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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)**

### **Discloseable Transaction Acquisition of further interest in Tarmac Asphalt Hong Kong Limited**

The Purchaser, an indirect wholly-owned subsidiary of the Company, acquired from the Vendor a 80% interest in Tarmac Asphalt for a cash consideration of HK\$87,394,104.29. Prior to the Acquisition, Tarmac Asphalt was held as to 80% by the Vendor and 20% by the Purchaser. Upon completion of the Acquisition, Tarmac Asphalt becomes an indirect wholly-owned subsidiary of the Company.

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, among other things, details of the Agreement will be despatched to the Shareholders as soon as practicable.

The Board is pleased to announce that on 11 August 2006, a sale and purchase agreement was entered into between the Vendor and the Purchaser. Pursuant to the Agreement, the Vendor agreed to dispose of and the Purchaser agreed to acquire a 80% interest in Tarmac Asphalt for a consideration of HK\$87,394,104.29.

Summarised below are the principal terms of the Agreement:

#### **THE AGREEMENT DATED 11 AUGUST 2006**

##### **(i) Parties to the Agreement**

Vendor: Tarmac International Holdings BV

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are Independent Third Parties save for being a joint venture partner of the Purchaser in Tarmac Asphalt. The principal business activities of the Vendor are investment holdings.

Purchaser: Taksin Profits Limited, an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands

##### **(ii) Assets Involved**

Pursuant to the Agreement, the Purchaser agreed to acquire, and the Vendor agreed to sell, as the legal and beneficial owner of, the Sale Shares. The Sale Shares represent 80% of the existing issued share capital of Tarmac Asphalt which is a company incorporated in Hong Kong. Prior to the Acquisition, Tarmac Asphalt was held as to 80% by the Vendor and 20% by the Purchaser. The Group acquired such 20% interest in Tarmac Asphalt in 1997 from its then holding company. Upon completion of the Acquisition, Tarmac Asphalt becomes an indirect wholly-owned subsidiary of the Company.

##### **(iii) The Consideration**

The Consideration for the Sale Shares of HK\$87,394,104.29 was paid on Completion and was agreed between the parties based on arm's length negotiation taking into account the net assets value and business prospects of Tarmac Asphalt. The Consideration represents approximately 3.6% premium to the net assets value attributable to the Sale Shares as at 31 March 2006. The Consideration was financed by internal resources of the Group.

##### **(iv) Completion**

Completion took place upon signing of the Agreement on 11 August 2006.

Upon Completion and in line with the business strategy of the parties, each of K. Wah (being the holding company of the Purchaser) and Tarmac Holding (being the holding company of the Vendor) has provided an undertaking to the Vendor and the Purchaser respectively not to, and procure its group companies not to be involved directly or indirectly in any Business within a designated area during the Period. In respect of K. Wah, the designated area comprises Shanghai and Zhejiang Province in the PRC and the designated area in the case of Tarmac Holding comprises Hong Kong, Macau and Guangdong Province in the PRC. Such arrangements conform with the existing focus and strategic objectives of the parties.

## **INFORMATION OF TARMAC ASPHALT**

Tarmac Asphalt is a company incorporated in Hong Kong on 28 April 1978 and is principally engaged in the business of manufacture, supply and laying of asphalt and other bituminous materials and road marking services.

Based on the audited financial statements of Tarmac Asphalt for the two years ended 31 December 2005, Tarmac Asphalt recorded (i) a profit before taxation of approximately HK\$20,224,000 and approximately HK\$19,919,000 respectively and (ii) a profit after taxation of approximately HK\$16,174,000 and approximately HK\$16,287,000 respectively. As at 31 March 2006, the net assets value of Tarmac Asphalt was approximately HK\$105,435,000.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the gaming and entertainment business in Macau. The Group is also engaged in the manufacture, sale and distribution of construction materials in Hong Kong, Macau and the PRC.

The Acquisition provides an opportunity for the Group to increase its equity interest in and control over Tarmac Asphalt which broadens the earning base of the Group's construction materials division. The Group is able to leverage on its experience in the construction materials industry and achieve synergistic efficiency in production and product marketing. The Directors (including the independent non-executive Directors) are of the view that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement, including the Consideration, which are normal commercial terms, are fair and reasonable.

## **GENERAL**

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, among other things, details of the Agreement will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

The following expressions shall, unless the context otherwise requires, have the following meanings in this announcement:

“Acquisition”	the acquisition of a 80% interest in Tarmac Asphalt by the Purchaser pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 11 August 2006 made between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Shares
“Board”	the board of Directors
“Business”	the business of manufacture, supply and laying of asphalt and other bituminous and non-bituminous road surfacing materials, the provision and supply of road marking services and materials, and other matters and business incidental thereto
“Company”	Galaxy Entertainment Group Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Agreement
“connected” and “connected persons”	the meanings given to them in the Listing Rules
“Consideration”	the consideration for the sale and purchase of the Sale Shares pursuant to the Agreement, being HK\$87,394,104.29
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s), or in the case of companies, their ultimate beneficial owner(s), who are independent of and not connected with the Company and its connected persons
“K. Wah”	K. Wah Construction Materials Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Period”	the inclusive period beginning on 11 August 2006 and ending on 11 August 2016
“PRC”	the People's Republic of China, which shall for the purpose of this announcement exclude Hong Kong and Macau
“Purchaser”	Taksin Profits Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Sale Shares”	880,000 shares of HK\$10 each owned by the Vendor representing in aggregate 80% of the existing issued share capital of Tarmac Asphalt
“Share(s)”	Share(s) of HK\$0.10 each in the capital of the Company

“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tarmac Asphalt”	Tarmac Asphalt Hong Kong Limited 泰瑪士柏油香港有限公司, a company incorporated in Hong Kong
“Tarmac Holding”	Tarmac Limited, a company incorporated in the United Kingdom and the holding company of the Vendor
“Vendor”	Tarmac International Holdings BV, a company incorporated in the Netherlands
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

*As at the date of this announcement, the executive Directors are Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Mr. Chan Kai Nang, Mr. Joseph Chee Ying Keung, Mr. William Lo Chi Chung and Ms. Paddy Tang Lui Wai Yu; the non-executive Director is Mr. Moses Cheng Mo Chi; and the independent non-executive Directors are Dr. Charles Cheung Wai Bun, Mr. James Ross Ansell and Dr. William Yip Shue Lam.*

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

Hong Kong, 11 August 2006

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