



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 2008

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 2008 as follows:

Financial Highlights:

- Revenue was HK\$5,392 million, representing a decrease of HK\$940 million over the corresponding period last year
- EBITDA was HK\$356 million, representing a decrease of HK\$381 million over the corresponding period last year
- Loss attributable to shareholders amounted to HK\$7,432 million, representing an increase of HK\$7,164 million over the corresponding period last year
- Material non-cash expenses include HK\$8,166 million write-down made to the carrying value of the gaming licence, partly offset by the corresponding release of HK\$944 million in deferred tax liability
- Strong balance sheet, cash and bank balances as at 30 June 2008 of HK\$6,107 million

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2008 (2007: nil).

CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT (Unaudited)
For The Six Months Ended 30 June 2008

	Note	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	3	5,391,849	6,331,969
Cost of sales		<u>(4,833,180)</u>	<u>(5,538,353)</u>
Gross profit		558,669	793,616
Other income		156,959	185,139
Impairment of gaming licence	4	(8,166,305)	-
Administrative expenses		(579,565)	(412,080)
Other operating expenses		<u>(521,035)</u>	<u>(510,096)</u>
Operating (loss)/profit	5	(8,551,277)	56,579
Finance costs		(7,461)	(323,793)
Share of profits less losses of			
Jointly controlled entities		28,138	(918)
Associated companies		<u>(660)</u>	<u>-</u>
Loss before taxation		(8,531,260)	(268,132)
Taxation credit/(charge)	6	<u>940,457</u>	<u>(11,684)</u>
Loss for the period		<u>(7,590,803)</u>	<u>(279,816)</u>
Attributable to:			
Shareholders		(7,432,119)	(267,818)
Minority interests		<u>(158,684)</u>	<u>(11,998)</u>
		<u>(7,590,803)</u>	<u>(279,816)</u>
Loss per share	7	<i>HK cents</i>	<i>HK cents</i>
Basic		(188.8)	(8.1)
Diluted		<u>(188.8)</u>	<u>(8.1)</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)**As at 30 June 2008**

		30 June 2008 HK\$'000	31 December 2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,353,994	4,731,187
Investment properties		66,000	62,500
Leasehold land and land use rights		1,560,924	1,580,777
Intangible assets	4	5,865,203	14,520,665
Jointly controlled entities		780,391	506,193
Associated companies		70	730
Derivative financial instruments		13,444	1,155
Other non-current assets		533,778	599,602
		<u>14,173,804</u>	<u>22,002,809</u>
Current assets			
Inventories		95,404	90,449
Debtors and prepayments	8	1,441,510	1,039,336
Amounts due from jointly controlled entities		203,398	339,168
Taxation recoverable		1,494	1,299
Other investments		46,178	57,768
Cash and bank balances		6,106,707	8,230,362
		<u>7,894,691</u>	<u>9,758,382</u>
Assets held for sale		76,760	-
		<u>7,971,451</u>	<u>9,758,382</u>
Total assets		<u>22,145,255</u>	<u>31,761,191</u>
EQUITY			
Share capital		393,817	393,564
Reserves		10,632,940	18,013,088
Shareholders' funds		<u>11,026,757</u>	<u>18,406,652</u>
Minority interests		412,479	531,791
Total equity		<u>11,439,236</u>	<u>18,938,443</u>
LIABILITIES			
Non-current liabilities			
Borrowings		5,983,080	6,010,571
Deferred taxation liabilities		834,886	1,781,500
Derivative financial instruments		274,056	477,531
Retentions payable		104,574	-
Provisions		118,979	135,622
		<u>7,315,575</u>	<u>8,405,224</u>
Current liabilities			
Creditors and accruals	9	3,318,935	3,901,630
Amount due to a jointly controlled entity		2,207	2,177
Current portion of borrowings		50,627	495,247
Taxation payable		18,675	18,470
		<u>3,390,444</u>	<u>4,417,524</u>
Total liabilities		<u>10,706,019</u>	<u>12,822,748</u>
Total equity and liabilities		<u>22,145,255</u>	<u>31,761,191</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 2007, except for those used in the assessment of impairment as disclosed in note 4.

In 2008, the Group adopted the following new interpretation which is relevant to its operations.

