



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

Stock Code: 27

Interim Report 2009



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



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CHAIRMAN

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

DEPUTY CHAIRMAN

Mr. Francis Lui Yiu Tung

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Anthony Thomas Christopher Carter
Dr. Martin Clarke
Mr. Guido Paolo Gamucci

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms. Kitty Chan Lai Kit

INDEPENDENT AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

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PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

SOLICITORS

Richards Butler in association with Reed Smith LLP
Skadden, Arps, Slate, Meagher & Flom
Mallesons Stephen Jaques
Sá Carneiro & Pinheiro Torres
Jorge Neto Valente

SHARE REGISTRARS

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WEBSITE ADDRESS

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SHARE LISTING

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

STOCK CODE

SEHK	:	27
Bloomberg	:	27 HK
Reuters	:	0027.HK
ADR	:	GXYEY

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RESULTS HIGHLIGHTS

INTERIM RESULTS

The Directors of Galaxy Entertainment Group Limited (the "Company") announce the unaudited results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2009 as follows:

Financial Highlights

- Revenue was HK\$5,335 million, representing a decrease of HK\$70 million over the corresponding period last year
- Adjusted EBITDA was HK\$507 million, representing an increase of HK\$242 million over the corresponding period last year
- Profit attributable to shareholders amounted to HK\$1,059 million, representing an increase of HK\$8,491 million over the corresponding period last year
- Material non-cash gains include HK\$819 million gains on buyback of guaranteed notes and convertible notes
- Strong balance sheet, cash and bank balances as at 30 June 2009 of HK\$5,353 million

INTERIM DIVIDEND

The Board of Directors does not declare any interim dividend for the six months ended 30 June 2009 (2008: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

The first half of 2009 has seen evidence of a slowly recovering world economy and in particular an improving gaming and entertainment environment in Macau. Whilst it may be too early to state categorically that the recent challenging economic experience is over, we are cautiously optimistic on the outlook for Macau.

Throughout the period, the management team of Galaxy has been focused on continuing to deliver improving financial returns for shareholders, through both growing business volumes in a profitable manner and also implementing a cost efficiency program.

It is with great pleasure that we are able to report a net profit exceeding \$1 billion for the six months period ended 30 June 2009. The reporting of a profit is particularly significant as it confirms that Galaxy has achieved an important milestone in moving from a company that was building a major business to one that is now delivering substantial profits.

We wish to confirm that we are fully committed to continuing to drive growth on a profitable basis and manage our costs in an efficient manner.

Given the improvement in the economy combined with the supportive measures undertaken by both the Central Government and the Macau Government, Galaxy is well positioned to benefit from the continuing economic growth within the Asia Pacific region.

Group Financial Results

Revenue and net profit attributable to shareholders for the six months ended 30 June 2009 (the current period) were \$5,335 million and \$1,059 million respectively, as compared to revenue of \$5,405 million and a loss of \$7,432 million for the six months ended 30 June 2008, the corresponding period.

The first half of 2009 has been a challenging but rewarding period for the Group. The financial results have been positively impacted by our focus on growing profitable revenue streams and tightly controlling costs. For the six months ended 30 June 2009, the Group's adjusted earnings before interest, taxation, depreciation and amortisation (EBITDA) was \$507 million, compared to \$265 million in year 2008. The Group's EBITDA margin for the half year of 2009 was 9.5%.

Set out below is the segmental analysis of the Group's operating results for the six months ended 30 June 2009.

	Gaming and Entertainment \$'M	Construction Materials \$'M	Corporate \$'M	Total \$'M
For six months ended 30 June 2009:				
Revenue	4,727	608	0	5,335
EBITDA (excluding interest income and non-recurring items)	451	108	(52)	507
For six months ended 30 June 2008:				
Revenue	4,603	802	0	5,405
EBITDA (excluding interest income and non-recurring items)	224	108	(67)	265

Gaming and Entertainment Division

Overview of Macau Gaming Market

All business in the world including the Macau gaming market have been impacted by the recent challenging economic environment. However, Macau's gaming revenue has remained resilient and for the six months to 30 June 2009, revenue slightly increased from \$48.6 billion in the second half of 2008, to \$49.9 billion.

Visitor arrivals to Macau were down by 12.5% year-over-year to 10.3 million visitors for the period. In particular, arrivals from mainland China were down year-to-date 11%. This is a result of a combination of the economy, visa restrictions and the impact of swine flu. It is important to note that despite lower visitor arrivals, gaming revenues have been solid.

StarWorld Hotel & Casino



For the six months ended 30 June 2009, StarWorld delivered a solid result with total revenue of \$4,027 million and EBITDA of \$419 million. StarWorld continued to drive exceptionally strong EBITDA with four consecutive quarters of EBITDA growth. EBITDA for the first half of 2009 increased 45% to \$419 million from \$288 million in the first half of 2008.

In the first half of 2009, StarWorld continued to perform well despite the difficult economic environment and increased Rolling Chip volume by 13% from \$96.6 billion in the first half of 2008 to \$109 billion. VIP revenue for the six months of 2009 was \$3,400 million with a win rate of 3.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

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

VIP Segment:

(HK\$'M)	Q1 2009	Q2 2009	1H 2009
Turnover	\$55,000	\$54,000	\$109,000
Net Win	\$1,700	\$1,700	\$3,400
Win %	3.0%	3.2%	3.1%

The Mass Drop for the first half of 2009 was \$2,900 million, down 12% from \$3,300 million in the corresponding period of 2008. The Win rate was slightly less at 15.2% compared to 15.4% in the corresponding period of the previous year. Mass Gaming revenue was down 14% from \$510 million to \$440 million. In the month of May we commenced renovations of the Mass Gaming floor, substantially upgrading its fixtures and fittings and re-launched the refitted floor on 2 August. Gaming operations were partially disrupted during this period of time.

Mass Gaming:

(HK\$'M)	Q1 2009	Q2 2009	1H 2009
Drop	\$1,500	\$1,400	\$2,900
Net Win	\$250	\$190	\$440
Win %	16.8%	13.4%	15.2%



Re-launched New Mass Gaming Floor at StarWorld Casino on 2 August 2009

Slot turnover for the first half of 2009 was \$934 million compared to \$1,131 million in the same period of 2008. The win percentage was 6.7% compare to 6.1% in the first half of 2008. The Net Win was \$63 million compared to \$69 million in the first half of 2008. The renovation works also impacted slot operations.

Electronic Gaming:

(HK\$'M)	Q1 2009	Q2 2009	1H 2009
Turnover	452	482	934
Net Win	30	33	63
Win %	6.6%	6.8%	6.7%

In first six months of 2009, StarWorld's non-gaming revenue was \$144 million compared to \$159 million in the same period of 2008. StarWorld's Hotel room occupancy was 86% for first half of 2009 as compared to 81% for first half of 2008.

