



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 2007

INTERIM RESULTS

The Directors of Galaxy Entertainment Group Limited (the “Company”) announce the unaudited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2007 as follows:

The revenue of the Group for the six months ended 30 June 2007 was HK\$6,332 million, representing an increase of HK\$5,026 million over the corresponding period last year.

The loss attributable to shareholders of the Group for the six months ended 30 June 2007 amounted to HK\$268 million, representing a decrease of HK\$466 million over the corresponding period last year.

Following the acquisition of 88.1% of the voting shares carrying 97.9% of the economic interest in Galaxy Casino, S.A (“Galaxy”) in July 2005, gaming and entertainment has become the major business of the Group and this division contributed revenue of HK\$5,604 million to the Group for the six months ended 30 June 2007. The loss attributable to shareholders for the six months ended 30 June 2007 included the amortisation of gaming licence of HK\$495 million which arose from the acquisition of Galaxy in July 2005.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2007 (2006: nil).

CONSOLIDATED PROFIT AND LOSS STATEMENT (Unaudited)
For The Six Months Ended 30 June 2007

	Note	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	3	6,331,969	1,306,321
Cost of sales		<u>(5,538,353)</u>	<u>(1,207,448)</u>
Gross profit		793,616	98,873
Other income		185,139	135,825
Administrative expenses		(412,080)	(193,439)
Other operating expenses		<u>(510,096)</u>	<u>(504,922)</u>
Operating profit/(loss)	4	56,579	(463,663)
Finance costs		(323,793)	(288,786)
Share of profits less losses of			
Jointly controlled entities		(918)	17,112
Associated companies		<u>-</u>	<u>504</u>
Loss before taxation		(268,132)	(734,833)
Taxation	5	<u>(11,684)</u>	<u>(1,449)</u>
Loss for the period		<u>(279,816)</u>	<u>(736,282)</u>
Attributable to:			
Shareholders		(267,818)	(734,452)
Minority interests		<u>(11,998)</u>	<u>(1,830)</u>
		<u>(279,816)</u>	<u>(736,282)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	6		
Basic		(8.1)	(22.3)
Diluted		<u>(8.1)</u>	<u>(22.3)</u>

CONSOLIDATED BALANCE SHEET (Unaudited)
As at 30 June 2007

		30 June	31 December
		2007	2006
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		4,154,660	3,882,504
Investment properties		62,500	62,500
Leasehold land and land use rights		1,600,852	1,621,917
Intangible assets		15,026,208	15,520,486
Jointly controlled entities		496,828	386,520
Associated companies		731	730
Other non-current assets		885,393	951,697
		<u>22,227,172</u>	<u>22,426,354</u>
Current assets			
Inventories		96,459	94,522
Debtors and prepayments	7	1,004,547	863,138
Taxation recoverable		1,714	2,546
Other investments		27,888	39,241
Cash and bank balances		6,259,796	5,783,197
		<u>7,390,404</u>	<u>6,782,644</u>
Total assets		<u><u>29,617,576</u></u>	<u><u>29,208,998</u></u>
EQUITY			
Share capital		330,179	329,612
Reserves		13,034,375	13,303,187
Shareholders' funds		<u>13,364,554</u>	<u>13,632,799</u>
Minority interests		481,911	490,700
Total equity		<u>13,846,465</u>	<u>14,123,499</u>
LIABILITIES			
Non-current liabilities			
Borrowings		8,536,587	8,439,965
Deferred taxation liabilities		1,777,178	1,778,588
Derivative financial instruments		550,879	573,109
Provisions		101,567	120,151
		<u>10,966,211</u>	<u>10,911,813</u>
Current liabilities			
Creditors and accruals	8	4,132,523	3,633,845
Current portion of borrowings		653,000	532,888
Taxation payable		19,377	6,953
		<u>4,804,900</u>	<u>4,173,686</u>
Total liabilities		<u>15,771,111</u>	<u>15,085,499</u>
Total equity and liabilities		<u><u>29,617,576</u></u>	<u><u>29,208,998</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 2006.

In 2007, the Group adopted the following new standard, amendment to standard and interpretations which are relevant to its operations.

HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new standards, amendment to standards and interpretations does not have significant impact on the Group’s results, financial position or accounting policies. However, the adoption of HKAS 1 Amendment and HKFRS 7 requires additional disclosures to be made in the annual financial statements.

2. Segment information

The Group is principally engaged in the operation in casino games of chance or games of other forms, provision of hospitality and related services, and the manufacture, sale and distribution of construction materials. In accordance with the internal financial reporting and operating activities of the Group, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

(a) Business segments

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2007				
Revenue	<u>5,603,639</u>	<u>728,330</u>	<u>-</u>	<u>6,331,969</u>
Operating profit/(loss) <i>(Note)</i>	(69,022)	21,770	103,831	56,579
Finance costs				(323,793)
Share of profits less losses of Jointly controlled entities	1,308	(2,226)	-	<u>(918)</u>
Loss before taxation				(268,132)
Taxation				<u>(11,684)</u>
Loss for the period				<u>(279,816)</u>
Capital expenditure	584,047	4,602	574	589,223
Depreciation	113,308	41,387	1,039	155,734
Amortisation	515,351	21,909	-	537,260
Impairment of property, plant and equipment	-	9,793	-	9,793
Write-down of inventories	<u>-</u>	<u>972</u>	<u>-</u>	<u>972</u>

(Note) Results of the gaming and entertainment division include pre-opening expenses of HK\$9,865,000 incurred for the GalaxyWorld Resort.

2. Segment information (Cont'd)

(a) Business segments (Cont'd)

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2006				
Revenue	<u>741,148</u>	<u>565,173</u>	<u>-</u>	<u>1,306,321</u>
Operating profit/(loss) <i>(Note)</i>	(543,245)	5,818	73,764	(463,663)
Finance costs				(288,786)
Share of profits less losses of				
Jointly controlled entities	-	17,112	-	17,112
Associated companies	-	504	-	<u>504</u>
Loss before taxation				(734,833)
Taxation				<u>(1,449)</u>
Loss for the period				<u>(736,282)</u>
Capital expenditure	1,216,141	36,410	3,912	1,256,463
Depreciation	6,189	42,715	451	49,355
Amortisation	495,497	19,458	-	514,955
Impairment of property, plant and equipment	-	1,294	-	1,294
Impairment of non-current investments	<u>-</u>	<u>-</u>	<u>4,237</u>	<u>4,237</u>

(Note) Results of the gaming and entertainment division include pre-opening expenses of HK\$87,152,000 incurred for the City Club casinos and the StarWorld Casino and Hotel.

2. Segment information (Cont'd)

(a) Business segments (Cont'd)

	Gaming and entertainment <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2007				
Segment assets	20,247,576	1,811,397	7,061,044	29,120,017
Jointly controlled entities	(1,461)	498,289	-	496,828
Associated companies	-	731	-	731
Total assets				<u>29,617,576</u>
Segment liabilities	<u>3,385,612</u>	<u>564,637</u>	<u>11,820,862</u>	<u>15,771,111</u>
As at 31 December 2006				
Segment assets	20,403,330	1,782,149	6,636,269	28,821,748
Jointly controlled entities	(2,769)	389,289	-	386,520
Associated companies	-	730	-	730
Total assets				<u>29,208,998</u>
Segment liabilities	<u>2,907,093</u>	<u>539,522</u>	<u>11,638,884</u>	<u>15,085,499</u>

(b) Geographical segments

	Revenue <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>	Total assets <i>HK\$'000</i>
Six months ended 30 June 2007			At 30 June 2007
Macau	5,734,749	584,265	25,340,911
Hong Kong	322,779	3,274	2,853,535
Mainland China	274,441	1,684	1,423,130
	<u>6,331,969</u>	<u>589,223</u>	<u>29,617,576</u>
Six months ended 30 June 2006			At 31 December 2006
Macau	842,657	1,236,146	25,077,008
Hong Kong	210,133	18,312	2,860,182
Mainland China	253,531	2,005	1,271,808
	<u>1,306,321</u>	<u>1,256,463</u>	<u>29,208,998</u>

3. Revenue

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Sales of construction materials	728,330	565,173
Gaming operations		
Net gaming wins	5,427,040	662,871
Contributions (<i>Note</i>)	63,199	72,845
Tips received	19,094	5,432
Hotel operations		
Room rental	59,162	-
Food and beverages	18,450	-
Others	16,694	-
	<u>6,331,969</u>	<u>1,306,321</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 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 special gaming tax and funds to the Macau Government, the remaining net gaming wins and revenue from gaming operations less all the relevant operating and administrative expenses belong to the Service Providers.

