

**If you are in doubt** as to any aspect of this circular or as to the actions to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Galaxy Entertainment Group Limited, you should at once hand this circular and the accompanying proxy form 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.

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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)**

### **REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES**

**Independent financial adviser to the independent board committee  
and independent shareholders of Galaxy Entertainment Group Limited**

**COMMERZBANK** 

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A letter from the Independent Board Committee is set out on page 7 of this circular and a letter from Commerzbank AG (Hong Kong branch), the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 8 to 12 of this circular.

A notice convening the EGM to be held on Friday, 9 February 2007 at Picasso Room, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at 2:45 p.m. is set out on pages 13 to 15 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registered office of the Company at Room 1606, 16th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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## DEFINITIONS

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

“Announcement”	the announcement issued by the Company dated 6 December 2006 in respect of, amongst others, the issue of the Convertible Notes;
“Articles”	the articles of association of the Company;
“associates”	the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company”	Galaxy Entertainment Group Limited, a company incorporated in Hong Kong with limited liability on 19 May 1987, the shares of which are listed on the main board of the Stock Exchange;
“Convertible Notes”	the zero-coupon convertible notes due 2011 issued by the Company on 14 December 2006;
“Directors”	the directors of the Company;
“Dr. Lui”	Dr. Lui Che Woo, a director of the Company;
“EGM”	the extraordinary general meeting of the Company convened on 9 February 2007 for the purpose of approving the New Issue Mandate, notice of which is set out on pages 13 to 15 of this circular;
“Group”	the Company and its subsidiaries at the Latest Practicable Date;
“Hong Kong” and “HK\$”	are, respectively, the Hong Kong Special Administrative Region of The People’s Republic of China, and Hong Kong dollars, the lawful currency of Hong Kong;
“IFA” or “Commerzbank”	Commerzbank AG, acting through its Hong Kong branch, a licensed bank under the Banking Ordinance and an authorised financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO, and appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the New Issue Mandate;
“Independent Board Committee”	the independent committee of the Board established to advise the Independent Shareholders on the New Issue Mandate;

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## DEFINITIONS

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“Independent Shareholders”	holders of the Shares other than KWIH, the Trusts, Dr. Lui and their respective associates;
“KWIH”	K. Wah International Holdings Limited, an exempted company incorporated with limited liability on 2 May 1989 in Bermuda, the shares of which are listed on the main board of the Stock Exchange and a substantial shareholder holding 18.66% of the issued share capital of the Company;
“Latest Practicable Date”	17 January 2007, being the latest practicable date for ascertaining and inclusion of certain information in this circular prior to its printing;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Issue Mandate”	the new general mandate proposed to be granted to the Directors to allot issue and deal with new Shares amounting in aggregate to up to 20% of the Company’s issued share capital as at the date of the EGM;
“Principal Trust”	the discretionary Lui Family trust which holds 38.44% equity interest in the Company, established under the laws of Jersey, and the sole trustee of which is HSBC International Trustee Limited;
“Secondary Trust”	the second discretionary Lui Family trust which holds 0.70% equity interest in the Company, established under the laws of Jersey, and the sole trustee of which is HSBC International Trustee Limited;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shares”	the ordinary shares of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Trusts”	collectively, the Principal Trust and the Secondary Trust; and
“%”	per cent.

*Some numbers in this circular have been rounded. As a result, totals may not add up to exactly 100%.*



**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 (*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\*

\* *Independent Non-executive Directors*

22 January 2007

*To the Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES**

At the 2006 annual general meeting of the Company held on 29 June 2006, an ordinary resolution was passed granting a general mandate to the Directors to issue and allot Shares not exceeding 20% of the issued share capital of the Company as at that date. There were in issue 3,294,649,361 Shares at the date of the 2006 annual general meeting. Accordingly, pursuant to the mandate granted at the 2006 annual general meeting, the Board may issue up to 658,929,872 Shares. As at the Latest Practicable Date, the Company has not issued any Shares under such mandate and the Company has not refreshed such mandate since the 2006 annual general meeting.

