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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)

PLACING OF NEW SHARES AND RESUMPTION OF TRADING

Placing agent



Merrill Lynch Far East Limited

On 11 October 2007, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent conditionally agreed, as agent of the Company, to procure (either itself or through its affiliates) Independent Third Parties to subscribe for, or failing which itself to subscribe for, the Placing Shares at the Placing Price of HK\$8.58 per Placing Share.

Completion of the Placing is subject to, among other things, the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares. If any of the Placing Conditions is not fulfilled, the Placing will not proceed.

The number of 150,000,000 Placing Shares represents 4.5% of the entire issued share capital of the Company of 3,302,814,361 Shares as at the date of this announcement and approximately 4.3% of the Company's entire issued share capital as enlarged by the Placing. The net proceeds from the Placing of approximately HK\$1,252,818,000 (assuming the Placing Shares are fully placed) will be used to fund (i) gaming related business, (ii) facility development, (iii) acquisition opportunities, and (iv) general working capital purposes.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 2:30 p.m. on 5 October 2007 pending the release of the Notifiable Transactions Announcement and remain suspended from 9:30 a.m. on 12 October 2007 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 15 October 2007.

THE PLACING AGREEMENT

Date: 11 October 2007

Issuer: the Company

Placing Agent: Merrill Lynch Far East Limited, a corporation licensed in Hong Kong to conduct business in types 1, 4 and 6 (dealing in securities, advising on securities and advising on corporate finance) of the regulated activities under the SFO.

The Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees: The Placing Agent agreed to procure (either itself or through its affiliates) Independent Third Parties to subscribe for, or failing which, itself to subscribe for the Placing Shares at the Placing Price. The Placing Shares will be placed to not less than six placees which will be professional, institutional and/or other investors that are Independent Third Parties. It is expected that no placee will become a substantial shareholder (as defined in the Listing Rules) immediately following completion of the Placing.

Number of Placing Shares: 150,000,000 new Shares, to be issued by the Company and placed by the Placing Agent. Assuming the Placing Shares are fully placed, the Placing Shares shall represent (i) 4.5% of the entire issued share capital of the Company of 3,302,814,361 Shares as at the date of this announcement; and (ii) approximately 4.3% of the Company's entire issued share capital as enlarged by the Placing.

Placing Price: HK\$8.58 per Placing Share. The Placing Price was agreed after arm's length negotiations between the Company and the Placing Agent, with reference to, among other things, the recent trading price of the Shares on the Stock Exchange. The Placing Price represents:

- (a) a discount of 4.7% to the closing price of HK\$9.00 per Share as quoted on the Stock Exchange at 2:30 p.m. on 5 October 2007, being the last trading day of the Shares immediately before the signing of the Placing Agreement on 11 October 2007; and

- (b) a discount of approximately 4.5% to the average closing price of HK\$8.98 per Share as quoted on the Stock Exchange for the 5 trading days of the Shares immediately before the date of the Placing Agreement of 11 October 2007;

Placing Period: The Placing will be carried out during the period from the date of the Placing Agreement to the Closing Date.

Ranking of Placing Shares: The Placing Shares, when issued and fully paid, will rank *pari passu* among themselves and with the Shares in issue at the time of issue and allotment of the Placing Shares.

Termination of the Placing: The Placing Agent may by notice to the Company given at any time prior to the Closing Date, terminate the Placing Agreement in any of the following circumstances, including:

- (a) if any of the Placing Shares is not delivered by the Company as provided in the Placing Agreement;
- (b) there having occurred the following and in the opinion of the Placing Agent, is likely to or may prejudice materially the success of the Placing:
 - (i) any event, or series of events, beyond the reasonable control of the Company (including, without limitation, acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemic, terrorism, acts of war and acts of God);
 - (ii) any adverse change, or development (whether or not permanent) involving a prospective adverse change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Group as a whole, whether or not arising in the ordinary course of business;
 - (iii) any change or any development (whether or not permanent) involving a prospective change or any crisis in local, national or international monetary, financial, economic, legal, taxation or political conditions (including, without limitation, conditions in the stock market, in the foreign exchange market, inter-bank market, money market and conditions with respect to interest rates in Hong Kong, Macau or otherwise) or foreign exchange controls in Hong Kong, Macau and overseas or any occurrence of a combination of any such changes or developments or crises or any deterioration of any such conditions;

