



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



Interim Report
2007

(Stock Code : 27)



THE COMPANY

Galaxy Entertainment Group Limited was formerly called K. Wah Construction Materials Limited. K. Wah was a long established leading supplier of quality construction materials in Hong Kong and Mainland China.

In 1991, K. Wah was publicly listed on the Hong Kong Stock Exchange under the stock code 0027.

In 2005, K. Wah acquired Galaxy Casino, S.A., which holds a highly sought-after gaming concession in the Macau SAR and K. Wah Construction Materials Limited changed its name to Galaxy Entertainment Group Limited.

During 2006, Galaxy has firmly established itself as a world leading gaming operator, now operating 5 casinos, including its acclaimed StarWorld Hotel and Casino and having captured over 20% of the Macau gaming market.

During 2007, Galaxy significantly grew its revenues and profitability and strengthened its management team with key appointments. StarWorld continued to grow from strength to strength, increasing its own market share from 8% to 12%, was awarded the 5 Star Diamond award. GalaxyWorld Resort is on track for completion in 2008 and is fully funded utilizing Galaxy's HK\$6.5 billion in reserves.

Going forward, Galaxy will continue to capitalize on its valuable gaming concession, its casino operations and extensive Macau landbank through the expansion of its gaming and resort activities.

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CORPORATE INFORMATION

CHAIRMAN

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

DEPUTY CHAIRMAN

Francis Lui Yiu Tung

EXECUTIVE DIRECTORS

Chan Kai Nang
Joseph Chee Ying Keung
Paddy Tang Lui Wai Yu, *JP*

NON-EXECUTIVE DIRECTORS

Dr. Charles Cheung Wai Bun, *JP**
Moses Cheng Mo Chi, *GBS, OBE, JP*
James Ross Ancell*
Dr. William Yip Shue Lam, *LLD**
Anthony Thomas Christopher Carter

* *Independent Non-executive Directors*

AUDIT COMMITTEE

Dr. Charles Cheung Wai Bun, *JP*
Moses Cheng Mo Chi, *GBS, OBE, JP*
James Ross Ancell

REMUNERATION COMMITTEE

Francis Lui Yiu Tung
Dr. Charles Cheung Wai Bun, *JP*
Dr. William Yip Shue Lam, *LLD*

COMPANY SECRETARY

Kitty Chan Lai Kit

QUALIFIED ACCOUNTANT

Cheung Wing Hong

AUDITORS

PricewaterhouseCoopers

REGISTERED OFFICE

Room 1606, 16th Floor
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10 Harcourt Road
Central, Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

SOLICITORS

Richards Butler
Slaughter and May
Huen Wong & Co. in association with Fried, Frank,
Harris, Shriver & Jacobson LLP
Sa Carneiro & Pinheiro Torres
Leonel Alberto Alves
King & Wood
Guantao Law Firm
Gallant Y. T. Ho & Co.

SHARE REGISTRARS

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AMERICAN DEPOSITARY RECEIPTS ("ADR") DEPOSITARY

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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

INVESTOR RELATIONS CONTACT

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RESULTS HIGHLIGHTS

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 30th June 2007 as follows:

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

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

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

REVIEW OF OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

GAMING AND ENTERTAINMENT DIVISION

Overview

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

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

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

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

StarWorld

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

GalaxyWorld Resort — Galaxy's Cotai Mega Resort

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

Galaxy's City Club Casinos

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

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

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

USGAAP Comparisons

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

Corporate Costs

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CONSTRUCTION MATERIALS DIVISION

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

Hong Kong and Macau

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

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

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

Mainland

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group's liquidity position remains strong and the Group is confident that sufficient resources could be secured to meet its commitments, working capital requirements and future assets acquisitions.

GEARING RATIO

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

TREASURY POLICY

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

CHARGES ON GROUP ASSETS

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

GUARANTEES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$613 million (31st December 2006: \$210 million), of which \$425 million (31st December 2006: \$175 million) have been utilised.

The Group has executed guarantees in favour of a bank in respect of facilities granted to an associated company amounting to \$9 million (31st December 2006: \$9 million). As at 30th June 2007, facilities utilised amounted to \$9 million (31st December 2006: \$9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30th June 2007, the Group, excluding associated companies and jointly controlled entities, employed around 9,800 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$730 million.

