



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

Stock Code: 27

Interim Report 2008

Mystical Oasis
Galaxy Macau

Live the Thrill



CONTENTS

2	Corporate Information
3	Results Highlights
4	Management Discussion and Analysis
12	Report on Review of Interim Financial Information
13	Condensed Consolidated Profit and Loss Statement (Unaudited)
14	Condensed Consolidated Balance Sheet (Unaudited)
16	Condensed Consolidated Cash Flow Statement (Unaudited)
17	Condensed Consolidated Statement of Changes in Equity (Unaudited)
18	Notes to the Interim Financial Information
33	Disclosure of Interests
38	Other 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, *JP*

NON-EXECUTIVE DIRECTORS

Dr. Moses Cheng Mo Chi, *GBS, OBE, JP*

Mr. James Ross Ancell*

Dr. William Yip Shue Lam, *LLD**

Mr. Anthony Thomas Christopher Carter

Dr. Martin Clarke

Mr. Guido Paolo Gamucci

Dr. Patrick Wong Lung Tak, *JP**

* *Independent Non-executive Directors*

AUDIT COMMITTEE

Mr. James Ross Ancell

Dr. Moses Cheng Mo Chi, *GBS, OBE, JP*

Dr. Patrick Wong Lung Tak, *JP*

REMUNERATION COMMITTEE

Mr. Francis Lui Yiu Tung

Dr. William Yip Shue Lam, *LLD*

Dr. Patrick Wong Lung Tak, *JP*

COMPANY SECRETARY

Ms. Kitty Chan Lai Kit

QUALIFIED ACCOUNTANT

Ms. Betty Chiu So Wan

INDEPENDENT AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

Room 1606, 16th Floor

Hutchison House

10 Harcourt Road

Central, Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

SOLICITORS

Richards Butler

Fried, Frank, Harris, Shriver & Jacobson LLP

Skadden, Arps, Slate, Meagher & Flom

Mallesons Stephen Jaques

Sá Carneiro & Pinheiro Torres

Dr Leonel Alberto Alves

Mayer Brown JSM

SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited

Shops 1712–1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

AMERICAN DEPOSITARY

RECEIPTS ("ADR") DEPOSITARY

The Bank of New York

101 Barclay Street

New York, NY 10286

USA

WEBSITE ADDRESS

<http://www.galaxyentertainment.com>

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

Please direct enquiries to:

Investor Relations Department

Tel: (852) 3150 1111

Fax: (852) 3150 1100

Email: ir@galaxyentertainment.com

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 2008 as follows:

Financial Highlights:

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

REVIEW OF OPERATIONS HALF YEAR 2008

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

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

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

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

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

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

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

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

GROUP FINANCIAL RESULTS

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

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

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

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

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

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

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

In response to the challenging business environment we are:

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Gaming and Entertainment Division

Overview of Macau Gaming Market

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

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

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

Summary of Gaming Revenue and Visitor Arrivals:

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

StarWorld

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

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

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

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

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

Throughout the past six months at StarWorld, we have been actively working to reposition and upgrade StarWorld's product offering and customer appeal. These enhancements include: increased marketing into the Chinese mass market, upgrading a major VIP promoter, relocating the Jinmen premium play room to level 10, introducing a new poker room, establishing a sky casino on level 39 and fitting level 3 for the Jumbo VIP facility.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

One poker room was recently added to StarWorld and, in August, StarWorld hosted the Asian Poker Tournament with a USD1.5 million prize pool.

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

Galaxy Cotai Project

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

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

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

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

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

Galaxy City Club Casinos

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

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

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

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

US GAAP Comparisons

In comparing Galaxy's Gaming and Entertainment Division's results to those of US corporations whose results are prepared under generally accepted accounting principles in the United States ("US GAAP"), it should be noted that gross gaming revenues, presented under US GAAP, are reduced by commissions and discount paid to players, to arrive at net gaming revenues. An adjusted EBITDA would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher EBITDA margin than that calculated under Hong Kong accounting standards. Galaxy complies with Hong Kong accounting standards. If calculated under US GAAP, StarWorld's EBITDA margin would be approximately 15% for the first quarter, 11% for the second quarter and 13% for the first half of 2008.

