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If you have sold or transferred all your shares in Galaxy Entertainment Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular should be read in conjunction with the accompanying Annual Report for the year ended 31st December 2006.



GALAXY ENTERTAINMENT GROUP LIMITED

銀河娛樂集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 27)

PROPOSALS FOR RE-ELECTION OF DIRECTORS

AND

**GENERAL MANDATES TO REPURCHASE SHARES
AND ISSUE SHARES**

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2006 Annual General Meeting”	the annual general meeting of the Company held on 29th June 2006
“Annual General Meeting”	the annual general meeting of the Company to be held at Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 26th June 2007 at 11:00 a.m.
“Annual Report”	the annual report of the Company for the year ended 31st December 2006
“Article(s)”	article(s) of the Articles of Association
“Articles of Association”	articles of association of the Company
“associates”	has the meaning ascribed to the expression under the Listing Rules
“Board”	the board of Directors
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Galaxy Entertainment Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed to the expression under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Lui”	Dr. Lui Che Woo, a director and the Chairman of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company held on 9th February 2007
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“KWIH”	K. Wah International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange and a substantial shareholder of the Company
“Latest Practicable Date”	23rd April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lui Family Members”	family members comprising Dr. Lui, his spouse, sons and daughters
“Repurchase Code”	the Hong Kong Code on Share Repurchases
“Securities and Futures Ordinance”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share Option Scheme”	the share option scheme adopted by the Company at the annual general meeting of the Company held on 30th May 2002
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trusts”	the two discretionary Lui Family trusts established by Dr. Lui as founder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent



GALAXY ENTERTAINMENT GROUP LIMITED

銀河娛樂集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 27)

Executive Directors:

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

Francis Lui Yiu Tung *(Deputy Chairman)*

Chan Kai Nang

Joseph Chee Ying Keung

William Lo Chi Chung

Paddy Tang Lui Wai Yu, *JP*

Registered Office:

Room 1606, 16th Floor

Hutchison House

10 Harcourt Road

Central

Hong Kong

Non-Executive Directors:

Dr. Charles Cheung Wai Bun, *JP**

Moses Cheng Mo Chi, *GBS, OBE, JP*

James Ross Ancell*

Dr. William Yip Shue Lam, *LLD**

Anthony Thomas Christopher Carter

* *Independent Non-executive Directors*

27th April 2007

To the Shareholders,

Dear Sir or Madam,

PROPOSALS FOR RE-ELECTION OF DIRECTORS

AND

GENERAL MANDATES TO REPURCHASE SHARES AND ISSUE SHARES

INTRODUCTION

The purpose of this circular is to provide you with information regarding resolutions to be proposed at the Annual General Meeting relating to (i) the re-election of Directors; (ii) the granting to the Directors of a general mandate for the repurchase of Shares representing up to 10% and (iii) a general mandate to issue and allot new Shares not exceeding 20% of the Company's issued share capital as at the date of passing of such resolutions.

LETTER FROM THE BOARD

RE-ELECTION OF DIRECTORS

Pursuant to Article 106(A) of the Articles of Association, Mr. Francis Lui Yiu Tung and Mr. James Ross Ancell shall retire by rotation at the Annual General Meeting. In addition, Mr. Anthony Thomas Christopher Carter, being a Director appointed by the Board on 18th April 2007, shall hold office only until the Annual General Meeting pursuant to Article 97 of the Articles of Association. All the retiring Directors, being eligible, offer themselves for re-election.

Details of the Directors proposed to be re-elected are set out in Appendix I to this circular.

GENERAL MANDATES TO REPURCHASE SHARES AND ISSUE SHARES

At the 2006 Annual General Meeting, an ordinary resolution was passed in relation to the granting of a general mandate to the Directors to repurchase Shares not exceeding 10% of the issued share capital of the Company as at that date (“Existing Repurchase Mandate”). At the Extraordinary General Meeting, an ordinary resolution was passed granting a general mandate for the Directors to issue and allot new Shares not exceeding 20% of the issued share capital of the Company as at the date (“Existing Share Issue Mandate”).

Both the Existing Repurchase Mandate and the Existing Share Issue Mandate will expire upon the conclusion of the Annual General Meeting. The Directors consider that the Existing Repurchase Mandate and the Existing Share Issue Mandate increase the flexibility and provide discretion to the Board in managing the Company’s affairs and capital base and are in the interests of the Shareholders, and that both of the same shall continue to be adopted by the Company.

