



銀娛 GEG

Galaxy Entertainment Group Limited
銀河娛樂集團有限公司

Stock Code: 27

2014 ANNUAL REPORT



OUR VISION

Galaxy's vision is to be: **Globally recognized as Asia's leading gaming and entertainment corporation.** This vision will be achieved through adhering to our proven business philosophy.

GALAXY'S BUSINESS PHILOSOPHY

LOCAL MARKET INSIGHTS

Leveraging Chinese heritage and deep understanding of Asian and Chinese customer preferences

PROVEN EXPERTISE

Focus on ROI (return on investment) with prudent CAPEX (capital expenditure) plan, proven construction and hotel expertise, and controlled development

WELL POSITIONED

Position Galaxy as a leading operator of integrated gaming, leisure and entertainment facilities

DEMAND DRIVEN STRATEGY

Monitor the market's developments and expand prudently in a timely manner

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CORPORATE INFORMATION

CHAIRMAN

Dr. Lui Che Woo, *GBM, MBE, JP, LLD, DSSC, DBA*

DEPUTY CHAIRMAN

Mr. Francis Lui Yiu Tung

EXECUTIVE DIRECTORS

Mr. Joseph Chee Ying Keung

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

NON-EXECUTIVE DIRECTOR

Mr. Anthony Thomas Christopher Carter

INDEPENDENT

NON-EXECUTIVE DIRECTORS

Mr. James Ross Ancell

Dr. William Yip Shue Lam, *LLD*

Professor Patrick Wong Lung Tak, *BBS, JP*

EXECUTIVE BOARD

Dr. Lui Che Woo, *GBM, MBE, JP, LLD, DSSC, DBA*

Mr. Francis Lui Yiu Tung

Mr. Joseph Chee Ying Keung

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

AUDIT COMMITTEE

Mr. James Ross Ancell (*Chairman*)

Dr. William Yip Shue Lam, *LLD*

Professor Patrick Wong Lung Tak, *BBS, JP*

REMUNERATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*

Mr. Francis Lui Yiu Tung

Professor Patrick Wong Lung Tak, *BBS, JP*

NOMINATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*

Mr. Francis Lui Yiu Tung

Professor Patrick Wong Lung Tak, *BBS, JP*

CORPORATE GOVERNANCE COMMITTEE

Mr. Francis Lui Yiu Tung (*Chairman*)

Mr. James Ross Ancell

Professor Patrick Wong Lung Tak, *BBS, JP*

COMPANY SECRETARY

Mrs. Jenifer Sin Li Mei Wah

INDEPENDENT AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

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10 Harcourt Road

Central, Hong Kong

SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited

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17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

PRINCIPAL BANKERS[#]

Bank of China Limited, Macau Branch

DBS Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Macau) Limited

The Hongkong and Shanghai Banking Corporation Limited

[#] listed in alphabetical order

SOLICITORS^{*}

Jorge Neto Valente, Escritório de Advogados e Notários
Linklaters

^{*} listed in alphabetical order

SHARE LISTING

The Stock Exchange of Hong Kong Limited ("SEHK")

STOCK CODE

SEHK : 27

Bloomberg : 27 HK

Reuters : 0027.HK

ADR : GXYEY

AMERICAN DEPOSITARY RECEIPTS

("ADR") DEPOSITARY

BNY Mellon Shareowner Services

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CORPORATE PROFILE

Galaxy Entertainment Group Limited (“GEG”, “the Company” or “the Group”), through its subsidiary, Galaxy Casino S.A., is one of Asia’s leading gaming and entertainment corporations and is a member of the Hang Seng Index. The Group develops and operates hotels, gaming and integrated entertainment facilities in the Macau SAR. In addition, GEG manufactures, sells and distributes construction materials through its Construction Materials Division across Mainland China, Hong Kong and Macau.

Since being granted one of the original three gaming concessions by the Macau SAR Government in 2002, GEG has carefully correlated its growth with Macau’s rapidly growing market. GEG’s great success in delivering its unique vision in Macau’s gaming and entertainment industry is underpinned by a deep understanding of the Asian market, and its ability to deliver new and truly innovative products that enhance Macau’s position as one of Asia’s most attractive leisure and tourist destinations.

In 2004, the Group successfully entered Macau through City Club Casinos. This provided the Group with the opportunity to establish a presence in the Macau gaming market and build relationships with key stakeholders, such as VIP promoters. Equipped with a strong sense of the future strategic direction of the Group and leveraging the City Clubs experience, GEG opened StarWorld Macau, its stunning and highly successful flagship property in the heart of the Macau Peninsula, in 2006. StarWorld Macau provides world class entertainment, dining and lavishly designed 5-star luxury accommodation. It is a market leader and one of the most successful casinos in the world, with strong VIP gaming, a successful mass gaming operation and near capacity hotel occupancy.

In May 2011, GEG successfully introduced a game changing integrated destination resort to the market – Galaxy Macau™. This unique property was Macau’s first Asian centric destination resort and is one of the largest leisure complexes in Asia. It has been conceived in the spirit of our “World Class, Asian Heart” service philosophy and offers the most diverse range of World Class Asian themed entertainment, accommodation and dining in Macau.

In January 2015, GEG announced its next chapter of growth – Galaxy Macau™ Phase 2 and the rebranded Broadway at Galaxy Macau – which is scheduled to open on 27 May 2015. They will take GEG’s investment in Cotai to HK\$43 billion and double the existing footprint of the resort to 1.1 million square meters. They will offer an unprecedented selection of amenities and attractions that will deliver a more diverse set of experiences to meet visitors’ growing desire for leisure and entertainment. Major highlights include six world class hotels providing approximately 4,000 rooms, suites and villas: including The Ritz Carlton’s first All-Suite hotel, The Ritz-Carlton, Macau with over 250 suites; Asia’s largest JW Marriott, JW Marriott Hotel Macau with over 1,000 rooms and Broadway Hotel offering 320 well-appointed rooms, complemented by three existing world class hotels: Banyan Tree Macau, Hotel Okura Macau and Galaxy Hotel; The Broadway Theatre comprising 3,000 seats and offering guests a unique up-close-and-personal family-friendly entertainment experience; an expanded Grand Resort Deck complete with Skytop Adventure Rapids, featuring the world’s longest skytop aquatic adventure ride at 575 meters long and the world’s largest skytop wave pool; The Broadway – a vibrant street and entertainment district showcasing Macanese culture through hawker-style vendors, live entertainers and world class performers, a first in the territory; The Promenade, featuring approximately 200 luxury and lifestyle retail brands; portfolio of unique venues and experiences for meetings and banquets, catering for up to 3,000 guests; and, over 120 food & beverage outlets offering everything from authentic pan-Asian cuisine to world class dining experiences.

CORPORATE PROFILE

In the years to come we will be expanding further with the addition of Cotai Phases 3 & 4. We expect to commence site investigation works in 2015. Expanding GEG's entire building area on Cotai to 2 million square metres, Phases 3 & 4 will significantly diversify GEG's product and service offering to include a multitude of new cultural and entertainment elements predominantly targeting premium mass guests. The ambitious HK\$50 – HK\$60 billion project will provide thousands of additional hotel rooms and suites; a state of the art multi-purpose arena for world class entertainment and sporting events, a large convention centre; and, gaming capacity of up to 1,000 tables and 3,000 slots.

Plans for our 2.7 square kilometres land parcel in Hengqin are well advanced. GEG will develop a low rise, low density world class destination resort in Hengqin which will complement GEG's business in Macau and differentiate us from our peers.

GEG expects that these revolutionary and captivating developments will set a new benchmark for the global leisure and tourism industry, and enhance Macau's position as a world class tourism destination.

FINANCIAL & OPERATIONAL HIGHLIGHTS

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

Group

Financial:

- Record revenue of \$71,752 million, grew 9% year-on-year
- Record Adjusted EBITDA of \$13,223 million, grew 5% year-on-year
- Record net profit attributable to shareholders of \$10,340 million, grew 3% year-on-year
- Further strengthened balance sheet with cash on hand of \$9 billion and a net cash position of \$8.2 billion; and is virtually debt free
- Paid two special dividends totalling approximately \$4.9 billion in 2014
- Subsequently announced another special dividend of \$0.28 per share payable on or about 22 May 2015

Development:

- Galaxy Macau™ Phase 2 and Broadway at Galaxy Macau – Opening on 27 May 2015 as the next major projects in Macau, doubling the size of the resort destination to over 1.1 million square metres
- Cotai Phases 3 & 4 – Plans are well advanced with the site investigation works expected to begin in 2015
- Hengqin – Entered into a framework agreement with the Hengqin authority to develop a 2.7 square kilometres land parcel for a world class destination resort in Hengqin
- International – Continue to actively explore opportunities in overseas markets

Achievement & Community Reinvestment:

- Announced the establishment of the \$1.3 billion GEG Foundation in July 2014 to reinforce GEG's commitment to promoting a sustainable future for Macau through sharing its success with the community
- Announced the Enhanced Employee Benefits to reward the commitment and hard work of all 17,000 team members
- Received global recognition for achievements and success by winning Casino Operator of the Year Australia/Asia at the prestigious International Gaming Awards for the fourth year



FINANCIAL & OPERATIONAL HIGHLIGHTS

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

Galaxy Macau™

- Record revenue of \$46,915 million, increased by 18% year-on-year
- Record Adjusted EBITDA of \$9,871 million, increased by 12% year-on-year
- Generated an ROI* of 58% in 2014



StarWorld Macau

- Generated revenue of \$22,634 million, decreased by 4% year-on-year
- Recorded Adjusted EBITDA of \$3,458 million, decreased by 6% year-on-year
- Generated an ROI* of 96% in 2014



* Return on Investment ("ROI") calculated based on the total Adjusted EBITDA for the latest twelve months divided by gross book value through 31 December 2014 including allocated land cost.

FINANCIAL & OPERATIONAL HIGHLIGHTS

GROUP

Revenue

(HK\$'m)	2013	2014	% change
Gaming and Entertainment	63,620	69,715	10%
Construction Materials	2,412	2,037	(16%)
Group Total	66,032	71,752	9%



Adjusted EBITDA

(HK\$'m)	2013	2014	% change
Gaming and Entertainment	12,279	12,930	5%
Construction Materials	488	465	(5%)
Corporate	(192)	(172)	10%
Group Total	12,575	13,223	5%

Key Financial Metrics

	2013	2014	% change
Net Profit Attributable to Shareholders (HK\$'m)	10,052	10,340	3%
Earnings per Share (HK cents)	238.67	243.95	2%
Total Assets (HK\$'m)	46,257	51,839	12%
Cash on Hand (HK\$'m)	10,360	9,040	(13%)
Share Price on 31 December (HK\$)	69.55	43.65	(37%)
Market Capitalisation (HK\$'m)	293,481	185,289	(37%)

FINANCIAL & OPERATIONAL HIGHLIGHTS

GALAXY MACAU™

Financial Highlights

(HK\$m)	2013	2014	% change
Revenue	39,921	46,915	18%
Adjusted EBITDA	8,839	9,871	12%
Adjusted EBITDA Margin (HKFRS)	22%	21%	–
Adjusted EBITDA Margin (US GAAP)	31%	30%	–
ROI	51%	58%	–



2014 Selected Gaming Statistics

(HK\$m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	941,679	31,669	3.4%
Mass Gaming	27,516	12,125	44.1%
Electronic Gaming	35,581	1,576	4.4%

2013 Selected Gaming Statistics

(HK\$m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	774,143	26,491	3.4%
Mass Gaming	27,896	10,461	37.5%
Electronic Gaming	30,051	1,515	5.0%

FINANCIAL & OPERATIONAL HIGHLIGHTS

STARWORLD MACAU

Financials Highlights

(HK\$'m)	2013	2014	% change
Revenue	23,518	22,634	(4%)
Adjusted EBITDA	3,692	3,458	(6%)
Adjusted EBITDA Margin (HKFRS)	16%	15%	–
Adjusted EBITDA Margin (US GAAP)	25%	25%	–
ROI	105%	96%	–

星際酒店
StarWorld Hotel

2014 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	622,753	17,755	2.9%
Mass Gaming	10,890	4,321	39.4%
Electronic Gaming	2,937	181	6.2%

2013 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	662,022	19,076	2.9%
Mass Gaming	11,091	3,863	34.4%
Electronic Gaming	3,200	209	6.5%

DIVIDEND SCHEDULE AND CLOSURE OF REGISTER OF MEMBERS

Book close dates for Special Dividend	:	27 April 2015 (Monday) to 30 April 2015 (Thursday) (both day inclusive)
Record date for Special Dividend	:	30 April 2015 (Thursday)
Ex-dividend date	:	23 April 2015 (Thursday)
Expected payment date	:	22 May 2015 (Friday)
Latest time to lodge transfer documents with the Company's share registrar to entitle Special Dividend	:	4:30 p.m. on 24 April 2015 (Friday)
Book close dates for 2015 AGM	:	12 June 2015 (Friday) to 16 June 2015 (Tuesday) (both days inclusive)
Latest time to lodge transfer documents with the Company's share registrar to attend and vote at 2015 AGM	:	4:30 p.m. on 11 June 2015 (Thursday)
Date and time of 2015 AGM	:	11:00 a.m. on 16 June 2015 (Tuesday)
Name and address of the Company's share registrar	:	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

CHAIRMAN'S STATEMENT



Chairman
Dr. Lui Che Woo
*GBM, MBE, JP,
LLD, DSSc, DBA*

DEAR SHAREHOLDERS,

It is with great pleasure that I write to update you on the performance of our Company in 2014.

GEG marked its ten year anniversary of operation in Macau by achieving solid revenue and earnings despite facing strong headwinds in the second half of the year. Group revenue increased 9% year-on-year to HK\$71.8 billion, Adjusted EBITDA rose 5% year-on-year to HK\$13.2 billion and net profit attributable to shareholders was 3% higher year-on-year at HK\$10.3 billion. The Group's solid results derive from our continuing ability to attract and satisfy customers by delivering impeccable 'World Class, Asian Heart' products and services.

Ten years on from making our debut in Macau, we have built a brand that has become synonymous with quality and excellence and developed spectacular world class properties that offer diverse leisure, entertainment and accommodation experience. Our latest projects Galaxy Macau™ Phase 2 and the Broadway at Galaxy Macau, scheduled to open in May 2015, demonstrate our alignment with the Central and the Macau Government's vision to turn Macau into a World Center of Tourism and Leisure. They also meet a demand that our current hotels are unable to fulfil. Taking our investment in Cotai to HK\$43 billion of a planned overall target of HK\$100 billion once Phases 3 & 4 completed, we are optimistic that they will provide GEG with a sustainable platform for growth in the medium term.

CHAIRMAN'S STATEMENT

RESPONSIBLE CORPORATE CITIZEN

GEG adheres closely to the philosophy of “from the community, for the community”. In 2014, GEG’s volunteer team contributed approximately 1,100 hours of services to the community and supported more than 50 organisations and charities in Macau.

GEG Foundation

Further, we announced the establishment of the HK\$1.3 billion GEG Foundation. It will focus on educating and empowering young people in Macau and on the Mainland, which we hope will directly contribute to the territory’s future harmony and prosperity.

MACAU MARKET REVIEW

2014 was a year of two halves. Total gaming revenue in the first half of the year grew 13% year-on-year, with February reporting monthly revenues of HK\$36.9 billion, up 40% year-on-year. A number of factors, including a soft economic landing in China, the FIFA World Cup and Chinese austerity program etc., resulted in a 3% year-on-year reduction in total gaming revenue to HK\$341.3 billion for the twelve month period. The VIP segment was most affected, posting an 11% year-on-year reduction. While the market remains challenging, encouragingly total visitor numbers to Macau increased at a faster rate than last year, climbing 8% year-on-year to 31.5 million. Mainland visits increased more rapidly at 14% and now account for 67% of total visitors to Macau.

Exemplifying the territory’s continuing appeal as a vibrant and dynamic tourism and leisure hub for a diverse set of holidaymakers, mass revenues increased by 16% year-on-year to HK\$120.9 billion. GEG expects this structural shift in the market to continue as an increasingly numerous and affluent Chinese middle class seeks out more varied and convenient holiday experiences that Macau and Hengqin can provide.

GALAXY MACAU™

Galaxy Macau™ celebrated its third anniversary in 2014. Revenue and Adjusted EBITDA increased by 18% and 12% year-on-year, respectively. ROI was 58% in 2014.

STARWORLD MACAU

StarWorld Macau continues to be one of the highest returning casinos in the world, generating ROI of 96% in 2014. However, challenging conditions in its VIP business in the second half of the year and strong prior year comparatives, resulted in Adjusted EBITDA decreasing by 6% year-on-year.

CONSTRUCTION MATERIALS DIVISION

The Construction Materials Division performed solidly, delivering Adjusted EBITDA of HK\$465 million (2013: HK\$488 million).

DEVELOPING MACAU’S LARGEST DEVELOPMENT PIPELINE

GEG arguably has the largest and best defined short, medium and long term development pipeline in the Macau market. While the macro environment has proved a challenge, our optimism is unwavering based on continuing near capacity occupancy levels at our hotels and record visitor numbers to Macau. We are excited by the next chapter in GEG’s short but distinguished history: the official openings of Galaxy Macau™ Phase 2 and the Broadway at Galaxy Macau.

CHAIRMAN'S STATEMENT

Launch of Galaxy Macau™ Phase 2 and Broadway at Galaxy Macau

Opening to the public on 27 May 2015, the expanded Galaxy Macau™ will be the only truly integrated entertainment and leisure resort destination in Macau. Doubling GEG's existing Cotai footprint to more than one million square metres, it will comprise three new luxury hotels including The Ritz Carlton's first All-Suite hotel, Asia's largest JW Marriott and the Broadway Hotel; a state of the art theatre showcasing the very best international and Asian talents; food and beverage outlets featuring world renowned Michelin starred chefs; and a first of its kind landmark district celebrating the very best of Macanese and Chinese culture.

Cotai Phases 3 & 4 and Hengqin

Looking further ahead, final plans for Cotai Phases 3 & 4 are nearing completion and site investigation works are expected to commence in 2015. Together with our long term plans for a world class, low density leisure and entertainment destination resort on a 2.7 square kilometre land parcel on Hengqin, we are confident that GEG will appeal to a broad cross section of customers and in turn redefine the Asian holiday experience.

STRONG BALANCE SHEET & SPECIAL DIVIDENDS

The Group's robust financial and operational performance translated to an extremely well capitalised and liquid balance sheet with HK\$9 billion cash on hand and virtually debt free as at 31 December 2014. In the year we returned HK\$4.9 billion of capital to shareholders through two special dividends. Subsequently we also announced another special dividend of HK\$0.28 per share payable on or about 22 May 2015. These payments demonstrate our commitment to return capital to shareholders, our confidence in being able to invest in our future while generating substantial cash from existing operations.

MACAU MARKET OUTLOOK

The fundamental long term drivers of growth are unchanged. Rising domestic consumption and a rapidly growing affluent middle class in China should fuel outbound tourism. Major planned infrastructure developments such as the Macau Light Rail Transit and the Hong Kong-Zhuhai-Macau Bridge, and the proliferation of new attractions in Macau and nearby Hengqin, will significantly enhance the region's appeal and its access from China.

CLOSING REMARKS

There can be no doubt that the second half of 2014 was one of the most difficult periods in the history of Macau. It is therefore more important than ever that all stakeholders in the industry and Macau pull together in one direction to ensure Macau fulfils its vast economic and social development potential.

I firmly believe our reputation for delivering 'World Class, Asian Heart' products and services, high quality team, spectacular properties, unparalleled selection of amenities and our latest exciting and innovative new properties, will position us well as the first choice for visitors and residents alike.

On a final note, I would like to thank each and every one of GEG's recently expanded 17,000 member team for their unrelenting commitment to delivering excellence. We would also like to extend our gratitude to the Macau Government for its continued support to the industry.

Dr. Lui Che Woo

*GBM, MBE, JP, LLD, DSSc, DBA
Chairman*

Hong Kong, 19 March 2015



SELECTED MAJOR AWARDS

Award	Presenter
GEG	
Best Managed Companies in Asia – Gaming and Lodging – Best Company	Euromoney Magazine
Casino Operator of the Year Australia/Asia	Institutional Investor Magazine – All Asia Executive Team Survey
Best Hotel Group Award	International Gaming Awards
Forbes Asia’s Fabulous 50 Companies	Robb Report China’s 2014 Best of the Best
Best Managed Company in Hong Kong (ranked 3rd) and Best Corporate Governance in Hong Kong (ranked 3rd)	Forbes Asia Magazine
Certificate of Excellence in Investor Relations	FinanceAsia Magazine
Top 100 Comprehensive Strength	IR Magazine
2014 Business Awards of Macau – Corporate Social Responsibility Excellence Award	QQ.com & Finet – Top 100 HK Listed Companies 2014
2014 TVB Weekly Brand Award	De Ficção Multimedia Projects and Charity Association of Macau Business Readers
	TVB Publications Limited
Galaxy Macau™	
Casino VIP Room of the Year	International Gaming Awards
Best Resort of the Year (HK/Macau)	Travel Weekly Magazine and Events Magazine jointly organised – China Travel & Meetings Industry Awards
Best Service Resort Asia	Golden Horse Award of China Hotel
Top 10 Resort Hotels of China	China Hotel Starlight Awards
Macau Elite Service Award – Best Integrated Resort Brand and Service	Exmoo
Hurun Report Best of the Best Awards – Luxury Hotel in Macau Star Performer	Hurun Report
2014 Agoda Gold Circle Award	Agoda.com
2014 TripAdvisor Certificate of Excellence	TripAdvisor
2014 Fashion List Awards of China Hotel – The Best Service Resort Hotel	Fashion List Awards of China Hotel
The Vote of the Favorite Destination and Brands of Cantonese – The Favorite Hotel 2014	Southern Metropolis Daily & GD QQ.COM
2014 Asia Hotel Awards – Investment Awards – Most Profitable Hotel Investment Case of the Year	The Centre of Asia Hotel Forum
Most Popular Brand for Tourists – Gold Trophy Award	China Media Network
U Magazine Travel Award – My Favourite Hotel and Resort	U Magazine
2014 Asia’s Top Entertainment Complex	NOW Travel Asia Awards

SELECTED MAJOR AWARDS

Award	Presenter
StarWorld Macau	
Best Service Hotel of the Year	Travel Weekly Magazine and Events Magazine jointly organised – China Travel & Meetings Industry Awards
Macau Elite Service Hotel Award	Ming Pao Weekly
Best Service Hotel of Asia	Golden Horse Award of China Hotel
Top 10 Glamorous Hotels of China	China Hotel Starlight Awards
Macau Elite Service Award – Best Hotel Brand and Service	Exmoo
2014 TripAdvisor Certificate of Excellence	TripAdvisor
2014 Asia's Top Leisure Hotel	NOW Travel Asia Awards
Construction Materials Division	
10 Consecutive Years Plus Caring Company Logo	The Hong Kong Council of Social Service
Hang Seng Pan Pearl River Delta Environment Awards – 5 years+ Entrant, Green Participant	Federation of Hong Kong Industries/Hang Seng Bank
CEDD Construction Site Safety Award – Silver Award	Civil Engineering and Development Department
20th Considerate Contractors Site Award Scheme – Outstanding Environmental Management & Performance Award – Bronze Award	Development Bureau/Construction Industry Council
13th HK Occupational Safety and Health Award – Safety Performance Award (Construction)	Occupational Safety and Health Council
HSBC Living Business Award 2014 – Green Achievement Award – Certificate of Excellence – Long Term Achievement Award	Business Environmental Council/HSBC
Hong Kong Awards for Environmental Excellence – Energywise Label & Wastewise Label – Class of Excellence	Environmental Campaign Committee

MANAGEMENT DISCUSSION AND ANALYSIS

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

OVERVIEW

GEG marked its ten year anniversary in Macau by achieving solid financial results, despite encountering challenging market conditions in the second half of the year. Full year revenue increased by 9% year-on-year to \$71.8 billion while Group Adjusted EBITDA gained 5% year-on-year to \$13.2 billion. This translated into record net profit attributable to shareholders of \$10.3 billion, an increase of 3% on the prior year. The Group's performance derives from its continuing success in providing guests memorable leisure and entertainment experiences and exemplary 'World Class, Asian Heart' service. Galaxy Macau™ remains the Group's engine for growth, delivering gains in the VIP segment ahead of the market.

