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GALAXY ENTERTAINMENT GROUP LIMITED

銀河娛樂集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 27)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

INTERIM RESULTS

The Board of Directors of Galaxy Entertainment Group Limited (“**GEG**”) is pleased to announce the unaudited results of GEG and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2010 as follows:

Financial Highlights:

- Revenue was HK\$8,571 million, representing an increase of HK\$3,236 million or 61% over the corresponding period last year
- Adjusted EBITDA was HK\$990 million, representing an increase of HK\$473 million or 91% over the corresponding period last year
- On a pro-forma basis, profit attributable to shareholders amounted to HK\$608 million, representing an increase of 153% over the corresponding period last year after adjusting for the one-off gain or loss from the bond buybacks
- Strong balance sheet, cash and bank balances as at 30 June 2010 of HK\$1,605 million

INTERIM DIVIDEND

The Board of Directors does not declare any interim dividend for the six months ended 30 June 2010 (2009: nil).

CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)
For The Six Months Ended 30 June 2010

	Note	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue	2	8,570,687	5,334,710
Other income/gains, net		2,610	192,582
Net (loss)/gain on buyback of guaranteed notes		(133,175)	627,857
Gain on buyback of convertible notes		-	191,267
Special gaming tax and other related taxes to the Macau Government		(3,081,671)	(1,806,507)
Commission and allowances to gaming counterparties		(3,263,468)	(1,861,640)
Raw materials and consumables used		(283,713)	(295,924)
Amortisation and depreciation		(282,114)	(260,662)
Employee benefit expenses		(645,975)	(543,083)
Other operating expenses		(469,075)	(400,981)
Operating profit	4	414,106	1,177,619
Finance costs		(24,718)	(113,997)
Change in fair value of derivative under the convertible notes		43,737	(24,607)
Share of profits less losses of:			
Jointly controlled entities		64,379	32,743
Associated company		-	54
Profit before taxation		497,504	1,071,812
Taxation charge	5	(15,111)	(6,600)
Profit for the period		482,393	1,065,212
Attributable to:			
Equity holders of the Company		474,975	1,059,197
Non-controlling interests		7,418	6,015
		482,393	1,065,212
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	6		
Basic		12.1	26.9
Diluted		10.4	26.9

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For The Six Months Ended 30 June 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the period	482,393	1,065,212
Other comprehensive income/(loss)		
Change in fair value of non-current investments, net of tax	(468)	1,857
Currency translation differences	12,794	(1,428)
Change in fair value of cash flow hedges	-	(3,065)
Derecognition of cash flow hedges	5,890	-
	<hr/>	<hr/>
Other comprehensive income/(loss) for the period, net of tax	18,216	(2,636)
	<hr/>	<hr/>
Total comprehensive income for the period	500,609	1,062,576
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to:		
Equity holders of the Company	492,533	1,056,501
Non-controlling interests	8,076	6,075
	<hr/>	<hr/>
	500,609	1,062,576
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)
As at 30 June 2010

	Note	30 June 2010 HK\$'000	31 December 2009 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		8,613,369	7,175,464
Investment properties		73,000	66,700
Leasehold land and land use rights		4,286,550	4,347,228
Intangible assets		1,334,282	1,391,322
Jointly controlled entities		1,059,293	1,003,061
Associated company		857	857
Other non-current assets		343,049	352,660
		<u>15,710,400</u>	<u>14,337,292</u>
Current assets			
Inventories		87,461	84,820
Debtors and prepayments	7	945,268	894,862
Amounts due from jointly controlled entities		216,080	91,556
Derivative financial instruments		1,880	382
Taxation recoverable		12,430	2,479
Other investments		20,101	35,132
Cash and bank balances		1,605,319	3,516,490
		<u>2,888,539</u>	<u>4,625,721</u>
Total assets		<u><u>18,598,939</u></u>	<u><u>18,963,013</u></u>
EQUITY			
Share capital		394,326	394,159
Reserves		8,285,777	7,774,378
Shareholders' funds		<u>8,680,103</u>	<u>8,168,537</u>
Non-controlling interests		271,811	266,597
Total equity		<u><u>8,951,914</u></u>	<u><u>8,435,134</u></u>
LIABILITIES			
Non-current liabilities			
Borrowings		2,659,427	4,459,703
Deferred taxation liabilities		275,361	271,884
Derivative financial instruments		57,529	101,044
Provisions		121,527	129,778
		<u>3,113,844</u>	<u>4,962,409</u>
Current liabilities			
Creditors and accruals	8	4,511,590	4,115,549
Amounts due to jointly controlled entities		9,440	4,157
Borrowings		1,944,895	1,383,488
Derivative financial instruments		-	508
Provision for tax		67,256	61,768
		<u>6,533,181</u>	<u>5,565,470</u>
Total liabilities		<u><u>9,647,025</u></u>	<u><u>10,527,879</u></u>
Total equity and liabilities		<u><u>18,598,939</u></u>	<u><u>18,963,013</u></u>
Net current liabilities		<u><u>(3,644,642)</u></u>	<u><u>(939,749)</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. 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.

