



銀娛 GEG

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

Stock Code 股份代號 : 27

INTERIM REPORT 2012 中期報告



Our Vision

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

Galaxy's Business Philosophy

Local Market Insights

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

Proven Expertise

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

Well Positioned

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

Demand Driven Strategy

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

願景

銀娛的願景是：成為亞洲首屈一指的博彩及娛樂企業。通過實踐我們的經營理念，我們將可以達成我們所訂下的願景。

銀娛的經營理念

洞悉本地市場

深明中華文化，對亞洲及中國旅客喜好有透徹了解，為銀娛一大競爭優勢

專業經驗

透過審慎的資本開支計劃、憑著在建築及酒店業的專業經驗及嚴密監控的發展計劃，致力為股東帶來投資回報

定位清晰

將銀娛定位為領先的綜合博彩及休閒娛樂設施營運商

需求主導策略

密切注意市場發展並迅速作出謹慎的應變



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CORPORATE INFORMATION

CHAIRMAN

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

DEPUTY CHAIRMAN

Mr. Francis Lui Yiu Tung

EXECUTIVE DIRECTORS

Mr. Joseph Chee Ying Keung
Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

NON-EXECUTIVE DIRECTORS

Mr. Anthony Thomas Christopher Carter
Mr. Henry Lin Chen (resigned on 3 September 2012)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. James Ross Ancell
Dr. William Yip Shue Lam, *LLD*
Dr. Patrick Wong Lung Tak, *BBS, JP*

EXECUTIVE BOARD

Dr. Lui Che Woo, *GBM, MBE, JP, LLD, DSSc, DBA*
Mr. Francis Lui Yiu Tung
Mr. Joseph Chee Ying Keung
Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

AUDIT COMMITTEE

Mr. James Ross Ancell (*Chairman*)
Dr. William Yip Shue Lam, *LLD*
Dr. Patrick Wong Lung Tak, *BBS, JP*

REMUNERATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*
Mr. Francis Lui Yiu Tung
Dr. Patrick Wong Lung Tak, *BBS, JP*

NOMINATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*
Mr. Francis Lui Yiu Tung
Dr. Patrick Wong Lung Tak, *BBS, JP*

CORPORATE GOVERNANCE COMMITTEE

Mr. Francis Lui Yiu Tung (*Chairman*)
Mr. James Ross Ancell
Dr. Patrick Wong Lung Tak, *BBS, JP*

COMPANY SECRETARY

Mrs. Jenifer Sin Li Mei Wah

INDEPENDENT AUDITOR

PricewaterhouseCoopers

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Industrial and Commercial Bank of China (Macau) Limited
The Hongkong and Shanghai Banking Corporation Limited

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SOLICITORS*

Jorge Neto Valente, Escritório de Advogados e Notários
Linklaters

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CORPORATE PROFILE

Galaxy Entertainment Group Limited (“GEG”, “the Company” or “the Group”), through its subsidiary, Galaxy Casino S.A., is one of Asia’s leading gaming and entertainment companies. The Group develops and operates hotels, gaming and integrated entertainment facilities in the Macau SAR. In addition to this, GEG manufactures, sells and distributes construction materials through its Construction Materials Division across Mainland China, Hong Kong and Macau.

Since being granted one of the original three gaming concessions by the Macau Government in 2002, GEG has carefully correlated its growth with Macau’s rapidly growing market. GEG’s great success in delivering its unique vision in Macau’s gaming and entertainment industry is underpinned by a deep understanding of the Asian market, and an ability to deliver new and truly innovative products that enhance Macau’s position as one of Asia’s most attractive leisure and tourist destinations.

In 2004, the Group successfully launched its entertainment business through City Clubs Casinos, building a foundation for instilling in the management team and staff an intimate understanding of the Macau gaming market, developing relationships with key stakeholders such as VIP promoters, and laying the future strategic direction of GEG. Soon after in 2006, GEG opened StarWorld, its stunning and highly successful flagship property in the heart of the Macau Peninsula. StarWorld, which has received the highly prestigious Five-Star Diamond Award for five consecutive years, provides world class entertainment, dining and lavishly designed 5-star luxury accommodation. It is a market leader and one of the most successful casinos in the world, with strong VIP gaming, a successful mass gaming operation and near capacity hotel occupancy.

On the back of these considerable achievements, on 15 May 2011 GEG successfully introduced a new game changing integrated destination resort to the market – Galaxy Macau™. This unique property was Macau’s first Asian centric destination resort and is one of the largest leisure complexes in Asia. It has been conceived in the spirit of our “World Class, Asian Heart” philosophy and offers the most diverse range of world class Asian themed entertainment, accommodation and dining in Macau.

In April 2012, GEG revealed its plans for the Phase 2 of Galaxy Macau™. When Phase 2 is completed in mid-2015, the Galaxy Macau™ integrated resort will almost double its current size to one million square metres, where it will offer: over 3,600 rooms across five luxury hotels; over 100,000 square metres of retail space with over 200 high end retail outlets; over 100 food & beverage outlets; and an expanded meeting, event and banquet space seating over 3,000 guests.

After the completion of Phase 2, the Group will still have contiguous land bank with approval to build 1,000,000 square metres of integrated resort. This considerable land bank leaves GEG well positioned to diversify its long-term income stream by attracting an ever increasing number of new customers aspiring for a truly unique resort experience in Macau.

FINANCIAL & OPERATIONAL HIGHLIGHTS

KEY MILESTONES FOR FIRST HALF 2012

Galaxy Entertainment Group:

- Revenue doubled year-on-year to HK\$28.3 billion
- Record Adjusted EBITDA of HK\$4.7 billion, increased 159% year-on-year and 15th consecutive quarter of EBITDA growth
- Record net profit attributable to shareholders for the first half of 2012, more than nine times year-on-year to HK\$3.4 billion
- Strong balance sheet with cash on hand of HK\$11 billion including restricted cash of HK\$1.9 billion

Galaxy Macau™:

- Revenue of HK\$16 billion, an increase of 14% over the second half of 2011
- Adjusted EBITDA of HK\$2.9 billion, an increase of 30% over the second half of 2011
- Annualised Q2 2012 Adjusted EBITDA of HK\$6.3 billion translates into a Return On Investment (ROI) of 37%

StarWorld Hotel & Casino:

- The second quarter represented its 16th consecutive quarter of EBITDA growth
- Record revenue of HK\$11.3 billion, an increase of 13% year-on-year
- Record Adjusted EBITDA of HK\$1.8 billion, increased 30% year-on-year
- Record ROI of 98%

Construction Materials:

- Revenue of HK\$940 million, an increase of 45% year-on-year
- Achieved Adjusted EBITDA of HK\$228 million, increased 28% year-on-year

City Clubs:

- Achieved Adjusted EBITDA of HK\$82 million, compared to HK\$106 million for the first half of 2011



PART I: GROUP

Revenue

(HK\$'m)	1H 2011	1H 2012	% Change
Gaming and Entertainment	13,020	27,382	110%
Construction Materials	647	940	45%
Group Total	13,667	28,322	107%

Adjusted EBITDA

(HK\$'m)	1H 2011	1H 2012	% Change
Gaming and Entertainment	1,685	4,551	170%
Construction Materials	178	228	28%
Corporate	(45)	(67)	-49%
Group Total	1,818	4,712	159%

Key Financial Metrics

(HK\$'m)	1H 2011	1H 2012	% Change
Net Profit Attributable to Shareholders	378	3,446	812%
Earnings per share (HK cents)	9.3	82.5	787%
Total Assets	31,902	39,577	24%
Cash on Hand	6,009	11,026	83%
Gearing Ratio	25%	7%	-



PART II: GALAXY MACAU™

Financial Highlights

(HK\$'m)	1H 2011 [^]	1H 2012	% change
Revenue	2,388	15,989	570%
Adjusted EBITDA	376	2,869	663%
Adjusted EBITDA margin (HK GAAP)	16%	18%	–
Adjusted EBITDA margin (US GAAP)	22%	26%	–
Return on Investment (ROI ^{**})	n/a	37%	–

1H 2012 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	357,800	11,400	3.2%
Mass Gaming	11,900	3,300	27.8%
Electronic Gaming	8,700	569	6.5%

1H 2011[^] Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	50,000	1,800	3.5%
Mass Gaming	2,400	400	17.5%
Electronic Gaming	1,800	114	6.3%

[^] Galaxy Macau™ opened on 15 May 2011, its results for 1H 2011 reflected 47 days for the period from opening to 30 June 2011.

^{**} ROI calculated based on the annualised second quarter 2012 Adjusted EBITDA divided by gross investment to date including allocated land cost.



PART III: STARWORLD HOTEL & CASINO

Financial Highlights

(HK\$'m)	1H 2011	1H 2012	% change
Revenue	9,960	11,311	13%
Adjusted EBITDA	1,349	1,758	30%
Adjusted EBITDA margin (HK GAAP)	13%	16%	–
Adjusted EBITDA margin (US GAAP)	23%	26%	–
Return on Investment (ROI*)	74%	98%	–

1H 2012 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	339,100	9,900	2.9%
Mass Gaming	4,760	1,109	22.9%
Electronic Gaming	1,770	122	6.9%

1H 2011 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	309,000	8,900	2.9%
Mass Gaming	4,000	728	17.7%
Electronic Gaming	2,070	119	5.8%

* ROI calculated based on the total Adjusted EBITDA for the latest twelve months divided by gross book value through 30 June 2012 including land cost.

LETTER FROM THE CHAIRMAN



Chairman

Dr. Lui Che Woo

GBM, MBE, JP, LLD, DSSc, DBA

DEAR SHAREHOLDERS,

It is with great pleasure that I write to update you on the performance of our Company during the first six months of 2012.

Once again Galaxy Entertainment Group has delivered encouraging results that have exceeded our expectations. Revenue in the first half of the year doubled to over HK\$28 billion compared to same period last year, Group Adjusted EBITDA increased by 159% to HK\$4.7 billion and the Group ended the period with its 15th consecutive quarter of EBITDA growth. These results are the latest

chapter in our success story, reflecting many years of commitment and hard work from everyone associated with Galaxy Entertainment Group.

The Group's performance is a result of the performance of both Galaxy Macau™ and StarWorld. Galaxy Macau™ has arguably established itself as Macau's pre-eminent choice of leisure and entertainment destination. In addition to the financial achievements, our gaming properties also experienced growth in visitation and continued to receive wide ranging accolades and awards from the international gaming community.

