<b>4,290</b>	6,009
Hotel operations	<b>1,030,396</b>	924,564
Administrative fees from gaming operations	<b>11,042</b>	4,944
Sales of construction materials	<b>908,942</b>	1,018,603
	<b>25,371,183</b>	38,406,510

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 2015, the Group is entitled to HK\$51,533,000 (2014: HK\$87,185,000), 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 disposal 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, share award expenses, donation expenses, and unrealised losses/gain 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 2015</b>				
Reportable segment revenue	25,522,766	908,942	–	26,431,708
Adjusted for:				
City Club Casinos arrangement set out in note 5				
Revenue not recognised	(1,123,100)	–	–	(1,123,100)
Contributions	51,533	–	–	51,533
Others	11,042	–	–	11,042
Revenue recognised under HKFRS	24,462,241	908,942	–	25,371,183
Adjusted EBITDA	4,092,438	144,140	(77,670)	4,158,908
Interest income and gross earnings on finance lease				74,518
Amortisation and depreciation				(1,211,589)
Finance costs				(19,407)
Taxation charge				(34,921)
Taxation of joint ventures				(8,164)
Adjusted items:				
Pre-opening expenses of Galaxy Macau™				
Phase 2 at Cotai				(542,169)
Pre-opening expenses of Broadway Macau™ at Cotai				(148,514)
Other pre-opening expenses				(20,191)
Unrealised gain on listed investments				3,531
Share option expenses				(106,165)
Share award expenses				(108,883)
Donation and sponsorship				(6,337)
Write off/loss on disposal of certain property, plant and equipment				(8,739)
Others				(3,759)
Profit for the period				2,018,119

## 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)
Pre-opening expenses of Broadway Macau™ at Cotai				(14,450)
Other pre-opening expenses				(3,681)
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 disposal 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>As at 30 June 2015</b>				
Total assets	50,797,387	5,537,089	2,271,273	58,605,749
Total assets include:				
Joint ventures	90,786	1,378,104	–	1,468,890
Associated companies	–	1,247	–	1,247
Total liabilities	13,019,373	1,523,761	4,002,634	18,545,768
<b>As at 31 December 2014</b>				
Total assets	42,444,282	5,613,151	3,781,403	51,838,836
Total assets include:				
Joint ventures	75,914	1,374,696	–	1,450,610
Associated companies	–	861	–	861
Total liabilities	11,304,762	1,444,455	100,537	12,849,754
<b>Six months ended 30 June 2015</b>				
Additions to non-current assets	7,421,525	282,777	–	7,704,302
<b>Six months ended 30 June 2014</b>				
Additions to non-current assets	3,800,121	176,335	–	3,976,456

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 6. Segment Information (Continued)

## Geographical analysis

Six months ended 30 June	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>		
Macau	24,627,041	37,556,203
Hong Kong	677,309	678,608
Mainland China	66,833	171,699
	<b>25,371,183</b>	38,406,510
Non-current assets, other than financial instruments	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
Macau	42,285,523	36,041,240
Hong Kong	561,646	545,122
Mainland China	2,644,631	2,425,545
	<b>45,491,800</b>	39,011,907

## NOTES TO THE INTERIM FINANCIAL INFORMATION

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

	2015 HK\$'000	2014 HK\$'000
<b>(a) Other income/gains, net</b>		
Rental income from investment properties	1,620	3,090
Interest income		
Bank deposits	70,471	79,036
Loans to joint ventures	3,066	5,473
Deferred receivables	647	728
Dividend income from unlisted investments	3,250	18,000
Gross earnings on finance lease	334	135
Gain on disposal of subsidiaries	–	41,237
Unrealised gain/(loss) on listed investments	3,531	(1,901)
Write off/loss on disposal of property, plant and equipment	(10,750)	(52,871)
Foreign exchange gain/(loss)	41,442	(23,467)
Others	16,565	28,041
	<b>130,176</b>	97,501
<b>(b) Profit before taxation is stated after charging</b>		
Depreciation	1,056,788	812,403
Amortisation		
Gaming licence	52,732	52,732
Computer software	15,636	25,028
Quarry site improvements	4,040	3,860
Overburden removal costs	1,003	1,002
Quarry site development	49	49
Leasehold land and land use rights	37,378	35,173
Reacquired right	43,963	39,335



## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 8. Finance Costs

	2015 HK\$'000	2014 HK\$'000
Interest expenses		
Bank loans and overdrafts wholly repayable within five years	31,484	11,407
Obligations under finance leases	5,236	4,859
Other borrowing costs	941	1,199
	37,661	17,465
Amount capitalised in assets under construction	(18,254)	(855)
	19,407	16,610

## 9. Taxation Charge

	2015 HK\$'000	2014 HK\$'000
Current taxation		
Hong Kong profits tax	14,904	10,212
Mainland China income tax and withholding tax	1,649	3,040
Macau complementary tax	2,348	2,504
Lump sum in lieu of Macau complementary tax on dividend	17,767	125,087
Deferred taxation	(1,747)	3,128
Taxation charge	34,921	143,971

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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% (2014: 12% to 25%). The weighted average applicable tax rate was 12% (2014: 12%).

During the period ended 30 June 2015, Galaxy Casino, S.A. ("GCSA"), the Company's principal subsidiary, entered into a Shareholder Dividend Tax Agreement with the Macau Government. The agreement provided for an annual payment in lieu of Macau Complementary Tax otherwise due by the GCSA's shareholders on dividend distributions to them from gaming profits, effective through the end of 2018 to correspond to the Macau Complementary Tax exemption on its gaming activities.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 10. Dividends

On 19 March 2015, the Board of Directors declared a special dividend of HK\$0.28 per share, payable to shareholders of the Company whose names appear on the register of the members of the Company on 30 April 2015. The total amount of the special dividend distributed was HK\$1,191 million and was paid on 22 May 2015.

The Board of Directors does not declare any interim dividend for the period ended 30 June 2015 (2014: nil).

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 two (2014: one) categories of dilutive potential ordinary shares: share options and share award. 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 and share award, the dilutive effect of the share award scheme is assumed if the award shares are issued by new shares, which is yet to be determined.

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

	2015 HK\$'000	2014 HK\$'000
Profit attributable to equity holders of the Company	2,030,379	5,970,520
	Number of shares	
	2015	2014
Weighted average number of shares for calculating basic earnings per share	4,252,728,713	4,233,418,547
Effect of dilutive potential ordinary shares		
Share options	30,651,769	48,953,872
Share award	20,310,121	–
Weighted average number of shares for calculating diluted earnings per share	4,303,690,603	4,282,372,419

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

For the six months ended 30 June 2015, the Group incurred HK\$7,688 million (2014: HK\$3,969 million) on property, plant and equipment and HK\$16 million on intangible assets (2014: HK\$7 million).

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 13. Debtors and Prepayments

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Trade debtors, net of provision	<b>383,826</b>	441,830
Other debtors and deposit paid, net of provision	<b>1,665,383</b>	1,438,876
Prepayments	<b>153,619</b>	83,977
Amounts due from associated companies	<b>13,394</b>	9,625
Current portion of finance lease receivable	<b>20,242</b>	7,652
	<b>2,236,464</b>	1,981,960

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 (2014: 30 to 60 days) for customers in Hong Kong and Macau and 120 to 210 days (2014: 120 to 210 days) for customers in Mainland China. These are subject to periodic reviews by management.

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

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Within one month	<b>219,883</b>	215,931
Two to three months	<b>136,263</b>	168,824
Four to six months	<b>9,712</b>	24,542
Over six months	<b>17,968</b>	32,533
	<b>383,826</b>	441,830

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 14. Share Capital

	Number of shares	HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2014	4,219,706,530	421,971
Issue of shares upon exercise of share options	22,607,983	164,841
Transition to no-par value regime on 3 March 2014 (note a)	–	19,138,826
At 30 June 2014	4,242,314,513	19,725,638
Issue of shares upon exercise of share options	2,575,176	49,279
At 31 December 2014 and 1 January 2015	4,244,889,689	19,774,917
Issue of shares upon exercise of share options (note b)	11,549,003	118,487
<b>At 30 June 2015</b>	<b>4,256,438,692</b>	<b>19,893,404</b>

## Notes:

(a) The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3 March 2014. In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622) in 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. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Hong Kong Companies Ordinance (Cap. 622).