The accounting policies and methods of computation 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 2009, except as disclosed below:

(a) The adoption of new/revised HKFRS

In 2010, the Group adopted the following new/revised Hong Kong Financial Reporting Standards (“HKFRS”) which are relevant to its operations.

HKFRS 2 (Amendment)	Share-based Payments
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 (Amendment)	Non-current Assets Held For Sale and Discontinued Operations
HKFRS 8 (Amendment)	Operating Segments
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners

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 except for HKAS 27 (Revised) and HKFRS 3 (Revised) as set out below:

HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests that do not result in the change of control to be recorded as equity transactions and these transactions will no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the entity is remeasured to fair value, the difference between its fair value and carrying amount is recognised in the consolidated income statement.

HKFRS 3 (Revised) continued to apply the acquisition method to business combinations, with some significant changes. For example, all acquisition-related costs should be expensed. The cost of acquisition includes the fair value at the acquisition date of any contingent purchase consideration. In a business combination undertaken in phases/stages, the previously held equity interest in the acquiree is remeasured at fair value and the difference between its fair value and carrying amount is recognised in the income statement. There is a choice, on the basis of each acquisition, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

The adoption of HKAS 27 (Revised) and HKFRS 3 (Revised) does not result in any impact on the Group’s result in the current period nor the financial position at the end of the reporting period.

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

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

		Effective for accounting periods beginning on or after
<u>New standards and interpretations</u>		
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
HKFRS 9	Financial Instruments	1 January 2013
<u>Annual improvements to HKFRS published in May 2010</u>		
HKAS 1	Presentation of Financial Instruments	1 January 2011
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 January 2011
HKAS 34	Interim Financial Reporting	1 January 2011
HKFRS 3 (Revised)	Business Combinations	1 July 2010
HKFRS 7	Financial instruments : Disclosure	1 January 2011

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

2. Revenue

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Sales of construction materials	596,235	608,204
Gaming operations		
Net gaming wins	7,782,583	4,516,103
Contributions from Certain City Club Casinos (<i>Note</i>)	41,391	54,156
Tips received	5,349	5,182
Hotel operations	140,414	144,161
Administrative fees from gaming operations	4,715	6,904
	<u>8,570,687</u>	<u>5,334,710</u>

(*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.

2. Revenue (Cont'd)

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 2010, the Group is entitled to HK\$41,391,000 (2009: HK\$54,156,000), 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.

3. Segment information

The Board of Directors is responsible for allocating resources, assessing performance of the operating segments 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 excludes the effects of non-recurring income and expenditure from the operating segments, such as pre-opening expenses, net loss on buyback of guaranteed notes 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, and unrealised gains or losses on financial instruments.

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

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

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

3. Segment information (Cont'd)

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Corporate and treasury management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2010				
Reportable segment revenue	9,178,815	596,235	-	9,775,050
Adjusted for:				
Certain City Club Casinos arrangement set out in note 2				
Revenue not recognised	(1,248,111)	-	-	(1,248,111)
Contributions	41,391	-	-	41,391
Others	2,357	-	-	2,357
Revenue recognised under HKFRS	<u>7,974,452</u>	<u>596,235</u>	<u>-</u>	<u>8,570,687</u>
Adjusted EBITDA	<u>872,836</u>	<u>162,683</u>	<u>(45,049)</u>	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				<u>(5,890)</u>
Profit for the period				<u>482,393</u>

3. Segment information (Cont'd)

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Corporate and treasury management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2009				
Reportable segment revenue	6,198,196	608,204	-	6,806,400
Adjusted for:				
Certain City Club Casinos arrangement set out in note 2				
Revenue not recognised	(1,529,558)	-	-	(1,529,558)
Contributions	54,156	-	-	54,156
Others	3,712	-	-	3,712
Revenue recognised under HKFRS	<u>4,726,506</u>	<u>608,204</u>	<u>-</u>	<u>5,334,710</u>
Adjusted EBITDA	<u>450,925</u>	<u>109,953</u>	<u>(42,961)</u>	517,917
Interest income and gross earnings on finance lease				17,616
Amortisation and depreciation				(260,662)
Finance costs				(113,997)
Change in fair value of derivative under the convertible notes				(24,607)
Taxation charge				(6,600)
Taxation of jointly controlled entities				(3,039)
Adjusted items:				
Net gain on buyback of guaranteed notes				627,857
Gain on buyback of convertible notes				191,267
Reversal upon forfeiture of share options				21,225
Pre-opening expenses of Galaxy Macau resort at Cotai				(9,779)
Unrealised gain on listed investments				7,968
Gain on disposal of a subsidiary				148,385
Other provision				(37,042)
Share option expenses				<u>(11,297)</u>
Profit for the period				<u>1,065,212</u>