During the year GEG made good progress in executing its primary strategic objectives: increasing efficiencies, enhancing and tailoring its VIP and mass offers to meet the evolving market and rolling out Macau's largest development pipeline for long term sustainable growth. At the same time, reflecting management's confidence in the future and GEG's exceptionally strong balance sheet, two special dividends totalling approximately \$4.9 billion were paid to shareholders in the year.

Galaxy Macau™ was again instrumental in the Group's record results. The property achieved a 12% year-on-year increase in Adjusted EBITDA to just under \$10 billion and revenue growth of 18% year-on-year to \$46.9 billion. The property's ROI for 2014 was 58%.



MANAGEMENT DISCUSSION AND ANALYSIS

(All amounts are expressed in Hong Kong dollars unless otherwise stated)



Firmly aligned with the Central and Macau Government's vision to make Macau a World Center of Tourism and Leisure, GEG made significant progress in developing its unique and unparalleled landbank. Two ground breaking projects, Galaxy Macau™ Phase 2 and the rebranded Broadway at Galaxy Macau, are scheduled to open on 27 May 2015. Taking GEG's investment in Cotai to \$43 billion, they will transform Galaxy Macau™'s hotel, food and beverage, retail, MICEE and leisure offerings, creating one of the world's most spectacular and diverse integrated resorts. They are the latest chapter in GEG's planned \$100 billion investment to Cotai, which also includes Phases 3 & 4. Further, the development of a 2.7 square kilometre low density leisure and entertainment resort on Hengqin will complement our properties in Macau.

StarWorld Macau delivered a solid full year performance but was impacted by a worse than expected environment in the latter part of the year. Full year revenue was 4% lower year-on-year at \$22.6 billion and Adjusted EBITDA was off 6% year-on-year at \$3.5 billion.

While 2014 was another good year for the Group, second half market conditions were difficult, in particular as a result of China's soft economic landing, the FIFA World Cup, higher labour costs and the Chinese austerity program etc, which was one of the most challenging periods in the history of Macau. It is therefore more important than ever that all stakeholders in the industry and Macau pull together in one direction to ensure Macau fulfils its vast economic and social development potential. Nevertheless, GEG remains optimistic about the medium to long term outlook for Macau and the Group as the fundamental drivers for growth, such as increasing domestic consumption in China, a fast growing affluent middle class, improving infrastructure and supportive policy are unchanged. GEG is confident that its powerful brand, financial resources, deep customer understanding, first class staff and clear

MANAGEMENT DISCUSSION AND ANALYSIS

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

development roadmap, will enable it to capture good share of new visitors to Macau, differentiate itself from peers and generate substantial future returns for its shareholders.

Community Reinvestment

To mark the Group's ten year anniversary in Macau and recognising the importance of giving back to the local community and rewarding its 17,000 team members for their valuable contribution to the business, GEG announced two important initiatives in 2014:

- Announced the establishment of the \$1.3 billion GEG Foundation in July 2014, which will focus on educating and empowering the young people of Macau and Mainland China
- Announced an enhanced employee benefits package which reflects the importance of our team members and the critical role each and every member plays in our continued success

Both initiatives are consistent with GEG's commitment to community reinvesting and being a responsible corporate citizen and employer.

Overview of the Macau Gaming Market

The Macau Gaming Market experienced two contrasting six month performances in 2014. In H1 2014, total gaming revenue increased by 13% year-on-year with the month of February registering all-time record revenue of \$36.9 billion, up 40% year-on-year. However, as the year went on a confluence of factors such as the distraction of the 2014 FIFA World Cup, China's soft economic landing, higher labour costs and the Chinese austerity program etc. weighed on the market, resulting in full year total gaming revenue decreasing by 3% year-on-year to \$341.3 billion (2013: \$350.2 billion). While the market remains challenging, encouragingly visitor numbers to Macau grew at a faster rate than the previous year, increasing by 8% year-on-year to 31.5 million. Chinese visitor numbers accelerated at an even faster rate, surging by 14% year-on-year to 21.3 million. Visitors from China now represent 67% of total visitor numbers (2013: 64%).

VIP accounts for approximately 60% of total gaming revenue and remains the largest segment of the market. Revenue in the year decreased by 11% year-on-year to \$206.3 billion.



MANAGEMENT DISCUSSION AND ANALYSIS

(All amounts are expressed in Hong Kong dollars unless otherwise stated)



Macau's appeal as a premier recreational and holiday destination to a broad customer base continues to strengthen, which in turn is reshaping the market to the mass segment. Mass revenue in the year grew 16% year-on-year to \$120.9 billion and now accounts for approximately 35% of Macau's total gaming revenue. GEG expects this structural shift to continue in the coming years as visitor numbers continue to register healthy growth as major infrastructure improvements such as the Taipa Ferry Terminal, the Hong Kong-Zhuhai-Macau Bridge and the Macau Light Rail Transit roll out this decade, dramatically improving access to Macau from China and connectivity within Macau itself. The opening of major new resorts in Macau in the coming years will further enhance and diversify the territory's MICEE, leisure, dining, retail and entertainment offer, and coupled with the transformation of nearby Hengqin into a new regional business and leisure hub, should drive a new wave of visitors to Macau.

Electronic gaming revenue was in line with last year at \$14 billion, accounting for 4% of the total gaming market.

REVIEW OF OPERATIONS

Group Financial Results

Group revenue and earnings for the year once again reached record levels. Revenue grew 9% year-on-year to \$71.8 billion, generating Adjusted EBITDA of \$13.2 billion, an increase of 5% year-on-year. Net profit attributable to shareholders climbed 3% year-on-year to \$10.3 billion. Galaxy Macau™ contributed \$9.9 billion of Adjusted EBITDA, a year-on-year increase of 12%. StarWorld Macau performed solidly, reporting Adjusted EBITDA of \$3.5 billion, down 6% year-on-year in 2014, as market conditions impacted its VIP business. GEG's Construction Materials Division and City Clubs made solid contributions of \$465 million and \$166 million, respectively.

The Group's total gaming revenue for 2014 on a management basis* grew 9% year-on-year to \$71.0 billion driven by solid increases in VIP and Mass. The mass segment was again the best performing category across GEG's portfolio of properties, with Galaxy Macau™ delivering mass revenue growth of 16% year-on-year to \$12.1 billion (2013: \$10.5 billion) and StarWorld Macau achieving mass revenue of \$4.3 billion (2013: \$3.9 billion), up 12% year-on-year. Galaxy Macau™ also achieved healthy volume and revenue growth in the VIP segment, underlining the appeal and quality of its VIP rooms.

* 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

Balance Sheet and Special Dividends

The Group's financial and operational success continues to translate to an extremely healthy balance sheet, with cash on hand of \$9 billion and a net cash position of \$8.2 billion as of 31 December 2014. The Group had debt of \$790 million. In the year, GEG returned capital to shareholders by paying two special dividends of \$0.70 per share and \$0.45 per share on 31 July 2014 and 31 October 2014, respectively. These payments reflect management's confidence in continuing to build out the Group's development pipeline while generating significant cash flow from operations.

Set out below is the segmental analysis of the Group's operating results for the year ended 31 December 2014.

2014 (HK\$m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	69,715	2,037	–	71,752
Adjusted EBITDA	12,930	465	(172)	13,223

2013 (HK\$m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	63,620	2,412	–	66,032
Adjusted EBITDA	12,279	488	(192)	12,575

GAMING AND ENTERTAINMENT DIVISION

Galaxy Macau™

Financial and Operational Performance

Galaxy Macau™ celebrated its third year anniversary in May 2014 and continues to be the growth engine of the Group. The property posted record revenue of \$46.9 billion, up 18% on the prior year, which translated to a 12% increase in Adjusted EBITDA to \$9.9 billion. ROI was 58% for 2014.

Adjusted EBITDA margin under HKFRS and under US GAAP fell by one percentage point year-on-year to 21% and 30%, respectively.

VIP Gaming Performance

Total VIP rolling chip volume for the year was \$941.7 billion, up almost 22% on last year (2013: \$774.1 billion). This generated revenue of \$31.7 billion, a year-on-year increase of 20% (2013: \$26.5 billion).

VIP Gaming	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2013	FY 2014	YoY%
HK\$m							
Turnover	252,834	264,340	224,435	200,070	774,143	941,679	22%
Net Win	8,697	8,364	7,239	7,369	26,491	31,669	20%
Win %	3.4%	3.2%	3.2%	3.7%	3.4%	3.4%	n/a

MANAGEMENT DISCUSSION AND ANALYSIS

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

Mass Gaming Performance

Full year mass revenue was \$12.1 billion, up 16% on last year (2013: \$10.5 billion).

Mass Gaming								
HK\$'m	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2013	FY 2014	YoY%	
Table Drop	7,368	6,943	6,842	6,363	27,896	27,516	(1%)	
Net Win	3,331	3,020	3,070	2,704	10,461	12,125	16%	
Hold %	45.2%	43.5%	44.9%	42.5%	37.5%	44.1%	n/a	

Electronic Gaming Performance

Electronic Gaming Revenue was \$1.6 billion in 2014, up 4% on the prior year (2013: \$1.5 billion).

Electronic Gaming								
HK\$'m	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2013	FY 2014	YoY%	
Slots Handle	8,918	8,823	9,325	8,515	30,051	35,581	18%	
Net Win	412	384	419	361	1,515	1,576	4%	
Hold %	4.6%	4.4%	4.5%	4.2%	5.0%	4.4%	n/a	

Non-Gaming Performance

Non-gaming full year revenue increased by 6% year-on-year to \$1.5 billion. Hotel occupancy remained high at 98%.

StarWorld Macau

Financial and Operational Performance

StarWorld Macau generated revenue of \$22.6 billion and Adjusted EBITDA of \$3.5 billion in 2014, decreases of 4% and 6% year-on-year, respectively.

Adjusted EBITDA margin in the year decreased slightly to 15% from 16% in 2013 under HKFRS and remained at 25% in 2014 under US GAAP. The property generated an ROI of 96% for 2014.

VIP Gaming Performance

StarWorld Macau reported VIP rolling chip volume of \$622.8 billion in 2014, down 6% on the previous year (2013: \$662.0 billion). This translated to revenue of \$17.8 billion (2013: \$19.1 billion).

VIP Gaming								
HK\$'m	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2013	FY 2014	YoY%	
Turnover	180,213	168,460	150,452	123,628	662,022	622,753	(6%)	
Net Win	5,556	4,260	4,412	3,527	19,076	17,755	(7%)	
Win %	3.1%	2.5%	2.9%	2.9%	2.9%	2.9%	n/a	

MANAGEMENT DISCUSSION AND ANALYSIS

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

Mass Gaming Performance

Full year mass revenue increased by 12% year-on-year to \$4.3 billion (2013: \$3.9 billion).

Mass Gaming							
HK\$m	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2013	FY 2014	YoY%
Table Drop	2,934	2,874	2,661	2,421	11,091	10,890	(2%)
Net Win	1,147	1,094	1,116	964	3,863	4,321	12%
Hold %	38.6%	37.6%	41.4%	39.8%	34.4%	39.4%	n/a

Electronic Gaming Performance

StarWorld Macau's electronic gaming generated revenue of \$181 million, down 13% on last year (2013: \$209 million).

Electronic Gaming							
HK\$m	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2013	FY 2014	YoY%
Slots Handle	997	727	682	531	3,200	2,937	(8%)
Net Win	52	48	45	36	209	181	(13%)
Hold %	5.2%	6.6%	6.6%	6.9%	6.5%	6.2%	n/a

Non-Gaming Performance

Non-gaming revenue increased by 3% year-on-year to \$373 million (2013: \$364 million). Hotel occupancy was 98%.

City Clubs

City Clubs contributed \$166 million of Adjusted EBITDA to the Group's earnings, a decrease of 8% year-on-year reflecting challenging second half market conditions.

DEVELOPING MACAU'S LARGEST DEVELOPMENT PIPELINE

Launch of Galaxy Macau™ Phase 2 and Broadway at Galaxy Macau

Ten years after opening its first property in Macau, GEG's next chapter of growth is scheduled to begin with the official opening of two new ground breaking projects on 27 May 2015. Galaxy Macau™ Phase 2 and the rebranded Broadway at Galaxy Macau, which are set to open as the next major projects in Macau, will take GEG's investment in Cotai to \$43 billion and double the existing footprint of the resort to 1.1 million square meters. They will offer an unprecedented selection of amenities and attractions that will deliver a more diverse set of experiences for visitors.

Major highlights include:

- Six hotels providing approximately 4,000 rooms, suites and villas plus two spas, including The Ritz Carlton's first All-Suite hotel, The Ritz-Carlton, Macau with over 250 suites; Asia's largest JW Marriott, JW Marriott Hotel Macau with over 1,000 rooms and Broadway Hotel offering 320 well-appointed rooms, complemented by three existing world class hotels: Banyan Tree Macau, Hotel Okura Macau and Galaxy Hotel
- The Broadway Theatre, comprising 3,000 seats and offering guests a unique up-close-and-personal family-friendly entertainment experience featuring the best of traditional and contemporary Asia culture as well as international shows and performances

MANAGEMENT DISCUSSION AND ANALYSIS

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

- An expanded Grand Resort Deck complete with Skytop Adventure Rapids, featuring the world's longest skytop aquatic adventure ride at 575 meters long and the world's largest skytop wave pool
- The Broadway – a vibrant street and entertainment district showcasing Macanese culture through hawker-style vendors, live entertainers and world class performers, a first in the territory
- The Promenade, featuring over 200 luxury and lifestyle retail brands
- Over 120 food & beverage outlets, offering everything from authentic pan-Asian cuisine to world class dining experiences from Michelin starred chefs
- Portfolio of unique venues and experiences for meetings, incentives and banquets, catering for up to 3,000 guests

GEG believes the dramatically expanded Galaxy Macau™ and Broadway at Galaxy Macau will set a new benchmark in Asia leisure and tourism, creating unforgettable experiences for the whole family to enjoy.

Cotai Phases 3 & 4

Final plans for Phases 3 and 4 of GEG on Cotai are almost complete and site investigation works are expected to begin in 2015. Once these phases are operational, GEG will have realised its overall target of investing \$100 billion in Cotai and will have doubled its footprint in Cotai to 2 million square metres, adding thousands of new hotel rooms to the Group's portfolio.

Hengqin

In early 2014 GEG entered into a framework agreement for a 2.7 square kilometre land parcel to move forward with the proposed development of a world class, low density leisure and entertainment destination resort on Hengqin. Plans are moving apace and GEG expects the development to be highly complementary to its existing and planned portfolio.

International

GEG continues to actively explore development opportunities in overseas markets.

CONSTRUCTION MATERIALS DIVISION

Construction Materials Division ("CMD") performed solidly and in line with expectations in 2014. Revenue and Adjusted EBITDA was \$2 billion and \$465 million, respectively, declining year-on-year as a result of a softening of demand in a number of major markets.

Hong Kong and Macau

Hong Kong's major infrastructure projects including the Hong Kong-Zhuhai-Macau Bridge and those related to the Government's Railway Development Strategy 2014, continued to provide robust demand for construction materials products, particularly ready-mixed concrete, asphalt and aggregates during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

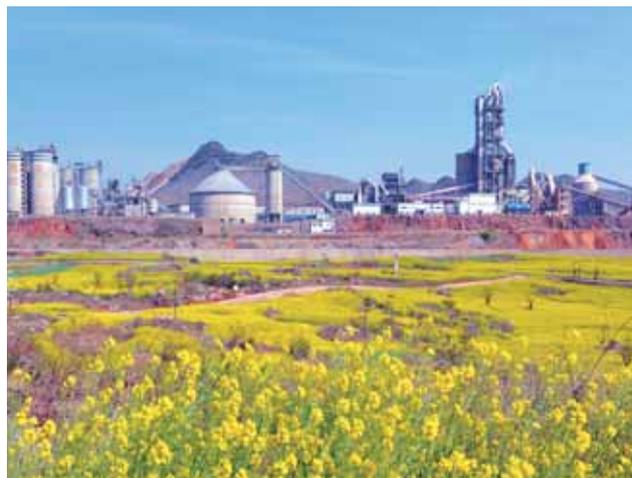
(All amounts are expressed in Hong Kong dollars unless otherwise stated)

The Hong Kong Government's focus on increasing housing supply, together with planned investments in the third airport runway, the development of East Kowloon and North Lantau Island and other projects outlined in the 2015 Policy Address, are expected to drive demand for construction materials in the medium term.

In Macau, CMD expects to benefit from major infrastructure developments and the resumption of delayed major entertainment and leisure projects, in the medium term.



Quarry in Huidong of Guangdong Province



Cement production plant of Qujin Kungang & K. Wah Cement Construction Materials Co., Ltd.

Mainland China

CMD remains confident that demand for quality cement in the Yunnan Province, China will increase in the years ahead, particularly in light of the Central Government's "Go West" policy to develop Yunnan Province into a trading 'bridgehead' for China with neighbouring Asian countries, and improve the Province's infrastructure and economy.

Demand for granulated blast-furnace slag remained stable throughout the year and CMD is well positioned to benefit from the increasing demand for this environmentally friendly construction material in the long term.

SUBSEQUENT EVENT

GEG announced another special dividend of \$0.28 per share payable on or about 22 May 2015.

GROUP OUTLOOK

Despite facing challenging headwinds in the second half of 2014, GEG is confident in the prospects for Macau and the Group in the medium to long term. Critically, the long term drivers of growth are unaltered, with increasing domestic consumption, a fast growing affluent middle class determined to expand their horizons through travel and planned major infrastructure improvements, all set to drive a new wave of visitors to Macau. Recognising that this new class of traveller to Macau is seeking a more holistic holiday experience, GEG is tailoring and evolving its well defined short, medium and long term development pipeline plans in Greater Macau to capture strong share.

MANAGEMENT DISCUSSION AND ANALYSIS

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

While gaming revenues across the industry have been impacted by more cautious consumer spending and conditions remain challenging, visitation to GEG's properties remains healthy and hotel occupancy is at near capacity. These positive indicators give the Group confidence that its existing quality portfolio of properties and industry leading service standards continue to be highly appealing to guests, and that strong demand exists for the hotel rooms and leisure and entertainment experiences that Galaxy Macau™ Phase 2 and Broadway at Galaxy Macau will provide. Tourism and entertainment is the primary driver of employment creation and economic security for all residents of Macau. All constituents need to harmoniously work together in the current challenging period to ensure the continued success that Macau has enjoyed over the past 10 years.

GEG is confident that its differentiated proposition, compelling brand, first class product and service offering and exceptional track record of building multi-award winning destination properties, will translate to sustainable growth in the coming years.

LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 31 December 2014 was \$38,369 million, an increase of approximately 18% over that as at 31 December 2013 of \$32,441 million, while the Group's total assets employed increased to \$51,839 million as at 31 December 2014 as compared to \$46,257 million as at 31 December 2013.

The Group continues to maintain a strong cash position. As at 31 December 2014, total cash and bank balances were \$9,040 million, as compared to \$10,360 million as at 31 December 2013. The Group's total indebtedness was \$988 million as at 31 December 2014 as compared to \$643 million as at 31 December 2013. The Group was in a net cash position as at 31 December 2014 and 31 December 2013.

The total indebtedness of the Group mainly comprises bank loans and other obligations which are largely denominated in Renminbi. The Group's borrowings are closely monitored to ensure a smooth repayment schedule to maturity.

The Group's liquidity position remains strong and the Group is confident that sufficient resources could be secured to meet its commitments, working capital requirements and future assets acquisitions.

TREASURY POLICY

The Group continues to adopt a conservative treasury policy with a majority of bank deposits in Hong Kong Dollar, Renminbi or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks. All of the Group's borrowings are in Hong Kong Dollar or Renminbi. Forward foreign exchange contracts are utilised when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposure, which are considered necessary for the Group's treasury management activities.

CHARGES ON GROUP ASSETS

Property, plant and equipment with net book value of \$358 million (2013: \$239 million) and bank deposits of \$560 million (2013: \$262 million) have been pledged to secure banking facilities. No leasehold land and land use rights is secured (2013: leasehold land and land use rights with net book value of \$24 million was secured), and no other assets is secured (2013: other assets with net book value of \$51 million was secured).

MANAGEMENT DISCUSSION AND ANALYSIS

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$149 million (2013: \$369 million), of which \$89 million (2013: \$178 million) have been utilised.

The Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures and an associated company amounting to \$299 million (2013: \$258 million). At 31 December 2014, facilities utilised amounted to \$282 million (2013: \$186 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group, excluding associated companies and joint ventures, employed approximately 17,000 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$5,440 million.

Remuneration Policy

The objective of the Group's remuneration policy is to attract, motivate and retain talented employees to achieve the Group's long-term corporate goals and objectives. To this end, the Group is committed to remunerating its employees in a manner that is market competitive, consistent with good industry practices as well as meeting the interests of shareholders.

The Group's remuneration structure for its employees comprises fixed compensation, performance-based variable incentive and long-term incentives. The overall remuneration arrangements are fair and justified, prudent and subject to regular review.

Share Option and Share Award Schemes

The Group operates a share option scheme and a share award scheme for its employees. It serves to attract, motivate and retain employees to work for the Group long term and to better align the interests of the employees with the shareholders' interests. The number of share options/shares granted to the eligible employees is determined with reference to the value of share options/shares, market positioning, job seniority and the individual contribution to the Group.

Organisation Development and Training

Organisation Development and Training initiatives engage and support the promotion and delivery of the Group's Mission, Vision and core Values. Our employees receive our full support in their development as this is a differentiating factor that attracts, retains and prepares our employees for great personal and organisational success. Their success in delivering service that stands out from the rest provides the very foundation of our achievements for both our established businesses and for the opening of Galaxy Macau™ Phase 2 and Broadway at Galaxy Macau.

To support the Group's continued growth, Organisation Development and Training has built and delivered in collaboration with operating departments and business units the following five key initiatives in 2014:

- **Galaxy Macau™ Phase 2 and Broadway at Galaxy Macau** – designing, developing, refining training programs and trainers in line with key customer journeys to prepare employees to support the opening of this large scale Integrated Resort.
- **Stakeholder Engagement** – continuous partnership and engagement with customers, leaders, employees and the community to ensure the achievement of mutually beneficial outcomes for all.

MANAGEMENT DISCUSSION AND ANALYSIS

(All amounts are expressed in Hong Kong dollars unless otherwise stated)

- **Capability Development** – building the capabilities of our employees in a structured, pragmatic and timely manner through a blend of world class on and off-the-job learning experiences and activities.
- **Training & Learning Innovation** – investing in the right technologies and leveraging appropriate delivery channels including blended and e-learning to ensure broadened access and maximum learning impact on employee development and business outcomes.
- **Workforce Agility** – preparing our workforce to support the existing and future business needs and growth by development programs that respond to employee and business requirements and promoting progressive career development and growth opportunities.

Organisation Development and Training Programs establish direction for the Group with respect to the strategic and tactical investment in the utilisation of our human resource capital and in 2014 included the following key elements and activities:

- **Career Development**
Career development with GEG remains a high priority and commitment. Programs have been designed to provide structured technical and managerial skills training for Managers and Leaders.

Programs for deployment in 2015 to support Galaxy Macau™ Phase 2 and Broadway at Galaxy Macau will provide significant professional development programs.
- **Signature and Core Programs**
Programs are anchored in the Group's Mission, Vision and Values to ensure complete alignment of knowledge and skills GEG-wide, provide professional and career development opportunities customised to business and employee needs. Representative of our core programs are customised customer service programs aligned to our Brands – "Star Service"; "World Class Asian Heart"; and "Up close and Personal". Corporate Social Responsibility training is another focus of our core programs for this year including Responsible Gaming Program and Anti-Money Laundering & Combating the Finance of Terrorism and Information Management Awareness Program which will continue to be featured in 2015.
- **Operations and Job Skills Programs**
Operations skills training programs continue to support and drive for operational excellence. Our employee training journeys and GEG curriculum as a framework standardises training design, development, implementation and evaluation of service and operations training programs and initiatives across departments and properties.
- **Manager and Leader Development**
Our Management Skills Program is seen by the business and participants alike as practical and provides the foundation skills for our employees to progress in the career and achieve higher levels of responsibility.

The Group's world class Leaders Program series is tailor-made programs for the leaders and closely linked to practical and contextualised learning which enables real progression in skills and personal development.

In the ever increasing competitive environment that exists in Macau and the Asia region, we are committed to supporting and building on the talent and expertise of our employees to ensure their pride in their learning, career progression, and life achievements is at the heart of our capability to deliver great business outcomes.

