

Galaxy Reports Third Quarter 2008 Results

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StarWorld continues to deliver solid results and prospects

Galaxy remains totally committed to the development of Galaxy Macau its integrated resort in Macau's Cotai

(Hong Kong, 20 November 2008) – Galaxy Entertainment Group Limited (“Galaxy” or “the Group”; HKSE: 0027), one of Asia’s leading gaming and entertainment groups, today announced unaudited third quarter results for the three months ended 30 September 2008.

Third Quarter Key highlights:

- StarWorld EBITDA was up 21% to HK\$136 million (Q2 2008: HK\$112 million) despite an unusually low VIP win rate of 2.2% (on a normalized win rate of 2.8% EBITDA would have been substantially higher at around HK\$180 million to HK\$185 million).
- StarWorld VIP gaming turnover strengthened with a 12.5% increase to HK\$55.8 billion (Q2 2008: HK\$49.6 billion)
- Galaxy’s overall market share in Macau continues to improve, despite lower than usual win rate
- Development of Galaxy Macau in Cotai continues, with an opening date revised from mid 2009 to 2010 to align with prevailing market conditions
- We remain confident that Galaxy Macau is well capitalized to open in 2010 through a combination of cash on hand, credit facilities, project cost reductions and cash from operations

Group revenues for the third quarter were HK\$2,460 million (Q2 2008: HK\$2,673 million) and EBITDA* was HK\$132 million (Q2 2008: HK\$146 million). This slight softening in revenues was a result of increasing competition in the Macau gaming market and EBITDA was also impacted by an unusually low VIP win rate at StarWorld of 2.2%, and weaker profitability from the transitioning City Clubs. On a normalized basis (using an expected theoretical win rate of 2.8%) Group EBITDA would have ranged between HK\$180 million and HK\$185 million.

*Earnings before interest expense, taxation, depreciation and amortization



The Group commented: *“This is a solid performance, in the face of a weakening global economy and tougher visa restrictions on visitors from mainland China. Galaxy grew overall market share during the quarter and StarWorld continues to deliver a strong performance, leveraging its position in the heart of the Macau peninsula’s gaming hub.*

Construction work on Galaxy Macau continues and we have revised the development schedule to better align the opening with market conditions as they improve. This is in no way a change in our strategy for Cotai, it is a commercial decision motivated by our objective to achieve a balance between development and the optimization of shareholder returns. We are well capitalized with approximately HK\$6 billion in cash and are fortunate to be at a stage in the project’s development where we have the flexibility to control timetables without incurring material adverse costs.

We are confident that, together, the exciting potential of Galaxy Macau and the strong prospects for StarWorld will ensure that we are well positioned to meet current and future challenges and opportunities.”

Divisional Performance:

StarWorld

StarWorld continued to grow during the quarter, with strong VIP turnover of HK\$55.8 billion and total gaming revenues higher than the previous quarter, despite increased competition. Meanwhile, StarWorld’s hotel occupancy rate of 84% in the quarter was well ahead of the 72% market average; room rates stayed generally strong. Total revenues for the quarter increased to HK\$1,706 million, from HK\$1,675 million in the previous quarter. Gaming revenues increased 2% from HK\$1,591 million to HK\$1,623 million despite an unusually low VIP win rate of 2.2% while win percentages for mass market and slot machines were 16.2% and 6.3%, respectively. The property’s EBITDA grew 21% to HK\$136 million compared to HK\$112 million in the second quarter of 2008.

StarWorld’s segmented results for the 2008 quarters were as follow:

VIP Table Games:

<u>VIP</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>9 months</u>
VIP Table Turnover	\$47.0 bn	\$49.6 bn	\$55.8 bn	\$152.4 bn
Win %	3.0%	2.4%	2.2%	2.5%
Gaming Revenue	\$1,391 mm	\$1,191 mm	\$1,241 mm	\$3,823 mm



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Galaxy Entertainment Group

Mass Table Games:

Mass Tables	Q1	Q2	Q3	9 months
Table Drop	\$2.2 bn	\$2.5 bn	\$2.2 bn	\$6.9 bn
Win %	14.8%	14.6%	16.2%	15.2%
Gaming Revenue	\$325 mm	\$368 mm	\$355 mm	\$1,048 mm

Galaxy's continuing focus on evolving StarWorld's customer appeal to ensure its financial performance saw the soft launch of the new Jumbo VIP room on Level Three in late September, with the official opening at the end of October. We expect the financial benefits from this Jumbo VIP facility to grow as business volumes increase.