3. Segment information (Cont'd)

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Corporate and treasury management <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2010				
Total assets	<u>15,850,107</u>	<u>2,725,865</u>	<u>22,967</u>	<u>18,598,939</u>
Total assets include:				
Jointly controlled entities	9,101	1,050,192	-	1,059,293
Associated company	-	857	-	857
Total liabilities	<u>5,784,621</u>	<u>1,156,929</u>	<u>2,705,475</u>	<u>9,647,025</u>
As at 31 December 2009				
Total assets	<u>16,311,283</u>	<u>2,596,784</u>	<u>54,946</u>	<u>18,963,013</u>
Total assets include:				
Jointly controlled entities	8,210	994,851	-	1,003,061
Associated company	-	857	-	857
Total liabilities	<u>8,530,191</u>	<u>792,754</u>	<u>1,204,934</u>	<u>10,527,879</u>

Geographical analysis

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Six months ended 30 June		
Revenue		
Macau	8,001,443	4,748,311
Hong Kong	399,338	323,761
Mainland China	<u>169,906</u>	<u>262,638</u>
	<u>8,570,687</u>	<u>5,334,710</u>
Non-current assets, other than financial instruments	As at 30 June 2010 <i>HK\$'000</i>	As at 31 December 2009 <i>HK\$'000</i>
Macau	13,936,511	12,598,544
Hong Kong	653,910	627,024
Mainland China	<u>1,079,291</u>	<u>1,068,284</u>
	<u>15,669,712</u>	<u>14,293,852</u>

4. Operating profit

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit is stated after crediting:		
Rental income	2,425	2,942
Interest income	4,061	12,212
Dividend income from unlisted investments	-	600
Dividend income from listed investments	-	466
Unrealised (loss)/gain on listed investments	(15,031)	7,968
Gain on disposal of a subsidiary	-	148,385
Change in fair value of investment properties	6,300	-
Gain/(loss) on disposal of property, plant and equipment	724	(957)

and after charging:

Depreciation	169,592	171,652
Amortisation		
Gaming licence	52,732	52,732
Computer software	5,970	6,424
Quarry site improvements	7,746	5,481
Overburden removal costs	4,010	4,010
Quarry site development	131	227
Leasehold land and land use rights	41,933	20,136

5. Taxation charge

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	8,706	1,682
Mainland China income tax	735	3,001
Macau complementary tax	6	-
Deferred taxation	5,664	1,917
Taxation charge	15,111	6,600

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the period after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, these rates range from 12% to 25% (2009: 12% to 25%).

6. Earnings per share

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	474,975	1,059,197
Effect of dilutive potential ordinary shares		
Change in fair value of derivative under the convertible notes	<u>(43,737)</u>	<u>-</u>
Profit for calculation of diluted earnings per share	<u>431,238</u>	<u>1,059,197</u>
	Number of shares	
	2010	2009
Weighted average number of shares for calculating basic earnings per share	3,941,931,902	3,938,169,361
Effect of dilutive potential ordinary shares		
Share options	22,822,581	5,104,388
Convertible notes	<u>171,979,234</u>	<u>-</u>
Weighted average number of shares for calculating diluted earnings per share	<u>4,136,733,717</u>	<u>3,943,273,749</u>

Diluted earnings per share for the period ended 30 June 2009 did not assume the conversion of the convertible notes during the period since their conversion would have an anti-dilutive effect.

7. Debtors and prepayments

	30 June 2010 <i>HK\$'000</i>	31 December 2009 <i>HK\$'000</i>
Trade debtors, net of provision	341,820	415,506
Other debtors, net of provision	513,660	414,048
Prepayments	49,572	25,243
Amount due from an associated company	12,217	7,951
Current portion of finance lease receivable	<u>27,999</u>	<u>32,114</u>
	<u>945,268</u>	<u>894,862</u>

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.

7. Debtors and prepayments (Cont'd)

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 2010 <i>HK\$'000</i>	31 December 2009 <i>HK\$'000</i>
Within one month	99,502	125,774
Two to three months	99,330	129,995
Four to six months	57,103	92,749
Over six months	85,885	66,988
	<hr/> 341,820 <hr/>	<hr/> 415,506 <hr/>

8. Creditors and accruals

	30 June 2010 <i>HK\$'000</i>	31 December 2009 <i>HK\$'000</i>
Trade creditors	1,325,085	1,246,633
Other creditors	942,005	842,945
Chips issued	1,027,711	1,008,662
Loans from non-controlling interests	47,165	50,675
Accruals and provision	1,157,234	958,904
Deposits received	12,390	7,730
	<hr/> 4,511,590 <hr/>	<hr/> 4,115,549 <hr/>

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

	30 June 2010 <i>HK\$'000</i>	31 December 2009 <i>HK\$'000</i>
Within one month	931,310	841,830
Two to three months	55,919	77,764
Four to six months	28,448	41,586
Over six months	309,408	285,453
	<hr/> 1,325,085 <hr/>	<hr/> 1,246,633 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

During the first half of 2010 Macau's gaming and entertainment industry has continued to grow and develop strongly.

