



[For Immediate Release]

Galaxy Announces 2008 Half Year Results
Makes one-off write-down of HK\$8 billion to carrying value of gaming licence
Decision will positively impact future results

Continued focus on cost efficiencies and growth

(Hong Kong, 19 September 2008) – Galaxy Entertainment Group Limited (“Galaxy”) (stock code: 27) today announced its half year results for the period ended June 30, 2008.

Key highlights as follows for the half year to 30 June 2008:

- Net loss HK\$7,432 million, largely due to the one-time, non-cash write-down of approximately HK\$7 billion in net amount, which relates to Galaxy’s Macau gaming licence.
- This exercise will have a material and positive impact on future results and significantly reduce the annual amortization of the gaming licence by approximately HK\$0.6 billion.
- Group revenue HK\$5,392 million in 1H 2008;
- EBITDA for the half year was HK\$356 million in 2008;
- StarWorld’s half year EBITDA was HK\$295 million, with an EBITDA margin of 8.4% under HK GAAP:
- Galaxy Macau is scheduled to open in 2009.

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

We are focused on continuing to grow our gaming and entertainment business as demonstrated through the enhancement initiatives being undertaken at StarWorld and our development at Cotai.”



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The Group's revenue for the half year was HK\$5,392 million, down from HK\$6,332 million in 2007, this reflects the increased competition in the Macau gaming market, particularly within the City Clubs sector.

The Group's earnings before interest expense, taxation, depreciation and amortization ("EBITDA") for the half year was HK\$356 million, down from HK\$737 million in 2007, this is primarily due to higher commissions within the VIP segment. We expect to see an improved EBITDA in future periods as a result of the Macau Government policy initiatives to cap commission payments to junket operators.

The accounting loss for the half year was HK\$7.4 billion as compared to a loss of HK\$268 million in 2007. The accounting loss for the half year after:

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

As at June 30, 2008 the Group had over HK\$6.1 billion in cash. Cash holdings together with the substantial cash flows from StarWorld and other operations, ensure the Group has adequate financial resources to complete the development of area 1 of Galaxy Macau.

StarWorld

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

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

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

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



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

Galaxy Cotai Project

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

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

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

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

Galaxy City Club Casinos

Galaxy’s City Clubs have been operating in an increasing competitive gaming market. The older casinos of Macau, and particularly those casinos that were not purpose-built casinos, are most impacted by the increased competition. As the market has evolved, and competition has increased, Galaxy has been actively managing operations and adjusting the business to current market conditions by driving operational efficiencies.

Construction Materials Business

Galaxy’s construction materials division delivered solid performance during the half year. The construction materials division generated revenues of HK\$802 million and contributed HK\$115 million to the Group’s EBITDA. In addition to our focus on improving operational performance and managing its cost structure, the management is also focusing on expanding our slag business to solidify our leading position in this field

US GAAP Comparisons

If the results of Galaxy’s Gaming and Entertainment Division were compared with its US counterparts, whose results are prepared under generally accepted accounting principles in



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the United States (“US GAAP”) requiring deduction of commissions and discounts made to players in calculating net profit and the EBITDA margin calculated based on reduced net gaming revenues, then Galaxy’s EBITDA margin would be significantly higher than that calculated using Hong Kong accounting standards, which Galaxy complies with. Under US GAAP standards, StarWorld’s EBITDA margin would be approximately 15% for the first quarter, 11% for the second quarter and 13% for the first half of 2008.

- The End -

About Galaxy Entertainment Group Limited (“Galaxy”) (stock code: 27)

Galaxy Entertainment Group Limited, through its subsidiary, Galaxy Casino, S.A., holds a Macau gaming concession. Galaxy is authorized to carry on casino games of chance in Macau which is the only legal gaming location in China.

The construction of the Galaxy Macau resort including the first hotel tower of 1,500 rooms, casino and entertainment complex is on track to open in the third quarter of 2009. Galaxy’s second tower with approximately 700 rooms, suites and villas is expected to be completed during 2009. Galaxy is well positioned for long-term growth in Cotai with an approved master plan to develop an additional 10.2 million sq ft of gaming and entertainment facilities.

In addition, Galaxy owns and operates StarWorld Hotel and Casino — a luxury 5-Star property located on the Macau peninsula, and operates four City Club Casinos in Macau.

For more details, please visit <http://www.galaxyentertainment.com/eng>

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