



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 2011
2011 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.

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

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。

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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- 1 Premium Suite of Galaxy Hotel
銀河酒店貴賓套房
- 2 Mr. Francis Lui greets members of the media on the Galaxy Macau™ media tour
呂耀東先生於「澳門銀河™」媒體採訪團中會見傳媒
- 3 Dr. Che-woo Lui dots dragon's eye at the Grand Opening Ceremony of Galaxy Macau™
呂志和博士於「澳門銀河™」開幕禮上為舞龍點睛
- 4 Galaxy Macau™ provides the amazing Grand Resort Deck
「澳門銀河™」提供非凡觸目的天浪淘園



CORPORATE INFORMATION

CHAIRMAN

Dr. Che-woo Lui, *GBS, 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 DIRECTORS

Mr. Anthony Thomas Christopher Carter
Dr. Martin Clarke
Mr. Henry Lin Chen

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mrs. Jenifer Sin Li Mei Wah

INDEPENDENT AUDITOR

PricewaterhouseCoopers

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Services Limited
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183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS[#]

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

[#] listed in alphabetical order

SOLICITORS*

Jorge Neto Valente, Escritório de
Advogados e Notários
Linklaters
Mallesons Stephen Jaques
Reed Smith Richards Butler
Skadden, Arps, Slate, Meagher & Flom

* listed in alphabetical order

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BNY Mellon Shareowner Services
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WEBSITE ADDRESS

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SHARE LISTING

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

STOCK CODE

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

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HIGHLIGHTS OF FIRST HALF 2011

-  Successfully opened Galaxy Macau™ on 15 May 2011
-  Record revenue of HK\$13,667 million, representing an increase of HK\$5,096 million or 60% over the corresponding period last year
-  Adjusted EBITDA was HK\$1,818 million, representing an increase of HK\$828 million or 84% over the corresponding period last year
-  On an adjusted basis net profit attributable to shareholders more than doubled to HK\$1.3 billion
-  Strong balance sheet with cash on hand of HK\$6.7 billion (including restricted cash of HK\$1.6 billion) as of 30 June 2011
-  Record return on investment (ROI) of StarWorld at 74%

INTERIM DIVIDEND

It has only been a few short years since K. Wah Construction Materials Limited was transformed into Galaxy Entertainment Group Limited (the “Company” or “GEG”). GEG is a relatively young company with a substantial business growth pipeline. At this point in time the Board of Directors has decided to reinvest all surplus funds into the development of the Company. Therefore the Board of Directors has not declared an interim dividend for the six months ended 30 June 2011.

FINANCIAL & OPERATIONAL HIGHLIGHTS



GROUP FINANCIAL HIGHLIGHTS

Revenue

(HK\$ 'm)	1H 2011	1H 2010	% change
Gaming and Entertainment	\$13,020	\$7,975	+63%
Construction Materials	\$647	\$596	+9%
Group Total	\$13,667	\$8,571	+60%

Adjusted EBITDA

(HK\$ 'm)	1H 2011	1H 2010	% change
Gaming and Entertainment	\$1,685	\$872	+93%
Construction Materials	\$178	\$163	+9%
Corporate	(\$45)	(\$45)	–
Group Total	\$1,818	\$990	+84%

Key Financial Metrics

(HK\$ 'm)	1H 2011	1H 2010	% change
Net Profit Attributable to Shareholders			
Actual	\$378	\$475	-20%
Adjusted*	\$1,310	\$608	+115%
Earnings per share (HK cents)			
Actual	9.3	12.1	-23%
Adjusted*	32.0	15.4	+107%
Total Assets (HK\$ 'm)	\$31,902	\$25,186	+27%
Gearing Ratio (%)	25%	24%	–

* Adjusted for an one-off pre-opening expenses of Galaxy Macau™, non-recurring non-cash charges from the change in fair value of derivative under the convertible notes and net loss on buyback of guaranteed notes

FINANCIAL & OPERATIONAL HIGHLIGHTS



GALAXY MACAU™ STATISTICS

Galaxy Macau™ opened on 15 May 2011. Galaxy Macau's results reflect 47 days for the period from opening to 30 June 2011.

Financial Highlights

(HK\$ 'm)	
Gaming Revenue	\$2,300
Non-gaming Revenue	\$88
Adjusted EBITDA	\$376
Adjusted EBITDA margin (%) (HK GAAP)	16%
Adjusted EBITDA margin (%) (US GAAP)	22%

Gaming Statistics

(HK\$ 'm)	Turnover	Net Win	Win/Hold %
VIP Gaming	\$50,000	\$1,780	3.5%
Mass Gaming	\$2,400	\$410	17.5%
Electronic Gaming	\$1,800	\$114	6.3%



FINANCIAL & OPERATIONAL HIGHLIGHTS



STARWORLD STATISTICS

Financial Highlights

(HK\$ 'm)	1H 2011	1H 2010	% change
Gaming Revenue	\$9,800	\$7,100	38%
Non-gaming Revenue	\$160	\$146	10%
Adjusted EBITDA	\$1,349	\$884	53%
Adjusted EBITDA margin (%) (HK GAAP)	13%	12%	
Adjusted EBITDA margin (%) (US GAAP)	23%	21%	
Return on Investment (ROI) (%)	74%	43%	

Gaming Statistics for the six month period ended at 30 June 2011

(HK\$ 'm)	Turnover	Net Win	Win/Hold %
VIP Gaming	\$309,000	\$8,900	2.9%
Mass Gaming	\$4,000	\$728	17.7%
Electronic Gaming	\$2,070	\$119	5.8%

Gaming Statistics for the six month period ended at 30 June 2010

(HK\$ 'm)	Turnover	Net Win	Win/Hold %
VIP Gaming	\$231,000	\$6,500	2.8%
Mass Gaming	\$3,000	\$523	16.5%
Electronic Gaming	\$1,207	\$91	7.6%



LETTER FROM THE CHAIRMAN



Chairman
Dr. Che-woo Lui
GBS, 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 2002, when we bid for the Macau gaming concession, we had a vision to be “Globally recognized as Asia’s

leading Gaming and Entertainment Corporation.” I am delighted to report that StarWorld combined with the opening of Galaxy Macau™ has moved us much closer to achieving this vision.

The economic performance of Mainland China has remained solid, despite the slowdown within the

LETTER FROM THE CHAIRMAN

Americas and Europe. This solid economic performance has benefited Macau during the period under review. The solid economic management of Mainland China, combined with rising domestic consumption and improved infrastructure will continue to enhance the development of Macau as Asia's Entertainment Capital. GEG is very well positioned to capitalize on this continuing trend.

StarWorld has continued delivering an outstanding financial performance.

StarWorld's revenue for the period was HK\$10 billion, representing a 37% increase compared to the same period last year. StarWorld also continues to deliver very solid EBITDA and has reported twelve consecutive quarters of EBITDA growth, culminating in an all-time record Adjusted EBITDA of HK\$685 million in the second quarter of 2011. StarWorld's Adjusted EBITDA for the first half of 2011 increased 53% to HK\$1,349 million up from HK\$884 million in the corresponding period of 2010.

The total investment cost of StarWorld including land was HK\$3,366 million. Over the past twelve months StarWorld has generated HK\$2,502 million in Adjusted EBITDA, producing a 74% Return on Investment (ROI) which makes it one of the best performing casinos in the World.

On 15 May 2011 we successfully opened Galaxy Macau™. For the period under review Galaxy Macau™ has only been operating for 47 days and yet Galaxy Macau™ has already delivered a positive Adjusted EBITDA contribution to the Group of HK\$376 million.

We are still in the process of opening additional components of Galaxy Macau™, these include:

- Increasing available hotel rooms from the current 1,400 to 2,200
- Increasing VIP capacity from seven rooms to ten rooms
- Opening the Macau's first 3D Cineplex

We believe that the opening of Galaxy Macau™ has been a great success and we are working diligently to build momentum, "ramp" the property up and leverage all of our marketing and customer loyalty programs.

Further, GEG is well positioned for long term growth having the largest contiguous gaming permitted landbank in Macau.

Finally, I would like to take this opportunity to thank all of our hard working and loyal staff for their enormous effort over the past six months. Without their commitment to our vision of becoming "Asia's Leading Entertainment and Gaming Corporation" our achievement would not have been possible.

Che-woo Lui
Chairman
Galaxy Entertainment Group Limited

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

The Group has achieved strong performance during the first half of 2011. For the six month period the Group delivered an Adjusted EBITDA of \$1,818 million which represents an increase of 84% over the first half of 2010. GEG concluded its 11th consecutive quarter of Adjusted EBITDA growth, with an all-time record of \$1,106 million in the second quarter, a 93% increase over the second quarter of 2010. This strong performance was a direct result of the Group's success in capitalizing on Macau's surging tourism market.

With the successful opening of Galaxy Macau™ on Sunday, 15 May 2011, the Group now has two flagship properties, StarWorld which is more VIP Centric and now Galaxy Macau™ which is more Mass Market Centric.

StarWorld continues to deliver record breaking results and in the second quarter achieved a number of all-time records. These include:

ALL TIME RECORDS

Q2 Adjusted EBITDA \$685 million
Q2 VIP Rolling Chip of \$158,000 million
Latest 12 months ROI of 74%

Galaxy Macau™ has been open 47 days for the period under review and in this time Galaxy Macau™ has already delivered a positive Adjusted EBITDA contribution to the Group of \$376 million.