The Group achieved a net profit after taxation of \$482 million for the six month period ended 30 June 2010.

The management team of GEG remains fully focused on two key initiatives: delivering ever stronger financial returns for shareholders and ensuring that Galaxy Macau™ opens on time in early 2011. GEG would like to take this opportunity to confirm our ongoing commitment to these two critical goals.

GEG's strong financial performance during the period was a direct result of the enormous success at StarWorld, the Group's flagship property. One of Macau's leading VIP properties, StarWorld is delivering a return on investment of 43%, and continues to attract ever growing VIP business and maintains prudent cost controls.

As a Group, GEG is committed to continued investment in Macau to enhance its competitive position as a market leader in a rapidly evolving market. However the company's disciplined and prudent approach to investment ensures the achievement of a satisfactory return on investment (ROI) for shareholders.

GEG is very confident about the future growth potential of Macau, which is underpinned by surging visitation driven by the resilience of Asian economies and the increase of disposable income across the region, which encourages the growth of leisure and tourism.

Combining its deep understanding of the local market and the demands of local consumers with its China development expertise, the Group is very well positioned to leverage this growth of Macau with the opening of Galaxy Macau™ in early 2011.

Galaxy Macau™ will be something special. It will introduce a new paradigm to the Macau market and has been developed in line with market demand. GEG recognizes the importance of building Chinese brands and the Chinese service industry, and wants to be a pioneer in producing an Asian centric destination resort. Galaxy Macau™ is the realization of the Group's vision.

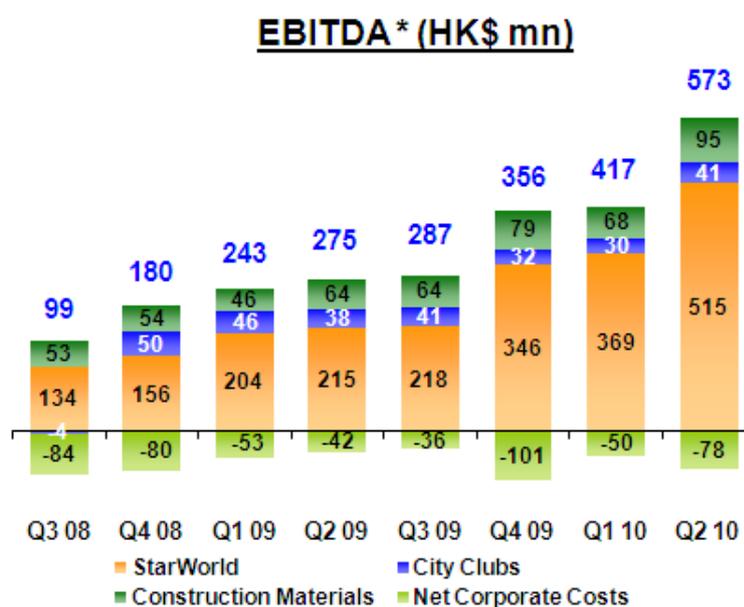
Group Financial Results

Strong growth was maintained into and throughout the first half of 2010. GEG reported revenue and net profit attributable to shareholders of \$8,571 million and \$475 million respectively for the six months ended 30 June 2010. This was in comparison to revenue of \$5,335 million and net profit of \$1,059 million for the six months ended 30 June 2009. The first half of 2010 included a one-off loss of \$133 million, and the first half of 2009 included a one-off gain of \$819 million arising from the bond buybacks reported during the periods. After adjusting for these one-off items, reported net profit would have been \$608 million for the six months ended 30 June 2010 versus \$240 million for the six months ended 30 June 2009. On this basis, the Group's 2010 first half net profit increased 153%.

The first half of 2010 has been a rewarding period for the Group. The strong financial results were positively impacted by our continuing efforts to grow profitable revenue streams and tightly control costs. For the six months ended 30 June 2010, the Group's adjusted earnings before interest, taxation, depreciation and amortisation (EBITDA) were \$990 million, an increase of 91% compared to \$518 million in the corresponding period in 2009. All business units performed solidly during the period and contributed to an all-time record EBITDA of \$573 million in Q2 2010.

