



Interim Report
2010

銀河娛樂集團有限公司
Galaxy Entertainment Group Limited

Stock Code: 27



Our Vision

Galaxy's vision is to be: Globally recognized as Asia's leading gaming and entertainment corporation. This vision will be achieved through adhering to our proven business philosophy.

Galaxy's Business Philosophy

Local Market Insights

Leveraging Chinese heritage and deep understanding of Asian and Chinese customer preferences

Proven Expertise

Focus on ROI (return on investment) with prudent CAPEX (capital expenditure) plan, proven construction and hotel expertise, and controlled development

Well Positioned

Position Galaxy as a leading operator of integrated gaming, leisure and entertainment facilities

Demand Driven Strategy

Monitor the market's developments and expand prudently in a timely manner



CONTENTS

2	Corporate Information
3	Results Highlights
4	Management Discussion and Analysis
14	Report on Review of Interim Financial Information
15	Condensed Consolidated Income Statement (Unaudited)
16	Condensed Consolidated Statement of Comprehensive Income (Unaudited)
17	Condensed Consolidated Balance Sheet (Unaudited)
19	Condensed Consolidated Cash Flow Statement (Unaudited)
20	Condensed Consolidated Statement of Changes in Equity (Unaudited)
21	Notes to the Interim Financial Information
36	Disclosure of Interests
41	Other Information

CORPORATE INFORMATION

CHAIRMAN

Dr. Lui Che Woo, *GBS, MBE, JP, LLD, DSSc, DBA*

DEPUTY CHAIRMAN

Mr. Francis Lui Yiu Tung

EXECUTIVE DIRECTORS

Mr. Joseph Chee Ying Keung

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

NON-EXECUTIVE DIRECTORS

Mr. Anthony Thomas Christopher Carter

Dr. Martin Clarke

Mr. Henry Lin Chen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. James Ross Ancell

Dr. William Yip Shue Lam, *LLD*

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

AUDIT COMMITTEE

Mr. James Ross Ancell (*Chairman*)

Dr. William Yip Shue Lam, *LLD*

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

REMUNERATION COMMITTEE

Mr. Francis Lui Yiu Tung (*Chairman*)

Dr. William Yip Shue Lam, *LLD*

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

COMPANY SECRETARY

Ms. Kitty Chan Lai Kit

INDEPENDENT AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

Room 1606, 16th Floor

Hutchison House

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Central, Hong Kong

PRINCIPAL BANKERS[#]

Bank of China Limited, Macau Branch

DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

Industrial and Commercial Bank of China (Macau) Limited

The Hongkong and Shanghai Banking Corporation Limited

[#] *listed in alphabetical order*

SOLICITORS*

Jorge Neto Valente, Escritório de Advogados e Notários Linklaters

Mallesons Stephen Jaques

Richards Butler in association with Reed Smith LLP

Skadden, Arps, Slate, Meagher & Flom

* *listed in alphabetical order*

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WEBSITE ADDRESS

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SHARE LISTING

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

STOCK CODE

SEHK : 27

Bloomberg : 27 HK

Reuters : 0027.HK

ADR : GXYEY

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RESULTS HIGHLIGHTS

INTERIM RESULTS

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

Financial Highlights:

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

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

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

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

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

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

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

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

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

Group Financial Results

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

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

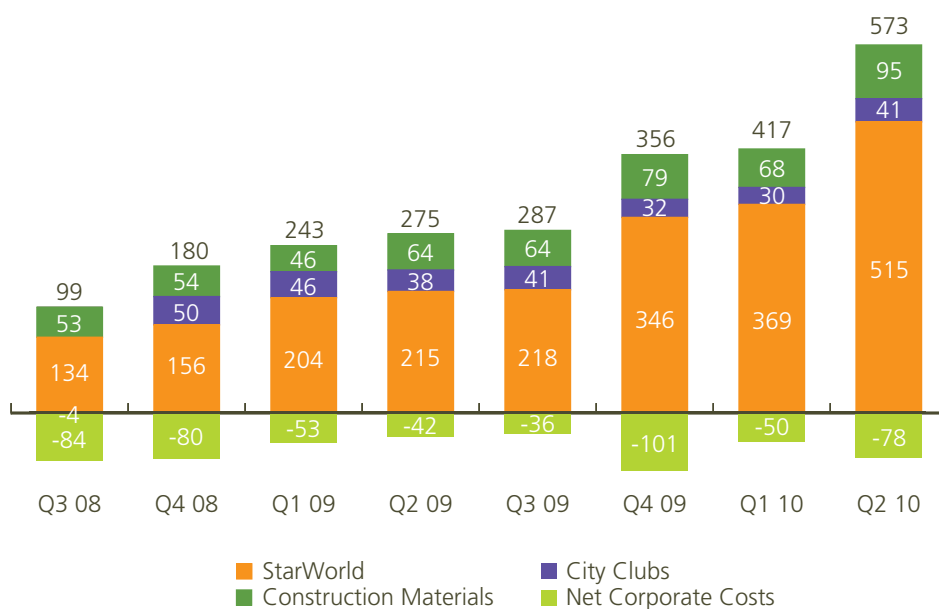
MANAGEMENT DISCUSSION AND ANALYSIS

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

Group Financial Results Summary:

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

EBITDA* (HK\$' mn)



