



# **GALAXY ENTERTAINMENT GROUP REPORTS RECORD INTERIM RESULTS IN 1H 2014**

**RECORD NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF  
\$6.0 BILLION, UP 29% YEAR-ON-YEAR**

**RECORD GROUP ADJUSTED EBITDA OF \$7.3 BILLION,  
UP 26% YEAR-ON-YEAR**

**GALAXY MACAU™ PHASE 2 ON SCHEDULE AND ON BUDGET TO COMPLETE  
AS THE NEXT MAJOR PROJECT IN MACAU BY MID-2015**

**ANNOUNCED ENHANCED EMPLOYEE BENEFITS FOR TEAM MEMBERS**

**ANNOUNCED \$1.3 BILLION GEG CHARITABLE FOUNDATION**

**ANNOUNCED ANOTHER SPECIAL DIVIDEND**

Hong Kong, 19 August 2014 – Galaxy Entertainment Group Limited (“GEG” or “the Group”) (HKEx stock code: 27) today reported unaudited results for the three and six month periods ended 30 June 2014.

## **HIGHLIGHTS**

### **GEG: Record Half Year Revenue, Adjusted EBITDA and NPAS**

- Half year revenue increased 25% year-on-year to \$38.4 billion
- Half year Adjusted EBITDA of \$7.3 billion, up 26% year-on-year
- Net profit attributable to shareholders grew 29% year-on-year to \$6.0 billion
- Second quarter Adjusted EBITDA of \$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 \$25 billion, and Adjusted EBITDA surged 35% to \$5.4 billion
- Second quarter Adjusted EBITDA of \$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 \$12.3 billion, and Adjusted EBITDA up 9% to \$1.9 billion
- Second quarter Adjusted EBITDA of \$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 \$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 \$14.4 billion, up from \$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 10<sup>th</sup> Anniversary in Macau by announcing the establishment of the \$1.3 billion GEG Charitable Foundation on 4 July 2014
- Special dividend of \$0.70 per share paid to shareholders on 31 July 2014
- Another special dividend of \$0.45 per share to be paid on or about 31 October 2014



**Dr. Lui Che Woo, Chairman of GEG said:**

*“We celebrated our ten year anniversary in Macau after achieving another half year of record financial results. Our continued success lies in consistently delivering memorable leisure and entertainment experiences to guests through our spectacular high quality resorts and our exemplary ‘World Class, Asian Heart’ service standards.*

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

*Reflecting the importance of our strong team and the critical role each and every member plays in our continued success, we recently extended an enhanced 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.*

*Also, reflecting the importance we place on giving back to the community, we recently announced the establishment of the \$1.3 billion GEG Charitable Foundation that will focus on educating and empowering young people in Macau and on the Mainland. I am deeply excited by this project and hope it can contribute to future stability and prosperity.*

*And finally on 31 July 2014, we paid a special dividend of \$0.70 per share. I am pleased to announce another special dividend of \$0.45 per share will be payable on or about 31 October 2014. This reflects our confidence in the outlook for the Group and for Macau.*

*Once again, I would like to thank every one of our team members in GEG for their commitment and contributions to the Group’s success.”*

**Market Overview**

The Macau gaming market saw healthy growth in the half year as total gaming revenue increased by 13% year-on-year to \$187.5 billion. Second quarter revenue grew at a more modest 6% year-on-year, largely as a result of more cautious spending due to a softer economy in China and the distraction of the 2014 FIFA World Cup. However, visitor numbers to Macau jumped 8% to 15.3 million, a faster rate of growth than that achieved in the same period last year. Arrivals from Mainland China now account for 67% of total visitors.

Macau’s growing appeal as a premier holiday destination with a broad array of entertainment and leisure options, was borne out by the higher margin mass segment revenue climbing an impressive 36% to \$63.9 billion in the first half of 2014. This structural shift in the market will be sustained by major infrastructure improvement works such as the Guangzhou-Zhuhai Intercity Mass Rapid Transit and the Hong Kong-Zhuhai-Macau Bridge coming on stream in the near future, and increased domestic consumption on the Mainland. Additionally, the transformation of Hengqin Island into a new regional business and leisure hub, with new attractions such as the resort amusement park, will assist in attracting new visitors to the region.