- (iv) any local, national or international occurrence, outbreak or escalation of hostilities whether war had been declared or not, or insurrection or armed conflict (whether or not involving financial markets); or
- (v) any suspension of or material restriction on dealings in the Shares on the Stock Exchange (except for any suspension of dealings in the Shares caused by or due to this announcement), or any suspension of or material restriction on trading generally on any Hong Kong, United States, PRC or United Kingdom stock exchange, or any requirement on minimum or maximum prices for trading, or maximum ranges for prices, by any such exchange or system or by order of the Stock Exchange, the United States Securities and Exchange Commission, the United States National Association of Securities Dealers, Inc. or any governmental authority, or any occurrence of material disruption in commercial banking or securities settlement or clearance services in Hong Kong, Macau or the United States or any banking moratorium declared by Hong Kong, Macau, United States Federal or New York authorities;
- (c) there having developed, occurred or come into force the introduction of any new law or regulation or change in existing laws or regulations (or the judicial interpretation thereof) or any other similar event which in the opinion of the Placing Agent has or is likely to have a material adverse effect on the business or financial condition of the Company; or
- (d) if any of the Placing Conditions is not fulfilled or waived by the Placing Agent (as the case may be) by the time scheduled for completion of the Placing.

Placing Conditions:

The Placing is conditional, *inter alia*, upon:

- (a) the Listing Committee of the Stock Exchange granting listing of and permission to deal in, all of the Placing Shares and to the extent such approval is subject to any conditions, the satisfaction in full of all such conditions; and

- (b) there have not come to the attention of the Placing Agent at any time prior to completion of the Placing (i) any breach of, or any event rendering untrue, inaccurate or misleading in any material respect, any of the representations, warranties or undertakings of the Company set out in the Placing Agreement; or (ii) any breach of, or failure to perform, any of the other obligations of the Company required to be performed at or before completion of the Placing;

The Company has undertaken to use all reasonable endeavours to procure the fulfillment of the Placing Conditions set out above and shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be reasonably required by the Placing Agent, the Stock Exchange or the Securities and Futures Commission in connection with the fulfillment of the Placing Conditions.

The Placing Agent may, at any time in its absolute discretion, waive any or all of the Placing Conditions (other than Placing Condition (a) above) or extend the deadline for the fulfillment of such conditions by such number of days or in such manner as it may in its absolute discretion determine.

If any of the Placing Conditions shall not have been fulfilled or waived by the Placing Agent (as the case may be) by the time scheduled for completion of the Placing, the Placing Agreement and the obligations of the Placing Agent shall cease and terminate at that time (or such earlier time as the relevant condition(s) shall have become incapable of fulfillment and the Placing Agent shall have determined not to waive fulfillment and notified the same in writing to the Company) except in relation to obligations, agreements and liabilities arising prior to such termination of the Placing Agreement and provisions of the Placing Agreement relating to Placing commission, brokerage and expenses payable by the Company and warranties and indemnity given by the Company.

Application will be made to the Stock Exchange for the approval for the listing of and permission to deal in the Placing Shares.

Completion of the Placing: Completion of the Placing shall take place on the Closing Date.

General Mandate: The Placing Shares will be issued pursuant to the general mandate to allot and issue Shares granted to the Directors by resolution of the Shareholders passed at the Company's general meeting held on 26 June 2007. The general mandate had not been used prior to entering into the Placing Agreement and a maximum of 660,358,272 Shares is available under it.

Undertaking: The Company undertook to the Placing Agent that for a period of 90 days from the date of the Placing Agreement, it will not issue, offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for Shares) or enter into a transaction (including a derivative transaction) having an economic effect similar to that of a sale or enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise or publicly announce any intention to issue, offer, lend, sell, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) or enter into any swap or similar agreement described above or deposit any Shares (or any securities convertible into or exchangeable for Shares) in any depository receipt facility, without the prior written consent of the Placing Agent, other than, *inter alia*, (i) the issue and allotment of the Placing Shares pursuant to the Placing Agreement, (ii) the issue and allotment of 323,384,000 Shares pursuant to the subscription agreement dated 8 October 2007 and made between the Company, ENB LUX 1 S.à.r.l, ENB LUX 2 S.à.r.l. and Permira IV L.P.1, (iii) the issue and allotment of 156,804,000 Shares pursuant to the FRN conversion and repayment agreement dated 8 October 2007 and made between the Company, City Lion Profits Corp. and Recurrent Profits Limited (as noteholders), (iv) Shares to be issued upon exercise of warrants to purchase or subscribe Shares, or upon conversion of securities convertible into Shares, in each case, outstanding on the date of the Placing Agreement, and (v) Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase Shares) issued, offered, allotted, appropriated, modified or granted to current or former employees (including Directors) of the Group and/or associated companies or persons related to such current or former employees (including Directors) of the Group and/or associated companies, directly or indirectly, pursuant to any employee share scheme or arrangement for any one or more employees generally or as required by law.