We are particularly pleased to report that during the period StarWorld Hotel continued to win a number of additional prestigious awards including:



“Best Hotel Brand for Customer Satisfaction — China Hotel Golden Horse Awards”
— 2009 China Hotel Industry Annual Meeting and the 9th China Hotel Forum



“Top 10 Leisure Hotels of China”
— Asia Hotel Forum's 4th China Hotel Starlight Award



“Best Casino Interior Design”
— International Gaming Awards

In the latter part of 2008 we implemented an operational efficiency program focused primarily at StarWorld. Our target was to generate \$200 million in saving per annum and we are pleased to report that we are on track to achieve our stated objective.

Cotai Development

In late 2008, we informed the market that due to the challenges facing the global economy, we decided to slow the construction of the Cotai project and to align the opening of the project to a time of improving economic conditions.

We continue with works and are on schedule to complete the facade of the project by calendar year-end 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Cotai Land Purchase

On 10 September 2009, we announced that we have accepted the terms of the land grant from the Macau Government for the land at Cotai. The details of the land grant are:

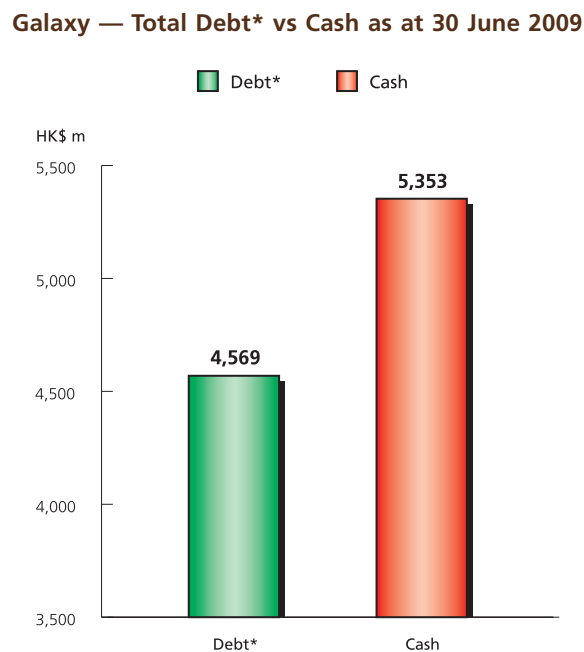
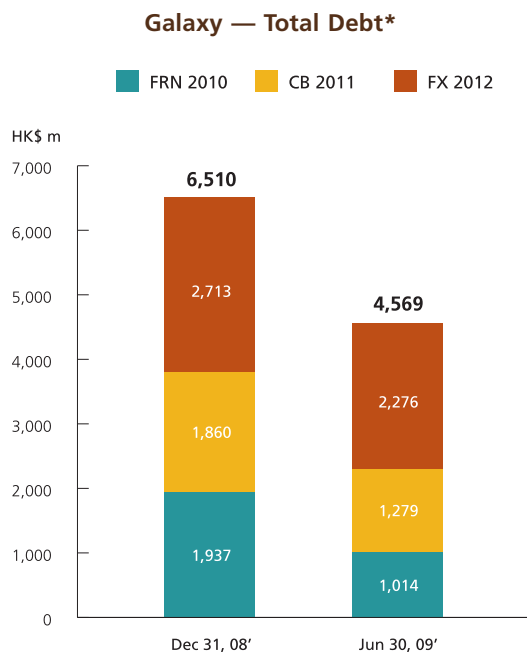
- Total buildable gross floor area of approximately 1.7 million square meters and landscaping area of approximately 290,000 square meters
- Lease term of 25 years; renewable pursuant to applicable laws in Macau
- Land premium of approximately HK\$2.8 billion with an initial payment of HK\$1.1 billion, and the balance paid over 4 years, in 8 equal semi annual installments of approximately HK\$225 million each.

City Clubs

Following the restructure of management agreements in 2008 and adjusting the business model and scale of the operations, the performance of City Clubs has been substantially improved and for the six months City Clubs contributed \$84 million in EBITDA to the Group.

Financial/Operating Efficiency Initiatives

Our balance sheet is very liquid with cash on hand of HK\$5.4 billion at 30 June 2009. During the six months, we further strengthened our already strong balance sheet with a debt buyback program retiring a total of \$1,941 million (US\$250 million) of debt at approximately \$0.50 on the dollar. We have generated interest savings of \$429 million (US\$55 million) over the life of the paper and we anticipate reporting a tax free gain of \$819 million (US\$106 million) in 2009.



* Notes: Total Debt (excludes Bank loans) is stated at nominal value

FRN 2010: Floating Rate Notes due 2010

CB 2011: Zero Coupon Convertible Notes due 2011

FX 2012: 9.875% Fixed Rate Notes due 2012

US GAAP Comparisons

In comparing Galaxy's Gaming and Entertainment Division's results to those of US corporations whose results are prepared under generally accepted accounting principles in the United States ("US GAAP"), it should be noted that gross gaming revenues, presented under US GAAP, are reduced by commissions and discounts paid to players, to arrive at net gaming revenues. An adjusted EBITDA would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher EBITDA margin than that calculated under Hong Kong accounting standards. Galaxy complies with Hong Kong accounting standards. If calculated under US GAAP, StarWorld's EBITDA margin would be approximately 17.1% for the period, as compared to Hong Kong GAAP which would give an EBITDA margin of 10.4% for the period.

Construction Materials Division

The Construction Materials division contributed \$108 million in EBITDA to the Group for the six months ended June 30, which was a modest 1% decline. Construction related businesses will be among the first group of industries to benefit from the Central Government's stimulus package and associated expenditure on infrastructure investment. We are starting to see the benefits of this stimulus package accruing to the Construction Materials division and we remain positive on the outlook for the division.

POST-RESULTS ACTIVITIES & EVENTS

After our reporting period for the six months ended 30 June 2009, there were a number of important events that positively impact the Macau market. These include the election of Dr. Chui Sai On as the Chief Executive of the Macau Special Administrative Region and his appointment has been confirmed by the Central Government. Dr. Chui Sai On has openly expressed his intention to maintain the development of the gaming industry in an orderly manner and to enhance the competitive edge of Macau's gaming industry. We congratulate Dr. Chui Sai On, on his appointment as the new Macau Chief Executive and firmly believe that Macau will continue to prosper under his leadership.

Secondly, the Macau Government has confirmed that it will impose a cap on commissions payable to Junkets. We anticipate it will be implemented shortly.

Thirdly, the Chamber of Macau Casino Gaming Concessionaires and Sub-concessionaires was officially formed. The Chamber's objectives are to provide a platform for the gaming operators to discuss issues that are of common interest to its associates and to cooperate with the Macau Government to make contributions to the gaming legislative process and to the implementation of rules and regulations. Galaxy, as one of the founding members of the Chamber, will work with other members and with the Government to further the Macau gaming industry and broaden its economy.

In regard to StarWorld, in late June we opened 16 additional VIP tables and in early July added a further 6 VIP tables. As previously mentioned, on 2 August we re-launched the newly renovated Mass gaming area.