The significant returns we have achieved over the years are being reinvested in growing the business and ensuring that GEG delivers its vision to become 'globally recognised as Asia's leading gaming and entertainment corporation'. We demonstrated this ambition in April of this year when we announced plans to accelerate the launch of the Galaxy Macau™ Phase 2. Due to complete in mid-2015 and expected to be the next major project to open in Macau, Galaxy Macau™ will once again transform the Cotai skyline and Macau's leisure and tourism offering. I am delighted to report that construction is on schedule for completion in mid-2015. We are all excited by the potential for Phase 2 of the New Palace of Asia to capture the hearts of a growing pool of visitors drawn to Macau as major infrastructure improvements come on stream in the coming months and years. Looking beyond 2015, GEG is already in the process of drawing up exciting plans to deliver a Phase 3 product offer that will be fresh, captivating and revolutionary.

MACAU GAMING MARKET

In less than a decade, Macau has established itself as one of the pre-eminent leisure and tourism destinations in Asia. Visitation has grown rapidly and consistently year-on-year, and this has correlated to strong growth in gaming revenues over the corresponding period. As the market has expected, the unprecedented growth levels of the early years have begun to moderate as Macau matures as a leisure and tourism destination. However, historically Macau's potential for growth was somewhat constrained by infrastructure and accessibility shortcomings that are now well and truly being addressed. Improvements to transport networks into Mainland China such as the expected completion of the final stations of the Guangzhou-Zhuhai Intercity Mass Transit Railway between Zhuhai North and Gongbei Gate in the near future will significantly enhance Macau's accessibility from Mainland China. We would expect these improvements to facilitate increased visitation to Macau in the years to come.

Total gaming revenue for the period remained strong at HK\$144 billion, an increase of 20% on the same period last year. Total visitor arrivals in Macau in the period increased to a record high of 13.6 million.

In respect to the increasingly challenging global economic environment in the near term, we understand that the historic high level growth of Macau has begun to moderate. Despite the global economic situations, we remain confident in the medium and longer term growth of Macau. The mass market, which is now the market's growth engine, is expected to continue to achieve good growth boosted by improved accessibility to Macau.

GALAXY MACAU™ AND STARWORLD CONTINUED TO DELIVER

Our flagship properties on Cotai and the Peninsula performed well during the first six months, buoyed by the growth in the mass market segment. Galaxy Macau™'s mass market revenue increased sequentially quarter-on-quarter and reached HK\$3.3 billion for the first half of 2012 and StarWorld achieved 52% growth year-on-year to just over HK\$1.1 billion. Together the properties represent a compelling all round offer and have been hugely effective in cross selling, benefitting from increasingly sophisticated marketing initiatives and shared transport links.

In its first full year of operation, Galaxy Macau™ has come to define what customers expect from an integrated leisure and entertainment resort. It has earned a first class reputation for delivering a unique, high quality Asian dining, accommodation, retail, leisure and entertainment experience, which has incrementally grown quarter-on-quarter. The second quarter of 2012 was its best yet, with revenues and earnings all achieving gains. Far from resting on our laurels, we enhanced the already spectacular offer by adding two new luxurious Sky casinos, the Pavilion High Limit Slots, an additional VIP room and its private members club China Rouge, among others. We expect the property to continue to attract new customers to Macau.

StarWorld produced another encouraging set of results in the first half of the year. It concluded the period by recording its 16th consecutive quarter of EBITDA growth, an accomplishment given the well-publicised moderation in industry VIP revenues. Its unique gaming environment, tailored specifically for VIP customers that appreciate discretion and convenience, continues to serve it incredibly well. StarWorld remains one of the most revered and popular casinos in the world.

TRANSFORMING COTAI WITH GALAXY MACAU™ PHASE 2

Building on the success of Galaxy Macau™ Phase 1, in April 2012 GEG revealed its plans for Phase 2. When Phase 2 is completed in mid-2015, Galaxy Macau™'s integrated resort will almost double its current size to one million square metres, where it will offer:

- Over 3,600 rooms across five luxury hotels, suites and villas
- Over 100,000 square metres of retail space with over 200 high end retail outlets
- Over 100 food & beverage outlets
- Expanded meeting, event and banquet space seating over 3,000 guests
- An enhanced skytop wave pool resort deck with additional leisure amenities and lush tropical gardens, reinforcing its position as a must-experience attraction

These wide reaching improvements to what is already a compelling offer, will significantly heighten the attractiveness of Galaxy Macau™ and GEG's wider portfolio of properties. We believe the lavish designs and spectacular plans will create a genuinely fresh and exciting product offer and service experience. We expect the significantly enhanced property to act as a catalyst for future growth and accelerate the ongoing diversification of Macau's tourism and leisure market.

DIVIDEND

With the substantial business growth pipeline, the Board of Directors has decided to reinvest all surplus funds into the development of the Company. As a result, the Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2012.

BOARD UPDATE

Following a further reduction in Permira's investment in GEG, Mr. Henry Chen, a Director nominated by the Permira funds, tendered his resignation on 3 September 2012. The Board would like to express its gratitude to Mr. Chen for his support and invaluable contribution to GEG during his term of appointment.

CLOSING REMARKS

As we reflect on another successful performance, now is an appropriate time for me to extend a warm and sincere thank you to each and every team member at GEG. All have played a vital role in helping GEG to become a successful entertainment and leisure business.

Understanding the importance of building a long-term sustainable future for Macau, moving forward GEG strives to play an active role in promoting wellbeing of the community and safeguarding the environment, particularly through education, sports development and community services.

Mindful of the challenging global macro-economic climate, it is more important than ever before that GEG continues to innovate to deliver a unique and outstanding 'World Class, Asian Heart' product and service experience to its customers. In parallel to driving top line growth, the management team will also continue to rigorously manage costs and drive efficiencies. We remain optimistic that efforts by the Chinese government to implement initiatives to reinvigorate the Chinese economy, coupled with the completion of major infrastructure works will act as a catalyst for growth for the industry and Macau in the medium and long term.

More immediately, we are confident that our diverse portfolio of outstanding complementary properties will enable us to continue to outperform the market. Further out, our exciting expansion plans, unique land bank and intrinsic understanding of Asian customer tastes and preferences, provide us with unmatched potential to grow as Macau extends its reach into the Mainland.

Dr. Lui Che Woo

Chairman

SELECTED MAJOR AWARDS

GEG

Awards	Institution
World's Distinguished and Leisure Hotel Group Award	<i>Capital CEO Magazine & Capital Entrepreneur Magazine</i>
Best Investor Relations	<i>FinanceAsia Magazine</i>

GALAXY MACAU™

Awards	Institution
The Best New Hotel (Macau)	<i>TTG China Travel Awards</i>
The Best Creative Ad	<i>Metro Creative Awards</i>
Top Ten Resort Hotels of China	<i>China Hotel Starlight Awards</i>

STARWORLD HOTEL & CASINO

Awards	Institution
Top Ten Influential Hotel of Asia	<i>2012 Asia Hotel Golden-Olive Awards</i>
The Best Excellent Service Quality Hotel of China	<i>2012 Asia Hotel Golden-Olive Awards</i>
The Best Guest Experience Hotel of China	<i>2012 Asia Hotel Golden-Olive Awards</i>
Top Ten Most Charming Hotel in Asia	<i>Golden Horse Award of China Hotel</i>
Best Service Hotel	<i>Golden Horse Award of China Hotel</i>
Top Ten Glamorous Hotels of China	<i>China Hotel Starlight Awards</i>
High-Flyers Award – Leading Hotel & Casino	<i>Hong Kong Business Magazine</i>

CONSTRUCTION MATERIALS DIVISION

Awards	Institution
10 Consecutive Years Caring Company Logo	<i>The Hong Kong Council of Social Service</i>
Hang Seng Pearl River Delta Environmental Awards – 3 years+ Entrant, Green Participant	<i>Federation of Hong Kong Industries/Hang Seng Bank</i>
Considered Contractor Site Safety Award Scheme – Outstanding Environmental Management Performance Award – Silver Award	<i>Development Bureau/Construction Industry Council</i>
Hong Kong Awards for Environmental Excellence – Wastewi\$e Label – Class of Excellence	<i>Environmental Campaign Committee</i>
Hong Kong Awards for Environmental Excellence – Productwi\$e Label – Class of Good	<i>Environmental Campaign Committee</i>
Hong Kong Outstanding Employees in Occupational Safety & Health Award Scheme – Small and Medium Enterprises – Frontline Staff – Gold Award	<i>Occupational Safety & Health Council/Labour Department</i>



Galaxy Hotel Function Room

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

The first six months of 2012 once again saw the Group delivered encouraging financial and operational results. Revenue year-on-year doubled to \$28.3 billion and Group Adjusted EBITDA increased by 159% to a record \$4.7 billion, led by a significant contribution from Galaxy Macau™ and a continuing strong performance by StarWorld. City Clubs and Construction Materials Division also played their part, generating healthy profits. The management team's rigorous focus on driving profitability through improving efficiencies, combined with increases in higher margin mass market gaming revenue at both Galaxy Macau™ and StarWorld, resulted in the Group concluding the period with its 15th consecutive quarter of EBITDA growth with earnings growing quarter-on-quarter.

The performance of Galaxy Macau™ in its first full twelve months since opening has firmly established itself in the Macau leisure and entertainment market. In the first six months of the year it reported Adjusted EBITDA of \$2.9 billion.

StarWorld, the Group's flagship casino on the Macau peninsula, delivered another set of solid results, achieving a 30% uplift in Adjusted EBITDA. The second quarter represented its 16th consecutive quarter of EBITDA growth. All the property's business segments reported growth year-on-year, with mass market revenue showing a gain of 52%. StarWorld reported an annualised ROI of 98%.

Over the last few years Macau has proven itself to be a first class leisure and tourism destination. With a number of infrastructure projects due to complete in the near future, such as the last four stations of the Guangzhou-Zhuhai Intercity Mass Rapid Transit between Zhuhai North and Macau, it is expected that the improved infrastructure will provide greater accessibility to Macau. GEG's well-balanced portfolio of properties and businesses, position it well to realise its goal to be 'globally recognised as Asia's leading gaming and entertainment corporation'.

GAMING AND ENTERTAINMENT DIVISION

Overview of the Macau Gaming Market

The Macau gaming market continued to achieve good growth in the first half of the year, with total gaming revenue increasing by 20% to \$144 billion. Gaming revenue in the second quarter was \$72 billion, a record quarterly high. Total visitor arrivals in the period were 13.6 million, representing a 2.5% increase on the first half of 2011.

VIP gaming remains the largest segment of the market. In the first half it registered year-on-year growth of 15%, albeit growth has moderated for two consecutive quarters. Revenue reached \$102 billion (1H 2011: \$88.5 billion).

Mass market continued to be the growth engine for the overall market, posting gains of almost 36%. Revenue climbed from \$26.7 billion in the first half of 2011 to \$36.2 billion in the first half of 2012.

Electronic gaming accounts for 4.4% of the total gaming market. In the period, revenue increased to \$6.4 billion, compared to \$5.4 billion in the first half of 2011.