We continue to ramp up Galaxy Macau™ and throughout the balance of 2011 we will open additional product offerings at Galaxy Macau™ and further grow the business.

The Construction Materials Division continues to perform well driven by the major infrastructure projects across Mainland China, Macau and Hong Kong.

GROUP FINANCIAL RESULTS

For the first half of 2011, the Group generated revenue of \$13.7 billion and Adjusted EBITDA of \$1.8 billion a percentage increase of 60% and 84% accordingly.

Net profit attributable to shareholders for the six months ended 30 June 2011 was \$378 million, in comparison to net profit of \$475 million for the six months ended 30 June 2010. A reduction in net profit attributable to shareholders was due to an one-off \$0.8 billion pre-opening expenses of Galaxy Macau™, \$0.2 billion non-recurring non-cash charges from the change in fair value of the derivative under the convertible notes and \$0.1 billion net loss on buyback



MANAGEMENT DISCUSSION AND ANALYSIS

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

of guaranteed notes. Excluding all these one-time items, net profit attributable to shareholders more than doubled from \$0.6 billion for the six months ended 30 June 2010 to \$1.3 billion for the six months ended 30 June 2011.

All of GEG's other businesses, including City Clubs and the Construction Materials Division, continued to perform solidly and provided valuable contributions to the Group's record breaking results.

Group Financial Results Summary:

Revenue

(HK\$ 'm)	1H 2011	1H 2010	% change
Gaming and Entertainment	\$13,020	\$7,975	+63%
Construction Materials	\$647	\$596	+9%
Group Total	\$13,667	\$8,571	+60%

Adjusted EBITDA

(HK\$ 'm)	1H 2011	1H 2010	% change
Gaming and Entertainment	\$1,685	\$872	+93%
Construction Materials	\$178	\$163	+9%
Corporate	(\$45)	(\$45)	–
Group Total	\$1,818	\$990	+84%

MANAGEMENT DISCUSSION AND ANALYSIS

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

GAMING AND ENTERTAINMENT DIVISION

Overview of The Macau Gaming Market

The Macau Gaming Market continues to grow at an impressive rate. Compared with 2010, Macau's gaming revenue grew by 43% in the first quarter of 2011 to approximately \$56.8 billion and 46% in the second quarter to \$63.7 billion. The total gaming revenue in the first six months of the year reached \$120.5 billion, which is a year-on-year increase of 45%.

The VIP segment remains the major growth driver of total revenue to the Macau gaming market. Compared with 2010, the first quarter of 2011 grew 48% to \$41.3 billion, and the second quarter grew 50% to \$47.1 billion. For the first half of 2011, VIP revenue was a record \$88.5 billion representing a 49% increase over the previous year.

The mass market also showed substantial growth during the first half of 2011. Revenues from the mass market segment grew 29% over the previous year's first quarter to \$12.8 billion and grew 36% in the second quarter to \$13.8 billion. The revenue of the mass market was \$26.7 billion for the first half of the year, representing a yearly increase of 32%.

Electronic Gaming experienced strong growth in the first half of 2011. Revenues grew 40% in the first quarter to \$2.6 billion and 39% in the second quarter to \$2.7 billion. Year on year growth for the first half of 2011 was 40% with total revenue of \$5.4 billion.

Visitor arrivals in the first half of 2011 continued to increase. In the first six months of this year, Macau received more than 13.2 million visitor arrivals, an increase of 8.3% when compared with the same period in 2010. We believe the grand opening of Galaxy Macau™ in May 2011 diversifies the product offerings of Macau and has increased the visitor numbers to Cotai, further stimulating the demand for the resort industry.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Galaxy Macau™

Vision

The driving vision behind the development of Galaxy Macau™ was to build Macau's first Asian centric destination resort. Galaxy Macau™ is a luxury resort specifically designed to meet the tastes and preferences of the discerning Asian consumers. To achieve this goal we incorporated the very best of Asia into Galaxy Macau™ which include:

- Constructing a visually striking and appealing building. The shimmering gold towers are inviting to all visitors and the night time laser show from the rooftop is spectacular

- Incorporating the very best Asian hotel and resort partners. Banyan Tree is renowned throughout Asia as the finest Asian resort, Hotel Okura is famous in North Asia for service and attention to detail and Galaxy Hotel is modeled on StarWorld which is the most awarded hotel in Macau
- Designing the floor layout for maximum convenience and accessibility. Any part of the resort can be accessed without having to change lifts. The entire resort including the gaming floor is easy to navigate and very accessible
- Providing the largest range and selection of pan-Asian food, with more than 50 food and beverage outlets
- Having the world's largest sky-top wave pool, complete with 350 tons of white sand
- Opening of Macau's first 3D Cineplex in Q4 2011

Grand Opening

The Grand opening of Galaxy Macau™ on Sunday, 15 May 2011 was an over whelming success. The resort opened with close to 450 gaming tables, approximately 1,100 electronic gaming machines, nearly 1,400 hotel rooms, 50 food and beverage outlets and the Grand Resort Deck including the sky-top wave pool. All of the media and investment analysts' reports have been extremely positive and complimentary on the opening of Galaxy Macau™. This was achieved through three key initiatives:

1. The execution and opening of Galaxy Macau™ was meticulously planned and rehearsed with all contingencies taken into consideration
2. Throughout our recruitment process we focused on recruiting service orientated individuals with outgoing personalities
3. In the six weeks leading up to the opening of Galaxy Macau™ we conducted extensive resort simulations. Over 8,000 GEG family members and friends slept, ate and swam in the resort before we welcomed our first guest



MANAGEMENT DISCUSSION AND ANALYSIS

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

Financial Performance

In its 47 days of operation, Galaxy Macau™ generated revenues of \$2.4 billion and delivered an Adjusted EBITDA of \$376 million to the Group.

Galaxy Macau™ – HK versus US GAAP Comparisons

When comparing the Group's results with those of US corporations whose results are compiled under generally accepted accounting principles in the US ("US GAAP"), it is important to note that gross gaming revenues presented under US GAAP are reduced by commissions and discounts in order to arrive at net gaming revenues. An Adjusted EBITDA is then calculated based on the reduced net gaming revenue, resulting in a significantly higher Adjusted EBITDA margin than that calculated under Hong Kong generally accepted accounting principles ("HK GAAP").

For the 47 days of operation Galaxy Macau™ reported an Adjusted EBITDA margin under HK GAAP of 16%, under US GAAP Galaxy Macau™ reported an Adjusted EBITDA margin of 22%.

VIP Performance

Galaxy Macau™ performed strongly in Macau's fast growing VIP market. Galaxy Macau™ total VIP rolling chip for the period was \$50 billion which translated into revenue of \$1.8 billion. Three more VIP rooms will be opened in the second half of 2011.

(HK\$ 'm)	1H 2011
Turnover	\$50,000
Net Win	\$1,780
Win %	3.5%

Mass Gaming Performance

Galaxy Macau™ mass gaming revenue was \$410 million.

(HK\$ 'm)	1H 2011
Table Drop	\$2,400
Net Win	\$410
Hold %	17.5%

Electronic Gaming Performance

Galaxy Macau™ electronic gaming revenue was \$114 million.

(HK\$ 'm)	1H 2011
Slots Handle	\$1,800
Net Win	\$114
Hold %	6.3%

MANAGEMENT DISCUSSION AND ANALYSIS

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

Non-Gaming Performance

Hotel occupancy for the period under review was 88%. In the second half of 2011 Galaxy Macau™ intends to have all 2,200 rooms open.

Future Opportunity

We are in the process of rolling out further components of Galaxy Macau™. As at 30 June 2011 we had approximately 1,400 rooms open, the remaining 800 rooms will be open before year end. This will significantly increase our capacity and drive revenue growth. Additionally, the gaming floor has a capacity for 600 tables and 1,500 slot machines, as demand continues to increase we can expand operations of our facility without additional capital expenditure.

- We had seven VIP rooms in operation as at 30 June 2011, subsequently we have opened an additional three VIP rooms for a total of ten VIP rooms
- Our dealers and service staff are becoming more experienced and comfortable every day, over the next three months we expect productivity and speed of service delivery to further improve

- We expect to open Macau's first 3D Cineplex in Q4 2011, which will enhance our entertainment offering and customer appeal
- Before year end we expect to launch Asia's most exciting private members club "China Rouge"

Galaxy Macau™ is already a great success but we believe the opening of the incremental resort facilities will drive revenue, increase length of stay, and enhance profitability.

Landbank Development

Galaxy Macau™ is the first stage of a multi-stage resort destination development. GEG has Macau's largest contiguous piece of land with an integrated resort permit. The first phase of Galaxy Macau™ is 550,000 square meters, the additional phases will total 1,450,000 square meters for a total development of 2,000,000 square meters. GEG with its extensive landbank is ideally positioned to capitalize on the growth in tourism, leisure and travel throughout Asia.