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HKFRS 2 – Group and Treasury Share Transactions

The Group has assessed the impact of the adoption of this new interpretation 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.

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. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, other non-current assets, inventories, debtors and prepayments, and mainly exclude investments, derivative financial instruments, taxation recoverable and cash and bank balances. Segment liabilities comprise mainly creditors, accruals and provisions and mainly exclude tax liabilities and borrowings. There are no sales or trading transaction between the business segments.

2. Segment information (Cont'd)

(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 2008				
Revenue	<u>4,590,012</u>	<u>801,837</u>	<u>-</u>	<u>5,391,849</u>
Operating (loss)/profit <i>(Note)</i>	(8,616,510)	54,283	10,950	(8,551,277)
Finance costs				(7,461)
Share of profits less losses of				
Jointly controlled entities	902	27,236	-	28,138
Associated companies	-	(660)	-	<u>(660)</u>
Loss before taxation				(8,531,260)
Taxation credit				<u>940,457</u>
Loss for the period				<u>(7,590,803)</u>
Capital expenditure	(772,842)	(10,245)	(1,032)	(784,119)
Depreciation	(130,239)	(32,183)	(1,713)	(164,135)
Amortisation	(518,358)	(20,861)	-	(539,219)
Impairment of gaming licence	(8,166,305)	-	-	(8,166,305)
Write-down of inventories	<u>-</u>	<u>(804)</u>	<u>-</u>	<u>(804)</u>

(Note) Results of the gaming and entertainment division include pre-opening expenses of HK\$24,377,000 incurred for the Galaxy mega 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 2007				
Revenue	<u>5,603,639</u>	<u>728,330</u>	<u>-</u>	<u>6,331,969</u>
Operating (loss)/profit <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 charge				<u>(11,684)</u>
Loss for the period				<u><u>(279,816)</u></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 Galaxy mega 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>
As at 30 June 2008				
Segment assets	13,258,279	1,839,372	6,267,143	21,364,794
Jointly controlled entities	3,779	776,612	-	780,391
Associated companies	-	70	-	70
Total assets				<u>22,145,255</u>
Segment liabilities	<u>2,793,975</u>	<u>654,470</u>	<u>7,257,574</u>	<u>10,706,019</u>
As at 31 December 2007				
Segment assets	20,593,125	1,855,623	8,805,520	31,254,268
Jointly controlled entities	(2,595)	508,788	-	506,193
Associated companies	-	730	-	730
Total assets				<u>31,761,191</u>
Segment liabilities	<u>3,153,545</u>	<u>586,592</u>	<u>9,082,611</u>	<u>12,822,748</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 2008			At 30 June 2008
Macau	4,726,553	772,896	19,283,117
Hong Kong	370,311	7,684	1,146,526
Mainland China	294,985	3,539	1,715,612
	<u>5,391,849</u>	<u>784,119</u>	<u>22,145,255</u>
Six months ended 30 June 2007			At 31 December 2007
Macau	5,734,749	584,265	24,698,271
Hong Kong	322,779	3,274	5,694,789
Mainland China	274,441	1,684	1,368,131
	<u>6,331,969</u>	<u>589,223</u>	<u>31,761,191</u>

3. Revenue

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

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of construction materials	801,837	728,330
Gaming operations		
Net gaming wins	4,365,365	5,427,040
Contributions <i>(Note)</i>	55,736	63,199
Tips received	10,206	19,094
Hotel operations		
Room rental	74,444	59,162
Food and beverages	37,825	18,450
Others	46,436	16,694
	<u>5,391,849</u>	<u>6,331,969</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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Net gaming wins	797,595	1,053,968
Tips received and other income	3,164	6,817
Interest income	2,255	5,495
	803,014	1,066,280
Operating expenses		
Special gaming tax and funds to the Macau Government	(318,721)	(423,885)
Commission and allowances to promoters	(301,373)	(388,641)
Employee benefit expenses	(114,091)	(177,389)
Other operating expenses	(47,110)	(42,703)
	(781,295)	(1,032,618)
Contributions from gaming operations	21,719	33,662
Contributions from the Service Providers	34,017	29,537
Contributions attributable to the Group	55,736	63,199