Group Financial Results Summary:

(HK\$'m)	Q1 2009	Q2 2009	1H 2009	Q1 2010	Q2 2010	1H 2010	YoY% Q2	YoY% 1H
Revenue	\$2,620	\$2,715	\$5,335	\$3,953	\$4,618	\$8,571	70%	61%
EBITDA	\$243	\$275	\$518	\$417	\$573	\$990	108%	91%



* Excluding interest income and non-recurring items

GAMING AND ENTERTAINMENT DIVISION

Overview of the Macau Gaming Market

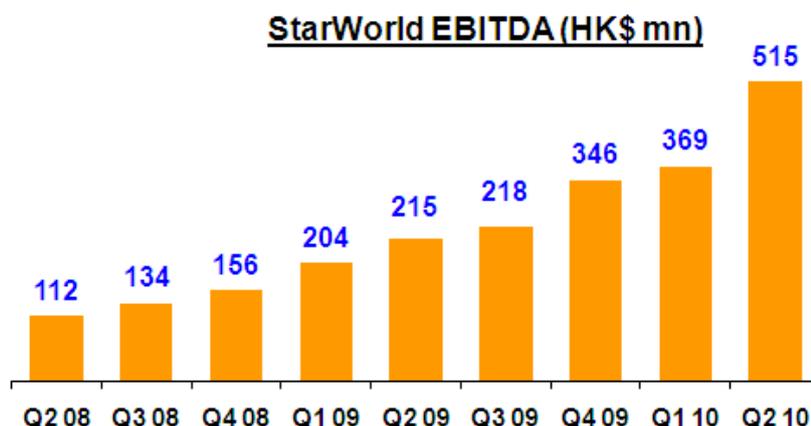
The Macau market continues to grow at a very impressive rate. Compared to 2009, Macau's gaming revenue surged by 58% in the first quarter of 2010 to around HK\$40 billion, and 77% in the second quarter to HK\$44 billion. This impressive performance came as China's economic growth accelerated to 11.9%, the fastest pace in almost three years.

Visitor arrivals for the first half of 2010 increased by 17.9%, growing from 10.4 million visitors in the corresponding period of 2009 to 12.2 million.

StarWorld Hotel & Casino

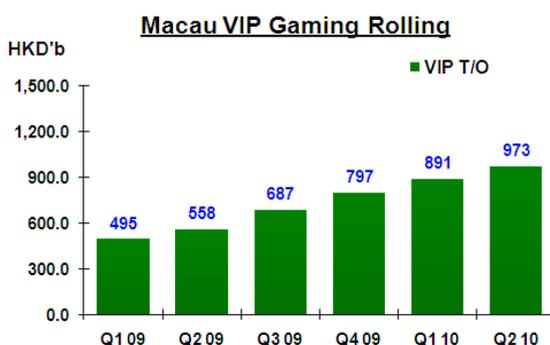
StarWorld continues its exceptional growth as one of the most popular and highest volume casinos in Macau. For the six months ended 30 June 2010, the Group's flagship property delivered outstanding results, with total revenue of \$7.27 billion. StarWorld also continues to deliver very strong EBITDA and has reported eight consecutive quarters of EBITDA growth, culminating in an all-time record EBITDA of \$515 million in the second quarter of 2010. StarWorld's EBITDA for the first half of 2010 increased 111% to \$884 million up from \$419 million in the corresponding period of 2009.

StarWorld is delivering an annualised ROI of 43%. The impressive performance of StarWorld was a direct result of increased gaming volumes, which continue to be driven by the property's strong reputation and quality, prudent cost controls, excellent location in the gaming hub of the Macau Peninsula, and its commitment to Asian Heart service.

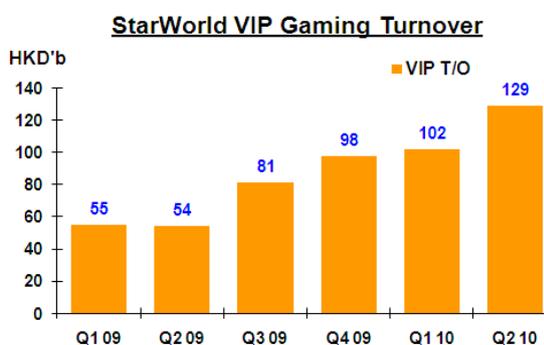


VIP Performance

VIP Rolling Chip volume for the first half of 2010 increased by 112% from \$109 billion in the first half of 2009 to \$231 billion. StarWorld recorded an all-time record quarterly VIP volume of \$129 billion in the second quarter, up 139% over that of quarter two 2009. The win rate for the six month period was 2.8%. The property continues to significantly outperform the market.



- **Macau's VIP gaming rolling turnover**
 - Up 77% from 1H09 to 1H10
 - Up 9% from 1Q to 2Q



- **StarWorld VIP rolling turnover**
 - Up 112% from 1H09 to 1H10
 - Up 26% from 1Q to 2Q

(HK\$m)	Q1 2009	Q2 2009	1H 2009	Q1 2010	Q2 2010	1H 2010
Turnover	\$55,000	\$54,000	\$109,000	\$102,000	\$129,000	\$231,000
Net Win	\$1,700	\$1,700	\$3,400	\$2,900	\$3,600	\$6,500
Win %	3.0%	3.2%	3.1%	2.9%	2.8%	2.8%

Mass Gaming Performance

StarWorld is a VIP centric property that also has a successful mass gaming operation. Mass Drop for the first half of 2010 increased compared to the corresponding period of 2009. The win rate stood at 16.5%, up from 15.2% during the first half of last year.