Corporate Costs

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

Construction Materials Division

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Group Outlook

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

The total indebtedness of the Group mainly comprises bank loans, guaranteed notes, convertible notes and other obligations which are largely denominated in Hong Kong Dollar and United States Dollar. The Group's borrowings are closely monitored to ensure a smooth repayment schedule to maturity.

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

TREASURY POLICY

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

CHARGES ON GROUP ASSETS

Leasehold land with net book values of \$219 million (31st December 2007: \$222 million) and bank deposits of \$52 million (31st December 2007: \$50 million) have been pledged to secure banking facilities.

GUARANTEES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$535 million (31st December 2007: \$627 million), of which \$157 million (31st December 2007: \$307 million) have been utilised.

The Group has executed guarantees in favour of a bank in respect of facilities granted to an associated company amounting to \$9 million (31st December 2007: \$9 million). At 30th June 2008, facilities utilised amounted to \$9 million (31st December 2007: \$9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30th June 2008, the Group, excluding associated companies and jointly controlled entities, employed around 7,600 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$740 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

The Group sees the staff as the most valuable asset, as none of our achievements would have been possible without the talents and contributions of each individual employee. 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 continuing with the delivery of training programs designed to assist our employees in achieving competency and professionalism in their jobs, and to fortify a continuous learning and improvement corporate culture.



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 13 to 32, which comprises the condensed consolidated balance sheet of Galaxy Entertainment Group Limited (the "Company") and its subsidiaries (together the "Group") as at 30th June 2008 and the condensed consolidated profit and loss statement, the condensed consolidated cash flow statement and the 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 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, 19th September 2008

CONDENSED CONSOLIDATED PROFIT AND LOSS STATEMENT (UNAUDITED)

For the six months ended 30th June 2008

	Note	2008 HK\$'000	2007 HK\$'000
Revenue	6	5,391,849	6,331,969
Cost of sales	8(a)	(4,833,180)	(5,538,353)
Gross profit		558,669	793,616
Other income	8(b)	156,959	185,139
Impairment of gaming licence	7	(8,166,305)	—
Administrative expenses		(579,565)	(412,080)
Other operating expenses		(521,035)	(510,096)
Operating (loss)/profit	8(c)	(8,551,277)	56,579
Finance costs	9	(7,461)	(323,793)
Share of profits less losses of Jointly controlled entities		28,138	(918)
Associated companies		(660)	—
Loss before taxation		(8,531,260)	(268,132)
Taxation credit/(charge)	10	940,457	(11,684)
Loss for the period		(7,590,803)	(279,816)
Attributable to:			
Shareholders		(7,432,119)	(267,818)
Minority interests		(158,684)	(11,998)
		(7,590,803)	(279,816)
Interim dividend	11	—	—
		HK cents	HK cents
Loss per share	12		
Basic		(188.8)	(8.1)
Diluted		(188.8)	(8.1)

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30th June 2008

	Note	30th June 2008 HK\$'000	31st December 2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,353,994	4,731,187
Investment properties		66,000	62,500
Leasehold land and land use rights		1,560,924	1,580,777
Intangible assets	7	5,865,203	14,520,665
Jointly controlled entities		780,391	506,193
Associated companies		70	730
Derivative financial instruments		13,444	1,155
Other non-current assets	14	533,778	599,602
		14,173,804	22,002,809
Current assets			
Inventories		95,404	90,449
Debtors and prepayments	15	1,441,510	1,039,336
Amounts due from jointly controlled entities		203,398	339,168
Taxation recoverable		1,494	1,299
Other investments		46,178	57,768
Cash and bank balances		6,106,707	8,230,362
		7,894,691	9,758,382
Assets held for sale		76,760	—
		7,971,451	9,758,382
Total assets		22,145,255	31,761,191

	Note	30th June 2008 HK\$'000	31st December 2007 HK\$'000
EQUITY			
Share capital	16	393,817	393,564
Reserves		10,632,940	18,013,088
Shareholders' funds		11,026,757	18,406,652
Minority interests		412,479	531,791
Total equity		11,439,236	18,938,443
LIABILITIES			
Non-current liabilities			
Borrowings	17	5,983,080	6,010,571
Deferred taxation liabilities		834,886	1,781,500
Derivative financial instruments		274,056	477,531
Retentions payable		104,574	—
Provisions		118,979	135,622
		7,315,575	8,405,224
Current liabilities			
Creditors and accruals	18	3,318,935	3,901,630
Amount due to a jointly controlled entity		2,207	2,177
Current portion of borrowings	17	50,627	495,247
Taxation payable		18,675	18,470
		3,390,444	4,417,524
Total liabilities		10,706,019	12,822,748
Total equity and liabilities		22,145,255	31,761,191