* Excluding interest income and non-recurring items

MANAGEMENT DISCUSSION AND ANALYSIS

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

Gaming and Entertainment Division

Overview of the Macau Gaming Market

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

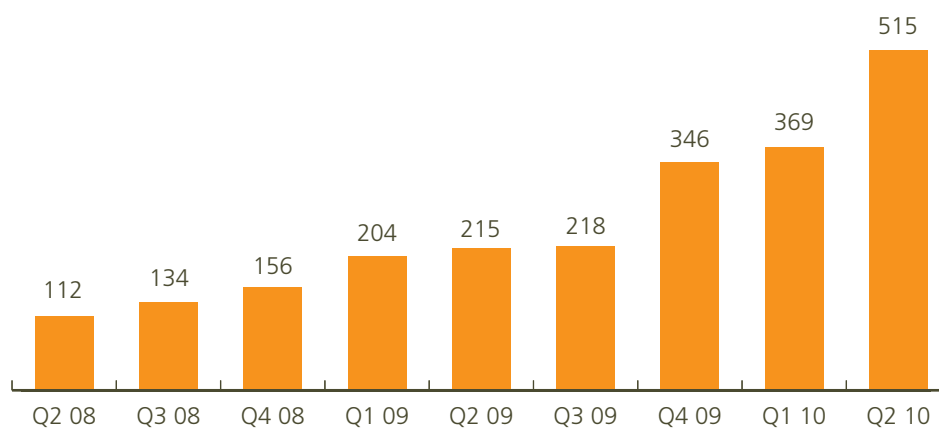
Visitor arrivals for the first half of 2010 increased by 17.9%, growing from 10.4 million visitors in the corresponding period of 2009 to 12.2 million.

StarWorld Hotel & Casino

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

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

StarWorld EBITDA (HK\$' mn)



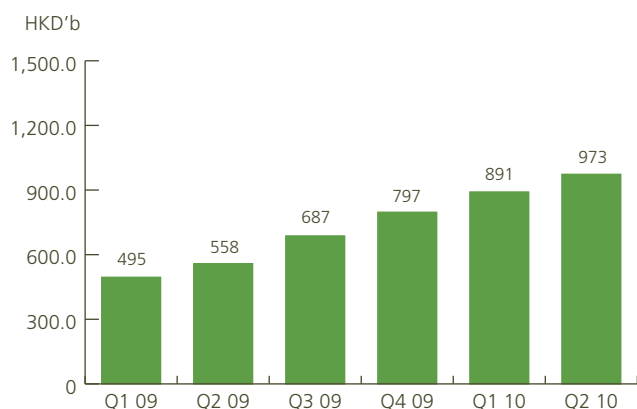
MANAGEMENT DISCUSSION AND ANALYSIS

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VIP Performance

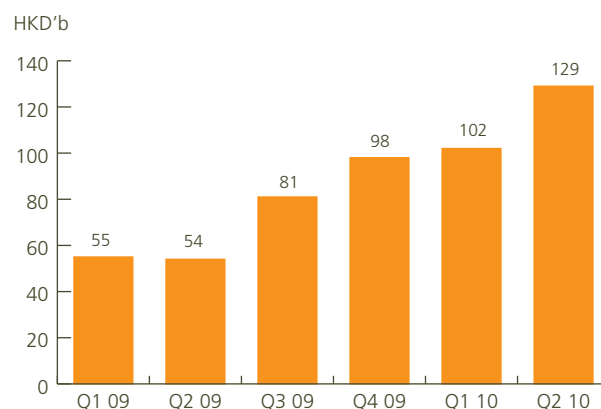
VIP Rolling Chip volume for the first half of 2010 increased by 112% from \$109 billion in the first half of 2009 to \$231 billion. StarWorld recorded an all-time record quarterly VIP volume of \$129 billion in the second quarter, up 139% over that of quarter two 2009. The win rate for the six month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

Macau VIP Gaming Rolling



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

StarWorld VIP Gaming Turnover



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

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

Mass Gaming Performance

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Electronic Gaming Performance

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

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

Non-Gaming Performance

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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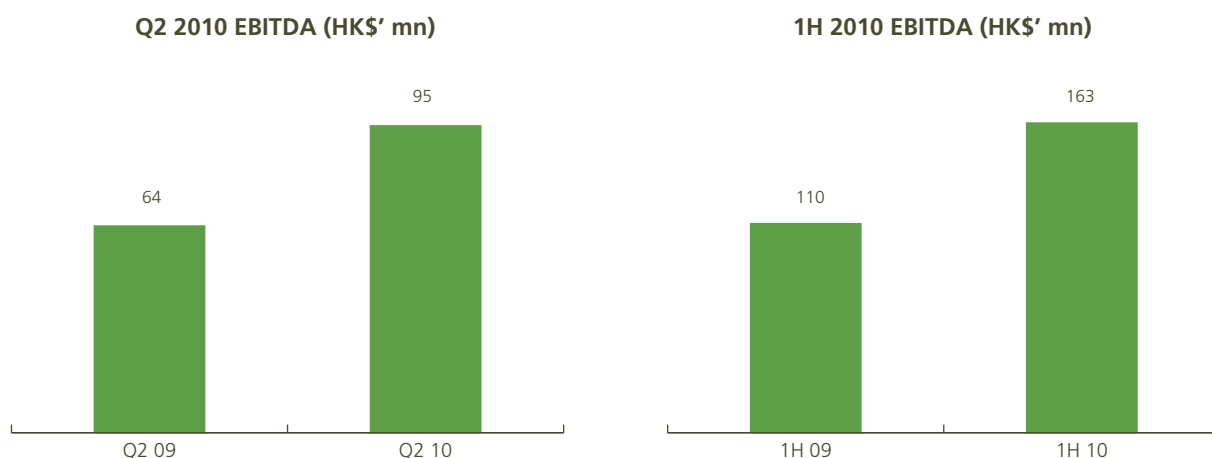
City Clubs Performance

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

Construction Materials Division

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

Group Financial Efficiency Initiatives

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

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

HK versus US GAAP Comparisons

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

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

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

Galaxy Macau™

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Galaxy Macau™ – Acceleration of Development Schedule and Expanded Scope

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

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

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

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

Galaxy Macau™ Construction Update

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

GROUP OUTLOOK

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

Macau has reached a turning point in its evolution. Moving beyond its core gaming heritage, it will, over the coming years, increasingly become a destination within Asia for Asian people seeking Asian entertainment and recreation. Through the launch of Galaxy Macau™, and the other elements of its Cotai development, GEG will play a critical role in defining this customer experience.