CORPORATE SOCIAL RESPONSIBILITY

As one of Asia's leading gaming and entertainment corporations, GEG is committed to being a proactive and responsible member of the Macau community, continually investing in the development of the territory for the benefit of all its residents and visitors to ensure its long term success. In 2014, GEG supported and participated in a wide range of social, philanthropic and volunteering activities in Macau, and also contributed to worthwhile causes in Hong Kong and Mainland China.

ESTABLISHMENT OF THE GEG FOUNDATION

To celebrate its 10th year in operation and the 3rd anniversary of its flagship property Galaxy Macau™, GEG announced the establishment of the GEG Foundation on 4 July 2014. Focusing on educating and empowering the young people of Macau and Mainland China, it will be funded initially with HK\$300 million and a further commitment of another HK\$1 billion later on.

The GEG Foundation will invite distinguished people from society to participate in its endeavour to contribute towards the prosperity and social development of Macau and Mainland China.

RESPONSIBLE GAMING

As an active member of the Responsible Gaming Working Committee, GEG works closely with the Social Welfare Bureau of Macau SAR Government, the Gaming Inspection and Coordination Bureau of Macau SAR Government (DICJ), the Institute for the Study of Commercial Gaming of the University of Macau (ISCG), and local gaming operators to develop a wide range of initiatives to enhance Macau's responsible gaming culture to team members and patrons, including:

- Collaborated with Sheng Kung Hui Macau Social Services Coordination Office (SKH) to launch the "Employee Assistance Program" and "Responsible Gaming Promotion Program" to provide individual face-to-face, hotline, on-site and online counseling support for team members
- Co-organised a Responsible Gaming Committee Training Program with the ISCG
- Organised a Responsible Gaming Seminar with SKH
- Co-operated with Associação de Juventude Voluntária de Macau to promote responsible gaming
- Organised responsible gaming roadshows and knowledge quizzes at Galaxy Macau™, StarWorld Macau and City Clubs
- Organised the "2nd GEG Responsible Gaming Awareness Week" in 2014



Responsible gaming roadshow at StarWorld Macau

CORPORATE SOCIAL RESPONSIBILITY

- Continued to prevent people under the age of 21 from entering and gambling at all GEG properties
- Provided casino exclusion application forms on the casino floor and team members' back-of-house areas
- Placed stickers provided by DICJ on 1,750 slot machines to promote responsible gaming messages and helpline details. Distributed thousands of pamphlets explaining the rules of games on all casino floors
- Included messages of responsible gaming in all promotional pamphlets

SMOKE-FREE AREAS

GEG is fully committed to creating a healthier environment for its team members and patrons. Supporting the new era of a smoke-free Macau, GEG complies fully with the Regime of Tobacco Prevention and Control. Since January 2012, GEG has adopted the following practices and remains committed to them:

- Held regular briefing sessions with team members to ensure that they understand the Regime of Tobacco Prevention and Control and statutory non-smoking areas
- Placed signs around our properties to clearly identify the smoking and non-smoking zones, and highlight violation penalties
- Removed all ash trays within the statutory non-smoking areas and discouraged patrons from lighting cigars or cigarettes while in these areas
- Removed all back-of-house indoor smoking areas to demonstrate GEG's commitment towards protecting the health of its team members

To further improve the air quality within our properties and in response to the Macau SAR Government's implementation of a smoking ban in all mass gaming floors in Macau casinos on 6 October 2014, GEG implemented the following additional measures across its properties:

Galaxy Macau™

- Met all parameters for indoor air quality for the smoking areas in gaming halls in accordance with Regime of Tobacco Prevention and Control
- Conducted an annual Indoor Environmental Quality Audit for team member facilities to ensure that air quality and water safety met established standards
- Successfully renewed the Indoor Environmental Quality Certification for 2014 for both gaming and public areas
- Installed 190 units of electrostatic and UV air purifiers to enhance the indoor air quality in gaming and VIP Club areas
- Built nine smoking lounges in non-smoking gaming areas and also isolated the smoking gaming areas for indoor air quality management to comply with the Regime of Tobacco Prevention and Control
- Partitioned the smoking and non-smoking areas by erecting a physical separation barrier as required by Macau SAR Government

CORPORATE SOCIAL RESPONSIBILITY

- Installed an air curtain gaming table in the smoking area to keep guests' cigarette smoke from reaching team members

StarWorld Macau

- Installed 46 mobile air purifiers to improve the overall indoor air quality in the mass gaming area
- Installed 64 additional duct type ionisers throughout the whole building to further enhance the indoor air quality in mass gaming area
- Installed two smoking lounges on Level 1 and one smoking lounge on Level 3 to facilitate smoking by guests in the mass gaming area
- Other initiatives that the property continues to apply to improve indoor air quality include:
 - o Using water recycling hoods and an electronic precipitator to remove the grease content in the kitchen exhaust and reduce its temperature, before discharging outside to minimise pollution
 - o Using CO & CO₂ sensors to monitor relevant concentrations
 - o Using duct type air purifiers in some of the guest rooms to effectively remove residue smoke, odors and other pollutants
- Partitioned the smoking and non-smoking areas by erecting a physical separation barrier as required by Macau SAR Government
- Installed an air curtain gaming table in the smoking area to keep guests' cigarette smoke from reaching team members

ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

Promoting conservation and environmental sustainability has become a core priority for GEG as it has grown. Key activities and accreditations in 2014 are listed below:

- Renewed GEG's Pearl Membership to WWF-Hong Kong's 2014/2015 Corporate Membership Programme, and took part WWF's Earth Hour Event for the sixth consecutive year
- Galaxy Macau™ and StarWorld Macau continue to support the monthly "Lights Out" initiative on the first Tuesday every month
- Galaxy Macau™ and StarWorld Macau continue to take part in the "Macao Energy Saving Contest 2014" organised by Companhia de Electricidade de Macau and the Office for the Development of the Energy Sector of the Macau SAR Government

In 2014, extensive efforts were made to reduce the Group's energy and water consumption, recycle and reduce waste, and improve indoor air quality across the Group's properties.

CORPORATE SOCIAL RESPONSIBILITY

Energy

Galaxy Macau™

- Saved approximately 6.3 million kWh of energy in 2014 compared to the previous year by implementing various energy savings initiatives, including:
 - o Re-lamping of 34,000 pieces of lights with LED lighting in restaurants, retail streets and hotel towers with annual savings of 6 million kWh
 - o Enhanced and optimised the air distribution system based on the climate change with annual savings of 800,000 kWh
 - o Installed optimal cooling tower control program to automatically select the best configuration of cooling towers for the chiller plant based on the climate change with annual savings of 1.5 million kWh
 - o Installed intelligent thermostat to ensure better temperature control of the air conditioning units in back of house common areas with annual savings of 80,000 kWh
 - o Replaced a new Heat Pump to improve efficiency and reduce 750,000 kWh per year of energy consumption

StarWorld Macau

- Saved approximately 90,000 kWh of energy per month in 2014 by replacing 8,400 pieces of Tungsten Halogen Lamps with LED Lamps in guest rooms and in the main entrance lobby
- Installed motion sensor light switches at low usage areas such as pantries, staff toilets, guest room floors and back of house common areas
- Continued to use energy saving devices, including:
 - o Variable speed drive to secondary chilled water pumps
 - o Frequency inverter to escalators
 - o Building Automation System (BMS) to control the central air conditioning system to achieve best energy efficiency mode
 - o CO₂ sensors to monitor and operate ventilation system of carpark through BMS

Water

Galaxy Macau™

- Installed a further 500 pieces of water restrictors to faucets in 2014, bringing the total currently in use to 1,000, resulting in approximately 2 million liters of water savings annually
- Recycled condensed water from air-conditioning systems for cooling tower water usage, general cleaning and irrigation purposes

CORPORATE SOCIAL RESPONSIBILITY

- Provided guests with a range of 'greener' options such as reducing the frequency of changing bed linens, towels and bathrobes

StarWorld Macau

- Adopted a computerised chemical dosing system to reduce the blow down rate of cooling tower
- Continued to use water saving devices, including water saving faucets, shower heads and dual flush water closets
- Collected condensed water from air conditioning cooling tower for cleaning and irrigation purposes

Waste

Galaxy Macau™

- Purchased a food waste decomposing machine that produced more than 4,800 kg of composite for planting in 2014; additional machinery will be purchased for Galaxy Macau™ Phase 2 operations
- Collected approximately five tons of glass bottles each month following the launch of a glass bottle recycling program in October 2014
- Joined Clean the World Asia's Soap Recycling Campaign and collected approximately one ton of used bar soaps for recycling in 2014
- Established a Hewlett-Packard and Cannon used printing cartridges collection and recycling process
- Increased plastic and printing cartridges waste recycling volumes by 10% and 40%, respectively, after increasing the number of waste collection points across the property
- Recycled scrapped battery for re-use on portable devices and appliances at back of house operation areas
- Established a paperless approval process for kiosk system and intranet to reduce the distribution of hard copy approvals
- Approximately 70,000 liters of oil for deep fry cooking was saved by the one-off reuse of oil filtered by an oil filtration machine

StarWorld Macau

- Collected 154.7 tons of cardboard and paper materials, 11.9 tons of plastic, 0.65 tons of metal and 4,534 liters of waste oil for recycling

Environmental, Health & Safety

Galaxy Macau™

- Successfully validated the ISO 14001 certification after passing the surveillance audit carried out by British Standards Institution Hong Kong
- Conducted an environmental tour for students from the Institute for Tourism Studies to showcase Galaxy Macau™'s environmental efforts

CORPORATE SOCIAL RESPONSIBILITY

- Awarded the “Grand Award for Group Safety Performance” and another 16 awards at the “1st Restaurant Industry Occupational Safety and Health Award Scheme 2013” that was organised by the Macau Labour Affairs Bureau
- Signed an “Occupational Safety & Health Charter” with the Macau Labour Affairs Bureau to demonstrate the property’s ongoing commitment to maintain a safe and healthy workplace; four Galaxy Macau™ F&B outlets also signed the “Occupational Safety & Health Charter” for the F&B industry
- Participated and presented at the “22nd Quadripartite Conference on Occupational Safety and Health” organised by the Macau Labour Affairs Bureau

StarWorld Macau

- Conducted spontaneous and annual fire drills and evacuation exercises
- Trained six departmental Occupational Health & Safety (OH&S) trainers to conduct OH&S team member training sessions

Other ongoing Initiatives

Galaxy Macau™

- Replacing lightings with LED lights across the property to reduce energy consumption
- Installing timers and motion sensors for air conditioning areas in back of house areas
- Optimising the chiller plant for maximum efficiency with full automation control and sequencing
- Continuing to optimise the Heating, Ventilation and Air Conditioning System control based on climate change and weather condition response
- Continuing to design a side stream filtration system for the condenser water circulation which is improving water quality and reducing cooling tower water usage



On behalf of Galaxy Macau™, Mr. Chee Pong Chan, Senior Vice President of Facilities Management, Galaxy Macau™ (right) receives the certificate of Occupational Safety & Health Charter from Mr. Wong Chi Hong, Director of Labour Affairs Bureau (left) at the “Occupational Safety & Health Charter Signing Ceremony” held at Galaxy Macau™

CORPORATE SOCIAL RESPONSIBILITY

- Further developing a water management platform and establishing a water reduction plan
- Further developing an opportunity to apply a renewable energy technology for the lightings and landscape area
- Proceeding OHSAS18001 Safety Management System certification application in 2015

StarWorld Macau

- Placing information cards inside guest rooms to encourage long staying guests to reduce the frequency of changing towels and bed linens
- Using environmental friendly chemicals for laundry and cleaning purposes
- Providing toilet paper rolls certified by "Forest Stewardship Council" and paper hand towels endorsed with "Green Mark"
- Providing blinds to sunlit windows of highest floors to reduce solar heat from entering air-conditioned area
- Placing reminders at back of house areas to encourage team members to save water

COMMUNITY ACTIVITIES

GEG adheres closely to the philosophy of "from the community, for the community" and ensures that its "Asian Heart" culture not only permeates its business operations, but also shapes the way in which it engages with the Macau community. In 2014, GEG implemented a high number of diverse community and volunteering activities.

- Through the GEG Volunteer Team, GEG organised a total of 18 volunteering activities for over 20 different charitable associations and contributed over 1,100 hours of services to the Macau community
- Promoted social inclusion by inviting members of Fuhong Society of Macau to perform at the "2014 Galaxy Got Talent Grand Finals"
- Received an "Excellence Award in Corporate Social Responsibility" at the "2014 Business Awards of Macau" organised by De Ficção Multimedia Projects and the Charity Association of Macau Business Readers
- Received the "Outstanding Blood Donation Motived Award" at the "2014 Annual Blood Donors Award Ceremony" organised by the Macao Blood Transfusion Service
- Four GEG team members were awarded a "Best Volunteer Award" by the Associação de Juventude Voluntária de Macau for proactively contributing to the Macau community in 2014



Members of Fuhong Society of Macau performs at the "2014 Galaxy Got Talent Grand Finals"

CORPORATE SOCIAL RESPONSIBILITY

CHARITABLE ACTIVITIES

GEG strongly believes that as it grows and achieves success it should increase its contribution to the community. To this end, GEG donated to over 30 organisations and people in need, and a selected list is presented below:

- Association of Rehabilitation of Drug Abusers of Macau
- Care Action Macao
- Caritas Macau
- Charity Fund from the Readers of Macao Daily News
- Fuhong Society of Macau
- General Union of Neighbourhood Associations of Macau
- Good Shepherd Center
- Macau Deaf Association
- Macau People with Visually Impaired Right Promotion Association
- Macau Tung Sin Tong Charitable Society
- Richmond Fellowship of Macau
- Sheng Kung Hui Macau Social Service Coordination Office
- Society for the Protection of Animals Macau
- World Vision of Macau Association

SPORTS DEVELOPMENT

GEG is committed to assisting Macau in its efforts to become a more culturally diverse and attractive international tourism hub. The Group hosts and participates in a number of sporting and community events, including:

- Title sponsored the “FIVB Volleyball World Grand Prix™ Macau 2014 presented by Galaxy Entertainment Group” for the tenth consecutive year
- Title sponsored the “2014 Macau Galaxy Entertainment International Marathon” for the eleventh consecutive year, with a record-breaking 711 GEG team members running the event. GEG was awarded the Group Trophy for the tenth consecutive year

CORPORATE SOCIAL RESPONSIBILITY

- Title sponsored the “2014 Galaxy Entertainment Special Olympics Table Tennis Competition” for the fourth consecutive year
- Sponsored the Associação de Vela de Macau in sending their youth and adult sailors to compete in the “Hebe Haven Yacht Club 24 Hour Dinghy Regatta 2014” in Hong Kong for the sixth consecutive year
- Sponsored the Youth Committee of Macau Chamber of Commerce in organising a “Charity Golf Friendly Match” in celebration of the 15th anniversary of the establishment of Macau SAR

EDUCATION & CULTURE

GEG believes that developing the skills and expertise of young people is paramount to enhancing Macau’s overall competitiveness. GEG collaborated with various educational and professional institutes to develop different programs to help young people build a more solid foundation for their future careers. Highlights in 2014:

- Invited university students from Macau Polytechnic Institute to the “Chinese Contemporary Art of Excellence” at Galaxy Macau™ to meet eight distinguished Chinese contemporary artists and engage with them in an arts sharing workshop
- Organised a six-day Sri Lanka Study Tour for six exceptional young winners of the “3rd GEG Youth Achievement Program”
- Sponsored the “Global Tourism Economy Forum Macau 2014”, hosted by The Secretariat for Social Affairs and Culture of the Government of Macau SAR and coordinated by the Global Tourism Economy Research Center
- A total of 55 students, including 11 students from special education institutes successfully completed the GEG Internship Program in 2014. Since its launch in 2008, over 380 interns have graduated from the Program, and among them, over 20 were given opportunities across GEG



GEG celebrates its winning of the Marathon's Group trophy for the tenth consecutive year

CORPORATE SOCIAL RESPONSIBILITY

EMPLOYEE ENGAGEMENT

Recognising that our team members are our most valuable assets, GEG offers the highest quality professional and personal development training to enable them to fulfill their potential.

Announced Enhanced Employee Benefits

Reflecting the importance of our strong team and the critical role each and every member plays in our continued success, we recently extended a new employee benefits package for all our 17,000 Macau general team members. These new incentive measures will help the Group to retain and attract high quality talent while maintaining the exemplary 'World Class, Asian Heart' service philosophy for which we are renowned.

Employee Activities

GEG also develops and organises numerous activities to promote a healthy work-life balance through its GEG Staff Social Club and GEG Volunteer Team programs. Some of the activities organised in 2014 include:

- Organised a total of 199 training programs to assist 5,450 team members with their development needs; among the training programs offered, 31 were organised in collaboration with the Macau Productivity and Technology Transfer Center
- Continued to offer the GEG Leaders Program to team members at senior management positions and above. Since the launch of the program in late December 2011, a total of 350 participants have graduated
- Continued to offer the Management Skills Training "3-Day Foundation Program" and "6-Half Day Specialist Skill Modules" to team members at assistant manager level and above. In 2014, a total of 328 team members took part in the "3-Day Foundation Program" while 334 team members attended the "6-Half Day Specialist Skills Module" to further develop their managerial skills
- Organised over 30 sports and recreational activities that attracted the participation of approximately 2,100 team members and their family members
- Organised the "Galaxy Entertainment Group's 10th Anniversary in Operations and Galaxy Macau™'s 3rd Anniversary Staff Celebration Luncheon" for senior management and 10-year serving team members
- Garnered 4 Gold Pins at the "Macau Occupational Skills Recognition System Gold Pin Competition 2014" organised by the Institute for Tourism Studies



GEG Staff Social Club organised a soccer tournament which was attended by 170 participants, including GEG team members, their friends and family members

CORPORATE SOCIAL RESPONSIBILITY

CONSTRUCTION MATERIALS DIVISION

Sustainability Report

CMD always believe that sustainability is pivotal to its business. In 2014, CMD published its first Sustainability Report "Breaking New Ground in Sustainability". The report highlights the core values, programmes and sustainability related performance of CMD. It covers the standard disclosures defined in the Global Reporting Initiative's "Sustainability Reporting Guidelines" Version 4 Core Disclosures and "Environmental, Social and Governance Reporting Guide" of Hong Kong Exchanges and Clearing Limited.

Safety & Environment

CMD is committed to providing a healthy and safe working environment in all workplaces and protecting the environment. A number of initiatives were carried on during the year. Energy and carbon performance data are captured, summarised and reported by the Energy and Carbon IT Management System. Selected wastes are reduced, reused and recycled under the Sustainable Recycling Programme, and rehabilitation effort continues at quarry operations.

CMD received a number of recognitions in environmental protection in 2014, including the "2014 HSBC Living Business Green Achievement Award – Certificate of Excellence", "Wastewise Label – Class of Excellence", "Energywise Label – Class of Excellence" and the "Anhui Province Green Construction Material Product Certificate".

Community Activities

In 2014, CMD continued the organic farming program "1314 Stand By You" and sponsored the event "2014 Sai Kung Dragon Boat Racing Gala – Mixed Juvenile Open KWP Quarry Cup". It also participated in "HSBC Pok Oi Cycle for Millions", "MSF Orienteering Competition", "Sowers Action Challenging 12 Hours Marathon 2014" and the Hong Kong Red Cross blood donation, among others.

Employee Care

CMD promotes work-life balance and organises a wide variety of social, recreational and community events to meet different needs of employees. In 2014, the Social Club of CMD organised a spring tour, wine tasting, moon cake class, craft making class, snooker night, movie premier, karaoke and Christmas Party etc. for its employees.



CMD participated in the "2014 Sai Kung Dragon Boat Racing Gala".



CMD organised "KWCM Autumn Outing 2014" for staff and families.

BIOGRAPHICAL INFORMATION OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Lui Che Woo, *GBM, MBE, JP, LLD, DSSc, DBA*, aged 85, the founder of the Group, has been a Director of the Company since August 1991 and is the Chairman and a member of the Executive Board of the Company. Dr. Lui is also the Chairman and the Managing Director of K. Wah International Holdings Limited. He has over 50 years' experience in quarrying, construction materials and property development. He was the Founding Chairman of the Institute of Quarrying in the UK (Hong Kong Branch) and the Chairman of the Tung Wah Group of Hospitals. Dr. Lui is also the Founding Chairman of The Federation of Hong Kong Hotel Owners, the President of Tsim Sha Tsui East Property Developers Association, the Founding President of Hong Kong – Guangdong Economic Development Association and an Honorary President of Hong Kong – Shanghai Economic Development Association. Dr. Lui has been appointed as a Member of Steering Committee on MICE (Meetings, Incentives, Conventions and Exhibitions) since 2007. Further, Dr. Lui was a Committee Member of the 9th Chinese People's Political Consultative Conference, a member of the Selection Committee for the First Government of the HKSAR and a member of the Election Committee of the HKSAR. In 1995, an asteroid discovered by the Purple Mountain Observatory in Nanjing was named "Lui Che Woo Star". Dr. Lui was presented the Outstanding Contribution Award in Guangzhou in 1996. Dr. Lui was awarded the Gold Bauhinia Star by the Government of the HKSAR in July 2005. Dr. Lui was also awarded the Grand Bauhinia Medal by the Government of the HKSAR in 2012. Dr. Lui has been again elected as a member of the Election Committee of the HKSAR in December 2006. Dr. Lui was awarded Business Person of the Year 2007 by DHL/SCMP Hong Kong Business Awards and the Lifetime Achievement Award by American Academy of Hospitality Sciences of 2007 respectively. Dr. Lui was presented the Diamond Award by Macau Tatler and the Lifetime Achievement Award by All Leaders Publication Group Limited, both in 2011. Dr. Lui was awarded Asia Pacific Entrepreneurship Awards 2012 – Lifetime Achievement Award by Enterprise Asia in 2012 and Lifetime Achievement Award by Golden Horse Award of China Hotel in 2013. Dr. Lui was presented the Outstanding Contribution Award at the International Gaming Awards, as well as Entrepreneur of the Year at the Asian Awards in 2014. Dr. Lui is the father of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

Mr. Francis Lui Yiu Tung, aged 59, joined the Group in 1979. He has been an executive Director of the Company since June 1987 and is the Deputy Chairman and a member of each of the Executive Board, Nomination Committee and Remuneration Committee as well as the Chairman of Corporate Governance Committee of the Company. Mr. Lui is also an executive director of K. Wah International Holdings Limited. He holds a bachelor of science degree in civil engineering and a master of science degree in structural engineering from the University of California at Berkeley, USA. Mr. Lui is a member of the National Committee of the Chinese People's Political Consultative Conference, a member of the Election Committee of the HKSAR and a member of the Chief Executive Election Committee of Macau SAR. He is also a director of the 68th Term of Macao Chamber of Commerce and an Honorary Chairman of the 18th Term of Kiang Wu Hospital Charitable Association. Mr. Lui was awarded the Medal of Merit – Tourism by Macau SAR in 2012 and Asia Pacific Entrepreneurship Awards 2014 – Entrepreneur of the Year by Enterprise Asia in 2014. Mr. Lui is a son of Dr. Lui Che Woo and a younger brother of Ms. Paddy Tang Lui Wai Yu.

BIOGRAPHICAL INFORMATION OF DIRECTORS

Mr. Joseph Chee Ying Keung, aged 57, joined the Group in 1982. He has been an executive Director of the Company since April 2004 and is the Managing Director of the Construction Materials Division as well as a member of the Executive Board of the Company. Mr. Chee holds a Master degree in Business Administration from the University of South Australia and a Bachelor degree in Mechanical Engineering from the University of Western Ontario in Canada. He is a fellow member of The Institute of Quarrying in the UK and has over 30 years of broad experience in the construction materials industry including operations and management, technical and quality assurance, environmental protection, commercial and strategic planning. He is currently a member of Pneumoconiosis Compensation Fund Board. He served as a member of the Working Group on Construction Waste of the Provisional Construction Industry Co-ordination Board from 2004 to 2006. He was also the Chairman of The Institute of Quarrying in the UK (Hong Kong Branch) from 1998 to 2000 and the Chairman of Hong Kong Contract Quarry Association from 2002 to 2008. He was re-elected as the Chairman of Hong Kong Contract Quarry Association in 2011. Mr. Chee was elected as a member of the 11th Yunnan Provincial Committee of the Chinese People's Political Consultative Conference in December 2012.