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 funds 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 financial statements.

3. Revenue (Cont'd)

The revenue and expenses related to the gaming operations of the Certain City Club Casinos are summarised as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Net gaming wins	1,053,968	1,404,995
Tips and other income	6,817	12,920
Interest income	5,495	9,361
	<u>1,066,280</u>	<u>1,427,276</u>
Operating expenses		
Special gaming tax and funds to the Macau Government	(423,885)	(565,832)
Commission and allowances to promoters	(388,641)	(544,102)
Employee benefit expenses	(177,389)	(124,591)
Other operating expenses	(42,703)	(39,667)
	<u>(1,032,618)</u>	<u>(1,274,192)</u>
Contributions from gaming operations	33,662	153,084
Contributions from/(net entitlements of) the Service Providers	29,537	(80,239)
Contributions attributable to the Group	<u>63,199</u>	<u>72,845</u>

4. Operating profit/(loss)

	2007	2006
	HK\$'000	HK\$'000
Operating profit/(loss) is stated after crediting:		
Rental income	1,884	6,794
Interest income		
Bank deposits	106,021	75,179
Loan to a related company	-	3,371
Loans to jointly controlled entities	1,053	1,101
Deferred receivable	390	337
Administrative fee	14,507	4,794
Change in fair value of listed investments	18,652	-
Gain on disposal of listed investments	19,898	-
Dividend income from unlisted investments	2,111	-
Gross earnings on finance lease	7,618	3,508
and after charging:		
Depreciation	155,734	49,355
Amortisation		
Gaming licence	495,077	494,806
Computer software	3,123	269
Overburden removal costs	7,646	7,938
Quarry site improvements	7,565	7,570
Quarry site development	2,668	941
Leasehold land and land use rights	21,181	3,431
Cost of inventories sold	677,398	517,967

5. Taxation

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	10,752	-
Mainland China income tax	628	934
Macau Complementary tax	1,714	1,777
Deferred taxation	<u>(1,410)</u>	<u>(1,262)</u>
	<u>11,684</u>	<u>1,449</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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.

Share of taxation of associated companies and jointly controlled entities for the six months ended 30 June 2007 are nil (2006: HK\$250,000) and HK\$1,773,000 (2006: HK\$336,000) respectively and are included in the profit and loss statement as share of profits less losses of associated companies and jointly controlled entities.

6. Loss Per Share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$267,818,000 (2006: HK\$734,452,000) and the weighted average of 3,298,518,135 shares (2006: 3,291,087,260 shares) in issue during the period.

The diluted loss per share for 2007 and 2006 equals to the basic loss per share since the exercise of the outstanding share options and conversion of convertibles notes would not have a dilutive effect on the loss per share.

7. Debtors and Prepayments

	30 June 2007 <i>HK\$'000</i>	31 December 2006 <i>HK\$'000</i>
Trade debtors, net of provision	580,614	504,390
Other debtors, net of provision	80,863	68,193
Amounts due from jointly controlled entities	196,580	174,053
Amount due from an associated company	183	183
Prepayments	101,319	72,620
Current portion of finance lease receivable	44,988	43,699
	<u>1,004,547</u>	<u>863,138</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.

The aging 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 2007 <i>HK\$'000</i>	31 December 2006 <i>HK\$'000</i>
Within one month	136,809	136,508
Two to three months	194,008	148,612
Four to six months	65,919	97,840
Over six months	183,878	121,430
	<u>580,614</u>	<u>504,390</u>

8. Creditors and Accruals

	30 June 2007 <i>HK\$'000</i>	31 December 2006 <i>HK\$'000</i>
Trade creditors	1,022,410	975,230
Other creditors	680,073	668,863
Chips issued	1,723,568	1,065,413
Amounts due to jointly controlled entities	-	294
Loans from minority interests	62,683	76,088
Accrued operating expenses	639,151	843,663
Deposits received	4,638	4,294
	<u>4,132,523</u>	<u>3,633,845</u>