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

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

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

The future is very bright for Galaxy Entertainment Group.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

TREASURY POLICY

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

CHARGES ON GROUP ASSETS

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

GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$876 million (31 December 2009: \$855 million), of which \$631 million (31 December 2009: \$250 million) have been utilised.

The Group has executed guarantees in favour of a bank in respect of facilities granted to an associated company amounting to \$9 million (31 December 2009: \$9 million). At 30 June 2010, facilities utilised amounted to \$9 million (31 December 2009: \$9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2010, the Group, excluding associated companies and jointly controlled entities, employed around 6,500 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$620 million.

Remuneration Policy

The objective of the Group's remuneration policy is to attract, motivate and retain talented employees to achieve the Group's long-term corporate goals and objectives. To this end, the Group is committed to remunerating its employees in a manner that is market competitive, consistent with good industry practices as well as meeting the interests of shareholders.

The Group's remuneration structure for its employees comprises fixed compensation, performance-based variable incentive and long-term incentive. The overall remuneration arrangements are fair and justified, prudent and subject to regular review.

The Group operates a share option scheme for its employees. It serves to attract, motivate and retain employees to work for the Group long term and to better align the interests of the employees with the shareholders' interests.

Training and Development

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

TO THE BOARD OF DIRECTORS OF GALAXY ENTERTAINMENT GROUP LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 15 to 35, which comprises the condensed consolidated balance sheet of Galaxy Entertainment Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2010

	Note	2010 HK\$'000	2009 HK\$'000
Revenue	5	8,570,687	5,334,710
Other income/gains, net	7(a)	2,610	192,582
Net (loss)/gain on buyback of guaranteed notes	15(b)	(133,175)	627,857
Gain on buyback of convertible notes		–	191,267
Special gaming tax and other related taxes to the Macau Government		(3,081,671)	(1,806,507)
Commission and allowances to gaming counterparties		(3,263,468)	(1,861,640)
Raw materials and consumables used		(283,713)	(295,924)
Amortisation and depreciation		(282,114)	(260,662)
Employee benefit expenses		(645,975)	(543,083)
Other operating expenses		(469,075)	(400,981)
Operating profit	7(b)	414,106	1,177,619
Finance costs	8	(24,718)	(113,997)
Change in fair value of derivative under the convertible notes		43,737	(24,607)
Share of profits less losses of:			
Jointly controlled entities		64,379	32,743
Associated company		–	54
Profit before taxation		497,504	1,071,812
Taxation charge	9	(15,111)	(6,600)
Profit for the period		482,393	1,065,212
Attributable to:			
Equity holders of the Company		474,975	1,059,197
Non-controlling interests		7,418	6,015
		482,393	1,065,212
		HK cents	HK cents
Earnings per share	11		
Basic		12.1	26.9
Diluted		10.4	26.9

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2010

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

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2010

	Note	30 June 2010 HK\$'000	31 December 2009 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		8,613,369	7,175,464
Investment properties		73,000	66,700
Leasehold land and land use rights		4,286,550	4,347,228
Intangible assets		1,334,282	1,391,322
Jointly controlled entities		1,059,293	1,003,061
Associated company		857	857
Other non-current assets		343,049	352,660
		15,710,400	14,337,292
Current assets			
Inventories		87,461	84,820
Debtors and prepayments	13	945,268	894,862
Amounts due from jointly controlled entities		216,080	91,556
Derivative financial instruments		1,880	382
Taxation recoverable		12,430	2,479
Other investments		20,101	35,132
Cash and bank balances		1,605,319	3,516,490
		2,888,539	4,625,721
Total assets		18,598,939	18,963,013

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2010

	Note	30 June 2010 HK\$'000	31 December 2009 HK\$'000
EQUITY			
Share capital	14	394,326	394,159
Reserves		8,285,777	7,774,378
Shareholders' funds		8,680,103	8,168,537
Non-controlling interests		271,811	266,597
Total equity		8,951,914	8,435,134
LIABILITIES			
Non-current liabilities			
Borrowings	15	2,659,427	4,459,703
Deferred taxation liabilities		275,361	271,884
Derivative financial instruments		57,529	101,044
Provisions		121,527	129,778
		3,113,844	4,962,409
Current liabilities			
Creditors and accruals	16	4,511,590	4,115,549
Amounts due to jointly controlled entities		9,440	4,157
Borrowings	15	1,944,895	1,383,488
Derivative financial instruments		–	508
Provision for tax		67,256	61,768
		6,533,181	5,565,470
Total liabilities		9,647,025	10,527,879
Total equity and liabilities		18,598,939	18,963,013
Net current liabilities	2	(3,644,642)	(939,749)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2010

	2010 HK\$'000	2009 HK\$'000
Net cash from operating activities	575,899	711,621
Net cash used in investing activities	(1,058,266)	(476,401)
Net cash used in financing activities	(1,428,917)	(924,296)
Net decrease in cash and bank balances	(1,911,284)	(689,076)
Cash and bank balances at beginning of period	3,516,490	6,042,300
Change in exchange rates	113	28
Cash and bank balances at end of period	1,605,319	5,353,252

