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GALAXY ENTERTAINMENT GROUP LIMITED

銀河娛樂集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 27)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

INTERIM RESULTS

The Board of Directors of Galaxy Entertainment Group Limited (“GEG”) is pleased to announce the unaudited results of GEG and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2014 as follows:

HIGHLIGHTS

GEG: Record Half Year Revenue, Adjusted EBITDA and NPAS

- Half year revenue increased 25% year-on-year to HK\$38.4 billion
- Half year Adjusted EBITDA of HK\$7.3 billion, up 26% year-on-year
- Net profit attributable to shareholders grew 29% year-on-year to HK\$6 billion
- Second quarter Adjusted EBITDA of HK\$3.5 billion, a year-on-year increase of 15%

Galaxy Macau™: Celebrates its Third Year Anniversary with Another Strong Performance

- Half year revenue grew 38% to HK\$25 billion, and Adjusted EBITDA surged 35% to HK\$5.4 billion
- Second quarter Adjusted EBITDA of HK\$2.65 billion, grew 27% year-on-year

StarWorld Macau: Solid Half Year Performance Despite Bad Luck

- Half year revenue grew 7% year-on-year to HK\$12.3 billion, and Adjusted EBITDA up 9% to HK\$1.9 billion
- Second quarter Adjusted EBITDA of HK\$822 million down 7% year-on-year due primarily to the worst VIP luck quarter in history

Development Update: Advancing with Clearly Defined Pipeline

- Galaxy Macau™ Phase 2 – Remains on budget and on schedule to complete by mid-2015
- Cotai Phases 3 & 4 – Site investigation works for the HK\$50-60 billion resort due to commence later this year
- Grand Waldo Complex – Plan to unveil plans in Q4 2014 and re-launching in early 2015
- Hengqin Island – Continue to develop conceptual plans for a RMB10 billion resort on the 2.7 sq km land parcel
- International – Continuously exploring opportunities in overseas markets primarily in Asia

Balance Sheet: Remains Well Capitalised and Liquid

- Cash on hand at 30 June 2014 of HK\$14.4 billion, up from HK\$10.3 billion at 31 December 2013
- Gearing ratio remains at zero as at 30 June 2014 with virtually no debt

Subsequent Events: Announced Enhanced Employee Benefits Package, GEG Charitable Foundation and Another Special Dividend

- Announced enhanced employee benefits package for all 16,000 Macau general employees in August 2014
- Celebrates 10th Anniversary in Macau by announcing the establishment of the HK\$1.3 billion GEG Charitable Foundation on 4 July 2014
- Special dividend of HK\$0.70 per share paid to shareholders on 31 July 2014
- Another special dividend of HK\$0.45 per share to be paid on or about 31 October 2014

CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)
For The Six Months Ended 30 June 2014

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

Details of dividends to shareholders of the Company are set out in Note 6.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For The Six Months Ended 30 June 2014

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

CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)
As at 30 June 2014

	Note	30 June 2014 HK\$'000	31 December 2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		26,066,930	23,226,216
Investment properties		88,500	88,500
Leasehold land and land use rights		5,071,771	5,106,987
Intangible assets		1,605,472	1,715,360
Joint ventures		1,480,397	1,373,021
Associated companies		1,379	861
Other non-current assets		506,487	515,823
		<u>34,820,936</u>	<u>32,026,768</u>
Current assets			
Inventories		141,316	133,596
Debtors and prepayments	8	1,735,902	1,975,443
Amounts due from joint ventures		323,210	350,500
Taxation recoverable		9,186	10,534
Other investments		6,248	8,149
Other cash equivalents		1,070,384	1,391,640
Cash and bank balances		14,427,001	10,360,208
		<u>17,713,247</u>	<u>14,230,070</u>
Total assets		<u>52,534,183</u>	<u>46,256,838</u>
EQUITY			
Share capital		19,725,638	421,971
Reserves		16,022,124	32,019,490
Shareholders' funds		35,747,762	32,441,461
Non-controlling interests		606,540	612,827
Total equity		<u>36,354,302</u>	<u>33,054,288</u>
LIABILITIES			
Non-current liabilities			
Borrowings		191,480	236,973
Deferred taxation liabilities		248,293	245,165
Provisions		41,141	40,982
Retention payable		267,838	155,007
Other non-current payable		-	650,000
		<u>748,752</u>	<u>1,328,127</u>
Current liabilities			
Creditors and accruals	9	11,914,222	11,412,055
Amounts due to joint ventures		41,208	36,769
Current portion of borrowings and short-term bank loans		349,811	406,004
Dividend payable	6	2,969,566	-
Provision for tax		156,322	19,595
		<u>15,431,129</u>	<u>11,874,423</u>
Total liabilities		<u>16,179,881</u>	<u>13,202,550</u>
Total equity and liabilities		<u>52,534,183</u>	<u>46,256,838</u>
Net current assets		<u>2,282,118</u>	<u>2,355,647</u>
Total assets less current liabilities		<u>37,103,054</u>	<u>34,382,415</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

The interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) under the historical cost convention, as modified by the revaluation of investment properties, non-current investments, financial assets and financial liabilities (including derivative financial instruments), which are carried at fair values. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies used in the preparation of the interim financial information are consistent with those used and as described in the annual financial statements for the year ended 31 December 2013, except as described below:

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

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

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

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

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

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

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

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

2. Revenue

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

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

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

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

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

During the period ended 30 June 2014, the Group is entitled to HK\$87,185,000 (2013: HK\$87,594,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the interim financial information.

3. Segment information

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

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

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

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

3. Segment information (Cont'd)

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

3. Segment information (Cont'd)

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

3. Segment information (Cont'd)

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Corporate and treasury management <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2014				
Total assets	<u>43,486,426</u>	<u>5,004,614</u>	<u>4,043,143</u>	<u>52,534,183</u>
Total assets include:				
Joint ventures	83,291	1,397,106	-	1,480,397
Associated companies	<u>-</u>	<u>1,379</u>	<u>-</u>	<u>1,379</u>
Total liabilities	<u>12,064,130</u>	<u>1,085,469</u>	<u>3,030,282</u>	<u>16,179,881</u>
As at 31 December 2013				
Total assets	<u>38,212,082</u>	<u>4,979,395</u>	<u>3,065,361</u>	<u>46,256,838</u>
Total assets include:				
Joint ventures	51,722	1,321,299	-	1,373,021
Associated companies	<u>-</u>	<u>861</u>	<u>-</u>	<u>861</u>
Total liabilities	<u>11,871,368</u>	<u>1,250,582</u>	<u>80,600</u>	<u>13,202,550</u>
Six months ended 30 June 2014				
Additions to non-current assets	<u>3,800,121</u>	<u>176,335</u>	<u>-</u>	<u>3,976,456</u>
Six months ended 30 June 2013				
Additions to non-current assets	<u>1,526,824</u>	<u>48,139</u>	<u>974</u>	<u>1,575,937</u>
Geographical analysis				
		2014		
Six months ended 30 June		<i>HK\$'000</i>	2013	
		<i>HK\$'000</i>		
Revenue				
Macau		37,556,203		30,072,144
Hong Kong		678,608		564,506
Mainland China		<u>171,699</u>		<u>176,271</u>
		<u>38,406,510</u>		<u>30,812,921</u>
		As at 30 June	As at 31 December	
Non-current assets, other than		2014	2013	
financial instruments		<i>HK\$'000</i>	<i>HK\$'000</i>	
Macau		31,926,515		29,333,957
Hong Kong		583,424		515,620
Mainland China		<u>2,310,997</u>		<u>2,177,191</u>
		<u>34,820,936</u>		<u>32,026,768</u>

4. Profit before taxation

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit before taxation is arrived at after crediting:		
Rental income from investment properties	3,090	2,850
Interest income	85,237	116,468
Dividend income from unlisted investments	<u>18,000</u>	<u>22,380</u>
and after charging:		
Unrealised loss on listed investments	1,901	1,811
Write off/loss on disposal of property, plant and equipment	52,871	14,471
Depreciation	812,403	820,792
Amortisation		
Gaming licence	52,732	52,732
Computer software	25,028	26,137
Quarry site improvements	3,860	7,756
Overburden removal costs	1,002	4,010
Quarry site development	49	191
Leasehold land and land use rights	35,173	26,494
Reacquired right	<u>39,335</u>	<u>-</u>

5. Taxation charge

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

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

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

6. Dividends

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

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

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

7. Earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one (2013: one) category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

	2014	2013
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	5,970,520	4,645,939
	Number of shares	
	2014	2013
Weighted average number of shares for calculating basic earnings per share	4,233,418,547	4,206,829,880
Effect of dilutive potential ordinary shares		
Share options	48,953,872	65,839,185
Weighted average number of shares for calculating diluted earnings per share	4,282,372,419	4,272,669,065

8. Debtors and prepayments

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

Trade debtors mainly arise from the sales of construction materials. The Group has established credit policies which follow local industry standards. The Group normally allows an approved credit period ranging from 30 to 60 days (2013: 30 to 60 days) for customers in Hong Kong and Macau and 120 to 210 days (2013: 120 to 210 days) for customers in Mainland China. These are subject to periodic reviews by management.