MANAGEMENT DISCUSSION AND ANALYSIS

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

StarWorld Hotel & Casino

Results Highlights

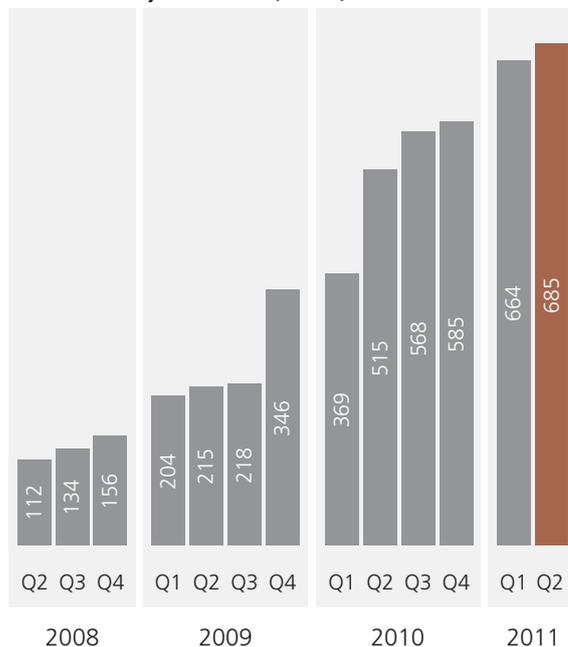
12th Consecutive Quarter Of EBITDA Growth

StarWorld continues its exceptional growth as one of the most popular and highest volume casinos in Macau. For the six months ended 30 June 2011, StarWorld delivered outstanding results with total revenue of \$10 billion, representing a 37% increase over the same period last year. StarWorld also continues to deliver very strong EBITDA and has reported twelve consecutive quarters of EBITDA growth, culminating in an all time record Adjusted EBITDA of \$685 million in the second quarter of 2011. StarWorld's Adjusted EBITDA for the first half of 2011 increased 53% to \$1,349 million up from \$884 million in the corresponding period of 2010.

StarWorld achieved a ROI of 74% for the last twelve months. The impressive performance of StarWorld was a direct result of increased gaming volumes, which continued to be driven by the property's strong reputation and quality, prudent cost controls, excellent location and its commitment to "Asian Heart" service.



StarWorld Adjusted EBITDA (HK\$ 'm)



StarWorld ROI of 74% (HK\$ 'm)

Total Investment including land cost

3,366

Last Twelve Months Adjusted EBITDA

568	585	664	685	2,502
Q3 2010	Q4 2010	Q1 2011	Q2 2011	

StarWorld is one of the highest returning casinos in the world with a 74% ROI. StarWorld's total investment cost was \$3,366 million. Over the past 12 months, StarWorld generated Adjusted EBITDA of \$2,502 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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

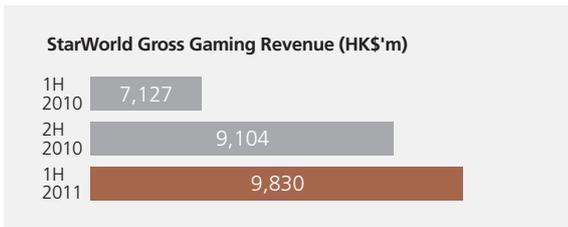
StarWorld – HK versus US GAAP Comparisons

When comparing the Group's results with those of US corporations whose results are compiled under generally accepted accounting principles in US GAAP, it is important to note that gross gaming revenues presented under US GAAP are reduced by commissions and discounts in order to arrive at net gaming revenues. An Adjusted EBITDA is then calculated based on the reduced net gaming revenue, resulting in a significantly higher Adjusted EBITDA margin than that calculated under HK GAAP.

Under US GAAP, StarWorld reported a very healthy Adjusted EBITDA margin of 23% and 24% in the first and the second quarter respectively. These margins also demonstrate the Group's prudent cost control policies and ensure optimum profitability.

ADJUSTED EBITDA MARGIN	Q1 2010	Q2 2010	1H 2010	Q1 2011	Q2 2011	1H 2011
Under US GAAP	18%	23%	21%	23%	24%	23%
Under HK GAAP	11%	13%	12%	13%	14%	13%

During the first half of 2011, StarWorld continued to grow its gross gaming revenue, posting an all-time record of \$9,830 million. A 38% increase over the prior year.



MANAGEMENT DISCUSSION AND ANALYSIS

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

VIP Performance

StarWorld continued to perform strongly in Macau's fast growing VIP Market. StarWorld has always been known for its exceptional performance in the VIP segment, and the first half of 2011 was no exception. In the first half of 2011, StarWorld's total VIP rolling chip for the period was \$309 billion, representing a 34% increase over the prior year.

(HK\$ 'm)	Q1 2010	Q2 2010	1H 2010	Q1 2011	Q2 2011	1H 2011	YoY %
Turnover	\$102,000	\$129,000	\$231,000	\$151,000	\$158,000	\$309,000	34%
Net Win	\$2,900	\$3,600	\$6,500	\$4,400	\$4,500	\$8,900	37%
Win %	2.9%	2.8%	2.8%	2.9%	2.9%	2.9%	

Mass Gaming Performance

For the first half of 2011, StarWorld's mass gaming revenue was \$728 million. This represents an increase of 39% year on year. This increase was achieved through proactive loyalty marketing campaigns centered around Galaxy Privilege Club, combined with an extensive customer and floor yield management.

(HK\$ 'm)	Q1 2010	Q2 2010	1H 2010	Q1 2011	Q2 2011	1H 2011	YoY %
Table Drop	\$1,500	\$1,500	\$3,000	\$1,900	\$2,100	\$4,000	33%
Net Win	\$287	\$236	\$523	\$362	\$366	\$728	39%
Hold %	18.2%	14.8%	16.5%	18.1%	17.3%	17.7%	

Electronic Gaming Performance

StarWorld's electronic gaming generated revenue of \$119 million in the first half of 2011; this represents a 31% increase over the prior year.

(HK\$ 'm)	Q1 2010	Q2 2010	1H 2010	Q1 2011	Q2 2011	1H 2011	YoY %
Slots Handle	\$606	\$601	\$1,207	\$1,050	\$1,020	\$2,070	71%
Net Win	\$46	\$45	\$91	\$70	\$49	\$119	31%
Hold %	7.7%	7.5%	7.6%	6.7%	4.8%	5.8%	

MANAGEMENT DISCUSSION AND ANALYSIS

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

Non-Gaming Performance

Hotel occupancy for StarWorld was 97% for the first half of 2011. StarWorld's total non-gaming revenue was \$160 million for the first half of 2011, representing a 10% increase year on year.

Awards

StarWorld continues to be one of the most awarded and recognized hotels in Macau. In the first half of 2011 StarWorld again achieved a number of awards and these include:

Hotel Awards



- Five-Star Diamond Award (2011), The American Academy of Hospitality Sciences



- Best Service Hotel (2011), Golden Horse Award of China Hotel
- Best Consumer Satisfaction Hotel (2011), Golden Horse Award of China Hotel



- Top Ten Glamorous Hotels of China (2011), China Hotel Starlight Awards

Food And Beverage Awards



- One Star Restaurant (Macau) – Jade Garden (2011), Michelin Guide Hong Kong and Macau
- Listed in Michelin Guide – Laurel (2011), Michelin Guide Hong Kong and Macau
- Listed in Michelin Guide - Inagiku (2011), Michelin Guide Hong Kong and Macau

MANAGEMENT DISCUSSION AND ANALYSIS

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

City Clubs Performance

City Clubs focus on providing a boutique service to selected VIP customers. City Clubs continue to make a valuable contribution to the Group. City Clubs contributed \$106 million Adjusted EBITDA to the Group in the first half of 2011 which grew 49% over the prior year's \$71 million.

CONSTRUCTION MATERIALS DIVISION

The Construction Materials Division maintained steady growth through the continuation of our ground granulated blast furnace slag (SLAG) expansion strategy. For the first half of 2011, revenue was \$647 million, an increase of 9% over the corresponding period last year, the division's Adjusted EBITDA was \$178 million for the six months ended 30 June 2011, an increase of 9% compared with the same period last year.

Mainland China

In January 2011, a new (SLAG) plant commenced operation in Qian An, China. Two additional SLAG plants are scheduled to commence operations in Mainland China before year end.

The Division's cement joint ventures in Yunnan Province continue to perform well with increased demand for high quality cement for the construction of infrastructure projects. The Division has capacity to further expand production to meet the growing demand.

In Shanghai, construction activities are still relatively slow following the World Expo last year. The Division's ready mixed concrete business continues to maintain their edge in the competitive market through improving operating efficiency and cost saving measures.

Hong Kong and Macau

The demand for construction materials in Hong Kong is strong, due to numerous large scale infrastructure projects. In Macau, construction activities are increasing with demand from the public housing sector and large scale infrastructure projects. The Division is well positioned to capitalize on this growth trend.

GROUP FINANCIAL EFFICIENCY INITIATIVES

During the period under review, the outstanding amount of the Group's zero yield, zero coupon convertible notes for US\$165 million were converted into 173 million common shares. This has resulted in a further strengthened Balance Sheet and an increase in GEG's free-float of common shares.

GROUP OUTLOOK

The first half of 2011 was a very rewarding period for GEG. With record results from StarWorld and the extremely successful opening of Galaxy Macau™, GEG has propelled itself closer to achieving its vision of being "Asia's leading Gaming and Entertainment Corporation." As the Macau market continues to thrive and with two flagship properties, the Group is confident about its near and long term success.

