



# **GALAXY ENTERTAINMENT GROUP LIMITED**

## **銀河娛樂集團有限公司**

*(incorporated in Hong Kong with limited liability)*

**Stock Code: 27**

### **Disclosure under Rule 13.09(1) of the Listing Rules Amendment to the terms of the Series 'B' Fixed Rate Notes**

*Financial adviser*

**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED

The directors of the Company are pleased to announce that the members of the Lui Family who hold Series 'B' FRNs have agreed to amend terms of their Series 'B' FRNs, the outstanding principal of which is HK\$2,371,805,067, amongst other things to:

- Extend the maturity date from 21 August 2006 by more than two years to 30 September 2008;
- Reduce the interest rate from the last applicable stepping-up rate of 9% to a fixed rate of 6% per annum compounded annually; and
- If the Company issues shares or debts convertible into shares, the Company is no longer required to apply the net proceeds of such issuance, after repaying the Series 'A' FRNs, in or towards repayment of the Series 'B' FRNs, but may do so at its discretion.

Details of the amendments to the Series 'B' FRNs are summarised below.

The amendments to the Series 'B' FRNs constitute financial assistance provided to the Company by members of the Lui Family, who are connected persons under the Listing Rules. Such financial assistance, which is provided on an unsecured basis and on normal commercial terms or better, is exempt from reporting, announcement and independent shareholders' approval requirements by Rule 14A.65(4) of the Listing Rules. The directors of the Company consider that, given the materiality of the Series 'B' FRNs and the favourable amendments to their terms, the information is necessary for the Company's shareholders and the public generally to appraise the position of the Company.

## **AMENDMENT TO THE TERMS OF THE SERIES 'B' FRNS**

### **Introduction**

On 22 July 2005, on completion of its acquisition of a 97.9% economic interest in Galaxy Casino, the Company issued, as part of the acquisition consideration, FRNs in the total amount of HK\$2,544,239,603, of which HK\$172,434,536 are Series 'A' FRNs, and HK\$2,371,805,067 are Series 'B' FRNs. City Lion Profits Corp. and Recurrent Profits Limited, which are Lui Family members, hold all the Series 'B' FRNs.

On 14 January 2006, the Company agreed with the above members of the Lui Family to amend the terms of the Series 'B' FRNs as regards interest, maturity and early repayment.

## **Original terms of the Series ‘B’ FRNs**

The principal terms of the Series ‘B’ FRNs on issue, which are identical in all respects to the Series ‘A’ FRNs, except that Series ‘A’ FRNs have priority as to repayment, are summarized as follows:

- Tenor:** Unless previously redeemed, the Series ‘B’ FRNs will be repaid on 21 August 2006 (being thirteen months after the date of their issue).
- Interest:** For the first month following their issue, the Series ‘B’ FRNs were interest free and thereafter the interest rate was to be 6% per annum for the second to fourth month of their issue, increasing by 1% for each successive three months period, so that the interest rate per annum increases successively from 7% to 8%, and finally 9% per annum. Interest is payable at the end of each three month period, the first interest payment being on 21 November 2005.
- Early repayment:** At the option of the Company, the FRNs can be repaid early but if before their redemption, the Company issues shares or debts which are convertible into shares (other than shares issued under an employee share option scheme or under an obligation existing as at 14 March 2005), it is required to use all the net proceeds to repay the FRNs. Repayments, in all situations, are to be made to the holders of the Series ‘A’ FRNs in priority before repayment of the Series ‘B’ FRNs. After all the Series ‘A’ FRNs are repaid in full, the net proceeds must be used to repay the Series ‘B’ FRNs.
- Default:** In the event of default, the holders of FRNs can by giving notice require the Company to accelerate the repayment of their FRNs, together with all accrued interest. Repayments are to be made in priority to the holders of the Series ‘A’ FRNs. No repayments of the Series ‘B’ FRNs are to be made until all the Series ‘A’ FRNs are repaid in full.
- Default interest:** A rate of 12% per annum.

## **Amended terms**

The following principal terms of the Series ‘B’ FRNs have been amended:

- Tenor:** The Series ‘B’ FRNs are repayable on 30 September 2008.
- Interest:** Interest on the outstanding principal is fixed at 6% per annum which is cumulative and compounded annually, and will only be payable when the Series ‘B’ FRNs are repaid, or on maturity, whichever is earlier. If the Company declares dividends to its shareholders before redemption of the Series ‘B’ FRNs, then all interest accrued up to the date its Board declares the dividends shall first be paid before the Company pays dividends to its shareholders. Interest will accrue from 14 January 2006 until full repayment or final maturity of the Series ‘B’ FRNs on 30 September 2008.

