

Harrah's in talks to buy Macau casino firm stake

Hong Kong (Reuters) – Mid-sized property developer K.Wah International is talking with investors including Harrah's Entertainment Inc. about selling some or all of a stake in Macau casino operator Galaxy Entertainment, a senior executive said.

Market speculation that K.Wah is shopping for buyers for part or all of its 18.7 percent stake in Galaxy has sent the gaming firm's shares soaring nearly 30 percent in the last week to its highest level in over a year.

But K.Wah had not disclosed names of potential investors until Thursday.

„We're in talks with several strategic investors,“ K.Wah International Chairman Lui Che Woo told Reuters. Asked if Harrah's was a potential investor, he said: „It is among them.“

Lui would not say whether K.Wah intended to sell all or part of its stake.

Harrah's, the world's largest casino operator by revenue, lost a golden opportunity to burst into the exploding Asian gambling market last week when Singapore picked Las Vegas Sands Corp. to build the country's first casino.

Its U.S. rivals have also beaten Harrah's to Macau, where Las Vegas Sands already operates a casino and Wynn Resorts Ltd. (NasdaqNM:WYNN – News) and MGM Mirage are also about to set up shop.

Macau is buzzing because of a rash of new casinos, a sharp rise in mainland Chinese tourists and plans for a Las Vegas-

style „neon alley“ of casinos, hotels and convention centres.

The former Portuguese colony, the only place in gambling-mad China where casinos are legal, broke a four-decades-old gaming monopoly owned by tycoon Stanley Ho in 2002, allowing newcomers into the market.

Galaxy Entertainment, which aims to have four Macau casinos open by the end of this year, was created by a reshuffling of casino assets last year by the Lui family. Sister firm K.Wah International, also controlled by the family, retained a 18.7 percent stake.

Analysts say that Galaxy has little experience in managing a gaming businesses and would benefit from a partnership.

Galaxy will also probably raise capital by selling new shares in the next couple of years, when its capital expenditure requirements will reach up to HKD 8 billion (USD 1 billion), according to SHK Financial Group.

„K.Wah International will not likely hang around for this and see its holdings in Galaxy diluted,“ it said in a note last week.