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June 2008

	2008 HK\$'000	2007 HK\$'000
Net cash (used in)/from operating activities	(918,127)	981,709
Net cash used in investing activities	(687,694)	(557,391)
Net cash (used in)/from financing activities	(521,592)	46,953
Net (decrease)/increase in cash and bank balances	(2,127,413)	471,271
Cash and bank balances at beginning of period	8,230,362	5,783,197
Change in exchange rates	3,758	5,328
Cash and bank balances at end of period	6,106,707	6,259,796

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June 2008

	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 2007	393,564	16,892,059	1,121,029	18,406,652	531,791	18,938,443
Change in fair value of non-current investments	—	(21,135)	—	(21,135)	(363)	(21,498)
Exchange differences	—	45,818	—	45,818	7,843	53,661
Change in fair value of cash flow hedges	—	12,090	—	12,090	259	12,349
Net gain recognised directly in equity	—	36,773	—	36,773	7,739	44,512
Injection of minority interests	—	—	—	—	32,873	32,873
Issue of shares upon exercise of share options	253	417	—	670	—	670
Fair value of share options	—	14,781	—	14,781	—	14,781
Dividend paid to minority interests	—	—	—	—	(1,240)	(1,240)
Loss for the period	—	—	(7,432,119)	(7,432,119)	(158,684)	(7,590,803)
	253	15,198	(7,432,119)	(7,416,668)	(127,051)	(7,543,719)
At 30th June 2008	393,817	16,944,030	(6,311,090)	11,026,757	412,479	11,439,236
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

1. General Information

Galaxy Entertainment Group Limited (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.

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.

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 2007.

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

HK(IFRIC)-Int 11

HKFRS 2 — Group and Treasury Share Transactions

The Group has assessed the impact of the adoption of this new interpretation and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies and presentation of the financial statements.

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 31st December 2007.

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 31st December 2007, except for those used in the assessment of impairment as disclosed in note 7 to the interim financial information.

5. Segment Information

In accordance with the internal financial reporting and operating activities of the Group, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, other non-current assets, inventories, debtors and prepayments, and mainly exclude investments, derivative financial instruments, taxation recoverable and cash and bank balances. Segment liabilities comprise mainly creditors, accruals and provisions and mainly exclude tax liabilities and borrowings. There are no sales or trading transaction between the business segments.

(a) Business segments

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Unallocated HK\$'000	Total HK\$'000
Six months ended 30th June 2008				
Revenue	4,590,012	801,837	—	5,391,849
Operating (loss)/profit (Note)	(8,616,510)	54,283	10,950	(8,551,277)
Finance costs				(7,461)
Share of profits less losses of Jointly controlled entities	902	27,236	—	28,138
Associated companies	—	(660)	—	(660)
Loss before taxation				(8,531,260)
Taxation credit				940,457
Loss for the period				(7,590,803)
Capital expenditure	(772,842)	(10,245)	(1,032)	(784,119)
Depreciation	(130,239)	(32,183)	(1,713)	(164,135)
Amortisation	(518,358)	(20,861)	—	(539,219)
Impairment of gaming licence	(8,166,305)	—	—	(8,166,305)
Write-down of inventories	—	(804)	—	(804)

(Note) Results of the gaming and entertainment division include pre-opening expenses of HK\$24,377,000 incurred for the Galaxy mega resort.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. Segment Information (continued)

(a) Business segments (continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Unallocated HK\$'000	Total HK\$'000
Six months ended 30th June 2007				
Revenue	5,603,639	728,330	—	6,331,969
Operating (loss)/profit (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 charge				(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 Galaxy mega resort.