Early repayment: Subject to the priority of Series 'A' FRNs, if the Company issues shares or debts convertible into shares before FRNs redemption (other than shares issued under an employee share option scheme or under an obligation existing as at 14 March 2005), the Company is no longer required to apply the net proceeds of such share or convertible debt issuance, after repaying the Series 'A' FRNs, in or towards repayment of the Series 'B' FRNs, but may do so at its discretion. Series 'B' FRNs holders are entitled to effectively capitalize the amount of principal and interest owing on their Series 'B' FRNs through participating in such issuance, and any amount capitalized will be treated as redeemed. Any such participation will be subject to the Listing Rules.

All other terms of the Series 'B' FRNs remain unchanged. All interest accrued on the Series 'B' FRNs at 13 January 2006 has been paid.

### **Series 'A' FRNs**

The terms of the Series 'A' FRNs remain unchanged. The principal outstanding of the Series 'A' FRNs, as of the date of this announcement, is HK\$172,434,536.

### **Reasons for the amendments**

The Group is actively developing its gaming and hospitality business in Macau. Key gaming and hospitality investments in Macau include Galaxy Casino's proprietary projects at the Galaxy StarWorld and the flagship project Galaxy Cotai Mega Resort, in addition to the three city club casinos, details of all of which are contained in the joint circular by the Company and K. Wah International Holdings Limited dated 30 June 2005. Total capital investment on these projects and the city club casinos from now to 2009 is estimated to be not less than HK\$7,000 million. Galaxy Casino has completed its US\$600 million fixed and floating rate notes issuance on 15 December 2005.

Under the amendments, maturity, interest payment, and repayment of Series 'B' FRNs are now aligned with the cashflow of the Company from the Galaxy StarWorld and the theme casino in phase 1 of the Galaxy Cotai Mega Resort upon their full operation by 2008. Reducing interest to 6% per annum and deferring final repayment of principal and interest payment to 30 September 2008 improve the Company's borrowing cost. Series 'B' FRNs, following the amendments, will no longer be classified as a short-term liability in the consolidated financial statements of the Company.

The amendments are on favourable terms to the Company. The Company is no longer required to apply the funds raised from equity or equity-convertible debt issuance (after expenses and repaying the Series 'A' FRNs) in or towards repayment of the Series 'B' FRNs, but may do so at its discretion. The Lui Family is also entitled to effectively capitalize amount owing on their Series 'B' FRNs if they do participate in such issuance. This fully reflects the Lui Family's support to the Company's gaming and hospitality business in Macau and their full faith on the prospect of the Company.

The amendments to the Series 'B' FRNs improve the borrowing cost, capital profile, and gearing ratio and give the board of directors of the Company flexibility in managing the finance of the Group. The directors of the Company, including the independent non-executive directors, are unanimous that these amendments and the amended Series 'B' FRNs are on normal commercial terms or better so far as the Company is concerned and are in the interests of the Company and its shareholders as a whole.

## DIRECTORS

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, Mr. William Lo Chi Chung and Ms. Paddy Tang Lui Wai Yu; the non-executive director of the Company is Mr. Moses Cheng Mo Chi; 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.

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

Hong Kong, 16 January 2006

## DEFINITIONS

In this announcement, the following terms have the following meanings unless the context requires otherwise.

the “Company”	Galaxy Entertainment Group Limited 銀河娛樂集團有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange.
“FRNs”	Unsecured fixed rate notes, comprising both Series ‘A’ and Series ‘B’ FRNs, issued by the Company on 22 July 2005 as part of the purchase consideration for a 97.9% economic interest in Galaxy Casino, which notes have at the date of this announcement an outstanding principal amount of HK\$2,544,239,603.
“Galaxy Casino”	Galaxy Casino, S.A., a subsidiary of the Company incorporated in Macau in which the Company is interested in 88.1% of the voting shares carrying 97.9% of the economic interest and holder of one of three gaming concessions in Macau.
the “Group”	The Company and its subsidiaries.
“independent third party” or “independent third parties”	A person or persons who is or are independent of any director, chief executive or substantial shareholder of any member of the Group or any of their respective associates, as defined by the Listing Rules.
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange.
“Lui Family”	Dr. Lui Che Woo, the chairman of the Company, his children and their respective associates and companies controlled by them and any discretionary trust established of which any of them is a beneficiary.
“Macau”	The Macau Special Administrative Region of The People’s Republic of China.
“Series ‘A’ FRNs”	The FRNs with an outstanding principal amount of HK\$172,434,536, all of which are held (as to HK\$85,771,245) by Brightwealth Investments Limited (an independent third party) and (as to HK\$86,663,291) by Future Leader Management Limited, which is ultimately beneficially owned by Mr. Pedro Ho (a director of Galaxy Casino).

“Series ‘B’ FRNs”	The FRNs with an outstanding principal amount of HK\$2,371,805,067, all of which are held by members of the Lui Family.
“share(s)”	Share(s) of HK\$0.10 each in the capital of the Company.
“shareholders”	Holders of shares.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

*Please also refer to the published version of this announcement in **South China Morning Post**.*