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2010

	Share capital HK\$'000	Reserves HK\$'000	Shareholders' funds HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2010	394,159	7,774,378	8,168,537	266,597	8,435,134
Profit for the period	–	474,975	474,975	7,418	482,393
Other comprehensive income					
Change in fair value of non-current investments, net of tax	–	(468)	(468)	–	(468)
Currency translation differences	–	12,136	12,136	658	12,794
Derecognition of cash flow hedges	–	5,890	5,890	–	5,890
Total comprehensive income for the period	–	492,533	492,533	8,076	500,609
Dividend paid to non-controlling interests	–	–	–	(2,862)	(2,862)
Issue of shares upon exercise of share options	167	1,559	1,726	–	1,726
Fair value of share options granted	–	17,307	17,307	–	17,307
At 30 June 2010	394,326	8,285,777	8,680,103	271,811	8,951,914
At 1 January 2009	393,817	6,617,467	7,011,284	262,616	7,273,900
Profit for the period	–	1,059,197	1,059,197	6,015	1,065,212
Other comprehensive income					
Change in fair value of non-current investments, net of tax	–	1,857	1,857	–	1,857
Currency translation differences	–	(1,488)	(1,488)	60	(1,428)
Change in fair value of cash flow hedges	–	(3,065)	(3,065)	–	(3,065)
Total comprehensive income for the period	–	1,056,501	1,056,501	6,075	1,062,576
Injection of non-controlling interests	–	–	–	16,539	16,539
Return of capital	–	–	–	(4,517)	(4,517)
Fair value of share options granted	–	11,730	11,730	–	11,730
Share options lapsed	–	(21,286)	(21,286)	–	(21,286)
At 30 June 2009	393,817	7,664,412	8,058,229	280,713	8,338,942

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. General Information

Galaxy Entertainment Group Limited (“GEG” or the “Company”) is a limited liability company incorporated in Hong Kong and has its listing on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office and principal place of business is Room 1606, 16th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are operation in casino games of chance or games of other forms, provision of hospitality and related services in Macau, and the manufacture, sale and distribution of construction materials in Hong Kong, Macau and Mainland China.

These interim financial information have been approved for issue by the Board of Directors on 31 August 2010.

2. Basis of Preparation and Accounting Policies

The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of investment properties, non-current investments, financial assets and financial liabilities (including derivative financial instruments), which are carried at fair values and in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

At 30 June 2010, the Group’s current liabilities exceeded its current assets by HK\$3,645 million. Taking into account the committed banking facilities of HK\$9.0 billion, the Group considers its liquidity and financial position as a whole is healthy and has a reasonable expectation that the Group 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 and methods of computation used in the preparation of the interim financial information are consistent with those used and as described in the annual financial statements for the year ended 31 December 2009, except as disclosed below:

(a) The adoption of new/revised HKFRS

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

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

2. Basis of Preparation and Accounting Policies (Continued)

(a) The adoption of new/revised HKFRS (Continued)

The Group has assessed the impact of the adoption of these new/revised HKFRS and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the financial statements except for HKAS 27 (Revised) and HKFRS 3 (Revised) as set out below:

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

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

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

(b) New standards and interpretations to existing standards that are relevant but not yet effective

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

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

3. Financial Risk Management

All aspects of financial risk management objectives and policies of the Group are consistent with those disclosed in the annual financial statements for the year ended 31 December 2009.

4. Critical Accounting Estimates and Judgements

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2009.

5. Revenue

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

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

5. Revenue (Continued)

(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 2010, the Group is entitled to HK\$41,391,000 (2009: HK\$54,156,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the Certain City Club Casinos are not recognised as expenses of the Group in the interim financial information.

6. Segment Information

The Board of Directors is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, based on a measurement of adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). This measurement basis excludes the effects of non-recurring income and expenditure from the operating segments, such as pre-opening expenses, net loss on buyback of guaranteed notes and impairment charge when the impairment is the result of an isolated, non-recurring event. The Adjusted EBITDA also excludes the effects of equity-settled share-based payments, 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.

6. Segment Information (Continued)

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

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

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Six months ended 30 June 2010				
Reportable segment revenue	9,178,815	596,235	–	9,775,050
Adjusted for:				
Certain City Club Casinos arrangement set out in note 5				
Revenue not recognised	(1,248,111)	–	–	(1,248,111)
Contributions	41,391	–	–	41,391
Others	2,357	–	–	2,357
Revenue recognised under HKFRS	7,974,452	596,235	–	8,570,687
Adjusted EBITDA	872,836	162,683	(45,049)	990,470
Interest income and gross earnings on finance lease				7,250
Amortisation and depreciation				(282,114)
Finance costs				(24,718)
Change in fair value of derivative under the convertible notes				43,737
Taxation charge				(15,111)
Taxation of jointly controlled entities				(5,442)
Adjusted items:				
Net loss on buyback of guaranteed notes				(133,175)
Pre-opening expenses of Galaxy Macau resort at Cotai				(44,300)
Unrealised loss on listed investments				(15,031)
Share option expenses				(17,307)
Donation expenses				(15,976)
Loss on derecognition of cash flow hedges				(5,890)
Profit for the period				482,393

6. Segment Information (Continued)

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

6. Segment Information (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
As at 30 June 2010				
Total assets	15,850,107	2,725,865	22,967	18,598,939
Total assets include:				
Jointly controlled entities	9,101	1,050,192	–	1,059,293
Associated company	–	857	–	857
Total liabilities	5,784,621	1,156,929	2,705,475	9,647,025

As at 31 December 2009

Total assets	16,311,283	2,596,784	54,946	18,963,013
Total assets include:				
Jointly controlled entities	8,210	994,851	–	1,003,061
Associated company	–	857	–	857
Total liabilities	8,530,191	792,754	1,204,934	10,527,879