5. Segment Information (continued)

(a) Business segments (continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Unallocated HK\$'000	Total HK\$'000
As at 30th June 2008				
Segment assets	13,258,279	1,839,372	6,267,143	21,364,794
Jointly controlled entities	3,779	776,612	—	780,391
Associated companies	—	70	—	70
Total assets				22,145,255
Segment liabilities	2,793,975	654,470	7,257,574	10,706,019
As at 31st December 2007				
Segment assets	20,593,125	1,855,623	8,805,520	31,254,268
Jointly controlled entities	(2,595)	508,788	—	506,193
Associated companies	—	730	—	730
Total assets				31,761,191
Segment liabilities	3,153,545	586,592	9,082,611	12,822,748

(b) Geographical segments

	Revenue HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
Six months ended 30th June 2008			At 30th June 2008
Macau	4,726,553	772,896	19,283,117
Hong Kong	370,311	7,684	1,146,526
Mainland China	294,985	3,539	1,715,612
	5,391,849	784,119	22,145,255
Six months ended 30th June 2007			At 31st December 2007
Macau	5,734,749	584,265	24,698,271
Hong Kong	322,779	3,274	5,694,789
Mainland China	274,441	1,684	1,368,131
	6,331,969	589,223	31,761,191

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue

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

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

(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.

6. Revenue (continued)

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

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

7. Intangible Assets

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

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

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

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

8. Cost of Sales, Other Income and Operating (Loss)/Profit

	2008 HK\$'000	2007 HK\$'000
(a) Cost of sales		
Special gaming tax and funds to the Macau Government	1,752,092	2,162,542
Commission and allowances to promoters	1,676,691	2,017,636
Cost of inventories sold	715,268	677,398
Other direct costs	689,129	680,777
	4,833,180	5,538,353
(b) Other income		
Rental income	2,040	1,884
Interest income		
Bank deposits	79,416	106,021
Loan to jointly controlled entities	5,969	1,053
Deferred receivable	268	390
Administrative fees from gaming operations	13,480	14,507
Dividend income from unlisted investments	6,117	2,111
Dividend income from listed investments	1,449	—
Realised and unrealised gain on listed investments	—	38,550
Gain on deemed disposal of jointly controlled entities	15,469	—
Gain on disposal of a subsidiary	8,247	—
Gross earnings on finance lease	5,996	7,618
Change in fair value of investment properties	3,500	—
Others	15,008	13,005
	156,959	185,139
(c) Operating (loss)/profit is stated after charging		
Depreciation	164,135	155,734
Amortisation		
Gaming licence	497,813	495,077
Computer software	3,392	3,123
Overburden removal costs	10,306	7,646
Quarry site improvements	7,201	7,565
Quarry site development	433	2,668
Leasehold land and land use rights	20,074	21,181
Impairment of gaming licence	8,166,305	—
Impairment of property, plant and equipment	—	9,793
Loss on disposal of property, plant and equipment	4,987	—
Unrealised loss on listed investment	11,590	—
Write-down of inventories	804	972

NOTES TO THE INTERIM FINANCIAL INFORMATION

9. Finance Costs

	2008 HK\$'000	2007 HK\$'000
Interest expenses		
Guaranteed fixed rate notes not wholly repayable within five years	—	144,164
Guaranteed fixed rate notes and floating rate notes wholly repayable within five years	242,203	108,597
Fixed rate notes wholly repayable within five years	—	71,025
Convertible notes wholly repayable within five years	60,802	55,195
Bank loans and overdrafts	5,050	17,763
Obligations under finance leases wholly payable within five years	578	606
Change in fair value of derivative under the convertible notes	(210,366)	(25,038)
Net gain from cross-currency swap contracts for hedging	(8,336)	(17,886)
Other borrowing costs	7,530	10,297
	97,461	364,723
Amount capitalised in assets under construction	(90,000)	(40,930)
	7,461	323,793

10. Taxation (Credit)/Charge

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

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which those profits arose.

11. Interim Dividend

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

12. Loss Per Share

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

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

13. Capital Expenditure

For the six months ended 30th June 2008, the Group incurred HK\$781.5 million (2007: HK\$584.8 million) on property, plant and equipment and HK\$2.6 million on intangible assets and deferred expenditure (2007: HK\$4.4 million). The Group has disposed of property, plant and equipment with a net book amount of HK\$8.8 million (2007: HK\$1.8 million).