Galaxy is encouraged by the Macau Government's recent confirmation that they are moving forward with the Government initiatives announced in April 2008.

City Clubs

The City Clubs operations have been realigned to market conditions and importantly, three properties are now on top-line revenue agreements. This has put the division back on the path to profitability and we will continue to closely monitor its operations. Going forward we expect City Clubs to make a positive contribution to the Group's financial performance.

Galaxy Macau Update

Galaxy remains fully committed to the development of Galaxy Macau, its integrated resort development in Cotai. After careful consideration of the prevailing local market conditions and the substantially changed global economic environment, Galaxy is revising its Cotai development schedule. This is in no way a change in our strategy or our long-term faith in Cotai, we believe that it is a prudent decision to move the staged opening from mid 2009 to 2010. Under this revised timetable, the second of the two hotel towers is expected to be topped-out in January 2009 with its glass cladding and the landscaping of the entire resort beginning in the first quarter of 2009. The majority of these activities are expected to be completed by the fourth quarter of 2009. The final fitting out of the property will be carefully managed to meet the revised opening schedule, and we anticipate being able to provide greater clarity on this within the first half of next year.



Construction Materials Business Operating Results

The Group's construction materials business delivered a slightly weaker than anticipated results in the third quarter with revenues of HK\$385 million and EBITDA of HK\$57 million, but we remain confident that the business will continue to deliver steady results.

Corporate Initiatives

Galaxy recently purchased the outstanding economic interest in Galaxy Casino, S.A. that it previously did not own. Galaxy now owns 100% of the economic interest in Galaxy Casino, S.A., which is the Group's casino operating entity. Galaxy also sold its small minority interest in the Grand Waldo property holding company and the service provider of Grand Waldo Casino with the proceeds helping to fund the purchase of Galaxy Casino, S.A.'s outstanding economic interest.

The Group plans to accelerate the implementation of cost-efficiency programs across all of its businesses, with a view to reducing the potential adverse impact that may result from the expected downturn in the economy and the volatility in the financial markets. The Group may adopt measures to align operating costs to business volumes and engage in an active asset management program which may include reconfiguring its financing structure.

Cash and Financing

The Group is in a sound financial position with approximately HK\$6 billion in cash and no debt repayments due for the next two years. The Group is confident that the Cotai project is well capitalized to open through a combination of existing cash on hand, credit facilities, project cost reductions and cash generated from operations.

Furthermore, the Group remains committed to its conservative philosophy of building to market demand. The phased development approach for Galaxy Macau is consistent with this philosophy. In such turbulent market conditions, our approach gives us particular confidence that our world class property will be built to demand, and will generate a healthy return on invested capital.

Outlook

Looking forward, the Group believes the economy of mainland China will remain relatively stable when compared with other global markets. Galaxy is a long-term investor and believer in Macau. The Company is committed to growing and developing its footprint and expanding its presence in Cotai and on the Macau peninsula. Our award winning StarWorld Hotel and Casino continually ranks amongst the top performing properties in Macau. The revision of the Cotai development timetable is



merely a tactical response to wider market conditions that in no way impacts the Group's strategy or its confidence in the potential of the Macau market. The Group believes that its exclusive Macau focus, its history and its local expertise position it strategically to grow with the development of Macau.

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 the United States ("US GAAP") requiring deduction of commissions and discounts made to players in calculating 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 12% for the third quarter of 2008.

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About Galaxy Entertainment Group

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

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. The Group is well positioned for long-term growth on the Macau peninsula and in Cotai where the Group is developing the Galaxy Macau resort with 2,200 rooms, suites, villas, casino and entertainment complex in Cotai, Macau.

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

For media enquiries, please contact:

Galaxy Entertainment Group

Peter Caveny

Principal, Investor Relations

Tel: +852 3150 1111

Email: ir@galaxyentertainment.com

Vivian Fu

Senior Investor Relations Manager

Tel: +852 3150 1111

Email: ir@galaxyentertainment.com