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*, aged 61, joined the Group in 1980 and has been an executive Director of the Company since August 1991 as well as a member of the Executive Board of the Company. She is also an executive director of K. Wah International Holdings Limited. She holds a bachelor of commerce degree from McGill University, Canada and is a member of The Institute of Chartered Accountants in England and Wales. Ms. Lui has been elected as a member of the Shanghai Committee of the Chinese People's Political Consultative Conference in December 2012. Ms. Lui has been re-appointed as a non-executive director of the Mandatory Provident Fund Schemes Authority from 17 March 2015 for two years. She was appointed as a member of board of trustees of Shanghai Jiao Tong University on 30 October 2014. She is also a member of various public and social service organisations, including the General Committee of The Chamber of Hong Kong Listed Companies. Ms. Lui was formerly a member of the Standing Committee on Company Law Reform, the Tourism Strategy Group, the Statistic Advisory Board, the Hong Kong Arts Development Council and the Board of Ocean Park Corporation. Ms. Lui has been elected as a member of the Election Committee of the HKSAR since 1998. Ms. Lui is a daughter of Dr. Lui Che Woo and the elder sister of Mr. Francis Lui Yiu Tung.

NON-EXECUTIVE DIRECTOR

Mr. Anthony Thomas Christopher Carter, aged 69, joined the Group in 2003 and has been a non-executive Director of the Company since April 2007. Mr. Carter holds a LLB (Hons) from the University of Leeds in England. He has extensive experience in strategic planning and business management as well as in corporate finance and development. Prior to his retirement from the Group in March 2007, he was the Chief Executive Officer of Galaxy Casino, S.A.

BIOGRAPHICAL INFORMATION OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. James Ross Ancell, aged 61, has been an independent non-executive Director of the Company since April 2004. Mr. Ancell is the Chairman of the Audit Committee and a member of the Corporate Governance Committee of the Company. He holds a Bachelor's degree in Management Studies from University of Waikato in New Zealand. He is a member of the Institute of Chartered Accountants of New Zealand and has over 30 years of broad experience in building materials and construction sectors, waste management and recycling business gained from multinational corporations. He is currently the Chairman of Churngold Construction Holdings Limited in the UK, a leading specialist groundworks subcontractor carrying out groundworks and road surfacing, with a separate remediation business, cleaning up sites contaminated by previous industrial activity. He is also a non-executive director of MJ Gleeson Group PLC, a housebuilder and regeneration company listed on the London Stock Exchange.

Dr. William Yip Shue Lam, LLD, aged 77, has been an independent non-executive Director of the Company since December 2004. Dr. Yip is a member of the Audit Committee as well as the Chairman of the Nomination Committee and the Remuneration Committee of the Company. Dr. Yip holds a Bachelor of Arts degree and an honorary Doctor of Laws degree from the Concordia University, Canada. He is the founder and the Chairman of Canada Land Limited ("Canada Land") since 1972. Canada Land engaged in real estate development and tourist attraction business, listed in 1994 on the Australian Stock Exchange and was privatized in May 2013. Dr. Yip remains as the Chairman of the company. Dr. Yip is also an independent non-executive director of K. Wah International Holdings Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. Dr. Yip was also the chairman of Cantravel Limited, Guangzhou since 1996 and became a director in October 2013. Dr. Yip has been active in public services and has been appointed as an Honorary Standing Committee Member of The Chinese General Chamber of Commerce (November 2012 – October 2022) and the President of Concordia University Hong Kong Foundation Limited and Chairman of Board of Governors, Canadian University Association in Hong Kong. He had been the President (1998 – 2000) and currently the member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong, and the fellow member of The Hong Kong Institute of Directors. In addition, Dr. Yip has been elected a Guangzhou Municipal Honorable Citizen.

Professor Patrick Wong Lung Tak, BBS, JP, aged 66, has been an independent non-executive Director of the Company since August 2008. Professor Wong is a member of each of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Company. He is a Certified Public Accountant (Practising) in Hong Kong and the Managing Practising Director of Patrick Wong CPA Limited. He has over 40 years experience in the accountancy profession. Professor Wong holds a Doctor of Philosophy in Business degree, was awarded a Badge of Honour by the Queen of England in 1993 and was appointed a Justice of the Peace in 1998. He was also awarded a Bronze Bauhinia Star by the Government of the HKSAR in 2010. Professor Wong is an independent non-executive director of BAIC Motor Corporation Limited (appointed on 2 December 2014), C C Land Holdings Limited, China Precious Metal Resources Holdings Co., Ltd., Excel Development (Holdings) Limited, Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, National Arts Entertainment and Culture Group Limited, Real Nutraceutical Group Limited, Sino Oil and Gas Holdings Limited, Water Oasis Group Limited and Winox Holdings Limited, all are listed in the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

The businesses of the Group are under the direct responsibilities of the executive Directors of the Company who are regarded as senior management of the Group.

GAMING AND HOSPITALITY EXPERTISE

GEG is committed to recruiting and retaining the very best management and employees and will continue to strengthen our gaming and hospitality executive team as we move forward and continue to build GEG to be a leading Asian gaming and entertainment company.

An indicative profile of the depth of our executive talent in our gaming and hospitality team is detailed below:

Michael Mecca, President and Chief Operating Officer. He has a long and distinguished career in leadership roles with a number of globally recognised gaming and hospitality brands in the USA and Australia. Previously, he held senior executive positions with various major gaming companies in Las Vegas.

Robert Drake, Group Chief Financial Officer. He has extensive experience in corporate finance, investment banking activities such as mergers and acquisitions, financial management, as well as domestic and international business development activities within the gaming industry. Previously, he held senior executive positions in Finance with gaming companies in Las Vegas.

John Au, Senior Director – Business Development & Director of Operations, Broadway at Galaxy Macau & City Clubs. He has been with the Group for over 21 years and he was one of the key members in the GEG pre-opening management team to establish the Human Resources & Administration Department. Prior to taking up his current role, he held senior executive positions in human resources, public relations and government relations in the Group.

Baschar Hraki, Director – Project Development. He is a qualified architect with extensive international experience in design, and construction management of large and complex projects including hotels, resorts, theme parks, entertainment centers, residential developments, shopping centers and sports stadiums in Asia, Europe, Middle East and the USA. Previously, he held senior executive position with a large company in charge of a mega project development in Macau.

Raymond Yap, Director – International Premium & Mass Market Development. He has more than 28 years of experience in hotel operations, resort planning, theme park and plaza development, corporate planning and business development. Previously, he held various senior executive positions with a gaming company in Malaysia.

Kevin Clayton, Chief Marketing Officer. He has over 30 years of corporate and consulting experience in strategic marketing, brand building, business development and new product innovation. Previously, he held senior executive positions with a number of casinos and prestigious companies in UK, South-East Asia and Australia.

Richard Longhurst, Director – Operations, Galaxy Macau™. He has over 25 years of extensive leadership experience at senior levels gained from the gaming industry. Previously, he held senior executive position with a gaming company in Australia.

Charles So, Director – Operations, StarWorld Macau. He has over 34 years of experience in hotel operations and food and beverage services. Previously, he held various senior management positions with a number of prestigious hotels across Beijing, Hong Kong, the Philippines, Vietnam and Australia.

Scott Milburn, Senior Vice President – Table Games Operations, Galaxy Macau™. He has over 20 years of experience in table games operation and business development. Previously, he held senior management positions with a number of gaming companies in Macau and Australia.

GAMING AND HOSPITALITY EXPERTISE

Roger Lienhard, Senior Vice President – Hospitality, Galaxy Macau™. He has over 30 years of operations management and project development experience gained from the hospitality industry. Previously, he held senior management positions with a number of prestigious hotels and resorts in Macau, Singapore, Australia, Japan, India and Indonesia.

Gillian Murphy, Senior Vice President & General Manager, Broadway at Galaxy Macau. She has over 33 years of experience in hotel and resort operations. Previously, she held senior management positions with a number of prestigious gaming and hotel companies in the USA.

This list is by no means exhaustive. With the continued development of our management competence resulting in highly efficient casino and entertainment operations, we believe that it will drive the growth and success of GEG for the years to come.

CORPORATE GOVERNANCE REPORT

The Company is committed to high standards of corporate governance. We have a well-balanced corporate governance system which sets out the framework for the Board of Directors (“Board”) to manage the Company efficiently, to enhance shareholders’ value and to care for the community as a good corporate citizen, with a high level of transparency and accountability to shareholders. The Board has applied the code provisions in the Corporate Governance Code (“Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

THE BOARD

The Company is headed by the Board, which is responsible to lead and control the Company and its subsidiaries (“Group”) and promote the success of the Group by directing and supervising the Group’s affairs in an effective manner. The Board sets strategies and priorities for the Company, approves annual budgets and performance targets, determines the appropriate management structure, and monitors the performance of the management. The names and biographical details of the Directors and their relationships are set out on pages 41 to 43 as well as the Company’s website at www.galaxyentertainment.com. The list of Directors and their roles and function is also disclosed in the websites of the Company and The Hong Kong Exchanges and Clearing Limited (“HKEX”).

Chairman, Deputy Chairman and Managing Director of Business Division

The roles of the Chairman of the Board, the Deputy Chairman of the Board and the Managing Director of the Construction Materials Division are separately played by Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Mr. Joseph Chee Ying Keung respectively.

The Chairman provides leadership for the Board and ensures that the Board works effectively in discharging its responsibilities, and that all key issues are discussed and addressed to in a timely manner. The Deputy Chairman supports and assists the Chairman in performing the above works and, together with the Managing Director of the Construction Materials Division, develop strategic operation plans to implement the Company’s set strategies and priorities. The Deputy Chairman leads and oversees the day-to-day management of the Group’s gaming related business, while the Managing Director of the Construction Materials Division leads and oversees the day-to-day management of the business of the Construction Materials Division.

Board Composition

The Board has a balanced composition of four executive and four non-executive Directors (including three independent non-executive Directors). The skill-sets of the Board are determined and regularly reviewed on the basis that members of the Board as a whole possess all-rounded business and professional skills essential to manage a successful sizeable enterprise and to support continuous growth. Added to our executive Directors’ substantial experience in the Company’s business, our Directors have brought in a mix of experience and qualifications in corporate management and strategic planning, investment, finance, legal and corporate governance practices. In fulfilling their roles and duties, our Directors provide balanced and independent views to the Board, exercise independent judgment and play a check and balance role on the Board’s decisions, particularly on matters that may involve conflict of interest.

CORPORATE GOVERNANCE REPORT

Appointment and Re-election of Directors

A formal, considered and transparent procedure is in place for the appointment of new Directors to the Board. Candidates to be recommended and selected are those who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence to a standard required of for listed companies' directors. In addition, the ability to provide balanced and independent views and exercise independent judgment and to devote sufficient time and attention to the Company's affairs is an additional criterion for selecting non-executive directors. The responsibility in reviewing the size, structure and composition of the Board and proposed re-election of retiring Directors is delegated to the Nomination Committee.

Non-executive Directors are appointed for a specific term. Mr. James Ross Ancell, Dr. William Yip Shue Lam, Mr. Anthony Thomas Christopher Carter and Professor Patrick Wong Lung Tak were appointed for a fixed term of three years pursuant to their service contracts. All Directors except the Chairman are subject to re-election by shareholders at the annual general meetings and at least once every three years according to the Articles of Association of the Company.

Pursuant to the Code A.4.3 of Appendix 14 of the Listing Rules, any re-appointment of independent non-executive director who served more than 9 years shall be subject to a separate resolution to be approved by the shareholders. During the year, Dr. William Yip Shue Lam, an Independent non-executive Director, has served the Board for more than 9 years. On nomination of the Nomination Committee (with Dr. Yip abstained from recommending his own re-election), the Board recommended Dr. Yip (who retired by rotation pursuant to the Company's Articles of Association) for re-appointment at the annual general meeting held on 11 June 2014. Re-election of Dr. Yip was duly approved by a separate resolution of the shareholders of the Company.

At the forthcoming annual general meeting to be held on 16 June 2015, Mr. Francis Lui Yiu Tung, Mr. Anthony Thomas Christopher Carter and Professor Patrick Wong Lung Tak will retire by rotation, and are eligible for re-election. All of them will seek for re-election.

Confirmation of Independence

All Independent non-executive Directors have met all of the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received from each of them an annual written confirmation of his independence and considers each of them to be independent.

Responsibilities of Directors

Each Director has a duty to act in good faith in the interests of the Company. The Company believes that to enable our Directors to provide their maximum contributions, it is essential to keep them updated on their duties and responsibilities as well as the conduct, business activities and development of the Group. All Directors have access to the management and Company Secretary for any information relevant to the Group they require in discharging their duties. Reports on the Company's performance, annual budget and comparison with budget together with the necessary commentary and explanation on any deviation from budget are provided to our Directors at regular Board meetings. The Company has also arranged site visit to a plant in Mainland China in 2014 for the Independent non-executive Directors to keep them abreast of its recent development and operations. In addition, monthly updates on the market trend and Company's development, financial and operational information were provided to Directors as soon as practicable.

CORPORATE GOVERNANCE REPORT

The Company received notification from each Director on an annual basis a list showing the nature of offices he holds in other public companies and organisations, other significant commitments and the estimated time involved. Further update will be provided to the Company for subsequent changes.

The Company has in place directors' and officers' liabilities insurance cover to indemnify our Directors against claims and liabilities arising out of the Group's business and activities.

Directors' Induction and Continuous Professional Development

All Directors have participated in continuous professional development ("CPD"), including seminars provided by the Company and/or external qualified professionals on corporate governance, updates on laws, rules and regulations to further strengthen their knowledge and skills on the roles, functions and duties as a director. Timely updates on legislative and regulatory changes and corporate governance development relevant to the Group and relevant information on the Group's business and activities are provided to our Directors on a regular basis. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on the relevant topics also counts towards CPD training. The Company keeps a record of training provided by each Director, summarised as follows:

Directors	Corporate Governance/Updates on Laws, Rules & Regulations	Accounting/Financial/ Management/ Other Professional Skills
Executive Directors		
Dr. Lui Che Woo	✓	✓
Mr. Francis Lui Yiu Tung	✓	✓
Mr. Joseph Chee Ying Keung	✓	
Ms. Paddy Tang Lui Wai Yu	✓	✓
Non-executive Director		
Mr. Anthony Thomas Christopher Carter	✓	
Independent non-executive Directors		
Mr. James Ross Ancell	✓	
Dr. William Yip Shue Lam	✓	✓
Professor Patrick Wong Lung Tak	✓	✓

Code of Conduct for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors. The Company, having made specific enquiry of all Directors, confirms that our Directors have complied with the required standard set out in the Model Code.

The Board has also established written guidelines on no less exacting terms than the Model Code to be observed by relevant employees of the Group who, because of their offices or employments, are likely to possess inside information in relation to the Group or the securities of the Company in respect of their dealings in the securities of the Company. The list and policies will be subject to review by the Company as and when it thinks appropriate.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD AND BOARD COMMITTEES

The Board has proper delegation of its powers and has established appropriate Board Committees, with specific written terms of reference which deal clearly with their authority and duties, to oversee particular aspects of the Group's affairs. Sufficient resources, including the advice of the external Auditor and independent professional advisers, are provided to the Board Committees to enable them to discharge their duties.

Executive Board

The Board has delegated the power, authorities and discretions for the management of the Group's operations and activities to a formally established Executive Board comprising all executive Directors of the Company. The Executive Board reports to the Board and circulates its resolutions and minutes of the Board or committees or general meetings to all Directors on a quarterly basis. Certain matters including annual budgets and financial statements, dividends and distribution to shareholders, increase of share capital and allotment of new shares except pursuant to exercise of share options and grant of share awards, derivative tradings, connected transactions which are subject to disclosure and/or shareholders approval requirements, and acquisitions, disposals, investments, financing and charging of assets above certain predetermined thresholds are specifically reserved for approval by the Board.

In respect of the decision making process, management, pursuant to the levels of authority formally approved by the Executive Board, submits written proposals with detailed analysis (on financial and commercial aspects) and recommendations to the Executive Board for consideration and approval. Where the subject matter exceeds the authority of the Executive Board or relates to any matters specifically reserved to the Board as aforesaid, it would be submitted to the Board for approval.

The Executive Board sub-delegates the day-to-day management, administration and operations functions to the executives/committees of the gaming and entertainment division and the construction materials division and where appropriate, special task forces with specified duties to oversee particular business activities or corporate transactions.

Audit Committee

The Audit Committee of the Company has been in place since 1999. It comprises three members who are all Independent non-executive Directors. Mr. James Ross Ancell is the Chairman and Dr. William Yip Shue Lam and Professor Patrick Wong Lung Tak are members.

The Audit Committee is accountable to the Board and assists the Board to oversee the Company's financial reporting process and internal control and risk management systems and to review the Group's interim and annual consolidated financial statements. The Audit Committee has access to and maintains an independent communication with the external Auditor and management. The role and function of the Audit Committee are set out in its revised written terms of reference which are posted on the websites of the Company and the HKEx.

The Audit Committee met twice a year with all the members present and with the attendance of the Group Chief Financial Officer, finance executives of the respective business divisions, the Company Secretary, the Internal Auditor and the external Auditor. The Audit Committee submitted its written report to the Board after each Audit Committee meeting, drawing the Board's attention to important issues that the Board should be aware of, identifying any matters which it considered action or improvement was needed and making appropriate recommendations.

CORPORATE GOVERNANCE REPORT

The principal work performed by the Audit Committee during the year included a general understanding of the Group's corporate structure and business operation to facilitate review of interim and annual consolidated financial statements, review of audit engagement letter, audit fee, audit strategy, significant accounting matters, internal audit annual plan and reports with its resource requirements, independence of external auditors, other financial and internal control matters, and certain operational activities.

Remuneration Committee

The Remuneration Committee of the Company has been in place since early 2006. It comprises three members with a majority of Independent non-executive Directors. Dr. William Yip Shue Lam is the Chairman, Mr. Francis Lui Yiu Tung and Professor Patrick Wong Lung Tak are members.

The Remuneration Committee is accountable to the Board and with delegated responsibility, regularly reviews, formulates and determines fair and competitive remuneration packages in order to attract, retain and motivate Directors of the quality required to run the Company successfully. The role and function of the Remuneration Committee are set out in its revised written terms of reference which are posted on the websites of the Company and the HKEX.

The Remuneration Committee met twice in 2014 with all its members present and with the attendance of representatives from the human resources department and the Company Secretary. The Remuneration Committee submitted its written report and/or recommendation to the Board after the Remuneration Committee meeting. In addition, written resolutions were circulated to the members for approval as and when needed.

The principal work performed by the Remuneration Committee during the year included recommendation of Directors' fee subject to approval of members at the annual general meeting, review and approval of remuneration policy, structure and packages to executive Directors based on a review of market data, and by reference to his duties and responsibilities with the Company, the Company's performance and profitability, and approval of grant of share options to executive Directors. No Director or any of his associates was involved in deciding his own remuneration at the Remuneration Committee meeting.

Nomination Committee

The Nomination Committee of the Company was set up in 2012. It comprises three members of which a majority is Independent non-executive Directors. Dr. William Yip Shue Lam is the Chairman of the Nomination Committee and Mr. Francis Lui Yiu Tung and Professor Patrick Wong Lung Tak are the members. Its major responsibilities are to formulate and implement the policy for nominating candidates for election to the Board, assess the independence of non-executive Directors and propose re-election of retiring Directors. The Company has adopted a formal and considered nomination policy in March 2012 and the policy was revised in March 2013 to take into consideration Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and other qualities of Directors. Any Director (after consultation with the Chairman of the Board) may nominate a suitably qualified candidate to serve as a Director of the Company for consideration of the Nomination Committee. The Nomination Committee shall review the candidate profile and then submit a recommendation to the Board for consideration after taking into account all the requirements set out. The Board then considers the recommendation and forms its opinion as to whether the proposed candidate shall be appointed as a Director. The terms of reference of the Nomination Committee are posted on the websites of the Company and the HKEX.

CORPORATE GOVERNANCE REPORT

The Nomination Committee met once in 2014 with all the members present. The Nomination Committee submitted its written report and/or recommendations to the Board after the Nomination Committee meeting.

The principal work performed by the Nomination Committee included reviewing the structure, size and composition of the Board to ensure a balanced composition, skills and experience appropriate for the requirements of the businesses by the Company, assessing the independence of Independent non-executive Directors according to the relevant rules and requirements under the Listing Rules, and recommending the re-appointment of retiring directors for the Board's approval.

Corporate Governance Committee

The Corporate Governance Committee of the Company was set up in 2012. It comprises three members of which a majority is Independent non-executive Directors. Mr. Francis Lui Yiu Tung is the Chairman of the Corporate Governance Committee and Mr. James Ross Ancell and Professor Patrick Wong Lung Tak are the members. Its main responsibilities are to review the Company's policies and practices on corporate governance, training and continuous professional development of Directors and senior management, and compliance with the Code and disclosure in the corporate governance report. A policy on corporate governance was adopted with the aim to enhance shareholders' value, to achieve high level of transparency, integrity and accountability.

The Corporate Governance Committee met once in 2014 with all its members present. The Corporate Governance Committee submitted its written report and/or recommendation to the Board after the Corporate Governance Committee meeting.

The principal work performed by the Corporate Governance Committee included review of the Company's policies and practices on corporate governance, compliance with the Companies Ordinance (Chapter 622) ("Companies Ordinance") and Listing Rules requirements, proposed amendments to the Articles of Association of the Company, code of conduct on securities transactions by Directors and employees, training and continuous professional development of Directors and senior management and compliance of the Code and disclosure in the corporate governance report.

BOARD, BOARD COMMITTEES AND GENERAL MEETINGS

The Board schedules regular Board meetings in advance to give Directors the opportunity to participate actively. Directors are consulted for matters to be included in the agenda for regular Board meetings. Directors receive written notice of the meeting generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. Throughout the year, Directors also participate in the consideration and approval of any matter requiring the attention of the Board by way of circulation of written resolutions. Special Board meetings are convened as and when needed. Minutes of the Board, Board Committees and General Meetings are kept by the Company Secretary and are made available and circulated to all Directors periodically. Except for those circumstances permitted by the Articles of Association of the Company and the Listing Rules, a Director who has material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such Director is not counted in the quorum.

CORPORATE GOVERNANCE REPORT

Directors' attendance at the Board, Board Committees and General Meetings held in the year under review are set out in the following table:

Number of Meetings	Board (4)	Audit Committee (2)	Remuneration Committee (2)	Nomination Committee (1)	Corporate Governance Committee (1)	Annual General Meeting (1)
Executive Directors						
Dr. Lui Che Woo	4/4	-	-	-	-	1/1
Mr. Francis Lui Yiu Tung	4/4	-	2/2	1/1	1/1	1/1
Mr. Joseph Chee Ying Keung	4/4	-	-	-	-	1/1
Ms. Paddy Tang Lui Wai Yu	4/4	-	-	-	-	1/1
Non-executive Director						
Mr. Anthony Thomas Christopher Carter	2/4	-	-	-	-	0/1
Independent non-executive Directors						
Mr. James Ross Ancell	4/4	2/2	-	-	1/1	0/1
Dr. William Yip Shue Lam	4/4	2/2	2/2	1/1	-	1/1
Professor Patrick Wong Lung Tak	4/4	2/2	2/2	1/1	1/1	1/1

COMPANY SECRETARY

The Company Secretary of the Company is responsible for facilitating the Board processes, ensuring the Board procedures are followed and Board activities are efficiently and effectively conducted, as well as ensuring good information flow among Board members with management and shareholders.

The Company Secretary sends updates on legislative, regulatory and corporate governance developments relating to the Group on regular basis and arranges in-house seminars for the Directors.

The Company Secretary had complied with Rule 3.29 of the Listing Rules during the year under review.

FINANCIAL REPORTING

The Board is accountable to the shareholders and is committed to presenting comprehensive and timely information to the shareholders on assessment of the Company's performance, financial position and prospects.

Directors' Responsibility

The Directors acknowledge their responsibilities for preparing the financial statements of the Company are to give a true and fair view and comply with all applicable regulatory requirements and accounting standards. In preparing the consolidated financial statements for the year ended 31 December 2014, the Directors have selected appropriate accounting policies and applied them consistently, and made judgments and estimates that are prudent and reasonable. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as at 31 December 2014. Accordingly, the Directors have prepared the consolidated financial statements for the year ended 31 December 2014 on a going concern basis.