Geographical analysis

Six months ended 30 June	2010 HK\$'000	2009 HK\$'000
Revenue		
Macau	8,001,443	4,748,311
Hong Kong	399,338	323,761
Mainland China	169,906	262,638
	8,570,687	5,334,710

6. Segment Information (Continued)

Geographical analysis (Continued)

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Non-current assets, other than financial instruments		
Macau	13,936,511	12,598,544
Hong Kong	653,910	627,024
Mainland China	1,079,291	1,068,284
	15,669,712	14,293,852

7. Other Income/Gains, Net and Operating Profit

	2010 HK\$'000	2009 HK\$'000
(a) Other income/gains, net		
Rental income	2,425	2,942
Interest income		
Bank deposits	1,681	8,909
Loans to jointly controlled entities	1,818	3,101
Deferred receivables	562	202
Dividend income from unlisted investments	–	600
Dividend income from listed investments	–	466
Gross earnings on finance lease	3,189	5,404
Others	19,466	15,562
	29,141	37,186
Unrealised (loss)/gain on listed investments	(15,031)	7,968
Gain on disposal of a subsidiary	–	148,385
Change in fair value of investment properties	6,300	–
Gain/(loss) on disposal of property, plant and equipment	724	(957)
Foreign exchange loss	(18,524)	–
	(26,531)	155,396
	2,610	192,582

7. Other Income/Gains, Net and Operating Profit (Continued)

	2010 HK\$'000	2009 HK\$'000
(b) Operating profit is stated after charging		
Depreciation	169,592	171,652
Amortisation		
Gaming licence	52,732	52,732
Computer software	5,970	6,424
Quarry site improvements	7,746	5,481
Overburden removal costs	4,010	4,010
Quarry site development	131	227
Leasehold land and land use rights	41,933	20,136

8. Finance Costs

	2010 HK\$'000	2009 HK\$'000
Interest expenses		
Guaranteed fixed rate notes and floating rate notes wholly repayable within five years	92,756	141,550
Convertible notes wholly repayable within five years	49,327	56,578
Bank loans and overdrafts	16,415	5,258
Obligations under finance leases wholly payable within five years	26,587	219
Net gain from cross-currency swap contracts for hedging	–	(14,595)
Other borrowing costs	833	6,387
	185,918	195,397
Amount capitalised in assets under construction	(161,200)	(81,400)
	24,718	113,997

9. Taxation Charge

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

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

10. Interim Dividend

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

11. Earnings Per Share

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

	2010 HK\$'000	2009 HK\$'000
Profit attributable to equity holders of the Company	474,975	1,059,197
Effect of dilutive potential ordinary shares		
Change in fair value of derivative under the convertible notes	(43,737)	–
Profit for calculation of diluted earnings per share	431,238	1,059,197

11. Earnings Per Share (Continued)

	Number of shares	
	2010	2009
Weighted average number of shares for calculating basic earnings per share	3,941,931,902	3,938,169,361
Effect of dilutive potential ordinary shares		
Share options	22,822,581	5,104,388
Convertible notes	171,979,234	–
Weighted average number of shares for calculating diluted earnings per share	4,136,733,717	3,943,273,749

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

12. Capital Expenditure

For the six months ended 30 June 2010, the Group incurred HK\$1,624 million (2009: HK\$419.7 million) on property, plant and equipment and HK\$2.1 million on intangible assets (2009: HK\$0.5 million). The Group has disposed of property, plant and equipment with a net book amount of HK\$9.4 million (2009: HK\$5.1 million).

13. Debtors and Prepayments

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

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.

13. Debtors and Prepayments (Continued)

The ageing analysis of trade debtors of the Group based on the invoice dates and net of provision for bad and doubtful debts is as follows:

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

14. Share Capital

	Ordinary shares of HK\$0.10 each	HK\$'000
Authorised:		
At 30 June 2009, 31 December 2009 and 30 June 2010	9,000,000,000	900,000
Issued and fully paid:		
At 1 January 2009 and 30 June 2009	3,938,169,361	393,817
Issue of shares upon exercise of share options	3,420,000	342
At 31 December 2009	3,941,589,361	394,159
Issue of shares upon exercise of share options	1,666,662	167
At 30 June 2010	3,943,256,023	394,326

14. Share Capital (Continued)

The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected qualifying grantees. During the period, 7,751,000 new options were granted (2009: 55,293,000) and 1,666,662 options (2009: nil) were exercised and 3,065,334 options (2009: 49,807,000) have lapsed. The share options outstanding at 30 June 2010 have the following expiry dates and exercise prices:

Exercise period	Exercise price per share HK\$	Number of share options	
		30 June 2010	31 December 2009
Directors			
1 March 2004 to 28 February 2013	0.5140	3,870,000	3,870,000
22 October 2005 to 21 October 2011	4.5900	14,200,000	14,200,000
22 October 2006 to 21 October 2011	4.5900	2,340,000	2,340,000
17 January 2010 to 16 January 2014	6.9720	2,612,500	2,612,500
17 January 2011 to 16 January 2014	6.9720	2,612,500	2,612,500
17 January 2012 to 16 January 2014	6.9720	5,225,000	5,225,000
18 August 2009 to 17 August 2014	3.3200	383,000	383,000
8 May 2010 to 7 May 2015	2.1600	3,483,332	3,483,332
8 May 2011 to 7 May 2015	2.1600	3,483,332	3,483,332
8 May 2012 to 7 May 2015	2.1600	3,483,336	3,483,336
21 October 2010 to 20 October 2015	3.6000	642,000	642,000
Employees and others			
1 March 2004 to 28 February 2013	0.5140	110,000	110,000
22 October 2005 to 21 October 2011	4.5900	3,500,000	3,500,000
22 October 2006 to 21 October 2011	4.5900	1,330,000	1,330,000
17 January 2010 to 16 January 2014	6.9720	625,000	625,000
17 January 2011 to 16 January 2014	6.9720	625,000	625,000
17 January 2012 to 16 January 2014	6.9720	1,250,000	1,250,000
18 August 2009 to 17 August 2014	3.3200	4,503,000	4,718,000
8 May 2010 to 7 May 2015	2.1600	11,879,658	13,712,986
8 May 2011 to 7 May 2015	2.1600	13,379,654	13,712,986
8 May 2012 to 7 May 2015	2.1600	13,379,692	13,713,028
21 October 2010 to 20 October 2015	3.6000	5,993,000	6,210,000
11 February 2011 to 10 February 2016	2.9100	1,983,663	–
11 February 2012 to 10 February 2016	2.9100	1,983,663	–
11 February 2013 to 10 February 2016	2.9100	1,983,674	–
		104,861,004	101,842,000