MANAGEMENT DISCUSSION AND ANALYSIS

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

GROUP OUTLOOK

We are cautiously optimistic on the outlook for Macau. Our optimism is a result of a number of significant events that have either recently occurred or are anticipated to occur in the near future.

These include:

- The recent election of Dr. Chui Sai On as the new Chief Executive of Macau
- The pending election of the Macau Legislative Assembly
- The 60th anniversary of the founding of the People's Republic of China
- The 10th anniversary of Macau's Return to China
- Strong Macau gaming revenue recorded in July of \$9.3 billion
- Record Macau gaming revenue in August of \$10.9 billion
- Rebound in global financial market

There is a possibility that through the combination of these events and celebrations that the Macau gaming market will perform strongly for the balance of 2009 and may equal or surpass last year's record revenue.

Additionally, both the Central Government and the Macau Government are actively progressing with major infrastructure initiatives that will support the long term sustainable growth of the Macau economy.

The Group is well positioned for future growth having reported a \$1 billion profit for the first half of 2009. Our balance sheet is extremely strong with \$5.4 billion in cash. StarWorld is poised for further growth having reported four consecutive quarters of EBITDA growth and the construction of Cotai development project continues with the goal of completing the external building works this year.

LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 30 June 2009 was \$8,058 million, an increase of approximately 15% over that as at 31 December 2008 of \$7,011 million while the Group's total assets employed decreased to \$18,037 million as compared to \$18,652 million as at 31 December 2008.

The Group continues to maintain a strong cash position. As at 30 June 2009, total cash and bank balances were \$5,353 million as compared to \$6,042 million as at 31 December 2008. The Group's total indebtedness was \$5,034 million as at 30 June 2009 as compared to \$6,712 million as at 31 December 2008. The Group was in net cash as at 30 June 2009.

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

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

TREASURY POLICY

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

CHARGES ON GROUP ASSETS

Building with net book values of \$16 million (31 December 2008: \$17 million), leasehold land with net book values of \$212 million (31 December 2008: \$216 million) and bank deposits of \$53 million (31 December 2008: \$53 million) have been pledged to secure banking facilities.

GUARANTEES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$514 million (31 December 2008: \$639 million), of which \$412 million (31 December 2008: \$479 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 2008: \$9 million). At 30 June 2009, facilities utilised amounted to \$9 million (31 December 2008: \$9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2009, the Group, excluding associated companies and jointly controlled entities, employed around 6,700 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$530 million.

Remuneration Policy

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

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

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

Training and Development

The Group sees the staff as the most valuable asset, as none of our achievements would have been possible without the talents and contributions of each individual employee. We are committed to the development and growth of all employees and consider training and development a life-long process. We offer ongoing personal and professional development opportunities to employees beginning with our new hire orientation program and continuing with the delivery of training programs designed to assist our employees in achieving competency and professionalism in their jobs, and to fortify a continuous learning and improvement corporate culture.



羅兵咸永道會計師事務所

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

To the Board of Directors of Galaxy Entertainment Group Limited

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 33, which comprises the condensed consolidated balance sheet of Galaxy Entertainment Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 September 2009

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2009

	Note	2009 HK\$'000	2008 HK\$'000 (restated, note 2)
Revenue	6	5,334,710	5,405,329
Other income/gains	8(a)	192,582	143,479
Special gaming tax and other related taxes to the Macau Government		(1,806,507)	(1,752,092)
Commission and allowances to gaming counterparties		(1,861,640)	(1,676,691)
Raw material and consumable used		(295,924)	(452,195)
Amortisation and depreciation		(260,662)	(703,354)
Employee benefit expenses		(543,083)	(763,426)
Other operating expenses		(400,981)	(586,022)
Gain on buyback of guaranteed notes	16(a)	627,857	—
Gain on buyback of convertible notes	16(b)	191,267	—
Impairment of gaming licence		—	(8,166,305)
Operating profit/(loss)	8(b)	1,177,619	(8,551,277)
Finance costs	9	(113,997)	(217,827)
Change in fair value of derivative under the convertible notes		(24,607)	210,366
Share of profits less losses of Jointly controlled entities		32,743	28,138
Associated company		54	(660)
Profit/(loss) before taxation		1,071,812	(8,531,260)
Taxation (charge)/credit	10	(6,600)	940,457
Profit/(loss) for the period		1,065,212	(7,590,803)
Attributable to:			
Shareholders		1,059,197	(7,432,119)
Minority interests		6,015	(158,684)
		1,065,212	(7,590,803)
Interim dividend	11	—	—
		HK cents	HK cents
Earnings/(loss) per share	12		
Basic		26.9	(188.8)
Diluted		26.9	(188.8)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2009

	2009	2008
	HK\$'000	HK\$'000
Profit/(loss) for the period	1,065,212	(7,590,803)
Other comprehensive income/(loss)		
Change in fair value of non-current investments, net of tax	1,857	(21,498)
Currency translation differences, net of tax	(1,428)	53,661
Change in fair value of cash flow hedges	(3,065)	12,349
Other comprehensive (loss)/income for the period, net of tax	(2,636)	44,512
Total comprehensive income/(loss) for the period	1,062,576	(7,546,291)
Total comprehensive income/(loss) attributable to:		
Shareholders	1,056,501	(7,395,346)
Minority interests	6,075	(150,945)
	1,062,576	(7,546,291)

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2009

	Note	30 June 2009 HK\$'000	31 December 2008 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		6,707,074	6,480,783
Investment properties		64,500	64,500
Leasehold land and land use rights		1,520,394	1,540,529
Intangible assets		1,445,527	1,488,039
Jointly controlled entities		893,483	832,629
Associated company		784	730
Derivative financial instruments		—	1,522
Other non-current assets		354,927	290,211
		10,986,689	10,698,943
Current assets			
Inventories		93,593	94,022
Debtors and prepayments	14	1,474,162	1,607,505
Amounts due from jointly controlled entities		98,927	191,621
Taxation recoverable		7,115	1,999
Other investments		23,542	15,574
Cash and bank balances		5,353,252	6,042,300
		7,050,591	7,953,021
Total assets		18,037,280	18,651,964

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2009

	Note	30 June 2009 HK\$'000	31 December 2008 HK\$'000
EQUITY			
Share capital	15	393,817	393,817
Reserves		7,664,412	6,617,467
Shareholders' funds		8,058,229	7,011,284
Minority interests		280,713	262,616
Total equity		8,338,942	7,273,900
LIABILITIES			
Non-current liabilities			
Borrowings	16	4,426,379	6,275,958
Deferred taxation liabilities		272,680	267,224
Derivative financial instruments		35,174	17,805
Provisions		111,707	115,553
		4,845,940	6,676,540
Current liabilities			
Creditors and accruals	17	4,238,531	4,254,533
Amount due to a jointly controlled entity		306	348
Borrowings	16	607,162	435,903
Taxation payable		6,399	10,740
		4,852,398	4,701,524
Total liabilities		9,698,338	11,378,064
Total equity and liabilities		18,037,280	18,651,964