Between May and August 2009, the Group undertook an extensive refurbishment of StarWorld's mass gaming floor, significantly upgrading the facilities. Despite a decrease in the average number of mass gaming tables, revenues grew 19% to \$523 million in the first half of 2010.

(HK\$m)	Q1 2009	Q2 2009	1H 2009	Q1 2010	Q2 2010	1H 2010
Table Drop	\$1,500	\$1,390	\$2,900	\$1,500	\$1,500	\$3,000
Gaming Revenue	\$253	\$187	\$440	\$287	\$236	\$523
Win %	16.8%	13.4%	15.2%	18.2%	14.8%	16.5%

Electronic Gaming Performance

Electronic gaming continues to be a profitable part of StarWorld's offering, despite the constrained footprint of the gaming floor. The win percentage was 7.6% compared favourably to 6.7% in the first half of 2009, whilst the Net Win was \$91 million compared with \$63 million year-on-year.

(HK\$m)	Q1 2009	Q2 2009	1H 2009	Q1 2010	Q2 2010	1H 2010
Slots Handle	\$452	\$482	\$934	\$606	\$601	\$1,207
Net Win	\$30	\$33	\$63	\$46	\$45	\$91
Win %	6.6%	6.8%	6.7%	7.7%	7.5%	7.6%

Non-Gaming Performance

In the first six months of 2010, StarWorld's non-gaming revenues were \$140 million compared to \$144 million in the corresponding period of 2009. StarWorld's room occupancy rate was a very healthy 96% compared to 86% for the first half of the previous year.

StarWorld Hotel is a multi award-winning property and has continued to be recognised as one of Macau's leading hotels, as evidenced by a number of prestigious awards gained during the first half of 2010, including; 'Best Entertainment and Gaming Theme Hotel' by the prestigious Golden Horse Award of China Hotel, 'Best Business Hotel in Macau' by the Golden Pillow Award of China Hotels and, once again in 2010, StarWorld Hotel is the only Five Star Diamond Award winning hotel in Macau.



Year	Award	Association
2010	World Hotel. Continental Diamond Awards – Top Ten Charming Hotels	World Hotel Association, China
	Best Business Hotel in Macau	7th Golden Pillow Award of China Hotels
	Best Entertainment and Gaming Theme Hotel	Golden Horse Award of China Hotel
	Top Ten Glamorous Hotels of China	China Hotel Starlight Awards
	5 Star Diamond Award	American Academy of Hospitality Sciences

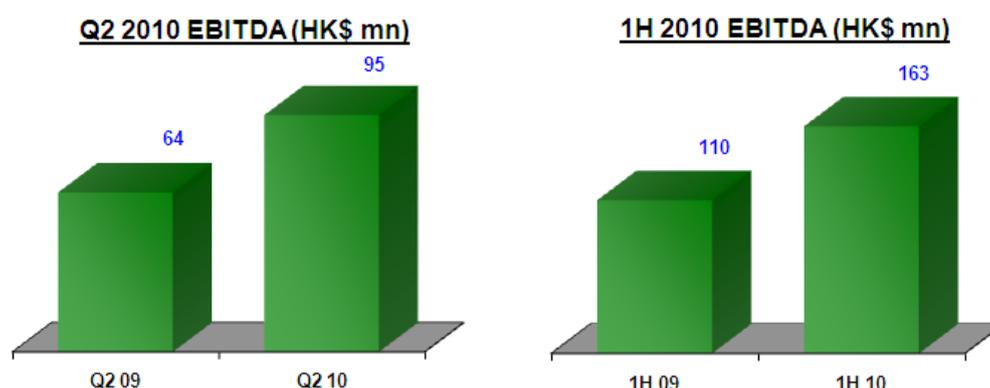
City Clubs Performance

The City Clubs casinos in Macau continue to make a valuable contribution to the Group. The performance of the division has improved following the restructuring of certain management agreements during 2008 and 2009 and a refocusing of the division's business model. City Clubs contributed \$702 million in revenue and \$71 million in EBITDA to the Group during the first half of 2010, compared to \$700 million and \$84 million respectively in the first half of 2009. GEG continues to prudently manage the business to ensure sustained profitability.

CONSTRUCTION MATERIALS DIVISION

The Construction Materials division remains a solid performer and has been boosted by improving market conditions and the Central Government's stimulus packages. The division contributed \$163 million in EBITDA and \$596 million in revenue to the Group in the six months ended 30 June 2010, compared to \$110 million and \$608 million respectively in the corresponding period of 2009.

