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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 THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 2016 as follows:

##### RESULTS HIGHLIGHTS

###### **GEG: Continues To Drive Mass Business, Profitable Volumes and Control Costs**

- Q3 Group Revenue of HK\$12.9 billion, up 5% year-on-year, up 6% quarter-on-quarter
- Q3 Group Adjusted EBITDA of HK\$2.7 billion, up 28% year-on-year, up 18% quarter-on-quarter
- Played lucky in Q3 which increased Adjusted EBITDA by approximately HK\$240 million
- Latest 12-month Adjusted EBITDA nearly HK\$10 billion

###### **Galaxy Macau™: Strong Performance Driven By Mass**

- Q3 Revenue of HK\$9.4 billion, up 8% year-on-year, up 8% quarter-on-quarter
- Q3 Adjusted EBITDA of HK\$2.2 billion, up 31% year-on-year, up 16% quarter-on-quarter
- Played lucky in Q3 which increased Adjusted EBITDA by approximately HK\$210 million
- Hotel occupancy for Q3 across the five hotels was 98%

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

- Q3 Revenue of HK\$2.8 billion, down 5% year-on-year, up 4% quarter-on-quarter
- Q3 Adjusted EBITDA of HK\$536 million, up 4% year-on-year and up 15% quarter-on-quarter
- Played lucky in Q3 which increased Adjusted EBITDA by approximately HK\$30 million
- Hotel occupancy for Q3 was 98%

###### **Broadway Macau™: A Unique Family Friendly Resort, Strongly Supported By Macau SMEs**

- Q3 Revenue of HK\$167 million, down 12% year-on-year, down 1% quarter-on-quarter
- Q3 Adjusted EBITDA of HK\$7 million, up 17% quarter-on-quarter (Q3 2015: HK\$(1) million)
- Played unlucky in Q3 which reduced Adjusted EBITDA by approximately HK\$1 million
- Hotel occupancy for Q3 was virtually 100%

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

- Cash and liquid investments was HK\$14.1 billion as at 30 September 2016
- Virtually debt free and net cash of HK\$12.9 billion as at 30 September 2016
- Paying the previously announced special dividend of HK\$0.18 per share on 28 October 2016

###### **Development Update: Robust Growth Development Pipeline**

- Cotai Phases 3 & 4 – Continue to move forward with Phase 3 with the potential to commence site preparation works in late 2016 and Phase 4 in 2017, with substantial floor area allocated to non-gaming and primarily targeting Meetings Incentives Conference and Events (MICE), entertainment and family facilities. We expect to be able to provide additional information on our development plans in late 2016 or early 2017
- Hengqin – Plans moving forward to develop a low-density integrated resort to complement our high-energy entertainment resorts in Macau, anticipated to disclose further details later in the year
- International – Continuously exploring opportunities in overseas markets

We have enjoyed a solid Q3 this year with reported Group Adjusted EBITDA of HK\$2.7 billion up 28% year-on-year and up 18% quarter-on-quarter.

Macau continues to transition to the Mass market and GEG continues to align our business with the direction of the market and allocate resources to their highest and best use. We are encouraged by the continuing signs of market stabilization, yet it remains too early to call the bottom of market. The recently reported growth in monthly revenue in August and September followed by a strong Golden Week in October are encouraging signs, but we would like some more time before calling it a definitive trend. Underlying visitor demand remains solid with GEG's hotels remaining virtually fully occupied during the period. The opening of additional hotel rooms and resort related amenities at Galaxy Macau™ Phase 2 and Broadway Macau™ in 2015 saw an increase in the number of visitors who stayed overnight. Importantly, visitors whom stay overnight generally have a higher spend per customer, with a particular focus on higher margin, non-gaming spend.

GEG remains a growth company with the largest contiguous landbank in Macau. We continue to progress with our exciting development plans and hope to be able to make a formal announcement in the near future.

Previously in Q2 we announced another special dividend of HK\$0.18 per share. We are pleased to confirm that this week on Friday 28 October that we will pay the previously announced dividend. Our balance sheet remains exceptionally strong with cash and liquid investments of HK\$14.1 billion and we remain virtually debt free.

Macau continues to receive support from the Central Government and we welcome the recent visit to Macau by Premier Li Keqiang. With the continuing support of both the Macau and Central Governments combined with the ongoing completion of infrastructure projects we remain confident in the longer term outlook for Macau.

Finally, we would like 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**

The market in the Q3 2016 continued to show gradual signs of stabilization despite the continuing challenging conditions and seasonal factors that impact revenues.