The Group is grateful for the support of the Central and Macau Governments and their efforts to facilitate tourism growth by investing in major infrastructure projects. The expansion of immigration facilities and projects such as the Macau Light Rail, the High-Speed Rail Network and the Hong Kong-Macau-Zhuhai Bridge are prime examples of projects which improve Macau's accessibility and continue to drive long term sustainable growth.

The opening of Galaxy Macau™ set a new precedent for the Macau tourism industry. Galaxy Macau™ offers a resort style, family friendly environment that is unparalleled across Macau. While StarWorld continues to be a leader in the VIP market; the opening of Galaxy Macau™ has strengthened the Group's position to capitalize on the emerging middle class market.

The GEG brand continues to grow as a reflection of our dedication to high standards, excellent quality, and our commitment to "Asian Heart" service. We are the only operator with flagship properties in both the gaming hub of Macau's Peninsula and the resort area of Cotai. Furthermore, the Group owns the largest contiguous landbank with an integrated resort permit in Macau. As the market grows, we are confident that

MANAGEMENT DISCUSSION AND ANALYSIS

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



we will grow with it, maximizing the Group's success and shareholders wealth.

The Group is in an excellent position to continue its exciting development and to achieve its goal of being "Asia's leading Gaming and Entertainment Corporation".

LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 30 June 2011 was \$11,395 million, an increase of approximately 24% over that as at 31 December 2010 of \$9,197 million while the Group's total assets employed increased to \$31,902 million as at 30 June 2011 as compared with \$25,186 million as at 31 December 2010.

The Group continues to maintain a strong cash position. As at 30 June 2011, total cash and bank balances were \$5,050 million as compared with \$4,428

million as at 31 December 2010. The Group's total indebtedness was \$11,706 million as at 30 June 2011 as compared with \$9,426 million as at 31 December 2010. The gearing ratio, defined as the ratio of total borrowings outstanding less cash balances to total assets (excludes cash balances), was 25% as at 30 June 2011 (31 December 2010: 24%).

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

TREASURY POLICY

The Group continues to adopt a conservative treasury policy with all bank deposits in either Hong Kong Dollar, United States Dollar, Renminbi or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks. All of the Group's borrowings are in either Hong Kong Dollar, United States 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 \$14,934 million (31 December 2010: \$11,497 million), leasehold land and land use rights with net book value of \$2,931 million (31 December 2010: \$2,961 million), other assets with net book value of \$242 million (31 December 2010: \$245 million), bank deposits of \$1,739 million (31 December 2010: \$59 million) and shares of certain subsidiaries have been pledged to secure banking facilities.

GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$10,206 million (31 December 2010: \$10,001 million), of which \$7,726 million (31 December 2010: \$5,278 million) have been utilised.

The Group has executed guarantees in favour of a bank in respect of facilities granted to an associated company amounting to \$9 million (31 December 2010: \$9 million). At 30 June 2011, facilities utilised amounted to \$9 million (31 December 2010: \$9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2011, the Group, excluding associated companies and jointly controlled entities, employed around 14,000 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$1,372 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 incentive. The overall remuneration arrangements are fair, justified, prudent and subject to regular review.

The Group operates a share option 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.

Organization Development and Training

Our employees are the most valuable asset of the Group and the talents and contributions of each individual are critical to our continuing success and achievement of our Mission, Vision and Values. We are committed to the development and growth of all employees and consider training and development a life-long process. We offer ongoing personal and professional development opportunities to our employees, beginning with our new hire orientation program and progressing to the delivery of technical and leadership training programs. Our programs are designed to assist employees in achieving competency and professionalism in their jobs while instilling a culture of continuous improvement.

CORPORATE SOCIAL RESPONSIBILITY



PROMISE

As a responsible corporate citizen, GEG considers building a healthy economy, environment and society as one of its all-time missions. This is why GEG takes pride in giving back to the society and creating a better tomorrow for the community.

2011 Corporate Social Responsibility Highlights

Over the first half of the year, the Group continued its commitment towards becoming a leading corporate citizen. The Group has taken a proactive approach towards responsible gaming, environmental sustainability, community work and employee engagement.



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RESPONSIBLE GAMING

Responsible Gaming

GEG continues to promote responsible gaming both to the public and to our team members through the following initiatives:

- Continues to advertise the responsible gaming logo created in collaboration with University of Macau's Institute for the Study of Commercial Gaming
- Posts signs at all casino entry points to reinforce the message that minors under the age of 18 are strictly prohibited from entering the casino floor
- Continues to provide a Responsible Gaming Support and Counseling Hotline to GEG team members with 24/7 telephone service

CORPORATE SOCIAL RESPONSIBILITY

- Provides individual face-to-face counseling and online counseling for responsible gaming support
- Establishes guidelines and procedures for GEG team members to take mandatory responsible gaming education courses
- Works with team members to identify guests with potential gambling addictions and how to refer them to appropriate counseling
- 175,000 kg of paper have been recycled in the first six months of 2011
- Used environmental-friendly chemicals for cleaning purposes. Carried toilet paper rolls that comply with Forest Stewardship Council Standards and paper hand towels which comply with the European "Green Mark"

Environmental Sustainability

GEG has implemented a series of waste reduction and energy conservation initiatives to support building a sustainable environment:

- All of our properties participated in "Earth Hour 2011" organized by the WWF, which resulted in over 1,000kWh of electricity saved



- The Group took part in the "Lights off 1 Hour" and "Dress Light, Dress Right" events hosted by the Office for the Development of the Energy Sector of the Macau SAR
- Encouraged team members and guests to make sustainable lifestyle choices through education programs and water/energy saving advertisements

StarWorld continued the following green initiatives during the first half of 2011:

- Replaced approximately 6,000 lamp bulbs with LED bulbs, saving about 4,000 kWh daily
- Continued to replace water inhibitors on showerheads and recycle grey water for floor rinsing and posted reminders to save water. Approximately 2,600,000 liters of water are saved each year

Galaxy Macau™ has taken great strides toward environmental sustainability. "Galaxy Green", as we call our comprehensive environmental program, covers all aspects of the resorts operations and is designed to maximize energy and water conservation while minimizing waste production. The property implemented the following initiatives in the first half of 2011:

- Installed full insulation along the exterior of the building as well as insulated glass along the curtain wall. This reduces the need for excessive air-conditioning
- Recycled over 214 tons of paper, cardboard, aluminum and plastic waste
- Recycled over 2,000 liters of cooking oil waste
- Installed water inhibitors in faucets and showers
- Fitted all escalators with inverter drives for improved energy management
- Included standby and night modes in all elevators
- Introduced electric golf carts and shuttle buses to transport guests and staff across the property
- Installed automatic flushing in urinals and wash basins
- Implemented a building management system strategy for air conditioning schedules
- Carried out regular maintenance to reduce energy consumption
- Achieved a 200% efficiency increase in heat transfers, allowing for major energy savings in chilled water production



Construction Materials Division made a greener Anderson Road Quarry with collaborate efforts from senior management and staff. The division enjoyed the fun in planting 120 saplings including *Ficus microcarpa*, *Raphiolepis indica* and *Acacia auriculiformis* around the site in April, and received potted plants as souvenirs to echo the message of environmental protection.



Sports Development

GEG has been a long-time supporter of Macau's sports development. In the first half of 2011, GEG again title-sponsored one of Macau's annual international sports events – 2011 Macau Galaxy Entertainment FIVB World Grand Prix-Finals:

- Since 2005, GEG has been the sole title sponsor of the "Macau Galaxy Entertainment FIVB World Grand Prix. This year, the newly-opened Galaxy Macau™ was appointed as the tournament's Official Hotel

Community Involvement

For the first half of 2011, the Group took an active role in giving back to the community. The following are a list of community activities we had organized during the period:

- Organized a "Year of the Rabbit Welcoming Lunch" for 99 senior citizens from the Centro de Convívio Vivacidade of the Macau Federation of Trade Unions
- Joined the mentally handicapped individuals from the Fuheng Society of Macau in a Ceramic Craft-Making Workshop
- Celebrated Easter with close to 40 children from Macau's Cradle of Hope and Fountain of Hope
- Worked with "Peng On Tung Service Center" to assist single-living seniors
- Joined the Respect Senior General Association of Macau to visit single-living seniors to celebrate the Dragon Boat Festival
- Worked with children from the Macau Special Olympics in a plant decoration competition

CORPORATE SOCIAL RESPONSIBILITY



Charity

Upholding the Group's belief that business grow alongside the community and share its success with the wider community, GEG has donated to the below organizations with an aim to help more people in need:

- Care Action Macau
- Caritas Macau
- Macau Inspirational Youth Association
- ORBIS Macau "Action for Sight 2011"

Education Developments

In addition to the above, GEG also believes that education is an essential element to promote Macau's future development and has supported the sector through the following activities in the first half of 2011:

- Collaborated with the Macau Management Association to provide training courses to local young people and GEG members to develop their leadership skills
- Title sponsored the "GEG Macau Cup – Teenager National Conditions Knowledge Competition" for the 3rd consecutive year

- Provided internship opportunities and permanent placements to students from various Macau institutes and universities
- Awarded scholarships to distinguished students from Macau Polytechnic Institute
- Introduced the Student Exposure and Experiential Development Program to local undergraduate students