The Group recruits and promotes individuals based on their competencies, merit and development potential and ensures remuneration packages are competitive, fair and subject to regular review. The Group has implemented a share option scheme for executives from 1991 following approval by its shareholders for the purpose of providing competitive package and long term retention of management talents. Likewise in Macau and Mainland China, employees' remuneration is commensurate with market levels with emphasis on provision of training and development opportunities.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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 11 to 27, which comprises the consolidated balance sheet of Galaxy Entertainment Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2007 and the consolidated profit and loss statement, the condensed consolidated cash flow statement and the consolidated statement of changes in equity for the six months then ended, and a summary of accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of 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, 17th September 2007

CONSOLIDATED PROFIT AND LOSS STATEMENT (UNAUDITED)

For the six months ended 30th June 2007

	Note	2007 HK\$'000	2006 HK\$'000
Revenue	5	6,331,969	1,306,321
Cost of sales		(5,538,353)	(1,207,448)
Gross profit		793,616	98,873
Other income		185,139	135,825
Administrative expenses		(412,080)	(193,439)
Other operating expenses		(510,096)	(504,922)
Operating profit/(loss)	6	56,579	(463,663)
Finance costs	7	(323,793)	(288,786)
Share of profits less losses of			
Jointly controlled entities		(918)	17,112
Associated companies		—	504
Loss before taxation		(268,132)	(734,833)
Taxation	8	(11,684)	(1,449)
Loss for the period		(279,816)	(736,282)
Attributable to:			
Shareholders		(267,818)	(734,452)
Minority interests		(11,998)	(1,830)
		(279,816)	(736,282)
Interim dividend	9	—	—
		HK cents	HK cents
Loss per share	10		
Basic		(8.1)	(22.3)
Diluted		(8.1)	(22.3)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30th June 2007

	Note	30th June 2007 HK\$'000	31st December 2006 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		4,154,660	3,882,504
Investment properties		62,500	62,500
Leasehold land and land use rights		1,600,852	1,621,917
Intangible assets		15,026,208	15,520,486
Jointly controlled entities		496,828	386,520
Associated companies		731	730
Other non-current assets	12	885,393	951,697
		22,227,172	22,426,354
Current assets			
Inventories		96,459	94,522
Debtors and prepayments	13	1,004,547	863,138
Taxation recoverable		1,714	2,546
Other investments		27,888	39,241
Cash and bank balances		6,259,796	5,783,197
		7,390,404	6,782,644
Total assets		29,617,576	29,208,998
EQUITY			
Share capital	14	330,179	329,612
Reserves		13,034,375	13,303,187
Shareholders' funds		13,364,554	13,632,799
Minority interests		481,911	490,700
Total equity		13,846,465	14,123,499
LIABILITIES			
Non-current liabilities			
Borrowings	15	8,536,587	8,439,965
Deferred taxation liabilities		1,777,178	1,778,588
Derivative financial instruments		550,879	573,109
Provisions		101,567	120,151
		10,966,211	10,911,813
Current liabilities			
Creditors and accruals	16	4,132,523	3,633,845
Current portion of borrowings	15	653,000	532,888
Taxation payable		19,377	6,953
		4,804,900	4,173,686
Total liabilities		15,771,111	15,085,499
Total equity and liabilities		29,617,576	29,208,998

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June 2007

	2007 HK\$'000	2006 HK\$'000
Net cash from operating activities	981,709	1,147,851
Net cash used in investing activities	(557,391)	(1,044,181)
Net cash from/(used in) financing activities	46,953	(10,421)
Net increase in cash and bank balances	471,271	93,249
Cash and bank balances at beginning of period	5,783,197	5,068,214
Change in exchange rates	5,328	(22,363)
Cash and bank balances at end of period	6,259,796	5,139,100