CORPORATE GOVERNANCE REPORT

Throughout the year, the Company has devoted sufficient resources and maintained adequate qualified and experienced staff responsible for the accounting and financial reporting function.

Independent Auditor's Responsibility

The external Auditor of the Company is PricewaterhouseCoopers, Certified Public Accountants. A statement by the Independent Auditor about their reporting responsibilities is included in the Report of Independent Auditor on the Company's financial statements on pages 69 to 70.

In arriving at their opinion, the external Auditor conducts full scope audit without any restrictions and has access to individual Directors (including Audit Committee members) and management of the Company.

Independent Auditor's Remuneration

Fees for auditing services and non-auditing services provided by the external Auditor for the year ended 31 December 2014 are included in note 8 to the consolidated financial statements.

Fees for non-auditing services include HK\$2,368,000 for the services provided in respect of taxation and advisory services.

INTERNAL CONTROLS

The Board is committed to implementing effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The internal control system includes a well-defined management structure with limits of authority, clear and written policies, standard operation procedures, and risk control self-assessment conducted for all major operating units of the Group. The system is designed to provide reasonable assurance of no material misstatement or loss and to manage risks failure in operational systems and achievement of the Group's objectives.

Internal audit function provides independent assurance to the Board and executive management as to the adequacy and effectiveness of internal controls for the Group on an on-going basis. Using a risk based methodology audit approach, Internal Audit prepares the annual internal audit plan in consultation with, but independent of management. The plan is approved by the Audit Committee before execution. During the year, Internal Audit performed operational and financial reviews with objectives to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively. Upon completion of an audit, Internal Audit will discuss the findings and recommendations made with member of management responsible for the audited area and perform follow-up procedures to appraise the management of the post audit actions and provided assurance that implemented changes adequately resolved audit findings. Significant internal control weaknesses are brought to the attention of senior management.

Internal Audit reports to the Audit Committee on a semi-annual basis whether a sound internal control system is maintained and operated by management in compliance with policies and procedures of the Group and requirements that are laid down by external regulators. For the financial year ended 31 December 2014, Internal Audit Department was not aware of any significant internal control issues that would have been an adverse impact on the financial position or operations of the Group.

The Board, through the review of the Audit Committee, considered the internal control system of the Group effective and adequate.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTMENT COMMUNITY

The Company places a great deal of importance on timely, accurate and transparent communication with shareholders and the investment community. The Board has adopted a shareholders communication policy which provides a framework to maintain direct, open and timely communication with shareholders. The Company shall ensure effective and timely dissemination of relevant information at all times.

In addition to publishing interim and annual results in accordance with the Listing Rules requirements, the Company voluntarily releases unaudited key financial information on a quarterly basis to enable stakeholders to better assess the performance of the Group.

An Investor Relations Team has been designated to maintain purposeful dialogue and ongoing relationships with investors, analysts and media. Quality information will be provided to shareholders and the investment community.

The Company establishes different communication channels with shareholders and investors. Shareholders are given the option of electing to receive corporate communication (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) by electronic means. The Company's website www.galaxyentertainment.com is also a valuable platform for investors and contains a dedicated investor relations section offering timely and direct access to our financial reports, corporate announcements, press releases and other business information.

SHAREHOLDERS' RIGHTS

Shareholders are encouraged to attend all general meetings of the Company.

Convening General Meetings

Pursuant to Article 67 of the Articles of Association of the Company, the Board may, whenever it thinks fit, convene a general meeting, and general meetings shall also be convened on requisition, as provided by the Companies Ordinance, or, in default, may be convened by the requisitionists.

In accordance with Section 566 of the Companies Ordinance, shareholders of the Company representing at least 5% of the total voting rights of all shareholders of the Company having a right to vote at general meetings may request the directors of the Company to call a general meeting. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request must be signed and sent to the registered office of the Company at Room 1606, 16th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong for the attention of the Company Secretary in hard copy form, and be authenticated by the person or persons making it (including the way of signing by such person(s)).

CORPORATE GOVERNANCE REPORT

Putting Forward Proposals at General Meetings

Pursuant to Section 580 of the Companies Ordinance, shareholders of the Company representing at least 2.5% of the total voting rights of all shareholders of the Company who have a relevant right to vote, or at least 50 shareholders who have a relevant right to vote, may request the Company to circulate, to shareholders of the Company entitled to receive notice of a general meeting, a statement of not more than 1,000 words with respect to (a) a matter mentioned in a proposed resolution to be dealt with at that meeting, or (b) other business to be dealt with at that meeting. The request must be sent to the Company in hard copy form, identify the statement to be circulated, be authenticated by the person or persons making it (including by way of signing by such person(s)) and be received by the Company at the registered office stated above at least 7 days before the meeting to which it relates.

Pursuant to Section 615 of the Companies Ordinance, shareholders of the Company representing at least 2.5% of the total voting rights of all shareholders of the Company or at least 50 shareholders, who have a right to vote on the resolution at the annual general meeting to which the requests relate, may request the Company to give, to shareholders of the Company entitled to receive notice of the annual general meeting, notice of a resolution that may properly be moved and is intended to be moved at that meeting. The request must be sent to the Company in hard copy form, identify the resolution of which notice is to be given, be authenticated by the person or persons making it (including by way of signing by such persons(s)), and be received by the Company at the registered office stated above not later than 6 weeks before the annual general meeting to which the requests relate or if later, the time at which notice is given of that meeting.

If a shareholder intends to propose a person other than a retiring Director of the Company for election as a Director, the procedures have been set out in the Company's website.

Enquiries to the Board

The Company values comments and suggestions from shareholders. Shareholders may send their enquiries and concerns to the Board to the registered office address or by email for the attention of the Company Secretary.

CONSTITUTIONAL DOCUMENTS

The Companies Ordinance took effect on 3 March 2014, certain amendments to the then Articles of Association were proposed and a new Articles of Association was adopted by way of special resolutions of the shareholders of the Company at the annual general meeting held on 11 June 2014 in order to bring it in line with the Companies Ordinance. The Company's new Articles of Association has been published on the websites of the Company and HKEX.

COMPLIANCE WITH THE CODE

Throughout the year under review, the Company has complied with the code provisions in the Code, except code provision A.4.2.

A.4.2 – Given that the other Directors do retire by rotation in accordance with the Articles of Association of the Company, the Board considers that the Group is best served by not requiring the Chairman to retire by rotation as his continuity in office is of considerable benefit to and his leadership, vision and profound knowledge in the widespread geographical business of the Group is an asset of the Company.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to the shareholders their annual report together with the audited consolidated financial statements of the Company for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal subsidiaries, jointly ventures and associated companies of the Company are primarily engaged in operation in casino games of chance or games of other forms, provision of hospitality and related services in Macau, and the manufacture, sale and distribution of construction materials in Hong Kong, Macau and Mainland China, and their principal activities and other particulars are set out in note 45 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 71 of this annual report.

DIVIDENDS

Special dividends of HK\$0.70 and HK\$0.45 per share for the year ended 31 December 2014 were paid to the shareholders of the Company on 31 July 2014 and 31 October 2014 respectively.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: nil).

Total dividends paid to shareholders of the Company for the year ended 31 December 2014 was HK\$1.15 per share (2013: nil).

On 19 March 2015, the Board of Directors has resolved to declare special dividend of HK\$0.28 per share totalling approximately HK\$1,191 million, payable to shareholders whose names appear on the register of members of the Company on 30 April 2015. This special dividend is expected to be paid on or about 22 May 2015.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

During the year, 25,183,159 new shares were issued pursuant to the share option schemes of the Company as a result of the exercise of share options by option holders.

DEALINGS IN LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2014.

REPORT OF THE DIRECTORS

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 30 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

DIRECTORS

The Directors of the Company who served during the year and up to date of this report were:

Dr. Lui Che Woo, *Chairman*

Mr. Francis Lui Yiu Tung, *Deputy Chairman*

Mr. Joseph Chee Ying Keung, *executive Director*

Ms. Paddy Tang Lui Wai Yu, *executive Director*

Mr. Anthony Thomas Christopher Carter, *non-executive Director*

Mr. James Ross Ancell, *Independent non-executive Director*

Dr. William Yip Shue Lam, *Independent non-executive Director*

Professor Patrick Wong Lung Tak, *Independent non-executive Director*

The biographical details of the Directors are set out on pages 41 to 43 of this annual report.

In accordance with Article 106(A) of the Articles of Association of the Company, Mr. Francis Lui Yiu Tung, Mr. Anthony Thomas Christopher Carter and Professor Patrick Wong Lung Tak will retire from office by rotation, being eligible, and all will offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors proposed for re-election has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

Subject to the approval of shareholders at the forthcoming annual general meeting, the following directors' fees in respect of the year ended 31 December 2014 will be payable to the Directors:

	Chairman (HK\$)	Member (HK\$)
The Board	240,000	210,000
Audit Committee	170,000	140,000
Corporate Governance Committee	80,000	60,000
Nomination Committee	80,000	60,000
Remuneration Committee	90,000	70,000

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this Report of the Directors, no contracts of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a Director has or had a material beneficial interest, whether directly or indirectly, subsisted at 31 December 2014 or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES AND SHARE OPTIONS

At 31 December 2014, the interests of each Director in the shares, underlying shares and debentures of the Company, and the details of any right to subscribe for shares of the Company and of the exercise of such rights, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Shares (including underlying shares)

Name	Number of shares (including underlying shares)				Total	Percentage of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che Woo	28,777,632	2,181,518	23,121,401 ⁽¹⁾	1,697,536,231 ⁽²⁾	1,751,616,782	41.26
Francis Lui Yiu Tung	39,644,896	–	396,150,099 ⁽³⁾	1,697,536,231 ⁽²⁾	2,133,331,226	50.25
Joseph Chee Ying Keung	2,400,000	–	–	–	2,400,000	0.05
Paddy Tang Lui Wai Yu	13,575,722	–	–	1,697,536,231 ⁽²⁾	1,711,111,953	40.30
James Ross Ancell	250,000	–	–	50,000 ⁽⁴⁾	300,000	0.00
William Yip Shue Lam	250,000	–	–	–	250,000	0.00
Anthony Thomas	1,000,000	–	–	–	1,000,000	0.02
Christopher Carter	–	–	–	–	–	–
Patrick Wong Lung Tak	–	–	–	–	–	–

Notes:

- (1) 305,401 shares and 22,816,000 shares of the Company were held by Po Kay Securities & Shares Company Limited and a charitable organisation, Lui Che Woo Foundation Limited, respectively, both are controlled by Dr. Lui Che Woo.
- (2) A discretionary family trust established by Dr. Lui Che Woo as founder was interested in 1,697,536,231 shares of the Company. Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as either direct or indirect discretionary beneficiaries of the discretionary family trust, are deemed to have an interest in those shares in which the trust has an interest.
- (3) 103,096,039 shares of the Company were held by Recurrent Profits Limited which is controlled by Mr. Francis Lui Yiu Tung. Top Notch Opportunities Limited ("Top Notch") was interested in 171,916,021 underlying shares of the Company. Kentlake International Investments Limited ("Kentlake") was interested in 60,000,000 shares of the Company and 61,138,039 underlying shares of the Company. Both Top Notch and Kentlake are controlled by Mr. Francis Lui Yiu Tung. The aforesaid underlying shares had not been delivered to Top Notch and Kentlake and are still counted towards the public float.
- (4) Mr. James Ross Ancell was interested in 50,000 shares of the Company as being one of the trustees and a major beneficiary of a pension scheme.

REPORT OF THE DIRECTORS

(b) Underlying shares – Share Options

Details are set out in the Share Option Scheme section below.

All the interests stated above represent long positions.

Save as disclosed above, as at 31 December 2014, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 31 December 2014, the interests of every person (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Number of shares (Long Position)	Percentage of Issued Share Capital
City Lion Profits Corp.	1,313,887,206	30.95
CWL Assets (PTC) Limited	1,697,536,231	39.99
HSBC International Trustee Limited	1,709,062,231 ⁽¹⁾	40.26
Super Focus Company Limited	269,200,154	6.34
Waddell & Reed Financial, Inc.	295,450,000	6.96

Note:

- (1) HSBC International Trustee Limited, the trustee of a discretionary family trust established by Dr. Lui Che Woo as founder, was interested in 1,697,536,231 shares of the Company.

There was duplication of interests of:

- (i) 1,697,536,231 shares of the Company between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, CWL Assets (PTC) Limited and HSBC International Trustee Limited;
- (ii) 1,313,887,206 shares of the Company between City Lion Profits Corp. and CWL Assets (PTC) Limited; and
- (iii) 269,200,154 shares of the Company between CWL Assets (PTC) Limited and Super Focus Company Limited.

Save as disclosed above, as at 31 December 2014, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The existing share option scheme was adopted on 22 June 2011 (“Share Option Scheme”) and the options granted under the previous scheme adopted on 30 May 2002 remain effective. A summary of the Share Option Scheme is set out below:

(1) Purpose

To attract and retain the best quality personnel for the development of the Company’s businesses; to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders.

(2) Participants

- (i) any employee of the Company or any affiliate and any senior executive or director of the Company or any affiliate; or
- (ii) any consultant, agent, representative or adviser of the Company or any affiliate; or
- (iii) any person who provides goods or services to the Company or any affiliate; or
- (iv) any customer or contractor of the Company or any affiliate; or
- (v) any business ally or joint venture partner of the Company or any affiliate; or
- (vi) any trustee of any trust established for the benefit of employees; or
- (vii) in relation to any of the above qualifying grantee who is an individual, a trust solely for the benefit of the qualifying grantee or his immediate family members, and companies controlled solely by the qualifying grantee or his immediate family members.

“Affiliate” means any company which is (a) a holding company of the Company; or (b) a subsidiary of a holding company of the Company; or (c) a subsidiary of the Company; or (d) a controlling shareholder of the Company; or (e) a company controlled by a controlling shareholder of the Company; or (f) a company controlled by the Company; or (g) an associated company of a holding company of the Company; or (h) an associated company of the Company.

(3) Total number of shares available for issue

Mandate Limit – Subject to the paragraph below, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 413,678,806 shares, being 10% of the shares in issue as at 22 June 2011, the date of passing of an ordinary resolution of the shareholders.

Overriding Limit – The Company may by ordinary resolution of the shareholders refresh the Mandate Limit as referred to in the above paragraph provided that the Company shall issue a circular to its shareholders before such approval is sought. The overriding limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time.

REPORT OF THE DIRECTORS

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme, is 346,879,571 shares, and is further reduced by the number of share awards granted pursuant to the Share Awards Scheme mentioned below, representing approximately 8.16% of the issued share capital of the Company on that date.

(4) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the shares in issue.

Subject to separate approval by the shareholders in general meeting with the relevant participant and his close associates (as defined in the Listing Rules) or his associates if the participant is a connected person (as defined in the Listing Rules) abstaining from voting and provided the Company shall issue a circular to shareholders before such approval is sought, the Company may grant options to a participant which would exceed this limit.

(5) Option period

The period within which the shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

(6) Minimum period for which an option must be held before it can vest

The minimum period, if any, for which an option must be held before it can vest shall be determined by the Board in its absolute discretion. The Share Option Scheme itself does not specify any minimum holding period.

(7) Payment on acceptance of the option

HK\$1.00 is payable by the grantee to the Company on acceptance of the option offer. An offer must be accepted within 14 days from the date of grant (or such longer period as the Board may specify in writing).

(8) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion at the time of the grant but shall not be less than the highest of:

- (i) the closing price of the shares on the date of grant;
- (ii) the average closing prices of the shares for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share (not applicable as the share has no nominal value).

(9) The remaining life of the Share Option Scheme

The life of the Share Option Scheme is 10 years commencing on its adoption date, being 22 June 2011 and will expire on 21 June 2021.

REPORT OF THE DIRECTORS

Name	Date of grant	Number of Options					Held at 31 December 2014	Exercise price (HK\$)	Exercise period
		Held at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified during the year ^(a)			
Employees ^(b) (in aggregate)	17 Jan 2008	2,500,000	-	-	2,500,000	-	-	6.972	17 Jan 2010 – 16 Jan 2014
	18 Aug 2008	238,000	-	238,000 ^(b)	-	-	-	3.320	18 Aug 2009 – 17 Aug 2014
	8 May 2009	3,300,000	-	800,000 ^(b)	-	-	2,500,000	2.160	8 May 2010 – 7 May 2015
	21 Oct 2009	304,000	-	239,000 ^(b)	-	-	65,000	3.600	21 Oct 2010 – 20 Oct 2015
	23 Jul 2010	11,062,003	-	2,568,334 ^{(b)(c)}	-	-	8,493,669	4.670	23 Jul 2011 – 22 Jul 2016
	20 Apr 2011	2,338,006	-	1,621,338 ^(b)	-	-	716,668	13.820	20 Apr 2012 – 19 Apr 2017
	9 Jan 2012	10,463,679	-	4,601,795 ^(b)	136,523	440,004	5,285,357	14.220	9 Jan 2013 – 8 Jan 2018
	16 Mar 2012	4,533,000	-	500,000 ^(b)	-	-	4,033,000	20.100	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	12,624,000	-	2,247,026 ^(b)	689,775	399,335	9,287,864	32.500	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	1,790,000	-	192,332 ^(b)	80,000	160,000	1,357,668	37.450	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	-	5,445,000	-	300,000	273,000	4,872,000	77.750	15 Jan 2015 – 14 Jan 2020
	16 Jul 2014	-	1,436,000	-	24,000	-	1,412,000	62.750	16 Jul 2015 – 15 Jul 2020
	Others (in aggregate)	8 May 2009	333,334	-	333,334 ^(d)	-	-	-	2.160
11 Oct 2010		2,000,000	-	2,000,000 ^(d)	-	-	-	6.810	11 Oct 2011 – 10 Oct 2016
9 Jan 2012		-	-	-	-	440,004	440,004	14.220	9 Jan 2013 – 8 Jan 2018
17 Jan 2013		-	-	-	-	399,335	399,335	32.500	17 Jan 2014 – 16 Jan 2019
5 Jul 2013		160,000	-	53,332 ^(d)	-	160,000	266,668	37.450	5 Jul 2014 – 4 Jul 2019
15 Jan 2014		-	-	-	-	273,000	273,000	77.750	15 Jan 2015 – 14 Jan 2020

Notes:

- Options were re-classified during the year from Employees to Others.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$76.15.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$68.60.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$65.30.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$60.33.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$70.14.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$75.27.

REPORT OF THE DIRECTORS

- h. Include associate of director, Ms. Lui Wai Ling who held 3,000,000 (of which 1,000,000 options were exercised during the year and the weighted average closing price before the date of exercise was HK\$55.40), 1,000,000, 400,000, 80,000 and 126,000 options granted on 23 July 2010, 9 January 2012, 17 January 2013, 5 July 2013 and 15 January 2014 respectively at an exercise price and exercise period shown above. 2,000,000 options granted on 17 January 2008 were lapsed. The remaining options represent balance held at 31 December 2014.

The vesting period for all options is 1/3 vesting on each of the first, second and third anniversary of the date of grant except of the following options:

- The vesting period for options granted on 17 January 2008 is 25% vesting on each of the second and third anniversary of the date of grant and 50% vesting on the fourth anniversary of the date of grant.
- The vesting period for options granted on 18 August 2008 and 21 October 2009 and the balance of 881,000 options granted on 20 April 2011 is 100% vesting on the first anniversary of the date of grant.

Vesting period may accelerate if triggered by certain events stated in the respective share option schemes adopted on 30 May 2002 and 22 June 2011.

The consideration paid by each grantee for each grant of options was HK\$1.00.

Details of the options granted, exercised or lapsed during the year are set out above. No options were cancelled during the year.

The fair values of the options granted during the year are estimated based on the Black-Scholes valuation model, and such fair values and significant inputs into the model are as follows:

	Fair value per option (HK\$)	Share price at date of grant (HK\$)	Exercise price (HK\$)	Standard deviation of expected share price return	Expected life of options	Expected dividend paid out rate	Annual risk-free interest rate
Granted on 15 January 2014 – 6,893,000 options outstanding as at 31 December 2014	\$26.65	\$77.75	\$77.75	50%	3.5 to 4.5 years	2%	0.942% to 1.266%
Granted on 16 July 2014 – 1,544,000 options outstanding as at 31 December 2014	\$21.55	\$62.75	\$62.75	50%	3.5 to 4.5 years	2%	1.024% to 1.302%

The volatility measured at the standard deviation of expected share price return is based on the historical share price movement of the Company in the relevant periods matching expected time to exercise prior to the date of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

The closing price of the Company's shares immediately before the date on which the share options were granted on 15 January 2014 and 16 July 2014 were HK\$77.60 and HK\$62.95 respectively.

REPORT OF THE DIRECTORS

SHARE AWARD SCHEME

The share award scheme was adopted by the Board of Directors on 4 August 2014 ("Share Award Scheme"). Details of which have been announced in the Company's announcement dated 4 August 2014.

(1) Purpose

The purpose of the Share Award Scheme is to attract and retain the best quality personnel for the development of the Company's businesses, to provide incentives to (i) any employee or any eligible employee, any senior executive or director of the Company or any affiliate or any consultant, agent, representative or adviser of the Company or any affiliate; or (ii) any person who provides goods or services to the Company or any affiliate; or (iii) any customer or contractor of the Company or any affiliate; or (iv) any business ally or joint venture partners of the Company or any affiliate; or (v) any trustee of any trust established for the benefit of employees, and to promote the long term financial success of the Company by aligning the interests of award holders to shareholders.

(2) Duration

Subject to early termination by the Board, the Share Award Scheme will be valid and effective from 4 August 2014 until 21 June 2021.

(3) Maximum Limit

The aggregate of (a) the total number of awarded shares underlying the awards which have been granted but yet to be vested under the Share Award Scheme; and (b) the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme(s) of the Company (including the Share Option Scheme) must not exceed 30% of the shares in issue from time to time.

The aggregate of (a) the total number of awarded shares underlying the awards to be granted under the Share Award Scheme; and (b) the total number of shares which may be issued upon exercise of all options granted and to be granted under any share option scheme(s) of the Company (including the Share Option Scheme) after the adoption of the Share Option Scheme must not in aggregate exceed the mandate limit under the Share Option Scheme, being 413,678,806 shares or must not exceed the limit as refreshed under the Share Option Scheme.

The aggregate of the maximum number of awarded shares underlying all awards (whether the awards are vested or not) and the total number of shares issued and to be issued upon exercise of options under the Share Option Scheme (whether exercised or outstanding) in any 12-month period granted to each award holder must not exceed 1% of the shares in issue.

The Board may, from time to time, at their absolute discretion select any qualifying grantee for participation in the Share Award Scheme and determine the terms and conditions of the awards and the number of shares to be awarded. HK\$1.00 is payable by the grantee to the Company on acceptance of the offer. The Board may (i) pay to the trustee the purchase price and related purchase expenses from the Company's resources in respect of the awarded shares to be purchased on the market, and/or (ii) allot and issue shares to the trustee to be held by the trustee for the relevant award holders until the awards are vested in accordance with the rules of Share Awards Scheme.

REPORT OF THE DIRECTORS

When an award holder has satisfied all vesting criteria and conditions specified by the Board and become entitled to the awarded shares, the Board will inform the relevant award holder of the vesting of the awarded shares and the means of effecting the vesting which shall be determined by the Board at its sole discretion.

No award holder shall enjoy any of the right of a shareholder unless and until such awarded shares are actually transferred to the award holder by the trustee after the vesting of the award granted. Unless otherwise specified by the Board in the share award agreement, the award holders do not have any right to the income derived from the awarded shares underlying the award. The trustee shall not exercise the voting rights in respect of any shares held for the Share Award Scheme (including but not limited to the awarded shares, the returned shares, any bonus shares and scrip shares).

During the year, 20,199,560 and 2,720 share awards was granted to employees and an associate of a Director respectively.

Save as disclosed, no share awards were granted to Directors of the Company or their respective associates under the Share Award Scheme during the year ended 31 December 2014.

