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銀娛GEG

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 2011

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 2011 as follows:

Highlights

GEG:

- Group Adjusted EBITDA of HK$1.8 billion in H1 2011, up 84% year-on-year
- All-Time Record Adjusted EBITDA of HK$1.1 billion in Q2, up 93% year-on-year
- 11th consecutive quarter of Group Adjusted EBITDA growth
- Adjusted net profit attributable to shareholders more than doubled from HK$0.6 billion to HK$1.3 billion for the six months ended 30 June 2011 after adjusting for an one-off HK$0.8 billion pre-opening expenses of Galaxy Macau™, HK$0.2 billion non-recurring non-cash charges from the change in fair value of derivative under the convertible notes and HK$0.1 billion net loss on buyback of guaranteed notes

StarWorld: ALL-TIME RECORDS

- Half Year Adjusted EBITDA of HK$1.3 billion, up 53% year-on-year
- Half Year Total Revenue HK$10 billion
- 12th consecutive quarter of EBITDA growth with Q2 2011 Adjusted EBITDA of HK$685 million
- Q2 2011VIP Rolling Chip of HK$158 billion
- Continuously improving ROI* of 74% in Q2 2011

Galaxy Macau™ Opened 15 May 2011

- Property opened on time with a 7% increase in budget to HK$16.5 billion due primarily to increased construction labour costs and will open the full complement of 2,200 rooms in Q4 2011
- The entertainment offering including the 3D-Cineplex is included within the project budget and will open in Q4 2011
- Delivered Adjusted EBITDA of HK$376 million for the first 47 days of operation

Balance Sheet

- Liquid with total cash on hand of HK$6.7 billion as of 30 June 2011 (including restricted cash of HK$1.6 billion)

* *ROI calculated based on the total Adjusted EBITDA for the latest twelve months (LTM) divided by the total investment, including land cost.*

CONDENSED CONSOLIDATED INCOME STATEMENT (Unaudited)
For The Six Months Ended 30 June 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
Revenue	2	**13,666,494**	8,570,687
Other income/gains, net		**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		**(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	4	**407,790**	497,504
Taxation charge	5	**(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	6		
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	2010
	HK$'000	*HK$'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	7	**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
EQUITY			
Share capital		**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		**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	8	**7,845,636**	5,243,615
Amounts due to jointly controlled entities		**12,780**	23,763
Borrowings		**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

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.

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.

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

(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.

2. **Revenue**

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

	2011	2010
	HK$'000	*HK$'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

2. Revenue (Cont'd)

(*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.

3. Segment information

The Board of Directors is responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, based on a measurement of adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). This measurement basis of Adjusted EBITDA excludes the effects of non-recurring income and expenditure from the operating segments, such as pre-opening expenses, sponsorship, 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.

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 *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 2				
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**

3. **Segment information (Cont'd)**

	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 2				
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

3. Segment information (Cont'd)

	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

4. Profit before taxation

	2011	2010
	HK$'000	*HK$'000*
Profit before taxation is stated after crediting:		
Rental income from investment properties	**3,123**	2,425
Interest income	**26,280**	4,061
Dividend income from listed investments	**181**	-
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
and 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

5. Taxation charge

	2011	2010
	HK$'000	*HK$'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, these rates range from 12% to 25% (2010: 12% to 25%).

6. 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	2010
	HK$'000	*HK$'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

7. Debtors and prepayments

	30 June 2011	31 December 2010
	HK$'000	*HK$'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 an associated company	**16,256**	12,413
Current portion of finance lease receivable	**16,494**	28,159
	1,384,958	852,634

7. Debtors and prepayments (Cont'd)

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

8. 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

INTERIM DIVIDEND

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

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:

- 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 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%**

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.

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

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%**

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.