(b) 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, 15,514,000 new options (2014: 7,193,000) were granted and 11,549,003 options (2014: 22,607,983) were exercised and 911,008 options (2014: 13,377,696) have lapsed. The number of share options outstanding at 30 June 2015 was 63,928,222 (2014: 62,684,011).

(c) The Group operates a share award scheme (adopted on 4 August 2014) under which the Group has absolute discretion to select any qualifying grantee for participation in the scheme and determine the terms and conditions of the awards and the number of shares to be awarded.

During the period, 3,117,500 share awards were granted and 1,301,880 share awards have lapsed. The number of share awards outstanding as at 30 June 2015 was 21,610,380, all of which are unvested.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 15. Borrowings

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Bank loans		
Secured (note a)	<b>2,091,882</b>	787,129
Unsecured	<b>2,677,000</b>	4,561
	<b>4,768,882</b>	791,690
Obligations under finance leases (note b)	<b>201,053</b>	196,314
Total borrowings	<b>4,969,935</b>	988,004
Current portion included in current liabilities	<b>(500,000)</b>	(164)
Short-term bank loans	<b>(3,723,599)</b>	(411,410)
	<b>(4,223,599)</b>	(411,574)
	<b>746,336</b>	576,430

Notes:

- (a) The bank loans of HK\$2,092 million (2014: HK\$787 million) are secured by:
- (i) property, plant and equipment with net book value of HK\$596 million (2014: HK\$358 million); and
  - (ii) bank deposits of HK\$1,855 million (2014: HK\$560 million).
- (b) Obligations under finance leases mainly represent land renewal considerations to the Macau government for land in Cotai or Macau under the concession contract.

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

	Group			
	Carrying amount		Fair value	
	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Bank loans	<b>4,768,882</b>	791,690	<b>4,768,882</b>	791,690
Obligations under finance leases	<b>201,053</b>	196,314	<b>442,163</b>	439,889
	<b>4,969,935</b>	988,004	<b>5,211,045</b>	1,231,579

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. All borrowings are within level 2 of the fair value hierarchy.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

## 16. Creditors and Accruals

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Trade creditors	<b>1,642,933</b>	1,616,457
Other creditors (note a)	<b>6,032,973</b>	4,674,558
Chips issued	<b>2,205,025</b>	2,617,506
Loans from non-controlling interests	<b>24,791</b>	43,586
Accruals and provision	<b>2,830,374</b>	2,145,486
Deposits received	<b>21,510</b>	13,540
Dividend payable	<b>1,181</b>	971
	<b>12,758,787</b>	11,112,104

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

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Within one month	<b>1,303,887</b>	1,363,379
Two to three months	<b>57,382</b>	62,847
Four to six months	<b>57,454</b>	45,112
Over six months	<b>224,210</b>	145,119
	<b>1,642,933</b>	1,616,457

Note:

(a) Other creditors mainly represented gaming tax payable to the Macau Government and construction payable to contractors.

## 17. Capital Commitments

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Contracted but not provided for	<b>1,190,413</b>	7,275,826
Authorised but not contracted for	<b>5,511,770</b>	7,128,484

## 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\$3,066,000 (2014: HK\$5,473,000) are charged at prevailing market rate.
- (b) Management fee received from joint ventures and an associated company amounted to HK\$2,738,000 (2014: HK\$2,962,000) are charged at terms agreed among the parties.
- (c) Rental expenses of HK\$663,000 (2014: HK\$661,000) 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\$264,000 (2014: HK\$7,766,000) at terms agreed among the parties.
- (e) Purchases from and processing fee paid to joint ventures and its partner and an associated company amounted to HK\$65,923,000 (2014: HK\$116,617,000) 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\$70,000,000 for the six months ended 30 June 2015 (2014: HK\$73,000,000).

### 19. Post Balance Sheet Events

- (a) On 25 July 2015, GEG announced a strategic minority investment in Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("SBM") listed on the Euronext Paris. SBM is a world renowned owner and operator of iconic luxury hotels and casinos in the Principality of Monaco. GEG is acquiring ordinary shares equivalent to approximately 5.00% of the issued share capital of SBM from an independent third party who is unconnected with GEG or its connected persons.
- (b) Arrangements have been made for Galaxy Casino S.A., the Company's principal subsidiary, to declare and pay a dividend of approximately HK\$583 million, most of 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\$719 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\$0.14 per share ("Special Dividend") (2014: HK\$0.45 per share) for the year ending 31 December 2015, subject to and conditional upon the Subsidiary Dividend receivable by the Company being declared (which is expected to occur on or about 31 August 2015), payable to shareholders of the Company whose names appear on the register of members of the Company on 30 September 2015. This Special Dividend is expected to be paid on or about 30 October 2015.