REVIEW OF OPERATIONS

Group Financial Results

In the first six months of 2012 GEG achieved revenue of \$28.3 billion, generating Adjusted EBITDA of \$4.7 billion, for a year-on-year increase of 159%. Revenue and Adjusted EBITDA in the comparable period last year were \$13.7 billion and \$1.8 billion respectively, which reflects Galaxy Macau™'s contribution from opening in 15 May 2011 to 30 June 2011. On a latest twelve months ("LTM") basis, Group Adjusted EBITDA increased by 182% to \$8.6 billion. Net profit attributable to shareholders grew to \$3.4 billion. These increases reflect a full twelve-month contribution from Galaxy Macau™ and a strong underlying performance from StarWorld. All of GEG's other businesses, including City Clubs and Construction Materials Division, continued to perform solidly and made valuable contributions.

A key factor in the Group's improved earnings is the performance of both properties in the mass market. Galaxy Macau™ mass market revenue grew 36% from the second half of 2011 to \$3.3 billion in the first half of 2012. StarWorld registered a 52% increase year-on-year to just over \$1.1 billion.

GEG's strong cash generation resulted in cash on hand increasing from \$7.7 billion at the end of 2011 to just over \$11 billion at period end, including restricted cash of \$1.9 billion. Further,

the Group invested approximately \$1.4 billion into capital expenditure during the period.

Set out below is the segmental statistics of the Group's operating results for the half year ended 30 June 2012:

1H 2012 (HK\$'m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	27,382	940	–	28,322
Adjusted EBITDA	4,551	228	(67)	4,712

1H 2011 (HK\$'m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	13,020	647	–	13,667
Adjusted EBITDA	1,685	178	(45)	1,818

Galaxy Macau™

Financial and Operational Performance

Revenue and Adjusted EBITDA climbed to \$16 billion and \$2.9 billion respectively for the first half of 2012. Annualised Q2 2012 Adjusted EBITDA of \$6.3 billion translates into an ROI of 37%.

The positive momentum in the business continued in the second quarter of 2012, with Adjusted EBITDA increasing by 20% over the first quarter to \$1.6 billion. Under HK GAAP, Adjusted EBITDA margins improved by 12.5% year-on-year from 16% to 18%, and under US GAAP rose from 22% in 1H 2011 to 26% in 1H 2012. This margin improvement reflected larger volumes, higher margin play and increased operational efficiencies.

Further, Galaxy Macau™ enhanced its gaming and entertainment offering by opening two new luxurious Sky casinos, the Pavilion High Limit Slots, an additional VIP room, and its private members club China Rouge, among others.

VIP Gaming Performance

Total VIP rolling chip volume in the period was \$358 billion, with revenue of \$11.4 billion. Growth accelerated from first quarter 2012 to second quarter 2012 with VIP rolling chip increasing by 9% to \$186 billion, and revenue increasing by 23% to \$6.3 billion.

Mass Gaming Performance

Revenue in the mass market segment was \$3.3 billion, representing an increase of 36% compared to the second half of 2011. Second quarter revenue increased by 8% quarter-on-quarter.

Electronic Gaming Performance

Galaxy Macau™'s electronic gaming revenue in the first half of 2012 increased by 7% to \$569 million over the second half of 2011.

Galaxy Macau™

VIP Gaming						
HK\$m	Q2 2011[^]	Q2 2012	YoY%	1H 2011[^]	1H 2012	YoY%
Turnover	50,000	186,400	273%	50,000	357,800	616%
Net Win	1,800	6,300	250%	1,800	11,400	533%
Win %	3.5%	3.4%	n/a	3.5%	3.2%	n/a

Mass Gaming						
HK\$m	Q2 2011[^]	Q2 2012	YoY%	1H 2011[^]	1H 2012	YoY%
Table Drop	2,400	6,000	150%	2,400	11,900	396%
Net Win	400	1,700	325%	400	3,300	725%
Hold %	17.5%	28.4%	n/a	17.5%	27.8%	n/a

Electronic Gaming						
HK\$m	Q2 2011[^]	Q2 2012	YoY%	1H 2011[^]	1H 2012	YoY%
Slots Handle	1,800	4,400	144%	1,800	8,700	383%
Net Win	114	271	138%	114	569	399%
Hold %	6.3%	6.2%	n/a	6.3%	6.5%	n/a

[^] Galaxy Macau™ opened on 15 May 2011, so the results for the Q2 and 1H 2011 are the same which reflected 47 days for the period from opening to 30 June 2011.



Pak Loh Chiu Chow Restaurant at Galaxy Macau™



Jinmen Entrance at Galaxy Macau™

Non-Gaming Performance

Non-gaming revenue increased from \$600 million in the second half of 2011 to \$695 million in the period, as Galaxy Macau™ attracted an ever increasing number of new customers, including families that aspire for a truly unique resort experience in Macau.

Galaxy Macau™ currently provides three unique hotel experiences in one resort; the five star Galaxy Hotel, Japan’s legendary Hotel Okura Macau and the award winning ultra-exclusive Banyan Tree Macau. All three hotels continued to excel, providing impeccable, warm, attentive and gracious hospitality. By period end, the room occupancy rate stood at 94%. The hotels’ in-house leisure amenities are complemented by Galaxy Macau™’s skytop wave pool, the largest in the world. It continues to be a major draw with thousands of visitors per week.

The property has a wide variety of Asian and international cuisine choices, comprising over 55 restaurants, cafes, bars and lounges, staffed by award winning chefs from across the world, it caters for all tastes ranging from family-friendly casual to exquisite fine dining.

During the period Galaxy Macau™ further reinforced its reputation as one of the prime entertainment hotspots in Macau. Its modern 3D cineplex, which opened amidst much fanfare with the world premiere of the eagerly anticipated Chinese film of the decade *The Flying Swords of Dragon Gate 3D*, continues to see attendance rise. Our private members club China Rouge has also been successful since it opened in March this year, featuring musical artists such as Laura Fygi and Hacken Lee.

The property’s distinctive layout has been instrumental in growing revenue, as it facilitates a seamless navigation between the gaming areas and entertainment, retail and food & beverage outlets.

Major Awards

GEG is delighted to report that Galaxy Macau™ received a number of new accolades in the period, including The Best New Hotel (Macau) by the TTG China Travel Awards and Top Ten Resort Hotels of China by the China Hotel Starlight Awards.

Galaxy Macau™ Phase 2

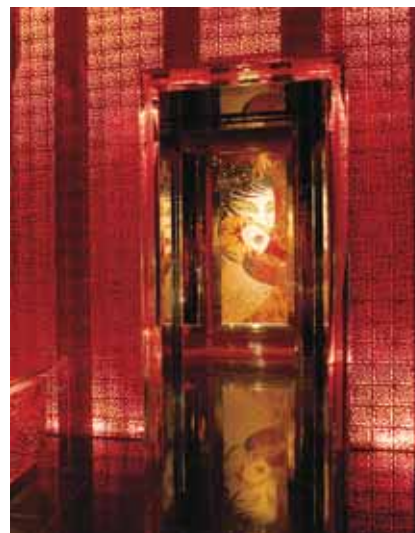
Building on the success of the internationally recognised Phase 1 of Galaxy Macau™, GEG announced on 26 April 2012 its plans for Phase 2 which virtually doubles the size of Galaxy Macau™. The accelerated rollout of Phase 2 is timed to coincide with the completion of major infrastructure developments in the greater Macau region, and we believe Phase 2 will be the next major project to complete in Macau in mid-2015.

The development is expected to be accretive to GEG’s earnings and the investment will be made from GEG’s existing reserves, cash from operations and debt.

At period end, the development work is on track with piling set to be completed by the end of the year.



China Rouge



China Rouge Lobby Foyer

Phase 2 will include:

- Two new luxury hotels including The Ritz-Carlton's first ever all-suite hotel and the world's largest JW Marriott with an aggregate of 1,300 rooms and suites for a grand total of over 3,600 rooms & suites across five luxury hotels
- Expanded retail space to over 200 luxury stores
- Increased meeting, event & banquet space to a capacity of over 3,000 guests
- Enhancement of the world's largest skytop wave pool resort deck with additional leisure amenities and lush tropical gardens
- Expanded gaming capacity by up to 500 tables and over 1,000 slot machines
- Addition of over 45 new food & beverage outlets for a grand total of over 100

StarWorld Hotel & Casino

Financial and Operational Performance

StarWorld, the Group's flagship property on the Macau peninsula, once again achieved encouraging results, posting its 16th consecutive quarter of EBITDA growth in the second quarter of 2012. Adjusted EBITDA for the first half was up 30% to \$1.8 billion, on the back of a 13% increase in revenue to \$11.3 billion. Margins remained stable at 16% under HK GAAP and 26% under US GAAP. StarWorld reported annualised ROI of 98%.

VIP Gaming Performance

StarWorld achieved VIP rolling chip volume of \$339 billion, up 10% on the comparable period last year (1H 2011: \$309 billion). This resulted in revenue of \$9.9 billion (1H 2011: \$8.9 billion).

StarWorld

VIP Gaming HK\$'m	Q1 2011	Q2 2011	1H 2011	Q1 2012	Q2 2012	1H 2012	YoY%
Turnover	151,000	158,000	309,000	176,100	163,000	339,100	10%
Net Win	4,400	4,500	8,900	4,800	5,100	9,900	11%
Win %	2.9%	2.9%	2.9%	2.7%	3.1%	2.9%	n/a

Mass Gaming Performance

Mass gaming revenue in the first half of the year grew by 52% year-on-year to \$1.1 billion on volume of \$4.8 billion (1H 2011: \$4 billion). Shared transport links with its sister casino Galaxy Macau™ continues to be an effective driver of visitations.

Electronic Gaming Performance

StarWorld's electronic gaming generated revenue of \$122 million, marginally up on the same period last year.

StarWorld

Mass Gaming HK\$'m	Q1 2011	Q2 2011	1H 2011	Q1 2012	Q2 2012	1H 2012	YoY%
Table Drop	1,900	2,100	4,000	2,390	2,370	4,760	19%
Net Win	362	366	728	564	545	1,109	52%
Hold %	18.1%	17.3%	17.7%	23.2%	22.5%	22.9%	n/a

Electronic Gaming HK\$'m	Q1 2011	Q2 2011	1H 2011	Q1 2012	Q2 2012	1H 2012	YoY%
Slots Handle	1,050	1,020	2,070	930	840	1,770	-14%
Net Win	70	49	119	62	60	122	3%
Hold %	6.7%	4.8%	5.8%	6.6%	7.2%	6.9%	n/a



StarWorld Main Lobby

Non-Gaming Performance

Non-gaming revenue in the period increased by 34% to \$207 million (1H 2011: \$154 million) and hotel room occupancy continued to remain at 98%.

