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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)**

#### **ANNOUNCEMENT ON CERTAIN SELECTED UNAUDITED KEY PERFORMANCE INDICATORS FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

This announcement is issued pursuant to Part XIVA of the Securities and Futures Ordinance and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board of Directors (the “Board”) of Galaxy Entertainment Group Limited (“GEG”) is pleased to announce certain selected unaudited key performance indicators of GEG and its subsidiaries (collectively referred to as the “Group”) for the first quarter ended 31 March 2016 as follows:

#### **Q1 2016 HIGHLIGHTS**

##### **GEG: Continues to Drive Mass and Control Costs**

- Revenue of HK\$13.4 billion, up 1% sequentially and down 2% year-on-year
- Adjusted EBITDA of HK\$2.4 billion, down 2% sequentially and up 6% year-on-year
- Combined seven hotels virtually fully occupied
- Latest twelve months Adjusted EBITDA of HK\$8.9 billion

##### **Galaxy Macau™: Solid Performance Driven by Mass**

- Revenue of HK\$9.8 billion, increased 2% sequentially and 6% year-on-year
- Adjusted EBITDA of HK\$2.0 billion, flat sequentially and up 12% year-on-year
- Hotel occupancy at 99%

##### **StarWorld Macau: Continues Successful Transition to Mass**

- Revenue of HK\$2.9 billion, down 2% sequentially and 26% year-on-year
- Adjusted EBITDA of HK\$512 million, down 8% sequentially and 15% year-on-year
- Hotel occupancy at 97%

##### **Broadway Macau™: Family Friendly, Macau SME Concept, Delivers Modest Profit**

- Revenue of HK\$181 million, increased 5% sequentially
- Adjusted EBITDA of HK\$3.0 million (Q4 2015: HK\$(4.0) million)
- Hotel occupancy at 99%

##### **Development Update: Advancing Plans for Macau’s Largest Landbank**

- Cotai Phases 3 & 4 – Site investigation works expected to commence in 2016
- Hengqin – Plans to develop a world class destination resort on a 2.7 sq.km land parcel moving forward
- International – Continuously exploring opportunities in overseas markets

##### **Balance Sheet: Well Capitalized, Liquid and Virtually Debt Free**

- Cash on hand of HK\$8.8 billion and a net cash position of HK\$8.0 billion
- Scheduled to pay another special dividend of HK\$0.15 per share, totaling HK\$640 million, on 29 April 2016, bringing total dividends paid to HK\$7.3 billion since July 2014
- Remain virtually debt free

We experienced a solid start to 2016 with first quarter Adjusted EBITDA of HK\$2.4 billion, as we adjust to changes in the Macau market. We continue to see signs that the market is potentially stabilizing in the near term and remain confident in the long term prospects of Macau.

We remain focused on executing operationally as we continue to drive our mass business while diligently managing our cost structure. Since launching our HK\$800 million cost control program in early 2015, we have realized savings of approximately HK\$650 million up to 31 March 2016 with the balance to be delivered over the remainder of this year. We have achieved these cost savings without adversely impacting our ‘World Class, Asian Heart’ customer service standards for which we are renowned or pursuing local labor redundancies.

As always, we continue to drive each and every segment of the business and allocate resources to their highest and best use.

Our exciting development plans for Galaxy Macau™ Phase 3 are progressing and will include a range of unique and differentiated offerings that will support the Macau Government’s objective to develop Macau into a World Center of Tourism and Leisure. These include significant MICE facilities, a range of hotel options, a unique retail and lifestyle precinct and a truly differentiated family themed entertainment offer. We look forward to unveiling our plans in the near future.

As previously announced we will be paying another special dividend of HK\$0.15 per share on 29 April 2016. This will bring total dividends paid since July 2014 to approximately HK\$7.3 billion. Our balance sheet remains exceptionally strong and liquid with net cash of HK\$8.0 billion and we remain virtually debt free.

We continue to believe that Macau has a very bright future. Unchanged long term fundamental growth drivers such as rising domestic consumption in China and a rapidly expanding middle class that aspires to travel more frequently supported by major infrastructure improvements, underpin our belief that Macau will register strong visitor growth in the years ahead.