StarWorld Hotel & Casino

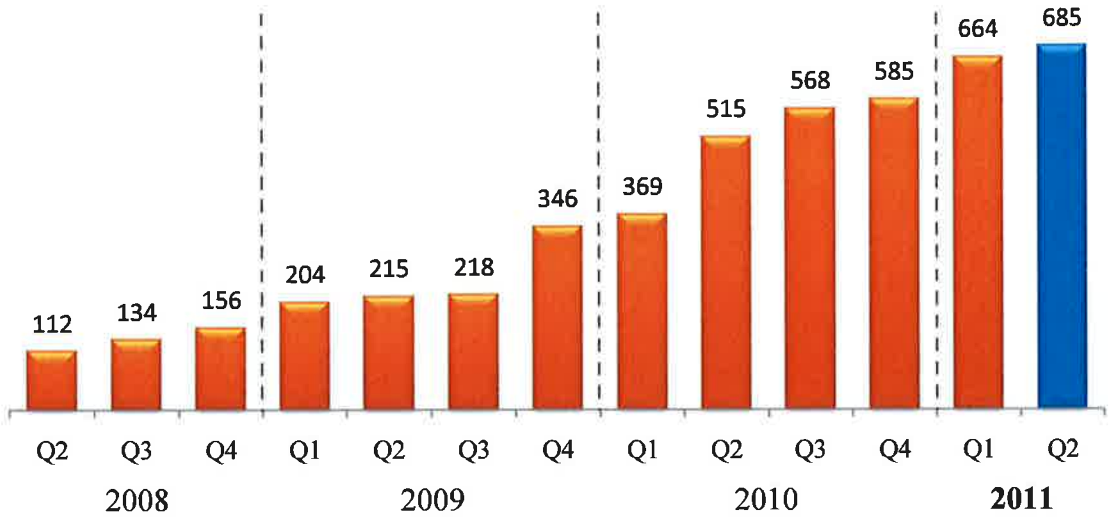
Results Highlights

12th Consecutive Quarter Of EBITDA Growth

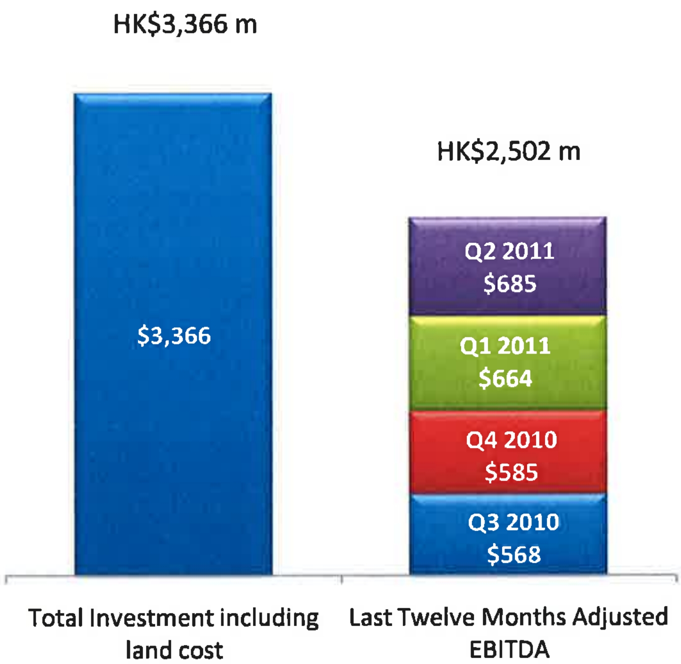
StarWorld continues its exceptional growth as one of the most popular and highest volume casinos in Macau. For the six months ended 30 June 2011, StarWorld delivered outstanding results with total revenue of $10 billion, representing a 37% increase over the same period last year. StarWorld also continues 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%



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.

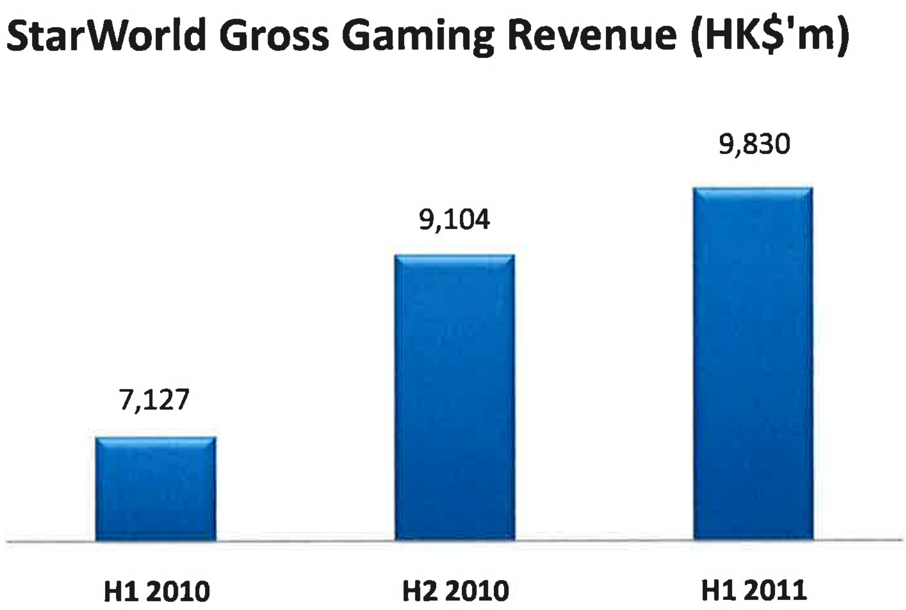
StarWorld - HK versus US GAAP Comparisons

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.



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%	

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

Award Name	Organization
Five-Star Diamond Award (2011)	**The American Academy of Hospitality Sciences**

Award Name	Organization
Best Service Hotel (2011)	Golden Horse Award of China Hotel
Best Consumer Satisfaction Hotel (2011)	
Top Ten Glamorous Hotels of China (2011)	China Hotel Starlight Awards

__Food And Beverage Awards__

Award Name	Organization
One Star Restaurant (Macau) – Jade Garden (2011)	Michelin Guide Hong Kong and Macau
Listed in Michelin Guide – Laurel (2011)	
Listed in Michelin Guide – Inagiku (2011)	

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 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.

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).

DEALINGS IN LISTED SECURITIES

Neither GEG nor any of its subsidiaries has purchased, sold or redeemed any of the GEG'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 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 2011 to shareholders.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2011, 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 2011

The Interim Report 2011 of GEG containing all the information required by the Listing Rules will be published on the respective websites of Hong Kong Exchanges and Clearing Limited and GEG and printed copies will be sent to the shareholders in due course.

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

Hong Kong, 31 August 2011

As at the date of this announcement, the executive Directors of GEG are Dr. Che-woo Lui (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.

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