On 6 December 2006, the Company announced an issue of an aggregate principal amount of US\$240,000,000 Convertible Notes which was subsequently completed on 14 December 2006. As mentioned in the Announcement, the Shares issuable upon conversion of the Convertible Notes will be issued pursuant

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## LETTER FROM THE BOARD

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to the general mandate granted to the Directors at the annual general meeting held on 29 June 2006. Upon full conversion of the Convertible Notes at a conversion price of HK\$7.44 per Share (subject to adjustment) and assuming an exchange rate of HK\$7.80 to US\$1.00, 251,612,903 Shares would be issued, representing approximately 7.64% of the total number of Shares as at the date of approving the general mandate. The amount of proceeds raised from the issue of the Convertible Notes and its intended use is set out in the Announcement.

The purpose of this circular is to provide the Shareholders with notice of the EGM at which resolutions will be proposed for, amongst other things, approving the New Issue Mandate. This circular also contains the advice of the IFA which has been retained as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the New Issue Mandate, and the recommendations of the Independent Board Committee which has been formed to advise the Independent Shareholders on the New Issue Mandate.

The Company presently has no plan to issue any new Shares under the New Issue Mandate. Whilst the Company receives numerous approaches from time to time from potential investors and business partners and at any given time it may be in exploratory general discussions about proposals that may entail the issue of Shares, at the date of the circular the Company has no firm plans to exercise the New Issue Mandate. If the Company develops any firm plans before the date on which the New Issue Mandate is granted an appropriate announcement will be made. The Company's expansion of the Cotai Mega Resort in Macau scheduled to open in 2008 is fully funded. Nevertheless, the Directors consider it desirable to have the New Issue Mandate as it increases the flexibility of the Board in managing the Company's capital base and in particular will enable the Company to maintain maximum financing flexibility and to timely take full advantage of the evolving gaming market. Without it the Company may be unable to capture some opportunities due to the time involved in seeking shareholders approval of specific proposals.

Subsequent to the 2006 annual general meeting of the Company, 1,728,000 Shares were issued pursuant to the exercise of employee share options and accordingly, as at the Latest Practicable Date, the number of Shares in issue was 3,296,377,361. If granted, the New Issue Mandate will entitle the Board to issue and allot up to 659,275,472 new Shares (assuming no Shares are issued or repurchased between the Latest Practicable Date and the date of the EGM). The Shares to be issued upon conversion of the Convertible Notes will be issued under the existing general mandate and will not utilise the New Issue Mandate and the remaining portion of the existing general mandate will be revoked if the New Issue Mandate is granted.

If granted, the New Issue Mandate will be valid from the time of passing of the relevant resolution at the EGM until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; or
- (iii) the revocation or variation of the authority given under the relevant resolution by an ordinary resolution of the Shareholders in general meeting.

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## LETTER FROM THE BOARD

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In compliance with Rule 13.36(4)(a) of the Listing Rules, only the Independent Shareholders will be permitted to vote on the resolution to approve the New Issue Mandate, and such voting will be by poll.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising of Dr. Charles Cheung Wai Bun, Mr. James Ross Ancell and Dr. William Yip Shue Lam, has been constituted to make recommendations to the Independent Shareholders in relation to the New Issue Mandate.

### INDEPENDENT FINANCIAL ADVISER

Commerzbank AG (Hong Kong branch) has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the New Issue Mandate.

### EGM

A notice convening the EGM to be held at Picasso Room, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at 2:45 p.m. on Friday, 9 February 2007 is set out on pages 13 to 15 of this circular. An ordinary resolution will be proposed to grant the New Issue Mandate which will be voted on by poll.

Whether or not the Shareholders are able to attend the EGM, they are requested to complete and return the enclosed form of proxy accompanying this circular in accordance with the instructions printed thereon to the registered office of the Company in Hong Kong at Room 1606, 16th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for the holding of the meeting. Return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof should they so wish.