Finally, we would like to take this opportunity to thank all of our committed and hard-working staff, who deliver exceptional customer moments and are committed to our renowned ‘World Class, Asian Heart’ service philosophy.

## **Market Overview**

Over the last eight quarters the Macau market has experienced a number of strong headwinds that have impacted revenues. After this extended period we are encouraged by the fact that first quarter 2016 gaming revenue grew 2% sequentially to HK\$55 billion. Visitor arrivals, whilst slightly down over the past twelve months, have remained robust at approximately 30 million visitations per year, where recent policy changes hopefully serve as a catalyst for future growth.

## Group Financial Results

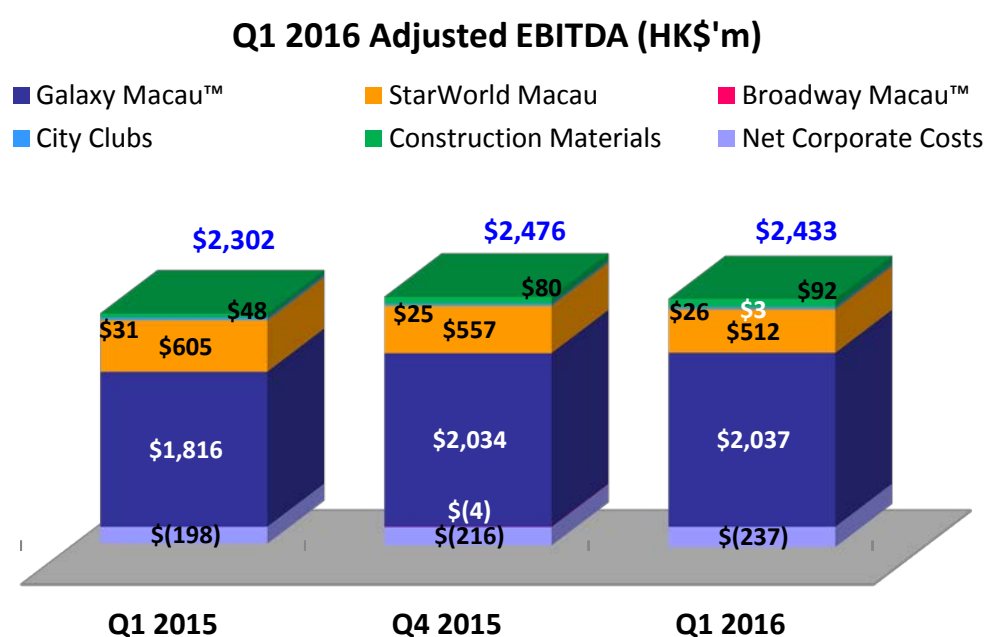
The Group posted quarterly revenue of HK\$13.4 billion in the first quarter of 2016 and Adjusted EBITDA of HK\$2.4 billion. Galaxy Macau™'s Adjusted EBITDA was HK\$2 billion, flat sequentially and up 12% year-on-year. StarWorld Macau's Adjusted EBITDA was HK\$512 million, decreased 8% sequentially and 15% year-on-year. Broadway Macau™ reported an Adjusted EBITDA of HK\$3 million. GEG's Construction Materials Division and City Clubs made solid contributions of HK\$92 million and HK\$26 million, respectively.

GEG experienced good luck in its gaming operation during Q1 2016, which increased its Adjusted EBITDA by approximately HK\$100 million.

### Balance Sheet and Special Dividends

The Group's balance sheet continues to be one of the strongest in the industry with healthy liquidity and virtually debt free. At 31 March 2016, GEG's cash on hand was HK\$8.8 billion and net cash position was HK\$8.0 billion with debt of HK\$0.8 billion. As previously announced we are scheduled to pay another special dividend of HK\$0.15 per share on 29 April 2016 totaling HK\$640 million, bringing total dividends paid to HK\$7.3 billion since July 2014.

The Group's total gaming revenue on a management basis<sup>1</sup> in Q1 2016 of HK\$12.7 billion increased by 2% quarter-on-quarter and decreased by 5% year-on-year. Total mass table games revenue of HK\$5.0 billion increased by 2% quarter-on-quarter and 17% year-on-year. Total VIP revenue grew 3% quarter-on-quarter to HK\$7.2 billion but dropped 17% year-on-year as we continue to allocate our resources to their highest and best use and transition the business to the mass market and non-gaming.



