



GALAXY ENTERTAINMENT GROUP LIMITED

銀河娛樂集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 27)

ANNOUNCEMENT

The Board of Directors (the “Board”) of Galaxy Entertainment Group Limited (the “Company” or “Galaxy”) is pleased to announce certain selected unaudited key performance indicators of the Company and its subsidiaries (collectively the “Group”) for the first quarter ended 31 March 2008 to enable its shareholders, investors and the public to better appraise the position and business performance of the Group.

Financial Highlights:

- Gross Group revenues of HK\$2.72 billion (Q1 2007: HK\$2.89 billion)
- Group EBITDA of HK\$210 million (Q1 2007: HK\$267 million)
- StarWorld gaming revenues up 26% quarter-on-quarter to HK\$1.75 billion
- StarWorld VIP gaming revenues up 49% quarter-on-quarter to HK\$1.4 billion
- StarWorld EBITDA of HK\$183 million (Q1 2007: HK\$179 million)
- City Clubs EBITDA of HK\$3 million (Q1 2007: HK\$76 million) impacted by increased competition
- Construction materials EBITDA of HK\$45 million (Q1 2007: HK\$38 million)

Operational Highlights:

- StarWorld occupancy rates well above market average
- Strengthen management team with the appointment of a senior gaming industry executive as Group CFO

Post Period-end Highlights:

- Partner with Banyan Tree to develop a luxury resort within the Galaxy mega resort
- Respond to the competitive market and increased Junket commissions, we reached an agreement with a leading operator to promote up to 100 new VIP tables in StarWorld

Galaxy’s flagship property StarWorld Hotel reported another solid performance as compared to the same period last year, despite the increasingly competitive environment. Occupancy rates were well above the market average and core VIP gaming revenues rose 50% over the same period last year. This was in-line with expectations, and VIP now represents 70% plus of StarWorld’s gaming revenues.

Selected unaudited key performance indicators for the first quarter ended 31 March 2008

Galaxy's unaudited gross revenues for the first quarter were HK\$2,719 million.

Galaxy's unaudited consolidated earnings before interest, taxation, depreciation and amortization expense ("EBITDA") for the first quarter was HK\$210 million.

These results included the operations of Galaxy's flagship hotel casino, StarWorld, Galaxy's four City Club casinos and its construction materials business.

StarWorld Results

StarWorld's unaudited revenues for the first quarter were HK\$1,833 million. StarWorld's unaudited consolidated EBITDA for the first quarter was HK\$183 million.

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

- VIP gaming revenue for the quarter was HK\$1,391 million. VIP turnover was HK\$47.0 billion with a win percentage of 3.0%. Win per table per day for the first quarter averaged HK\$221,000.
- Mass table games revenue for the quarter was HK\$325 million. Table games drop was HK\$2.2 billion with a win percentage of 14.8%. Win per table per day averaged over HK\$28,300 for the first quarter and continues to improve and for April averaged over HK\$35,700.
- Slot machine revenue for the quarter was HK\$36 million. The slot machine win per unit per day for the first quarter averaged HK\$855 across an average number of 470 slot machines.

We have reached an agreement with a major VIP Promoter to have up to 100 VIP tables in StarWorld. We expect to report further details in the near future.

We continue to enhance the Mass gaming offering at StarWorld with the recent addition of a high limit pit and a high limit slots area.

Non-Gaming Operations

Non-gaming revenues, consisting of room revenues from StarWorld's acclaimed "5 Star Diamond Hotel", food and beverage and other revenues were HK\$78 million for the first quarter (Q1 2007: HK\$42 million). StarWorld's average occupancy for the first quarter was over 80%. StarWorld Hotel's average daily cash room rate was HK\$1,239.

Galaxy Mega Resort Update

We are making good progress with the construction of Galaxy mega resort and we are on schedule to open the first hotel tower and the casino in mid 2009 and the second hotel tower is scheduled to open late 2009.