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2009

	2009 HK\$'000	2008 HK\$'000
Net cash from/(used in) operating activities	711,621	(918,127)
Net cash used in investing activities	(476,401)	(687,694)
Net cash used in financing activities	(924,296)	(521,592)
Net decrease in cash and bank balances	(689,076)	(2,127,413)
Cash and bank balances at beginning of period	6,042,300	8,230,362
Change in exchange rates	28	3,758
Cash and bank balances at end of period	5,353,252	6,106,707

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2009

	Share capital HK\$'000	Reserves HK\$'000	Shareholders' funds HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2009	393,817	6,617,467	7,011,284	262,616	7,273,900
Total comprehensive income for the period	—	1,056,501	1,056,501	6,075	1,062,576
Injection of minority interests	—	—	—	16,539	16,539
Return of capital	—	—	—	(4,517)	(4,517)
Fair value of share options granted	—	11,730	11,730	—	11,730
Share options lapsed	—	(21,286)	(21,286)	—	(21,286)
At 30 June 2009	393,817	7,664,412	8,058,229	280,713	8,338,942
At 1 January 2008	393,564	18,013,088	18,406,652	531,791	18,938,443
Total comprehensive loss for the period	—	(7,395,346)	(7,395,346)	(150,945)	(7,546,291)
Injection of minority interests	—	—	—	32,873	32,873
Issue of shares upon exercise of share options	253	417	670	—	670
Fair value of share options granted	—	14,781	14,781	—	14,781
Dividend paid to minority interests	—	—	—	(1,240)	(1,240)
At 30 June 2008	393,817	10,632,940	11,026,757	412,479	11,439,236

1. General Information

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

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

These interim financial information have been approved for issue by the Board of Directors on 18 September 2009.

2. Presentation of Income Statement

The Group continually reviews the content and presentation of the financial statements to ensure compliance with relevant accounting standards and regulations and also to consider their relevance and usefulness to readers. As a result of this ongoing review the Group has changed the format of the consolidated income statement from the “function” format to the “nature of expense” format. Comparative figures have been restated. The Group believes this revised presentation will provide users of the financial statements with a better understanding of the business. The “nature of expense” presentation is also more consistent with that of the Group’s major competitors and is more closely aligned with the way management reviews performance internally.

3. Basis of Preparation and Accounting Policies

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

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used and as described in the annual financial statements for the year ended 31 December 2008.

In 2009, the Group adopted the following new/revised Hong Kong Financial Reporting Standards (“HKFRS”) which are relevant to its operations.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 (Amendment) and HKAS 1 (Amendment)	Financial instruments: Presentation of financial statements — Puttable financial instruments and obligations arising on liquidation
HKFRS 2 (Amendment)	Share-based Payments
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 (Amendment) and HKAS 39 (Amendment)	Reassessment of Embedded Derivatives and Financial Instruments: Recognition and Measurement

3. Basis Of Preparation and Accounting Policies (Continued)

Improvements to HKFRS published in October 2008

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 18 (Amendment)	Revenue
HKAS 19 (Amendment)	Employee Benefits
HKAS 23 (Amendment)	Borrowing Costs
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 28 (Amendment)	Investments in Associates
HKAS 31 (Amendment)	Interests in Joint Venture
HKAS 36 (Amendment)	Impairment of Asset
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKAS 40 (Amendment)	Investment Property

The Group has assessed the impact of the adoption of these new/revised HKFRS and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the financial statements, except the presentation of the consolidated statement of comprehensive income to present the non-owner consolidated changes in equity as required under HKAS 1 (Revised) and the segment information as required under HKFRS 8.

Standards, interpretation and amendments to existing standards that are not yet effective

		Effective for accounting periods beginning on or after
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKAS 38 (Amendment)	Intangible Assets	1 July 2009
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Eligible Hedged Item	1 July 2009
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners	1 July 2009
HK(IFRIC)-Int 18	Transfer of Assets from Customers	1 July 2009
HKFRS 2 (Amendment)	Share-based Payments	1 January 2010
HKFRS 8 (Amendment)	Operating Segments	1 January 2010
HKAS 1 (Amendment)	Presentation of Financial Statements	1 January 2010
HKAS 7 (Amendment)	Statement of Cash Flows	1 January 2010
HKAS 17 (Amendment)	Leases	1 January 2010
HKAS 36 (Amendment)	Impairment of Assets	1 January 2010
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement	1 January 2010

The Group has not early adopted the above standards, interpretations 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.

4. Financial Risk Management

All aspects of financial risk management objectives and policies of the Group are consistent with those disclosed in the annual financial statements for the year ended 31 December 2008.

5. Critical Accounting Estimates and Judgements

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

The estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2008.

6. Revenue

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

	2009 HK\$'000	2008 HK\$'000
Sales of construction materials	608,204	801,837
Gaming operations		
Net gaming wins	4,516,103	4,365,365
Contributions (Note)	54,156	55,736
Tips received	5,182	10,206
Hotel operations		
Room rental	63,649	74,444
Food and beverages	39,498	37,825
Others	41,014	46,436
Administrative fees from gaming operations	6,904	13,480
	5,334,710	5,405,329

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

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

After analysing the risks and rewards attributable to the Group, and the Service Providers under the Agreements, revenue from the Certain City Club Casinos is recognised based on the established rates for the net gaming wins, after deduction of special gaming taxes and 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 financial statements.

6. Revenue (Continued)

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

	2009 HK\$'000	2008 HK\$'000
Net gaming wins	1,529,558	797,595
Other income	4,433	3,164
Interest income	595	2,255
	1,534,586	803,014
Operating expenses		
Special gaming tax and other related taxes to the Macau Government	(610,783)	(318,721)
Commission and allowances to gaming counterparties	(585,381)	(301,373)
Employee benefit expenses	(130,964)	(114,091)
Other operating expenses	(81,384)	(47,110)
	(1,408,512)	(781,295)
Contributions from gaming operations	126,074	21,719
(Entitlement of)/contributions from the Service Providers	(71,918)	34,017
Contributions attributable to the Group	54,156	55,736

7. Segment Information

The chief operating decision-makers, who are responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, assess the performance of the operating segments based on a measurement of adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). This measurement basis excludes the effects of non-recurring income and expenditure from the operating segments, such as gains on buyback of guaranteed notes and convertible notes, gain on disposal of 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, 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 represent corporate level activities including central treasury management and administrative function.