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June 2007

	Share capital HK\$'000	Other reserves HK\$'000	Revenue reserve HK\$'000	Shareholders' funds HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 31st December 2006	329,612	11,715,958	1,587,229	13,632,799	490,700	14,123,499
Change in fair value of non-current investments	—	22	—	22	2,335	2,357
Exchange differences	—	27,345	—	27,345	955	28,300
Change in fair value of cash flow hedges	—	(50,828)	—	(50,828)	(81)	(50,909)
Net loss recognised directly in equity	—	(23,461)	—	(23,461)	3,209	(20,252)
Issue of shares upon exercise of share options	567	22,467	—	23,034	—	23,034
Loss for the period	—	—	(267,818)	(267,818)	(11,998)	(279,816)
	567	22,467	(267,818)	(244,784)	(11,998)	(256,782)
At 30th June 2007	330,179	11,714,964	1,319,411	13,364,554	481,911	13,846,465
At 31st December 2005	329,058	11,485,033	3,118,363	14,932,454	491,910	15,424,364
Exchange differences	—	16,113	—	16,113	(87)	16,026
Change in fair value of cash flow hedges	—	2,325	—	2,325	—	2,325
Net income recognised directly in equity	—	18,438	—	18,438	(87)	18,351
Issue of shares upon exercise of share options	427	12,379	—	12,806	—	12,806
Fair value of share options	—	1,933	—	1,933	—	1,933
Acquisition of minority interests	—	—	—	—	(3,286)	(3,286)
Dividend paid to minority shareholders	—	—	—	—	(976)	(976)
Transfer of reserves	—	(412)	412	—	—	—
Loss for the period	—	—	(734,452)	(734,452)	(1,830)	(736,282)
	427	13,900	(734,040)	(719,713)	(6,092)	(725,805)
At 30th June 2006	329,485	11,517,371	2,384,323	14,231,179	485,731	14,716,910

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 31st December 2006.

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

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

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

2. 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 31st December 2006.

3. 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 31st December 2006.

NOTES TO THE INTERIM FINANCIAL INFORMATION

4. 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. There are no sales or trading transaction between the business segments.

(a) Business segments

	Gaming and entertainment	Construction materials	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30th June 2007				
Revenue	5,603,639	728,330	—	6,331,969
Operating profit/(loss) (Note)	(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)	—	(918)
Loss before taxation				(268,132)
Taxation				(11,684)
Loss for the period				(279,816)
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	—	972	—	972

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

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

5. REVENUE

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

	2007	2006
	HK\$'000	HK\$'000
Sales of construction materials	728,330	565,173
Gaming operations		
Net gaming wins	5,427,040	662,871
Contributions (Note)	63,199	72,845
Tips received	19,094	5,432
Hotel operations		
Room rental	59,162	—
Food and beverages	18,450	—
Others	16,694	—
	6,331,969	1,306,321

NOTES TO THE INTERIM FINANCIAL INFORMATION

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 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.

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. OPERATING PROFIT/(LOSS)

	2007	2006
	HK\$'000	HK\$'000
Operating profit/(loss) is stated after crediting:		
Rental income	1,884	6,794
Interest income		
Bank deposits	106,021	75,179
Loan to a related company	—	3,371
Loans to jointly controlled entities	1,053	1,101
Deferred receivable	390	337
Administrative fees	14,507	4,794
Change in fair value of listed investments	18,652	—
Gain on disposal of listed investments	19,898	—
Dividend income from unlisted investments	2,111	—
Gross earnings on finance lease	7,618	3,508
and after charging:		
Depreciation	155,734	49,355
Amortisation		
Gaming licence	495,077	494,806
Computer software	3,123	269
Overburden removal costs	7,646	7,938
Quarry site improvements	7,565	7,570
Quarry site development	2,668	941
Leasehold land and land use rights	21,181	3,431
Impairment of property, plant and equipment	9,793	17
Write-down of inventories	972	—
Cost of inventories sold	677,398	517,967