## OTHER INFORMATION

### Special Dividends

A special dividend of HK\$0.28 per share totalling HK\$1,191 million was paid to the shareholders of the Company on 22 May 2015.

On 19 August 2015, the Board of Directors has resolved to declare another special dividend of HK\$0.14 per share (2014: HK\$0.45 per share) for the year ending 31 December 2015, totalling approximately HK\$601 million payable to shareholders whose names appear on the register of members of the Company on 30 September 2015. This special dividend is expected to be paid on or about 30 October 2015.

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

Book close dates for Special Dividend	:	25 September 2015 (Friday) to 30 September 2015 (Wednesday) (both days inclusive)
Record date for Special Dividend	:	30 September 2015 (Wednesday)
Ex-dividend date	:	23 September 2015 (Wednesday)
Expected payment date	:	30 October 2015 (Friday)
Latest time to lodge transfer documents with the Company's share registrar to entitle Special Dividend	:	4:30 p.m. on 24 September 2015 (Thursday)
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 2015, 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:



## OTHER INFORMATION

## (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	30,436,632	2,181,518	23,121,401 <sup>(1)</sup>	1,697,536,231 <sup>(2)</sup>	1,753,275,782	41.19
Francis Lui Yiu Tung	41,992,896	–	396,150,099 <sup>(3)</sup>	1,697,536,231 <sup>(2)</sup>	2,135,679,226	50.17
Joseph Chee Ying Keung	2,400,000	–	–	–	2,400,000	0.05
Paddy Tang Lui Wai Yu	13,705,722	–	–	1,697,536,231 <sup>(2)</sup>	1,711,241,953	40.20
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 <sup>(5)</sup>	–	–	–	–	–	–
Patrick Wong Lung Tak	–	–	–	–	–	–

## Notes:

- (1) 305,401 shares and 22,816,000 shares of the Company were held by Po Kay Securities & Shares Company Limited and a charitable 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.
- (5) Mr. Anthony Thomas Christopher Carter resigned as a Non-executive Director of the Company on 19 August 2015.

## (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 2015, 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).

## OTHER INFORMATION

### Substantial Shareholders' Interests

At 30 June 2015, 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	30.86
CWL Assets (PTC) Limited	1,697,536,231	39.88
HSBC International Trustee Limited	1,697,986,491 <sup>(1)</sup>	39.89
Super Focus Company Limited	269,200,154	6.32

Note:

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

There was duplication of interests of:

- (i) 1,697,536,231 shares of the Company between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, CWL Assets (PTC) Limited and HSBC International Trustee Limited;
- (ii) 1,313,887,206 shares of the Company between City Lion Profits Corp. and CWL Assets (PTC) Limited; and
- (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 2015, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of the SFO.