7. Segment Information (Continued)

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

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

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Six months ended 30 June 2009				
Reportable segment revenue	6,198,196	608,204	—	6,806,400
Adjusted for:				
Certain City Club arrangement set out in note 6				
Revenue not recognised	(1,529,558)	—	—	(1,529,558)
Contributions	54,156	—	—	54,156
Others	3,712	—	—	3,712
Revenue recognised under HKFRS	4,726,506	608,204	—	5,334,710
Adjusted EBITDA	450,925	107,722	(52,027)	506,620
Interest income and gross earnings on finance lease				17,616
Amortisation and depreciation				(260,662)
Finance costs				(113,997)
Change in fair value of derivative under the convertible notes				(24,607)
Taxation charge				(6,600)
Taxation of jointly controlled entities				(3,039)
Adjusted items:				
Gain on buyback of guaranteed notes				627,857
Gain on buyback of convertible notes				191,267
Reversal upon forfeiture of share options				21,225
Pre-opening expenses of Galaxy Macau resort at Cotai				(9,779)
Unrealised gain on listed investments				7,968
Gain on partial disposal of a subsidiary				148,385
Other provision				(37,042)
Profit for the period				1,065,212

NOTES TO THE INTERIM FINANCIAL INFORMATION

7. 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 2008				
Reportable segment revenue	5,856,140	801,837	—	6,657,977
Adjusted for:				
Certain City Club arrangement set out in note 6				
Revenue not recognised	(797,595)	—	—	(797,595)
Contributions	55,736	—	—	55,736
Revenue not recognised under a jointly controlled operation	(519,078)	—	—	(519,078)
Others	8,289	—	—	8,289
Revenue recognised under HKFRS	4,603,492	801,837	—	5,405,329
Adjusted EBITDA	223,670	108,552	(67,396)	264,826
Interest income and gross earnings on finance lease				91,649
Amortisation and depreciation				(703,354)
Finance costs				(217,827)
Change in fair value of derivative under the convertible notes				210,366
Taxation credit				940,457
Taxation of jointly controlled entities				252
Adjusted items:				
Impairment of gaming licence				(8,166,305)
Pre-opening expenses of Galaxy Macau resort at Cotai				(24,377)
Unrealised loss on listed investments				(11,590)
Gain on deemed disposal of jointly controlled entities				15,469
Gain on disposal of a subsidiary				8,247
Write-back of impairment provision of property, plant and equipment				1,384
Loss for the period				(7,590,803)

7. 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 2009				
Total assets	14,771,998	2,671,907	593,375	18,037,280
Total assets include:				
Jointly controlled entities	5,625	887,858	—	893,483
Associated company	—	784	—	784
Total liabilities	7,280,970	898,515	1,518,853	9,698,338

As at 31 December 2008				
Total assets	15,188,978	2,712,342	750,644	18,651,964
Total assets include:				
Jointly controlled entities	4,070	828,559	—	832,629
Associated company	—	730	—	730
Total liabilities	8,556,539	986,774	1,834,751	11,378,064

Geographical analysis

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Revenue		
Macau	4,748,311	4,740,033
Hong Kong	323,761	370,311
Mainland China	262,638	294,985
	5,334,710	5,405,329

7. Segment Information (Continued)

	As at 30 June 2009 HK\$'000	As at 31 December 2008 HK\$'000
Non-current assets, other than financial instruments and deferred tax assets		
Macau	9,355,271	9,194,016
Hong Kong	635,439	534,084
Mainland China	995,979	969,321
	10,986,689	10,697,421

8. Other Income/Gains and Operating Profit/(Loss)

	2009 HK\$'000	2008 HK\$'000
(a) Other income/gains:		
Rental income	2,942	2,040
Interest income		
Bank deposits	8,909	79,416
Loans to jointly controlled entities	3,101	5,969
Deferred receivables	202	268
Dividend income from unlisted investments	600	6,117
Dividend income from listed investments	466	1,449
Unrealised gain on listed investments	7,968	—
Gain on partial disposal of a subsidiary	148,385	—
Gain on deemed disposal of jointly controlled entities	—	15,469
Gain on disposal of a subsidiary	—	8,247
Gross earnings on finance lease	5,404	5,996
Change in fair value of investment properties	—	3,500
Others	14,605	15,008
	192,582	143,479

8. Other Income/Gains and Operating Profit/(Loss) (Continued)

	2009 HK\$'000	2008 HK\$'000
(b) Operating profit/(loss) is stated after charging:		
Depreciation	171,652	164,135
Amortisation		
Gaming licence	52,732	497,813
Computer software	6,424	3,392
Quarry site improvements	5,481	10,306
Overburden removal costs	4,010	7,201
Quarry site development	227	433
Leasehold land and land use rights	20,136	20,074
Unrealised loss on listed investments	—	11,590
Loss on disposal of property, plant and equipment	957	4,987

9. Finance Costs

	2009 HK\$'000	2008 HK\$'000
Interest expenses		
Guaranteed fixed rate notes and floating rate notes wholly repayable within five years	141,550	242,203
Amount capitalised in assets under construction	(81,400)	(90,000)
	60,150	152,203
Interest expenses		
Convertible notes wholly repayable within five years	56,578	60,802
Bank loans and overdrafts	5,258	5,050
Obligations under finance leases wholly payable within five years	219	578
Net gain from cross-currency swap contracts for hedging	(14,595)	(8,336)
Other borrowing costs	6,387	7,530
	113,997	217,827

10. Taxation (Charge)/Credit

	2009 HK\$'000	2008 HK\$'000
Current taxation		
Hong Kong profits tax	(1,682)	(2,978)
Mainland China income tax	(3,001)	(2,605)
Macau complementary tax	—	(574)
Deferred taxation	(1,917)	946,614
Taxation (charge)/credit	(6,600)	940,457

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the period after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, these rates range from 12% to 25% (2008: 12% to 25%).

11. Interim Dividend

The Board of Directors does not declare any interim dividend for the six months ended 30 June 2009 (2008: nil).

12. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of HK\$1,059,197,000 (2008: loss of HK\$7,432,119,000) and the weighted average of 3,937,281,082 shares (2008: 3,936,383,043 shares) in issue during the period.

The diluted earnings per share for 2009 was calculated based on the profit attributable to shareholders of HK\$1,059,197,000 and the weighted average of 3,937,281,082 shares in issue plus 5,104,388 potential shares arising from exercise of share options. The diluted loss per share for 2008 equals to the basic loss per share since the exercise of the outstanding share options or conversion of convertible notes would not have a dilutive effect on the loss per share.

13. Capital Expenditure

For the six months ended 30 June 2009, the Group incurred HK\$419.7 million (2008: HK\$781.5 million) on property, plant and equipment and HK\$0.5 million on intangible assets and deferred expenditure (2008: HK\$2.6 million). The Group has disposed of property, plant and equipment with a net book amount of HK\$5.1 million (2008: HK\$8.8 million).