14. Other Non-Current Assets

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Non-current investments	234,190	256,257
Finance lease receivable	109,449	137,438
Deferred expenditure		
Overburden removal costs	44,398	51,538
Quarry site development	15,742	15,867
Quarry site improvements	73,382	83,675
Deferred receivable	4,171	4,827
Restricted bank deposits	52,446	50,000
	533,778	599,602

15. Debtors and Prepayments

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

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

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

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Within one month	142,390	160,066
Two to three months	206,143	178,714
Four to six months	89,906	118,994
Over six months	216,846	158,800
	655,285	616,574

16. Share Capital

	Ordinary shares of HK\$0.10 each	HK\$'000
Authorised:		
At 30th June 2007	6,888,000,000	688,800
Addition	2,112,000,000	211,200
At 31st December 2007 and 30th June 2008	9,000,000,000	900,000
Issued and fully paid:		
At 1st January 2007	3,296,117,361	329,612
Exercise of share options	5,674,000	567
At 30th June 2007	3,301,791,361	330,179
Issue of new shares	630,188,000	63,019
Exercise of share options	3,660,000	366
At 31st December 2007	3,935,639,361	393,564
Exercise of share options	2,530,000	253
At 30th June 2008	3,938,169,361	393,817

NOTES TO THE INTERIM FINANCIAL INFORMATION

16. 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, 51,458,000 new options were granted (2007: nil) and options for 2,530,000 shares (2007: 6,174,000 shares) were exercised and 4,084,000 options (2007: nil) lapsed. At 30th June 2008, outstanding options granted under the scheme are as follows:

Exercise period	Exercise price per share HK\$	Number of share options	
		30th June 2008	31st December 2007
Directors			
20th May 1999 to 19th May 2008	0.5333	—	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	3,870,000	3,980,000
22nd October 2005 to 21st October 2011	4.5900	14,200,000	14,200,000
22nd October 2006 to 21st October 2011	4.5900	2,340,000	2,860,000
17th January 2010 to 16th January 2014	6.9720	2,612,500	—
17th January 2011 to 16th January 2014	6.9720	2,612,500	—
17th January 2012 to 16th January 2014	6.9720	5,225,000	—
Employees and others			
1st March 2004 to 28th February 2013	0.5140	110,000	—
22nd October 2005 to 21st October 2011	4.5900	9,400,000	9,400,000
22nd October 2006 to 21st October 2011	4.5900	2,316,000	1,878,000
17th January 2010 to 16th January 2014	6.9720	9,244,000	—
17th January 2011 to 16th January 2014	6.9720	9,244,000	—
17th January 2012 to 16th January 2014	6.9720	18,488,000	—
		83,062,000	38,218,000

17. Borrowings

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Bank loans		
Secured	24,220	178,700
Unsecured	44,277	432,597
	68,497	611,297
Other borrowings		
Guaranteed notes	4,577,499	4,565,617
Convertible notes	1,381,327	1,320,525
	6,027,323	6,497,439
Bank loans and other borrowings		
Obligations under finance leases	6,384	8,379
	6,033,707	6,505,818
Total borrowings		
Current portion included in current liabilities	(50,627)	(495,247)
	5,983,080	6,010,571

18. Creditors and Accruals

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

18. Creditors and Accruals (continued)

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

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

19. Capital Commitments

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Contracted but not provided for	2,177,376	2,519,750
Authorised but not contracted for	6,013,762	3,866,781

DISCLOSURE OF INTERESTS

Directors' Interests in Securities and Share Options

At 30th June 2008, 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) 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	20,637,632	2,181,518	395,362,426 ⁽¹⁾	2,579,829,485 ⁽²⁾	2,998,011,061	76.13
Francis Lui Yiu Tung	16,498,896	—	440,119,661 ⁽³⁾	2,541,392,504 ⁽²⁾	2,998,011,061	76.13
Joseph Chee Ying Keung	2,720,000	—	—	—	2,720,000	0.07
Paddy Tang Lui Wai Yu	10,939,722	—	—	2,987,071,339 ⁽²⁾	2,998,011,061	76.13
Moses Cheng Mo Chi	500,000	—	—	—	500,000	0.01
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	—	—	—	—	—	—
Guido Paolo Gamucci	—	—	—	—	—	—

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 in the Company were respectively 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, 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 in 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 in 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 1,265,942,279 shares, 1,227,505,298 shares and 1,673,184,133 shares in the Company respectively.