Gross Gaming Revenue ("GGR") increased by 1% year-on-year to HK\$53.4 billion in Q3 2016. We believe that the market trend towards mass has continued with total mass GGR now exceeding VIP GGR. Total visitor arrivals in Q3 this year grew marginally by 0.1% year-on-year to 8.1 million and the average length of stay of visitors grew by 0.1 day year-on-year to 1.3 days.

Importantly in Q3 2016 overnight visitors grew by 9% year-on-year to 4.2 million due most likely to the opening of additional hotel rooms. Overnight visitors typically spend significantly more on high margin non-gaming services.

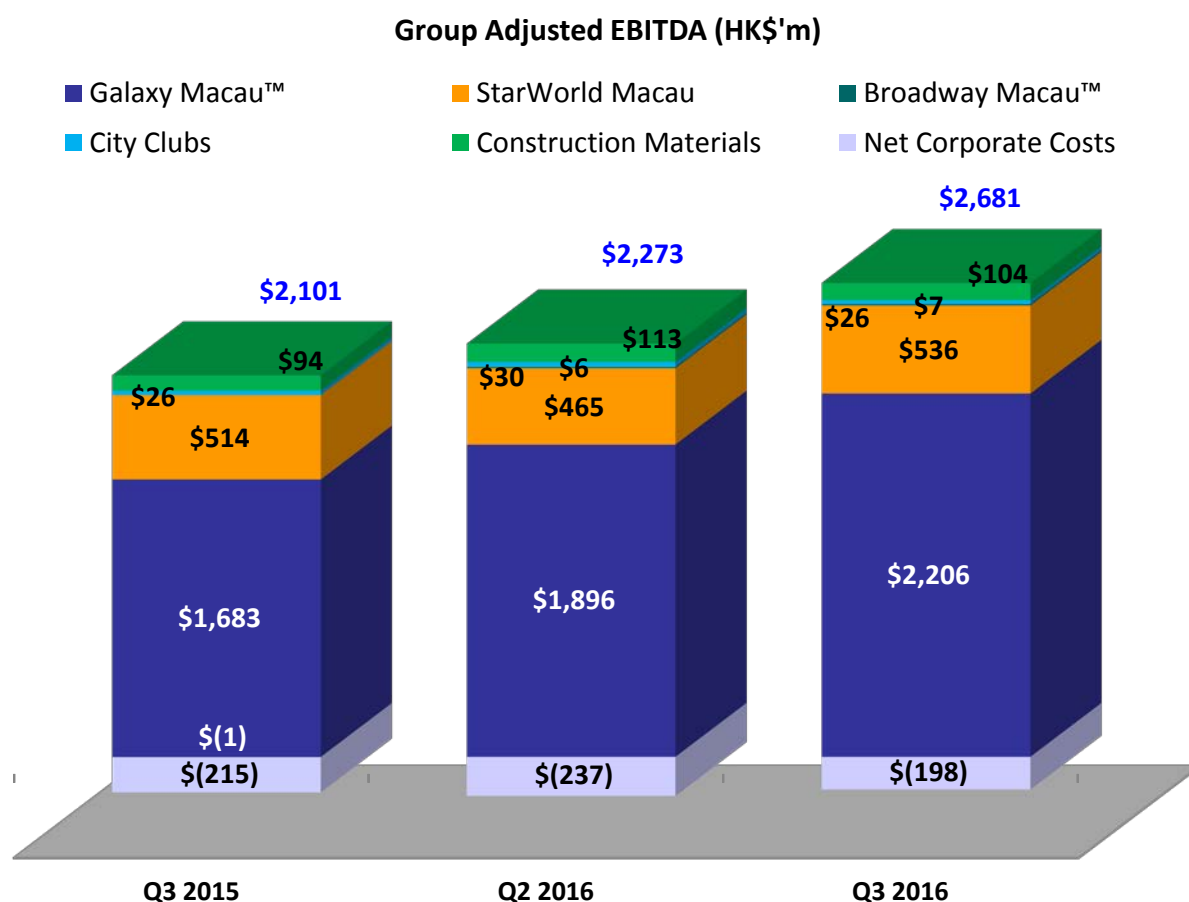
## Group Financial Results

### Q3 2016

The Group posted revenue of HK\$12.9 billion, up 5% year-on-year and Adjusted EBITDA of HK\$2.7 billion, up 28% year-on-year in Q3 2016. Galaxy Macau™'s Adjusted EBITDA was HK\$2.2 billion, up 31% year-on-year. StarWorld Macau's Adjusted EBITDA was HK\$536 million, up 4% year-on-year. Broadway Macau™'s Adjusted EBITDA was HK\$7 million vs Q3 2015's HK\$(1) million.