The particulars of the movements in the share awards held by the employees of the Company in aggregate and an associate of Director under the Share Award Scheme during the year ended 31 December 2014 were as follows:

Name	Date of grant	Number of Awards					Held at 31 December 2014	Vesting Date	Closing price at date of grant (HK\$)
		Held at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2014			
Employees (in aggregate)	28 Oct 2014	–	20,199,560	–	407,520	19,792,040	31 Dec 2017	47.70	
Associate of a Director	28 Oct 2014	–	2,720	–	–	2,720	31 Dec 2017	47.70	

Save as disclosed, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and adjusted as appropriate, is shown on page 68 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover; and the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the year.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$331,534,000 (2013: HK\$11,554,000).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company at the date of this annual report, there was a sufficient public float of the Company as required under the Listing Rules.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2014 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Dr. Lui Che Woo

Chairman

Hong Kong, 19 March 2015

FIVE-YEAR SUMMARY

	Year ended 31 December 2010 HK\$'000	Year ended 31 December 2011 HK\$'000	Year ended 31 December 2012 HK\$'000	Year ended 31 December 2013 HK\$'000	Year ended 31 December 2014 HK\$'000
CONSOLIDATED INCOME STATEMENT					
Revenue	19,262,133	41,186,446	56,746,423	66,032,501	71,752,470
Profit attributable to equity holders of the Company	898,455	3,003,908	7,377,839	10,051,764	10,339,810
Dividends	–	–	–	–	4,878,981
Earnings per share (cents)	22.8	72.8	176.2	238.7	243.9
Dividend per share (cents)	–	–	–	–	115.0
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment, investment properties and leasehold land and land use rights	16,801,790	21,990,582	22,736,878	28,421,703	35,661,629
Intangible assets	1,320,129	1,270,424	1,103,508	1,715,360	1,516,326
Joint ventures and associated companies	1,042,147	1,169,613	1,351,792	1,373,882	1,451,471
Long-term pledged bank deposits	–	1,702,230	–	–	–
Other non-current assets	486,307	348,179	373,340	515,823	382,481
Net current assets/(liabilities)	(2,471,963)	(710,166)	3,489,100	2,355,647	1,243,598
Employment of capital	17,178,410	25,770,862	29,054,618	34,382,415	40,255,505
Represented by:					
Share capital	395,440	417,421	419,958	421,971	19,774,917
Reserves	8,801,497	13,804,605	21,433,430	32,019,490	18,594,220
Equity attributable to owners of the Company	9,196,937	14,222,026	21,853,388	32,441,461	38,369,137
Non-controlling interests	377,614	421,201	440,992	612,827	619,945
Long term borrowings	7,143,507	10,530,722	6,291,171	236,973	576,430
Other non-current liabilities	345,202	495,679	390,280	1,050,172	663,964
Provisions	115,150	101,234	78,787	40,982	26,029
Capital employed	17,178,410	25,770,862	29,054,618	34,382,415	40,255,505
Net assets per share (dollars)	2.33	3.41	5.20	7.69	9.04

REPORT OF INDEPENDENT AUDITOR



羅兵咸永道

To the shareholders of Galaxy Entertainment Group Limited

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Galaxy Entertainment Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 71 to 156, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

REPORT OF INDEPENDENT AUDITOR

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Revenue	6	71,752,470	66,032,501
Other income/gains, net	8(a)	336,605	355,468
Special gaming tax and other related taxes to the Macau Government		(26,565,030)	(24,211,993)
Commission and allowances to gaming counterparties		(22,214,046)	(20,403,565)
Raw materials and consumables used		(984,739)	(1,222,545)
Amortisation and depreciation		(1,884,445)	(1,949,610)
Employee benefit expenses		(5,601,896)	(4,467,089)
Other operating expenses		(4,404,139)	(3,639,306)
Finance costs	10	(32,849)	(598,477)
Share of profits less losses of:			
Joint ventures	20(a)	162,521	141,208
Associated companies	21(a)	–	230
Profit before taxation	8(b)	10,564,452	10,036,822
Taxation (charge)/credit	11	(201,904)	18,072
Profit for the year		10,362,548	10,054,894
Attributable to:			
Equity holders of the Company	30	10,339,810	10,051,764
Non-controlling interests		22,738	3,130
		10,362,548	10,054,894
Earnings per share	13	HK cents	HK cents
Basic		243.9	238.7
Diluted		241.1	234.8

Details of dividends to shareholders of the Company are set out in Note 14.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Profit for the year	10,362,548	10,054,894
Other comprehensive (loss)/income		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	(88,151)	76,987
Currency translation differences	(32,371)	47,307
Change in fair value of cash flow hedges	–	23,672
Discontinuance of hedge accounting – settlement of interest rate swap	–	57,039
Other comprehensive (loss)/income for the year, net of tax	(120,522)	205,005
Total comprehensive income for the year	10,242,026	10,259,899
Total comprehensive income attributable to:		
Equity holders of the Company	10,221,105	10,248,012
Non-controlling interests	20,921	11,887
	10,242,026	10,259,899

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	30,421,771	23,226,216
Investment properties	16	35,000	88,500
Leasehold land and land use rights	17	5,204,858	5,106,987
Intangible assets	18	1,516,326	1,715,360
Joint ventures	20	1,450,610	1,373,021
Associated companies	21	861	861
Other non-current assets	22	382,481	515,823
		39,011,907	32,026,768
Current assets			
Inventories	23	143,461	133,596
Debtors and prepayments	24	1,981,960	1,975,443
Amounts due from joint ventures	25	325,814	350,500
Taxation recoverable		13,945	10,534
Other investments	26	6,429	8,149
Other cash equivalents	27	1,314,993	1,391,640
Cash and bank balances	27	9,040,327	10,360,208
		12,826,929	14,230,070
Total assets		51,838,836	46,256,838

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
EQUITY			
Share capital	28	19,774,917	421,971
Reserves	30	18,594,220	32,019,490
Equity attributable to owners of the Company		38,369,137	32,441,461
Non-controlling interests		619,945	612,827
Total equity		38,989,082	33,054,288
LIABILITIES			
Non-current liabilities			
Borrowings	31	576,430	236,973
Deferred taxation liabilities	32	249,113	245,165
Provisions	33	26,029	40,982
Retention payable		195,090	155,007
Other non-current deposit or payable	36	219,761	650,000
		1,266,423	1,328,127
Current liabilities			
Creditors and accruals	34	11,112,104	11,412,055
Amounts due to joint ventures	25	24,969	36,769
Current portion of borrowings and short-term bank loans	31	411,574	406,004
Provision for tax		34,684	19,595
		11,583,331	11,874,423
Total liabilities		12,849,754	13,202,550
Total equity and liabilities		51,838,836	46,256,838
Net current assets		1,243,598	2,355,647
Total assets less current liabilities		40,255,505	34,382,415

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

COMPANY BALANCE SHEET

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
ASSETS			
Non-current assets			
Subsidiaries	19	3,830,001	3,830,001
Amounts due from subsidiaries	19	18,202,215	16,611,144
		22,032,216	20,441,145
Current assets			
Debtors and prepayments	24	18,967	16,711
Cash and bank balances	27	3,745,316	3,029,169
		3,764,283	3,045,880
Total assets		25,796,499	23,487,025
EQUITY			
Share capital	28	19,774,917	421,971
Reserves	30	2,291,435	19,295,855
Equity attributable to owners of the Company		22,066,352	19,717,826
LIABILITIES			
Current liabilities			
Creditors and accruals	34	21,955	21,547
Amount due to a subsidiary	19	3,708,192	3,747,652
		3,730,147	3,769,199
Total liabilities		3,730,147	3,769,199
Total equity and liabilities		25,796,499	23,487,025
Net current assets/(liabilities)		34,136	(723,319)
Total assets less current liabilities		22,066,352	19,717,826

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities			
Cash generated from operations	35	12,195,935	13,766,440
Hong Kong profits tax paid		(30,660)	(37,779)
Mainland China tax and Macau complementary tax paid		(120,881)	(19,427)
Interest paid		(24,790)	(387,464)
Net cash from operating activities		12,019,604	13,321,770
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,303,290)	(4,971,743)
Acquisition of business	37	–	(2,600,000)
Addition to leasehold land		(171,929)	–
Purchase of intangible assets		(39,225)	(23,919)
Proceeds from disposal of investment property		3,975	–
Proceeds from disposal of property, plant and equipment		6,319	13,838
Proceeds from disposal of a joint venture		3,203	–
Investments in joint ventures		(60,703)	(39,069)
Decrease in advances to joint ventures		8,063	75,546
Proceeds from disposal of subsidiaries		87,607	21,940
Deferred expenditure		–	(36)
Decrease in deferred receivable		19,545	33,199
(Increase)/decrease in finance lease receivable		(12,277)	26,146
Increase in available-for-sale financial assets		–	(548)
Increase in deposits paid for purchase of property, plant and equipment		–	(151,079)
Interest received		186,222	238,972
Decrease in short-term pledged deposits and short-term bank deposits with maturity over three months		699,159	4,668,870
Dividends received from joint ventures		144,342	188,735
Dividends received from unlisted investments		26,000	38,380
Net cash used in investing activities		(8,402,989)	(2,480,768)
Cash flows from financing activities			
Issue of new shares		256,320	135,164
New bank loans		737,325	68,560
Repayment of bank loans		(394,887)	(8,961,192)
Repayment of fixed rate bonds		–	(1,744,596)
Capital element of finance lease payments		(6,008)	(415,333)
(Decrease)/increase in loan from non-controlling interests		(19,067)	12,985
Dividends paid to non-controlling interests		(14,049)	(25,967)
Injection of capital from non-controlling interests		246	194,541
Dividends paid to shareholders	14	(4,878,981)	–
Net cash used in financing activities		(4,319,101)	(10,735,838)
Net (decrease)/increase in cash and cash equivalents		(702,486)	105,164
Cash and cash equivalents at beginning of year		9,028,320	8,907,342
Changes in exchange rates		5,117	15,814
Cash and cash equivalents at end of year	27	8,330,951	9,028,320

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital HK\$'000	Reserves HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2013	419,958	21,433,430	21,853,388	440,992	22,294,380
Comprehensive income					
Profit for the year	–	10,051,764	10,051,764	3,130	10,054,894
Other comprehensive income					
Change in fair value of available-for-sale financial assets	–	76,987	76,987	–	76,987
Currency translation differences	–	38,550	38,550	8,757	47,307
Change in fair value of cash flow hedges	–	23,672	23,672	–	23,672
Discontinuance of hedge accounting – settlement of interest rate swap	–	57,039	57,039	–	57,039
Total other comprehensive income, net of tax	–	196,248	196,248	8,757	205,005
Total comprehensive income for the year	–	10,248,012	10,248,012	11,887	10,259,899
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	194,541	194,541
Disposal of subsidiaries	–	–	–	(8,626)	(8,626)
Dividends paid to non-controlling interests	–	–	–	(25,967)	(25,967)
Issue of shares upon exercise of share options	2,013	133,151	135,164	–	135,164
Fair value of share options granted	–	204,897	204,897	–	204,897
At 31 December 2013	421,971	32,019,490	32,441,461	612,827	33,054,288
Comprehensive income					
Profit for the year	–	10,339,810	10,339,810	22,738	10,362,548
Other comprehensive loss					
Change in fair value of available-for-sale financial assets	–	(88,151)	(88,151)	–	(88,151)
Currency translation differences	–	(30,554)	(30,554)	(1,817)	(32,371)
Total other comprehensive loss, net of tax	–	(118,705)	(118,705)	(1,817)	(120,522)
Total comprehensive income for the year	–	10,221,105	10,221,105	20,921	10,242,026
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	246	246
Dividends paid to non-controlling interests	–	–	–	(14,049)	(14,049)
Issue of shares upon exercise of share options	214,120	42,200	256,320	–	256,320
Fair value of share options granted	–	211,582	211,582	–	211,582
Fair value of share award granted	–	117,650	117,650	–	117,650
Transition to no-par value regime on 3 March 2014 (note 28)	19,138,826	(19,138,826)	–	–	–
Special dividends (note 14)	–	(4,878,981)	(4,878,981)	–	(4,878,981)
At 31 December 2014	19,774,917	18,594,220	38,369,137	619,945	38,989,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Galaxy Entertainment Group Limited (“GEG” or the “Company”) is a limited liability company incorporated in Hong Kong and has its listing on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”). The address of its registered office and principal place of business is Room 1606, 16th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are operation in casino games of chance or games of other forms, provision of hospitality and related services in Macau, and the manufacture, sale and distribution of construction materials in Hong Kong, Macau and Mainland China.

These consolidated financial statements have been approved for issue by the Board of Directors on 19 March 2015.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) under the historical cost convention as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities (including derivative financial instruments), which are carried at fair values.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit” as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 below.

(a) The adoption of new/amended standards and interpretations

In 2014, the Group adopted the following new/amended standards and interpretations which are relevant to its operations:

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives
HKFRS 2 (Amendment)	Share-Based Payment
HKFRS 3, HKAS 37 and 39 (Amendments)	Business Combinations and Consequential Amendments to Other Related Standards
HK(IFRIC) – Int 21	Levies

The Group has assessed the impact of the adoption of these new/amended HKFRS and considered that there was no significant impact on the Group’s results and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

(a) The adoption of new/amended standards and interpretations (Continued)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(b) Standards, interpretations and amendments to existing standards that are not yet effective

New standards, interpretations and amendments		Effective for accounting periods beginning on or after
HKAS 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 19 (Amendment)	Defined Benefit Plans	1 July 2014
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual Improvements to HKFRSs 2010–2012 Cycle		1 July 2014
HKAS 24 (Amendment)	Related Party Disclosures	
HKFRS 8 (Amendment)	Operating Segments	
HKAS 16 (Amendment)	Property, Plant and Equipment	
HKAS 38 (Amendment)	Intangible Assets	
Annual Improvements to HKFRSs 2011–2013 Cycle		1 July 2014
HKAS 40 (Amendment)	Investment Property	
HKFRS 3 (Amendment)	Business Combinations	
HKFRS 13 (Amendment)	Fair Value Measurement	
Annual Improvements to HKFRSs 2012–2014 Cycle		1 January 2016
HKFRS 5 (Amendment)	Non-current Assets Held For Sale and Discontinued Operations	
HKFRS 7 (Amendment)	Financial Instruments: Disclosures	
HKAS 34 (Amendment)	Interim Financial Reporting	

The Group has not early adopted the above standards, interpretations and amendments and is in the process of assessing the impact of these new standards, interpretations and amendments on the Group's accounting policies and financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December and the share of post acquisition results and reserves of its joint ventures and associated companies attributable to the Group.

Results attributable to subsidiaries, joint ventures and associated companies acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or to the date of disposal as applicable.

The profit or loss on disposal of subsidiaries, joint ventures or associated companies is calculated by reference to the share of net assets at the date of disposal including the attributable amount of goodwill not yet written off.

3.2 Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

The excess of the aggregate of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and income and expenses on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the balance sheet of the Company, investments in subsidiaries are carried at cost together with advances by the Company which are neither planned nor likely to be settled in the foreseeable future, less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.3 Non-controlling interests

Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Joint arrangements (Continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.5 Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence but no control is exercised in its management, generally accompanying a shareholding of between 20% to 50% of the voting rights.

Investments in associated companies are accounted for under the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investments in associated companies of the Group include goodwill, net of any accumulated impairment loss, identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The share of post-acquisition profits or losses of associated companies attributable to the Group is recognised in the consolidated income statement, and the share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the share of losses of the Group in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the interest in the associated companies held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies of the Group.

3.6 Goodwill

Goodwill arises on the acquisition of subsidiaries, joint ventures and associated companies and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill on acquisition of subsidiaries is included in intangible assets while goodwill on acquisition of joint ventures and associated companies is included in investments in joint ventures and associated companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Goodwill (Continued)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

No depreciation is provided on assets under construction until it is completed and is ready for use. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Leasehold improvement	2 to 20 years
Buildings	20 to 50 years
Plant and machinery	3 to 20 years
Gaming equipment	3 to 10 years
Other assets	2 to 20 years

The residual values and useful lives of the assets are reviewed and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its estimated recoverable amount.

Gains and losses on disposal/write-off is determined as the difference between the net sales proceed and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out annually by external valuers. Changes in fair values are recognised in the consolidated income statement.

Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as revaluation of property, plant and equipment. However, if the fair value gives rise to a reversal of the previous impairment loss, this write-back is recognised in the consolidated income statement.

3.9 Gaming licence and reacquired right

Gaming licence and reacquired right are carried at cost less accumulated amortisation and impairment losses. They have finite useful lives and are amortised on a straight-line basis over the remaining term of the licence which will expire in June 2022.

3.10 Computer software

Costs incurred to acquire and bring to use the specific computer software licences are capitalised and are amortised over their estimated useful lives of three years on a straight line basis. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

3.11 Impairment of investments in subsidiaries, associated companies, joint ventures and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Impairment of investments in subsidiaries, associated companies, joint ventures and non-financial assets (Continued)

The Group assesses at the end of reporting period whether there is any indication that an impairment loss recognised in prior periods for a non-financial asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of that asset. A reversal of an impairment loss shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount. Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase. The increased carrying amount attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation).

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.12 Deferred expenditure

Quarry site development represents costs of constructing infrastructure at the quarry site to facilitate excavation. Overburden removal costs are incurred to bring the quarry site into a condition ready for excavation. Quarry site improvements represent estimated costs for environmental restoration and any changes in the estimates are adjusted in the carrying value of the quarry site improvements. These costs are amortised over the estimated useful lives of the quarries and sites concerned using the straight-line method.

Pre-operating costs are expensed as they are incurred.

3.13 Financial assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss (including other investments), loans and receivable, and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the investments were acquired.

(a) Financial assets at fair value through profit or loss (including other investments)

Financial assets at fair value through profit or loss are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current. Financial assets carried at fair value through profit or loss are initially recognised at fair value and subsequently carried at fair value. Transaction costs are expensed in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets (Continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment terms that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method. Loans and receivables of the Group include trade and other receivables, balances with group companies and cash and cash equivalents.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in the balance sheet under non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. Available-for-sale financial assets are initially recognised at fair value plus transaction cost and subsequently carried at fair value.

Regular way purchases and sales of investments are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Realised and unrealised gains and losses arising from changes in fair value of the financial assets at fair value through profit or loss are included in the consolidated income statement. Unrealised gains and losses arising from changes in fair value available-for-sale investments are recognised in other comprehensive income. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investments.

The fair values of quoted investments are based on current price within the bid-ask spread which is the most representative of the fair value in the given circumstances. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, refined to reflect the specific circumstances of the issuer. If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, the investment is measured at cost less impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale investments, a significant or prolonged decline in the fair value of the investment below its cost is considered as an indicator in determining whether the investments are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on available-for-sale investments are not reversed through the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

3.14 Derivative financial instruments and hedging activities

Derivative financial instruments, including put option of shares and embedded derivative liability of convertible notes, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair value of hedging derivative is classified as a non-current asset or liability where the remaining maturity of the hedged item is more than twelve months, and as a current asset or liability, where the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of debtors is reduced through the use of an allowance account and the amount of the provision is recognised in the consolidated income statement within other operating expenses. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement against other operating expenses.

3.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of construction materials is calculated on the weighted average basis, comprising materials, direct labour and an appropriate proportion of production overhead expenditure. Cost of playing cards is determined using the first-in, first-out method and food and beverages using the weighted average method. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.17 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits with banks, financial institutions repayable within three months from the date of placement and cash chips of other casinos less bank overdrafts. Cash chips of other casinos include those that form part of the Group's overall cash management and are readily convertible to known amount of cash and subject to an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When the Company re-purchases its equity share capital, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the equity holders and the shares are cancelled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

3.20 Leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the remaining lease liability. The corresponding lease obligations, net of finance charges, are included under current and non-current liabilities. The finance charges are charged to the consolidated income statement over the lease periods. Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

Assets leased to third parties under agreements that transfer substantially all the risk and rewards incident to ownership of the relevant assets to the lessees are classified as investments in finance leases. The present value of the lease payments is recognised as a receivable in the balance sheet. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Gross earnings under finance leases are recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return on the net investment in the leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, net of any incentives received from the lessors, are charged to the consolidated income statement on a straight line basis over the period of the leases. The up-front prepayments made for leasehold land and land use rights are amortised on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated income statement. The amortisation of the leasehold land and land use rights is capitalised under the relevant assets when the property on the leasehold land is under construction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Creditors and accruals

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.22 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, before any tax effects, that reflect current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.23 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, joint ventures and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Current and deferred taxation (Continued)

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, joint ventures and associated companies, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.24 Special gaming tax and other related taxes to the Macau Government

According to the gaming concession granted by the Macau government and the relevant legislation, the Group is required to pay 35% gaming tax and 4% public development and social related contributions on the net gaming wins from gaming operations. In addition, the Group is also required to make certain variable and fixed payments to the Macau Government based on the number of tables and slot machines in its possession. These expenses are reported as "special gaming tax and other related taxes to the Macau Government" in the consolidated income statement and are charged to the consolidated income statement as incurred.

3.25 Commission and allowances to gaming counterparties

Commission and allowances to gaming counterparties is calculated based on certain percentages of net gaming wins or rolling amount and is recognised when the relevant services have been rendered by gaming counterparties.

3.26 Contributions from the operations of the City Club Casinos

Contributions from the operations of the City Club Casinos are recognised based on the established rates for the net gaming wins which reflect the gross inflow of economic benefits to the Group. In addition, all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.27 Employee benefits

(a) Employees entitlement, benefits and bonus

Contributions to publicly or privately administered defined contribution retirement or pension plans on a mandatory, contractual or voluntary basis are recognised as employee benefit expense in the financial period when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Provisions for bonus plans due wholly within twelve months after the balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(b) Share-based compensation

(i) *Share options*

The fair value of the employee services received in exchange for the grant of the options under the equity-settled, share-based compensation plan is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, estimates of the number of options that are expected to become exercisable are revised. The impact of the revision of original estimates, if any, is recognised in the profit and loss statement over the remaining vesting period with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.27 Employee benefits (Continued)

(b) Share-based compensation (Continued)

(ii) *Share award*

The Group also grants shares of the Company to employees under its share award scheme, under which the awarded shares are either newly issued or are purchased from the open market. The cost of share purchased from the open market is recognised in equity as treasury stock. The fair value of the employee services received in exchange for the grant of shares under the scheme is recognised as staff costs in the income statement with a corresponding increase in a share award reserve under equity. The fair value of the awarded shares is measured by the quoted market price of the shares at grant date and is charged to the income statement over the respective vesting period. During the vesting period, the number of awarded shares that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged or credited in the income statement for the year of the review, unless the original staff costs qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as staff costs is adjusted to reflect the actual number of awarded shares that vest (with a corresponding adjustment to the employee share-based compensation reserve) and the cost of awarded shares recognised in equity as treasury stock is transferred to the employee share-based compensation reserve.

3.28 Borrowing costs

Interest and related costs on borrowings directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to complete and prepare the assets for its intended use or sale are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the profit and loss statement in the financial period in which they are incurred.

3.29 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, net of value-added tax, returns, rebates and discounts and allowance for credit.

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.29 Revenue recognition (Continued)

(a) Gaming operations

Revenue from gaming operations, representing the net gaming wins, is recognised when the relevant services have been rendered and is measured at the entitlement of economic inflows of the Group from the business. Contributions from the operations of the City Club Casinos are recognised in the consolidated income statement as set out in note 3.26 above.

(b) Hotel operations

Revenue from hotel room rental and food and beverages sales is recognised when the relevant services have been rendered.

(c) Construction materials

Sales of construction materials are recognised when the goods are delivered and legal title is transferred to customers.

(d) Rental income

Rental income, net of any incentives given to the lessee, is recognised over the periods of the respective leases on a straight-line basis.

(e) Administrative fee

Administrative fee is recognised when the services have been rendered.

(f) Interest income

Interest income is recognised on a time proportion basis using the effective interest method, taking into account the principal amounts outstanding and the interest rates applicable.

(g) Dividend income

Dividend income is recognised when the right to receive payment is established.

3.30 Foreign currency translation

Items included in the consolidated financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the functional and presentation currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the balance sheet date are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.30 Foreign currency translation (Continued)

Translation differences on non-monetary financial assets held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation difference on non-monetary available-for-sale investments is included in other comprehensive income.

The results and financial position of all the entities in the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the exchange rate ruling at the date of that balance sheet;
- (ii) income and expenses for each consolidated income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates ruling at the balance sheet date. Exchange differences arising are recognised in equity.

3.31 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

3.32 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.33 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3.34 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, associates, joint ventures and related companies to secure loans, overdrafts and other banking facilities.

The Group regards its financial guarantees provided to its subsidiaries, joint ventures and associated companies as insurance contracts. The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the consolidated income statement.