<sup>1</sup> The primary difference between statutory revenue and management basis revenue is the treatment of City Clubs revenue where fee income is reported on a statutory basis and gaming revenue is reported on a management basis.

## Galaxy Macau™

In Q1 2016, Galaxy Macau™ reported Adjusted EBITDA was HK\$2.0 billion, flat sequentially and up 12% year-on-year. Revenue of HK\$9.8 billion represented an increase of 2% quarter-on-quarter and 6% year-on-year. The vast majority of Galaxy Macau™'s earnings are generated by the mass market and non-gaming offerings

Galaxy Macau™ experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately HK\$135 million in Q1 2016.

Adjusted EBITDA margin under HKFRS was 21% (Q1 2015: 20%), or 27% under US GAAP (Q1 2015: 27%) in Q1 2016.

### *VIP Gaming Performance*

Total VIP rolling chip volume for the first quarter was HK\$130.5 billion. This translated into revenue of HK\$5.5 billion, an increase of 5% quarter-on-quarter but down 3% year-on-year.

VIP Gaming					
HK\$m	Q1 2015	Q4 2015	Q1 2016	QoQ%	YoY%
Turnover	156,645	136,630	130,536	(4%)	(17%)
Net Win	5,623	5,177	5,458	5%	(3%)
Win %	3.6%	3.8%	4.2%	n/a	n/a

### *Mass Gaming Performance*

First quarter revenue increased by 14% year-on-year to HK\$3.3 billion, and was up 2% sequentially.

Mass Gaming					
HK\$m	Q1 2015	Q4 2015	Q1 2016	QoQ%	YoY%
Table Drop	6,018	7,410	7,734	4%	29%
Net Win	2,879	3,217	3,284	2%	14%
Hold %	47.8%	43.4%	42.5%	n/a	n/a

### *Electronic Gaming Performance*

In the first quarter, electronic gaming revenue was up 21% year-on-year but down 19% quarter-on-quarter at HK\$381 million.

Electronic Gaming					
HK\$m	Q1 2015	Q4 2015	Q1 2016	QoQ%	YoY%
Slots Handle	7,608	12,323	11,542	(6%)	52%
Net Win	316	468	381	(19%)	21%
Hold %	4.2%	3.8%	3.3%	n/a	n/a

### *Non-Gaming Performance*

Non-gaming revenue for the first quarter 2016 was HK\$666 million, an increase of 71% on last year. The combined five hotels registered occupancy of 99% for Q1 2016. Net rental revenue for the Promenade was HK\$196 million in Q1 2016.

<b>Non-Gaming Revenue</b>					
<b>HK\$m</b>	<b>Q1 2015</b>	<b>Q4 2015</b>	<b>Q1 2016</b>	<b>QoQ%</b>	<b>YoY%</b>
<b>Net Rental Revenue</b>	56	269	<b>196</b>	<b>(27%)</b>	<b>250%</b>
<b>Hotel Revenue / F&amp;B / Others</b>	333	473	<b>470</b>	<b>(1%)</b>	<b>41%</b>
<b>Total</b>	389	742	<b>666</b>	<b>(10%)</b>	<b>71%</b>

### **StarWorld Macau**

StarWorld Macau generated quarterly revenue of HK\$2.9 billion, down 2% sequentially and 26% year-on-year. Adjusted EBITDA was HK\$512 million which decreased 8% sequentially and 15% year-on-year due to lower VIP volumes as the property continues to transition to the mass market.

First quarter Adjusted EBITDA margin under HKFRS was 18% (Q1 2015: 15%), or 24% under US GAAP (Q1 2015: 23%).

StarWorld Macau experienced bad luck in its gaming operations which decreased its Adjusted EBITDA by approximately HK\$35 million during Q1 2016.

### *VIP Gaming Performance*

StarWorld Macau reported VIP rolling chip volume of HK\$59.2 billion in Q1 2016. This translated into revenue of HK\$1.7 billion, a 2% quarter-on-quarter and 43% year-on-year reduction.