NOTES TO THE INTERIM FINANCIAL INFORMATION

7. FINANCE COSTS

	2007	2006
	HK\$'000	HK\$'000
Interest expenses		
Guaranteed fixed rate notes not wholly repayable within five years	144,164	133,675
Guaranteed floating rate notes wholly repayable within five years	108,597	101,799
Fixed rate notes wholly repayable within five years	71,025	72,200
Convertible notes wholly repayable within five years	55,195	—
Bank loans and overdrafts	17,763	15,036
Obligations under finance leases wholly payable within five years	606	28
Change in fair value of derivative under the convertible notes	(25,038)	—
Net gain from cross currency swap contracts for hedging	(17,886)	—
Other borrowing costs	10,297	4,238
	364,723	326,976
Amount capitalised in assets under construction	(40,930)	(38,190)
	323,793	288,786

8. TAXATION

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

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the period after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which those profits arose.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

9. INTERIM DIVIDEND

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

10. LOSS PER SHARE

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

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

11. CAPITAL EXPENDITURE

For the six months ended 30th June 2007, the Group incurred HK\$584.8 million (2006: HK\$1,237 million) on property, plant and equipment, HK\$3.9 million on intangible assets (2006: HK\$4.7 million), nil (2006: HK\$13.8 million) on leasehold land and land use rights and HK\$0.5 million (2006: HK\$0.9 million) on deferred expenditure. The Group has disposed of property, plant and equipment with a net book amount of HK\$1.8 million (2006: HK\$8.2 million).

12. OTHER NON-CURRENT ASSETS

	30th June 2007 HK\$'000	31st December 2006 HK\$'000
Non-current investments	283,989	284,932
Finance lease receivable	152,596	168,552
Derivative financial instruments	15,908	47,072
Deferred expenditure		
Overburden removal costs	59,331	68,574
Quarry site development	10,598	10,930
Quarry site improvements	98,315	105,880
Deferred receivable	5,503	6,604
Restricted bank deposits	259,153	259,153
	885,393	951,697

NOTES TO THE INTERIM FINANCIAL INFORMATION

13. DEBTORS AND PREPAYMENTS

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

Trade debtors mainly arise from the sales of construction materials. The Group has established credit policies which follow local industry standards. The Group normally allows an approved credit period ranging from 30 to 60 days for customers in Hong Kong and Macau and 120 to 180 days for customers in Mainland China. These are subject to periodic reviews by management.

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

	30th June	31st December
	2007	2006
	HK\$'000	HK\$'000
Within one month	136,809	136,508
Two to three months	194,008	148,612
Four to six months	65,919	97,840
Over six months	183,878	121,430
	580,614	504,390

NOTES TO THE INTERIM FINANCIAL INFORMATION

14. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	HK\$'000
Authorised:		
At 30th June 2006, 31st December 2006 and 30th June 2007	6,888,000,000	688,800
Issued and fully paid:		
At 1st January 2006	3,290,579,361	329,058
Exercise of share options	4,270,000	427
At 30th June 2006	3,294,849,361	329,485
Exercise of share options	1,268,000	127
At 31st December 2006	3,296,117,361	329,612
Exercise of share options	5,674,000	567
At 30th June 2007	3,301,791,361	330,179

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, no new options were granted (2006: nil), options for 6,174,000 shares (2006: 4,270,000 shares) were exercised upon which 5,674,000 new shares were allotted during the period and 500,000 new shares were allotted in July 2007, and no option (2006: 600,000) was lapsed. At 30th June 2007, outstanding options granted under the scheme are as follows:

Exercise period	Exercise price per share HK\$	Number of share options	
		30th June 2007	31st December 2006
Directors			
20th May 1999 to 19th May 2008	0.5333	2,500,000	2,500,000
30th December 2000 to 29th December 2009	0.5216	3,400,000	3,400,000
1st March 2004 to 28th February 2013	0.5140	4,280,000	4,280,000
22nd October 2005 to 21st October 2011	4.5900	14,200,000	13,200,000
22nd October 2006 to 21st October 2011	4.5900	3,060,000	3,290,000
Employees and others			
20th May 1999 to 19th May 2008	0.5333	130,000	400,000
30th December 2000 to 29th December 2009	0.5216	—	228,000
1st March 2004 to 28th February 2013	0.5140	38,000	280,000
22nd October 2005 to 21st October 2011	4.5900	11,450,000	16,250,000
22nd October 2006 to 21st October 2011	4.5900	2,320,000	3,724,000
		41,378,000	47,552,000