4. Intangible assets

	Gaming licence HK\$'000	Other intangible assets HK\$'000	Total HK\$'000
Six months ended 30 June 2008			
Net book value amount			
At 1 January 2008	14,472,118	48,547	14,520,665
Additions	-	12,455	12,455
Disposals	-	(407)	(407)
Amortisation	(497,813)	(3,392)	(501,205)
Impairment	(8,166,305)	-	(8,166,305)
	<u>5,808,000</u>	<u>57,203</u>	<u>5,865,203</u>
At 30 June 2008	<u>5,808,000</u>	<u>57,203</u>	<u>5,865,203</u>
Six months ended 30 June 2007			
Net book value amount			
At 1 January 2007	15,470,478	50,008	15,520,486
Amortisation	(495,077)	(3,123)	(498,200)
	<u>14,975,401</u>	<u>46,885</u>	<u>15,022,286</u>
At 30 June 2007	<u>14,975,401</u>	<u>46,885</u>	<u>15,022,286</u>

Gaming licence represents the fair value of licence acquired on the acquisition of Galaxy Casino, S.A. in 2005 and has been amortised on a straight line basis over the remaining term of the gaming licence which will expire in June 2022. Taking into account the presently available indicators and benchmarks, the Group performed an impairment assessment on the gaming licence which indicated an impairment as at 30 June 2008.

With reference to a valuation carried out by an independent professional valuer, American Appraisal China Limited, the carrying value of the gaming licence is written down by approximately HK\$8 billion to the recoverable amount of HK\$5.8 billion at 30 June 2008. The recoverable amount of the gaming licence has been determined based on its fair value less cost to sell which the Group considers to be higher than the value-in-use. It is calculated using the cash flow projections derived from the financial forecasts for the next three financial years in respect of a normal market participant and the cash flow projections beyond 3 years are extrapolated at a rate of 3% per annum with a discount rate of 12.5%. Other key assumptions for the fair value calculation relating to the estimated cash flows include market growth and gross margin which are estimated based on the gaming division's past performance and industry information.

Taking into account the corresponding release of approximately HK\$1 billion in deferred tax liability, the net amount of write-down is approximately HK\$7 billion.

5. Operating (loss)/profit

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating (loss)/profit is stated after crediting:		
Rental income	2,040	1,884
Interest income		
Bank deposits	79,416	106,021
Loan to jointly controlled entities	5,969	1,053
Deferred receivable	268	390
Administrative fees from gaming operations	13,480	14,507
Dividend income from unlisted investments	6,117	2,111
Dividend income from listed investments	1,449	-
Realised and unrealised gain on listed investments	-	38,550
Gain on deemed disposal of jointly controlled entities	15,469	-
Gain on disposal of a subsidiary	8,247	-
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and after charging:		
Depreciation	164,135	155,734
Amortisation		
Gaming licence	497,813	495,077
Computer software	3,392	3,123
Overburden removal costs	10,306	7,646
Quarry site improvements	7,201	7,565
Quarry site development	433	2,668
Leasehold land and land use rights	20,074	21,181
Impairment of gaming licence	8,166,305	-
Impairment of property, plant and equipment	-	9,793
Write-down of inventories	804	972
Cost of inventories sold	715,268	677,398
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6. Taxation (credit)/charge

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	2,978	10,752
Mainland China income tax	2,605	628
Macau complementary tax	574	1,714
Deferred taxation	<u>(946,614)</u>	<u>(1,410)</u>
Taxation (credit)/charge	<u>(940,457)</u>	<u>11,684</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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.

7. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$7,432,119,000 (2007: HK\$267,818,000) and the weighted average of 3,936,383,043 shares (2007: 3,298,518,135 shares) in issue during the period.

The diluted loss per share for 2008 and 2007 equals to the basic loss per share since the exercise of the outstanding share options or conversion of convertible notes would not have a dilutive effect on the loss per share.

8. Debtors and prepayments

	30 June 2008 <i>HK\$'000</i>	31 December 2007 <i>HK\$'000</i>
Trade debtors, net of provision	655,285	616,574
Other debtors	667,352	348,254
Amount due from an associated company	10,186	5,166
Prepayments	63,369	32,948
Current portion of finance lease receivable	<u>45,318</u>	<u>36,394</u>
	<u>1,441,510</u>	<u>1,039,336</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.