Employee Engagement

GEG organizes regular activities to promote team members' work-life balance, and these activities include:

- GEG Dragon Boat Teams
- Star of the Year
- Different types of recreational courses

More information can be found in the 2010 Annual Report or on our website at www.galaxyentertainment.com

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 28 to 47, which comprises the condensed consolidated balance sheet of Galaxy Entertainment Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2011 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, 31 August 2011

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CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2011

		2011 HK\$'000	2010 HK\$'000
	Note		
Revenue	5	13,666,494	8,570,687
Other income/gains, net	7(a)	71,962	2,610
Special gaming tax and other related taxes to the Macau Government		(5,009,678)	(3,081,671)
Commission and allowances to gaming counterparties		(5,122,960)	(3,263,468)
Raw materials and consumables used		(275,623)	(283,713)
Amortisation and depreciation		(348,708)	(282,114)
Employee benefit expenses		(1,396,917)	(645,975)
Other operating expenses		(999,813)	(469,075)
Net loss on buyback of guaranteed notes		–	(133,175)
Finance costs	8	(91,573)	(24,718)
Change in fair value of derivative under the convertible notes		(164,718)	43,737
Share of profits less losses of: Jointly controlled entities		79,324	64,379
Profit before taxation	7(b)	407,790	497,504
Taxation charge	9	(18,045)	(15,111)
Profit for the period		389,745	482,393
Attributable to:			
Equity holders of the Company		378,309	474,975
Non-controlling interests		11,436	7,418
		389,745	482,393
		HK cents	HK cents
Earnings per share	11		
Basic		9.3	12.1
Diluted		9.1	10.4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2011

	2011 HK\$'000	2010 HK\$'000
Profit for the period	389,745	482,393
Other comprehensive (loss)/income		
Change in fair value of non-current investments	447	(468)
Currency translation differences	29,709	12,794
Change in fair value of cash flow hedges	(31,121)	–
Derecognition of cash flow hedges	–	5,890
Other comprehensive (loss)/income for the period, net of tax	(965)	18,216
Total comprehensive income for the period	388,780	500,609
Total comprehensive income attributable to:		
Equity holders of the Company	371,405	492,533
Non-controlling interests	17,375	8,076
	388,780	500,609

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2011

	Note	30 June 2011 HK\$'000	31 December 2010 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		16,388,753	12,394,439
Investment properties		77,000	77,000
Leasehold land and land use rights		4,308,190	4,330,351
Intangible assets		1,338,239	1,320,129
Jointly controlled entities		1,118,883	1,042,147
Long-term bank deposits		1,659,450	–
Other non-current assets		283,958	486,307
		25,174,473	19,650,373
Current assets			
Inventories		117,988	87,113
Debtors and prepayments	13	1,384,958	852,634
Amounts due from jointly controlled entities		154,253	143,059
Derivative financial instruments		3,533	2,475
Taxation recoverable		2,968	1,562
Other investments		13,763	20,463
Cash and bank balances		5,050,184	4,428,495
		6,727,647	5,535,801
Total assets		31,902,120	25,186,174

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2011

	Note	30 June 2011 HK\$'000	31 December 2010 HK\$'000
EQUITY			
Share capital	14	414,080	395,440
Reserves		10,981,215	8,801,497
Shareholders' funds		11,395,295	9,196,937
Non-controlling interests		408,349	377,614
Total equity		11,803,644	9,574,551
LIABILITIES			
Non-current liabilities			
Borrowings	15	10,958,671	7,143,507
Deferred taxation liabilities		278,710	277,555
Derivative financial instruments		31,121	–
Provisions		106,382	115,150
Retention payable		98,910	67,647
		11,473,794	7,603,859
Current liabilities			
Creditors and accruals	16	7,845,636	5,243,615
Amounts due to jointly controlled entities		12,780	23,763
Current portion of borrowings	15	747,188	2,282,725
Derivative financial instruments		–	387,242
Provision for tax		19,078	70,419
		8,624,682	8,007,764
Total liabilities		20,098,476	15,611,623
Total equity and liabilities		31,902,120	25,186,174
Net current liabilities		(1,897,035)	(2,471,963)
Total assets less current liabilities		23,277,438	17,178,410

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2011

	2011 HK\$'000	2010 HK\$'000
Net cash from operating activities	1,736,429	575,899
Net cash used in investing activities	(4,592,754)	(1,058,266)
Net cash from/(used in) financing activities	3,453,347	(1,428,917)
Net increase/(decrease) in cash and cash equivalents	597,022	(1,911,284)
Cash and cash equivalents at beginning of period	4,369,255	3,516,490
Changes in exchange rates	4,378	113
Cash and cash equivalents at end of period	4,970,655	1,605,319
Analysis of cash and bank balances		
Cash and cash equivalents	4,970,655	1,605,319
Pledged bank deposits	79,529	–
Cash and bank balances	5,050,184	1,605,319

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2011

	Share capital HK\$'000	Reserves HK\$'000	Shareholders' funds HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2011	395,440	8,801,497	9,196,937	377,614	9,574,551
Profit for the period	–	378,309	378,309	11,436	389,745
Other comprehensive income					
Change in fair value of non-current investments	–	447	447	–	447
Currency translation differences	–	23,770	23,770	5,939	29,709
Change in fair value of cash flow hedges	–	(31,121)	(31,121)	–	(31,121)
Total comprehensive income for the period	–	371,405	371,405	17,375	388,780
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	21,747	21,747
Dividend paid to non-controlling interests	–	–	–	(8,387)	(8,387)
Issue of shares upon exercise of share options	1,342	43,102	44,444	–	44,444
Issue of shares upon conversion of convertible notes	17,298	1,728,296	1,745,594	–	1,745,594
Fair value of share options granted	–	36,915	36,915	–	36,915
At 30 June 2011	414,080	10,981,215	11,395,295	408,349	11,803,644
At 1 January 2010	394,159	7,774,378	8,168,537	266,597	8,435,134
Profit for the period	–	474,975	474,975	7,418	482,393
Other comprehensive income					
Change in fair value of non-current investments	–	(468)	(468)	–	(468)
Currency translation differences	–	12,136	12,136	658	12,794
Derecognition of cash flow hedges	–	5,890	5,890	–	5,890
Total comprehensive income for the period	–	492,533	492,533	8,076	500,609
Transactions with equity holders					
Dividend paid to non-controlling interests	–	–	–	(2,862)	(2,862)
Issue of shares upon exercise of share options	167	1,559	1,726	–	1,726
Fair value of share options granted	–	17,307	17,307	–	17,307
At 30 June 2010	394,326	8,285,777	8,680,103	271,811	8,951,914

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.

These interim financial information have been approved for issue by the Board of Directors on 31 August 2011.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information has been prepared 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 and in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

At 30 June 2011, the Group’s current liabilities exceeded its current assets by HK\$1,897 million. Taking into account the committed unutilised banking facilities of HK\$2.8 billion as at 30 June 2011 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 2010, except as described below:

(a) The adoption of new/revised HKFRS

In 2011, the Group adopted the following new/revised Hong Kong Financial Reporting Standards (“HKFRS”) which are relevant to its operations.

HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Annual improvements to HKFRS published in May 2010	
HKFRS 3 (Amendment)	Business Combinations
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 7 (Amendment)	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these new/revised HKFRS and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies and presentation of the financial statements.

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
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets	1 July 2011
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying assets	1 January 2012
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKFRS 9	Financial Instruments	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013

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

3. FINANCIAL RISK MANAGEMENT

All aspects of financial risk management objectives and policies of the Group are consistent with those disclosed in the annual financial statements for the year ended 31 December 2010.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial information requires management to make judgements, 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 judgements, 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 2010.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. REVENUE

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

	2011 HK\$'000	2010 HK\$'000
Sales of construction materials	646,834	596,235
Gaming operations		
Net gaming wins	12,722,795	7,782,583
Contributions from Certain City Club Casinos (Note)	45,563	41,391
Tips received	5,533	5,349
Hotel operations	241,729	140,414
Administrative fees from gaming operations	4,040	4,715
	13,666,494	8,570,687

(Note) In respect of the operations of certain city club casinos (the "Certain City Club Casinos"), the Group entered into certain 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, certain service providers (the "Service Providers") undertake for the provision of a steady flow of customers to the Certain 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 Certain City Club Casinos is recognised based on the established rates for the net gaming wins, after deduction of special gaming taxes and other related taxes to the Macau Government, which reflect the gross inflow of economic benefits to the Group. In addition, all relevant operating and administrative expenses relating to the operations of the Certain City Club Casinos are not recognised as expenses of the Group in the interim financial information.

During the period ended 30 June 2011, the Group is entitled to HK\$45,563,000 (2010: HK\$41,391,000), 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 Certain City Club Casinos are not recognised as expenses of the Group in 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, net loss on buyback of guaranteed notes, gain on disposal of investments and impairment charge when the impairment is the result of an isolated, non-recurring event. The Adjusted EBITDA also excludes the effects of forfeiture on equity-settled share-based payments, share option expenses, donation expenses, loss on derecognition of cash flow hedges, and unrealised gains or losses on financial instruments.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. SEGMENT INFORMATION (Continued)

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.