4. FINANCIAL RISK MANAGEMENT

The major financial instruments of the Group include trade and other receivables, amounts due from related parties, cash and bank balances, restricted bank deposits, cash chips of other casinos, non-current and other investments, trade and other creditors, amounts due to related parties and borrowings. Details of these financial instruments are disclosed in respective notes. The activities of the Group expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group seeks to minimise the effects of certain of these risks by using derivative financial instruments to hedge the risk exposures. It does not enter into or trade derivative financial instruments for speculative purpose. The management of the Group identifies, evaluates and manages significant financial risks in the individual operating units of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong, Macau and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Macau Patacas and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of different group companies.

Foreign currency exposures are covered by forward contracts and cross-currency interest rate swap contracts whenever appropriate.

There is no forward foreign exchange contract as at 31 December 2014.

The foreign exchange risk mainly arises on the fixed deposits which are denominated in Renminbi. As at 31 December 2014, if Renminbi weakened/strengthened by 2%, profit after tax for the year would have been HK\$73,306,000 lower/higher as a result of foreign exchange gain on translation of that balance.

The Group is not exposed to foreign exchange risk in respect of Hong Kong dollar against the United States dollar and Macau Patacas as long as these currencies are pegged.

(ii) Price risk

The Group is exposed to equity price changes arising from equity investments held by the Group classified on the consolidated balance sheet either as other investments (note 26) or available-for-sale financial assets (see note 22(a)). Other than unquoted securities held for strategic purposes, all of these investments are listed. The Group is not exposed to commodity price risk.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually, based on the information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

At 31 December 2014, if the market values of the Group's available-for-sale financial assets at that date had been 10% higher or lower with all other variables held constant, total comprehensive income for the year would have been HK\$10,644,000 (2013: HK\$19,459,000) higher or lower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk

The Group is exposed to interest rate risk through the impact of changes in the rates on interest bearing liabilities and assets. The Group follows a policy of developing long-term banking facilities to match its long-term investments in Hong Kong, Macau and Mainland China. The policy also involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favourable pricing opportunities arise.

Interest rate exposures are covered by interest rate swap contracts whenever appropriate.

As the Group has no significant interest bearing assets, other than deposits and cash at banks and loan receivables, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rate risk of the Group mainly arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Certain of the Company's long-term borrowings were issued at fixed rates, and expose the Company to fair value interest rate risk.

At 31 December 2014, if interest rates on borrowings at variable rates at that date had been 0.5% higher or lower with all other variables held constant, profit after tax for the year would have been HK\$3,958,000 (2013: HK\$2,252,000) lower or higher, mainly as a result of higher or lower interest expense on floating rate borrowings.

At 31 December 2014, if interest rates on deposits and cash at banks at that date had been 0.5% higher or lower with all other variables held constant, profit after tax for the year would have been HK\$28,340,000 (2013: HK\$28,505,000) higher or lower.

(b) Credit risk

Credit risk arises from derivative financial instruments and deposits with banks and financial institutions, cash chips of other casinos and loan receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions, and the gaming counterparties and premium players of gaming. Cash and bank balances are deposited in bank and financial institutions with sound credit ratings to mitigate the risk. The issuance and redemption of cash chips are heavily regulated by the rules and regulation of the Macau Government. Cash chips of other casinos can be redeemed for cash at casinos with sound credit quality to mitigate the risk. Management assesses the credit quality of the casinos taking into account their financial position, past experience and other factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group has policies and guidelines in place to assess the credit worthiness of customers and gaming counterparties to ensure that credits are made to parties with an appropriate credit history and a good history of performance records. As at 31 December 2014, approximately 63% (2013: 69%) of the other debtors and deposits paid represent advances to customers and gaming counterparties. The Group monitors the issuance of credit on an ongoing basis to minimise the exposure to credit risk. There is a concentration of credit risk relating to advances to certain gaming counterparties. The activities of individual credit account are monitored regularly for management to decide if the credit facility should be continued, changed or cancelled. Management regularly evaluates the allowance for doubtful receivables by reviewing the collectability of each balance based upon the age of the balance, the customer's financial condition, collection history and any other known information. See note 24 for details of debtors and further disclosure on credit risks.

The maximum exposure to credit risk at 31 December 2014 is the unimpaired carrying amounts of respective financial assets.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group measures and monitors its liquidity through the maintenance of prudent ratios regarding the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Treasury. Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements (for example, currency restrictions).

Group Treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The contractual maturity of the Group and the Company for its financial liabilities, drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company is required to pay and include both interest and principal, is set out below.

Group

	Within one year HK\$'000	Between one to two years HK\$'000	Between two to five years HK\$'000	Over five years HK\$'000	Total HK\$'000
At 31 December 2014					
Bank loans	445,998	67,101	348,796	–	861,895
Obligations under finance leases	192	–	15,201	589,259	604,652
Provisions	26,325	26,029	–	–	52,354
Creditors and accruals (including non-current retention payable and other non-current deposit or payable)	11,085,779	42,524	366,444	5,883	11,500,630
Amounts due to joint ventures	24,969	–	–	–	24,969
At 31 December 2013					
Bank loans	416,345	50,042	–	–	466,387
Obligations under finance leases	6,714	192	15,201	589,259	611,366
Provisions	41,262	17,059	23,923	–	82,244
Creditors and accruals (including non-current retention payable and other non-current payable)	11,370,793	718,737	86,270	–	12,175,800
Amounts due to joint ventures	36,769	–	–	–	36,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued) Company

	Within one year HK\$'000	Total HK\$'000
At 31 December 2014		
Creditors and accruals	21,955	21,955
Amount due to a subsidiary	3,708,192	3,708,192
At 31 December 2013		
Creditors and accruals	21,547	21,547
Amount due to a subsidiary	3,747,652	3,747,652

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary. The Group may also adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total assets less cash and bank balances. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and bank balances. The Group intends to make use of excess funds to improve its capital structure through early repayment of borrowings to achieve finance cost saving in the future.

The gearing ratios at 31 December 2014 and 2013 were as follows.

	2014 HK\$'000	2013 HK\$'000
Total borrowings (note 31)	(988,004)	(642,977)
Less: cash and bank balances (note 27)	9,040,327	10,360,208
Net cash	8,052,323	9,717,231
Total assets less cash and bank balances	42,798,509	35,896,630
Gearing ratio (note)	n/a	n/a

Note: The Group was in a net cash position as at 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation

The table below analyses financial instruments that are measured in the balance sheet at fair value, by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014 and 2013.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2014				
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	6,429	–	–	6,429
Available-for-sale financial assets				
– Equity securities	37	–	106,407	106,444
Total	6,466	–	106,407	112,873

At 31 December 2013

Assets

Financial assets at fair value through profit or loss				
– Equity securities	8,149	–	–	8,149
Available-for-sale financial assets				
– Equity securities	40	–	194,555	194,595
Total	8,189	–	194,555	202,744

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current price within the bid-ask spread which is the most representative of the fair value in the given circumstances. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as other investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swap is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

The following table presents the changes in level 3 instruments (note 22) for the year ended 31 December 2014 and 2013.

	Available-for-sale financial assets	
	2014 HK\$'000	2013 HK\$'000
At beginning of the year	194,555	117,033
(Losses)/gains recognised in other comprehensive income	(88,148)	76,974
Additions	–	1,942
Return of capital	–	(1,394)
At end of the year	106,407	194,555
Total gains for the year included in profit or loss for assets held at the end of the year	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Carrying amount of non-financial assets other than goodwill

The Group tests for possible impairment or reversal of impairment for non-financial assets other than goodwill. The Group performs an assessment of the recoverable amounts of all hotel properties together with the gaming licence with a total carrying amount of HK\$29.1 billion as included in notes 15, 17 and 18 to the financial statements, respectively. The Group considers these assets are grouped together as one cash-generating unit as it is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount has been determined based on the higher of fair value less cost to sell and value-in-use. The methodologies are based upon estimates of future results, assumptions as to income and expenses of the business, future economic conditions on growth rates and estimation of the future returns. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in impairment charge or reversal of impairment in future periods. In addition, a reversal of an impairment loss is only recognised to increase in the estimated service potential of an asset since the date when an entity last recognised an impairment loss for that asset. The determination of whether there is a decrease in services potential of an asset requires significant judgment.

(b) Useful lives of leasehold land, property, plant and equipment

The management determines the estimated useful lives and residual values for its leasehold land, property, plant and equipment. Management will revise the depreciation charge where useful lives are different from previous estimates, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

(c) Fair value of available-for-sale financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The fair value also reflects the discounted cash flows that could be expected from the ultimate sale after deducting the estimated expenses directly associated with the sale.

(d) Provisions

The Group carries out environmental restoration for its quarry sites. Management estimates the related provision for future environmental restoration based on an estimate of future expenditure for the restoration. These provisions require the use of different assumptions, such as discount rates for the discounting of non-current provision due to time value of money, the timing and extents of cash outflows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(e) Share-based payments

The fair value of option granted is estimated by independent professional valuers based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the share options or share award at the date of granting.

(f) Taxation

The Group is subject to taxation in Hong Kong, Macau and Mainland China. Significant judgment is required in determining the provision for taxation for each entity in the Group. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred taxation provisions in the financial period in which such determination is made.

(g) Provision for doubtful debts

The policy of provision for doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts receivable and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each counterparty. The amount of provision made as at 31 December 2014 was HK\$135,018,000 (2013: HK\$74,816,000). If the financial conditions of counterparty were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(h) Other cash equivalents

The policy of including cash chips of other casinos as cash equivalent was based on management's judgment to consider these cash chips form part of the Group's overall cash management, are highly liquid investments that are readily convertible to cash, and are not subject to significant risk of change in value. Management's consideration includes its assessment and understanding of the rules and regulations governing the issuance and redemption of cash chips by the Macau Government.

(i) Business combination

The initial accounting on the acquisition of a business involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. The fair values of identifiable net assets are determined by reference to the valuation performed by independent professional valuer or based on the estimated cashflows. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE

Revenue comprises turnover from gaming operations, hotel operations, administrative fees from gaming operations and sales of construction materials.

	2014 HK\$'000	2013 HK\$'000
Gaming operations		
Net gaming wins	67,626,932	61,615,190
Contributions from City Club Casinos (note)	156,160	169,917
Tips received	10,946	13,471
Hotel operations	1,911,312	1,810,589
Administrative fees from gaming operations	9,900	11,210
Sales of construction materials	2,037,220	2,412,124
	71,752,470	66,032,501

Note: In respect of the operations of City Club Casinos (the "City Club Casinos"), the Group entered into agreements (the "Agreements") with third parties for a term equal to the life of the concession agreement with the Government of the Macau Special Administrative Region (the "Macau Government") up to June 2022.

Under the Agreements, the service providers (the "Service Providers") undertake for the provision of a steady flow of customers to the City Club Casinos and for procuring and/or introducing customers to these casinos. The Service Providers also agree to indemnify the Group against substantially all risks arising under the leases of the premises used by these casinos; and to guarantee payments to the Group of certain operating and administrative expenses. Revenue attributable to the Group is determined by reference to various rates on the net gaming wins.

After analysing the risks and rewards attributable to the Group, and the Service Providers under the Agreements, revenue from the City Club Casinos is recognised based on the established rates for the net gaming wins which reflect the gross inflow of economic benefits to the Group. In addition, all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the consolidated financial statements.

During the year ended 31 December 2014, the Group is entitled to HK\$156,160,000 (2013: HK\$169,917,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the consolidated financial statements.

7. SEGMENT INFORMATION

The Board of Directors is responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, based on a measurement of adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). This measurement basis of Adjusted EBITDA excludes the effects of non-recurring income and expenditure from the operating segments, such as pre-opening expenses, sponsorship, gain on disposal of subsidiaries, gain on disposal of investment property and impairment charge when the impairment is the result of an isolated, non-recurring event. The Adjusted EBITDA also excludes the effects of share option expenses, share award expenses, donation expenses, and unrealised losses on listed investments.

In accordance with the internal financial reporting and operating activities of the Group, the reportable segments are the gaming and entertainment segment and the construction materials segment. Corporate and treasury management represents corporate level activities including central treasury management and administrative function.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION (Continued)

The reportable segments derive their revenue from the operation in casino games of chance or games of other forms, provision of hospitality and related services in Macau, and the manufacture, sale and distribution of construction materials in Hong Kong, Macau and Mainland China.

There are no sales or trading transaction between the operating segments.

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Year ended 31 December 2014				
Reportable segment revenue	72,874,718	2,037,220	-	74,911,938
Adjusted for:				
City Club Casinos arrangement set out in note 6				
Revenue not recognised	(3,325,528)	-	-	(3,325,528)
Contributions	156,160	-	-	156,160
Others	9,900	-	-	9,900
Revenue recognised under HKFRS	69,715,250	2,037,220	-	71,752,470
Adjusted EBITDA	12,929,455	465,110	(171,868)	13,222,697
Interest income and gross earnings on finance lease				188,884
Amortisation and depreciation				(1,884,445)
Finance costs				(32,849)
Taxation charge				(201,904)
Taxation of joint ventures				(44,044)
Adjusted items:				
Pre-opening expenses of Galaxy Macau™				
Phase 2 at Cotai				(168,619)
Other pre-opening expenses				(73,922)
Unrealised loss on listed investments				(1,720)
Share option expenses				(211,582)
Share award expenses				(104,816)
Donation and sponsorship				(331,534)
Write-off/loss on disposal of certain property, plant and equipment				(51,033)
Gain on disposal of subsidiaries				77,030
Gain on disposal of investment property				24,660
Others				(44,255)
Profit for the year				10,362,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Year ended 31 December 2013				
Reportable segment revenue	67,165,485	2,412,124	–	69,577,609
Adjusted for:				
City Club Casinos arrangement set out in note 6				
Revenue not recognised	(3,726,235)	–	–	(3,726,235)
Contributions	169,917	–	–	169,917
Others	11,210	–	–	11,210
Revenue recognised under HKFRS	63,620,377	2,412,124	–	66,032,501
Adjusted EBITDA	12,279,155	487,532	(191,376)	12,575,311
Interest income and gross earnings on finance lease				215,113
Amortisation and depreciation				(1,949,610)
Finance costs				(598,477)
Taxation credit				18,072
Taxation of joint ventures				(40,590)
Adjusted items:				
Pre-opening expenses of Galaxy Macau™				
Phase 2 at Cotai				(27,920)
Other pre-opening expenses				(13,843)
Share option expenses				(204,897)
Donation and sponsorship				(11,554)
Write-off/loss on disposal of certain property, plant and equipment				(19,071)
Impairment of property, plant and equipment				(8,664)
Gain on disposal of subsidiaries				14,093
Reversal of provision				48,529
Others				58,402
Profit for the year				10,054,894

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
As at 31 December 2014				
Total assets	42,444,282	5,613,151	3,781,403	51,838,836
Total assets include:				
Joint ventures	75,914	1,374,696	–	1,450,610
Associated companies	–	861	–	861
Total liabilities	11,304,762	1,444,455	100,537	12,849,754
As at 31 December 2013				
Total assets	38,212,082	4,979,395	3,065,361	46,256,838
Total assets include:				
Joint ventures	51,722	1,321,299	–	1,373,021
Associated companies	–	861	–	861
Total liabilities	11,871,368	1,250,582	80,600	13,202,550
Year ended 31 December 2014				
Additions to non-current assets	9,208,410	457,280	44	9,665,734
Year ended 31 December 2013				
Additions to non-current assets	8,166,243	295,499	1,044	8,462,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION (Continued)

Geographical analysis

Year ended 31 December	2014 HK\$'000	2013 HK\$'000
Revenue		
Macau	70,048,579	64,192,080
Hong Kong	1,384,701	1,391,617
Mainland China	319,190	448,804
	71,752,470	66,032,501
Non-current assets, other than financial instruments	As at 31 December 2014 HK\$'000	As at 31 December 2013 HK\$'000
Macau	36,041,240	29,333,957
Hong Kong	545,122	515,620
Mainland China	2,425,545	2,177,191
	39,011,907	32,026,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER INCOME/GAINS, NET AND PROFIT BEFORE TAXATION

	2014 HK\$'000	2013 HK\$'000
(a) Other income/gains, net		
Rental income from investment properties	6,180	5,740
Interest income		
Bank deposits	176,092	199,213
Loans to joint ventures (note 25(a))	11,181	13,499
Deferred receivables (note 22(c))	1,390	1,592
Dividend income from unlisted investments	26,000	38,380
Gross earnings on finance lease	221	809
Gain on disposal of subsidiaries	77,030	14,093
Gain on disposal of a joint venture	3,663	–
Gain on disposal of investment property	24,660	–
Unrealised loss on listed investments	(1,720)	–
Change in fair value of investment properties	–	6,500
Write-off/loss on disposal of property, plant and equipment	(64,781)	(43,579)
Loss on write-off of intangible assets	(133)	(3)
Impairment of property, plant and equipment	–	(8,664)
Foreign exchange gain	5,127	72,380
Others	71,695	55,508
	336,605	355,468
(b) Profit before taxation is stated after charging		
Depreciation	1,564,745	1,655,726
Amortisation		
Gaming licence	106,337	106,337
Computer software	43,864	53,092
Quarry site improvements	8,765	16,216
Overburden removal costs	2,097	8,385
Quarry site development	97	387
Leasehold land and land use rights	70,615	70,132
Reacquired right	87,925	39,335
Operating lease rental		
Land and buildings	45,246	31,384
Royalty	6,834	16,118
Staff costs, including Directors' remuneration (note)	5,601,896	4,467,089
Outgoing in respect of investment properties	590	555
Auditor's remuneration		
Audit services		
Provision for the year	11,608	14,574
Over-provision in prior year	(3,468)	(3,198)
Non-audit services		
Provision for the year	2,368	1,024
(Over)/under-provision in prior year	(5)	71

Note: Staff costs is stated after amount capitalised in assets under construction in the aggregate of HK\$252,291,000 (2013: HK\$160,938,000), and include share option expenses and share award expenses of HK\$211,582,000 (2013: HK\$204,897,000) and HK\$104,816,000 (2013: nil) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. MANAGEMENT REMUNERATION

(a) Directors' remuneration

	Fees HK\$'000	Salary, allowance and benefit in kind HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Share options (note d) HK\$'000	2014 Total HK\$'000	2013 Total HK\$'000
Executive Directors							
Dr. Lui Che Woo	240	10,786	28,967	539	19,624	60,156	29,241
Mr. Francis Lui Yiu Tung	420	15,260	40,984	763	27,941	85,368	41,910
Mr. Joseph Chee Ying Keung	210	3,793	818	344	1,517	6,682	5,822
Ms. Paddy Tang Lui Wai Yu	210	2,328	–	116	4,935	7,589	8,735
	1,080	32,167	70,769	1,762	54,017	159,795	85,708
Non-executive Directors							
Mr. James Ross Ancell	440	–	–	–	–	440	400
Dr. William Yip Shue Lam	520	–	–	–	–	520	470
Mr. Anthony Thomas Christopher Carter	210	–	–	–	–	210	180
Professor Patrick Wong Lung Tak	540	–	–	–	–	540	490
	1,710	–	–	–	–	1,710	1,540
Total 2014	2,790	32,167	70,769	1,762	54,017	161,505	
Total 2013	2,490	29,102	260	1,601	53,795		87,248

- (i) The directors' fees paid in 2014 were in relation to performance and services for 2013.
- (ii) The discretionary bonuses paid in 2014 were in relation to performance and services for 2013 and 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. MANAGEMENT REMUNERATION (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2013: two) Directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three individuals (2013: three) are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other emoluments	20,339	18,395
Discretionary bonuses	14,633	16,478
Retirement benefits	581	508
Share options (note d)	41,496	30,945
	77,049	66,326

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2014	2013
HK\$13,500,001–HK\$14,000,000	1	1
HK\$17,000,001–HK\$17,500,000	1	–
HK\$20,500,001–HK\$21,000,000	–	1
HK\$31,500,001–HK\$32,000,000	–	1
HK\$45,500,001–HK\$46,000,000	1	–
	3	3

(c) Retirement benefit schemes

In Hong Kong, the Group makes monthly contributions to the Mandatory Provident Fund (MPF) Scheme equal to 5% of the relevant income of the employees in compliance with the legislative requirement. In addition, the Group also makes defined top-up contributions to the same scheme or the Occupational Retirement Scheme Ordinance (ORSO) Scheme for employees depending on circumstance. For the top-up schemes, the Group's contributions to the schemes may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the Schemes are held separately from those of the Group in independently administered funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. MANAGEMENT REMUNERATION (Continued)

(c) Retirement benefit schemes (Continued)

The Group also operates a defined contribution scheme which is a unitised scheme, for eligible employees in Macau. The Galaxy Staff Pension Fund Scheme is established and managed by an independent management company appointed by the Group. Both the Group and the employees make equal share of monthly contributions to the scheme.

Employees in Mainland China participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 12% to 21%, dependent upon the applicable local regulations. The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above payments.

The costs of the retirement benefit schemes charged to the consolidated income statement during the year comprise contributions to the schemes of HK\$138,064,000 (2013: HK\$121,823,000), after deducting forfeitures of HK\$31,767,000 (2013: HK\$25,108,000), leaving HK\$716,000 (2013: HK\$105,000) available to reduce future contributions.

(d) Share options

The value of the share options granted to the Directors and employees under the share option scheme of the Company represents the fair value of these options charged to the income statement for the year according to their vesting periods.

10. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest expenses		
Fixed rate bonds wholly repayable within five years	–	93,638
Bank loans and overdrafts wholly repayable within five years	23,364	259,648
Unamortised transaction costs written-off due to early repayment of borrowings	–	272,861
Obligations under finance leases	9,636	56,854
Losses on financial instruments		
Interest rate swaps – cash flow hedges	–	22,451
Discontinuance of hedge accounting – settlement of interest rate swap	–	57,039
Other borrowing costs	1,917	3,160
	34,917	765,651
Amount capitalised in assets under construction	(2,068)	(167,174)
	32,849	598,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. TAXATION CHARGE/(CREDIT)

	2014 HK\$'000	2013 HK\$'000
Current taxation		
Hong Kong profits tax	37,567	29,226
Mainland China income tax and withholding tax	18,340	17,691
Macau complementary tax	174	6,613
Net over-provision in prior years	(268)	(1,008)
Lump sum in lieu of Macau complementary tax on dividend	142,816	–
Deferred taxation (note 32)	3,275	(70,594)
Taxation charge/(credit)	201,904	(18,072)

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, these rates range from 12% to 25% (2013: 12% to 25%). The weighted average applicable tax rate was 12% (2013: 12%).

The taxation on the profit before taxation of the Group differs from the theoretical amount that would arise using the applicable taxation rate being the weighted average of rates prevailing in the countries in which the Group operates, is as follows:

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	10,564,452	10,036,822
Share of profits less losses of		
Joint ventures	(162,521)	(141,208)
Associated companies	–	(230)
	10,401,931	9,895,384
Tax calculated at applicable tax rate	1,232,309	1,177,322
Income not subject to tax	(24,200)	(34,244)
Profit exempted from Macau Complementary Tax (note a)	(1,546,808)	(1,490,135)
Expenses not deductible for tax purpose	94,595	87,323
Utilisation of previously unrecognised tax losses	(7,203)	(6,603)
Tax losses not recognised	302,110	301,419
Net over-provision in prior years	(268)	(1,008)
Mainland China withholding tax	8,553	11,691
Reversal of previously recognised deferred tax liabilities (note a)	–	(63,837)
Lump sum in lieu of Macau complementary tax on dividend (note b)	142,816	–
Taxation charge/(credit)	201,904	(18,072)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. TAXATION CHARGE/(CREDIT) (Continued)

- (a) Pursuant to the Despach No. 326/2008 issued by the Chief Executive of the Macau Government on 20 November 2008, the Group is exempted from Macau Complementary Tax on its gaming activities for five years effective from the 2009 year of assessment till year 2013. Further pursuant to the Despach No. 420/2013 issued by the Chief Executive of the Macau Government on 30 December 2013, the Group is exempted from Macau Complementary Tax on its gaming activities for five years effective from the 2014 year of assessment till year 2018.
- (b) During the year ended 31 December 2014, Galaxy Casino, S.A. ("GCSA"), the Company's principal subsidiary, entered into a Shareholder Dividend Tax Agreement with the Macau Government. The agreement provided for an annual payment in lieu of Macau Complementary Tax otherwise due by the GCSA's shareholders on dividend distributions to them from gaming profits, effective through the end of 2013. In January 2015, GCSA entered into another Shareholder Dividend Tax Agreement with Macau Government for an extension of the agreement through 2018 to correspond to the Macau Complementary Tax exemption on its gaming activities.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company includes the Company's profit of HK\$6,641,955,000 (2013: loss of HK\$52,183,000).