8. Debtors and prepayments (Cont'd)

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 2008 <i>HK\$'000</i>	31 December 2007 <i>HK\$'000</i>
Within one month	142,390	160,066
Two to three months	206,143	178,714
Four to six months	89,906	118,994
Over six months	216,846	158,800
	<u>655,285</u>	<u>616,574</u>

9. Creditors and accruals

	30 June 2008 <i>HK\$'000</i>	31 December 2007 <i>HK\$'000</i>
Trade creditors	949,800	1,038,002
Other creditors	717,478	678,030
Chips issued	913,643	1,322,394
Loans from minority interests	85,207	89,672
Accrued operating expenses	604,300	765,649
Deposits received	48,507	7,883
	<u>3,318,935</u>	<u>3,901,630</u>

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

	30 June 2008 <i>HK\$'000</i>	31 December 2007 <i>HK\$'000</i>
Within one month	504,084	608,429
Two to three months	67,882	86,894
Four to six months	22,560	43,952
Over six months	355,274	298,727
	<u>949,800</u>	<u>1,038,002</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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

REVIEW OF OPERATIONS HALF YEAR 2008

The first half 2008 experienced a slowing global economy and continued financial market instability. At a local level, visa restrictions into Macau were introduced as part of broader measures to control the growth of the gaming industry.

Galaxy has also reviewed the carrying value of its gaming licence and announced that it has taken a one-off accounting adjustment, which relates to Galaxy's Macau gaming licence. This is a non-cash item and there will be no impact on the daily operational performance of the business. The Group wrote down approximately \$8 billion to the carrying value of the gaming licence. Taking into account the corresponding release of approximately \$1 billion in deferred tax liability, the net amount of the write-down was approximately \$7 billion. The decision was made after an independent business valuation and review of presently available indicators.

The exercise will have a material and positive impact on the consolidated profit and loss statement of the Group in future years and significantly reduce the annual amortisation of the gaming licence by approximately \$0.6 billion.

After adjusting for this one-off item, the underlying business remains influenced by several external factors. These include increased competition and gaming supply in Macau as well as natural disasters in Sichuan Province and Hebei Province.

In addition, the Macau Government made a policy statement in April to conduct a comprehensive review of gaming in Macau. The key points of this policy statement included:

- Not issuing any more gaming licenses in the foreseeable future
- Not accepting further land applications by gaming operators and land to be reclaimed in the future will not be used for gaming purposes
- Moratorium on applications for new tables and slot capacity at existing casinos until a full review is completed
- Introducing measures to regulate junket commissions
- Implementing a moratorium on application for "3rd party service agreement" and existing service agreements will be reviewed and may required to be amended

Galaxy welcomes this forward-looking policy statement and believes the proposed changes will be positive for the citizens of Macau, the gaming industry and Galaxy.

Galaxy remains focused on continuing to improve StarWorld and developing our Cotai project. This includes the announcement in early July of the introduction of a new Jumbo VIP facility at StarWorld and in May the signing of Banyan Tree to operate a luxury hotel / spa facility within the Galaxy Cotai project.

GROUP FINANCIAL RESULTS

Revenue and loss attributed to shareholders for the six months ended 30 June 2008 (the current period) were \$5,392 million and a loss of \$7,432 million respectively, as compared to revenue of \$6,332 million and a loss of \$268 million for the six months ended 30 June 2007, the corresponding period. The loss of \$7,432 million was largely due to the one-time, non-cash write-down of approximately \$7 billion in net amount.

The Group's revenue for the first quarter of 2008 was \$2,719 million and for the second quarter was \$2,673 million. StarWorld's revenue for the first quarter was \$1,833 million, and for the second quarter was \$1,675 million.

For the six months ended 30 June 2008, the Group's earnings before interest expense, taxation, depreciation and amortisation (EBITDA) was \$356 million, compared to \$737 million in the first half of 2007.

The Group's EBITDA for the first quarter of 2008 was \$210 million and for the second quarter was \$146 million. StarWorld's EBITDA for the first quarter was \$183 million and for the second quarter was \$112 million.

The Group's EBITDA margin for the six months was 6.6%.