Major Awards

During the first six months StarWorld has received a number of prestigious plaudits, including Top Ten Influential Hotel of Asia, The Best Excellent Service Quality Hotel of China and The Best Guest Experience Hotel of China from 2012 Asia Hotel Golden-Olive Awards; Top Ten Most Charming Hotel in Asia and Best Service Hotel from the Golden Horse Award of China Hotel, as well as Top Ten Glamorous Hotels of China from the China Hotel Starlight Awards.

City Clubs

City Clubs continue to perform as a boutique service provider to select and valued customers. In the first half of the year it contributed \$82 million to the Group's earnings (1H 2011: \$106 million).

GEG will continue to manage the business prudently to ensure its long term sustainability.

CONSTRUCTION MATERIALS DIVISION

The Construction Materials Division ("CMD") continues to deliver a solid performance from its integrated construction materials businesses in Hong Kong and Macau, which was partially offset by the softening demand in the ground granulated blast-furnace slag ("slag") and cement businesses in Mainland China. For the first half of 2012, revenue grew to \$940 million, representing an increase of 45% over the corresponding period last year. CMD's Adjusted EBITDA surged to \$228 million, representing an increase of 28% over the corresponding period last year.

Hong Kong and Macau

During the first half of 2012, strong market demand for construction materials in Hong Kong resulted in satisfactory profits being generated. As several major infrastructure development projects continue to progress, it is expected that the construction materials market will continue to prosper in the near future. A new quarry in Guangdong Province is scheduled to commence operation in the second half of 2012. This will further strengthen CMD's position to capture increased market demand for high quality construction materials in the region.

In Macau, increasing construction activities from the public housing sector, and the expansion of construction works in the gaming industry had led to increased demand for ready-mixed concrete in the period. CMD's ready-mixed concrete's operation is well positioned to continue benefiting from this positive trend.



StarWorld VIP Entrance

Mainland China

In the first half of 2012, weak market demand for cement in Mainland China led to a drop in the selling prices of cement, which inevitably impacted the selling price of slag. The Group believes the demand for slag, an environmentally friendly and green sustainable construction product, will improve and will therefore continue to make a valuable profit contribution to CMD. In order to maintain its leadership position in slag, the Group intends to add capacity during the remainder of the year.

Unlike other areas in Mainland China, the market demand for cement in the Yunnan Province remains strong. This is due to its geographical location and the Central Government's policy to accelerate the western region's economic growth through infrastructure construction, and developing Yunnan Province into a bridgehead for enhancing Mainland China's economic activity in Southeast Asia. CMD will continue to expand cement production capacity in the Province given the promising outlook.

GROUP OUTLOOK

While it is prudent for GEG to continue to keep a watchful eye on the pace of the economic recovery in the United States and the continuing Eurozone crisis, it retains every confidence in the prospects for the industry and Macau as a whole in the medium and long-term.

The management team will continue to manage the business in a careful and prudent manner, and the Group's strong cash position, low debt to Adjusted EBITDA ratio and gearing ratio of 7% provides a real platform of strength from which the business can be developed to maximise returns for all stakeholders.

Looking further ahead, it is very unlikely that the industry can maintain the unprecedented growth levels of previous years. However, GEG's performance in the first half illustrates that quarter-on-quarter growth is achievable for operators. The Group remains uniquely and strategically positioned to capitalise on Macau's growth opportunities both in the immediate term through its existing operations and long-term as a result of Galaxy Macau™ Phase 2 and its land bank.

LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 30 June 2012 was \$17,746 million, an increase of approximately 25% over that as at 31 December 2011 of \$14,222 million while the Group's total assets employed increased to \$39,577 million as at 30 June 2012 as compared with \$35,764 million as at 31 December 2011.

The Group continues to maintain a strong cash position. As at 30 June 2012, total cash and bank balances were \$9,334 million as compared with \$6,013 million as at 31 December 2011. The Group's total indebtedness was \$11,475 million as at 30 June 2012 as compared with \$11,672 million as at 31 December 2011. The gearing ratio, defined as the ratio of total borrowings outstanding less cash and bank balances to total assets (excludes cash and bank balances), was 7% as at 30 June 2012 (31 December 2011: 19%).

The total indebtedness of the Group mainly comprises bank loans, Renminbi bonds and other obligations which are largely denominated in Hong Kong Dollar and Renminbi. 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 Hong Kong Dollar, Renminbi 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 Dollar and Renminbi. Forward foreign exchange contracts are utilised when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposure, which are considered necessary for the Group's treasury management activities.

CHARGES ON GROUP ASSETS

Property, plant and equipment with net book value of \$15,774 million (31 December 2011: \$16,349 million), leasehold land and land use rights with net book value of \$2,794 million (31 December 2011: \$2,828 million), other assets with net book value of \$295 million (31 December 2011: \$235 million), bank deposits of \$1,823 million (31 December 2011: \$1,802 million) and shares of certain subsidiaries have been pledged to secure banking facilities.

GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$7,971 million (31 December 2011: \$10,057 million), of which \$7,603 million (31 December 2011: \$7,543 million) have been utilised.

The Group has executed guarantees in favour of a bank in respect of facilities granted to an associated company amounting to \$9 million (31 December 2011: \$9 million). At 30 June 2012, facilities utilised amounted to \$9 million (31 December 2011: \$9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group, excluding associated companies and jointly controlled entities, employed approximately 15,000 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$2,026 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 incentives. 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.

Organisation Development and Training

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

CORPORATE SOCIAL RESPONSIBILITY

As one of Macau's most visible and successful companies and largest employers, GEG is committed to sharing its success with the community and investing in the future development of Macau for the benefit of all its residents and visitors to ensure its long-term success. In the first half of the year, GEG strongly supported a number of important government-led initiatives to develop Macau and made a valuable contribution to the wider society through a variety of different types of social, philanthropic and volunteering activities.

RESPONSIBLE GAMING

As an active member of the Responsible Gaming Working Committee, GEG joins local gaming operators, Social Welfare Bureau of Macau SAR Government, Gaming Inspection and Coordination Bureau of Macau SAR Government and the Institute for the Study of Commercial Gaming, University of Macau in regular meetings to discuss the implementation of initiatives aimed at enhancing Macau's responsible gaming culture.

GEG continues to promote responsible gaming to team members and patrons through the following initiatives:

- Advertising the responsible gaming logo created in collaboration with University of Macau's Institute for the Study of Commercial Gaming
- Posting signage at all casino entry points to reinforce the message that minors under the age of 18 are strictly prohibited from entering the casino floor
- Providing around-the-clock telephone counseling, individual face-to-face counseling and online counseling options for team members to receive responsible gaming support
- Establishing guidelines and procedures for team members to take mandatory responsible gaming education courses
- Working with team members to identify guests with potential gambling addictions and providing guidelines to them on how to refer guests to appropriate counseling

SMOKE-FREE AREAS

Supporting the new era of a smoke-free Macau, GEG abides very closely to the new Regime of Tobacco Prevention and Control and beginning 1 January 2012, GEG launched the following campaigns:

- Offering team members with briefing sessions to ensure that they understand the new Regime of Tobacco Prevention and Control and statutory no smoking areas
- Posting signage at all relevant areas inside its properties so that team members and patrons can better identify the smoking and non-smoking zones and understand the penalties for violations
- Removing all ash trays within the statutory no smoking areas so as to discourage patrons from lighting any cigars/ cigarettes while within those areas
- Removing all back-of-house indoor smoking areas to demonstrate GEG's commitment towards protecting the health of its team members

ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

Showing its commitment to protecting the environment, GEG became a Pearl Member of WWF-Hong Kong's 2012/2013 Corporate Membership Programme and participated in the following conservational activities in the first half of 2012:

- "World Tree Planting Day" and "Group Tree Planting" events organised by the Civic and Municipal Affairs Bureau of Macau SAR Government
- "2012 Macau International Environmental Co-operation Forum and Exhibition" hosted by the Macau SAR Government
- "Earth Hour 2012" event organised by WWF
- 2012 Macau Energy Conservation Week "Lights Out" and "Dress Light, Dress Right" initiatives organised by the Macau Office for the Development of the Energy Sector

COMMUNITY ACTIVITIES

In the first half of this year, the Group took an active role in giving back to the community. The following is a selected list of community activities that was organised or participated by the Group during the period:

- Pre-Chinese new year celebration lunch event for more than 100 elderly members from Respect Senior General Association of Macau
- “Care for Abandoned Cats and Dogs” activity in support of the Society for the Protection of Animals in Macau
- “The 9th Macau Chinese Film Festival” movie screening for close to 300 elderly members from Caritas Macau and The Women’s General Association of Macau
- Charity crafts making activity with mentally disabled members of Macau Special Olympics
- Birthday celebration for children at “Helen Liang” Children Home
- Galaxy Macau™ “Kidz Island” visit for close to 40 children from Cradle of Hope Association
- Pre-Mother’s Day celebration with 95 senior female residents at Asilo Vila Madalena
- “Golden Night at the Opera Charity Screening in 3D” event in support of fundraising efforts for ORBIS Macau

- Blood Donation activity in support of Macau Blood Transfusion Centre
- Volleyball clinic for youngsters from Sheng Kung Hui “Star of Hope” Youth Home to interact with members from Chinese Women’s National Volleyball Team
- Father’s Day celebration event for over 130 senior male residents at Asilo de Betânia

CHARITABLE ACTIVITIES

In the first half of 2012, GEG offered time and monetary support to the following associations in an effort to help more people in need:

- Asia Pacific Association for Gambling Studies
- Banyan Elderly Services Association Limited
- Kiang Wu Hospital Charitable Association
- British Business Association of Macau
- Caritas Macau
- Centro de Maria
- Coloane Son I Association
- Half the Sky Foundation
- Hou Kong Junior Chamber



To celebrate Macau Chinese Film Festival with local public, GEG collaborated with local charity associations to invite seniors to a movie screening.