A new general mandate for the Directors to repurchase Shares representing up to 10% and a new general mandate for the Directors to issue and allot new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of such resolutions as respectively set out in Resolution 4.1 (“New Repurchase Mandate”) and in Resolutions 4.2 and 4.3 (“New Share Issue Mandate”) in the notice of the Annual General Meeting will be proposed at the Annual General Meeting. Resolution 4.3 also proposes to add to the 20% limit under the New Share Issue Mandate such Shares as repurchased pursuant to the New Repurchase Mandate, assuming Resolutions 4.1, 4.2 and 4.3 are all passed, and the mandates sought therein are all granted, by Shareholders at the Annual General Meeting.

With respect to the proposed New Repurchase Mandate, the Directors wish to state that they have no immediate plans to repurchase any Shares.

An explanatory statement containing the particulars required by the Listing Rules to enable the Shareholders to make an informed view on whether to vote for or against Resolution 4.1 to be proposed at the Annual General Meeting in relation to the New Repurchase Mandate is set out in Appendix II to this circular. With respect to the proposed New Share Issue Mandate, on the basis of the issued share capital of the Company as at the Latest Practicable Date (assuming no further changes to the issued share capital of the Company from that date until the date of the Annual General Meeting), the maximum number of Shares that can be allotted and issued by the Company is 659,728,272.

LETTER FROM THE BOARD

NOTICE OF ANNUAL GENERAL MEETING

Notice of the Annual General Meeting is set out in the Annual Report sent to Shareholders on the same date as this circular. A proxy form for use at the Annual General Meeting is enclosed with the Annual Report. Whether or not you are able to attend the meeting, you are reminded to complete the proxy form in accordance with the instructions printed thereon and return it to the registered office of the Company at Room 1606, 16th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible and, in any event, so as to be received by the Company, not less than 48 hours before the time appointed for the holding of the meeting. Completion and delivery of the form of proxy will not prevent you from attending and voting in person at the meeting if you so wish.

PROCEDURE FOR DEMANDING A POLL

According to Article 75 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded: (i) by the chairman of the meeting; or (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

RECOMMENDATION

The Directors consider that the re-election of Directors, the New Repurchase Mandate and the New Share Issue Mandate are each in the best interests of the Company, and accordingly, recommend all Shareholders to vote in favour of such resolutions to be proposed at the Annual General Meeting.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

LETTER FROM THE BOARD

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Galaxy Entertainment Group Limited
Dr. Lui Che Woo
Chairman

The details of the Directors proposed for re-election at the Annual General Meeting are set out below:

Mr. Francis Lui Yiu Tung, aged 51, has been an executive director of the Company since June 1987 and is the Deputy Chairman of the Company. He is also an executive director of KWIH, a substantial shareholder of the Company, which is listed on the Stock Exchange. In addition, he is a director of a number of subsidiaries of the Company.

Mr. Lui holds a bachelor of science degree in civil engineering and a master of science degree in structural engineering from the University of California at Berkeley, USA. He is a Member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

Save as disclosed, Mr. Lui did not hold any directorships in any listed public companies in the past three years. Mr. Lui is a son of Dr. Lui and a younger brother of Ms. Paddy Tang Lui Wai Yu, an Executive Director of the Company. He is also a direct or indirect discretionary beneficiary of the Trusts which are controlling shareholders of the Company. Save as disclosed, he has no relationships with any directors, senior management or substantial or controlling shareholders of the Company.

Mr. Lui's service contract does not provide for a fixed length or proposed length of service with the Company. He is not appointed for a specific term but shall be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association. The amount of emoluments covered by his service contract comprises an annual salary (including allowances), an annual director's fee and an annual remuneration committee chairman's fee which will be proposed by the Board and approved by the Shareholders at the subsequent year's annual general meeting, discretionary share options and discretionary bonuses. His emoluments amounted to HK\$12,065,896 including director's fees, salaries, allowances and benefits in kind, discretionary bonus, pension scheme contribution and share-based payment for the year ended 31st December 2006. His director's fee (presently expected to be HK\$80,000) and remuneration committee chairman's fee (presently expected to be HK\$50,000) for the year ended 31st December 2006 will be submitted to the Shareholders for approval at the Annual General Meeting. His emoluments are determined by reference to his duties and responsibilities with the Company, the Company's performance and profitability, the Company's remuneration policy and the market benchmark.