14. Debtors and Prepayments

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Trade debtors, net of provision	471,969	581,092
Other debtors, net of provision	900,343	943,608
Prepayments	55,576	41,099
Amount due from an associated company	10,907	4,719
Current portion of finance lease receivable	35,367	36,987
	1,474,162	1,607,505

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

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

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Within one month	127,024	157,768
Two to three months	158,029	180,289
Four to six months	52,375	117,859
Over six months	134,541	125,176
	471,969	581,092

15. Share Capital

	Ordinary shares of HK\$0.10 each	HK\$'000
Authorised:		
At 30 June 2008, 31 December 2008 and 30 June 2009	9,000,000,000	900,000
Issued and fully paid:		
At 1 January 2008	3,935,639,361	393,564
Exercise of share options	2,530,000	253
At 30 June 2008, 31 December 2008 and 30 June 2009	3,938,169,361	393,817

15. Share Capital (Continued)

The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected qualifying grantees. During the period, 55,293,000 new options were granted (2008: 51,458,000) and no option (2008: options for 2,530,000 shares) was exercised and 49,807,000 options (2008: 4,084,000) were lapsed. The share options outstanding at 30 June 2009 have the following expiry dates and exercise prices:

Exercise period	Exercise price per share HK\$	Number of share options	
		30 June 2009	31 December 2008
Directors			
30 December 2000 to 29 December 2009	0.5216	3,400,000	3,400,000
1 March 2004 to 28 February 2013	0.5140	3,870,000	3,870,000
22 October 2005 to 21 October 2011	4.5900	14,200,000	14,200,000
22 October 2006 to 21 October 2011	4.5900	2,340,000	2,340,000
17 January 2010 to 16 January 2014	6.9720	2,612,500	2,612,500
17 January 2011 to 16 January 2014	6.9720	2,612,500	2,612,500
17 January 2012 to 16 January 2014	6.9720	5,225,000	5,225,000
18 August 2009 to 17 August 2014	3.3200	383,000	383,000
8 May 2010 to 7 May 2015	2.1600	3,483,332	—
8 May 2011 to 7 May 2015	2.1600	3,483,332	—
8 May 2012 to 7 May 2015	2.1600	3,483,336	—
Employees and others			
1 March 2004 to 28 February 2013	0.5140	110,000	110,000
22 October 2005 to 21 October 2011	4.5900	3,500,000	9,400,000
22 October 2006 to 21 October 2011	4.5900	1,376,000	1,924,000
17 January 2010 to 16 January 2014	6.9720	775,000	8,552,000
17 January 2011 to 16 January 2014	6.9720	775,000	8,552,000
17 January 2012 to 16 January 2014	6.9720	1,550,000	17,104,000
11 July 2010 to 10 July 2014	3.8420	—	750,000
11 July 2011 to 10 July 2014	3.8420	—	750,000
11 July 2012 to 10 July 2014	3.8420	—	1,500,000
18 August 2009 to 17 August 2014	3.3200	4,748,000	4,911,000
18 August 2010 to 17 August 2014	3.3200	—	2,272,000
18 August 2011 to 17 August 2014	3.3200	—	2,272,000
18 August 2012 to 17 August 2014	3.3200	—	4,544,000
8 May 2010 to 7 May 2015	2.1600	14,947,651	—
8 May 2011 to 7 May 2015	2.1600	14,947,651	—
8 May 2012 to 7 May 2015	2.1600	14,947,698	—
		102,770,000	97,284,000

16. Borrowings

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Bank loans		
Secured	172,060	98,140
Unsecured	612,807	614,354
	784,867	712,494
Other borrowings		
Guaranteed notes (note a)	3,215,772	4,561,393
Convertible notes (note b)	1,030,707	1,433,585
Bank loans and other borrowings	5,031,346	6,707,472
Obligations under finance leases	2,195	4,389
Total borrowings	5,033,541	6,711,861
Current portion included in current liabilities	(124,355)	(26,549)
Short term loan	(482,807)	(409,354)
	(607,162)	(435,903)
	4,426,379	6,275,958

- (a) During the six months ended 30 June 2009, the Group purchased, US\$119.1 million principal amount of the Floating Rate Notes and US\$56.3 million principal amount of the Fixed Rate Notes, at an aggregate amount of US\$90.2 million resulting in a gain on buy back of HK\$627.9 million.
- (b) During the six months ended 30 June 2009, the Company redeemed US\$75 million principal amount of its Convertible Notes at a consideration of US\$34.9 million, resulting in a gain on buy back of HK\$191.3 million.

17. Creditors and Accruals

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Trade creditors	1,046,618	961,502
Other creditors	678,196	605,457
Chips issued	1,517,790	1,299,099
Loans from minority interests	54,274	91,177
Accruals and provision	932,727	1,288,454
Deposits received	8,926	8,844
	4,238,531	4,254,533

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

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Within one month	569,525	559,557
Two to three months	93,863	104,163
Four to six months	195,116	40,989
Over six months	188,114	256,793
	1,046,618	961,502

18. Capital Commitments

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Contracted but not provided for	1,389,839	1,867,222
Authorised but not contracted for	5,589,831	5,842,168

19. Post Balance Sheet Event

On 10 September 2009, the Group has accepted the terms of the final draft Concession Contract in respect of a piece of land in Cotai, Macau at a premium of MOP2,924 million (approximately HK\$2,839 million). MOP97 million (approximately HK\$95 million) is deemed as paid, which is equivalent to the expenses borne by the Group in respect of reclamation and offset by the cost of infrastructure provided by the Macau Government. The initial instalment of MOP1,161 million (approximately HK\$1,127 million) was paid on the same date. The remaining balance of MOP1,666 million (approximately HK\$1,617 million), plus interest at the rate of 5% per annum, shall be payable by the Group in eight equal half-yearly instalments, the first of which shall be paid within six months from the date on which the Concession Contract is published in the Official Gazette of Macau.

DISCLOSURE OF INTERESTS

Directors' Interests in Securities and Share Options

At 30 June 2009, the interests of each Director in the shares, underlying shares and debentures of the Company, and the details of any right to subscribe for shares of the Company and of the exercise of such rights, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Shares (including underlying shares)

Name	Number of shares (including underlying shares)				Total	Percentage of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che Woo	24,087,632	2,181,518	395,362,426 ⁽¹⁾	2,554,267,923 ⁽²⁾	2,975,899,499	75.57
Francis Lui Yiu Tung	21,498,896	—	407,558,099 ⁽³⁾	2,546,842,504 ⁽²⁾	2,975,899,499	75.57
Joseph Chee Ying Keung	3,103,000	—	—	—	3,103,000	0.08
Paddy Tang Lui Wai Yu	12,939,722	—	—	2,962,959,777 ⁽²⁾	2,975,899,499	75.57
James Ross Ancell	250,000	—	—	—	250,000	0.01
William Yip Shue Lam	250,000	—	—	—	250,000	0.01
Anthony Thomas						
Christopher Carter	2,800,000	—	—	—	2,800,000	0.07
Martin Clarke	—	—	—	—	—	—
Guido Paolo Gamucci	—	—	—	—	—	—
Patrick Wong Lung Tak	—	—	—	—	—	—

Notes:

- (1) 80,387,837 shares, 305,401 shares, 106,716,107 shares, 162,484,047 shares, 13,308,179 shares, 9,660,855 shares and 22,500,000 shares of the Company were held by Best Chance Investments Ltd., Po Kay Securities & Shares Company Limited, Super Focus Company Limited, Sutimar Enterprises Limited, Premium Capital Profits Limited, Mark Liaison Limited and Favor Right Investments Limited respectively, all controlled by Dr. Lui Che Woo.
- (2) A discretionary family trust established by Dr. Lui Che Woo as founder was interested in 1,313,887,206 shares of the Company. Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as either direct or indirect discretionary beneficiaries of the discretionary family trust, are deemed to have an interest in those shares in which the trust has an interest.

Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu are, among others, parties to certain arrangements to which section 317 of the SFO applies and each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any shares of the Company held by the other parties to such arrangements for so long as such arrangements are in place. The deemed interests pursuant to these arrangements of Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu were 1,240,380,717 shares, 1,232,955,298 shares and 1,649,072,571 shares of the Company respectively.

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

(b) Share Options

The particulars of the movements in the options held by each of the Directors, the employees of the Company in aggregate and other participants granted under the Share Option Scheme (adopted on 30 May 2002) or under any other share option schemes of the Company during the six months ended 30 June 2009 were as follows:

Name	Date of grant	Number of Options				Held at 30 June 2009	Exercise price (HK\$)	Exercise period
		Held at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period			
Lui Che Woo	30 Dec 1999	1,800,000	—	—	—	1,800,000	0.5216	30 Dec 2000–29 Dec 2009
	28 Feb 2003	2,000,000	—	—	—	2,000,000	0.5140	1 Mar 2004–28 Feb 2013
	21 Oct 2005	2,700,000	—	—	—	2,700,000	4.5900	22 Oct 2005–21 Oct 2011
	21 Oct 2005	590,000	—	—	—	590,000	4.5900	22 Oct 2006–21 Oct 2011
	17 Jan 2008	862,500	—	—	—	862,500	6.9720	17 Jan 2010–16 Jan 2014
	17 Jan 2008	862,500	—	—	—	862,500	6.9720	17 Jan 2011–16 Jan 2014
	17 Jan 2008	1,725,000	—	—	—	1,725,000	6.9720	17 Jan 2012–16 Jan 2014
	8 May 2009	—	1,150,000	—	—	1,150,000	2.1600	8 May 2010–7 May 2015
	8 May 2009	—	1,150,000	—	—	1,150,000	2.1600	8 May 2011–7 May 2015
8 May 2009	—	1,150,000	—	—	1,150,000	2.1600	8 May 2012–7 May 2015	
Francis Lui Yiu Tung	30 Dec 1999	1,600,000	—	—	—	1,600,000	0.5216	30 Dec 2000–29 Dec 2009
	28 Feb 2003	1,870,000	—	—	—	1,870,000	0.5140	1 Mar 2004–28 Feb 2013
	21 Oct 2005	6,000,000	—	—	—	6,000,000	4.5900	22 Oct 2005–21 Oct 2011
	21 Oct 2005	580,000	—	—	—	580,000	4.5900	22 Oct 2006–21 Oct 2011
	17 Jan 2008	1,250,000	—	—	—	1,250,000	6.9720	17 Jan 2010–16 Jan 2014
	17 Jan 2008	1,250,000	—	—	—	1,250,000	6.9720	17 Jan 2011–16 Jan 2014
	17 Jan 2008	2,500,000	—	—	—	2,500,000	6.9720	17 Jan 2012–16 Jan 2014
	8 May 2009	—	1,666,666	—	—	1,666,666	2.1600	8 May 2010–7 May 2015
	8 May 2009	—	1,666,666	—	—	1,666,666	2.1600	8 May 2011–7 May 2015
8 May 2009	—	1,666,668	—	—	1,666,668	2.1600	8 May 2012–7 May 2015	

DISCLOSURE OF INTERESTS

Name	Date of grant	Number of Options				Held at 30 June 2009	Exercise price (HK\$)	Exercise period
		Held at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period			
Joseph Chee Ying Keung	21 Oct 2005	270,000	—	—	—	270,000	4.5900	22 Oct 2006–21 Oct 2011
	18 Aug 2008	383,000	—	—	—	383,000	3.3200	18 Aug 2009–17 Aug 2014
Paddy Tang Lui Wai Yu	21 Oct 2005	3,000,000	—	—	—	3,000,000	4.5900	22 Oct 2005–21 Oct 2011
	21 Oct 2005	400,000	—	—	—	400,000	4.5900	22 Oct 2006–21 Oct 2011
	17 Jan 2008	500,000	—	—	—	500,000	6.9720	17 Jan 2010–16 Jan 2014
	17 Jan 2008	500,000	—	—	—	500,000	6.9720	17 Jan 2011–16 Jan 2014
	17 Jan 2008	1,000,000	—	—	—	1,000,000	6.9720	17 Jan 2012–16 Jan 2014
	8 May 2009	—	666,666	—	—	666,666	2.1600	8 May 2010–7 May 2015
	8 May 2009	—	666,666	—	—	666,666	2.1600	8 May 2011–7 May 2015
	8 May 2009	—	666,668	—	—	666,668	2.1600	8 May 2012–7 May 2015
James Ross Ancell	21 Oct 2005	250,000	—	—	—	250,000	4.5900	22 Oct 2006–21 Oct 2011
William Yip Shue Lam	21 Oct 2005	250,000	—	—	—	250,000	4.5900	22 Oct 2006–21 Oct 2011
Anthony Thomas Christopher Carter	21 Oct 2005	2,500,000	—	—	—	2,500,000	4.5900	22 Oct 2005–21 Oct 2011
Martin Clarke	—	—	—	—	—	—	—	—
Guido Paolo Gamucci	—	—	—	—	—	—	—	—
Patrick Wong Lung Tak	—	—	—	—	—	—	—	—
Employees (in aggregate)	28 Feb 2003	110,000	—	—	—	110,000	0.5140	1 Mar 2004–28 Feb 2013
	21 Oct 2005	5,900,000	—	—	5,900,000	—	4.5900	22 Oct 2005–21 Oct 2011
	21 Oct 2005	1,924,000	—	—	548,000	1,376,000	4.5900	22 Oct 2006–21 Oct 2011
	17 Jan 2008	8,552,000	—	—	7,777,000	775,000	6.9720	17 Jan 2010–16 Jan 2014
	17 Jan 2008	8,552,000	—	—	7,777,000	775,000	6.9720	17 Jan 2011–16 Jan 2014
	17 Jan 2008	17,104,000	—	—	15,554,000	1,550,000	6.9720	17 Jan 2012–16 Jan 2014
	11 Jul 2008	750,000	—	—	750,000	—	3.8420	11 Jul 2010–10 Jul 2014
	11 Jul 2008	750,000	—	—	750,000	—	3.8420	11 Jul 2011–10 Jul 2014
	11 Jul 2008	1,500,000	—	—	1,500,000	—	3.8420	11 Jul 2012–10 Jul 2014
	18 Aug 2008	4,911,000	—	—	163,000	4,748,000	3.3200	18 Aug 2009–17 Aug 2014
	18 Aug 2008	2,272,000	—	—	2,272,000	—	3.3200	18 Aug 2010–17 Aug 2014
	18 Aug 2008	2,272,000	—	—	2,272,000	—	3.3200	18 Aug 2011–17 Aug 2014
	18 Aug 2008	4,544,000	—	—	4,544,000	—	3.3200	18 Aug 2012–17 Aug 2014
	8 May 2009	—	14,947,651	—	—	14,947,651	2.1600	8 May 2010–7 May 2015
8 May 2009	—	14,947,651	—	—	14,947,651	2.1600	8 May 2011–7 May 2015	
8 May 2009	—	14,947,698	—	—	14,947,698	2.1600	8 May 2012–7 May 2015	
Others	21 Oct 2005	3,500,000	—	—	—	3,500,000	4.5900	22 Oct 2005–21 Oct 2011

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 or lapsed during the period are set out above. No options were exercised or cancelled during the period.