8. Creditors and Accruals (Cont'd)

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

	30 June 2007 <i>HK\$'000</i>	31 December 2006 <i>HK\$'000</i>
Within one month	762,123	816,005
Two to three months	106,751	65,820
Four to six months	64,720	55,560
Over six months	88,816	37,845
	1,022,410	975,230

MANAGEMENT DISCUSSION AND ANALYSIS

The Galaxy Entertainment Group has continued to build upon the solid foundations established in the 2006 year. Our StarWorld Hotel and Casino has grown from strength to strength exceeding all expectations. Our City Club casinos have continued to perform well in an increasingly competitive marketplace. Our GalaxyWorld Resort is fully funded and on track to be completed by the end of 2008, with the second hotel tower to be completed during the 2009 year.

With five casinos in Macau, and with over 20% market share, Galaxy has firmly established itself as a major player within the Macau gaming market.

REVIEW OF OPERATIONS

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

Revenue and profit attributable to shareholders for the six months ended 30 June 2007 (the current period) was \$6,332 million and a loss of \$268 million respectively, as compared to revenue of \$1,306 million and a loss of \$734 million for the six months ended 30 June 2006, the previous corresponding period. The Group's revenue was significantly higher than that of the previous corresponding period reflecting the significant expansion in the Gaming and Entertainment operations, with the opening of 4 more casinos in Macau during the year of 2006, including the Group's flagship, StarWorld.

The Group's revenue for the first quarter of 2007 was \$2,889 million and for the second quarter was \$3,443 million, up 19%. StarWorld's revenue for the first quarter was \$1,430 million, and for the second quarter was \$2,209 million, up 54%.

For the six months ended 30 June 2007, the Group's earnings before interest expense, tax, depreciation and amortisation (EBITDA) was \$737 million, up from \$186 million for the previous corresponding period, an increase of 300%.

The Group's EBITDA for the first quarter of 2007 was \$267 million and for the second quarter was \$470 million, an increase of 76%. StarWorld's EBITDA for the first quarter was \$179 million, and for the second quarter was \$366 million, up over 100%.

The Group's EBITDA margin for the six months was 12% it was 14% for the second quarter. StarWorld's EBITDA margin for the second quarter was 16.6%.

This strong result in the second quarter of 2007 reflects the continued market share growth, revenue gains and improved efficiencies for StarWorld over this period.

The Group's accounting loss for the period was reported after:

- Non-cash depreciation and amortisation charges of \$693 million, including the \$495 million amortisation of the intangible asset arising from the acquisition of the Macau operation in 2005.
- \$324 million in finance charges.

For the first six months of the 2007 financial year, Galaxy captured over \$7.5 billion of Macau's gaming revenue, with \$220 billion in VIP gaming turnover.

In first six months of the 2007 year, the Macau gaming market grew at 47% as compared to the previous corresponding period, and VIP win grew at 54%, with the Mass market at a more modest growth of 36%. This confirms Galaxy's strategy of having a strong focus on the VIP gaming business.

Set out below is the segmental analysis of the Group's operating result for the six months ended 30 June 2007 and 31 December 2006.

EBITDA (EXCLUDING NON-RECURRING ITEMS AND AFTER INTEREST INCOME ALLOCATION)

	Gaming and Entertainment <i>HK\$'M</i>	Construction Materials <i>HK\$'M</i>	Corporate <i>HK\$'M</i>	2007 <i>HK\$'M</i>	2006 <i>HK\$'M</i>
Revenue	5,604	728	-	6,332	3,363
Operating profit/(loss)	(69)	21	104	56	(569)
Share of profits of jointly controlled entities	1	-	-	1	13
Depreciation and amortisation	629	63	1	693	626
Non-recurring items	10	16	(39)	(13)	181
EBITDA (excluding non-recurring items)	571	100	66	737	251
Interest income allocation	63	3	(66)	-	-
EBITDA (excluding non-recurring items and after interest income allocation)	634	103	-	737	251

GAMING AND ENTERTAINMENT DIVISION

Overview

The Macau gaming market continued to record another year of double digit growth. Macau's net gaming revenues are expected to increase by over 40% to over \$70 billion during 2007.