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. BORROWINGS

	30th June 2007 HK\$'000	31st December 2006 HK\$'000
Bank loans		
Secured	194,780	259,860
Unsecured	558,858	453,420
	753,638	713,280
Other borrowings		
Fixed rate notes	2,593,007	2,521,982
Guaranteed notes	4,566,115	4,532,106
Convertible notes	1,266,861	1,205,377
Bank loans and other borrowings	9,179,621	8,972,745
Obligations under finance leases	9,966	108
Total borrowings	9,189,587	8,972,853
Current portion included in current liabilities	(653,000)	(532,888)
	8,536,587	8,439,965

NOTES TO THE INTERIM FINANCIAL INFORMATION

16. CREDITORS AND ACCRUALS

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

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

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

17. CAPITAL COMMITMENTS

	30th June 2007 HK\$'000	31st December 2006 HK\$'000
Contracted but not provided for	2,742,379	2,315,845
Authorised but not contracted for	1,215,465	1,206,054

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SECURITIES AND SHARE OPTIONS

At 30th June 2007, 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 (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "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 (the "Listing Rules"), were as follows:

(a) Ordinary Shares (including underlying shares)

Name	Number of Shares				Total	Percentage of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che Woo	17,187,632	2,181,518	80,693,238 ⁽¹⁾	1,905,118,394 ⁽²⁾	2,005,180,782	60.73
Francis Lui Yiu Tung	11,498,896	—	436,753,661 ⁽³⁾	1,905,118,394 ⁽²⁾	2,353,370,951	71.28
Chan Kai Nang	380,000	—	—	—	380,000	0.01
Joseph Chee Ying Keung	2,720,000	—	—	—	2,720,000	0.08
Paddy Tang Lui Wai Yu	8,939,722	—	—	1,905,118,394 ⁽²⁾	1,914,058,116	57.97
Charles Cheung Wai Bun	582,533	—	—	—	582,533	0.02
Moses Cheng Mo Chi	500,000	—	—	—	500,000	0.02
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	0.08

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 or under any other share option schemes of the Company during the six months ended 30th June 2007 were as follows:

Name	Date of grant	Number of Options			Exercise price (HK\$)	Exercise period
		Held at 1st January 2007	Exercised during the period	Held at 30th June 2007		
Lui Che Woo	20th May 1998	1,500,000	—	1,500,000	0.5333	20th May 1999–19th May 2008
	30th Dec 1999	1,800,000	—	1,800,000	0.5216	30th Dec 2000–29th Dec 2009
	28th Feb 2003	2,000,000	—	2,000,000	0.5140	1st Mar 2004–28th Feb 2013
	21st Oct 2005	2,700,000	—	2,700,000	4.5900	22nd Oct 2005–21st Oct 2011
	21st Oct 2005	590,000	—	590,000	4.5900	22nd Oct 2006–21st Oct 2011
Francis Lui Yiu Tung	20th May 1998	1,000,000	—	1,000,000	0.5333	20th May 1999–19th May 2008
	30th Dec 1999	1,600,000	—	1,600,000	0.5216	30th Dec 2000–29th Dec 2009
	28th Feb 2003	1,870,000	—	1,870,000	0.5140	1st Mar 2004–28th Feb 2013
	21st Oct 2005	6,000,000	—	6,000,000	4.5900	22nd Oct 2005–21st Oct 2011
	21st Oct 2005	580,000	—	580,000	4.5900	22nd Oct 2006–21st Oct 2011
Chan Kai Nang	28th Feb 2003	110,000	—	110,000	0.5140	1st Mar 2004–28th Feb 2013
	21st Oct 2005	270,000	—	270,000	4.5900	22nd Oct 2006–21st Oct 2011
Joseph Chee Ying Keung	21st Oct 2005	270,000	—	270,000	4.5900	22nd Oct 2006–21st Oct 2011
Paddy Tang Lui Wai Yu	21st Oct 2005	3,000,000	—	3,000,000	4.5900	22nd Oct 2005–21st Oct 2011
	21st Oct 2005	400,000	—	400,000	4.5900	22nd Oct 2006–21st Oct 2011
Charles Cheung Wai Bun	21st Oct 2005	250,000	—	250,000	4.5900	22nd Oct 2006–21st Oct 2011
Moses Cheng Mo Chi	28th Feb 2003	300,000	—	300,000	0.5140	1st Mar 2004–28th Feb 2013
	21st Oct 2005	200,000	—	200,000	4.5900	22nd Oct 2006–21st Oct 2011
James Ross Ancell	21st Oct 2005	250,000	—	250,000	4.5900	22nd Oct 2006–21st Oct 2011
William Yip Shue Lam	21st Oct 2005	250,000	—	250,000	4.5900	22nd Oct 2006–21st Oct 2011
Anthony Thomas Christopher Carter	21st Oct 2005	*2,500,000	—	2,500,000	4.5900	22nd Oct 2005–21st Oct 2011
Employees (in aggregate)	20th May 1998	400,000	270,000 ^(a)	130,000	0.5333	20th May 1999–19th May 2008
	30th Dec 1999	228,000	228,000 ^(b)	—	0.5216	30th Dec 2000–29th Dec 2009
	28th Feb 2003	280,000	242,000 ^(b)	38,000	0.5140	1st Mar 2004–28th Feb 2013
	21st Oct 2005	12,750,000	3,800,000 ^(c)	#6,450,000	4.5900	22nd Oct 2005–21st Oct 2011
	21st Oct 2005	3,724,000	1,404,000 ^(d)	2,320,000	4.5900	22nd Oct 2006–21st Oct 2011
Others	21st Oct 2005	3,500,000	—	##5,000,000	4.5900	22nd Oct 2005–21st Oct 2011
	21st Oct 2005	—	##230,000 ^(e)	—	4.5900	22nd Oct 2006–21st Oct 2011