US SELLING RESTRICTIONS

The Placing Shares have not been and will not be registered under the Securities Act and will not be offered or sold within the US except pursuant to an exemption from the registration requirements of the Securities Act. The Placing Agent has arranged for the offer and sale of the Placing Shares outside the US, and will arrange for the offer and sale of the Placing Shares outside the US, only in accordance with Rule 903 of Regulation S of the Securities Act or if inside the US pursuant to an applicable exemption from the registration requirements of the Securities Act. Accordingly, neither the Placing Agent, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Placing Shares. In connection with any offer or sale of the Placing Shares in the US by the Placing Agent (through its US agent) to investors who it reasonably believes are “qualified institutional buyers” (as defined in Rule 144A under the Securities Act), the Placing Agent and its affiliates has not directly, or through any agent, engaged in any form of general solicitation or general advertising (as those terms are used in Regulation D of the Securities Act) in connection with the offering of the Placing Shares.

EFFECT OF THE PLACING ON SHAREHOLDING

Reference is made to the Notifiable Transactions, the Employee Options and the Galaxy Convertible Bonds disclosed in the Notifiable Transactions Announcement of the Company dated 11 October 2007. It is currently expected that the completion of the Placing will occur before the Completion of the Notifiable Transactions.

The shareholdings in the Company (i) at the date of this Announcement; (ii) at completion of the Placing; (iii) at completion of Placing and Notifiable Transactions; (iv) at completion of Placing and Notifiable Transactions and full exercise of Employee Options; (v) at completion of Placing and Notifiable Transactions and full conversion of Galaxy Convertible Bonds; and (vi) at completion of Placing and Notifiable Transactions, full exercise of Employee Share Options and full conversion of Galaxy Convertible Bonds are and will be as set out below:

Shareholders	Immediately before the Placing		Immediately after the Placing		Immediately after Placing and Completion of the Notifiable Transactions	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Major Shareholders (including the Noteholders)	1,496,551,874	45.31	1,496,551,874	43.34	1,653,355,874	42.04
Lui Family members (other than Major Shareholders)	224,304,664	6.79	224,304,664	6.50	224,304,664	5.70
KWIH	614,984,047	18.62	614,984,047	17.81	162,484,047	4.13
Directors (other than Lui Family members)	2,752,533	0.08	2,752,533	0.08	2,752,533	0.07
Other connected persons of the Company	82,250,410	2.49	82,250,410	2.38	82,250,410	2.09
Permira Fund	—	—	—	—	775,884,000	19.73
Placees	—	—	150,000,000	4.34	150,000,000	3.81
Public shareholders (other than the Placees)	<u>881,970,833</u>	<u>26.70</u>	<u>881,970,833</u>	<u>25.54</u>	<u>881,970,833</u>	<u>22.42</u>
Total	<u>3,302,814,361</u>	<u>100</u>	<u>3,452,814,361</u>	<u>100</u>	<u>3,933,002,361</u>	<u>100</u>

Shareholders	Immediately after Placing, Completion of the Notifiable Transactions and full exercise of Employee Options		Immediately after Placing, Completion of the Notifiable Transactions and full conversion of Galaxy Convertible Bonds		Immediately after Placing, Completion of the Notifiable Transactions, full exercise of Employee Options and full conversion of Galaxy Convertible Bonds	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Major Shareholders (including the Noteholders)	1,676,395,874	42.19	1,653,355,874	39.96	1,676,395,874	40.12
Lui Family members (other than Major Shareholders)	227,804,664	5.73	224,304,664	5.42	227,804,664	5.45
KWIH	162,484,047	4.09	162,484,047	3.93	162,484,047	3.89
Directors (other than Lui Family members)	7,152,533	0.18	2,752,533	0.07	7,152,533	0.17
Other connected persons of the Company	82,250,410	2.07	82,250,410	1.99	82,250,410	1.97
Permira Fund	775,884,000	19.52	775,884,000	18.75	775,884,000	18.57
Placees	150,000,000	3.77	150,000,000	3.63	150,000,000	3.59
Public shareholders (other than the Placees)	<u>891,885,833</u>	<u>22.44</u>	<u>1,086,784,837</u>	<u>26.26</u>	<u>1,096,699,837</u>	<u>26.25</u>
Total	<u>3,973,857,361</u>	<u>100</u>	<u>4,137,816,365</u>	<u>100</u>	<u>4,178,671,365</u>	<u>100</u>

Note: These figures are based on the assumption that (i) the Placing Shares will be fully placed and issued by the Company pursuant to the Placing, and (ii) save for the Placing Shares, no further Shares will be issued or repurchased by the Company from the date of this announcement up to the date of completion of the Placing.