As at the Latest Practicable Date, Mr. Lui has interests in a total of 2,353,370,951 Shares and underlying shares (including deemed interests) under Part XV of the Securities and Futures Ordinance. He holds share options entitling him to subscribe for 11,050,000 Shares. Save as disclosed, Mr. Lui has no interests in the Shares within the meaning of Part XV of the Securities and Futures Ordinance.

To the best of the Directors' knowledge and belief and having made all reasonable enquiries, in relation to Mr. Lui's proposed re-election, there is no information that is required to be disclosed pursuant to any of the requirements of paragraph (h) to (v) of Rule 13.51(2) of the Listing Rules. Save as disclosed herein, the Board is not aware of any other matters that need to be brought to the attention of the Shareholders.

Mr. James Ross Ancell, aged 53, has been an independent non-executive director of the Company since April 2004 and an audit committee member of the Company since June 2004. Save as disclosed, he does not hold any positions with the Company or any subsidiaries of the Company.

Mr. Ancell holds a Bachelor's degree in Management Studies from University of Waikato in New Zealand. He is a member of the Institute of Chartered Accountants of New Zealand and has over 30 years of broad experience in building materials and construction sectors, waste management and recycling business gained from multinational corporations. He is currently the Chairman of Churngold Construction Holdings Limited in the UK, a leading specialist groundworks subcontractor carrying out groundworks and road surfacing, with a separate remediation business, cleaning up sites contaminated by previous industrial activity.

Mr. Ancell is a non-executive director of MJ Gleeson Group PLC which is listed on the London Stock Exchange. Save as disclosed, Mr. Ancell did not hold any directorship in any listed public companies in the past three years. He does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company.

Mr. Ancell's service contract with the Company provides for a term of 3 years. His emoluments covered by his service contract comprise an annual director's fee and an annual audit committee member's fee which will be proposed by the Board and approved by the Shareholders at the subsequent year's annual general meeting, and discretionary share options. His director's fee and audit committee member's fee for the year ended 31st December 2006, which is presently expected to be HK\$80,000 each, will be submitted to the Shareholders for approval at the Annual General Meeting. His emoluments are determined by reference to his duties and responsibilities with the Company, the Company's performance and profitability, the Company's remuneration policy and the market benchmark.

As at the Latest Practicable Date, Mr. Ancell has interests in share options entitling him to subscribe for 250,000 Shares. Save as disclosed, Mr. Ancell has no interests in the Shares within the meaning of Part XV of the Securities and Futures Ordinance.

To the best of the Directors' knowledge and belief and having made all reasonable enquiries, in relation to Mr. Ancell's proposed re-election, there is no information that is required to be disclosed pursuant to any of the requirements of paragraph (h) to (v) of Rule 13.51(2) of the Listing Rules. Save as disclosed herein, the Board is not aware of any other matters that need to be brought to the attention of the Shareholders.

Mr. Anthony Thomas Christopher Carter, aged 61, has been appointed a non-executive director of the Company since 18th April 2007. In addition, he is a director of Galaxy Casino, S.A., a subsidiary of the Company and a director of a number of other subsidiaries of the Company.

Mr. Carter holds a L.L.B. (Hons) from the University of Leeds in England. He is a solicitor in the United Kingdom, Hong Kong and Australia and a Notary Public in Hong Kong. He has extensive experience in strategic planning and business management as well as in corporate finance and development.

Apart from being a non-executive director of the Company, Mr. Carter did not hold any directorship in any listed public companies in the past three years. He does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company.

Mr. Carter's service contract with the Company provides for a term of 3 years. His emoluments covered by his service contract comprise an annual director's fee which will be proposed by the Board and approved by Shareholders at the subsequent year's annual general meeting. He is also entitled to discretionary share options. His emoluments are determined by reference to his duties and responsibilities with the Company, the Company's performance and profitability, the Company's remuneration policy and the market benchmark.

As at the Latest Practicable Date, Mr. Carter has interests in a total of 2,800,000 Shares within the meaning of Part XV of the Securities and Futures Ordinance, comprising 300,000 Shares and share options entitling him to subscribe for 2,500,000 Shares. Save as disclosed, Mr. Carter has no interests in the Shares within the meaning of Part XV of the Securities and Futures Ordinance.