## OTHER INFORMATION

Name	Date of grant	Number of options				Held at 30 June 2015	Exercise price (HK\$)	Exercise period
		Held at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period			
Employees <sup>(a)</sup> (in aggregate)	8 May 2009	2,500,000	–	2,500,000 <sup>(c)</sup>	–	–	2.16	8 May 2010 – 7 May 2015
	21 Oct 2009	65,000	–	–	–	65,000	3.60	21 Oct 2010 – 20 Oct 2015
	23 Jul 2010	8,493,669	–	1,935,000 <sup>(c)(e)</sup>	–	6,558,669	4.67	23 Jul 2011 – 22 Jul 2016
	20 Apr 2011	716,668	–	72,000 <sup>(c)</sup>	–	644,668	13.82	20 Apr 2012 – 19 Apr 2017
	9 Jan 2012	5,285,357	–	1,298,342 <sup>(c)</sup>	–	3,987,015	14.22	9 Jan 2013 – 8 Jan 2018
	16 Mar 2012	4,033,000	–	–	–	4,033,000	20.10	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	9,287,864	–	554,659 <sup>(c)</sup>	47,006	8,686,199	32.50	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	1,357,668	–	37,000 <sup>(c)</sup>	78,000	1,242,668	37.45	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	4,872,000	–	–	94,000	4,778,000	77.75	15 Jan 2015 – 14 Jan 2020
	16 Jul 2014	1,412,000	–	–	70,000	1,342,000	62.75	16 Jul 2015 – 15 Jul 2020
16 Jan 2015	–	11,252,000 <sup>(e)</sup>	–	394,000	10,858,000	39.86	16 Jan 2016 – 15 Jan 2021	
Others (in aggregate)	9 Jan 2012	440,004	–	440,004 <sup>(d)</sup>	–	–	14.22	9 Jan 2013 – 8 Jan 2018
	17 Jan 2013	399,335	–	181,332 <sup>(d)</sup>	90,668	127,335	32.50	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	266,668	–	26,666 <sup>(d)</sup>	53,334	186,668	37.45	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	273,000	–	–	84,000	189,000	77.75	15 Jan 2015 – 14 Jan 2020
	16 Jan 2015	–	125,000	–	–	125,000	39.86	16 Jan 2016 – 15 Jan 2021

## Notes:

- (a) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$40.70.
- (b) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$35.95.
- (c) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$39.59.
- (d) The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$39.89.
- (e) Include associate of director, Ms. Lui Wai Ling who held 2,000,000 (of which 1,000,000 options were exercised during the period and the weighted average closing price before the date of exercise was HK\$35.95), 1,000,000, 400,000, 80,000, 126,000 and 337,000 options granted on 23 July 2010, 9 January 2012, 17 January 2013, 5 July 2013, 15 January 2014 and 16 January 2015 respectively at an exercise price and exercise period shown above. The remaining options represent balance held at 30 June 2015.
- (f) Mr. Anthony Thomas Christopher Carter resigned as a Non-executive Director of the Company on 19 August 2015.

The vesting period for all options is 1/3 vesting on each of the first, second and third anniversary of the date of grant except that the vesting period for options granted on 21 October 2009 and the balance of 709,000 options granted on 20 April 2011 is 100% vesting on the first 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.

## OTHER INFORMATION

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 options were 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 16 January 2015 – 15,120,000 options outstanding as at 30 June 2015	13.75	38.35	39.86	55%	3.5 to 4.5 years	2%	0.753% to 0.848%

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 16 January 2015 was HK\$40.15.

## Share Award Scheme

The particulars of the movements in the share awards held by the employees of the Company in aggregate and associates of Directors granted under the Share Award Scheme adopted by the Board of Directors of the Company on 4 August 2014 (the "Share Award Scheme") during the six months ended 30 June 2015 were as follows:

Name	Date of grant	Number of Awards					Held at 30 June 2015	Vesting Date	Closing price at date of grant (HK\$)
		Held at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period				
Employees (in aggregate)	28 Oct 2014	19,792,040	–	–	1,011,130	18,780,910	31 Dec 2017	47.70	
	16 Jan 2015	–	1,623,380	–	198,590	1,424,790	31 Dec 2017	38.35	
	7 May 2015	–	1,491,640	–	92,160	1,399,480	31 Dec 2017	37.10	
Associates of Directors	28 Oct 2014	2,720	–	–	–	2,720	31 Dec 2017	47.70	
	7 May 2015	–	2,480	–	–	2,480	31 Dec 2017	37.10	

Save as disclosed above, no share awards were granted to Directors of the Company or their respective associates under the Share Award Scheme during the period ended 30 June 2015.

## OTHER INFORMATION

### 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 2015.

### Review of Interim Results

The Group's interim results for the six months ended 30 June 2015 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.

### 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 2015.

### Corporate Governance

Throughout the six months ended 30 June 2015, 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.

### Change in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, change in Directors' information since the publication of Annual Report 2014 is set out below:

- Professor Patrick Wong Lung Tak resigned as an independent non-executive director of Excel Development (Holdings) Limited with effect from 10 August 2015.

By Order of the Board

**Galaxy Entertainment Group Limited**

**Jenifer Sin Li Mei Wah**

*Company Secretary*

Hong Kong, 19 August 2015





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