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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)

CONNECTED TRANSACTION

CONSTRUCTION CONTRACT

The Board announces that on 19 October 2009, Qianan JV, a non-wholly owned subsidiary of the Company, entered into the Construction Contract with the Contractor under which Qianan JV has agreed to employ the Contractor to carry out the Construction Works relating to the construction and installation of a slag production plant for Qianan JV at Qianan City, Hebei Province, PRC. Slag is environmental-friendly construction materials, the business of which is encouraged by the Central Government. The PRC joint venture partners in Qianan JV are Shougang Group Company (and its subsidiary), which is a renowned and one of the largest steel-product manufacturers in PRC.

As the Contractor is an associate of a substantial shareholder of Qianan JV, the Contractor is a connected person of the Company (at the subsidiary level). Accordingly, the Construction Contract constitutes a connected transaction for the Company. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Contract Sum under the Construction Contract are more than 0.1% but less than 2.5%, the Construction Contract is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and does not require the approval by independent shareholders of the Company.

THE CONSTRUCTION CONTRACT

Date:

19 October 2009

Parties:

- (1) Qianan JV, an indirect non-wholly owned subsidiary of the Company, as the employer; and
- (2) the Contractor, an associate of Shougang Group Company, which is a substantial shareholder of Qianan JV, as the contractor.

Subject Matter:

The Contractor is employed by Qianan JV to carry out the Construction Works relating to the construction and installation of a slag production plant for Qianan JV at Qianan City, Hebei Province, PRC. The Construction Works include, but are not limited to, constructing the foundation and structure of the offices, factories and storage tanks, and installing the slag production line (comprising of grinding machines, dust collectors, hot-air generators and other components) and the associated electrical and mechanical systems.

The Construction Works are scheduled to commence after signing of the Construction Contract on 19 October 2009. It is presently estimated that the Construction Works will take approximately 11 months to complete.

Contract Sum:

The Contract Sum is determined to be approximately RMB36,000,000 (equivalent to approximately HK\$41,040,000).

The Contractor was selected from a group of builders who responded through a tender process conducted in around July 2009. Qianan JV assessed the quotations submitted by and experience of the builders and the quality of work they demonstrated in other construction projects, and has chosen the Contractor. The Contract Sum was determined taking into account the above factors during the tender process. The Contract Sum will be funded by internal resources of Qianan JV.

Payment Term:

A prepayment equivalent to 10% of the Contract Sum, which is RMB3,600,000 (equivalent to approximately HK\$4,104,000), shall be paid by Qianan JV to the Contractor within 20 days from the date of the Construction Contract.

By the 20th day of each month during the construction period, the Contractor must deliver to Qianan JV a project progress report elaborating the portion and amount of the Construction Works already completed in the immediately preceding month. After Qianan JV has assessed the value of the work completed in that month, Qianan JV will pay 80% of such value of work to the Contractor within 14 days. Each of the first six monthly payments will be partly off-set against RMB600,000 (being one-sixth (1/6) of the prepayment of RMB3,600,000 paid).

An aggregate payment of 90% of the Contract Sum, after deducting all payments which have been previously settled, will be payable after the completion of the Construction Works.

An aggregate payment of 95% of the Contract Sum, after deducting all payments which have been previously settled, will be paid within 15 days after the completion audit of the Construction Works, which is to be performed within 28 days after the passing of the completion inspection conducted by Qianan JV.

A sum of 5% of the Contract Sum will be retained as quality assurance money, and will be paid to the Contractor without interest after (i) one year from the completion inspection and (ii) any quality defect of the Construction Works has been rectified.

REASONS FOR AND BENEFITS OF THE CONSTRUCTION CONTRACT

Qianan JV is a sino-foreign equity joint venture incorporated in the PRC in early 2009, which is owned as to 30% by Shougang Group Company, as to 55% by Earnmark and as to 15% by 河北省首鋼遷安鋼鐵有限責任公司 (Hebei Province Shougang Qianan Steel & Iron Limited Liability Company, which is 98% owned by Shougang Group Company). Qianan JV is a 55% owned subsidiary of the Company and is principally engaging in the manufacture and sale of slag in Qianan City, Hebei Province, PRC.

Slag is a by-product of the iron and steel making process and is used as a partial replacement of cement in concrete production, which will result in both environmental and technical benefits, the business of which is encouraged by the Central Government. Based on the experience in European countries, it is expected that the usage of, and therefore the demand for, slag in PRC will continue to rise and such business will continue to be sustainable.

Qianan JV is only at the preparatory stage. The Construction Contract will ensure that Qianan JV will set up its slag production plant in accordance with the planned schedule and the required standards, after which the management team of Qianan JV will be in full force to implement its business plan. The Board believes that this will enhance the competitive edge and broaden the earning base of the construction materials division of the Group.

The Directors (including the independent non-executive Directors) consider that the Construction Contract is on normal commercial terms and its terms are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

INFORMATION ON THE COMPANY

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 and quarrying in Hong Kong, Macau and the PRC.

INFORMATION ON THE CONTRACTOR AND SHOUGANG GROUP COMPANY

The Contractor is a PRC incorporated company which is 35% owned by Shougang Group Company, which in turn is holding a 30% equity interest in Qianan JV. Shougang Group Company is a renowned and one of the largest steel-product manufacturers in PRC, whose principal business activities are steel production related business and investment holding. The principal business activity of the Contractor is the provision of construction services.

LISTING RULES IMPLICATIONS

As the Contractor is an associate of Shougang Group Company, which is a substantial shareholder of a non-wholly owned subsidiary of the Company, the Contractor is a connected person of the Company (at the subsidiary level). Accordingly, the Construction Contract constitutes a connected transaction for the Company. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Contract Sum under the Construction Contract are more than 0.1% but less than 2.5%, the Construction Contract is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and does not require the approval by independent shareholders of the Company.

DEFINITIONS

In this announcement, unless otherwise stated, the following expressions have the meanings set opposite them below:

“associate”	the meaning ascribed to it under the Listing Rules;
“Board”	the Board of Directors of the Company;
“Company”	Galaxy Entertainment Group Limited, a company incorporated with limited liability in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 27);
“Contractor”	北京首鋼建設集團有限公司 (Beijing Shougang Construction Group Company Limited), a PRC incorporated company which is 35% owned by Shougang Group Company;
“Construction Contract”	the construction contract dated 19 October 2009 between Qianan JV and the Contractor in respect of the Construction Works;
“Construction Works”	the construction works relating to the construction and installation of the slag production plant of Qianan JV at Qianan City, Hebei Province, PRC under the terms of the Construction Contract;
“Contract Sum”	approximately RMB36,000,000 (equivalent to approximately HK\$41,040,000) being the contract price of the Construction Contract;
“Directors”	the directors of the Company;
“Earnmark”	Earnmark Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	The People’s Republic of China;
“Qianan JV”	遷安首嘉建材有限公司 (Qianan Shougang K. Wah Construction Materials Company Limited), a sino-foreign equity joint venture which is owned as to 30% by Shougang Group Company, as to 55% by Earnmark and as to 15% by 河北省首鋼遷安鋼鐵有限責任公司 (Hebei Province Shougang Qianan Steel & Iron Limited Liability Company, which is 98% owned by Shougang Group Company);
“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	shares of HK\$0.10 each in the capital of the Company;
“Shougang Group Company”	首鋼總公司 (Shougang Group Company), a PRC incorporated company which is holding a 30% equity interest in Qianan JV; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

For the purpose of this announcement, the exchange rate used is RMB1 = HK\$1.14.

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 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, 19 October 2009

Website: www.galaxyentertainment.com