- Inspirational Youth Association
- International Ladies Club of Macau
- Macau Child Development Association
- ORBIS Macau
- Rehabilitation Centre for Problem Gamblers
- Rotary Club of Macau
- Society for the Protection of Animals Macau
- The Charity Association of Macau Business Readers
- The Macau Association for the Mentally Handicapped
- World Wide Fund For Nature Hong Kong
- Sponsored hotel accommodations and meeting venues for Macau's hosting of the "20th Asian Table Tennis Championships"
- Sponsored the first "Macau Special Olympics International Golf Tournament" organised by The Charity Association of Macau Business Readers
- Sponsored the "BNU 110th Anniversary Charity Golf Tournament" in support of fundraising efforts for Tung Sing Tong Charitable Society

EDUCATION & CULTURE

In addition to the above, GEG also believes that education is an essential element to Macau's future development. In the first half of 2012, GEG supported education and cultural development through the following selected activities:

SPORTS DEVELOPMENT

The Group contributes enormously towards enhancing the attractiveness, scale and quality of Macau's various sports and community initiatives. In the first half of 2012 GEG sponsored:

- Title sponsored the "FIVB Volleyball World Grand Prix Macau 2012" for the 8th consecutive year
- Collaborated with the Macau Management Association in organising the second year's curriculum of the "GEG Youth Achievement Program"
- Sponsored the student scholarship program offered by the University of Saint Joseph
- Organised an "Internship Program Appreciation Ceremony" for 21 university students who successfully completed the internship program offered by GEG in the second half of 2011



Chinese Women's Volleyball Team won the Macau competition. GEG's Deputy Chairman, Mr. Francis Lui (left), Secretary for Social Affairs and Culture of Macau SAR Government, Mr. Cheong U (middle) and FIVB Control Committee President, Mr. Jiaming Zhu (right) presented the US\$35,000 cheque and trophy to the winners.

- Supported the communication students from the University of Macau's Faculty of Social Sciences and Humanities in organising the "2012 Communication Week" activities
- Sponsored the American Chamber of Commerce in Macau in organising several "Macau Youth Dialogue" sessions at Galaxy Hotel
- Sponsored Hong Kong Wen Wei Po's "Future Star Federation of Student" in organising a Beijing excursion for 200 university students
- Sponsored the State Administration of Radio, Film and Television, the Department of Culture and Education Liaison Office of the Central People's Government in Macau SAR, the China Film Foundation and the Macau Media Advancement Association in presenting "The 9th Macau Chinese Film Festival"
- Sponsored the Alliance Française de Macau in organising a "French Cultural Nights Movie Screening and Jazz Concert" events at Galaxy Macau™
- Sponsored the "Grand Blessing Ceremony of the Parietal Bone of Sakyamuni Buddha" event
- Collaborated with Casa de Portugal em Macau in organising a "Mio Pang Fei Art Collection Exhibition"

EMPLOYEE ENGAGEMENT

GEG creates and organises numerous activities to encourage team members to practice and enjoy a satisfying work-life balance. The following are some of the activities organised in the first half of 2012:

- GEG Photo Contest
- Easter Wonderland at Galaxy Macau™
- Mother's Day Floral Arrangement Workshop
- Super Dad Cupcake Making Workshop



Mr. Michael Mecca, GEG President and Chief Operating Officer, representing GEG at the opening of the "Mio Pang Fei Art Collection Exhibition" at Galaxy Macau™.



Ms. Eileen Lui, Director of Human Resources & Administration of GEG presented prizes to the GEG Photo Contest winners.

CONSTRUCTION MATERIALS DIVISION

Corporate Social Responsibility as an integral part of the company's sustainable value, CMD is committed to be a caring and responsible corporate citizen. In 2012, we continued to embrace our corporate philosophy "Contributing to our society where one benefits" by inspiring corporate social responsibility through caring the employees, the community and the environment.

Recognition

CMD was awarded the "10 Consecutive Years Caring Company Logo" by the Hong Kong Council of Social Service this period, recognizing its continual support to the Caring Company Scheme and its commitment to serve the community of Hong Kong.

Volunteering

Building upon the success of the mentoring service programme "Mentoring the Way to the Future", which was launched in 2007, we offered summer internship opportunities for the mentees from "The Evangelical Lutheran Church of Hong Kong" by providing a positive experience in a corporate working environment.

CMD volunteer team visited Hong Chi Association to help Hong Chi mentees to build the Green Garden in their Fanling centre, promoting care, mutual help and harmony between volunteers and the disabled.

Charity

A Blood Donation Day was organised with the Hong Kong Red Cross for our staff.

Employee Friendly

- Sport Teams: Basketball/Football/Badminton/Bowling
- Self Wellness Workshop: IQ, EQ & AQ/Effective Time Management/Reading People/Good Sleeping
- Dancing Class
- Movie Sharing
- Recreational Activities & Interest Class: Rice Dumpling Class/Day Tour

Environmental Protection

To continue CMD Sustainable Recycling Programme which was launched in 2011 with the slogan "Support Green, Create Value From Waste" aimed to recycling wastes namely Waste Glass, Reclaimed Asphalt Pavement, Concrete Waste, Waste Rubber and Waste Oil generated from our daily operation into valuable materials.

CMD proudly received awards for two consecutive years under environmental protection aspects: Hong Kong Awards for Environmental Excellence "Wastewi\$e Label" – Class of Excellence by Environmental Campaign Committee.



Visited Hong Chi Association to help restructuring the Green Garden with their students.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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 30 to 51, which comprises the condensed consolidated balance sheet of Galaxy Entertainment Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 August 2012

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CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2012

	Note	2012 HK\$'000	2011 HK\$'000
Revenue	5	28,321,661	13,666,494
Other income/gains, net	7(a)	131,817	71,962
Special gaming tax and other related taxes to the Macau Government		(10,375,564)	(5,009,678)
Commission and allowances to gaming counterparties		(9,438,335)	(5,122,960)
Raw materials and consumables used		(383,779)	(275,623)
Amortisation and depreciation		(905,698)	(348,708)
Employee benefit expenses		(2,065,522)	(1,396,917)
Other operating expenses		(1,551,356)	(999,813)
Finance costs	8	(303,768)	(91,573)
Change in fair value of derivative under the convertible notes		–	(164,718)
Share of profits less losses of:			
Jointly controlled entities		49,292	79,324
Associated companies		1,074	–
Profit before taxation	7(b)	3,479,822	407,790
Taxation charge	9	(25,598)	(18,045)
Profit for the period		3,454,224	389,745
Attributable to:			
Equity holders of the Company		3,446,507	378,309
Non-controlling interests		7,717	11,436
		3,454,224	389,745
Earnings per share	11	HK cents	HK cents
Basic		82.5	9.3
Diluted		81.1	9.1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2012

	2012 HK\$'000	2011 HK\$'000
Profit for the period	3,454,224	389,745
Other comprehensive (loss)/income		
Change in fair value of non-current investments	(1,872)	447
Currency translation differences	(21,281)	29,709
Change in fair value of cash flow hedges	(22,791)	(31,121)
Other comprehensive loss for the period, net of tax	(45,944)	(965)
Total comprehensive income for the period	3,408,280	388,780
Total comprehensive income attributable to:		
Equity holders of the Company	3,402,899	371,405
Non-controlling interests	5,381	17,375
	3,408,280	388,780

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2012

Note	30 June 2012 HK\$'000	31 December 2011 HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	17,460,097	17,469,329
Investment properties	77,000	77,000
Leasehold land and land use rights	4,417,727	4,444,253
Intangible assets	1,209,767	1,270,424
Jointly controlled entities	1,309,512	1,169,155
Associated companies	1,532	458
Long-term pledged bank deposits	1,692,846	1,702,230
Other non-current assets	303,149	348,179
	26,471,630	26,481,028
Current assets		
Inventories	156,717	138,471
Debtors and prepayments	2,115,084	1,578,636
Amounts due from jointly controlled entities	375,073	298,194
Taxation recoverable	5,321	8,379
Other investments	6,248	8,330
Other cash equivalents	1,113,460	1,238,562
Cash and bank balances	9,333,620	6,012,706
	13,105,523	9,283,278
Total assets	39,577,153	35,764,306

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2012

	Note	30 June 2012 HK\$'000	31 December 2011 HK\$'000
EQUITY			
Share capital	14	418,834	417,421
Reserves		17,326,746	13,804,605
Shareholders' funds		17,745,580	14,222,026
Non-controlling interests		445,565	421,201
Total equity		18,191,145	14,643,227
LIABILITIES			
Non-current liabilities			
Borrowings	15	10,101,286	10,530,722
Deferred taxation liabilities		279,087	276,220
Derivative financial instruments		86,266	63,475
Provisions		90,973	101,234
Retention payable		174,308	155,984
		10,731,920	11,127,635
Current liabilities			
Creditors and accruals	16	9,242,348	8,829,439
Amounts due to jointly controlled entities		14,985	14,875
Current portion of borrowings	15	1,373,630	1,141,862
Provision for tax		23,125	7,268
		10,654,088	9,993,444
Total liabilities		21,386,008	21,121,079
Total equity and liabilities		39,577,153	35,764,306
Net current assets/(liabilities)		2,451,435	(710,166)
Total assets less current liabilities		28,923,065	25,770,862

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2012

	2012 HK\$'000	2011 HK\$'000
Net cash from operating activities	4,639,387	1,736,429
Net cash used in investing activities	(3,963,136)	(4,592,754)
Net cash (used in)/from financing activities	(251,019)	3,453,347
Net increase in cash and cash equivalents	425,232	597,022
Cash and cash equivalents at beginning of period	6,793,088	4,369,255
Changes in exchange rates	(626)	4,378
Cash and cash equivalents at end of period	7,217,694	4,970,655
Analysis of cash and cash equivalents		
Cash and bank balances	9,333,620	4,349,743
Less: short-term bank deposits with maturity over three months and short-term pledged deposits	(3,229,386)	(79,529)
Other cash equivalents	1,113,460	700,441
Cash and cash equivalents	7,217,694	4,970,655

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2012

	Share capital HK\$'000	Reserves HK\$'000	Shareholders' funds HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2012	417,421	13,804,605	14,222,026	421,201	14,643,227
Comprehensive income					
Profit for the period	–	3,446,507	3,446,507	7,717	3,454,224
Other comprehensive loss					
Change in fair value of non-current investments	–	(1,872)	(1,872)	–	(1,872)
Currency translation differences	–	(18,945)	(18,945)	(2,336)	(21,281)
Change in fair value of cash flow hedges	–	(22,791)	(22,791)	–	(22,791)
Total comprehensive income for the period, net of tax	–	3,402,899	3,402,899	5,381	3,408,280
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	24,650	24,650
Return of capital to non-controlling interests	–	–	–	(1,024)	(1,024)
Dividend paid to non-controlling interests	–	–	–	(4,643)	(4,643)
Issue of shares upon exercise of share options	1,413	49,075	50,488	–	50,488
Fair value of share options granted	–	70,167	70,167	–	70,167
At 30 June 2012	418,834	17,326,746	17,745,580	445,565	18,191,145
At 1 January 2011	395,440	8,801,497	9,196,937	377,614	9,574,551
Comprehensive income					
Profit for the period	–	378,309	378,309	11,436	389,745
Other comprehensive income/(loss)					
Change in fair value of non-current investments	–	447	447	–	447
Currency translation differences	–	23,770	23,770	5,939	29,709
Change in fair value of cash flow hedges	–	(31,121)	(31,121)	–	(31,121)
Total comprehensive income for the period, net of tax	–	371,405	371,405	17,375	388,780
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	21,747	21,747
Dividend paid to non-controlling interests	–	–	–	(8,387)	(8,387)
Issue of shares upon exercise of share options	1,342	43,102	44,444	–	44,444
Issue of shares upon conversion of convertible notes	17,298	1,728,296	1,745,594	–	1,745,594
Fair value of share options granted	–	36,915	36,915	–	36,915
At 30 June 2011	414,080	10,981,215	11,395,295	408,349	11,803,644

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Galaxy Entertainment Group Limited (“GEG” or the “Company”) is a limited liability company incorporated in Hong Kong and has its listing on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”). 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.