<b>VIP Gaming</b>					
<b>HK\$m</b>	<b>Q1 2015</b>	<b>Q4 2015</b>	<b>Q1 2016</b>	<b>QoQ%</b>	<b>YoY%</b>
<b>Turnover</b>	88,491	52,981	<b>59,200</b>	<b>12%</b>	<b>(33%)</b>
<b>Net Win</b>	2,905	1,692	<b>1,659</b>	<b>(2%)</b>	<b>(43%)</b>
<b>Win %</b>	3.3%	3.2%	<b>2.8%</b>	<b>n/a</b>	<b>n/a</b>

### *Mass Gaming Performance*

First quarter mass gaming revenue increased 25% year-on-year to HK\$1.2 billion and decreased modestly 1% quarter-on-quarter.

Mass Gaming					
HK\$m	Q1 2015	Q4 2015	Q1 2016	QoQ%	YoY%
Table Drop	2,330	2,887	3,019	5%	30%
Net Win	939	1,187	1,178	(1%)	25%
Hold %	40.3%	41.1%	39.0%	n/a	n/a

### *Electronic Gaming Performance*

First quarter electronic gaming revenue was HK\$24 million, down 27% year-on-year and flat quarter-on-quarter.

Electronic Gaming					
HK\$m	Q1 2015	Q4 2015	Q1 2016	QoQ%	YoY%
Slots Handle	497	467	409	(12%)	(18%)
Net Win	33	24	24	0%	(27%)
Hold %	6.6%	5.1%	5.9%	n/a	n/a

### *Non-Gaming Performance*

Non-gaming revenue for Q1 2016 was HK\$56 million and hotel occupancy remained high at 97%.

Non-Gaming Revenue					
HK\$m	Q1 2015	Q4 2015	Q1 2016	QoQ%	YoY%
Net Rental Revenue	8	9	9	0%	13%
Hotel Revenue / F&B / Others	80	52	47	(10%)	(41%)
Total	88	61	56	(8%)	(36%)

### **Broadway Macau™**

Broadway Macau™ is a family friendly / Macau SME concept that caters for all price points. It does not have a VIP gaming component. The property recorded revenue of HK\$181 million and Adjusted EBITDA of HK\$3 million in Q1 2016.

Broadway Macau™ experienced bad luck in its gaming operations which reduced its Adjusted EBITDA by approximately HK\$1 million in the first quarter of 2016.

### *Mass Gaming Performance*

First quarter gaming revenue was HK\$131 million, an increase of 6% quarter-on-quarter.

Mass Gaming					
HK\$m	Q3 2015	Q4 2015	Q1 2016	QoQ%	YoY%
Table Drop	495	548	600	9%	n/a
Net Win	124	124	131	6%	n/a
Hold %	25.1%	22.7%	21.9%	n/a	n/a

### *Electronic Gaming Performance*

First quarter electronic gaming revenue was HK\$7 million, a 13% decrease compared to last quarter.

Electronic Gaming					
HK\$m	Q3 2015	Q4 2015	Q1 2016	QoQ%	YoY%
Slots Handle	122	131	143	9%	n/a
Net Win	8	8	7	(13%)	n/a
Hold %	6.8%	5.6%	5.1%	n/a	n/a

### *Non-Gaming Performance*

First quarter non-gaming revenue was HK\$43 million, up 8% quarter-on-quarter and hotel occupancy was virtually 100%.

Non-Gaming Revenue					
HK\$m	Q3 2015	Q4 2015	Q1 2016	QoQ%	YoY%
Net Rental Revenue	12	11	14	27%	n/a
Hotel Revenue / F&B / Others	45	29	29	0%	n/a
Total	57	40	43	8%	n/a

### **City Clubs and Construction Materials Division**

City Clubs contributed HK\$26 million of Adjusted EBITDA to the Group's earnings (Q1 2015: HK\$31 million). The Construction Materials Division posted Adjusted EBITDA of HK\$92 million (Q1 2015: HK\$48 million).

### **Development Update – Cotai and Hengqin**

#### *Phases 3 & 4 on Cotai*

GEG has the largest contiguous development landbank of any operator in Macau. Cotai Phases 3

& 4, which will add approximately one million square meters to GEG's existing footprint, are expected to be more mass and family orientated, with a significant MICEE, hotels and a family themed entertainment offering. Site investigation works are expected to begin this year.