15. Borrowings

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Bank loans		
Secured	369,900	20,980
Unsecured	1,688,424	155,443
	2,058,324	176,423
Other borrowings		
Guaranteed notes (note b)	–	2,972,300
Convertible notes	1,130,910	1,077,224
	3,189,234	4,225,947
Bank loans and other borrowings	3,189,234	4,225,947
Obligations under finance leases (note c)	1,415,088	1,617,244
	4,604,322	5,843,191
Total borrowings	4,604,322	5,843,191
Current portion included in current liabilities	(406,471)	(1,342,045)
Short term bank loans (note a)	(1,538,424)	(41,443)
	(1,944,895)	(1,383,488)
	2,659,427	4,459,703

- (a) Short term bank loans included a bridge loan amounting HK\$1.5 billion, which was unsecured, interest bearing at 4.5% above the Hong Kong Interbank Offering rate, and was fully repaid in July 2010.
- (b) During the six months ended 30 June 2010, the Group redeemed US\$106 million principal amount of the Floating Rate Notes and US\$281 million principal amount of the Fixed Rate Notes, at an aggregate amount of US\$401 million resulting in a loss on buyback of HK\$133 million.
- (c) Obligations under finance lease at 30 June 2010 included land premium payable to the Macau Government in respect of the outstanding installment payable for a piece of land in Cotai, Macau under the concession contract amounting to MOP1,457 million (approximately HK\$1,415 million).
- (d) At 30 June 2010, the Group has unutilised banking facilities of HK\$9 billion with a term of six years. These banking facilities will be secured by certain property, plant and equipment and leasehold land of the Group.

16. Creditors and Accruals

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

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

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

17. Capital Commitments

	30 June 2010 HK\$'000	31 December 2009 HK\$'000
Contracted but not provided for	3,402,677	937,194
Authorised but not contracted for	3,980,547	3,947,994

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SECURITIES AND SHARE OPTIONS

At 30 June 2010, the interests of each Director in the shares, underlying shares and debentures of the Company, and the details of any right to subscribe for shares of the Company and of the exercise of such rights, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Shares (including underlying shares)

Name	Number of shares (including underlying shares)				Total	Percentage of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che Woo	24,087,632	2,181,518	395,362,426 ⁽¹⁾	2,565,675,923 ⁽²⁾	2,987,307,499	75.76
Francis Lui Yiu Tung	32,906,896	–	407,558,099 ⁽³⁾	2,546,842,504 ⁽²⁾	2,987,307,499	75.76
Joseph Chee Ying Keung	3,745,000	–	–	–	3,745,000	0.09
Paddy Tang Lui Wai Yu	12,939,722	–	–	2,974,367,777 ⁽²⁾	2,987,307,499	75.76
James Ross Ancell	250,000	–	–	–	250,000	0.01
William Yip Shue Lam	250,000	–	–	–	250,000	0.01
Anthony Thomas						
Christopher Carter	2,800,000	–	–	–	2,800,000	0.07
Martin Clarke	–	–	–	–	–	–
Patrick Wong Lung Tak	–	–	–	–	–	–
Henry Lin Chen	–	–	–	–	–	–

Notes:

(1) 80,387,837 shares, 305,401 shares, 106,716,107 shares, 162,484,047 shares, 13,308,179 shares, 9,660,855 shares and 22,500,000 shares of the Company were held by Best Chance Investments Ltd., Po Kay Securities & Shares Company Limited, Super Focus Company Limited, Sutimar Enterprises Limited, Premium Capital Profits Limited, Mark Liaison Limited and Favor Right Investments Limited respectively, all controlled by Dr. Lui Che Woo.

(2) A discretionary family trust established by Dr. Lui Che Woo as founder was interested in 1,313,887,206 shares of the Company. Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as either direct or indirect discretionary beneficiaries of the discretionary family trust, are deemed to have an interest in those shares in which the trust has an interest.

Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu are, among others, parties to certain arrangements to which section 317 of the SFO applies and each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any shares of the Company held by the other parties to such arrangements for so long as such arrangements are in place. The deemed interests pursuant to these arrangements of Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu were 1,251,788,717 shares, 1,232,955,298 shares and 1,660,480,571 shares of the Company respectively.

(3) 114,504,039 shares of the Company were held by Recurrent Profits Limited which is controlled by Mr. Francis Lui Yiu Tung. Top Notch Opportunities Limited ("Top Notch") was interested in 171,916,021 underlying shares of the Company. Kentlake International Investments Limited ("Kentlake") was interested in 60,000,000 shares and 61,138,039 underlying shares of the Company. Both Top Notch and Kentlake are controlled by Mr. Francis Lui Yiu Tung. The aforesaid underlying shares had not been delivered to Top Notch and Kentlake and are still counted towards the public float.