KWIH, the Trusts, Dr. Lui and his spouse, and their respective associates together hold in aggregate and control or are entitled to exercise control over 1,996,590,782 Shares, representing approximately 60.57% of the voting rights in the Company and will abstain from voting in favour at the EGM on the resolution to approve the New Issue Mandate. To the best of the Directors' knowledge, information and belief (having made all reasonable enquiries), there is no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon such shareholders, nor is there any obligation or entitlement of any such shareholders as at the Latest Practicable Date, whereby he/it has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of his/its Shares to a third party, either generally or on a case-by-case basis.

### PROCEDURE FOR DEMANDING A POLL

The procedure by which the Shareholders may demand a poll pursuant to the constitutional documents of the Company is set out in Article 75 of the Articles as follows:

“75. 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

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## LETTER FROM THE BOARD

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- (ii) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorized 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 authorized 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 authorized representative) or by proxy and holding shares in the Company 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.

Unless a poll be so demanded and not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor or against such resolution.”

### RECOMMENDATION

The executive directors of the Company consider that the New Issue Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. The Independent Board Committee concurs.

Your attention is drawn to the recommendation of the Independent Board Committee (set out on page 7 of this circular) and the advice of the IFA (set out on pages 8 to 12 of this circular) regarding the New Issue Mandate.

Accordingly, the Directors recommend the Shareholders to vote in favor of all the resolutions to be proposed at the EGM.

### FURTHER INFORMATION

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

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



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the New Issue Mandate.*

22 January 2007

To the Independent Shareholders,  
Galaxy Entertainment Group Limited

Dear Sir or Madam,

### **REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES**

We have been appointed as members of the Independent Board Committee to advise you in connection with the New Issue Mandate, details of which are set out in the letter from the Board in a circular dated 22 January 2007 issued by the Company to the Shareholders (the "Circular"), of which this letter forms a part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Your attention is drawn to the letter from the IFA concerning its advice to us regarding the New Issue Mandate as set out on pages 8 to 12 of the Circular.

Having considered the advice given by the IFA and the principal factors and reasons taken into consideration by them in arriving at its advice, we are of the opinion that the New Issue Mandate is in the best interests of the Company and its Shareholders as a whole, and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution in relation to the New Issue Mandate to be proposed at the EGM.

Yours faithfully,

By order of the board of  
Independent Board Committee

**Dr. Charles Cheung Wai Bun, James Ross Ancell and Dr. William Yip Shue Lam**  
*Independent non-executive Directors*

德 國 商 業 銀 行

**COMMERZBANK** 

(Public Limited Company Incorporated in the Federal Republic of Germany)

HONG KONG BRANCH

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22 January 2007

*To the Independent Board Committee  
and the Independent Shareholders*

Dear Sirs

## PROPOSED REFRESHMENT OF THE GENERAL MANDATE TO ALLOT AND ISSUE SHARES

### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with regard to the proposed refreshment of the New Issue Mandate. The terms used in this letter shall have the same meaning as those defined in the circular from the Company to the Shareholders dated 22 January 2007 (the “**Circular**”) unless the context otherwise specifies.

As stated in the letter from the Board (the “**Letter from the Board**”), at the Company’s 2006 annual general meeting held on 29 June 2006, an ordinary resolution was passed granting a general mandate to the Directors to issue and allot Shares not exceeding 20% of the issued share capital of the Company as at that date. There were in issue 3,294,649,361 Shares at the date of the 2006 annual general meeting. Accordingly, pursuant to the mandate granted at the 2006 annual general meeting, the Board may issue up to 658,929,872 Shares without further approval of Shareholders.

On 6 December 2006, the Company announced an issue of an aggregate principal amount of US\$240,000,000 Convertible Notes which was subsequently completed on 14 December 2006. As mentioned in the Letter from the Board, the Shares issuable upon conversion of the Convertible Notes will be issued pursuant to the general mandate granted to the Directors at the annual general meeting held on 29 June 2006. Upon full conversion of the Convertible Notes at a conversion price of HK\$7.44 per Share (subject to adjustment), a maximum of 251,612,903 Shares would be issued, representing approximately 7.64% of the total number of Shares in issue as at the date of approving the general mandate.