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Six months ended 30 June 2011				
Reportable segment revenue	14,313,450	646,834	–	14,960,284
Adjusted for:				
Certain City Club Casinos arrangement set out in note 5				
Revenue not recognised	(1,340,681)	–	–	(1,340,681)
Contributions	45,563	–	–	45,563
Others	1,328	–	–	1,328
Revenue recognised under HKFRS	13,019,660	646,834	–	13,666,494
Adjusted EBITDA	1,684,691	177,778	(44,937)	1,817,532
Interest income and gross earnings on finance lease				27,649
Amortisation and depreciation				(348,708)
Finance costs				(91,573)
Change in fair value of derivative under the convertible notes				(164,718)
Taxation charge				(18,045)
Taxation of jointly controlled entities				(9,346)
Adjusted items:				
Pre-opening expenses of Galaxy Macau™ resort at Cotai				(766,760)
Unrealised loss on listed investments				(6,700)
Share option expenses				(36,915)
Donation and sponsorship				(30,209)
Other compensation income				17,538
Profit for the period				389,745

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
Six months ended 30 June 2010				
Reportable segment revenue	9,178,815	596,235	–	9,775,050
Adjusted for:				
Certain City Club Casinos arrangement set out in note 5				
Revenue not recognised	(1,248,111)	–	–	(1,248,111)
Contributions	41,391	–	–	41,391
Others	2,357	–	–	2,357
Revenue recognised under HKFRS	7,974,452	596,235	–	8,570,687
Adjusted EBITDA	872,836	162,683	(45,049)	990,470
Interest income and gross earnings on finance lease				7,250
Amortisation and depreciation				(282,114)
Finance costs				(24,718)
Change in fair value of derivative under the convertible notes				43,737
Taxation charge				(15,111)
Taxation of jointly controlled entities				(5,442)
Adjusted items:				
Net loss on buyback of guaranteed notes				(133,175)
Pre-opening expenses of Galaxy Macau™ resort at Cotai				(44,300)
Unrealised loss on listed investments				(15,031)
Share option expenses				(17,307)
Donation expenses				(15,976)
Loss on derecognition of cash flow hedges				(5,890)
Profit for the period				482,393

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
As at 30 June 2011				
Total assets	26,806,570	3,305,453	1,790,097	31,902,120
Total assets include: Jointly controlled entities	17,133	1,101,750	–	1,118,883
Total liabilities	15,268,999	1,415,128	3,414,349	20,098,476
As at 31 December 2010				
Total assets	20,413,296	3,151,052	1,621,826	25,186,174
Total assets include: Jointly controlled entities	13,325	1,028,822	–	1,042,147
Total liabilities	10,456,163	1,398,626	3,756,834	15,611,623

Geographical analysis

Six months ended 30 June	2011 HK\$'000	2010 HK\$'000
Revenue		
Macau	13,065,914	8,001,443
Hong Kong	382,445	399,338
Mainland China	218,135	169,906
	13,666,494	8,570,687

Non-current assets, other than financial instruments	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Macau	21,348,009	17,619,030
Hong Kong	2,133,009	599,800
Mainland China	1,693,455	1,431,543
	25,174,473	19,650,373

NOTES TO THE INTERIM FINANCIAL INFORMATION

7. OTHER INCOME/GAINS, NET AND PROFIT BEFORE TAXATION

	2011 HK\$'000	2010 HK\$'000
(a) Other income/gains, net		
Rental income from investment properties	3,123	2,425
Interest income		
Bank deposits	23,150	1,681
Loans to jointly controlled entities	2,558	1,818
Deferred receivables	572	562
Dividend income from listed investments	181	–
Gross earnings on finance lease	1,369	3,189
Other compensation income	17,538	–
Others	18,582	19,466
	67,073	29,141
Unrealised loss on listed investments	(6,700)	(15,031)
Change in fair value of investment properties	–	6,300
Gain on disposal of property, plant and equipment	162	724
Foreign exchange gain/(loss)	11,427	(18,524)
	4,889	(26,531)
	71,962	2,610
(b) Profit before taxation is stated after charging		
Depreciation	253,663	169,592
Amortisation		
Gaming licence	52,732	52,732
Computer software	7,584	5,970
Quarry site improvements	7,756	7,746
Overburden removal costs	4,010	4,010
Quarry site development	158	131
Leasehold land and land use rights	22,805	41,933

NOTES TO THE INTERIM FINANCIAL INFORMATION

8. FINANCE COSTS

	2011 HK\$'000	2010 HK\$'000
Interest expenses		
Guaranteed fixed rate notes and floating rate notes wholly repayable within five years	–	92,756
Convertible notes wholly repayable within five years	12,766	49,327
Fixed rate bonds wholly repayable within five years	44,793	–
Bank loans and overdrafts wholly repayable within five years	194,266	16,415
Obligations under finance leases wholly payable within five years	24,766	26,587
Other borrowing costs	803	833
	277,394	185,918
Amount capitalised in assets under construction	(185,821)	(161,200)
	91,573	24,718

9. TAXATION CHARGE

	2011 HK\$'000	2010 HK\$'000
Current taxation		
Hong Kong profits tax	9,845	8,706
Mainland China income tax	6,700	735
Macau complementary tax	235	6
Net under-provision in prior years	1	–
Deferred taxation	1,264	5,664
Taxation charge	18,045	15,111

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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% (2010: 12% to 25%).

10. INTERIM DIVIDEND

The Board of Directors does not declare any interim dividend for the six months ended 30 June 2011 (2010: nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION

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 year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible notes and share options. Diluted earnings per share for the period ended 30 June 2011 did not assume the conversion of the convertible notes at the beginning of period and to the date of conversion since the conversion would have an anti-dilutive effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

	2011 HK\$'000	2010 HK\$'000
Profit attributable to equity holders of the Company	378,309	474,975
Effect of dilutive potential ordinary shares		
Change in fair value of derivative under the convertible notes	–	(43,737)
Profit for calculation of diluted earnings per share	378,309	431,238

	Number of shares	
	2011	2010
Weighted average number of shares for calculating basic earnings per share	4,089,356,225	3,941,931,902
Effect of dilutive potential ordinary shares		
Share options	90,572,838	22,822,581
Convertible notes	–	171,979,234
Weighted average number of shares for calculating diluted earnings per share	4,179,929,063	4,136,733,717

NOTES TO THE INTERIM FINANCIAL INFORMATION

12. CAPITAL EXPENDITURE

For the six months ended 30 June 2011, the Group incurred HK\$4,205 million (2010: HK\$1,624 million) on property, plant and equipment and HK\$78.4 million on intangible assets (2010: HK\$2.1 million).

13. DEBTORS AND PREPAYMENTS

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Trade debtors, net of provision	376,847	363,324
Other debtors and deposit paid, net of provision	885,568	413,626
Prepayments	89,793	35,112
Amount due from associated companies	16,256	12,413
Current portion of finance lease receivable	16,494	28,159
	1,384,958	852,634

Trade debtors mainly arise from the sale 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 for customers in Hong Kong and Macau and 120 to 180 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 2011 HK\$'000	31 December 2010 HK\$'000
Within one month	104,205	142,565
Two to three months	151,208	113,507
Four to six months	48,584	65,799
Over six months	72,850	41,453
	376,847	363,324

NOTES TO THE INTERIM FINANCIAL INFORMATION

14. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	HK\$'000
Authorised:		
At 30 June 2010, 31 December 2010 and at 30 June 2011	9,000,000,000	900,000
Issued and fully paid:		
At 1 January 2010	3,941,589,361	394,159
Issue of shares upon exercise of share options	1,666,662	167
At 30 June 2010	3,943,256,023	394,326
Issue of shares upon exercise of share options	11,142,221	1,114
At 31 December 2010 and 1 January 2011	3,954,398,244	395,440
Issue of shares upon exercise of share options	13,417,960	1,342
Issue of shares upon conversion of convertible notes	172,983,862	17,298
At 30 June 2011	4,140,800,066	414,080

The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected qualifying grantees.

At the annual general meeting of the Company held on 22 June 2011, the shareholders approved the adoption of a new share option scheme (the "New Scheme") and termination of the then existing share option scheme, which was adopted on 30 May 2002 (the "Old Scheme"). Options granted under the Old Scheme remain effective.

During the period, 9,767,000 new options were granted (2010: 7,751,000) and 13,417,960 options (2010: 1,666,662) were exercised and 59,333 options (2010: 3,065,334) have lapsed under the Old Scheme. No option was granted under the New Scheme in the period. The share options outstanding at 30 June 2011 was 129,535,711 (2010: 104,861,004).

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. BORROWINGS

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Bank loans		
Secured	8,567,716	4,615,411
Unsecured	485,275	843,225
	9,052,991	5,458,636
Other borrowings		
Convertible notes (note a)	–	1,180,869
Fixed rate bonds – unsecured (note b)	1,618,128	1,573,794
Bank loans and other borrowings	10,671,119	8,213,299
Obligations under finance leases (note c)	1,034,740	1,212,933
Total borrowings	11,705,859	9,426,232
Current portion included in current liabilities	(414,127)	(1,587,340)
Short-term bank loans	(333,061)	(695,385)
	(747,188)	(2,282,725)
	10,958,671	7,143,507

- (a) During the six months ended 30 June 2011, all convertible notes with an aggregate principal amount of US\$165 million (approximately HK\$1,287 million) as at 31 December 2010 have been converted into ordinary shares of the Company.
- (b) In December 2010, the Company issued fixed rate senior unsecured bonds in an aggregate amount of RMB 1.38 billion. The senior unsecured bonds bear fixed interest at 4.625% per annum and will be fully repayable in December 2013. The fixed rate bonds are listed on the SEHK.
- (c) Obligations under finance leases at 30 June 2011 included land premium payable to the Macau government in respect of the outstanding installment payable for a piece of land in Cotai, Macau under the concession contract amounting to MOP1,041 million (approximately HK\$1,011 million).