(3) 114,504,039 shares in 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 231,615,731 underlying shares of the Company. Kentlake International Investments Limited ("Kentlake") was interested in 60,000,000 shares in the Company and 33,999,891 underlying shares of the Company. Both Kentlake and Top Notch are controlled by Mr. Francis Lui Yiu Tung.

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 30th May 2002) or under any other share option schemes of the Company during the six months ended 30th June 2008 were as follows:

Name	Date of grant	Number of Options				Held at 30th June 2008	Exercise price (HK\$)	Exercise period
		Held at 1st January 2008	Granted during the period	Exercised during the period	Lapsed during the period			
Lui Che Woo	20th May 1998	1,500,000	—	1,500,000 ^(a)	—	—	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
	17th Jan 2008	—	862,500	—	—	862,500	6.9720	17th Jan 2010 – 16th Jan 2014
	17th Jan 2008	—	862,500	—	—	862,500	6.9720	17th Jan 2011 – 16th Jan 2014
	17th Jan 2008	—	1,725,000	—	—	1,725,000	6.9720	17th Jan 2012 – 16th Jan 2014
Francis Lui Yiu Tung	20th May 1998	1,000,000	—	1,000,000 ^(b)	—	—	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
	17th Jan 2008	—	1,250,000	—	—	1,250,000	6.9720	17th Jan 2010 – 16th Jan 2014
	17th Jan 2008	—	1,250,000	—	—	1,250,000	6.9720	17th Jan 2011 – 16th Jan 2014
	17th Jan 2008	—	2,500,000	—	—	2,500,000	6.9720	17th Jan 2012 – 16th Jan 2014
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
	17th Jan 2008	—	500,000	—	—	500,000	6.9720	17th Jan 2010 – 16th Jan 2014
	17th Jan 2008	—	500,000	—	—	500,000	6.9720	17th Jan 2011 – 16th Jan 2014
	17th Jan 2008	—	1,000,000	—	—	1,000,000	6.9720	17th Jan 2012 – 16th Jan 2014
Moses Cheng Mo Chi	—	—	—	—	—	—	—	—
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
Martin Clarke	—	—	—	—	—	—	—	—
Guido Paolo Gamucci	—	—	—	—	—	—	—	—

Name	Date of grant	Number of Options					Held at 30th June 2008	Exercise price (HK\$)	Exercise period
		Held at 1st January 2008	Granted during the period	Exercised during the period	Lapsed during the period				
Employees (in aggregate)	28th Feb 2003	*110,000	—	—	—	110,000	0.5140	1st Mar 2004 – 28th Feb 2013	
	21st Oct 2005	5,900,000	—	—	—	5,900,000	4.5900	22nd Oct 2005 – 21st Oct 2011	
	21st Oct 2005	*2,148,000	—	30,000 ^d	52,000	2,066,000	4.5900	22nd Oct 2006 – 21st Oct 2011	
	17th Jan 2008	—	10,252,000	—	1,008,000	9,244,000	6.9720	17th Jan 2010 – 16th Jan 2014	
	17th Jan 2008	—	10,252,000	—	1,008,000	9,244,000	6.9720	17th Jan 2011 – 16th Jan 2014	
	17th Jan 2008	—	20,504,000	—	2,016,000	18,488,000	6.9720	17th Jan 2012 – 16th Jan 2014	
Others	21st Oct 2005	3,500,000	—	—	—	3,500,000	4.5900	22nd Oct 2005 – 21st Oct 2011	
	21st Oct 2005	*250,000	—	—	—	250,000	4.5900	22nd Oct 2006 – 21st Oct 2011	

on reclassification of share options held by Mr. Chan Kai Nang under “Directors” to “Employees” following his retirement as a director of the Company during the period.

* on reclassification of 270,000 share options held by Mr. Chan Kai Nang under “Directors” to “Employees”.

© on reclassification of share options held by Dr. Charles Cheung Wai Bun under “Directors” to “Others” following his retirement as a director of the Company during the period.

Notes:

- 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\$5.10.
- 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\$5.55.
- 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\$5.38.

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

Save as disclosed, no options were granted, lapsed or cancelled during the period.