During Q3 2016, GEG experienced good luck in its gaming operations which increased Adjusted EBITDA by approximately HK\$240 million.

The Group's total gaming revenue on a management basis<sup>1</sup> in Q3 of 2016 was HK\$12 billion, up 5% year-on-year as total mass table games revenue was HK\$5.4 billion, up 17% year-on-year and total VIP revenue was HK\$6.1 billion, down 4% year-on-year.



<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.

### ***Balance Sheet and Special Dividend***

The Group's balance sheet remains healthy. As of 30 September 2016, cash and liquid investments was HK\$14.1 billion and net cash was HK\$12.9 billion. Total debt was HK\$1.2 billion (30 September 2015: HK\$1.2 billion).

The Group will pay the previously announced special dividend of HK\$0.18 per share on 28 October 2016.

### **Galaxy Macau™**

Galaxy Macau™ is the main contributor to Group revenue and earnings. During Q3 2016, Galaxy Macau™'s revenue was HK\$9.4 billion, up 8% year-on-year. Adjusted EBITDA was HK\$2.2 billion, up 31% year-on-year, up 16% quarter-on-quarter. The Group expects to leverage economies of scale as it continues to see the growth of Macau's mass market. We experienced good luck in our gaming operations which increased Adjusted EBITDA by approximately HK\$210 million in Q3.

Adjusted EBITDA margin for Q3 2016 calculated under HKFRS was 23% (Q3 2015: 19%), or 29% under US GAAP (Q3 2015: 25%).

### ***VIP Gaming Performance***

VIP rolling chip volume for Q3 2016 was HK\$117 billion, down 6% year-on-year. This translated to revenue of HK\$4.6 billion, up 3% year-on-year and up 5% quarter-on-quarter.

<b>VIP Gaming</b>					
<b>HK\$m</b>	<b>Q3 2015</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>QoQ%</b>	<b>YoY%</b>
<b>Turnover</b>	124,645	115,296	<b>117,048</b>	<b>2%</b>	<b>(6%)</b>
<b>Net Win</b>	4,481	4,408	<b>4,617</b>	<b>5%</b>	<b>3%</b>
<b>Win %</b>	3.6%	3.8%	<b>3.9%</b>	<b>n/a</b>	<b>n/a</b>

### ***Mass Gaming Performance***

Mass gaming revenue for Q3 2016 was HK\$3.6 billion, up 19% year-on-year, up 10% quarter-on-quarter.

<b>Mass Gaming</b>					
<b>HK\$m</b>	<b>Q3 2015</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>QoQ%</b>	<b>YoY%</b>
<b>Table Drop</b>	7,014	7,834	<b>8,103</b>	<b>3%</b>	<b>16%</b>
<b>Net Win</b>	3,013	3,253	<b>3,572</b>	<b>10%</b>	<b>19%</b>
<b>Hold %</b>	43%	41.5%	<b>44.1%</b>	<b>n/a</b>	<b>n/a</b>

### *Electronic Gaming Performance*

Electronic gaming revenue for Q3 2016 was HK\$461 million, up 4% year-on-year, up 3% quarter-on-quarter.

Electronic Gaming					
HK\$m	Q3 2015	Q2 2016	Q3 2016	QoQ%	YoY%
Slots Handle	11,435	11,661	<b>11,681</b>	<b>0.2%</b>	<b>2%</b>
Net Win	442	447	<b>461</b>	<b>3%</b>	<b>4%</b>
Hold %	3.9%	3.8%	<b>3.9%</b>	<b>n/a</b>	<b>n/a</b>

### *Non-Gaming Performance*

Non-gaming revenue for Q3 revenue was HK\$761 million, up 3% year-on-year, up 19% quarter-on-quarter. The combined five hotels registered strong occupancy of 98% in Q3.

Net Rental Revenue for the Promenade was HK\$200 million for Q3 2016, down 15% year-on-year, up 24% quarter-on-quarter.