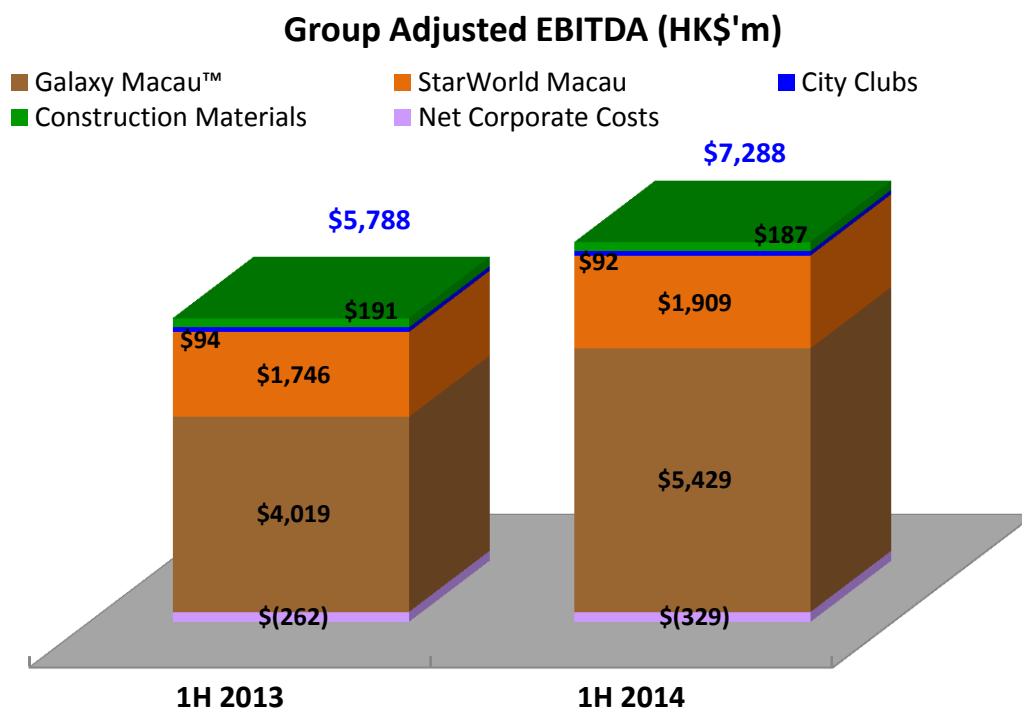
The VIP segment, which accounts for 62% of the total gaming revenue, registered year-on-year growth of 3% to \$116.2 billion.

### Group Financial Results

Record Group revenue and earnings were achieved in the first half of the year with revenue climbing 25% year-on-year to \$38.4 billion and Adjusted EBITDA surging 26% to \$7.3 billion. Net profit attributable to shareholders reached an all-time high of \$6.0 billion, up 29% year-on-year. The Group's flagship properties achieved solid half year results, while the Construction Materials Division and City Clubs made solid contributions in line with management expectations.

The Group's total gaming revenue on a management basis<sup>1</sup> grew 24% year-on-year to \$38.2 billion in the first half of 2014 driven by healthy growth in both mass and VIP. Total mass revenue increased 28% year-on-year to \$9.9 billion while total VIP revenue grew 24% year-on-year to \$27.5 billion.

The Group's balance sheet at 30 June 2014 remains well capitalised and liquid, with cash on hand of \$14.4 billion and net cash of \$14.1 billion. GEG reported debt of just \$348 million at 30 June 2014.



<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.



## Galaxy Macau™

Galaxy Macau™ celebrated its third year anniversary in May 2014, and remains the key growth driver in the Group. First half revenue increased by 38% to a record \$25 billion against the same period last year. Adjusted EBITDA for the same period increased by 35% to a record \$5.4 billion. Adjusted EBITDA grew 27% year-on-year to \$2.6 billion in the second quarter, down slightly by 5% sequentially as a result of playing unlucky in VIP and lower mass volumes.

Latest twelve months ROI<sup>2</sup> improved from 45% in 1H 2013 to 59% as of 30 June 2014. Adjusted EBITDA margin under HKFRS and US GAAP remained constant year-on-year at 22% and 31%, respectively, at 30 June 2014.

### VIP Gaming Performance

Total VIP rolling chip volume for the period was \$517 billion, up 49% year-on-year. This translated to revenue of \$17 billion, up 44% year-on-year. Second quarter volume of \$264 billion was the best on record, 48% higher than the same period last year and up 5% over Q1 2014.