This strong performance reflects a strategic shift to a number of new Joint Ventures in Mainland China. Under Hong Kong accounting standards, the Group does not consolidate revenues of Joint Ventures but does report the EBITDA proportionalised in line with shareholding. Current forecasts for 2010 point to continuing economic growth in the division's main markets, with the gradual phasing in of core infrastructure projects in Hong Kong and the continuing financial stimulus from the Central Government set to develop the western region of China, in particular Yunnan Province. The Group remains very optimistic about the outlook for the division.



Group Financial Efficiency Initiatives

On 23 April 2010, the Group announced plans to redeem all of its outstanding 9.875% Guaranteed Senior Notes Due 2012, in the amount of US\$281.2 million (HK\$2,193 million) and on 24 May the redemption was concluded.

On 14 June 2010, the Group announced the closing of a six-year \$9 billion club loan from a consortium of Asia's leading banks. The club loan will fully fund the Galaxy Macau™ development in Cotai, Macau. The club loan, its pricing and the outstanding credentials of the banks involved, is a clear endorsement of both the Group's future plans and the strength and potential of the Macau market. The club loan will greatly enhance the financial efficiency and optimize return for shareholders.

HK versus US GAAP Comparisons

When comparing the Group's results to 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 these reduced net gaming revenues, resulting in a significantly higher EBITDA margin than that calculated under Hong Kong accounting standards.

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

	StarWorld's EBITDA Margin	
	Q1 2010	Q2 2010
Under US GAAP	18%	23%
Under HK GAAP	11%	13%

Galaxy Macau™

On schedule to open in early 2011, Galaxy Macau™ is a unique proposition; Macau's first Asian centric integrated resort and one of the largest leisure complexes in Asia. It has been conceived with "World Class, Asian Heart" and will offer the most diverse range of Asian themed entertainment and food in Macau.

Building on GEG's successful track record, and the Group's long history of operations in Asia, the management team is confident that Galaxy Macau™ will be a 'game changer' in the Macau market. We will be introducing a different paradigm to the market that will cater for the increasingly diverse demographic that visits Macau.

Bespoke for Asia, designed and built by a "World Class" team, and harnessing the skills of the very best partners, Galaxy Macau™ will be a fantastic and mystical world, rich in adventure. Tailored to attract a broad range of Asian guests, the resort will cater for mass gaming, direct premium gaming, electronic gaming and VIP customers. With capacity for over 600 gaming tables and 1,500 electronic gaming machines, and more than 50 food and beverage outlets, Galaxy Macau™ is tailored to the needs of Asian consumers.

The 550,000 square metre resort will feature approximately 2,200 rooms, suites and floating villas across three luxurious hotels; the ultra exclusive Banyan Tree, Japan's legendary Hotel Okura, and the highly anticipated five star Galaxy Hotel which is modelled on the award-winning StarWorld Hotel.

Sitting high above five auspiciously themed gaming areas will be the signature 52,000 square metre oasis resort, incorporating the world's largest sky wave pool, a white sandy beach, lush gardens, numerous water features and extensive alfresco dining.

Galaxy Macau™ – Acceleration of Development Schedule and Expanded Scope

Recognizing the significant momentum in the Macau market and the limited new capacity scheduled to open during at least the next 12 months, the Group is accelerating the development schedule of Galaxy Macau™. GEG is also enhancing a number of the property's unique features in order to fully exploit this window of opportunity.

Accordingly, GEG is pleased to announce an additional investment of \$0.8 billion on:

- Increasing room capacity at launch by over 50% to 1,400 rooms (previously 900), including the full opening of all Banyan Tree and Okura hotels
- Opening full complement of over 50 F&B outlets
- Luxurious fit-out, expansion and enhancement of the resort facilities

This additional commitment will see the total investment in Galaxy Macau™ reach \$14.9 billion. This investment will be funded from the existing credit facilities, including the club loan, cash on hand and funds from operations.

Galaxy Macau™ Construction Update

The following progress was made during the first half of 2010:

- Completion of external facade of the hotel towers and podium
- Substantial progress on interior fitting out works
- Awarded all major fitting out contracts, including hotel guestrooms, the gaming hall and the retail boulevards
- Recruitment of world class operations team

The Macau Government has recently implemented a number of changes in the labour regulations. As a result of these regulations, some additional labour costs will be incurred by all construction projects currently underway in Macau. The cost implications of this for GEG are being evaluated, but the Group is currently confident these will cause no material impact on its financial performance, or the potential to achieve strong returns from its investment in Galaxy Macau™.

Galaxy Macau™ is a striking landmark on the Cotai skyline and is on schedule to open in early 2011.

GROUP OUTLOOK

The first six months of 2010 have seen a perpetuation of the Group's success in 2009, and GEG is optimistic that this strong performance will continue for the remainder of the year and into 2011.

Macau has reached a turning point in its evolution. Moving beyond its core gaming heritage, it will, over the coming years, increasingly become a destination within Asia for Asian people seeking Asian

entertainment and recreation. Through the launch of Galaxy Macau™, and the other elements of its Cotai development, GEG will play a critical role in defining this customer experience.