Galaxy's casinos generated net gaming revenues of \$7.5 billion for six months (of which \$5.6 billion is recognised in the statutory accounts due to the differing agreements with the City Club service providers).

In the six months to 30 June 2007, the Gaming and Entertainment division reported an EBITDA of \$634 million, compared to \$120 million for the previous corresponding period, up 428%.

As at 30 June 2007, the Group has over \$6.5 billion in cash, which together with the substantial cash flows from StarWorld, the City Club casinos and Galaxy's other operations, provides Galaxy with the necessary financial resources to complete the development of phase 1 of its GalaxyWorld Resort.

StarWorld

StarWorld continues to strengthen its position in the VIP gaming market in Macau. StarWorld's ability to consistently attract and retain top level promoters, despite increasing competition from international operators, is testament to the quality of StarWorld's product, service and the strength of relationships with promoters and players. StarWorld's strategic location in downtown Macau, at the epi-centre in the heart of the "Strip" of the Macau gaming hub further underpins StarWorld's competitive attraction.

In the six months to 30 June 2007, StarWorld generated total revenues of \$3,639 million and earned an EBITDA of \$545 million, with an EBITDA margin of 15%.

Gaming results for StarWorld's three distinct gaming segments were as follows:

- VIP gaming revenue for the six months was \$2,628 million. VIP turnover was \$92.5 billion with a win percentage of 2.8%, which was within the expected range of 2.6% to 2.9%. Win per table per day continues to grow and for the second quarter averaged \$400,000 with a win rate of 3.2%.
- Mass table games revenue for the six months was \$819 million. Table games drop was \$5 billion with a win percentage of 16.3%. StarWorld's mass gaming revenues increased during the second quarter which together with improving operational efficiencies and an improved hold percentage from 15% to 17% resulted in significant improvement in the contribution from StarWorld's mass gaming operations. Win per table per day continues to improve and averaged over \$30,000 for the second quarter of 2007.
- Slot machine revenue for the six months was \$92 million. The slot machine win per unit per day for the second quarter averaged over \$1,500 with an average number of 350 slot machines.

During this first half year, StarWorld increased its table numbers on level 1 of its main gaming floor from 85 to 121 and increased its slot machines from 315 to 505. Relocating tables from level 3 to level 1 allowed expansion of StarWorld's slot machine offering that will see a highly differentiated product mix on this upper level of mass gaming that will further increase the competitive attraction of StarWorld.

StarWorld's non-gaming revenues for the half year were \$96 million with first quarter of \$42 million, increasing to \$54 million in the second quarter. StarWorld's full inventory of hotel rooms of 505 was available for the first time during the second quarter, increasing available room nights by 15%. The average room rate for the period was \$1,015 and StarWorld's occupancy rate for the six months averaged 82%, significantly higher than the average for 5 star properties in Macau (71% according to August report of DSEC, the statistics and census bureau of Macau).

StarWorld's food and beverage outlets continue to perform extremely well. This six months saw the addition of our new award winning branded restaurants Jade Garden and Inagiku adding to the outstanding options already available including Temptations, the Whiskey Bar, Bi Feng Tang and Laurel.

The development of the StarWorld ballroom is progressing well. It is expected to be completed for StarWorld's first year anniversary to be held in November. Our presidential suite will also be completed towards October, along with two additional VIP gaming rooms, providing a further 15 VIP tables increasing StarWorld's VIP tables to over 70, further expanding our revenue generating capacity in this growing market.

GalaxyWorld Resort – Galaxy's Cotai Mega Resort

The construction of GalaxyWorld Resort, including its first hotel tower of 1,500 rooms, casino and entertainment complex is on track to be completed by the end of 2008. Galaxy's second tower with 1,000 rooms, suites and villas will be completed during 2009. Galaxy's overall design theme for this first phase of its GalaxyWorld Resort as a "Palace in a tropical Paradise" has been further developed, enhanced and reinforced in the interior and exterior design of the Resort.

The superstructure of the first hotel tower was completed in January 2007, the installation of internal building services has commenced and the erection of the exterior façade will commence in October. The structure of the casino podium is approximately 80% complete and will be completed by late 2007. The interior fitting out works will then commence.

