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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 2009 to enable its shareholders, investors and the public to better appraise the position and business performance of the Group.

First Quarter Key Highlights:

- StarWorld EBITDA grew for three consecutive quarters and was up 31% to HK\$204 million (Q4 2008: HK\$156 million)
- StarWorld VIP gaming turnover was HK\$55 billion in the first quarter of 2009 (Q4 2008: HK\$54 billion). Galaxy’s overall market share in Macau continues to improve
- Group revenue was HK\$2,620 million in the first quarter of 2009
- Group EBITDA was HK\$233 million in the first quarter of 2009, a 29% rise on the previous quarter
- Well advanced, implementing an operational efficiency program that we expect to generate savings of HK\$200 million per annum
- Successful bond buyback program concluded in January, reduced debt and interest payments and strengthened the balance sheet. Subsequent to reporting period, US\$50 million of convertible notes repurchased. Cash on hand, approximately HK\$4.7 billion
- Construction at Cotai continues and we will align the opening date of Cotai to improving market conditions

Group revenues for the first quarter were HK\$2,620 million and EBITDA (earnings before interest expense, taxation, depreciation and amortization) was HK\$233 million.

Galaxy's earnings continue to improve with EBITDA rising 29% in the first quarter of 2009, compared to the previous quarter. In addition, StarWorld is delivering encouraging results and we continue to look for ways to further enhance its performance. The introduction of an operational efficiency program that we expect to save HK\$200 million per annum, together with rising revenue and increased VIP volumes, has significantly improved performance. Group EBITDA for the first quarter of 2009 is the highest amount recorded in the past five quarters.

Divisional Performance:

StarWorld

StarWorld continued to grow during the quarter, with strong VIP turnover of HK\$55 billion and total gaming revenues higher than the previous quarter, despite increased competition. Meanwhile, StarWorld's hotel occupancy rate of 87% in the quarter was well ahead of the market average; room rates stayed generally strong. Total revenues for the quarter increased to HK\$2,003 million, from HK\$1,943 million in the previous quarter. Gaming revenues increased 4% from HK\$1,852 million to HK\$1,927 million with VIP win rate of 2.8% while win percentages for mass market and slot machines were 15% and 6.6%, respectively. The property's EBITDA grew 31% to HK\$204 million compared to HK\$156 million in the fourth quarter of 2008.

StarWorld's segmented results for the first quarter of 2009 were as follow:

- VIP gaming revenue for the quarter was HK\$1,551 million. VIP turnover was HK\$55 billion with a win percentage of 2.8%. Win per table per day for the first quarter averaged HK\$212,000.
- Mass table games revenue for the quarter was HK\$346 million. Table games drop was HK\$2.3 billion with a win percentage of 15%. Win per table per day averaged over HK\$50,600 for the first quarter.
- Slot machine revenue for the quarter was HK\$30 million. The slot machine win per unit per day for the first quarter averaged HK\$1,310 across an average number of 254 slot machines.

Results at StarWorld continue to improve and StarWorld has now delivered three consecutive quarters of EBITDA growth.

The increase in VIP volume has highlighted the success of StarWorld's strategies in response to the tougher market conditions, which included re-designing Level Three to serve VIP clients and opening a Sky Casino for VIP customers on Level 39.

City Clubs

During 2008, City Clubs, like all the smaller casinos in Macau, were adversely impacted by the significant new supply entering the market. As a result, the Group restructured the management agreements, adjusted the business model and scale of operations and City Clubs have successfully returned to profitability.

For the first quarter to 31 March 2009, City Club casinos' total gaming revenues were HK\$1,137 million. Of this, HK\$351 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\$46 million to Galaxy's EBITDA.

Cotai Development

The decision by Galaxy to reschedule the opening of Galaxy Macau was taken to align the opening of the project to improving market conditions. The Group firmly believes that this was the correct and prudent decision.

Construction of the project is proceeding and Galaxy is committed to the opening of Phase One, which will have approximately 5 million sq. ft. of development across two towers, including three luxury hotels and a casino. Galaxy is well-positioned to accelerate construction, once there are further indications of improving market conditions.

Construction Materials

Galaxy's construction materials business continued to perform well. For the first quarter, the construction materials division's unaudited revenues were HK\$266 million and the division contributed HK\$45 million to Galaxy's EBITDA.

Corporate Initiatives

A bond buyback program was successfully concluded in January 2009. This resulted in Galaxy purchasing US\$170 million (HK\$1,326 million) of its debt for US\$86 million (HK\$671 million), at a 50% discount. This reduced the Group's debt levels, strengthened the balance sheet and reduced cash interest payments by approximately US\$40 million (HK\$312 million) over the remaining term of the bonds. The reduction of debt after the bond buyback combined with substantial cash holdings positions Galaxy with a strong balance sheet. Subsequent to the reporting period we have also purchased US\$50 million (HK\$390 million) of the convertible notes.

For accounting purposes, the Group made a net HK\$11 billion non-cash write-down on the value of the gaming license. After the impairment charge on the gaming license, the amortization charge of this intangible asset will be reduced to about HK\$100 million per annum. Going forward, this adjustment will have a material and positive impact on future reported profits.

Strengthened Management Team

Galaxy is very pleased to have Mr. Michael Mecca joining us as the President and Chief Operating Officer in early 2009. Mr. Mecca has over 30 years of experience in the gaming and hotel industry and a distinguished career in leadership roles with a number of globally recognized gaming and hospitality brands, including Station Casinos Inc., Las Vegas, Mandalay Resorts Group, Las Vegas and Caesars World Inc., Las Vegas. Prior to joining Galaxy, he was the President and Chief Executive Officer of Planet Hollywood, Las Vegas.

Outlook

There are four major events in 2009 that will support the continued growth of Macau. These are the election of a new Chief Executive of Macau, the election of a new legislative assembly, the celebration of the 60th anniversary of the establishment of the People's Republic of China and the 10th anniversary of Macau's return to China sovereignty. The Group believes these important events will be a catalyst for driving growth and development of Macau.

Additionally, there will be further development of Macau's infrastructure which will improve accessibility and ensure that Macau is a destination of choice for international tourism. These events and actions combined with our operational efficiency initiatives and our demand driven development philosophy position Galaxy well for sustainable long term growth.

US GAAP Comparisons

In comparing Galaxy'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 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. For the first quarter of 2009, StarWorld's EBITDA margin would be approximately 16% under US GAAP, as compared to Hong Kong accounting standards which would give an EBITDA margin of 10%.

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 Mr. James Ross Ancell, Dr. William Yip Shue Lam and Dr. Patrick Wong Lung Tak.

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

Hong Kong, 24 April 2009

Website: www.galaxyentertainment.com