We have been appointed by the Company (i) to advise the Independent Board Committee and the Independent Shareholders as to whether the New Issue Mandate is fair and reasonable in so far as the Independent Shareholders are concerned, and is in the interest of the Company and its Shareholders as a whole, (ii) to advise the Independent Shareholders as to how to vote on the resolution to be proposed at the EGM to approve the refreshment of the New Issue Mandate, and (iii) to give our opinion in relation to the New Issue Mandate for the Independent Board Committee’s consideration in making their recommendation to the Independent Shareholders.

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## LETTER FROM COMMERZBANK

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In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations of the management of the Company that having made all due enquiries and careful consideration, and to the best of their knowledge and belief, there is no other fact not contained in the Circular, the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information and statements and representations made or referred to in the Circular, which have been provided to us by the Company, and for which they are wholly responsible, were true, complete and accurate in all material respects at the time they were made and continue to be so at the date of despatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances which would render the information supplied by the Company, and the representations made to us, untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company, nor have we conducted any independent in-depth investigation into the business and affairs of the Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

#### **1. Background to and reasons for the New Issue Mandate**

As set out in the Circular, on 6 December 2006, the Company announced an issue of an aggregate principal amount of US\$240,000,000 Convertible Notes which was subsequently completed on 14 December 2006. We understand that the Shares issuable upon conversion of the Convertible Notes will be issued pursuant to the existing general mandate granted to the Directors at the annual general meeting held on 29 June 2006. Assuming the full conversion of the Convertible Notes at a conversion price of HK\$7.44 per Share (subject to adjustment) and assuming an exchange rate of HK\$7.80 to US\$1.00, a maximum of 251,612,903 Shares would be issued, representing approximately 7.64% of the total number of Shares in issue as at the date of approving the general mandate.

The existing general mandate to issue and allot Shares was approved by ordinary resolution at the 2006 annual general meeting of the Company held on 29 June 2006, and was based on 3,294,649,361 Shares then in issue, and accordingly, pursuant to the mandate granted at the 2006 annual general meeting, the Board may issue up to 658,929,872 Shares. Subsequent to the 2006 annual general meeting of the Company, 1,728,000 Shares were issued pursuant to the exercise of employee share options and accordingly, as at the Latest Practicable Date, the number of Shares in issue was 3,296,377,361. The Directors confirmed that they have not issued any Shares under the existing general mandate and the Company has not refreshed such mandate since the 2006 annual general meeting.

We understand from the Directors that save for the issue of the Convertible Notes announced on 6 December 2006, the Company has carried out no fund raising exercise in the last 12 months preceding the date of the Circular.

Pursuant to Rule 13.36(4) of the Listing Rules, an ordinary resolution is required to be passed at a general meeting of the Company to obtain approval from the Independent Shareholders to refresh the number of Shares which the Board may be allowed to issue and allot under the existing general mandate before the next annual general meeting, so that the Directors will be entitled to exercise the powers to allot and issue new Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of the EGM.

## **2. Financial flexibility**

The existing general mandate to issue Shares allows the Company to issue up to 658,929,872 Shares (based on 20% of an issued share capital of 3,294,649,361 Shares as at the date of the 2006 annual general meeting). We note that the existing general mandate has not been utilised at all. However, assuming the full conversion of the aggregate principal amount of US\$240,000,000 Convertible Notes at a conversion price of HK\$7.44 (subject to adjustment), the maximum number of Shares to be issued pursuant to the general mandate granted to the Directors at the 2006 annual general meeting will be 251,612,903 Shares, representing approximately 7.64% of the aggregate number of Shares (or approximately 38% of the existing general mandate) as at the date of approving the general mandate. The Shares to be issued upon conversion of the Convertible Notes will be issued under the existing general mandate and will not utilize the New Issue Mandate.