Non-Gaming					
HK\$m	Q3 2015	Q2 2016	Q3 2016	QoQ%	YoY%
Net Rental Revenue	236	161	<b>200</b>	<b>24%</b>	<b>(15%)</b>
Hotel Revenue / F&B / Others	506	478	<b>561</b>	<b>17%</b>	<b>11%</b>
Total	742	639	<b>761</b>	<b>19%</b>	<b>3%</b>

### *StarWorld Macau*

StarWorld Macau's Q3 2016 revenue was HK\$2.8 billion, down 5% year-on-year, up 4% quarter-on-quarter. Adjusted EBITDA was HK\$536 million, up 4% year-on-year, up 15% quarter-on-quarter. We experienced good luck in our gaming operations which increased Adjusted EBITDA by approximately HK\$30 million in Q3.

Adjusted EBITDA margin in Q3 2016 calculated under HKFRS was 19% (Q3 2015: 17%), or 25% under US GAAP (Q3 2015: 25%).

### *VIP Gaming Performance*

VIP rolling chip volume for Q3 2016 was HK\$49.6 billion, down 27% year-on-year. This translated to revenue of HK\$1.4 billion, down 21% year-on-year, down 4% quarter-on-quarter.

VIP Gaming					
HK\$m	Q3 2015	Q2 2016	Q3 2016	QoQ%	YoY%
Turnover	67,543	46,090	49,601	8%	(27%)
Net Win	1,795	1,472	1,419	(4%)	(21%)
Win %	2.7%	3.2%	2.9%	n/a	n/a

### *Mass Gaming Performance*

Mass gaming revenue for Q3 2016 was HK\$1.3 billion, up 22% year-on-year, up 14% quarter-on-quarter.

Mass Gaming					
HK\$m	Q3 2015	Q2 2016	Q3 2016	QoQ%	YoY%
Table Drop	2,642	3,062	3,154	3%	19%
Net Win	1,063	1,141	1,301	14%	22%
Hold %	40.3%	37.3%	41.2%	n/a	n/a

### *Electronic Gaming Performance*

Electronic gaming revenue for Q3 2016 was HK\$25 million, down 7% year-on-year, up 39% quarter-on-quarter.

Electronic Gaming					
HK\$m	Q3 2015	Q2 2016	Q3 2016	QoQ%	YoY%
Slots Handle	558	386	684	77%	23%
Net Win	27	18	25	39%	(7%)
Hold %	4.9%	4.7%	3.6%	n/a	n/a

### *Non-Gaming Performance*

Non-gaming revenue in Q3 of 2016 was HK\$49 million, down 18% year-on-year, up 2% quarter-on-quarter. Hotel room occupancy was 98% for Q3.

Non-Gaming					
HK\$m	Q3 2015	Q2 2016	Q3 2016	QoQ%	YoY%
Net Rental Revenue	8	9	9	0%	13%
Hotel Revenue / F&B / Others	52	39	40	3%	(23%)
Total	60	48	49	2%	(18%)

## Broadway Macau™

Broadway Macau™ is a unique family friendly, street entertainment and food resort supported by Macau SMEs, it does not have a VIP gaming component. Revenue for the Q3 2016 was HK\$167 million, while Adjusted EBITDA for the period was HK\$7 million, up 17% quarter-on-quarter (Q3 2015: HK\$(1) million). We experienced bad luck in our gaming operations which reduced Adjusted EBITDA by approximately HK\$1 million in Q3.

### *Mass Gaming Performance*

Mass gaming revenue for Q3 2016 was HK\$103 million, down 17% year-on-year, down 10% quarter-on-quarter.

Mass Gaming					
HK\$m	Q3 2015	Q2 2016	Q3 2016	QoQ%	YoY%
Table Drop	495	503	474	(6%)	(4%)
Net Win	124	115	103	(10%)	(17%)
Hold %	25.1%	22.9%	21.7%	n/a	n/a

### *Electronic Gaming Performance*

Electronic gaming revenue for Q3 2016 was HK\$8 million, no change year-on-year, down 11% quarter-on-quarter.

Electronic Gaming					
HK\$m	Q3 2015	Q2 2016	Q3 2016	QoQ%	YoY%
Slots Handle	122	137	139	2%	14%
Net Win	8	9	8	(11%)	0%
Hold %	6.8%	6.2%	5.8%	n/a	n/a

### *Non-Gaming Performance*

Non-gaming revenue in the Q3 2016 was HK\$56 million, down 2% year-on-year, up 24% quarter-on-quarter. Hotel room occupancy was virtually 100% for Q3 2016.

