



## **GALAXY ANNOUNCES US\$1 BILLION TRANSACTION**

### **PERMIRA FUNDS TO ACQUIRE A 20% STAKE IN GALAXY FOR HK\$6.5 BILLION (US\$840 MILLION)**

#### **Leading International Private Equity Firm's First Greater China Investment**

**Hong Kong, 11 October 2007** - Galaxy Entertainment Group Limited (“**Galaxy**” or “the **Company**”) (stock code HKSE 0027), a leading operator of casinos, hotels and entertainment facilities in Macau, today announced that funds advised by Permira, one of the world’s leading private equity firms, have entered into agreements to acquire an approximate 20% equity stake in Galaxy for a total consideration of HK\$6.5 billion (US\$840 million), representing HK\$8.42 per Galaxy share, subject to certain shareholders’ approvals. Galaxy will also raise an additional HK\$1.3 billion (US\$163 million) through an institutional placement of new shares.

#### **Highlights:**

- **Galaxy’s vision and strategy to build one of Asia’s leading gaming and entertainment groups is clearly endorsed by the Permira Funds’ US\$840 million investment.**
- **Permira’s international gaming and consumer expertise will be of great value to Galaxy as it continues to develop its position as a leading casino, hotel and entertainment group in Macau, the world’s largest and fastest growing gaming market.**
- **Founding shareholder, Dr Che-woo Lui and members of the Lui family (and related interests), will retain approximately a 52% controlling interest in Galaxy.**
- **Transaction provides the foundations for the future development of phases 2, 3 and 4 of the Cotai Mega Resort, Macau.**
- **Transaction substantially strengthens Galaxy’s capital structure, resulting in a net cash injection of HK\$2.7billion (US\$344 million), a reduction in debt of approximately HK\$2.6 billion (US\$339 million), and a net annual interest benefit of approximately HK\$250 million (US\$32 million).**
- **The Permira Funds will have the right to appoint two non-executive directors to the Galaxy Board; Permira partners Dr. Martin Clarke and Mr. Guido Paolo Gamucci will be appointed to support the growth of the business and the realization of its vision.**

With its deep understanding of Asian gaming, Galaxy has become a leader in Macau, and has captured a substantial market share in less than three years. The Company operates a number of highly successful casinos in Macau including its flagship StarWorld, which recently announced record results and accelerating market share in the prized VIP segment, the largest and fastest growing segment in the Macau gaming market. For the half year ended 30 June 2007, Galaxy recorded revenues of HK\$6,332 million and an EBITDA of HK\$737 million, representing year-on-year increases of 385% and 300%, respectively.

Galaxy's rapid and sustained growth in Macau has also been supported by Dr Che-woo Lui and the Lui family's 30 year history in real estate development in Greater China and significant experience of international hotel operation, as well as the Company's proven focus on sound capital management and ROI. On completion, the 2,500 room, suite and villa Cotai Mega Resort in Macau will feature the world's second largest casino. Galaxy also has a further 10 million sq.ft. of approved gross floor area for future expansion in areas 2, 3 and 4 of its Cotai site.

Permira is a leading international private equity firm with a track record of more than twenty years of helping to build outstanding businesses. Over this time, Permira has raised 19 funds totaling approximately EUR22 billion (US\$30 billion). This is the Permira Funds' first investment in Greater China, giving them an important stake in Galaxy, a leader in the world's largest gaming market, as well as a strong platform for future growth across Asia.

Galaxy and Permira believe that there are significant benefits to be gained from combining their expertise. The leisure, retail and consumer sectors represent 40% of the investments made by the Permira Funds over the last decade, with portfolio companies including Cortefiel, Ferretti, Hugo Boss, and Valentino. In particular, Permira has deep expertise in the international gaming sector through its investments in Gala Coral, Europe's largest gaming company, and in Sisal, the second largest lotto operator in Italy.

**Dr. Che-woo Lui, Chairman of Galaxy, said:** "We are delighted that Permira has chosen to join us in continuing to build Galaxy's future in Macau and Asia. I look forward to welcoming Dr. Martin Clarke and Mr. Guido Paolo Gamucci as non-executive Directors to the Board and to working with them to realize our vision for Galaxy. We believe that this investment not only endorses our strategy but further enables us to deliver on our mission to be one of Asia's leading gaming and entertainment groups, to the benefit of all our stakeholders."

**Dr. Martin Clarke, Partner at Permira, commented:** "We have been deeply impressed by the success of Galaxy and the vision of the Lui family and look forward to partnering with one of Asia's leading gaming and entertainment groups. Galaxy has a unique blend of high quality project development and gaming expertise and an unrivalled understanding of the Asian culture and the Chinese market. With the Permira Funds' financial strength and its successful track record of investing in gaming, retail and hospitality businesses we look forward to working with Galaxy, and in the process helping it to realize its clear vision in Asia."