The fair value of the options granted during the period is estimated at HK\$1.87 per option based on the Black-Scholes valuation model. The significant inputs into the model were share price of HK\$6.60 at the date of grant, exercise price of HK\$6.972, standard deviation of expected share price returns of 39%, expected life of options of 4 to 6 years, expected dividend paid out rate of 2% and annual risk-free interest rate of 2.2% to 2.4%. The volatility measured at the standard deviation of expected share price returns is based on the historical share price movement of the Company in the past two years 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\$6.59.

All the interests stated above represent long positions.

Save as disclosed above, as at 30th June 2008, 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 2008, 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	6.74	265,615,622	6.74
City Lion Profits Corp.	2,991,142,061 ⁽¹⁾	75.95	—	—
Davos Investment Holdings Private Limited	265,615,622	6.74	265,615,622	6.74
ENB Topco 2 S.à.r.l	2,998,011,061 ^{(1), (3)}	76.13	—	—
Galaxy Entertainment Group Limited	2,991,142,061 ⁽¹⁾	75.95	—	—
Guoco Group Limited	265,615,622	6.74	265,615,622	6.74
Guoline Capital Assets Limited	265,615,622	6.74	265,615,622	6.74
Guoline Overseas Limited	265,615,622	6.74	265,615,622	6.74
HL Holdings Sdn Bhd	265,615,622	6.74	265,615,622	6.74
Hong Leong Company (Malaysia) Berhad	265,615,622	6.74	265,615,622	6.74
Hong Leong Investment Holdings Pte. Ltd.	265,615,622	6.74	265,615,622	6.74
HSBC International Trustee Limited	1,313,887,206 ⁽²⁾	33.36	—	—
Kwek Leng Kee	265,615,622	6.74	265,615,622	6.74
Mark Liaison Limited	2,991,142,061 ⁽¹⁾	75.95	—	—
Permira Holdings Limited	2,998,011,061 ^{(1), (4)}	76.13	—	—
Premium Capital Profits Limited	2,991,142,061 ⁽¹⁾	75.95	—	—
Recurrent Profits Limited	2,991,142,061 ⁽¹⁾	75.95	—	—
Quek Leng Chan	265,615,622	6.74	265,615,622	6.74
Super Focus Company Limited	2,991,142,061 ⁽¹⁾	75.95	—	—
Top Notch Opportunities Limited	231,615,731	5.88	—	—

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 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 in 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 1,677,254,855 shares, 2,355,292,478 shares, 2,991,142,061 shares, 2,981,481,206 shares, 2,199,627,061 shares, 2,977,833,882 shares, 2,876,638,022 shares and 2,721,941,907 shares in 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 in the Company.
- (3) ENB Topco 2 S.à.r.l is deemed to have an interest in the shares in 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 in 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.

There was duplication of interests of:

- (i) 1,313,887,206 shares in 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 in the Company between Dr. Lui Che Woo and Mark Liaison Limited;
- (iii) 13,308,179 shares in the Company between Dr. Lui Che Woo and Premium Capital Profits Limited;
- (iv) 269,200,154 shares in the Company between Dr. Lui Che Woo and Super Focus Company Limited;
- (v) 114,504,039 shares in the Company between Mr. Francis Lui Yiu Tung and Recurrent Profits Limited;
- (vi) 231,615,731 underlying shares of the Company between Mr. Francis Lui Yiu Tung and Top Notch Opportunities Limited;
- (vii) 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., Mr. Kwek Leng Kee and Mr. Quek Leng Chan;
- (viii) 642,718,583 shares in the Company between Permira Holdings Limited and ENB Topco 2 S.à.r.l.; and
- (ix) 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 to 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 in 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 30th June 2008, 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.

Dealings in Listed Securities

The Company has not redeemed any of its shares or listed debt securities during the six months ended 30th June 2008. Neither the Company nor any of its subsidiaries have purchased or sold any of the Company's shares or listed debt securities during the six months ended 30th June 2008.

Review of Interim Results

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

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 throughout the six months ended 30th June 2008.

Corporate Governance

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

Changes in the Board

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

The Board welcomes the appointment of Dr. Patrick Wong Lung Tak as an independent non-executive Director of the Company with effect from 20th August 2008 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, 19th September 2008