The interim financial information has been approved for issue by the Board of Directors on 27 August 2012.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) 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. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies used in the preparation of the interim financial information are consistent with those used and as described in the annual financial statements for the year ended 31 December 2011, except as described below:

(a) The adoption of new/revised HKFRS

In 2012, the Group adopted the following new/revised HKFRS which are relevant to its operations.

HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying assets

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

(b) Standards and amendments to existing standards that are not yet effective

New standards and amendments		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKFRS 7 (Amendments)	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 7 (Amendments)	Financial Instruments: Disclosure – Mandatory Effective Date of HKFRS 9 and Transitional Disclosure	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015

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

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011. There have been no changes in the financial risk management objectives and policies of the Group since 2011 year end.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from their estimates.

The significant judgements, estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2011.

5. REVENUE

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

	2012 HK\$'000	2011 HK\$'000
Gaming operations		
Net gaming wins	26,386,631	12,722,795
Contributions from Certain City Club Casinos (Note)	75,745	45,563
Tips received	11,026	5,533
Hotel operations	902,327	241,729
Administrative fees from gaming operations	6,147	4,040
Sales of construction materials	939,785	646,834
	28,321,661	13,666,494

(Note) In respect of the operations of certain city club casinos (the "Certain City Club Casinos"), the Group entered into certain agreements (the "Agreements") with third parties for a term equal to the life of the concession agreement with the Government of the Macau Special Administrative Region (the "Macau Government") up to June 2022.

Under the Agreements, certain service providers (the "Service Providers") undertake for the provision of a steady flow of customers to the Certain City Club Casinos and for procuring and/or introducing customers to these casinos. The Service Providers also agree to indemnify the Group against substantially all risks arising under the leases of the premises used by these casinos; and to guarantee payments to the Group of certain operating and administrative expenses. Revenue attributable to the Group is determined by reference to various rates on the net gaming wins.

After analysing the risks and rewards attributable to the Group, and the Service Providers under the Agreements, revenue from the Certain City Club Casinos is recognised based on the established rates for the net gaming wins, after deduction of special gaming taxes and other related taxes to the Macau Government, which reflect the gross inflow of economic benefits to the Group. In addition, all relevant operating and administrative expenses relating to the operations of the Certain City Club Casinos are not recognised as expenses of the Group in the interim financial information.

5. REVENUE (Continued)

(Note) (Continued)

During the period ended 30 June 2012, the Group is entitled to HK\$75,745,000 (2011: HK\$45,563,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the Certain City Club Casinos are not recognised as expenses of the Group in the interim financial information.

6. SEGMENT INFORMATION

The Board of Directors is responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, based on a measurement of adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). This measurement basis of Adjusted EBITDA excludes the effects of non-recurring income and expenditure from the operating segments, such as pre-opening expenses, sponsorship, gain on unlisted investments and impairment charge when the impairment is the result of an isolated, non-recurring event. The Adjusted EBITDA also excludes the effects of forfeiture on equity-settled share-based payments, share option expenses, donation expenses, and unrealised gains or losses on financial instruments.

In accordance with the internal financial reporting and operating activities of the Group, the reportable segments are the gaming and entertainment segment and the construction materials segment. Corporate and treasury management represents corporate level activities including central treasury management and administrative function.

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

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

6. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Six months ended 30 June 2012				
Reportable segment revenue	29,187,734	939,785	–	30,127,519
Adjusted for:				
Certain City Club Casinos arrangement set out in note 5				
Revenue not recognised	(1,883,199)	–	–	(1,883,199)
Contributions	75,745	–	–	75,745
Others	1,596	–	–	1,596
Revenue recognised under HKFRS	27,381,876	939,785	–	28,321,661
Adjusted EBITDA	4,551,472	228,139	(67,181)	4,712,430
Interest income and gross earnings on finance lease				54,096
Amortisation and depreciation				(905,698)
Finance costs				(303,768)
Taxation charge				(25,598)
Taxation of jointly controlled entities				(13,628)
Adjusted items:				
Pre-opening expenses of Galaxy Macau™ Phase 2 at Cotai				(7,115)
Unrealised loss on listed investments				(2,082)
Share option expenses				(70,167)
Donation and sponsorship				(14,884)
Impairment of certain property, plant and equipment				(14,849)
Gain on unlisted investment and other income				45,487
Profit for the period				3,454,224

6. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Six months ended 30 June 2011				
Reportable segment revenue	14,313,450	646,834	–	14,960,284
Adjusted for:				
Certain City Club Casinos arrangement set out in note 5				
Revenue not recognised	(1,340,681)	–	–	(1,340,681)
Contributions	45,563	–	–	45,563
Others	1,328	–	–	1,328
Revenue recognised under HKFRS	13,019,660	646,834	–	13,666,494
Adjusted EBITDA	1,684,691	177,778	(44,937)	1,817,532
Interest income and gross earnings on finance lease				27,649
Amortisation and depreciation				(348,708)
Finance costs				(91,573)
Change in fair value of derivative under the convertible notes				(164,718)
Taxation charge				(18,045)
Taxation of jointly controlled entities				(9,346)
Adjusted items:				
Pre-opening expenses of Galaxy Macau™ Phase 1 at Cotai				(766,760)
Unrealised loss on listed investments				(6,700)
Share option expenses				(36,915)
Donation and sponsorship				(30,209)
Other compensation income				17,538
Profit for the period				389,745

6. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
As at 30 June 2012				
Total assets	32,780,882	4,140,567	2,655,704	39,577,153
Total assets include:				
Jointly controlled entities	22,122	1,287,390	–	1,309,512
Associated companies	–	1,532	–	1,532
Total liabilities	16,458,135	1,645,867	3,282,006	21,386,008
As at 31 December 2011				
Total assets	29,892,938	3,754,280	2,117,088	35,764,306
Total assets include:				
Jointly controlled entities	12,391	1,156,764	–	1,169,155
Associated companies	–	458	–	458
Total liabilities	16,108,124	1,540,599	3,472,356	21,121,079
Six months ended 30 June 2012				
Additions to non-current assets	707,542	122,756	26	830,324
Six months ended 30 June 2011				
Additions to non-current assets	4,195,400	87,962	175	4,283,537

6. SEGMENT INFORMATION (Continued)

Geographical analysis

Six months ended 30 June	2012 HK\$'000	2011 HK\$'000
Revenue		
Macau	27,481,948	13,065,914
Hong Kong	610,675	382,445
Mainland China	229,038	218,135
	28,321,661	13,666,494

Non-current assets, other than financial instruments	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Macau	22,335,370	22,499,814
Hong Kong	457,188	463,998
Mainland China	1,986,226	1,814,986
	24,778,784	24,778,798

7. OTHER INCOME/GAINS, NET AND PROFIT BEFORE TAXATION

	2012 HK\$'000	2011 HK\$'000
(a) Other income/gains, net		
Rental income from investment properties	4,376	3,123
Interest income		
Bank deposits	46,396	23,150
Loans to jointly controlled entities	6,362	2,558
Deferred receivables	702	572
Dividend income from listed investments	–	181
Dividend income from unlisted investments	28,000	–
Gross earnings on finance leases	636	1,369
Other compensation income	–	17,538
Others	45,924	18,582
	132,396	67,073
Unrealised loss on listed investments	(2,082)	(6,700)
Gain on disposal of property, plant and equipment	602	162
Impairment of property, plant and equipment	(24,901)	–
Foreign exchange gain	9,209	11,427
Gain on unlisted investment	16,593	–
	(579)	4,889
	131,817	71,962
(b) Profit before taxation is stated after charging		
Depreciation	790,411	253,663
Amortisation		
Gaming licence	53,023	52,732
Computer software	23,981	7,584
Quarry site improvements	7,756	7,756
Overburden removal costs	4,010	4,010
Quarry site development	158	158
Leasehold land and land use rights	26,359	22,805

8. FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000
Interest expenses		
Convertible notes wholly repayable within five years	–	12,766
Fixed rate bonds wholly repayable within five years	47,735	44,793
Bank loans and overdrafts wholly repayable within five years	231,775	194,266
Obligations under finance leases wholly payable within five years	28,806	24,766
Other borrowing costs	1,646	803
	309,962	277,394
Amount capitalised in assets under construction	(6,194)	(185,821)
	303,768	91,573

9. TAXATION CHARGE

	2012 HK\$'000	2011 HK\$'000
Current taxation		
Hong Kong profits tax	17,303	9,845
Mainland China income tax	6,325	6,700
Macau complementary tax	–	235
Net (over)/under-provision in prior years	(889)	1
Deferred taxation	2,859	1,264
	25,598	18,045

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the period after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, and these rates range from 12% to 25% (2011: 12% to 25%).

10. INTERIM DIVIDEND

The Board of Directors does not declare any interim dividend for the six months ended 30 June 2012 (2011: nil).

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one (2011: two) category of dilutive potential ordinary shares: share options (2011: convertible notes and share options). Diluted earnings per share for the period ended 30 June 2011 did not assume the conversion of the convertible notes at the beginning of period and to the date of conversion since the conversion would have an anti-dilutive effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

	2012 HK\$'000	2011 HK\$'000
Profit attributable to equity holders of the Company	3,446,507	378,309

	Number of shares	
	2012	2011
Weighted average number of shares for calculating basic earnings per share	4,179,839,646	4,089,356,225
Effect of dilutive potential ordinary shares		
Share options	68,540,235	90,572,838
Weighted average number of shares for calculating diluted earnings per share	4,248,379,881	4,179,929,063

12. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

For the six months ended 30 June 2012, the Group incurred HK\$814 million (2011: HK\$4,205 million) on property, plant and equipment and HK\$16 million (2011: HK\$78 million) on intangible assets.

13. DEBTORS AND PREPAYMENTS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Trade debtors, net of provision	617,232	594,833
Other debtors and deposit paid, net of provision	1,364,049	901,611
Prepayments	103,958	50,438
Amounts due from associated companies	16,788	17,420
Current portion of finance lease receivable	13,057	14,334
	2,115,084	1,578,636

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 (2011: 30 to 60 days) for customers in Hong Kong and Macau and 120 to 210 days (2011: 120 to 210 days) for customers in Mainland China. These are subject to periodic reviews by management.