Galaxy is confident with its existing cash reserves of over \$6.5 billion, its existing financing facilities and its expected cash flows from operations, that the construction and fit out of its GalaxyWorld Resort is fully funded.

Galaxy is in discussions with two leading international five star hotel operators, with strong brand appeal, regarding the management rights of the second hotel tower.

GalaxyWorld Resort on completion will comprise two opulent five star hotel towers rising from tropical lagoons, offering 2,500 elegantly appointed guest rooms and suites, one of the world's largest casinos offering up to 700 gaming tables, VIP and Club gaming and up to 4,000 slot machines with additional resort facilities including: 200,000 sq ft of chic shopping and dining, over 25 world class restaurants and bars, a majestic grand ballroom, meeting and conference facilities, a 2,000 seat theatre and unique must see attractions with extensive water entertainment and experience features.

Galaxy's Cotai site offers an additional 10.4 million sq ft GFA for the further development of phases 2, 3 and 4 of its GalaxyWorld Resort. This ensures Galaxy has the flexibility to grow and expand as market opportunities evolve. Galaxy's master plan for this site includes up to 300,000 sq ft of additional gaming space, an additional 9 deluxe hotels / hotels-apartments, with 6,000 guest rooms, suites and villas, 1 million sq ft of shopping mall, 750,000 sq ft of convention and exhibition space, performance theaters and entertainment facilities and more than 50 restaurants and bars.

Galaxy's City Club Casinos

Galaxy's City Club casinos have continued to perform well in an increasingly competitive marketplace.

City Club's gaming revenues for the six months ended 30 June 2007 were \$4 billion (of which \$1.9 billion is recognised in Galaxy's statutory accounts due to the differing agreements with the City Club service providers). In spite of keen competition from new properties, the City Club casinos captured 11% of the Macau gaming market for the period, with strong VIP gaming revenues and innovative mass gaming products. City Club's EBITDA for the six month period was \$114 million, up 25% from \$91 million for the previous corresponding period.

The City Club casinos operate 280 gaming tables and 500 slot machines.

USGAAP Comparisons

In comparing Galaxy's Gaming and Entertainment Division's results to those of US corporations whose results are prepared under generally accepted accounting principles in the United States ("USGAAP"), it should be noted that gross gaming revenues, presented under USGAAP, are reduced by commissions and discounts paid to players, to arrive at net gaming revenues. An adjusted EBITDA margin would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher EBITDA margin than that calculated under Hong Kong accounting standards. Galaxy complies with Hong Kong accounting standards. If calculated under USGAAP, StarWorld's EBITDA margin for the second quarter would be approximately 20%.

Corporate Costs

During the six months, Galaxy incurred net corporate costs of \$97 million, offset by \$72 million of interest income, reducing EBITDA by \$25 million.

Total interest expense for the period was \$324 million of which \$55 million was non-cash imputed interest expense on the US\$240 million convertible notes issued in December 2006.

CONSTRUCTION MATERIALS DIVISION

The Group's construction materials business continues to grow steadily both locally and in the Mainland. During the period, the division's revenues were \$728 million and it contributed \$103 million to the Group's EBITDA. The effort in maintaining a highly cost effective operation has given us competitive edges within the industry amid a very challenging business environment. Overall, the division achieved a better result for the six-month ended 30 June 2007 as compared to that of the previous corresponding period.

Hong Kong and Macau

During this period, the demand for construction materials in Hong Kong remained low as many infrastructure construction projects and mega development plans have yet to be released to the market. Nevertheless, the market environment has shown signs of gradual improvement.

The rehabilitation contracts with the Hong Kong SAR Government at Anderson Road Quarry and Lam Tei Quarry are progressing in accordance with the contract schedule. These contracts have enabled us to reinforce our position as the leading aggregates supplier in Hong Kong and better serve our customers. With our strategic plants set up across the territory together with our continuous effort on cost saving, the division is well positioned to capitalise on the increasing market demand for construction materials when the construction projects are back on track in the near future.

In Macau, the demand for construction materials remains high and we have further expanded our ready-mixed concrete operation to cope with the increased market demand. The operation continues to provide good profit contribution to the division.