The first half of 2008 has been a challenging period and financial results were primarily impacted by:

- Lower than anticipated gaming volumes as a result of increased competition
- Lower gaming hold at StarWorld
- Increased commissions to junkets

In response to the challenging business environment we are:

- Successfully implementing new revenue and cost initiatives at StarWorld and City Clubs
- Continuing to move forward with the development of Cotai which is on schedule to complete construction in mid 2009 with an opening in the third quarter
- Ensuring that Construction Materials continues to deliver solid results
- Maintaining significant cash and bank balances of \$6.1 billion at 30 June 2008

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

- A net amount of approximately \$7 billion one-off, non-cash write-down of the carrying value of the gaming licence
- Non-cash depreciation and amortisation charges of \$703 million, including \$498 million amortisation of the intangible asset arising from the acquisition of the Macau operation in 2005
- \$7 million in net finance charges, after including a fair value gain of derivative under the convertible notes of \$210 million

Set out below is the segmental analysis of the Group's operating results for the six months ended 30 June 2008.

	Gaming and Entertainment	Construction Materials	Corporate	2008	2007
	<i>\$'M</i>	<i>\$'M</i>	<i>\$'M</i>	<i>\$'M</i>	<i>\$'M</i>
Revenue	4,590	802	-	5,392	6,332
Operating (loss)/profit	(8,616)	54	11	(8,551)	56
Share of profits less losses of jointly controlled entities and associated companies	1	26	-	27	1
Depreciation and amortisation	649	53	1	703	693
Non-recurring items	8,190	(25)	12	8,177	(13)
EBITDA (excluding non-recurring items)	224	108	24	356	737
Interest income allocation	22	7	(29)	-	-
EBITDA (excluding non-recurring items and after interest income allocation)	246	115	(5)	356	737

GAMING AND ENTERTAINMENT DIVISION

Overview of Macau Gaming Market

For the first six months of 2008 compared to the first six months of 2007 the overall gaming market in Macau grew by 54.6% from \$36,868 million to \$56,998 million.

The VIP segment grew by 62.3% or \$15,236 million from \$24,474 million to \$39,710 million. The Mass Market also enjoyed healthy growth, growing by 34.6% from \$10,862 million to \$14,619 million. The Slot Market grew by an amazing 74.2% from \$1,532 million to \$2,669 million.

Visitor arrivals for the period recorded an 18.1% increase in growth or 2.3 million visitors from 12.6 million to 14.9 million.

Summary of Gaming Revenue and Visitor Arrivals:

	1st Half 2007	1st Half 2008	Variance	
	\$'M / Headcount	\$'M / Headcount	%	\$'M / Headcount
Total Gaming Revenue	36,868	56,998	54.6%	20,130
VIP Baccarat	24,474	39,710	62.3%	15,236
Mass Gaming	10,862	14,619	34.6%	3,757
Slot Machines	1,532	2,669	74.2%	1,137
Visitor Arrivals	12,637,838	14,925,604	18.1%	2,287,766

StarWorld

Despite the increased competition in Macau, StarWorld has continued to produce creditable results. Total gaming revenue for the first half of 2008 was \$3,344 million compared to \$3,535 million in the first half of 2007 a decrease of 5.4%.

In the first half of 2008, StarWorld earned an EBITDA of \$295 million, with an EBITDA margin of 8.4%.

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

- VIP turnover increased by \$4,088 million from \$92,536 million to \$96,624 million representing a 4.4% increase. The win rate was 2.7% which was on the low side but within the standard range for VIP Baccarat. VIP gaming revenue for the period was \$2,582 million, compared to \$2,628 million in the corresponding period.
- Mass table games revenue for the six months was \$693 million. Table games drop was \$4.7 billion with a win percentage of 14.7%. This compared to a slightly higher drop of \$5 billion in the corresponding period and a significantly higher hold of 16.3% and revenue of \$819 million. It should be noted that if you adjusted the hold rate to 16.3% for comparison purposes, reported revenue would have been \$766 million.
- Slot machine revenue for the six month period was \$69 million, win per unit per day was \$1,000 and the average number of machines was 392.

StarWorld's non-gaming revenues for the half year were \$159 million, the average room rate achieved for the period was \$1,155 and StarWorld's average occupancy rate for the period was 81%.