As set out in the Announcement, 85% of the estimated net proceeds of the Convertible Notes of US\$235,150,000 (approximately HK\$1,834,170,000) will be applied in funding the expansion of the Company's Cotai Mega Resort and the balance as working capital. We have reviewed the interim report of the Company for the six months ended 30 June 2006, and note that development of the Company's Cotai site will be in different phases. The initial development, the Cotai Mega Resort, is scheduled to open in 2008, with 1,500 hotel rooms, 25,000 square meter of gaming space with 600 gaming tables and 1,000 slot machines. By 2012, the Cotai Mega Resort will be expanded to include six to eight various star-rated hotels with up to 12,000 rooms, 1,500 gaming tables and multiple function and convention facilities. As set out in the Circular, we note that the Company's expansion of the Cotai Mega Resort scheduled to open in 2008 is fully funded.

We understand from the Directors that the Company receives numerous approaches from time to time from potential investors and business partners and at any given time it may be in exploratory general discussions about proposals that may entail the issue of the Shares. In order to provide maximum financial flexibility and to timely take full advantage of the evolving gaming market, the Board proposes to seek the approval of the Independent Shareholders to refresh the New Issue Mandate at the EGM. Based on the existing issued share capital of the Company of 3,296,377,361 Shares as at the Latest Practicable Date, this would give the Board flexibility to issue up to 659,275,472 new Shares without further approval.

We consider that the granting of the New Issue Mandate could strengthen the capital base of the Company and enhance the ability of the Company to raise capital, if and when required. As such, we consider that the New Issue Mandate will provide an additional financing alternative to the Group and will enable the Group to take advantage of the then market conditions to raise additional capital in a timely manner. The Directors confirmed that the Company presently has no plan to issue any new Shares under the New Issue Mandate.

## LETTER FROM COMMERZBANK

### 3. Potential dilution effect to the Shareholders

We set out below a table depicting the shareholding structure of the Company as at the Latest Practicable Date, and for illustrative purpose, the effect to the shareholdings of the Company assuming the full conversion of the Convertible Notes at a conversion price of HK\$7.44 (subject to adjustment) and the utilization of the New Issue Mandate:

	As at the Latest Practicable Date		Issued Shares upon full exercise of the New Issue Mandate		Immediately after full conversion of the Convertible Notes at HK\$7.44		Issued Shares upon full exercise of the New Issue Mandate and full conversion of the Convertible Notes at HK\$7.44	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
K. Wah International Holdings Limited	614,984,047	18.66	614,984,047	15.55	614,984,047	17.33	614,984,047	14.62
Dr. Lui, his spouse, companies controlled by Dr. Lui and family trusts	1,381,606,735	41.91	1,381,606,735	34.93	1,381,606,735	38.94	1,381,606,735	32.84
Other Directors	180,105,190	5.46	180,105,190	4.55	180,105,190	5.08	180,105,190	4.28
Other Connected Persons	244,071,556	7.41	244,071,556	6.17	244,071,556	6.88	244,071,556	5.80
Public Shareholders	875,609,833	26.56	875,609,833	22.13	1,127,222,736	31.77	1,127,222,736	26.79
- Convertible Notes holders	—	—	—	—	251,612,903	7.09	251,612,903	5.98
- Public Shareholders	875,609,833	26.56	875,609,833	22.13	875,609,833	24.68	875,609,833	20.81
Maximum number of Shares to be issued under the New Issue Mandate	—	—	659,275,472	16.67	—	—	659,275,472	15.67
<b>Total</b>	<b>3,296,377,361</b>	<b>100</b>	<b>3,955,652,833</b>	<b>100</b>	<b>3,547,990,264</b>	<b>100</b>	<b>4,207,265,736</b>	<b>100</b>

- "Other Directors" refers to Mr. Francis Lui Yui Tung, Ms. Paddy Lui Wai Yu, Mr. William Lo Chi Chung, Mr. Chee Ying Keung all of whom are executive Directors and Dr. Charles Cheung Wai Bun an independent non-executive Director (including corporate interests)
- "Other Connected Persons" refers to certain family members of Dr. Lui (including corporate interests) and Future Leader Management Limited

Assuming the full utilization of the New Issue Mandate and an issued share capital of 3,296,377,361 Shares at the date of the EGM, 659,275,472 new Shares will be issued, representing 20% of the issued share capital of the Company as at the Latest Practicable Date and approximately 16.67% of the issued share capital of the Company as enlarged by the full utilization of the New Issue Mandate, respectively.