DISCLOSURE OF INTERESTS

(b) Share Options

The particulars of the movements in the options held by each of the Directors, the employees of the Company in aggregate and other participants granted under the Share Option Scheme (adopted on 30 May 2002) or under any other share option schemes of the Company during the six months ended 30 June 2010 were as follows:

Name	Date of grant	Number of Options				Held at 30 June 2010	Exercise price (HK\$)	Exercise period
		Held at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period			
Lui Che Woo	28 Feb 2003	2,000,000	-	-	-	2,000,000	0.5140	1 Mar 2004 – 28 Feb 2013
	21 Oct 2005	2,700,000	-	-	-	2,700,000	4.5900	22 Oct 2005 – 21 Oct 2011
	21 Oct 2005	590,000	-	-	-	590,000	4.5900	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	862,500	-	-	-	862,500	6.9720	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	862,500	-	-	-	862,500	6.9720	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,725,000	-	-	-	1,725,000	6.9720	17 Jan 2012 – 16 Jan 2014
	8 May 2009	1,150,000	-	-	-	1,150,000	2.1600	8 May 2010 – 7 May 2015
	8 May 2009	1,150,000	-	-	-	1,150,000	2.1600	8 May 2011 – 7 May 2015
	8 May 2009	1,150,000	-	-	-	1,150,000	2.1600	8 May 2012 – 7 May 2015
Francis Lui Yiu Tung	28 Feb 2003	1,870,000	-	-	-	1,870,000	0.5140	1 Mar 2004 – 28 Feb 2013
	21 Oct 2005	6,000,000	-	-	-	6,000,000	4.5900	22 Oct 2005 – 21 Oct 2011
	21 Oct 2005	580,000	-	-	-	580,000	4.5900	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	1,250,000	-	-	-	1,250,000	6.9720	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	1,250,000	-	-	-	1,250,000	6.9720	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	2,500,000	-	-	-	2,500,000	6.9720	17 Jan 2012 – 16 Jan 2014
	8 May 2009	1,666,666	-	-	-	1,666,666	2.1600	8 May 2010 – 7 May 2015
	8 May 2009	1,666,666	-	-	-	1,666,666	2.1600	8 May 2011 – 7 May 2015
	8 May 2009	1,666,668	-	-	-	1,666,668	2.1600	8 May 2012 – 7 May 2015
Joseph Chee Ying Keung	21 Oct 2005	270,000	-	-	-	270,000	4.5900	22 Oct 2006 – 21 Oct 2011
	18 Aug 2008	383,000	-	-	-	383,000	3.3200	18 Aug 2009 – 17 Aug 2014
	21 Oct 2009	642,000	-	-	-	642,000	3.6000	21 Oct 2010 – 20 Oct 2015
Paddy Tang Lui Wai Yu	21 Oct 2005	3,000,000	-	-	-	3,000,000	4.5900	22 Oct 2005 – 21 Oct 2011
	21 Oct 2005	400,000	-	-	-	400,000	4.5900	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	500,000	-	-	-	500,000	6.9720	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	500,000	-	-	-	500,000	6.9720	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,000,000	-	-	-	1,000,000	6.9720	17 Jan 2012 – 16 Jan 2014
	8 May 2009	666,666	-	-	-	666,666	2.1600	8 May 2010 – 7 May 2015
	8 May 2009	666,666	-	-	-	666,666	2.1600	8 May 2011 – 7 May 2015
	8 May 2009	666,668	-	-	-	666,668	2.1600	8 May 2012 – 7 May 2015
James Ross Ancell	21 Oct 2005	250,000	-	-	-	250,000	4.5900	22 Oct 2006 – 21 Oct 2011
William Yip Shue Lam	21 Oct 2005	250,000	-	-	-	250,000	4.5900	22 Oct 2006 – 21 Oct 2011
Anthony Thomas Christopher Carter	21 Oct 2005	2,500,000	-	-	-	2,500,000	4.5900	22 Oct 2005 – 21 Oct 2011
Martin Clarke	-	-	-	-	-	-	-	-
Patrick Wong Lung Tak	-	-	-	-	-	-	-	-
Henry Lin Chen	-	-	-	-	-	-	-	-

DISCLOSURE OF INTERESTS

Name	Date of grant	Number of Options				Held at 30 June 2010	Exercise price (HK\$)	Exercise period
		Held at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period			
Employees (in aggregate)	28 Feb 2003	110,000	-	-	-	110,000	0.5140	1 Mar 2004 – 28 Feb 2013
	21 Oct 2005	1,330,000	-	-	-	1,330,000	4.5900	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	625,000	-	-	-	625,000	6.9720	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	625,000	-	-	-	625,000	6.9720	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,250,000	-	-	-	1,250,000	6.9720	17 Jan 2012 – 16 Jan 2014
	18 Aug 2008	4,718,000	-	-	215,000	4,503,000	3.3200	18 Aug 2009 – 17 Aug 2014
	8 May 2009	13,712,986	-	1,666,662	166,666	11,879,658	2.1600	8 May 2010 – 7 May 2015
	8 May 2009	13,712,986	-	-	333,332	13,379,654	2.1600	8 May 2011 – 7 May 2015
	8 May 2009	13,713,028	-	-	333,336	13,379,692	2.1600	8 May 2012 – 7 May 2015
	21 Oct 2009	6,210,000	-	-	217,000	5,993,000	3.6000	21 Oct 2010 – 20 Oct 2015
	11 Feb 2010	-	2,583,663	-	600,000	1,983,663	2.9100	11 Feb 2011 – 10 Feb 2016
	11 Feb 2010	-	2,583,663	-	600,000	1,983,663	2.9100	11 Feb 2012 – 10 Feb 2016
	11 Feb 2010	-	2,583,674	-	600,000	1,983,674	2.9100	11 Feb 2013 – 10 Feb 2016
Others	21 Oct 2005	3,500,000	-	-	-	3,500,000	4.5900	22 Oct 2005 – 21 Oct 2011

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the period is HK\$3.42.

