

CHAIRMAN'S STATEMENT



The Group sees its staff as its most valuable assets, as none of the Group's achievements would have been possible without the talents and contributions of each individual colleague.

Chairman
Dr. Lui Che Woo
GBS, MBE, JP, LLD, DSSc, DBA

Dear Shareholders,

The Year 2006 has been a fruitful year for Galaxy Entertainment Group Limited ("Galaxy" or the "Group").

For the year ended 31st December 2006, revenue from Galaxy's gaming operation was HK\$3,389 million, representing a 50 times growth from the previous year. Following the subsequent opening of several new casinos as scheduled during the year, Galaxy was able to expand its market share to 19% as at the month of December 2006, which provides strong evidence that the Group has a well established position in the gaming and entertainment market of Macau.

ENORMOUS GROWING POTENTIAL FOR THE FUTURE OF THE TRAVEL INDUSTRY IN MACAU

The Eleventh Five-Year Plan of the Central Government of China promotes a fast track development of a diversified economy in Macau. Being the sole city in China open to the gaming industry, Macau is benefiting from the "visa-free travel" policy, resulting

in a rapid increase in the number of visitors. This rapid growth in visitor volumes commenced in 2003 and last year the number of visitors to Macau reached a record high of 22 million. The gross domestic product climbed to over MOP114 billion, representing a real compound growth rate of 16.6%. Unquestionably, the rapid growth in the gaming and travel industry is highly supportive of the fast growing economy of Macau.

ADHERING TO THE PRINCIPLES OF PRESERVATION, PERFECTION AND INNOVATION

Commencing operation since 2004 with one of the gaming licences granted by the Macau Government, Galaxy continues to adhere to three key business development principles, namely "preservation", "perfection" and "innovation". The Group is committed to "preserve" the unique cultural heritage of Macau, with the aim of merging its distinctive culture with Chinese tradition so as to appeal to visitors from all over the world. Building on the concept of mixing Western and Eastern management principles, Galaxy strives to "perfect" operating

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efficiency through the use of state-of-the-art information technology and is determined to create an exciting product and environment that appeals to the taste of both domestic and international travelers by introducing them to new experiences that are exciting and "innovative".

Looking ahead, the Group will proactively and prudentially invest in other areas when suitable opportunities arise and make the best deployment of its resources on the basis of the above three principles. With its extensive Asian experience accumulated over the years, Galaxy clearly understands that it should not just replicate Las Vegas in Macau, but instead create its own distinctive and extraordinary paradise for travelers. This capitalizes on the two totally different cultures of Macau and Mainland China and appeals to the tastes of Asian people, and offers a unique and exciting world-class experience to international visitors for either business or leisure.

In March this year, Macau received the Future Award 2007, for being considered the most promising future tourism destination in Asia awarded by the International Tourismus Börse (Trade fair for the International Tourism Industry) of Berlin. Additionally, in June this year the upcoming first Asian Gaming Expo and Conference will be held in Macau, demonstrating the highly recognized international status of Macau, fast becoming a unique world-class city for entertainment and travel.

BILLIONS OF INVESTMENT IN THE GAMING AND LEISURE INDUSTRY

To date, the Group has invested MOP8 billion in Macau. During the year under review, Galaxy's flagship StarWorld Hotel and Casino commenced operations on 19th October 2006, and is delivering solid results. We are delighted to have appointed Mr. Tony Leung, the renowned international super star as our spokesman for StarWorld Hotel. Our investment in marketing and promotion activities has already proved a success at StarWorld Hotel and our other casinos are widely recognized as deluxe, exquisite and prominent facilities, providing customers with high quality services. In March 2007, the "Jinmen" (StarWorld's Premium Club) was launched. Jinmen offers only the very best and most creative services and facilities to customers and delivers an unforgettable experience.

Presently, our development of Galaxy Mega Resort in Cotai has been in full swing. This project has a site area of 4,700,000 square feet and will be constructed in different stages. The 27 Floor Hotel Tower was "topped-out" in December and all other

construction work is well advanced. We are expecting to see the first phase of the development commence operations in 2008 as scheduled. Upon total "build-out", we expect Galaxy Cotai will become one of the largest resorts in Macau providing one-stop tourism and entertainment facilities in Cotai with a comprehensive range of gaming, entertainment, shopping, convention and other leisure services suitable for business or family guests.

FOCUSING ON STAFF TRAINING AND EXPANSION OF MANAGEMENT EXPERTISE

The Group sees its staff as its most valuable assets. Staff recruitment, retention and training are of the upmost importance to the Group. In calendar year 2006, we recruited and trained an additional 6,600 staff; bringing our total number of staff to 10,500 which is a 167% increase above the 2005 head count. In addition, the Group has established its own Centre of Excellence for Casino Training with a facility of 22,000 square feet for the promotion of professionalism and quality service. To support this goal of excellence, Galaxy has added to our Executive "Bench Strength" by recruiting an elite team of international management experts, further strengthening our competitive edge to differentiate ourselves from other leading market players.

Galaxy will continue to extend its reach into the tourism market and provide the best services and most comprehensive facilities available. We are fully committed to build Macau into a world-class international hub for entertainment and tourism in full support of the government's policy, and to deliver our valuable shareholders high investment returns.

Finally, I would like to take this opportunity to extend my heartfelt appreciation to all my fellow directors and dedicated and committed employees, for without their professionalism, loyalty and dedication to the Group, none of Galaxy's achievements over the past year would have been possible. I am looking forward to work with them all in the years ahead.

Dr. Lui Che Woo, GBS, MBE, JP, LLD, DSSc, DBA
Chairman

Hong Kong, 18th April 2007

GROWTH STRATEGY



Galaxy has capitalised on the fast growing gaming market in Macau to position itself as one of the dominant casino operators within the Macau gaming market.