To the best of the Directors' knowledge and belief and having made all reasonable enquiries, in relation to Mr. Carter's proposed re-election, there is no information that is required to be disclosed pursuant to any of the requirements of paragraph (h) to (v) of Rule 13.51(2) of the Listing Rules. Save as disclosed herein, the Board is not aware of any other matters that need to be brought to the attention of the Shareholders.

This Appendix contains the particulars that are required by the Listing Rules to be included in an explanatory statement to enable the Shareholders to make an informed view on whether to vote for or against the resolution to be proposed at the Annual General Meeting in relation to the proposed repurchase mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 3,298,641,361 Shares. As at the same date, there are outstanding share options granted under the Share Option Scheme and the share option scheme of the Company adopted on 10th September 1996 and expired on 9th September 2000 to subscribe for 45,028,000 Shares. There are also outstanding zero coupon convertible notes due 2011 in the aggregate principal amount of US\$240,000,000 convertible into Shares at any time on or after 14th June 2007 to 14th December 2011 at an initial conversion price of HK\$9.36 (subject to adjustment) per Share.

Subject to the passing of the resolution granting the proposed mandate to repurchase Shares and on the basis that no further Shares are issued (whether generally or pursuant to the exercise of the subscription rights attaching to the outstanding share options or exercise of the conversion rights attaching to the outstanding zero coupon convertible notes due 2011) or repurchased before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 329,864,136 Shares during the period ending on the earliest of: (i) the conclusion of the next annual general meeting of the Company; or (ii) the date by which the next annual general meeting of the Company is required to be held by the Articles of Association or by law; or (iii) the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting.

REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to seek a general authority from the Shareholders to enable the Company to repurchase Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value of the Company and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

The Directors have no present intention to repurchase any Shares and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company and in circumstances where they consider that the Shares can be repurchased on terms favourable to the Company. On the basis of the consolidated financial position of the Company as at 31st December 2006, being the date to which the latest published audited accounts of the Company were made up, the Directors consider that if the general mandate to repurchase Shares were to be exercised in full at the currently prevailing market value, there might be a material adverse impact on the working capital position and gearing position of the Company. The Directors do not propose to exercise the mandate to repurchase Shares to such an extent as would, in the circumstances, have a

material adverse effect on the working capital requirements of the Company as compared with the position disclosed in the latest published audited financial statements or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

FUNDING OF REPURCHASES

Repurchases made pursuant to the proposed mandate to repurchase Shares would be funded out of funds legally available for the purpose in accordance with the Articles of Association, the Companies Ordinance and the laws of the jurisdiction in Hong Kong.

EFFECT OF THE TAKEOVERS CODE

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code and Rule 6 of the Repurchase Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and would become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the Trusts, Lui Family Members and their respective associates and companies controlled by them were interested in 1,720,554,538 Shares representing 52.16% of the share capital of the Company. KWIH, which was controlled by one of the Trusts, was interested in 614,984,047 Shares representing 18.64% of the issued share capital of the Company.

Based on the above shareholding interests, in the event that the power to repurchase Shares pursuant to the New Repurchase Mandate is exercised in full, and taking no account of the exercise of outstanding share options or the conversion of outstanding zero coupon convertible notes due 2011, the aggregate interests of the Trusts, KWIH, Lui Family Members and their respective associates and companies controlled by them would be increased to approximately 78.67% of the issued share capital of the Company and the Shares held by the public will fall below 25% of the total number of Shares in issue. The Directors are not aware of any consequence which would give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no present intention to exercise the New Repurchase Mandate to the extent which will result in the number of the Shares held by the public being reduced to less than 25%.

SHARE PRICES

The following table shows the highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the past twelve months preceding the Latest Practicable Date:

Month	Highest (HK\$)	Lowest (HK\$)
2006		
April	7.80	6.05
May	8.30	6.20
June	8.75	6.80
July	7.75	6.89
August	7.08	6.06
September	7.30	6.47
October	7.63	6.83
November	8.51	7.28
December	8.45	7.10
2007		
January	7.95	7.16
February	9.15	7.60
March	8.71	7.51
April (up to the Latest Practicable Date)	8.20	7.60

REPURCHASE OF SHARES

The Company had not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

GENERAL

To the best of their knowledge and having made all reasonable enquiries, none of the Directors nor any of their associates currently intend to sell Shares to the Company or its subsidiaries.

No connected persons of the Company, as defined in the Listing Rules, have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so in the event that the Company is authorised to make repurchases of the Shares.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the proposed mandate to repurchase Shares in accordance with the Listing Rules and the applicable laws of Hong Kong.