Throughout the past six months at StarWorld, we have been actively working to reposition and upgrade StarWorld's product offering and customer appeal. These enhancements include: increased marketing into the Chinese mass market, upgrading a major VIP promoter, relocating the Jinmen premium play room to level 10, introducing a new poker room, establishing a sky casino on level 39 and fitting level three for the Jumbo VIP facility.

These enhancements are proving to be successful. The increased marketing into mainland China, specifically targeting the mass market, has resulted in an increased mass market drop every month this year-to-date. July produced the highest ever mass market drop on level one of StarWorld.

During the period, we significantly expanded the VIP facilities of a major VIP promoter, which has proved successful and is already delivering increased VIP turnover.

The Jinmen premium play room was relocated to level 10 which now provides four private gaming rooms in-addition to boutique gaming facilities for our more discerning guests.

We have launched an exclusive high-end sky casino that is located on level 39 of StarWorld.

One poker room was recently added to StarWorld and, in August, StarWorld hosted the Asian Poker Tournament with a USD \$1.5 million prize pool.

The re-fitting of level 3 for the Jumbo VIP facility is nearly completed and is expected to open in late September 2008.

Galaxy Cotai Project

Galaxy Macau, our mega resort in Cotai, will redefine the gaming experience in Macau and set a new standard for hospitality in Asia.

Galaxy Macau, themed “Mystical Oasis”, will be a distinctive resort and aimed at the discerning Asian consumers. At the heart of the development will be a unique casino in terms of architecture and surprising Asian features. This will include a retail boulevard presenting world renowned fashion and cosmetic brands, lush podium gardens, a wave pool, white sand beach, floating private villas and exclusive poolside cabanas. The white and gold façade towering over Cotai is distinctively designed to immediately capture visitor’s attention.

Galaxy remains focused on the construction of area 1 of the Mega Resort project, which is scheduled for completion in 2009. This will have approximately 5 million sq. ft. of development across two towers, including three luxury hotels and a casino.

The hotel in tower one, a 5-star 1,500 room property, will be operated by Galaxy. Two additional hotels in the second tower will be managed by the Japanese luxury hotel group Okura and the world’s leading resort brand, Banyan Tree, respectively. Both are due to open in late 2009.

Galaxy has a landbank in Cotai of an additional 10.2 million sq ft GFA for the development of areas 2, 3 and 4 of the mega resort. This ensures Galaxy has the flexibility to grow and expand as market opportunities present themselves.

Galaxy City Club Casinos

City Club casinos’ total gaming revenues for the six months ended 30 June 2008 were \$2.3 billion, of which \$1.1 billion is recognised in Galaxy’s statutory accounts due to the differing agreements with the City Club casinos’ service providers.

Galaxy’s City Club casinos have been operating in an increasing competitive gaming market. The older casinos of Macau, and particularly those casinos that were not purpose-built casinos, are most impacted by the increased competition.

We remind investors that Galaxy entered into the City Club agreements as a means to quickly capture market share, recruit and train staff and develop strategic long-term relationships with VIP promoters. This approach has proved to be successful and involved minimal risk to Galaxy.

As the market has evolved, and competition has increased, we have been actively managing operations and adjusting the business to current market conditions by driving operational efficiencies.

US GAAP 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 ("US GAAP"), it should be noted that gross gaming revenues, presented under US GAAP, are reduced by commissions and discount paid to players, to arrive at net gaming revenues. An adjusted EBITDA 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 US GAAP, StarWorld's EBITDA margin would be approximately 15% for the first quarter, 11% for the second quarter and 13% for the first half of 2008.

Corporate Costs

During the six months, the Group incurred corporate costs of \$132 million, offset by \$76 million of interest income, reducing EBITDA by \$56 million.

CONSTRUCTION MATERIALS DIVISION

The business achieved a strong performance during the period amid a challenging environment. Revenue and EBITDA rose by 10% and 12% respectively over the corresponding period last year. The strategic investments in slag and cement operations have provided a solid platform for future growth.

The demand for construction materials in Hong Kong remains robust. Continued cost reductions and improvement in operating efficiencies have provided a solid base for profit contribution. In Macau, construction projects have shown slower growth in recent months, following measures introduced to curb visitor numbers and slower approvals for development permits.