The vesting periods for the above options are the periods from the respective dates of grant to the respective commencement dates of the exercise periods of the options as disclosed above.

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

The fair value of the options granted on 11 February 2010 is estimated at HK\$1.29 per option based on the Black-Scholes valuation model. The significant inputs into the model are share price of HK\$2.91 on the date of grant, exercise price of HK\$2.91, standard deviation of expected share price return of 65%, expected life of options of 3 to 5 years, expected dividend paid out rate of 2% and annual risk-free interest rate of 1.3% to 1.8%. The volatility measured at the standard deviation of expected share price return is based on the historical share price movement of the Company in the relevant periods matching expected time to exercise prior to the date of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

The closing price of the Company's shares immediately before the date on which the share options were granted during the period was HK\$2.84.

All the interests stated above represent long positions.

Save as disclosed above, as at 30 June 2010, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 30 June 2010, the interests of every person (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Number of Shares (Long Position)	Percentage of Issued Share Capital
City Lion Profits Corp.	2,987,307,499 ⁽¹⁾	75.76
ENB Topco 2 S.à.r.l	2,975,899,499 ⁽¹⁾⁽³⁾	75.47
Galaxy Entertainment Group Limited	2,987,307,499 ⁽¹⁾	75.76
HSBC International Trustee Limited	1,313,887,206 ⁽²⁾	33.32
Mark Liaison Limited	2,987,307,499 ⁽¹⁾	75.76
Permira Holdings Limited	2,975,899,499 ⁽¹⁾⁽⁴⁾	75.47
Premium Capital Profits Limited	2,987,307,499 ⁽¹⁾	75.76
Recurrent Profits Limited	2,987,307,499 ⁽¹⁾	75.76
Super Focus Company Limited	2,987,307,499 ⁽¹⁾	75.76

Notes:

- (1) City Lion Profits Corp., ENB Topco 2 S.à.r.l, Galaxy Entertainment Group Limited, Mark Liaison Limited, Permira Holdings Limited, Premium Capital Profits Limited, Recurrent Profits Limited and Super Focus Company Limited are, among others, parties having interests in certain arrangements to which section 317 of the SFO applies and each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any shares of the Company held by the other parties to such arrangements for so long as such arrangements are in place. Their deemed interests pursuant to these arrangements were 1,673,420,293 shares, 2,333,180,916 shares, 2,987,307,499 shares, 2,977,646,644 shares, 2,177,515,499 shares, 2,973,999,320 shares, 2,872,803,460 shares and 2,718,107,345 shares of the Company respectively.
- (2) HSBC International Trustee Limited is the trustee of a discretionary family trust established by Dr. Lui Che Woo as founder, which was interested in 1,313,887,206 shares of the Company.
- (3) ENB Topco 2 S.à.r.l is deemed to have an interest in the shares of the Company as a result of the direct holding of the shares by ENB Lux 2 S.à.r.l, its wholly-owned subsidiary.
- (4) Permira Holdings Limited is deemed to have an interest in the shares of the Company in its capacity as the holding company of the general partner and manager of the funds which control the companies holding the shares.

DISCLOSURE OF INTERESTS

There was duplication of interests of:

- (i) 1,313,887,206 shares of the Company between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, City Lion Profits Corp. and HSBC International Trustee Limited;
- (ii) 9,660,855 shares of the Company between Dr. Lui Che Woo and Mark Liaison Limited;
- (iii) 13,308,179 shares of the Company between Dr. Lui Che Woo and Premium Capital Profits Limited;
- (iv) 269,200,154 shares of the Company between Dr. Lui Che Woo and Super Focus Company Limited;
- (v) 114,504,039 shares of the Company between Mr. Francis Lui Yiu Tung and Recurrent Profits Limited;
- (vi) 642,718,583 shares of the Company between ENB Topco 2 S.à.r.l. and Permira Holdings Limited; and
- (vii) apart from the above, duplication of interests also existed among Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, City Lion Profits Corp., ENB Topco 2 S.à.r.l, Galaxy Entertainment Group Limited, Mark Liaison Limited, Permira Holdings Limited, Premium Capital Profits Limited, Recurrent Profits Limited and Super Focus Company Limited, which are parties having interests in certain arrangements to which section 317 of the SFO applies. As a result, each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any shares of the Company held by the other parties to such arrangements for so long as such arrangements are in place. Their interests were duplicated to the extent as disclosed in the relevant notes above.

Save as disclosed above, as at 30 June 2010, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of the SFO.

OTHER INFORMATION

DEALINGS IN LISTED SECURITIES

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

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

REVIEW OF INTERIM RESULTS

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

GEG has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors. GEG, having made specific enquiry of all Directors, confirms that our Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

OTHER INFORMATION

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2010, GEG has complied with the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, except code provision A.4.2. The Board considers that the spirit of code provision A.4.2 has been upheld, given that the other Directors do retire by rotation in accordance with the Articles of Association of 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.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information since the publication of Annual Report 2009 are set out below:

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

- appointed an independent non-executive director of Guangzhou Pharmaceutical Company Limited (stock code: 874) on 28 June 2010
- appointed an independent non-executive director of Sino Oil and Gas Holdings Limited (stock code: 702) on 16 August 2010
- the name of Vertex Group Limited (stock code: 8228), of which Dr. Wong is an independent non-executive director, has been changed to National Arts Holdings Limited

CHANGES IN THE BOARD

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

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

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

Hong Kong, 31 August 2010