Non-Gaming					
HK\$m	Q3 2015	Q2 2016	Q3 2016	QoQ%	YoY%
Net Rental Revenue	12	14	16	14%	33%
Hotel Revenue / F&B / Others	45	31	40	29%	(11%)
Total	57	45	56	24%	(2%)

## City Clubs and Construction Materials Division

City Clubs contributed HK\$26 million of Adjusted EBITDA to the Group's earnings for Q3 2016 (Q3 2015: HK\$26 million). The Construction Materials Division posted Adjusted EBITDA of HK\$104 million in Q3 2016, up 11% year-on-year.

## Largest Contiguous Landbank in Cotai, Hengqin and International Development Update

### *Cotai Phases 3 & 4*

With the largest contiguous landbank in Cotai, GEG is uniquely positioned for the medium and longer-term growth in tourism and leisure throughout Asia in general and Mainland China specifically. Cotai Phases 3 & 4 will provide GEG with the opportunity to expand its non-gaming footprint even further. We continue to move forward with our planning of Phase 3 with the potential to commence site preparation works in late 2016 and Phase 4 in 2017, with substantial floor area allocated to non-gaming and primarily targeting MICE, entertainment and family facilities. We expect to be able to provide additional information on our development plans in late 2016 or early 2017.

### *Hengqin*

GEG's concept plan for our Hengqin project continued to progress. Hengqin will allow GEG to develop a low rise, low-density integrated resort that will complement our high energy resorts in Macau. We anticipate to be able to provide further details later in the year.

### *International*

GEG is continuously exploring opportunities in overseas markets.

## Selected Major Awards 2016 (January to October)

Award	Presenter
<b>GEG</b>	
Best Managed Company in Asia – Gaming	Euromoney
Gaming and Lodging – Most Honored Company	Institutional Investor Magazine – 2016 All-Asia Executive Team Survey
Best Investor Relations Program – First Place – Nominated by the Buy Side	
Best Analyst Days – First Place	
The Most Generous Chinese of "Hurun Non-Mainland Chinese Philanthropy List 2016"	Hurun Report



## Selected Major Awards 2016 (January to October) (Cont'd)

Award	Presenter
<b>GEG (Cont'd)</b>	
Socially Responsible Operator	International Gaming Awards
Certificate of Excellence in Investor Relations	Hong Kong Investor Relations Association
Top 100 HK Listed Companies Award – Comprehensive Strength	QQ.com x Finet
<b>Galaxy Macau™</b>	
Asia's Leading Casino Resort 2016	23 <sup>rd</sup> Annual World Travel Awards
Best Integrated Resort	Asia Gaming Awards
Macau Elite Service Award 2015 - The Best Integrated Resort and Hotel Service and Brand	Exmoo
2015 Macao Green Hotel Award - Gold (Hotel Okura Macau) - Silver (Galaxy Hotel)	Macao Environmental Protection Bureau (DSPA)
The Supreme Award for the Most Favored Integrated Resort by Parent-Child in Asia	Golden Horse Awards of China Hotel
<b>StarWorld Macau</b>	
TOP 10 Glamorous Hotels of China	China Hotel Starlight Awards
Smiling Enterprise Award - StarWorld Hotel	Smiling Enterprise Award
The Supreme Award for the Most Glamorous Hotel of Asia	Golden Horse Awards of China Hotel
<b>Broadway Macau™</b>	
The Supreme Award for the Most Local Experience Resort in Asia	Golden Horse Awards of China Hotel
<b>Construction Materials Division</b>	
22 <sup>nd</sup> Considerate Contractors Site Award Scheme - Outstanding Environmental Management & Performances Award – Bronze Award - Public Works – New Works – Bronze Award	Development Bureau / Construction Industry Council

## Outlook

The Group has delivered a very solid Q3 performance with Adjusted EBITDA of HK\$2.7 billion, up 28% year-on-year and up 18% quarter-on-quarter. The Macau market is clearly transitioning to a mass market focused environment and GEG continues to align its operations with the changing market conditions. We continue to diligently manage the business, grow revenue streams, and tightly control costs without compromising our customer service standards.

We are encouraged by the reported recent growth of gaming revenue in both August and September. Further Macau experienced solid demand during the recent October Golden Week Holiday, however we would like to see a continuation of the trend before calling the bottom of the market.

We acknowledge the continuing challenging market conditions but GEG continues to remain optimistic about the medium to longer term outlook for Macau in general and GEG specifically. This optimism is supported by initial signs of stabilization within the market, combined with a low penetration of the Mainland catchment and a growing middle class in China who are seeking a more holistic tourism and travel experience. GEG as a growth company with a robust development pipeline is uniquely positioned to capture this future growth in tourism and travel and support Macau in its objective to become a World Center of Tourism and Leisure.

## 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, 26 October 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)