The ongoing austerity measures from the Central Government, together with increased competition and high raw material prices, have created a challenge for the market. This has resulted in reduced levels of activity in infrastructure, residential and commercial sectors. Regardless of this, our operations maintain their competitive edge and the investment strategy – to grow business in sectors with high barriers to entry and environmentally sustainable products – have been providing increased contributions to the division.

Our joint ventures for the manufacture and sale of ground granulated blast-furnace slag (GGBFS) continue to generate solid profits. GGBFS production is being expanded in Hebei and Jiansu Provinces. Together with investment opportunities in other key strategic locations under consideration, this will enable the division to capitalise on the growing market and expand capacity and distribution across the Mainland.

The cement joint ventures in Yunnan Province continue to perform well. The plant in Baoshan commenced production in January 2008 and now provides good profit contribution to the division. Construction work has commenced on a third cement plant in Shizong Qujing, Yunnan Province, and the plant is expected to commence operation in 2009. Central Government policies to develop the western region will continue to generate strong demand for cement.

First-half year's trading performance for the division has exceeded expectations. Further benefits from pricing, sales, cost control and overhead management are expected in the second-half year, together with seasonal improvements and increasing contributions from recent investments in slag and cement. The full-year outlook for the construction materials business remains positive.

GROUP OUTLOOK

Galaxy remains focused on continuing to improve operational efficiencies at StarWorld and at the City Club properties. The Group is also committed to further improving and enhancing the product offering within StarWorld to ensure that the facility remains highly competitive and a preferred property of choice, for visitors to Macau. Finally the Group is working extremely hard to ensure the successful opening of Galaxy's Project in Cotai in the third quarter of 2009.

LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 30 June 2008 was \$11,027 million, a decrease of approximately 40% over that as at 31 December 2007 of \$18,407 million while the Group's total assets employed decreased to \$22,145 million as compared to \$31,761 million as at 31 December 2007. The significant decrease was mainly due to the write-down of net amount of approximately \$7 billion made to the carrying value of the gaming licence.

The Group continues to maintain a strong cash position. As at 30 June 2008, total cash and bank balances were \$6,107 million as compared to \$8,230 million as at 31 December 2007. The Group's total indebtedness was \$6,034 million as at 30 June 2008 as compared to \$6,506 million as at 31 December 2007. The Group was in net cash as at 30 June 2008 and 31 December 2007.

The total indebtedness of the Group mainly comprises bank loans, guaranteed notes, convertible notes and other obligations which are largely denominated in Hong Kong Dollar 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 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. 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 \$219 million (31 December 2007: \$222 million) and bank deposits of \$52 million (31 December 2007: \$50 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 \$535 million (31 December 2007: \$627 million), of which \$157 million (31 December 2007: \$307 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 2007: \$9 million). At 30 June 2008, facilities utilised amounted to \$9 million (31 December 2007: \$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 2008. 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 2008.

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended 30 June 2008 have been reviewed by the Audit Committee of the Company and by the Company's Auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information by the Auditors will be included in the Interim Report 2008 to shareholders.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2008, the Company 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 the Company and the Group is best served by not requiring the Chairman to retire by rotation as his continuity in office is of considerable benefit to and his leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of the Company.

INTERIM REPORT 2008

The Interim Report 2008 of the Company containing all the information required by the Listing Rules will be published on the respective websites of Hong Kong Exchanges and Clearing Limited and the Company in due course.

CHANGES IN THE BOARD

Mr. Chan Kai Nang retired as an executive Director of the Company with effect from 1 May 2008 and Dr. Charles Cheung Wai Bun retired by rotation as an independent non-executive Director of the Company at the Annual General Meeting held on 19 June 2008. The Board extends its gratitude to Mr. Chan and Dr. Cheung for their valuable efforts and contributions to the Group during their terms of appointment.

The Board welcomes the appointment of Dr. Patrick Wong Lung Tak as an independent non-executive Director of the Company with effect from 20 August 2008 bringing substantial valuable experience to the Group.

DIRECTORS

As at the date of this announcement, the executive Directors of the Company 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 the Company are Dr. Moses Cheng Mo Chi, Mr. Anthony Thomas Christopher Carter, Dr. Martin Clarke and Mr. Guido Paolo Gamucci; and the independent non-executive Directors of the Company 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, 19 September 2008

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