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

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

9. Creditors and accruals

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

9. Creditors and accruals (Cont'd)

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

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

Galaxy Macau™ was again the stand-out performer for the Group, registering Adjusted EBITDA for the first half of the year of \$5.4 billion, an increase of 35% year-on-year. Revenue was \$25 billion, up 38% on the same period. This strong growth reflects continuing excellent performances in the mass and VIP gaming segments. ROI¹ for the latest twelve months was an impressive 59%.

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

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

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

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

Overview of the Macau Gaming Market

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

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

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

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

REVIEW OF OPERATIONS

Group Financial Results

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

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

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

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

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

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

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

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

GAMING AND ENTERTAINMENT DIVISION

Galaxy Macau™

Financial and Operational Performance

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

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

VIP Gaming Performance

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

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

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

Mass Gaming Performance

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

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

Electronic Gaming Performance

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

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

Non-Gaming Performance

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

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

StarWorld Macau

Financial and Operational Performance

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

VIP Gaming Performance

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

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

Mass Gaming Performance

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

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

Electronic Gaming Performance

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

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

Non-Gaming Performance

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

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

City Clubs

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

CONSTRUCTION MATERIALS DIVISION

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

Hong Kong and Macau

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

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

Mainland China

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

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

COTAI AND HENGQIN ISLAND DEVELOPMENT UPDATE

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

Galaxy Macau™ Phase 2

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

The Grand Waldo Complex

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

Cotai Phases 3 & 4

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

Hengqin Island

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

SUBSEQUENT EVENTS

Announced Enhanced Employee Benefits

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

Announced the \$1.3 Billion GEG Charitable Foundation

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

Special Dividends

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

GROUP OUTLOOK

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

TREASURY POLICY

The Group continues to adopt a conservative treasury policy with a majority of bank deposits in Hong Kong Dollar, Renminbi or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks. All of the Group's borrowings are in Hong Kong Dollar or Renminbi. Forward foreign exchange contracts are utilised when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposure, which are considered necessary for the Group's treasury management activities.

CHARGES ON GROUP ASSETS

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

GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$149 million (31 December 2013: \$369 million), of which \$89 million (31 December 2013: \$178 million) have been utilised.

The Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures and an associated company amounting to \$291 million (31 December 2013: \$258 million). At 30 June 2014, facilities utilised amounted to \$252 million (31 December 2013: \$186 million).

DEALINGS IN LISTED SECURITIES

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

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended 30 June 2014 have been reviewed by the Audit Committee of GEG and by GEG'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 will be included in the Interim Report 2014 to shareholders.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2014, GEG has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 GEG, the Board considers that the Group is best served by not requiring the Chairman to retire by rotation as his continuity in office is of considerable benefit to and his leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of GEG.

DIVIDENDS

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

The Group has substantial cash holdings, virtually no debt and robust cash flows from operations. The development of Galaxy Macau™ Phase 2 remains on budget and on schedule and we have great confidence in the outlook for GEG specifically and Macau in general.

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

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

Based on the existing number of issued shares as at the date of this announcement, the Special Dividend, if paid, will amount to an aggregate sum of approximately HK\$1,909 million.

The Special Dividend should not be taken as an indication of the level of profit or dividend for the full year.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the shareholders who are entitled to the Special Dividend, the register of members of GEG will be closed from Thursday, 25 September 2014 to Tuesday, 30 September 2014 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed Special Dividend, all share certificates with completed transfer documents must be lodged with GEG’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, not later than 4:30 p.m. on Wednesday, 24 September 2014.

INTERIM REPORT 2014

The Interim Report 2014 of GEG containing all the information required by the Listing Rules will be published on the respective websites of Hong Kong Exchanges and Clearing Limited and GEG and printed copies will be sent to the shareholders in due course.

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

Hong Kong, 19 August 2014

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

Website: www.galaxyentertainment.com