Mainland

The austerity measures to cool the overheated economy have curbed the level of construction activities in most big cities in the Mainland during this period. Market competition intensified, softening profit contribution. The Group has continued to focus on improving operating efficiency and cost saving measures to enhance market competitiveness.

Our joint ventures with leading steel manufacturers for manufacture and sale of Granulated Blast-furnace Slag (GGBS) in the Mainland continue to generate good profit contribution to the Group. Further expansion in production facilities and setting up of new joint ventures are being considered to further strengthen the Group's position as a leading slag manufacturer in the Mainland.

The Group's investment in a cement joint venture in the Yunnan area has been progressing as planned. The new production facilities under construction in Baoshan, Yunnan are expected to commence production in the later part of the year. Further production plants in strategic areas in the province are under consideration and the Group will become one of the leading cement producers in the province. The Group is well positioned to capitalise on the growing construction materials market brought along by the Central Government's policy to develop the western region.

LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group has remained strong during the period. Shareholders' funds as at 30 June 2007 was \$13,365 million, a decrease of approximately 2% over the balance as at 31 December 2006 of \$13,633 million while the Group's total assets employed increased to \$29,618 million as compared to HK\$29,209 million as at 31 December 2006.

The Group continues to maintain a strong cash position. As at 30 June 2007, total cash and bank balances were \$6,260 million as compared to \$5,783 million as at 31 December 2006.

As at 30 June 2007, the Group's total indebtedness was \$9,190 million as compared to \$8,973 million as at 31 December 2006. The total indebtedness of the Group mainly comprises bank loans, fixed rate notes, guaranteed notes, convertible notes and other obligations which are largely denominated in Hong Kong Dollars and United States Dollars. 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.

GEARING RATIO

The gearing ratio, defined as the ratio of total loans outstanding less cash balances to total assets (excludes cash balances), was maintained at a satisfactory level of 13% as at 30 June 2007 as compared to 14% as at 31 December 2006.

TREASURY POLICY

The Group continues to adopt a conservative treasury policy with all bank deposits in either Hong Kong Dollars, United States Dollars or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks. All of the Group's borrowings are in Hong Kong Dollars, United States Dollars or Renminbi. Forward foreign exchange contracts are utilised when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposure. The Group has engaged in the use of cross currency swaps to reduce the Group's exposure in foreign currency fluctuations, which are considered necessary for the Group's treasury management activities.

CHARGES ON GROUP ASSETS

Leasehold land with net book values of \$233 million (31 December 2006: \$217 million) and bank deposits of \$259 million (31 December 2006: \$259 million) have been pledged to secure banking facilities.

GUARANTEES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$613 million (31 December 2006: \$210 million), of which \$425 million (31 December 2006: \$175 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 2006: \$9 million). As at 30 June 2007, facilities utilised amounted to \$9 million (31 December 2006: \$9 million).

DEALINGS IN LISTED SECURITIES

The Company has not redeemed any of its shares or listed debt securities during the six months ended 30 June 2007. Neither the Company nor any of its subsidiaries have purchased or sold any of the Company's shares or listed debt securities during the six months ended 30 June 2007.

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended 30 June 2007 have been reviewed by the Audit Committee of the Company and by the Company's Auditors, 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 Auditors will be included in the Interim Report 2007 to shareholders.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2007, the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Exchange”), except code provision A.4.2. The Board considers that the spirit of code provision A.4.2 has been upheld, given that the other Directors do retire by rotation in accordance with the Articles of Association of the Company and the Group is best served by not requiring the Chairman and the Managing Director to retire by rotation as their continuity in office is of considerable benefit to and their leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of the Company.

INTERIM REPORT 2007

The Interim Report 2007 of the Company containing all information required by the Listing Rules will be published on the respective websites of the Exchange and the Company in due course.

DIRECTORS

As at the date of this announcement, the executive directors are Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Mr. Chan Kai Nang, Mr. Joseph Chee Ying Keung and Ms. Paddy Tang Lui Wai Yu; the non-executive directors are Mr. Moses Cheng Mo Chi and Mr. Anthony Thomas Christopher Carter; and the independent non-executive directors are Dr. Charles Cheung Wai Bun, Mr. James Ross Ancell and Dr. William Yip Shue Lam.

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

Hong Kong, 17 September 2007

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