**Mr. Francis Lui, Vice Chairman of Galaxy, added:** "We are excited to welcome such a prestigious shareholder to Galaxy and delighted to be Permira's first major investment in Greater China. I look forward to working closely with Permira and with Dr. Martin Clarke and Mr. Guido Paolo Gamucci, to leverage the opportunities this transaction brings and to realize our shared vision for Galaxy's exciting developments in Cotai and beyond."

## Terms of the transaction

The Permira Funds are acquiring HK\$3,800 million worth of existing ordinary Galaxy shares currently held by K. Wah International Holdings Limited, and are subscribing for an additional HK\$2,700 million of new ordinary shares in Galaxy. Of the new subscription, approximately HK\$1,300 million will be applied to redeem approximately half of the existing Fixed-Rate Notes, with the balance of HK\$1,400 million being a cash injection into Galaxy. Separately, the existing noteholders will convert the balance of the Fixed-Rate Notes of approximately HK\$1,300 million into approximately 157 million ordinary shares in Galaxy, taking the total debt reduction to HK\$2,600 million and cancelling all Fixed-Rate Notes.

Galaxy will also raise a minimum of HK\$1.3 billion (US\$163 million) through an institutional placement, under the terms of which Merrill Lynch has been mandated to place 150 million new ordinary Galaxy shares, at a minimum share price of HK\$8.42.

Following the completion of the transaction, and the share placement:

- Members of the Lui family will collectively retain a controlling interest in Galaxy of approximately 52%.
- Galaxy's cash reserves will increase from \$6.5 billion to \$9.2 billion – up by 41%
- Galaxy's total outstanding debt will reduce from \$9.2 billion to \$6.5 billion – down by 29%.

The transaction is subject to shareholders' approvals at an Extraordinary General Meeting of Galaxy and a Special General Meeting of K. Wah International Limited, to be held within 21 days of the dispatch of the transaction circulars.

Galaxy and K. Wah Group were advised by Merrill Lynch and Galaxy was also advised by Skadden, Arps, Slate, Meagher and Flom.

Permira was advised by Deutsche Bank, Global Leisure Partners, Clifford Chance and Price Waterhouse Coopers.

**This announcement should be read in conjunction with the joint Galaxy and K. Wah International Holdings Limited Hong Kong Stock Exchange announcement.**

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## **Notes to editors:**

### **About Galaxy**

Galaxy was founded by Dr Che-woo Lui and is a leading operator of casinos, hotels and entertainment facilities in Macau. With its flagship StarWorld and its CityClub operations, Galaxy has already captured a substantial share of the fastest growing gaming market in the world. Galaxy's founder, Dr Che-woo Lui has a strong history in development and construction in Greater China. Galaxy's Cotai Mega Resort with 2,500 rooms, suites and villas will feature the world's second largest casino and is on track to be completed by the end of 2008. In addition, Galaxy has one of the largest undeveloped land banks in Cotai.

For more information visit: [www.galaxyentertainment.com](http://www.galaxyentertainment.com)

### **About Permira**

Permira is a leading international private equity firm. The Permira Funds make long-term investments to transform the performance of businesses, helping management to realize new visions and build stronger and more sustainable organizations.

The firm's teams are based in Guernsey, Frankfurt, London, Luxembourg, Madrid, Milan, New York, Paris, Stockholm and Tokyo, advising funds with a total committed capital of approximately EUR22 billion (US\$30 billion). Since 1985, the Permira Funds have completed over 180 private equity transactions. Prior to 2001, Permira was known as Schroder Ventures Europe.

For more information visit: [www.permira.com](http://www.permira.com)

### **About Dr Che-woo Lui and the Lui Family**

Dr. Che-woo Lui, Chairman of Galaxy, is also Chairman of the K-Wah Group, which he founded in 1955 and has grown from a small construction materials supplier into a multinational group with core businesses in construction materials, property development, hotels, entertainment and leisure. Specifically, the Groups experience embraces real estate development and construction in Hong Kong, Mainland China and Macau and developing and operating hotels in Hong Kong and in the US including the Stanford Hotels Group (which operates hotels under brands including Sheraton, Hilton, Marriott and Intercontinental).

### **About the Macau gaming market**

Macau, a Special Administrative Region of the People's Republic of China ("PRC"), is the world's largest gaming market. Macau is the only legalized casino gaming jurisdiction in the PRC.

Gaming revenues in 2006 were in excess of HK\$50.0 billion (US\$6.5 billion). During the first half of 2007, Macau's gaming revenues increased to HK\$36.8 billion (US\$4.8 billion), a year-on-year increase of 51.8%. In the first half of 2007, Macau's gaming revenues exceeded those of the Las Vegas Strip. In 2006, Macau attracted 22 million visitors, more than half from Mainland China, and it is expected that visitors will increase to over 27 million in 2007.