The Macau Government is investing heavily in developing infrastructure and transportation to meet the needs of tomorrow's guests, with the expansion of border gates and the construction of a comprehensive light rail network. At the same time the accessibility of the SAR is being transformed by the large scale infrastructure investment being made by the Central and Macau Governments; such as building-out a national rail network which will link Macau and neighbouring Guangdong with cities across China and the expansion of ferry terminals.

Galaxy Macau™ will be a boldly Asian statement; it will create over 7,500 jobs and transform the nature of visitation to Macau. Its huge revenue potential will be complimented by the Group's well proven ability to control costs, drive profitable growth and manage ROI to ensure that it continues to deliver one of the highest returns on investment in Macau.

Galaxy is in an excellent position to capitalise on the growth potential of the world's largest gaming market, and, by early 2011, it will be the only operator with flagship properties in both the gaming hub of the Macau Peninsula and the emerging highly important area of Cotai. This will give the Group an outstanding opportunity to leverage the expected growth in leisure and recreation as Macau becomes a more diversified destination for visitors from across Asia.

The future is very bright for Galaxy Entertainment Group.

LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 30 June 2010 was \$8,680 million, an increase of approximately 6% over that as at 31 December 2009 of \$8,169 million while the Group's total assets employed decreased to \$18,599 million as compared to \$18,963 million as at 31 December 2009.

As at 30 June 2010, total cash and bank balances were \$1,605 million as compared to \$3,516 million as at 31 December 2009. The Group's total indebtedness was \$4,604 million as at 30 June 2010 as compared to \$5,843 million as at 31 December 2009. The gearing ratio, defined as the ratio of total borrowings outstanding less cash balances to total assets (excludes cash balances), was 18% as at 30 June 2010 (31 December 2009: 15%).

The total indebtedness of the Group mainly comprises bank loans, convertible notes and other obligations which are largely denominated in Hong Kong Dollar, Macau Pacatas and United States Dollar. 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.

TREASURY POLICY

The Group continues to adopt a conservative treasury policy with all bank deposits in either Hong Kong Dollar, United States Dollar or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks. All of the Group's bank loans and convertible notes 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

Building with net book value of \$14 million (31 December 2009: \$15 million), leasehold land with net book value of \$206 million (31 December 2009: \$209 million) and bank deposits of \$54 million (31 December 2009: \$54 million) have been pledged to secure banking facilities.

GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$876 million (31 December 2009: \$855 million), of which \$631 million (31 December 2009: \$250 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 2009: \$9 million). At 30 June 2010, facilities utilised amounted to \$9 million (31 December 2009: \$9 million).

DEALINGS IN LISTED SECURITIES

During the six months ended 30 June 2010, all of the outstanding guaranteed senior floating rate notes due 2010 (“Floating Rate Notes”) and 9.875% guaranteed senior notes due 2012 (“Fixed Rate Notes”) (both were listed on the Singapore Stock Exchange) issued by Galaxy Entertainment Finance Company Limited, a subsidiary of GEG, were fully redeemed. The Floating Rate Notes in the principal amount of US\$105,910,000 were redeemed on 14 January 2010 at a redemption price of 100% of the principal amount after the exercise of optional redemption right on 14 December 2009. The Fixed Rate Notes in the principal amount of US\$281,163,000 were redeemed on 24 May 2010 at a redemption price of 104.938% of the principal amount after the exercise of optional redemption right on 23 April 2010.

Save as disclosed above, neither GEG nor any of its subsidiaries has purchased, sold or redeemed any of GEG’s shares or listed debt securities during the six months ended 30 June 2010.

REVIEW OF INTERIM RESULTS

The Group’s interim results for the six months ended 30 June 2010 have been reviewed by the Audit Committee of GEG and by GEG’s auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information by the Auditor will be included in the Interim Report 2010 to shareholders.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2010, GEG has complied with the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except code provision A.4.2. 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 GEG 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 GEG.

INTERIM REPORT 2010

The Interim Report 2010 of GEG containing all the information required by the Listing Rules will be published on the respective websites of Hong Kong Exchanges and Clearing Limited and GEG and printed copies will be sent to the shareholders in due course.

CHANGES IN THE BOARD

Mr. Guido Paolo Gamucci resigned as a non-executive Director of GEG on 20 January 2010. The Board extends its gratitude to Mr. Gamucci for his valuable effort and contribution to the Group during his term of appointment.

The Board welcomes the appointment of Mr. Henry Lin Chen as a non-executive Director of GEG with effect from 20 January 2010 bringing substantial valuable experience to the Group.

DIRECTORS

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

By Order of the Board of
Galaxy Entertainment Group Limited
Kitty Chan Lai Kit
Company Secretary

Hong Kong, 31 August 2010

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