The Placing would have the effect of increasing the number of Shares being held in public hands, which would enable the Company to meet the minimum public float requirements of the Listing Rules following Completion of the Notifiable Transactions but before exercise of any Employee Options and the Galaxy Convertible Bonds.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group's principal business is the development and operation of casino and gaming and gaming related facilities and related leisure and entertainment facilities in Macau. It also has businesses in the manufacture, sale and distribution of construction materials in Hong Kong, Macau and the PRC.

The net proceeds from the Placing are estimated to be approximately HK\$1,252,818,000, after deducting the relevant commission and expenses in respect of the Placing at HK\$8.58 per Placing Share, and represents a net Placing Price of approximately HK\$8.35 per Placing Share.

The Company intends to use the proceeds received from the Placing to fund (i) gaming related business, (ii) facility development, (iii) acquisition opportunities, and (iv) general working capital purposes.

The Directors consider that the Placing of new Shares is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement	Event	Net proceeds	Intended use of proceeds as stated in the announcement	Actual use of proceeds
6 December 2006	Galaxy Convertible Bonds issue	approx. US\$235,150,000	Funding expansion of the Company's Galaxy World Mega Resort and general working capital	Same as intended use

Save as disclosed above, the Company has not conducted any equity fund-raising activity in the 12-month period immediately preceding the date of this announcement.

LISTING RULES

Application will be made to the Listing Committee of the Stock Exchange for listing of and permission to deal in, the Placing Shares on the Stock Exchange.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 2:30 p.m. on 5 October 2007 pending the release of the Notifiable Transactions Announcement and remain suspended from 9:30 a.m. on 12 October 2007 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 15 October 2007.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board”	the board of Directors
“Business Day”	any day (not being a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Closing Date”	the date on which the Placing will be completed, being 3:00 p.m. on 24 October 2007, or such other time or date as the Company and the Placing Agent shall agree pursuant to the terms of the Placing Agreement
“Company”	Galaxy Entertainment Group Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Completion of the Notifiable Transactions”	the completion of the Notifiable Transactions as described in the Notifiable Transactions Announcement
“Director(s)”	the director(s) of the Company
“Employee Options”	has the same meaning as defined in the Notifiable Transactions Announcement
“Galaxy Convertible Bonds”	has the same meaning as defined in the Notifiable Transactions Announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, which is/ are independent of the Company and its connected persons (as such term is defined in the Listing Rules)
“KWIH”	has the same meaning as defined in the Notifiable Transactions Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Lui Family”	has the same meaning as defined in the Notifiable Transactions Announcement
“Macau”	the Macau Special Administrative Region of the PRC
“Major Shareholders”	has the same meaning as defined in the Notifiable Transactions Announcement
“Noteholders”	has the same meaning as defined in the Notifiable Transactions Announcement
“Notifiable Transactions”	the notifiable transactions of the Company and KWIH disclosed in the Notifiable Transactions Announcement
“Notifiable Transactions Announcement”	the joint announcement of the Company and KWIH dated and published on 11 October 2007 with respect, amongst other things, to certain notifiable transactions of the Company and KWIH
“Permira Fund”	has the same meaning as defined in the Notifiable Transactions Announcement
“Placing”	the placing of the Placing Shares by the Company, through the Placing Agent, pursuant to the Placing Agreement
“Placing Agent”	Merrill Lynch Far East Limited, a corporation licensed in Hong Kong to conduct business in types 1, 4 and 6 (dealing in securities, advising on securities and advising on corporate finance) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 11 October 2007 in relation to the Placing
“Placing Conditions”	the conditions precedent to the Placing Agreement as set out in the sub-section headed “Placing Conditions” under the section headed “Placing Agreement” in this announcement
“Placing Price”	HK\$8.58 per Placing Share
“Placing Shares”	150,000,000 Shares to be placed pursuant to the Placing Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau, and Taiwan
“Securities Act”	the US Securities Act of 1933

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the US
“%”	per cent.

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

Hong Kong, 12 October 2007

As at the date of this announcement, the executive directors of the Company are Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Mr. Chan Kai Nang, Mr. Joseph Chee Ying Keung and Ms. Paddy Tang Lui Wai Yu; the non-executive directors of the Company are Mr. Moses Cheng Mo Chi and Mr. Anthony Thomas Christopher Carter; and the independent non-executive directors of the Company are Dr. Charles Cheung Wai Bun, Mr. James Ross Ancell and Dr. William Yip Shue Lam.