* representing share options held by Anthony Thomas Christopher Carter at his appointment date as director on 18th April 2007

after reclassification of share options held by Anthony Thomas Christopher Carter under "Employees" to "Directors"

after reclassification of share options held by William Lo Chi Chung under "Directors" to "Others" following his resignation as director during the period

Notes:

- The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the period was HK\$7.28.
- The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the period was HK\$7.50.

DISCLOSURE OF INTERESTS

- c. The weighted average closing price of the Company's shares immediately before the date on which the options were exercised during the period was HK\$7.48.
- d. The weighted average closing price of the Company's shares immediately before the date on which the options were exercised during the period was HK\$7.54.
- e. The weighted average closing price of the Company's shares immediately before the date on which the options were exercised during the period was HK\$7.92.

Except for the options granted on 21st October 2005 exercisable within the period from 22nd October 2005 to 21st October 2011 at an exercise price of HK\$4.59 per share, all options referred to above are subject to a one-year vesting period.

No options were granted, lapsed or cancelled during the period.

The consideration paid by each grantee for each grant of options was HK\$1.00.

(c) Debentures

Name	Amount of Debentures		
	Corporate Interests (HK\$)	Other Interests (HK\$)	Total Interests (HK\$)
Lui Che Woo	—	2,320,898,413 ⁽⁴⁾	2,320,898,413
Francis Lui Yiu Tung	50,906,654 ⁽³⁾	2,320,898,413 ⁽⁴⁾	2,371,805,067
Paddy Tang Lui Wai Yu	—	2,320,898,413 ⁽⁴⁾	2,320,898,413

Notes:

- (1) 80,387,837 shares and 305,401 shares in the Company were respectively held by Best Chance Investments Ltd. and Po Kay Securities & Shares Company Limited, both controlled by Dr. Lui Che Woo.
- (2) Two discretionary family trusts both established by Dr. Lui Che Woo as founder were respectively interested in 1,267,165,313 shares and 22,969,034 shares in the Company. K. Wah International Holdings Limited ("KWIH"), a substantial shareholder of the Company listed on the Stock Exchange, was interested in 614,984,047 shares in the Company held by a wholly owned subsidiary of KWIH. KWIH was controlled by one of the said discretionary family trusts.