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

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within one month	217,491	240,364
Two to three months	206,000	211,222
Four to six months	60,440	98,280
Over six months	133,301	44,967
	617,232	594,833

14. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	HK\$'000
Authorised:		
At 30 June 2011, 31 December 2011 and at 30 June 2012	9,000,000,000	900,000
Issued and fully paid:		
At 1 January 2011	3,954,398,244	395,440
Issue of shares upon exercise of share options	13,417,960	1,342
Issue of shares upon conversion of convertible notes	172,983,862	17,298
At 30 June 2011	4,140,800,066	414,080
Issue of shares upon exercise of share options	33,408,656	3,341
At 31 December 2011 and 1 January 2012	4,174,208,722	417,421
Issue of shares upon exercise of share options	14,128,972	1,413
At 30 June 2012	4,188,337,694	418,834

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, 26,889,000 new options (2011: 9,767,000) were granted and 14,128,972 options (2011: 13,417,960) were exercised and 311,668 options (2011: 59,333) have lapsed. The number of share options outstanding at 30 June 2012 was 106,223,081 (2011: 129,535,711).

15. BORROWINGS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Bank loans		
Secured	8,632,333	8,638,117
Unsecured	375,634	369,320
Other borrowings	9,007,967	9,007,437
Fixed rate bonds – unsecured (note a)	1,667,227	1,667,990
Bank loans and other borrowings	10,675,194	10,675,427
Obligations under finance leases (note b)	799,722	997,157
Total borrowings	11,474,916	11,672,584
Current portion included in current liabilities	(1,227,176)	(851,599)
Short-term bank loans	(146,454)	(290,263)
	(1,373,630)	(1,141,862)
	10,101,286	10,530,722

- (a) In December 2010, the Company issued fixed rate senior unsecured bonds in an aggregate amount of RMB1.38 billion. The senior unsecured bonds bear fixed interest at 4.625% per annum and will be fully repayable in December 2013. The fixed rate bonds are listed on the SEHK.
- (b) Obligations under finance leases at 30 June 2012 included land premium payable to the Macau Government in respect of the outstanding installment payable for a piece of land in Cotai, Macau under the concession contract amounting to MOP625 million (approximately HK\$606 million).

16. CREDITORS AND ACCRUALS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Trade creditors	1,254,083	943,626
Other creditors	4,318,899	4,408,892
Chips issued	2,205,816	2,042,824
Loans from non-controlling interests	59,706	68,216
Accruals and provision	1,382,659	1,304,342
Deposits received	21,185	61,539
	9,242,348	8,829,439

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

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within one month	1,088,096	724,053
Two to three months	77,662	99,550
Four to six months	31,434	35,457
Over six months	56,891	84,566
	1,254,083	943,626

17. CAPITAL COMMITMENTS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Property, plant and equipment		
Contracted but not provided for	77,868	365,489
Authorised but not contracted for	463,536	890,694

The Board has decided to accelerate the rollout of Galaxy Macau™ Phase 2 of proposed investment of approximately HK\$16 billion.

18. RELATED PARTY TRANSACTIONS

In addition to the transactions or balances disclosed elsewhere in the interim financial information, the significant related party transactions carried out in the normal course of the Group's business activities during the period are as follows:

- (a) Interest income from jointly controlled entities of HK\$6,362,000 (2011: HK\$2,558,000) are charged at prevailing market rate.
- (b) Management fee received from jointly controlled entities of HK\$2,419,000 (2011: HK\$1,718,000) are charged at terms agreed among the parties.
- (c) Rental expenses of HK\$792,000 (2011: HK\$1,054,000) were paid to a subsidiary of K. Wah International Holdings Limited, a shareholder of the Company, based on the terms of the rental agreement between the parties.
- (d) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. Key management compensation amounted to HK\$39,000,000 for the six months ended 30 June 2012 (2011: HK\$30,000,000).

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES AND SHARE OPTIONS

At 30 June 2012, the interests of each Director in the shares, underlying shares and debentures of the Company, and the details of any right to subscribe for shares of the Company and of the exercise of such rights, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Shares (including underlying shares)

Name	Number of shares (including underlying shares)				Total	Percentage of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che Woo	30,237,632	2,181,518	305,401 ⁽¹⁾	2,701,662,948 ⁽²⁾	2,734,387,499	65.28
Francis Lui Yiu Tung	41,806,896	–	407,558,099 ⁽³⁾	2,285,022,504 ⁽²⁾	2,734,387,499	65.28
Joseph Chee Ying Keung	3,387,000	–	–	–	3,387,000	0.08
Paddy Tang Lui Wai Yu	14,969,722	–	–	2,719,417,777 ⁽²⁾	2,734,387,499	65.28
James Ross Ancell	250,000	–	–	–	250,000	0.00
William Yip Shue Lam	250,000	–	–	–	250,000	0.00
Anthony Thomas	2,800,000	–	–	–	2,800,000	0.06
Christopher Carter	–	–	–	–	–	–
Patrick Wong Lung Tak	–	–	–	–	–	–
Henry Lin Chen	–	–	–	–	–	–

Notes:

- (1) 305,401 shares of the Company were held by Po Kay Securities & Shares Company Limited which is controlled by Dr. Lui Che Woo.
- (2) A discretionary family trust established by Dr. Lui Che Woo as founder was interested in 1,708,944,231 shares of the Company. Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as either direct or indirect discretionary beneficiaries of the discretionary family trust, are deemed to have an interest in those shares in which the trust has an interest.

Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu are, among others, parties to certain arrangements to which section 317 of the SFO applies and each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any shares of the Company held by the other parties to such arrangements for so long as such arrangements are in place. The deemed interests pursuant to these arrangements of Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu were 992,718,717 shares, 576,078,273 shares and 1,010,473,546 shares of the Company respectively.

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

(b) Underlying Shares – Share Option

Details are set out in the Share Options section below.

All the interests stated above represent long positions.

Save as disclosed above, as at 30 June 2012, 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).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 30 June 2012, the interests of every person (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Number of Shares (Long Position)	Percentage of Issued Share Capital
City Lion Profits Corp.	2,734,387,499 ⁽¹⁾	65.28
CWL Assets (PTC) Limited	1,708,944,231	40.80
ENB Topco 2 S.à.r.l	2,727,057,499 ⁽¹⁾⁽³⁾	65.11
Galaxy Entertainment Group Limited	2,734,387,499 ⁽¹⁾	65.28
HSBC International Trustee Limited	1,709,062,231 ⁽²⁾	40.80
Mark Liaison Limited	2,734,387,499 ⁽¹⁾	65.28
Permira Holdings Limited	2,727,057,499 ⁽¹⁾⁽⁴⁾	65.11
Premium Capital Profits Limited	2,734,387,499 ⁽¹⁾	65.28
Recurrent Profits Limited	2,734,387,499 ⁽¹⁾	65.28
Super Focus Company Limited	2,734,387,499 ⁽¹⁾	65.28

Notes:

- (1) City Lion Profits Corp., ENB Topco 2 S.à.r.l, Galaxy Entertainment Group Limited, Mark Liaison Limited, Permira Holdings Limited, Premium Capital Profits Limited, Recurrent Profits Limited and Super Focus Company Limited are, among others, parties having interests in certain arrangements to which section 317 of the SFO applies and each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any shares of the Company held by the other parties to such arrangements for so long as such arrangements are in place. Their deemed interests pursuant to these arrangements were 1,420,500,293 shares, 2,301,695,498 shares, 2,734,387,499 shares, 2,724,726,644 shares, 2,198,673,499 shares, 2,721,079,320 shares, 2,619,883,460 shares and 2,465,187,345 shares of the Company respectively.
- (2) Included in 1,709,062,231 shares of the Company, HSBC International Trustee Limited as the trustee of a discretionary family trust established by Dr. Lui Che Woo as founder was interested in 1,708,944,231 shares of the Company.
- (3) ENB Topco 2 S.à.r.l is deemed to have an interest in the shares of the Company as a result of the direct holding of the shares by ENB Lux 2 S.à.r.l, its wholly-owned subsidiary.
- (4) Permira Holdings Limited is deemed to have an interest in the shares of the Company in its capacity as the holding company of the general partner and manager of the funds which control the companies holding the shares of the Company.

There was duplication of interests of:

- (i) 1,708,944,231 shares of the Company between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, CWL Assets (PTC) Limited and HSBC International Trustee Limited;
- (ii) 1,313,887,206 shares of the Company between City Lion Profits Corp. and CWL Assets (PTC) Limited;
- (iii) 114,504,039 shares of the Company between Mr. Francis Lui Yiu Tung and Recurrent Profits Limited;
- (iv) 425,362,001 shares of the Company between ENB Topco 2 S.à.r.l. and Permira Holdings Limited; and
- (v) apart from the above, duplication of interests also existed among Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, City Lion Profits Corp., ENB Topco 2 S.à.r.l, Galaxy Entertainment Group Limited, Mark Liaison Limited, Permira Holdings Limited, Premium Capital Profits Limited, Recurrent Profits Limited and Super Focus Company Limited, which are parties having interests in certain arrangements to which section 317 of the SFO applies. As a result, each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any shares of the Company held by the other parties to such arrangements for so long as such arrangements are in place. Their interests were duplicated to the extent as disclosed in the relevant notes above.

Save as disclosed above, as at 30 June 2012, 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.

