



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 is pleased to announce certain selected unaudited key performance indicators of the Group for the 5 months ended 31 May 2007. Highlights as follows:

- EBITDA for the first 5 months of 2007 reached HK\$544 million (exceeding the whole year of 2006 by 25%)
- StarWorld's EBITDA margin for the 5 months rebounds strongly to 14%
- GalaxyWorld Resort (Cotai Mega Resort) is on track to be completed by the end of 2008
- Concluded negotiations to complete the second tower of phase one of GalaxyWorld Resort
- With cash reserves of approximately HK\$7 billion at end of May 2007 and the strong performance of StarWorld, Galaxy's Cotai Mega Resort is now fully funded

Selected unaudited key performance indicators for the 5 months ended 31 May 2007

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 5 months ended 31 May 2007 to enable its shareholders, investors and the public to better appraise the position and business performance of the Group.

In response to inquiries about the trading performance of Galaxy's StarWorld Hotel and Casino ("StarWorld"), whose VIP gaming operations were open only for one full month of operation for the year ended 31 December 2006, the trading update for the 5 months ended 31 May 2007 is set out below.

Galaxy's unaudited gross revenues for the 5 months to 31 May 2007 were HK\$5,240 million. The results for this period included the operations of StarWorld, Galaxy's 4 City Club casino operations and its construction materials business.

Unaudited consolidated earnings before interest, tax, depreciation and amortization expense ("EBITDA") for the 5 months to 31 May 2007, were HK\$544 million.

StarWorld

In the 5 months to 31 May 2007, StarWorld's unaudited total revenue was HK\$2,978 million and EBITDA was HK\$417 million, an EBITDA margin of 14%.

Table games' results for StarWorld's two distinct segments were as follows:

- Mass table games revenue for the 5 months was HK\$690 million. Table games drop was approximately HK\$4.2 billion with a win percentage of 16.4%, which was within the expected range. Win per table per day continues to improve and for April and May averaged over HK\$30,000.
- VIP gross gaming revenue for the 5 months was HK\$2,120 million. VIP table games turnover was HK\$75.4 billion with a win percentage of 2.8%, which was within the expected range of 2.6% to 2.9%. Win per table per day continues to grow and for April and May averaged over HK\$424,000 across StarWorld's 46 VIP tables.

Slot machine gaming revenue for the 5 months was HK\$76 million. The slot machine win per unit per day for April and May averaged over HK\$1,460 with an average number of 356 slot machines.

For the 5 months, StarWorld's hotel operation generated an average daily room rate of HK\$1,019 with occupancy averaging 83%. Net non-gaming revenues consisting of rooms, food and beverage and other revenues were HK\$77 million.

StarWorld Enhancements

Galaxy opened StarWorld in 2006 with 24 VIP tables, 165 mass tables, and 335 slot machines. It has now increased its VIP tables to 46 and will increase further to 70. It increased its level one gaming tables from 85 to 103 and will increase to approximately 120 by 1 July 2007. It will also increase its slot machines to over 500 by 1 July 2007. StarWorld opened its Jinmen high limit room on 1 March 2007 and is opening additional new award-winning restaurants including the Shanghainese "Jade Garden" and Japanese "Inagiku".

Additional facilities, including StarWorld's 500 seat multi-functional ballroom, two additional levels of VIP gaming rooms (with additional 24 tables), and our 6,000 sq.ft. presidential suite will be completed and opened later this year.

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.

During the 5 months to 31 May 2007, City Club casinos' total gaming revenues were HK\$3,498 million. Of this, HK\$1,679 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 5 months, the City Club casinos contributed HK\$101 million to Galaxy's EBITDA.

Construction Materials Business

Galaxy's construction materials business continued to perform well. During the period, the construction materials division's unaudited revenues were HK\$583 million.

For the 5 months, the division contributed HK\$74 million to Galaxy's EBITDA.

Corporate Costs

During the 5 months, Galaxy incurred corporate costs of HK\$107 million, offset by HK\$59 million of interest income, reducing EBITDA by HK\$48 million.

Interest expense for the period was HK\$264 million in which HK\$64 million was a non-cash imputed interest expense on the US\$240 million convertible notes issued in December 2006.

GalaxyWorld Resort — Galaxy’s Cotai Mega Resort

The construction of GalaxyWorld Resort, including its 1,500 room hotel tower, casino and entertainment complex is on track to be completed by the end of 2008.

Recently, Galaxy concluded negotiations to complete the second tower of phase one of GalaxyWorld. The property will have 1,000 rooms, suites and villas with a planned completion in the second half of 2009.

Galaxy is confident with its existing cash reserves of HK\$6.7 billion as at 31 May 2007, its existing financing facilities and its expected cash flows from operations that the construction and fit out of this second hotel tower is now fully funded. Additionally, Galaxy is in discussions with leading international hotel operators, with strong brand appeal, regarding the management rights of this second hotel tower.

USGAAP Comparisons

In comparing Galaxy’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.

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, Mr. Francis Lui Yiu Tung, Mr. Chan Kai Nang, Mr. Joseph Chee Ying Keung and Ms. Paddy Tang Lui Wai Yu; the non-executive Directors of the Company are Mr. Moses Cheng Mo Chi and Mr. Anthony Thomas Christopher Carter; 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, 12 June 2007

*“Please also refer to the published version of this announcement in **South China Morning Post.**”*