#### VIP Gaming

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

### Mass Gaming Performance

Revenue in the mass segment was \$6.4 billion, up 32% on 1H 2013. Second quarter revenue increased by 19% year-on-year to \$3 billion, but dipped 9% sequentially as June and subsequently July were impacted by the FIFA World Cup.

#### Mass Gaming

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

### Electronic Gaming Performance

Electronic gaming revenue rose 7% year-on-year to \$796 million. Second quarter revenue was in line with the same period last year.

<sup>2</sup> 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.



### Electronic Gaming

HK\$'m	Q2 2013	Q1 2014	Q2 2014	QoQ%	YoY%	1H 2013	1H 2014	YoY%
<b>Slots Handle</b>	7,781	8,918	<b>8,823</b>	-1%	13%	13,968	<b>17,741</b>	27%
<b>Net Win</b>	383	412	<b>384</b>	-7%	0.3%	742	<b>796</b>	7%
<b>Hold %</b>	4.9%	4.6%	<b>4.4%</b>			5.3%	<b>4.5%</b>	

### Non-Gaming Performance

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. The property's diverse and compelling retail, dining and accommodation options continued to attract customers.

### StarWorld Macau

StarWorld Macau delivered solid half year results. Revenue increased by 7% year-on-year to \$12.3 billion, and Adjusted EBITDA climbed 9% to \$1.9 billion. These results were achieved on the back of strong growth in the mass gaming segment, and VIP revenues coming in slightly ahead of the same period last year despite significant bad luck in the second quarter.

Second quarter Adjusted EBITDA was \$822 million, down 7% year-on-year due primarily to the worst VIP luck quarter in history. StarWorld Macau reported the latest twelve months ROI<sup>3</sup> of 109% compared to 92% for the same period last year. Adjusted EBITDA margin in the half year was constant at 15% and 25% under HKFRS and under US GAAP, respectively.

### VIP Gaming Performance

StarWorld Macau reported 12% year-on-year growth in VIP rolling chip volume to \$349 billion in the first six months of 2014, which translated into revenue of \$9.8 billion.

Despite enjoying a strong first quarter, demand and win softened in Q2, as weaker economic data out of China affected sentiment and spending, and the property experienced its worst quarterly luck in history with 2.5%.

### VIP Gaming

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

### Mass Gaming Performance

Mass gaming win in the first half of the year grew by 35% year-on-year to \$2.2 billion on table drop of \$5.8 billion, up 9% year-on-year.

<sup>3</sup> 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.



### Mass Gaming

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

### Electronic Gaming Performance

StarWorld Macau's electronic gaming generated revenue of \$100 million, down 11% on last year as a result of lower hold. Second quarter net win was in line with the same quarter last year, and broadly in line with Q1 2014.

### Electronic Gaming

HK\$'m	Q2 2013	Q1 2014	Q2 2014	QoQ%	YoY%	1H 2013	1H 2014	YoY%
<b>Slots Handle</b>	777	997	<b>727</b>	-27%	-6%	1,675	<b>1,724</b>	3%
<b>Net Win</b>	48	52	<b>48</b>	-8%	0%	112	<b>100</b>	-11%
<b>Hold %</b>	6.1%	5.2%	<b>6.6%</b>			6.7%	<b>5.8%</b>	

### Non-Gaming Performance

Non-gaming revenue in the period 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 preeminent 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 management expectations.

### Construction Materials Division

The Construction Materials Division achieved results in line with the same period last year, delivering revenue of \$1 billion and Adjusted EBITDA of \$187 million.

### Cotai and Hengqin Island Development Update

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

#### Short term

- 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 site completing the building exterior and fitting out the interior.
- The Grand Waldo Complex will re-launch in early 2015 following an extensive refit, we will unveil our plans in Q4 2014.



*Medium term*

- Site investigation works for Cotai Phases 3 & 4 are expected to commence later this year. Doubling GEG’s Cotai footprint to 2 million square metres, it will feature thousands of luxury hotel rooms, a state-of-the-art multi-purpose arena and a large convention centre.

*Long term*

- GEG continues to advance its conceptual plans to develop a world class destination resort on a 2.7 square kilometre land parcel on Hengqin Island. The RMB10 billion, low rise, low density resort will complement the Group’s high energy properties located in Macau.