NOTES TO THE INTERIM FINANCIAL INFORMATION

16. CREDITORS AND ACCRUALS

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Trade creditors	1,360,618	1,050,050
Other creditors	3,636,920	2,195,880
Chips issued	1,983,903	1,268,935
Loans from non-controlling interests	45,748	49,119
Accruals and provision	799,754	666,478
Deposits received	18,693	13,153
	7,845,636	5,243,615

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

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Within one month	802,583	611,223
Two to three months	207,660	91,645
Four to six months	62,068	51,000
Over six months	288,307	296,182
	1,360,618	1,050,050

17. CAPITAL COMMITMENTS

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Contracted but not provided for	406,056	2,126,830
Authorised but not contracted for	265,072	2,573,747

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 jointly controlled entities of HK\$2,558,000 (2010: HK\$1,818,000) are charged at prevailing market rate.
- (b) Management fee received from jointly controlled entities of HK\$1,718,000 (2010: HK\$1,433,000) are charged at terms agreed among the parties.
- (c) Rental expenses of HK\$1,054,000 (2010: HK\$1,007,000) 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.
- (d) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. Key management compensation amounted to HK\$30,000,000 for the six months ended 30 June 2011 (2010: HK\$27,000,000).

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES AND SHARE OPTIONS

At 30 June 2011, the interests of each Director in the shares, underlying shares and debentures of the Company, and the details of any right to subscribe for shares of the Company and of the exercise of such rights, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Shares (including underlying shares)

Name	Number of shares (including underlying shares)				Total	Percentage of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Che-woo Lui	27,537,632	2,181,518	305,401 ⁽¹⁾	2,967,032,948 ⁽²⁾	2,997,057,499	72.38
Francis Lui Yiu Tung	37,906,896	–	407,558,099 ⁽³⁾	2,551,592,504 ⁽²⁾	2,997,057,499	72.38
Joseph Chee Ying Keung	3,387,000	–	–	–	3,387,000	0.08
Paddy Tang Lui Wai Yu	14,239,722	–	–	2,982,817,777 ⁽²⁾	2,997,057,499	72.38
James Ross Ancell	250,000	–	–	–	250,000	0.01
William Yip Shue Lam	250,000	–	–	–	250,000	0.01
Anthony Thomas Christopher Carter	2,800,000	–	–	–	2,800,000	0.07
Martin Clarke	–	–	–	–	–	–
Patrick Wong Lung Tak	–	–	–	–	–	–
Henry Lin Chen	–	–	–	–	–	–

Notes:

- (1) 305,401 shares of the Company were held by Po Kay Securities & Shares Company Limited which is controlled by Dr. Che-woo Lui.
- (2) A discretionary family trust established by Dr. Che-woo Lui as founder was interested in 1,708,944,231 shares of the Company. Dr. Che-woo Lui, 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.

Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu are, among others, parties to certain arrangements to which section 317 of the SFO applies and each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any shares of the Company held by the other parties to such arrangements for so long as such arrangements are in place. The deemed interests pursuant to these arrangements of Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu were 1,258,088,717 shares, 842,648,273 shares and 1,273,873,546 shares of the Company respectively.

- (3) 114,504,039 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 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.

OTHER INFORMATION

(b) Underlying Shares – Share Option

Details are set out in the Share Option section below.

All the interests stated above represent long positions.

Save as disclosed above, as at 30 June 2011, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 30 June 2011, 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.	2,997,057,499 ⁽¹⁾	72.38
CWL Assets (PTC) Limited	1,708,944,231	41.27
ENB Topco 2 S.à.r.l	2,997,757,499 ⁽¹⁾⁽³⁾	72.40
Galaxy Entertainment Group Limited	2,997,057,499 ⁽¹⁾	72.38
HSBC International Trustee Limited	1,708,944,231 ⁽²⁾	41.27
Mark Liaison Limited	2,997,057,499 ⁽¹⁾	72.38
Permira Holdings Limited	2,997,757,499 ⁽¹⁾⁽⁴⁾	72.40
Premium Capital Profits Limited	2,997,057,499 ⁽¹⁾	72.38
Recurrent Profits Limited	2,997,057,499 ⁽¹⁾	72.38
Super Focus Company Limited	2,997,057,499 ⁽¹⁾	72.38

Notes:

- (1) City Lion Profits Corp., ENB Topco 2 S.à.r.l, Galaxy Entertainment Group Limited, Mark Liaison Limited, Permira Holdings Limited, Premium Capital Profits Limited, Recurrent Profits Limited and Super Focus Company Limited are, among others, parties having interests in certain arrangements to which section 317 of the SFO applies and each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any shares of the Company held by the other parties to such arrangements for so long as such arrangements are in place. Their deemed interests pursuant to these arrangements were 1,683,170,293 shares, 2,355,038,916 shares, 2,997,057,499 shares, 2,987,396,644 shares, 2,199,373,499 shares, 2,983,749,320 shares, 2,882,553,460 shares and 2,727,857,345 shares of the Company respectively.
- (2) HSBC International Trustee Limited is the trustee of a discretionary family trust established by Dr. Che-woo Lui as founder, which was interested in 1,708,944,231 shares of the Company.
- (3) ENB Topco 2 S.à.r.l is deemed to have an interest in the shares of the Company as a result of the direct holding of the shares of the Company by ENB Lux 2 S.à.r.l, its wholly-owned subsidiary.
- (4) Permira Holdings Limited is deemed to have an interest in the shares of the Company in its capacity as the holding company of the general partner and manager of the funds which control the companies holding the shares of the Company.

OTHER INFORMATION

There was duplication of interests of:

- (i) 1,708,944,231 shares of the Company between Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, CWL Assets (PTC) Limited and HSBC International Trustee Limited;
- (ii) 1,313,887,206 shares of the Company between City Lion Profits Corp. and CWL Assets (PTC) Limited;
- (iii) 114,504,039 shares of the Company between Mr. Francis Lui Yiu Tung and Recurrent Profits Limited;
- (iv) 642,718,583 shares of the Company between ENB Topco 2 S.à.r.l and Permira Holdings Limited; and
- (v) apart from the above, duplication of interests also existed among Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, City Lion Profits Corp., ENB Topco 2 S.à.r.l, Galaxy Entertainment Group Limited, Mark Liaison Limited, Permira Holdings Limited, Premium Capital Profits Limited, Recurrent Profits Limited and Super Focus Company Limited, which are parties having interests in certain arrangements to which section 317 of the SFO applies. As a result, each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any shares of the Company held by the other parties to such arrangements for so long as such arrangements are in place. Their interests were duplicated to the extent as disclosed in the relevant notes above.

Save as disclosed above, as at 30 June 2011, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTIONS

At the annual general meeting of the Company held on 22 June 2011, the shareholders approved the adoption of a new share option scheme (the "New Scheme") and termination of the then existing share option scheme, which was adopted on 30 May 2002, (the "Old Scheme") options granted under the old scheme remain effective.

No options was granted under the New Scheme in the period under review. The particulars of the movements in the options held by each of the Directors, the employees of the Company in aggregate and other participants granted under the Old Scheme of the Company during the six months ended 30 June 2011 were as follows:

Name	Date of grant	Number of options				Held at 30 June 2011	Exercise price (HK\$)	Exercise period
		Held at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period			
Che-woo Lui	28 Feb 2003	2,000,000	-	-	-	2,000,000	0.514	1 Mar 2004 – 28 Feb 2013
	21 Oct 2005	2,700,000	-	-	-	2,700,000	4.590	22 Oct 2005 – 21 Oct 2011
	21 Oct 2005	590,000	-	-	-	590,000	4.590	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	862,500	-	-	-	862,500	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	862,500	-	-	-	862,500	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,725,000	-	-	-	1,725,000	6.972	17 Jan 2012 – 16 Jan 2014
	8 May 2009	1,150,000	-	-	-	1,150,000	2.160	8 May 2010 – 7 May 2015
	8 May 2009	1,150,000	-	-	-	1,150,000	2.160	8 May 2011 – 7 May 2015
	8 May 2009	1,150,000	-	-	-	1,150,000	2.160	8 May 2012 – 7 May 2015
	11 Oct 2010	1,150,000	-	-	-	1,150,000	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	1,150,000	-	-	-	1,150,000	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	1,150,000	-	-	-	1,150,000	6.810	11 Oct 2013 – 10 Oct 2016