The fair value of the options granted on 8 May 2009 is estimated at HK\$0.86 per option based on the Black-Scholes valuation model. The significant inputs into the model are share price of HK\$2.16 on the date of grant, exercise price of HK\$2.16, standard deviation of expected share price return of 58%, expected life of options of 3 to 6 years, expected dividend paid out rate of 2% and annual risk-free interest rate of 1.3% to 1.9%. 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 past four years prior to the date of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

The closing price of the Company's shares immediately before the date on which the share options were granted during the period was HK\$2.15.

All the interests stated above represent long positions.

Save as disclosed above, as at 30 June 2009, 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 2009, 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.	2,965,449,499 ⁽¹⁾	75.30
ENB Topco 2 S.à.r.l	2,965,449,499 ^{(1), (3)}	75.30
Galaxy Entertainment Group Limited	2,965,449,499 ⁽¹⁾	75.30
HSBC International Trustee Limited	1,313,887,206 ⁽²⁾	33.36
Mark Liaison Limited	2,965,449,499 ⁽¹⁾	75.30
Permira Holdings Limited	2,965,449,499 ^{(1), (4)}	75.30
Permira Holdings LLP	2,965,449,499 ^{(1), (4)}	75.30
Premium Capital Profits Limited	2,965,449,499 ⁽¹⁾	75.30
Recurrent Profits Limited	2,965,449,499 ⁽¹⁾	75.30
Super Focus Company Limited	2,965,449,499 ⁽¹⁾	75.30

DISCLOSURE OF INTERESTS

Notes:

- (1) City Lion Profits Corp., ENB Topco 2 S.à.r.l, Galaxy Entertainment Group Limited, Mark Liaison Limited, Permira Holdings Limited, Permira Holdings LLP, 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 1,651,562,293 shares, 2,322,730,916 shares, 2,965,449,499 shares, 2,955,788,644 shares, 2,167,065,499 shares, 2,167,065,499 shares, 2,952,141,320 shares, 2,850,945,460 shares and 2,696,249,345 shares of the Company respectively.
- (2) HSBC International Trustee Limited is the trustee of a discretionary family trust established by Dr. Lui Che Woo as founder, which was interested in 1,313,887,206 shares of the Company.
- (3) ENB Topco 2 S.à.r.l is deemed to have an interest in the shares of the Company as a result of the direct holding of the shares by ENB Lux 2 S.à.r.l, its wholly-owned subsidiary.
- (4) Permira Holdings Limited is deemed to have an interest in the shares of the Company in its capacity as the holding company of the general partner and manager of the funds which control the companies holding the shares. Permira Holdings LLP is deemed to have an interest in the shares of the Company in its capacity as the holding company of Permira Holdings Limited.

There was duplication of interests of:

- (i) 1,313,887,206 shares of the Company between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, City Lion Profits Corp. and HSBC International Trustee Limited;
- (ii) 9,660,855 shares of the Company between Dr. Lui Che Woo and Mark Liaison Limited;
- (iii) 13,308,179 shares of the Company between Dr. Lui Che Woo and Premium Capital Profits Limited;
- (iv) 269,200,154 shares of the Company between Dr. Lui Che Woo and Super Focus Company Limited;
- (v) 114,504,039 shares of the Company between Mr. Francis Lui Yiu Tung and Recurrent Profits Limited;
- (vi) 642,718,583 shares of the Company between ENB Topco 2 S.à.r.l., Permira Holdings Limited and Permira Holdings LLP; and
- (vii) apart from the above, duplication of interests also existed among Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, City Lion Profits Corp., ENB Topco 2 S.à.r.l, Galaxy Entertainment Group Limited, Mark Liaison Limited, Permira Holdings Limited, Permira Holdings LLP, 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 2009, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of the SFO.

DEALINGS IN LISTED SECURITIES

During the six months ended 30 June 2009, US\$119.1 million principal amount of the guaranteed senior floating rate notes due 2010 and US\$56.3 million principal amount of the 9.875% guaranteed senior notes due 2012 (both listed on the Singapore Stock Exchange) issued by Galaxy Entertainment Finance Company Limited, a subsidiary of the Company, were purchased for cash at an aggregate amount of US\$90.2 million.

Save as disclosed above, neither the Company or 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 2009.

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended 30 June 2009 have been reviewed by the Audit Committee of the Company and by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors. The Company, having made specific enquiry of all Directors, confirms that our Directors have complied with the required standard set out in the Model Code and the Company's own code throughout the six months ended 30 June 2009.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The guaranteed senior floating rate notes due 2010 and 9.875% guaranteed senior notes due 2012 in the aggregate principal amount of US\$600 million issued by Galaxy Entertainment Finance Company Limited, a subsidiary of the Company, indirectly impose specific performance obligations on the controlling shareholders of the Company, which are Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Lui family trust and interests associated with them to maintain not less than 35% of the voting share capital of Galaxy Casino, S.A., failing which (together with the occurrence of certain events) will constitute a default thereunder. Further details were included in the announcement of the Company dated 8 December 2005.

The Company entered into a facility letter with a bank on 24 October 2008 for a non-revolving fixed loan facility up to HK\$300 million for a term of 12 months which imposes a specific performance obligation on Dr. Lui Che Woo, his family, family trust and interests associated with them to remain the largest shareholder and holding not less than 35% of the voting share capital of the Company. Further details were included in the announcement of the Company dated 24 October 2008.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2009, the Company has complied with the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, except code provision A.4.2. The Board considers that the spirit of code provision A.4.2 has been upheld, given that the other Directors do retire by rotation in accordance with the Articles of Association of the Company and the Group is best served by not requiring the Chairman to retire by rotation as his continuity in office is of considerable benefit to and his leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of the Company.

CHANGE IN THE BOARD

Dr. Moses Cheng Mo Chi retired by rotation as a non-executive Director of the Company at the Annual General Meeting held on 22 June 2009. The Board extends its gratitude to Dr. Cheng for his valuable efforts and contributions to the Company during his term of appointment and offers its best wishes to him.

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

Hong Kong, 18 September 2009