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 22 June 2011) and under old share option scheme (adopted on 22 May 2002) of the Company during the six months ended 30 June 2012 were as follows:

Name	Date of grant	Number of options				Held at 30 June 2012	Exercise price (HK\$)	Exercise period
		Held at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period			
Lui Che Woo	28 Feb 2003	2,000,000	-	-	-	2,000,000	0.514	1 Mar 2004 – 28 Feb 2013
	17 Jan 2008	862,500	-	-	-	862,500	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	862,500	-	-	-	862,500	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,725,000	-	-	-	1,725,000	6.972	17 Jan 2012 – 16 Jan 2014
	8 May 2009	1,150,000	-	-	-	1,150,000	2.160	8 May 2010 – 7 May 2015
	8 May 2009	1,150,000	-	-	-	1,150,000	2.160	8 May 2011 – 7 May 2015
	8 May 2009	1,150,000	-	-	-	1,150,000	2.160	8 May 2012 – 7 May 2015
	11 Oct 2010	1,150,000	-	-	-	1,150,000	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	1,150,000	-	-	-	1,150,000	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	1,150,000	-	-	-	1,150,000	6.810	11 Oct 2013 – 10 Oct 2016
	16 Mar 2012	-	900,000	-	-	900,000	20.100	16 Mar 2013 – 15 Mar 2018
	16 Mar 2012	-	900,000	-	-	900,000	20.100	16 Mar 2014 – 15 Mar 2018
	16 Mar 2012	-	900,000	-	-	900,000	20.100	16 Mar 2015 – 15 Mar 2018

Name	Date of grant	Number of options				Held at 30 June 2012	Exercise price (HK\$)	Exercise period
		Held at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period			
Francis Lui	17 Jan 2008	1,250,000	-	-	-	1,250,000	6.972	17 Jan 2010 - 16 Jan 2014
Yiu Tung	17 Jan 2008	1,250,000	-	-	-	1,250,000	6.972	17 Jan 2011 - 16 Jan 2014
	17 Jan 2008	2,500,000	-	-	-	2,500,000	6.972	17 Jan 2012 - 16 Jan 2014
	8 May 2009	1,666,668	-	-	-	1,666,668	2.160	8 May 2012 - 7 May 2015
	11 Oct 2010	1,666,666	-	-	-	1,666,666	6.810	11 Oct 2011 - 10 Oct 2016
	11 Oct 2010	1,666,666	-	-	-	1,666,666	6.810	11 Oct 2012 - 10 Oct 2016
	11 Oct 2010	1,666,668	-	-	-	1,666,668	6.810	11 Oct 2013 - 10 Oct 2016
	16 Mar 2012	-	1,300,000	-	-	1,300,000	20.100	16 Mar 2013 - 15 Mar 2018
	16 Mar 2012	-	1,300,000	-	-	1,300,000	20.100	16 Mar 2014 - 15 Mar 2018
	16 Mar 2012	-	1,300,000	-	-	1,300,000	20.100	16 Mar 2015 - 15 Mar 2018
Joseph Chee	21 Oct 2009	642,000	-	-	-	642,000	3.600	21 Oct 2010 - 20 Oct 2015
Ying Keung	20 Apr 2011	642,000	-	-	-	642,000	13.820	20 Apr 2012 - 19 Apr 2017
Paddy Tang Lui	17 Jan 2008	500,000	-	-	-	500,000	6.972	17 Jan 2010 - 16 Jan 2014
Wai Yu	17 Jan 2008	500,000	-	-	-	500,000	6.972	17 Jan 2011 - 16 Jan 2014
	17 Jan 2008	1,000,000	-	-	-	1,000,000	6.972	17 Jan 2012 - 16 Jan 2014
	8 May 2009	666,666	-	-	-	666,666	2.160	8 May 2010 - 7 May 2015
	8 May 2009	666,666	-	-	-	666,666	2.160	8 May 2011 - 7 May 2015
	8 May 2009	666,668	-	-	-	666,668	2.160	8 May 2012 - 7 May 2015
	11 Oct 2010	666,666	-	-	-	666,666	6.810	11 Oct 2011 - 10 Oct 2016
	11 Oct 2010	666,666	-	-	-	666,666	6.810	11 Oct 2012 - 10 Oct 2016
	11 Oct 2010	666,668	-	-	-	666,668	6.810	11 Oct 2013 - 10 Oct 2016
	16 Mar 2012	-	243,333	-	-	243,333	20.100	16 Mar 2013 - 15 Mar 2018
	16 Mar 2012	-	243,333	-	-	243,333	20.100	16 Mar 2014 - 15 Mar 2018
	16 Mar 2012	-	243,334	-	-	243,334	20.100	16 Mar 2015 - 15 Mar 2018
James Ross Ansell	-	-	-	-	-	-	-	-
William Yip Shue Lam	-	-	-	-	-	-	-	-
Anthony Thomas Christopher Carter	-	-	-	-	-	-	-	-

Name	Date of grant	Number of options					Held at 30 June 2012	Exercise price (HK\$)	Exercise period
		Held at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	Held at 30 June 2012			
Patrick Wong Lung Tak	-	-	-	-	-	-	-	-	
Henry Lin Chen	-	-	-	-	-	-	-	-	
Employees (in aggregate)	28 Feb 2003	110,000	-	-	-	110,000	0.514	1 Mar 2004 – 28 Feb 2013	
	17 Jan 2008	625,000	-	-	-	625,000	6.972	17 Jan 2010 – 16 Jan 2014	
	17 Jan 2008	625,000	-	-	-	625,000	6.972	17 Jan 2011 – 16 Jan 2014	
	17 Jan 2008	1,250,000	-	-	-	1,250,000	6.972	17 Jan 2012 – 16 Jan 2014	
	18 Aug 2008	452,000	-	189,000 ^(a)	-	263,000	3.320	18 Aug 2009 – 17 Aug 2014	
	8 May 2009	3,109,331	-	2,091,999 ^(b)	-	1,017,332	2.160	8 May 2010 – 7 May 2015	
	8 May 2009	4,357,326	-	2,313,667 ^(c)	-	2,043,659	2.160	8 May 2011 – 7 May 2015	
	8 May 2009	11,931,690	-	4,597,678 ^(d)	-	7,334,012	2.160	8 May 2012 – 7 May 2015	
	21 Oct 2009	777,000	-	282,000 ^(e)	-	495,000	3.600	21 Oct 2010 – 20 Oct 2015	
	11 Feb 2010	227,032	-	227,032 ^(f)	-	-	2.910	11 Feb 2011 – 10 Feb 2016	
	11 Feb 2010	1,650,330	-	1,520,264 ^(g)	-	130,066	2.910	11 Feb 2012 – 10 Feb 2016	
	11 Feb 2010	1,650,340	-	-	166,668	1,483,672	2.910	11 Feb 2013 – 10 Feb 2016	
	23 Jul 2010	6,241,664	-	1,740,999 ^(h)	-	4,500,665	4.670	23 Jul 2011 – 22 Jul 2016	
	23 Jul 2010	9,259,660	-	-	-	9,259,660	4.670	23 Jul 2012 – 22 Jul 2016	
	23 Jul 2010	9,259,680	-	-	-	9,259,680	4.670	23 Jul 2013 – 22 Jul 2016	
	11 Oct 2010	666,666	-	-	-	666,666	6.810	11 Oct 2011 – 10 Oct 2016	
	11 Oct 2010	666,666	-	-	-	666,666	6.810	11 Oct 2012 – 10 Oct 2016	
	11 Oct 2010	666,668	-	-	-	666,668	6.810	11 Oct 2013 – 10 Oct 2016	
	20 Apr 2011	5,297,995	-	1,166,333 ⁽ⁱ⁾	-	4,131,662	13.820	20 Apr 2012 – 19 Apr 2017	
	20 Apr 2011	1,540,995	-	-	-	1,540,995	13.820	20 Apr 2013 – 19 Apr 2017	
	20 Apr 2011	1,541,010	-	-	-	1,541,010	13.820	20 Apr 2014 – 19 Apr 2017	
	9 Jan 2012	-	5,008,646	-	48,333	4,960,313	14.220	9 Jan 2013 – 8 Jan 2018	
	9 Jan 2012	-	5,008,646	-	48,333	4,960,313	14.220	9 Jan 2014 – 8 Jan 2018	
	9 Jan 2012	-	5,008,708	-	48,334	4,960,374	14.220	9 Jan 2015 – 8 Jan 2018	
	16 Mar 2012	-	1,510,998	-	-	1,510,998	20.100	16 Mar 2013 – 15 Mar 2018	
	16 Mar 2012	-	1,510,998	-	-	1,510,998	20.100	16 Mar 2014 – 15 Mar 2018	
	16 Mar 2012	-	1,511,004	-	-	1,511,004	20.100	16 Mar 2015 – 15 Mar 2018	
Others	8 May 2009	568,000	-	-	-	568,000	2.160	8 May 2012 – 7 May 2015	

Notes:

- (a) 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\$23.53.
- (b) 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\$18.93.
- (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\$21.27.
- (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\$21.75.
- (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\$22.79.
- (f) 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\$20.47.
- (g) 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\$19.34.
- (h) 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\$19.99.
- (i) 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\$22.83.

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.

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

The fair values of the options granted during the period are estimated based on the Black-Scholes valuation model, and such fair values and significant inputs into the model are as follows:

	Fair value per option (HK\$)	Share price at date of grant (HK\$)	Exercise price (HK\$)	Standard deviation of expected share price return	Expected life of options	Expected dividend paid out rate	Annual risk-free interest rate
Granted on 9 January 2012 –14,881,000 options outstanding as at 30 June 2012	6.37	14.08	14.22	65% to 70%	3.5 to 4.5 years	2%	0.741% to 0.852%
Granted on 16 March 2012 –11,863,000 options outstanding as at 30 June 2012	8.47	20.10	20.10	60% to 65%	3.5 to 4.5 years	2%	0.390% to 0.648%

The volatility measured at the standard deviation of expected share price return is based on the historical share price movement of the Company in the relevant periods matching expected time to exercise prior to the date of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

The closing price of the Company's shares immediately before the date on which the share options were granted on 9 January 2012 and 16 March 2012 were HK\$13.86 and HK\$18.86 respectively.

DEALINGS IN LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares or listed debt securities during the six months ended 30 June 2012.

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended 30 June 2012 have been reviewed by the Audit Committee and by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information by the Auditor is included in this interim report.

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 throughout the six months ended 30 June 2012.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Pursuant to the terms of a secured six-year HK\$9 billion club loan entered in June 2010, and made available by a consortium of several banks to Galaxy Entertainment Finance (Galaxy Macau) Limited, a subsidiary of the Company, there is a requirement that the Lui Family is the single largest shareholder of the Company and maintains a minimum 35% interest in the Company during the term of the facility. Failure to comply with this obligation will result in the facility becoming mandatorily repayable and all commitments under the facility will be cancelled. For this purpose, the Lui Family includes Dr. Lui Che Woo and any heir, estate, lineal descendent, spouse or parent of him; and any trust, corporation, partnership or other entity in which Dr. Lui Che Woo and/or any of the said persons beneficially holds, directly or indirectly, a 100% controlling interest.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2012, the Company has complied with the code provisions in the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 of the Listing Rules, except code provisions A.4.2, A.6.7 and E.1.2.

A.4.2 – Given that the other Directors do retire by rotation in accordance with the Articles of Association of the Company, the Board considers that 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.

A.6.7 – Two non-executive Directors including an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 22 May 2012 due to other commitment.

E.1.2 – The Chairman was unable to attend the annual general meeting held on 22 May 2012 and the Deputy Chairman took the chair and together with the other directors answered questions from the floor. The Board considered that the purpose to achieve an effective communication with the shareholders was not compromised.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information since the publication of Annual Report 2011 are set out below:

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

- was awarded the highest honour of the Grand Bauhinia Medal by The Government of Hong Kong Special Administrative Region.

By Order of the Board

Galaxy Entertainment Group Limited

Jenifer Sin Li Mei Wah

Company Secretary

Hong Kong, 27 August 2012