**Selected Major Awards**

	<b>Award</b>	<b>Presenter</b>
<b>GEG</b>	<b>Best Managed Companies in Asia – Gaming</b>	<b>Euromoney Magazine</b>
	<b>Gaming and Lodging – Best Company</b>	<b>Institutional Investor Magazine – All Asia Executive Team Survey</b>
	<b>Casino Operator of the Year Australia / Asia</b>	<b>International Gaming Awards</b>
<b>Galaxy Macau™</b>	<b>Best Resort of the Year (HK/Macau)</b>	<b>Travel Weekly Magazine and Events Magazine jointly organized – China Travel &amp; Meetings Industry Awards</b>
	<b>Best Service Resort Asia</b>	<b>Golden Horse Award of China Hotel</b>
	<b>Top 10 Resort Hotels of China</b>	<b>China Hotel Starlight Awards</b>
	<b>Best Integrated Resort Brand and Service</b>	<b>Exmoo</b>
	<b>Hurun Report Best of the Best Awards – Luxury Hotel in Macau Star Performer</b>	<b>Hurun Report</b>
<b>StarWorld Macau</b>	<b>Best Service Hotel of the Year</b>	<b>Travel Weekly Magazine and Events Magazine jointly organized – China Travel &amp; Meetings Industry Awards</b>
	<b>Macau Elite Service Hotel Award</b>	<b>Ming Pao Weekly</b>
	<b>Best Service Hotel of Asia</b>	<b>Golden Horse Award of China Hotel</b>
	<b>Top 10 Glamorous Hotels of China</b>	<b>China Hotel Starlight Awards</b>
	<b>Best Hotel Brand and Service</b>	<b>Exmoo</b>





## **Subsequent Events**

### *Incentivising Employees*

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 \$1.3 Billion GEG Charitable Foundation*

To celebrate its 10<sup>th</sup> year in operation and the 3<sup>rd</sup> Anniversary of its flagship property Galaxy Macau™, GEG announced the establishment of the GEG Charitable Foundation on 4 July 2014. The GEG Charitable Foundation reinforces 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.

### *Paid a Special Dividend*

A special dividend of \$0.70 per share was paid to shareholders on 31 July 2014. This reflects the Group's significant cash generation ability to simultaneously develop Macau's largest development pipeline.

### *Announcement of Another Special Dividend*

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. Therefore the Board of Directors has decided to announce another special dividend of \$0.45 per share, payable on or about 31 October 2014.

## **Outlook**

In the first half of 2014, GEG set new records for revenue and earnings. However, in this period the industry has experienced headwinds such as the FIFA World Cup which occurs once every four years and the soft economic landing in China which impacted customer behaviour. GEG's management team remains focused on executing the Group's strategic objectives to ensure long term sustainable growth for decades to come.

GEG is very optimistic about its prospects and those of Macau. The fundamental long term drivers for growth are unchanged, with major infrastructure works and increasing domestic consumption set to drive substantial growth in visitation to Macau in the years ahead. The Group's track record, exceptional properties, powerful brand, and clear roadmap for short, medium and long term growth, position it well to capture these new visitors and fulfill its core goal of being 'globally recognised as Asia's leading gaming and entertainment corporation'.

**-End-**





### **About Galaxy Entertainment Group (HKEx stock code: 27)**

Galaxy Entertainment Group Limited (“GEG”) is one of Asia’s leading gaming and entertainment corporations, and is a member of the Hang Seng Index.

GEG primarily develops and operates hotels, gaming and integrated resort facilities in Macau, the only legal gaming location in China and the largest gaming entertainment market in the world.

The two flagship properties of GEG include Galaxy Macau™, a world class integrated destination resort opened in May 2011 at Cotai, and StarWorld Macau, an award-winning property opened in 2006 on the Macau peninsula.

In April 2012, GEG announced the development of Galaxy Macau™ Phase 2 that will nearly double the size of the existing resort to one million square metres. Upon its targeted completion by mid-2015, Galaxy Macau™ Phase 2 will bring to Macau some of the most exciting entertainment, leisure, retail and MICE facilities. In December 2012, GEG outlined its concept plans for Phases 3 & 4 of its Cotai landbank and expects to commence site investigation works as early as late 2014.

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

Additionally, GEG operates a Construction Materials Division.

For more information, please visit [www.galaxyentertainment.com](http://www.galaxyentertainment.com).