### *Hengqin*

GEG is excited by its potential for Hengqin to become another major business and leisure hub and is exploring the option to develop a world class destination resort on a 2.7 square kilometer land parcel on the island. This low rise, low density resort will complement the Group's existing properties in Macau.

### **Selected Major Awards**

<b>Award</b>	<b>Presenter</b>
<b>GEG</b>	
Socially Responsible Operator	International Gaming Awards
Top 100 HK Listed Companies Awards – Comprehensive Strength	QQ.com x Finet
Top 10 Hoteliers of the Year – Mr. Francis Lui	China Hotel Starlight Awards
Marketing Team of the Year	IAIR Awards
<b>Galaxy Macau™</b>	
The Supreme Award for the Most Favored Integrated Resort by Parent-Child in Asia	Golden Horse Award of China Hotel
The Best Integrated Resort and Hotel Service and Brand	Exmoo – Macau Elite Service Award
Forbes Travel Guide – Five Stars Hotel (Banyan Tree Macau)	Forbes Travel Guide
A CEO's Dining Guide – 8 ½ Otto e Mezzo BOMBANA, YAMAZATO, Belon	South China Morning Post – 100 Top Tables 2016
KitchenAid Pastry Chef of the Year (Regional) – Gunther Wolfsgruber	World Gourmet Summit
<b>StarWorld Macau</b>	
The Supreme Award for the Most Glamorous Hotel of Asia	Golden Horse Award of China Hotel
Top 10 Glamorous Hotels of China	China Hotel Starlight Awards
A CEO's Dining Guide – Feng Wei Ju , Jade de Jardin	South China Morning Post – 100 Top Tables 2016

### **Group Outlook for 2016**

The Group has again performed credibly in what continues to be a challenging market environment. This achievement reflects the strength of its property portfolio, with Galaxy Macau™ Phase 2 and Broadway Macau™ successfully ramping up, management's diligent focus on effectively managing properties to ensure resources are allocated to their highest and best use, and the implementation of cost controls as part of an HK\$800 million program of savings.



GEG continues to be optimistic about the medium to long term outlook for Macau and the industry. China's structural transition to a consumption-based economy and the growth of a very large middle class is redefining the domestic leisure and tourism landscape. Macau's ongoing development and diversification into a World Center of Tourism and Leisure, supported by major infrastructure improvements that will transform access to the region, will enable it to capture a strong share of this expected significant increase in Chinese traveler numbers in the years ahead. In the shorter term, GEG is encouraged by continuing signs of potential market stabilization, as evidenced by four consecutive quarters where Macau market gaming revenue ranged between HK\$53 and HK\$55 billion, strong occupancy rates at the Group's seven hotels, and year-on-year double digit mass revenue growth at GEG's two flagship properties in the first quarter of 2016. Nonetheless, GEG will continue to exercise caution in light of the unpredictable and volatile business and economic environment.

GEG's exceptionally strong balance sheet, recently enhanced and differentiated proposition, and well defined development pipeline position us well to prosper as market conditions turn more favorable.

#### **CAUTION STATEMENT**

The Board wishes to remind shareholders and potential investors that the above financial data primarily relates only to a part of operations of the Group and is based on the Group's internal records and management accounts. The above financial data has not been reviewed or audited by independent auditor and is not a forecast of the performance of the gaming and entertainment division or of the Group as a whole. Shareholders and potential investors are cautioned not to unduly rely on such data and are advised to exercise caution when dealing in the shares of GEG.

By Order of the Board  
**Galaxy Entertainment Group Limited**  
**Jenifer Sin Li Mei Wah**  
*Company Secretary*

Hong Kong, 27 April 2016

*As at the date of this announcement, the executive Directors of GEG 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 Director of GEG is Dr. Charles Cheung Wai Bun; and the independent non-executive Directors of GEG are Mr. James Ross Ancell, Dr. William Yip Shue Lam and Professor Patrick Wong Lung Tak.*

Website: [www.galaxyentertainment.com](http://www.galaxyentertainment.com)