OTHER INFORMATION

Name	Date of grant	Number of options				Held at 30 June 2011	Exercise price (HK\$)	Exercise period
		Held at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period			
Francis Lui	28 Feb 2003	1,870,000	-	-	-	1,870,000	0.514	1 Mar 2004 – 28 Feb 2013
Yiu Tung	21 Oct 2005	6,000,000	-	-	-	6,000,000	4.590	22 Oct 2005 – 21 Oct 2011
	21 Oct 2005	580,000	-	-	-	580,000	4.590	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	1,250,000	-	-	-	1,250,000	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	1,250,000	-	-	-	1,250,000	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	2,500,000	-	-	-	2,500,000	6.972	17 Jan 2012 – 16 Jan 2014
	8 May 2009	1,666,666	-	-	-	1,666,666	2.160	8 May 2010 – 7 May 2015
	8 May 2009	1,666,666	-	-	-	1,666,666	2.160	8 May 2011 – 7 May 2015
	8 May 2009	1,666,668	-	-	-	1,666,668	2.160	8 May 2012 – 7 May 2015
	11 Oct 2010	1,666,666	-	-	-	1,666,666	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	1,666,666	-	-	-	1,666,666	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	1,666,668	-	-	-	1,666,668	6.810	11 Oct 2013 – 10 Oct 2016
Joseph Chee	21 Oct 2005	270,000	-	270,000 ^(a)	-	-	4.590	22 Oct 2006 – 21 Oct 2011
Ying Keung	18 Aug 2008	383,000	-	-	-	383,000	3.320	18 Aug 2009 – 17 Aug 2014
	21 Oct 2009	642,000	-	-	-	642,000	3.600	21 Oct 2010 – 20 Oct 2015
	20 Apr 2011	-	642,000	-	-	642,000	13.820	20 Apr 2012 – 19 Apr 2017
Paddy Tang Lui	21 Oct 2005	3,000,000	-	3,000,000 ^(a)	-	-	4.590	22 Oct 2005 – 21 Oct 2011
Wai Yu	21 Oct 2005	400,000	-	400,000 ^(a)	-	-	4.590	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	500,000	-	-	-	500,000	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	500,000	-	-	-	500,000	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,000,000	-	-	-	1,000,000	6.972	17 Jan 2012 – 16 Jan 2014
	8 May 2009	666,666	-	-	-	666,666	2.160	8 May 2010 – 7 May 2015
	8 May 2009	666,666	-	-	-	666,666	2.160	8 May 2011 – 7 May 2015
	8 May 2009	666,668	-	-	-	666,668	2.160	8 May 2012 – 7 May 2015
	11 Oct 2010	666,666	-	-	-	666,666	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	666,666	-	-	-	666,666	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	666,668	-	-	-	666,668	6.810	11 Oct 2013 – 10 Oct 2016
James Ross Ansell	21 Oct 2005	250,000	-	250,000 ^(a)	-	-	4.590	22 Oct 2006 – 21 Oct 2011
William Yip Shue Lam	21 Oct 2005	250,000	-	250,000 ^(a)	-	-	4.590	22 Oct 2006 – 21 Oct 2011
Anthony Thomas Christopher Carter	21 Oct 2005	2,500,000	-	-	-	2,500,000	4.590	22 Oct 2005 – 21 Oct 2011
Martin Clarke	-	-	-	-	-	-	-	-
Patrick Wong Lung Tak	-	-	-	-	-	-	-	-
Henry Lin Chen	-	-	-	-	-	-	-	-

OTHER INFORMATION

Name	Date of grant	Number of options				Held at 30 June 2011	Exercise price (HK\$)	Exercise period
		Held at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period			
Employees (in aggregate)	28 Feb 2003	110,000	–	–	–	110,000	0.514	1 Mar 2004 – 28 Feb 2013
	21 Oct 2005	747,000	–	681,000 ^(a)	–	66,000	4.590	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	625,000	–	–	–	625,000	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	625,000	–	–	–	625,000	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,250,000	–	–	–	1,250,000	6.972	17 Jan 2012 – 16 Jan 2014
	18 Aug 2008	1,032,000	–	494,000 ^(b)	–	538,000	3.320	18 Aug 2009 – 17 Aug 2014
	8 May 2009	8,030,659	–	2,036,332 ^(c)	33,333	5,960,994	2.160	8 May 2010 – 7 May 2015
	8 May 2009	11,931,655	–	3,344,996 ^(c)	–	8,586,659	2.160	8 May 2011 – 7 May 2015
	8 May 2009	11,931,690	–	–	–	11,931,690	2.160	8 May 2012 – 7 May 2015
	21 Oct 2009	2,612,000	–	1,568,000 ^(d)	–	1,044,000	3.600	21 Oct 2010 – 20 Oct 2015
	11 Feb 2010	1,650,330	–	1,123,632 ^(e)	–	526,698	2.910	11 Feb 2011 – 10 Feb 2016
	11 Feb 2010	1,650,330	–	–	–	1,650,330	2.910	11 Feb 2012 – 10 Feb 2016
	11 Feb 2010	1,650,340	–	–	–	1,650,340	2.910	11 Feb 2013 – 10 Feb 2016
	23 Jul 2010	9,992,992	–	–	–	9,992,992	4.670	23 Jul 2011 – 22 Jul 2016
	23 Jul 2010	9,992,992	–	–	–	9,992,992	4.670	23 Jul 2012 – 22 Jul 2016
	23 Jul 2010	9,993,016	–	–	–	9,993,016	4.670	23 Jul 2013 – 22 Jul 2016
	11 Oct 2010	666,666	–	–	–	666,666	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	666,666	–	–	–	666,666	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	666,668	–	–	–	666,668	6.810	11 Oct 2013 – 10 Oct 2016
	20 Apr 2011	–	5,709,661	–	26,000	5,683,661	13.820	20 Apr 2012 – 19 Apr 2017
20 Apr 2011	–	1,707,661	–	–	1,707,661	13.820	20 Apr 2013 – 19 Apr 2017	
20 Apr 2011	–	1,707,678	–	–	1,707,678	13.820	20 Apr 2014 – 19 Apr 2017	
Others	21 Oct 2005	3,500,000	–	–	–	3,500,000	4.590	22 Oct 2005 – 21 Oct 2011
	8 May 2009	568,000	–	–	–	568,000	2.160	8 May 2011 – 7 May 2015
	8 May 2009	568,000	–	–	–	568,000	2.160	8 May 2012 – 7 May 2015

Notes:

- The weighted average closing price of the Company's shares immediately before the date on which the options were exercised during the period was HK\$13.79.
- The weighted average closing price of the Company's shares immediately before the date on which the options were exercised during the period was HK\$12.59.
- The weighted average closing price of the Company's shares immediately before the date on which the options were exercised during the period was HK\$14.62.
- The weighted average closing price of the Company's shares immediately before the date on which the options were exercised during the period was HK\$12.49.
- The weighted average closing price of the Company's shares immediately before the date on which the options were exercised during the period was HK\$11.86.

OTHER INFORMATION

The vesting periods for the above options are the periods from the respective dates of grant to the respective commencement dates of the exercise periods of the options as disclosed above. The consideration paid by each grantee for each grant of options was HK\$1.00.

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

The fair value of the options granted on 20 April 2011 is estimated at HK\$5.81 or HK\$5.96 per option based on the Black-Scholes valuation model. The significant inputs into the model are share price of HK\$13.82 on the date of grant, exercise price of HK\$13.82, standard deviation of expected share price return of 65%, expected life of options of 3 to 5 years, expected dividend paid out rate of 2% and annual risk-free interest rate of 1.3% to 1.8%. 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 during the period was HK\$13.04.

DEALINGS IN LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares or listed debt securities during the six months ended 30 June 2011.

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended 30 June 2011 have been reviewed by the Audit Committee 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 our Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2011.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Pursuant to the terms of a secured six-year HK\$9 billion club loan made available by a consortium of several leading Asian banks comprising of Industrial and Commercial Bank of China (Macau) Limited, Bank of China Limited, Macau Branch, DBS Bank (Hong Kong) Limited, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Banco Nacional Ultramarino, S.A. and Guangdong Development Bank Co., Ltd. to Galaxy Entertainment Finance (Galaxy Macau) Limited, a subsidiary of the Company, in June 2010, there is a requirement that the Lui Family is the single largest shareholder of the Company and maintains a minimum 35% interest in the Company during the term of the facility. Failure to comply with this obligation will result in the facility becoming mandatorily repayable and all commitments under the facility will be cancelled. For this purpose, the Lui Family includes Dr. Che-woo Lui and any heir, estate, lineal descendent, spouse or parent of him; and any trust, corporation, partnership or other entity in which Dr. Che-woo Lui and/or any of the said persons beneficially holds, directly or indirectly, a 100% controlling interest.

OTHER INFORMATION

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2011, the Company has complied with the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, except code provision A.4.2. The Board considers that the spirit of code provision A.4.2 has been upheld, given that the other Directors do retire by rotation in accordance with the Articles of Association of the Company and the Group is best served by not requiring the Chairman to retire by rotation as his continuity in office is of considerable benefit to and his leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of the Company.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information since the publication of Annual Report 2010 are set out below:

Dr. Patrick Wong Lung Tak, *BBS, JP*

- was appointed as an independent non-executive director of Winox Holdings Limited (stock code: 6838) on 24 June 2011
- the name of Ruinian International Limited (stock code: 2010), of which Dr. Wong is an independent non-executive director, has been changed to Real Nutraceutical Group Limited.

Mr. Joseph Chee Ying Keung

- was re-elected as the Chairman of Hong Kong Contract Quarry Association on 25 May 2011.

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

Hong Kong, 31 August 2011