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 trusts, are deemed to have interest in those shares in the Company interested by the trusts and in those shares in the Company in which KWIH was interested as aforesaid.
- (3) 111,138,039 shares and debentures of the Company in the amount of HK\$50,906,654 were held by Recurrent Profits Limited controlled by Mr. Francis Lui Yiu Tung. 231,615,731 underlying shares of the Company were interested by Top Notch Opportunities Limited ("Top Notch"). 60,000,000 shares and 33,999,891 underlying shares in the Company were interested by Kentlake International Investments Limited ("Kentlake"). Both Top Notch and Kentlake were controlled by Mr. Francis Lui Yiu Tung.
- (4) A discretionary family trust established by Dr. Lui Che Woo as founder was interested in debentures of the Company in the amount of HK\$2,320,898,413. Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as either direct or indirect beneficiaries, are deemed to have interest in these debentures.

All the interests stated above represent long positions.

Save as disclosed above, as at 30th June 2007, 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 30th June 2007, the interests or short positions 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	Number of Shares (Short Position)	Percentage of Issued Share Capital
Brightwealth Investments Limited	265,615,622	8.04	265,615,622	8.04
City Lion Profits Corp.	1,160,449,206	35.15	—	—
Davos Investment Holdings Private Limited	265,615,622	8.04	265,615,622	8.04
Guoco Group Limited	265,615,622	8.04	265,615,622	8.04
Guoline Capital Assets Limited	265,615,622	8.04	265,615,622	8.04
Guoline Overseas Limited	265,615,622	8.04	265,615,622	8.04
HL Holdings Sdn Bhd	265,615,622	8.04	265,615,622	8.04
Hong Leong Company (Malaysia) Berhad	265,615,622	8.04	265,615,622	8.04
Hong Leong Investment Holdings Pte. Ltd.	265,615,622	8.04	265,615,622	8.04
HSBC International Trustee Limited	1,905,132,394 ^(Note)	57.70	—	—
Kwek Holdings Pte Ltd	265,615,622	8.04	265,615,622	8.04
Kwek Leng Kee	265,615,622	8.04	265,615,622	8.04
K. Wah International Holdings Limited	614,984,047	18.63	—	—
Pedro Ho On Chun	176,250,301	5.34	—	—
Quek Leng Chan	265,615,622	8.04	265,615,622	8.04
Top Notch Opportunities Limited	231,615,731	7.01	—	—

Note: HSBC International Trustee Limited is the trustee of the discretionary family trusts established by Dr. Lui Che Woo as founder, which are interested in 1,905,118,394 shares in the Company.

There was duplication of interests of:

- (i) 1,905,118,394 shares and the debentures in the amount of HK\$2,320,898,413 between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu. Among these shares,
 - a. 614,984,047 shares in the Company were also interested by K. Wah International Holdings Limited;
 - b. 1,160,449,206 shares in the Company were also interested by City Lion Profits Corp.;
- (ii) 231,615,731 underlying shares in the Company between Mr. Francis Lui Yiu Tung and Top Notch Opportunities Limited;
- (iii) 60,000,000 shares and 33,999,891 underlying shares in the Company between Mr. Francis Lui Yiu Tung and Mr. Pedro Ho On Chun;
- (iv) 265,615,622 shares in the Company (both long and short positions) between Brightwealth Investments Limited, Davos Investment Holdings Private Limited, Guoco Group Limited, Guoline Capital Assets Limited, Guoline Overseas Limited, HL Holdings Sdn Bhd, Hong Leong Company (Malaysia) Berhad, Hong Leong Investment Holdings Pte. Ltd., Kwek Holdings Pte Ltd, Mr. Kwek Leng Kee and Mr. Quek Leng Chan.

Save as disclosed above, as at 30th June 2007, 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

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

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended 30th June 2007 have been reviewed by the Audit Committee of the Company and by the Company's Auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company 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. The Company, having made specific enquiry of all Directors, confirms that our Directors have complied with the required standard set out in the Model Code and the Company's own code.

CORPORATE GOVERNANCE

Throughout the six months ended 30th June 2007, the Company has met the code provisions set out in the Code on Corporate Governance Practices contained 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 the Company and the Group is best served by not requiring the Chairman and the Managing Director to retire by rotation as their continuity in office is of considerable benefit to and their leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of the Company.

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

Hong Kong, 17th September 2007