On 15 May 2008, Galaxy announced an agreement for Banyan Tree Holdings Limited ("Banyan Tree"), a leading resort hotel brand in Asia, to develop and operate a luxury resort featuring 238 suites, 16 pool villas and its award winning spa resort in the second hotel tower of Galaxy mega resort.

Banyan Tree is a leading developer and operator of luxury spa resorts in Asia. With its strong heritage and its reputation for design innovation, service, exceptional accommodation and spa facilities, it is an ideal partner for Galaxy's mega resort.

City Clubs Business

Galaxy manages four City Club casinos in Macau. Galaxy is responsible for no or minimal capital expenditure or capital maintenance of the City Clubs' operations.

For the first quarter to 31 March 2008, City Club casinos' total gaming revenues were HK\$1,138 million. Of this, HK\$523 million was recognized in Galaxy's financial statements due to the differing accounting treatments of the various arrangements with each of the City Clubs.

For the first quarter, the City Club casinos contributed HK\$3 million to Galaxy's EBITDA.

USGAAP Comparisons

In comparing our gaming and entertainment division's results to those of US corporations whose results are prepared under generally accepted accounting principles in the United States ("USGAAP"), it should be noted that gross gaming revenues, presented under USGAAP, are reduced by commissions and discounts paid to players, to arrive at net gaming revenues. An adjusted EBITDA margin would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher EBITDA margin than that calculated under Hong Kong accounting standards. Galaxy complies with Hong Kong accounting standards. If calculated under USGAAP, StarWorld's EBITDA margin for the first quarter would be approximately 15%, as compared to Hong Kong GAAP which would give an EBITDA margin of 10%.

Corporate Costs

For the first quarter to 31 March 2008, Galaxy incurred net corporate costs of HK\$65 million, offset by HK\$44 million of interest income, reducing EBITDA for the quarter by HK\$21 million.

Total interest expense for the quarter was HK\$105 million of which HK\$30 million was non-cash imputed interest expense on the US\$240 million convertible notes issued in December 2006.

Construction Materials Business

Galaxy's construction materials business continued to perform well. For the first quarter, the construction materials division's unaudited revenues were HK\$363 million and the division contributed HK\$45 million to Galaxy's EBITDA.

Outlook

Galaxy remains positive about the outlook for the full year and beyond, as we leverage our local knowledge to attract customers from across the region and particularly Mainland China, and we continue to develop and evolve our brand and offering with new concepts and partners.

The Macau Government's recent announcement regarding local gaming industry regulation is very positive for the development of Macau and for our business, given the scale of our presence in the SAR. Significant new capacity has entered the market in recent months and, with visitations in the first quarter up 18% year-on-year, we see continued market expansion through the remainder of 2008 as the market absorbs this new capacity and we launch our exciting Jumbo VIP room with up to 100 tables in StarWorld.

We believe that the StarWorld expansion and VIP promoter agreement that we have reached will significantly increase Galaxy's EBITDA and Return On Investment. The scale of the agreement gives Galaxy and our partner the capacity to expand StarWorld's VIP offering in-line with demand.

Caution Statement

The Board wishes to remind shareholders and potential investors that the above financial data primarily relates only to a part of operations of the Group and is based on the Group's internal records and management accounts. The above financial data has not been reviewed or audited by independent auditors and is not a forecast of the performance of the gaming and entertainment division or of the Group as a whole. Shareholders and potential investors are cautioned not to unduly rely on such data and are advised to exercise caution when dealing in the shares of the Company.

As at the date of this announcement, the executive Directors of the Company are Dr. Lui Che Woo (Chairman), Mr. Francis Lui Yiu Tung, Mr. Joseph Chee Ying Keung and Ms. Paddy Tang Lui Wai Yu; the non-executive Directors of the Company are Dr. Moses Cheng Mo Chi, Mr. Anthony Thomas Christopher Carter, Dr. Martin Clarke and Mr. Guido Paolo Gamucci; and the independent non-executive Directors of the Company are Dr. Charles Cheung Wai Bun, Mr. James Ross Ancell and Dr. William Yip Shue Lam.

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

Hong Kong, 30 May 2008