Assuming (i) no Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM; and (ii) none of the Shares pursuant to the New Issue Mandate are allotted to the existing public Shareholders, the aggregate shareholding of the public Shareholders will decrease from approximately 26.56% to approximately 22.13% upon the full utilization of the New Issue Mandate (as refreshed). The existing public Shareholders will have a potential maximum decrease in shareholding of approximately 16.67% following the full utilization of the New Issue Mandate.

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## LETTER FROM COMMERZBANK

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Taking into account that (i) the refreshment under the New Issue Mandate will provide maximum financial flexibility to the Company given the expansionary stage of the Group; (ii) the magnitude of the funding requirement and the ability to raise capital within a short period of time if and when any equity financing is appropriate and available; and (iii) the fact that the shareholdings of all Shareholders will be diluted proportionally to their respective shareholdings upon any utilization of the New Issue Mandate, we consider such potential dilution to the shareholding of the Independent Shareholders to be fair and reasonable.

### CONCLUSION

Shareholders should note that the existing general mandate will be revoked upon approval at the EGM of the refreshment of the New Issue Mandate, and the New Issue Mandate will continue to be in force until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; or
- (iii) the revocation or variation of the authority given under the relevant resolution by an ordinary resolution of the Shareholders in general meeting.

### RECOMMENDATION

Having considered all factors referred to above, we are of the view that the refreshment of the New Issue Mandate is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise, and recommend the Independent Board Committee to advise, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the refreshment of the New Issue Mandate.

Yours faithfully,

For and on behalf of

**Commerzbank AG Hong Kong Branch**

**Kenneth Chan**

*Head of Corporate Finance*

**Cynthia Wong**

*Corporate Finance*



# GALAXY ENTERTAINMENT GROUP LIMITED

## 銀河娛樂集團有限公司

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 27)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Galaxy Entertainment Group Limited will be held at Picasso Room, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at 2:45 p.m. on Friday, 9 February 2007 for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions with or without amendment:

### ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares in the capital of the Company as approved by the shareholders of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 29 June 2006 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers either during or after the Relevant Period be and is hereby generally and unconditionally approved;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (b) above, otherwise than pursuant to:
  - (i) a Rights Issue;
  - (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company;

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- (iii) the exercise of any option under the Company's share option schemes or similar arrangement for the time being adopted by the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the grant or issue of shares or rights to acquire shares of the Company; or
- (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company,

shall not exceed the aggregate of: (aa) 20% of the aggregate nominal amount of the issued share capital of the Company on the date of the passing of this resolution; (bb) (if the directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum of 329,464,936 Shares, being 10% of the share capital of the Company in issue on 29 June 2006 when the Shareholders approved the repurchase mandate), and this approval shall be limited accordingly, and

- (d) for the purposes of this resolution:

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong); and

"Relevant Period" means the period from the time of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."



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2. “**THAT** conditional upon the passing of the resolution numbered 1 in the notice convening this meeting, the general mandate granted to the Directors of the Company to exercise the powers of the Company pursuant to paragraph (b) of the resolution numbered 1 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted by the shareholders at the annual general meeting held on 29 June 2006, provided that such amount shall not exceed 329,464,936 Shares, being 10% of the aggregate nominal amount of the issued share capital of the Company at the date of such annual general meeting.”

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

Dated 22 January 2007

Registered Office:  
Room 1606, 16th Floor  
Hutchison House  
10 Harcourt Road, Central  
Hong Kong

*Notes:*

1. A form of proxy to be used for the meeting is enclosed. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the meeting convened or any adjournment thereof and, in such event, the authority of the proxy will be deemed to be revoked.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and (on a poll) vote on his behalf. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
3. The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.
4. To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company at Room 1606, 16th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time for holding the meeting and in default the instrument of proxy shall not be treated as valid.
5. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.
6. Resolution numbered 1 will be voted on by way of poll.
7. At the date of this notice, 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, 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 Ancell and Dr. William Yip Shue Lam.