

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **GALAXY ENTERTAINMENT GROUP LIMITED**

### **銀河娛樂集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 27)**

### **ANNOUNCEMENT**

The Board wishes to announce certain information relating to the financial position of the Group to enable its shareholders, investors and the public to better appraise the position and business performance of the Group. As a result of an accounting exercise to reassess the Group's intangible assets, there may be a one-off non-cash write-down for accounting purposes. If made, the non-cash adjustment to the intangible assets is expected to have an adverse effect on the financial results of the Group for the six months ended 30 June 2008; and if the amount is substantial, the effect will be material. However, the Intangible Assets Adjustment, if made and if the amount is material, will have a material and positive impact on the Group's consolidated profit and loss statement in future years because over the remaining term of the Gaming Licence, the related annual amortisation will be significantly reduced.

**Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.**

The Board of Directors (the "**Board**") of Galaxy Entertainment Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") wishes to announce certain information relating to the financial position of the Group to enable its shareholders, investors and the public to better appraise the position and business performance of the Group.

### **CARRYING VALUE OF MACAU GAMING LICENCE**

The Group acquired its Macau gaming business in July 2005 for a consideration of approximately HK\$18.4 billion. The fair value of the net tangible assets and intangible assets so acquired, for accounting purposes, were then determined to be approximately HK\$1.7 billion and HK\$16.7 billion, respectively. The intangible assets, in value terms, were primarily attributed to the Concession - the gaming licence granted by the Macau Government

to operate games of chance in casinos in Macau (the “**Gaming Licence**”), and the right to acquire from the Macau Government a sizeable piece of land in Cotai, Macau (the “**Galaxy Cotai Site**”). However, in the absence of legal title documentation, the Galaxy Cotai Site could not be recorded at that time and, for accounting purposes, the full amount of the intangible assets acquired was deemed to be attributed to the Gaming Licence.

Since 2005, the Gaming Licence, which is the principal component of the Group’s intangible assets, has been amortised on a straight-line basis at approximately HK\$1 billion per annum over the remaining term of the Gaming Licence which will expire in June 2022. The carrying value of the Gaming Licence as at 31 December 2007 amounted to approximately HK\$14.5 billion.

For the purpose of complying with Hong Kong Financial Reporting Standards, the Group assesses whether there are prevailing impairment indicators for the carrying value of all its assets, including intangible assets such as the Gaming Licence, from time to time to ensure that the recoverable amount is higher than the carrying value. There was a recent independent transaction in July 2008 which effectively involved the transfer of a Macau gaming licence. The implied value of the licence for that transaction is substantially lower than the present carrying value of the Gaming Licence. Taking into account the presently available indicators and benchmarks, the Company is undergoing an exercise to determine whether the recoverable amount of the Gaming Licence is lower than the carrying value. A valuation is presently being carried out by an independent professional business valuer on the Group’s intangible assets, the results of which will be presented to the Board at the forthcoming meeting at which the Board shall make a final determination on the write-down of the intangible assets (the “**Intangible Assets Adjustment**”).

The Intangible Assets Adjustment, if made, is of a one-off and non-cash nature, and is not a reflection of the operation capability of the Group. However, if the adjustment is substantial, it will have a material and positive impact on the consolidated profit and loss statement of the Group in the future years over the remaining term of the Gaming Licence because the annual amortisation of the Gaming Licence will be significantly reduced correspondingly.

In compliance with Hong Kong Financial Reporting Standards, the Intangible Assets Adjustment, if made, will be reflected in the consolidated profit and loss statement of the Group. Therefore, it is expected that the one-off non-cash Intangible Assets Adjustment, if made, will have an adverse effect on the financial results of the Group for the six months ended 30 June 2008 and for the current year ending 31 December 2008; and if the amount is substantial, the effect will be material.

In the event that the Intangible Assets Adjustment is made, there may be a negative impact on the distributable profits of the Company. In that case, the Board may, at an appropriate time, evaluate and consider a capital reorganisation by transferring part of the share premium reserve to the revenue reserve to maintain future dividend payment capability. Any such capital reorganisation will need to comply with all applicable statutory and regulatory requirements.

As the Group is still in the process of finalising its financial results for the six months ended 30 June 2008, the information contained in this announcement is based on a preliminary assessment by the Group only. Further details concerning the carrying value of the Gaming Licence will be included in the interim results announcement of the Group to be released on 19 September 2008.

**Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

*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 Dr. Moses Cheng Mo Chi, 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, 12 September 2008