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two (2013: one) categories of dilutive potential ordinary shares: share options and share award. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued from share options and share award, the dilutive effect of the share award scheme is assumed if the award shares are issued by new shares, which is yet to be determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. EARNINGS PER SHARE (Continued)

The calculation of basic and diluted earnings per share for the year is based on the following:

	2014 HK\$'000	2013 HK\$'000
Profit attributable to equity holders of the Company	10,339,810	10,051,764

	Number of shares	
	2014	2013
Weighted average number of shares for calculating basic earnings per share	4,238,511,510	4,211,650,943
Effect of dilutive potential ordinary shares		
Share options	42,586,977	69,464,607
Share award	8,297,530	–
Weighted average number of shares for calculating diluted earnings per share	4,289,396,017	4,281,115,550

14. DIVIDENDS

	2014 HK\$'000	2013 HK\$'000
First special dividend paid of HK\$0.70 (2013: nil) per ordinary share	2,969,566	–
Second special dividend paid of HK\$0.45 (2013: nil) per ordinary share	1,909,415	–
	4,878,981	–

The Board of Directors does not declare any final dividend for the year ended 31 December 2014 (2013: nil).

Details of the special dividend declared subsequent to the year end are given in note 43.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Gaming equipment and other assets (note (a)) HK\$'000	Assets under construction HK\$'000	Total HK\$'000
Cost						
At 31 December 2013	12,440,319	305,000	4,066,120	6,719,411	5,579,025	29,109,875
Exchange differences	(442)	(1)	(2,091)	(385)	(325)	(3,244)
Adjustments to project costs	(406,952)	–	(163,485)	(9,660)	–	(580,097)
Additions	49,004	80,139	973,183	82,787	8,244,645	9,429,758
Transfer	–	3,000	56,865	577	(60,442)	–
Disposals/Write-off	(8,486)	(4,537)	(111,171)	(98,337)	–	(222,531)
Disposal of subsidiaries	(495)	–	(33,953)	(30,370)	–	(64,818)
At 31 December 2014	12,072,948	383,601	4,785,468	6,664,023	13,762,903	37,668,943
Accumulated depreciation and impairment						
At 31 December 2013	1,235,895	181,233	1,556,474	2,910,057	–	5,883,659
Exchange differences	(11)	(1)	(468)	(315)	–	(795)
Charge for the year	363,431	72,336	755,451	373,527	–	1,564,745
Disposals/Write-off	(8,072)	(4,446)	(95,526)	(43,387)	–	(151,431)
Disposal of subsidiaries	(125)	–	(22,248)	(26,633)	–	(49,006)
At 31 December 2014	1,591,118	249,122	2,193,683	3,213,249	–	7,247,172
Net book value						
At 31 December 2014	10,481,830	134,479	2,591,785	3,450,774	13,762,903	30,421,771
Cost						
At 31 December 2012	10,249,897	245,643	4,238,158	6,162,798	1,762,436	22,658,932
Exchange differences	2,697	13	15,562	5,513	4,006	27,791
Acquisition of business (note 37)	1,719,056	–	–	–	–	1,719,056
Additions	154,907	60,094	55,313	770,553	3,931,542	4,972,409
Transfer	322,283	–	(199,360)	(3,964)	(118,959)	–
Disposals/Write-off	(4,031)	(750)	(12,951)	(159,445)	–	(177,177)
Disposal of subsidiaries	(4,490)	–	(30,602)	(56,044)	–	(91,136)
At 31 December 2013	12,440,319	305,000	4,066,120	6,719,411	5,579,025	29,109,875
Accumulated depreciation and impairment						
At 31 December 2012	667,739	141,705	1,405,522	2,180,399	–	4,395,365
Exchange differences	567	8	3,945	4,672	–	9,192
Charge for the year	392,647	40,198	353,394	869,487	–	1,655,726
Transfer	178,715	–	(178,409)	(306)	–	–
Disposals/Write-off	(2,623)	(678)	(10,381)	(106,078)	–	(119,760)
Disposal of subsidiaries	(1,150)	–	(17,597)	(46,781)	–	(65,528)
Impairment charge	–	–	–	8,664	–	8,664
At 31 December 2013	1,235,895	181,233	1,556,474	2,910,057	–	5,883,659
Net book value						
At 31 December 2013	11,204,424	123,767	2,509,646	3,809,354	5,579,025	23,226,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

- (a) Other assets comprise barges, furniture and equipment, operating equipment, vessel, aircrafts, and motor vehicles.
- (b) During the year, borrowing costs of HK\$2,068,000 (2013: HK\$167,174,000) were capitalised and included in assets under construction. A capitalisation rate of 5.48% (2013: 4.21%) was used, representing the effective finance costs of the loans used to finance the assets under construction.
- (c) During the year, staff costs of HK\$252,291,000 (2013: HK\$160,938,000) were capitalised and included in assets under construction.

16. INVESTMENT PROPERTIES

	Group	
	2014 HK\$'000	2013 HK\$'000
Fair value		
At beginning of the year	88,500	82,000
Change in fair value	–	6,500
Disposal	(53,500)	–
At end of the year	35,000	88,500

The Group measures its investment properties at fair value. The investment properties were revalued by Vigers Appraisal & Consulting Limited, independent qualified valuer not related to the Group, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 31 December 2014. For all investment properties, their current use equates to the highest and best use.

The finance department reviews the valuations performed by the independent valuers and reports directly to the senior management at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INVESTMENT PROPERTIES (Continued)

Fair values of completed commercial properties are reference to open market value. This valuation method is based on the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

There were no changes to the valuation techniques during the year.

17. LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2014 HK\$'000	2013 HK\$'000
Net book value at beginning of the year	5,106,987	4,391,311
Exchange differences	(116)	843
Acquisition of business (note 37)	–	780,944
Additions	171,929	4,021
Disposal of a subsidiary	(3,327)	–
Amortisation	(70,615)	(70,132)
Net book value at end of the year	5,204,858	5,106,987
Cost	5,765,619	5,598,276
Accumulated amortisation	(560,761)	(491,289)
Net book value	5,204,858	5,106,987
Represented by		
Finance lease of between 10 to 50 years		
Macau	4,990,060	4,881,904
Hong Kong	191,973	197,906
	5,182,033	5,079,810
Operating lease of between 10 to 50 years		
Mainland China	22,825	27,177
	5,204,858	5,106,987

The Group received land concessions from Macau Government which have initial terms of 25 years and are renewable at the Group's option, in accordance with Macau law, grants the Group exclusive use of the land. Leasehold land held under finance lease in Macau included a piece of land in Cotai, Macau amounting to HK\$3,087 million (2013: HK\$2,934 million), for which net book value of HK\$807 million (2013: HK\$748 million) is developed, HK\$1,045 million (2013: HK\$942 million) is under development and HK\$1,235 million (2013: HK\$1,244 million) is held for development for specific uses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INTANGIBLE ASSETS

Group

	Gaming licence (note a) HK\$'000	Reacquired right (note b) HK\$'000	Computer software HK\$'000	Total HK\$'000
Cost				
At 31 December 2012	16,887,329	–	214,845	17,102,174
Additions	–	–	23,919	23,919
Acquisition of business (note 37)	–	786,700	–	786,700
Write-off	–	–	(1,075)	(1,075)
At 31 December 2013	16,887,329	786,700	237,689	17,911,718
Additions	–	–	39,225	39,225
Write-off	–	–	(9,740)	(9,740)
At 31 December 2014	16,887,329	786,700	267,174	17,941,203
Accumulated amortisation and impairment				
At 31 December 2012	15,878,143	–	120,523	15,998,666
Charge for the year	106,337	39,335	53,092	198,764
Write-off	–	–	(1,072)	(1,072)
At 31 December 2013	15,984,480	39,335	172,543	16,196,358
Charge for the year	106,337	87,925	43,864	238,126
Write-off	–	–	(9,607)	(9,607)
At 31 December 2014	16,090,817	127,260	206,800	16,424,877
Net book value				
At 31 December 2014	796,512	659,440	60,374	1,516,326
At 31 December 2013	902,849	747,365	65,146	1,715,360

(a) Gaming licence represents the fair value of licence acquired on the acquisition of Galaxy Casino, S.A. in 2005 and has been amortised on a straight line basis over the remaining term of the gaming licence which will expire in June 2022. Accumulated amortisation and impairment included an impairment charge made in 2008 amounted to HK\$12,330,305,000.

(b) Reacquired right represents the right and obligations in regard to the provision of service in the casino at Grand Waldo Hotel pursuant to certain agreements for a term equal to the life of the gaming licence and has been amortised on a straight line basis over the remaining term of the gaming licence which will expire in June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. SUBSIDIARIES

	Company	
	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	1	1
Loans receivable from a subsidiary	3,830,000	3,830,000
	3,830,001	3,830,001
Amounts due from subsidiaries	18,202,215	16,611,144
	22,032,216	20,441,145
Amount due to a subsidiary	3,708,192	3,747,652

The loans receivable are unsecured, interest free and are repayable at the subsidiary's discretion.

The amounts receivable are denominated in Hong Kong dollar, unsecured, interest free and are regarded as equity loans.

The amount payable is denominated in Hong Kong dollar, unsecured, interest free and is repayable on demand.

Details of the subsidiaries are given in note 45(a).

20. JOINT VENTURES

	Group	
	2014 HK\$'000	2013 HK\$'000
Share of net assets	1,450,610	1,373,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. JOINT VENTURES (Continued)

- (a) The share of assets, liabilities and results of the joint ventures, which are individually immaterial, attributable to the Group using the equity method is summarised below:

	2014 HK\$'000	2013 HK\$'000
Non-current assets	1,853,480	1,675,265
Current assets	779,284	898,185
Current liabilities	(728,795)	(701,064)
Non-current liabilities	(453,359)	(499,365)
	1,450,610	1,373,021
Income	1,553,919	1,561,316
Expenses	(1,391,398)	(1,420,108)
Share of results for the year	162,521	141,208

- (b) Details of the joint ventures are given in note 45(b).

21. ASSOCIATED COMPANIES

	Group	
	2014 HK\$'000	2013 HK\$'000
Share of net assets	861	861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. ASSOCIATED COMPANIES (Continued)

- (a) The share of assets, liabilities and results of the associated companies, which are individually immaterial, attributable to the Group using the equity method is summarised as follows:

	2014 HK\$'000	2013 HK\$'000
Non-current assets	3,200	10,315
Current assets	35,685	35,750
Current liabilities	(24,962)	(27,998)
Non-current liabilities	(13,062)	(17,206)
	861	861
Income	21,089	34,383
Expenses	(21,089)	(34,153)
Share of results for the year	-	230

- (b) Details of the associated companies are given in note 45(c).

22. OTHER NON-CURRENT ASSETS

	Group	
	2014 HK\$'000	2013 HK\$'000
Available-for-sale financial assets (note a)	106,444	194,595
Finance lease receivable (note b)	15,047	4,612
Deferred expenditure		
Overburden removal costs	2,092	4,189
Quarry site development	98	195
Quarry site improvements	9,011	8,070
Deferred receivable (note c)	53,143	71,829
Deposits paid for property, plant and equipment	185,681	220,886
Other	10,965	11,447
	382,481	515,823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. OTHER NON-CURRENT ASSETS (Continued)

(a) Available-for-sale financial assets

	Group	
	2014 HK\$'000	2013 HK\$'000
Unlisted investments in overseas, at fair value (note 4.3)	106,407	194,555
Listed investments in Hong Kong, at fair value	37	40
Advances to investee companies	23,010	23,010
Less: Provision for impairment	(23,010)	(23,010)
	106,444	194,595

The unlisted investments are mainly denominated in Macau Patacas and US dollar.

Advances to investee companies are denominated in Hong Kong dollar, unsecured, interest free and have no fixed terms of repayment. They are considered equity in nature.

(b) Finance lease receivable

	Group	
	2014 HK\$'000	2013 HK\$'000
Gross receivable	23,228	10,733
Unearned finance income	(529)	(311)
	22,699	10,422
Current portion included in current assets (note 24)	(7,652)	(5,810)
	15,047	4,612

Finance lease receivable represents reimbursement of gaming equipment from the Service Providers. There are no unguaranteed residual values accrued to the Group and no contingent income was recognised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. OTHER NON-CURRENT ASSETS (Continued)

(b) Finance lease receivable (Continued)

The finance lease is receivable in the following years:

	Minimum receipts		Present value	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within one year	7,904	6,017	7,652	5,810
Between two to five years	15,324	4,716	15,047	4,612
	23,228	10,733	22,699	10,422

- (c) Deferred receivable includes consideration receivable in respect of the partial disposal of a subsidiary in 2009 amounting to HK\$45,556,000 (2013: HK\$60,771,000) and advances to various contractors amounting to HK\$7,587,000 (2013: HK\$11,058,000).

The consideration receivable is unsecured, interest free, payable in four (2013: five) annual instalments and the current portion of this receivable of HK\$15,715,000 (2013: HK\$15,715,000) is included in other debtors.

The advances to various contractors are secured by assets provided by the contractors, carry interest at prevailing market rate and are repayable by monthly instalments up to 2019 (2013: up to 2019). The current portion of the receivable is included under other debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. INVENTORIES

	Group	
	2014 HK\$'000	2013 HK\$'000
Gaming and entertainment		
Playing cards	4,158	3,234
Food and beverages	33,611	34,567
Consumables	18,483	24,930
	56,252	62,731
Construction materials		
Aggregates and sand	16,443	15,973
Concrete pipes and blocks	19,785	14,551
Slag	19,493	8,352
Cement	11,097	11,754
Spare parts	11,455	12,909
Consumables	8,936	7,326
	87,209	70,865
	143,461	133,596

24. DEBTORS AND PREPAYMENTS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade debtors, net of provision (note a)	441,830	642,012	–	–
Other debtors and deposit paid, net of provision (note b)	1,438,876	1,234,583	18,348	16,082
Prepayments	83,977	81,745	619	629
Amounts due from associated companies (note c)	9,625	11,293	–	–
Current portion of finance lease receivable (note 22(b))	7,652	5,810	–	–
	1,981,960	1,975,443	18,967	16,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DEBTORS AND PREPAYMENTS (Continued)

- (a) Trade debtors mainly arise from the sales of construction materials. The Group has established credit policies which follow local industry standards. The Group normally allows an approved credit period ranging from 30 to 60 days (2013: 30 to 60 days) for customers in Hong Kong and Macau and 120 to 210 days (2013: 120 to 210 days) for customers in Mainland China. These are subject to periodic reviews by management. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

The ageing analysis of trade debtors of the Group based on the invoice dates and net of provision for bad and doubtful debts is as follows:

	2014 HK\$'000	2013 HK\$'000
Within one month	215,931	249,290
Two to three months	168,824	238,784
Four to six months	24,542	67,488
Over six months	32,533	86,450
	441,830	642,012

The carrying amounts of trade debtors of the Group are denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	298,174	328,840
Macau Patacas	85,879	92,164
Renminbi	57,777	221,008
	441,830	642,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DEBTORS AND PREPAYMENTS (Continued)

(a) (Continued)

Included in the Group's trade debtors were debtors with a carrying amount of HK\$338,666,000 (2013: HK\$481,550,000) which were not yet due. Debtors with a carrying amount of HK\$103,164,000 (2013: HK\$160,462,000) were past due over their credit terms for which the Group has not provided for impairment loss. The ageing analysis of these trade debtors based on due dates is as follows:

	2014 HK\$'000	2013 HK\$'000
Overdue:		
Within one month	53,997	59,250
Two to three months	17,828	36,316
Four to six months	16,011	35,150
Over six months	15,328	29,746
	103,164	160,462

Trade debtors that were not yet due or overdue but not provided for impairment loss relate to a number of customers that have a good repayment track record with the Group. Based on past experience, management believes that no impairment provision is necessary for these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

As at 31 December 2014, trade debtors of the Group amounting to HK\$21,059,000 (2013: HK\$36,669,000) were impaired and fully provided for. The factors the Group considered in determining whether the trade debtors were impaired are disclosed in note 3.15.

Movements in the provision for impairment of trade debtors are as follows:

	2014 HK\$'000	2013 HK\$'000
Balance at 1 January	36,669	35,515
Receivables written off during the year as uncollectible	(532)	(564)
Exchange differences	(266)	1,718
Reversal of provision	(14,812)	–
Balance at 31 December	21,059	36,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DEBTORS AND PREPAYMENTS (Continued)

- (b) Other debtors and deposit paid include advances denominated in Hong Kong dollar to gaming counterparties and service providers which are repayable on demand. These advances are granted with reference to their credit history and business volumes. Such advances are interest free and the Group has the right, pursuant to the relevant credit agreements, to set off the overdue advances with payables due from the Group to these counterparties.

As of 31 December 2014, other debtors of the Group amounting to HK\$113,959,000 (2013: HK\$38,147,000) were impaired and fully provided for.

Other debtors mainly relate to customers and gaming counterparties that have a good repayment track record with the Group. Based on past experience, management believes that no impairment provision is necessary for other debtors balance not provided for as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

- (c) Amount receivables are unsecured, interest free and repayable in accordance with agreed terms. The amounts are denominated in Hong Kong dollar.

25. AMOUNTS DUE FROM/(TO) JOINT VENTURES

	Group	
	2014 HK\$'000	2013 HK\$'000
Amounts due from joint ventures (note a)	325,814	350,500
Amounts due to joint ventures (note b)	(24,969)	(36,769)

- (a) The amounts receivable of HK\$207,515,000 (2013: HK\$218,115,000) are unsecured, interest free and have no fixed terms of repayment. The remaining amounts receivable carry interest at prevailing market rate and are repayable within one year, all of which are unsecured. The amounts receivable are mainly denominated in US dollar and HK dollar.

With respect to credit risk arising on amounts due from joint ventures, management regularly assess credit risk for these amounts and reviewing financial information of the joint ventures on a regular basis to minimise credit risk. In addition, the Company monitors the exposure to credit risk in respect of the financial assistance provided to joint ventures through exercising joint control over the relevant activities and reviewing their financial positions on regular basis. The Group exposure to credit risk arising from default of the counterparty is limited as the counterparty has good history of repayment and the Group does not expect to incur a significant loss for uncollected advances to these parties.

- (b) Amounts payable are unsecured, interest free and have no fixed terms of repayment. The amounts payable are mainly denominated in Renminbi.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. OTHER INVESTMENTS

	Group	
	2014 HK\$'000	2013 HK\$'000
Equity securities listed in Hong Kong, at fair value	6,429	8,149

27. CASH AND CASH EQUIVALENTS AND OTHER BANK DEPOSITS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash and bank balances	9,040,327	10,360,208	3,745,316	3,029,169
Less: short-term bank deposits	(2,024,369)	(2,723,528)	(1,464,714)	(2,461,570)
Other cash equivalents				
– cash chips of other casinos	1,314,993	1,391,640	–	–
Cash and cash equivalents	8,330,951	9,028,320	2,280,602	567,599
Short-term pledged bank deposits	559,655	261,958	–	–
Short-term bank deposits with maturity over three months	1,464,714	2,461,570	1,464,714	2,461,570
Cash and cash equivalents and other bank deposits	10,355,320	11,751,848	3,745,316	3,029,169

The carrying amounts of cash and cash equivalents and other bank deposits are denominated in the following currencies:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	5,240,998	7,729,431	79,991	133,355
Macau Patacas	238,919	496,602	–	–
Renminbi	4,563,622	3,443,171	3,665,325	2,895,812
US dollar	12,135	14,307	–	2
Others	299,646	68,337	–	–
	10,355,320	11,751,848	3,745,316	3,029,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. CASH AND CASH EQUIVALENTS AND OTHER BANK DEPOSITS (Continued)

Cash and short-term deposits of HK\$898 million (2013: HK\$547 million) are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

The credit quality of cash and cash equivalents and other bank deposits of the Group can be assessed by reference to external credit ratings (if available) as follows:

	2014 HK\$'000	2013 HK\$'000
Counterparties with external credit rating (Standard & Poor's or Moody's)		
AA – to AA+	295,002	14,362
A – to A+	7,279,476	8,509,109
BBB	64,235	334,811
Unrated and cash on hand	1,401,614	1,501,926
Other cash equivalents – cash chips of other casinos (note)	1,314,993	1,391,640
	10,355,520	11,751,848

Note: Included cash chips of other casinos listed on either the SEHK or New York Stock Exchange, with no defaults in the past.

28. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each (note b)	HK\$'000
Authorised (note a):		
At 31 December 2013	9,000,000,000	900,000
At 31 December 2014	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. SHARE CAPITAL (Continued)

	Number of shares	HK\$'000
Ordinary shares, issued and fully paid (note b):		
At 31 December 2012	4,199,584,690	419,958
Issue of shares upon exercise of share options	20,121,840	2,013
At 31 December 2013 and 1 January 2014	4,219,706,530	421,971
Issue of shares upon exercise of share options	25,183,159	214,120
Transition to no-par value regime on 3 March 2014 (note c)	–	19,138,826
At 31 December 2014	4,244,889,689	19,774,917

Notes:

- (a) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (c) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account and capital redemption reserve has become part of the Company's share capital.

29. EMPLOYEE SHARE-BASED ARRANGEMENTS

(a) Share option scheme

The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected qualifying grantees.

The existing share option scheme was adopted on 22 June 2011 and the options granted under the previous scheme adopted on 30 May 2002 remain effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)

(a) Share option scheme (Continued)

Movements in the number of share options outstanding and their related weighted average exercise price during the year are as follows:

	2014		2013	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
At beginning of year	14.10	91,476,690	8.78	94,049,083
Granted	75.07	8,761,000	33.13	19,044,000
Exercised	10.18	(25,183,159)	6.72	(20,121,840)
Lapsed	10.05	(14,180,298)	21.41	(1,494,553)
At end of year	25.43	60,874,233	14.10	91,476,690
Vested at end of year	12.03	32,655,448	6.83	55,042,328

The weighted average share price at the date of exercise for share options exercised during the year was HK\$67.29 (2013: HK\$39.51).

The options outstanding at 31 December 2014 have exercise prices ranging from HK\$2.16 to HK\$77.75 (2013: HK\$2.16 to HK\$37.45) with weighted average remaining contractual life of 3.06 years (2013: 3 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)

(a) Share option scheme (continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Exercise period	Exercise price per share HK\$	Number of share options	
		2014	2013
Directors			
17 January 2010 to 16 January 2014	6.972	–	10,450,000
8 May 2010 to 7 May 2015	2.160	3,070,000	7,116,668
21 October 2010 to 20 October 2015	3.600	–	642,000
11 October 2011 to 10 October 2016	6.810	4,784,000	9,784,000
20 April 2012 to 19 April 2017	13.820	542,000	642,000
16 March 2013 to 15 March 2018	20.100	7,330,000	7,330,000
17 January 2014 to 16 January 2019	32.500	3,380,000	3,380,000
5 July 2014 to 4 July 2019	37.450	486,000	486,000
15 January 2015 to 14 January 2020	77.750	1,748,000	–
16 July 2015 to 15 July 2020	62.750	132,000	–
Employees and others			
18 August 2009 to 17 August 2014	3.320	–	238,000
17 January 2010 to 16 January 2014	6.972	–	2,500,000
8 May 2010 to 7 May 2015	2.160	2,500,000	3,633,334
21 October 2010 to 20 October 2015	3.600	65,000	304,000
23 July 2011 to 22 July 2016	4.670	8,493,669	11,062,003
11 October 2011 to 10 October 2016	6.810	–	2,000,000
20 April 2012 to 19 April 2017	13.820	716,668	2,338,006
9 January 2013 to 8 January 2018	14.220	5,725,361	10,463,679
16 March 2013 to 15 March 2018	20.100	4,033,000	4,533,000
17 January 2014 to 16 January 2019	32.500	9,687,199	12,624,000
5 July 2014 to 4 July 2019	37.450	1,624,336	1,950,000
15 January 2015 to 14 January 2020	77.750	5,145,000	–
16 July 2015 to 15 July 2020	62.750	1,412,000	–
		60,874,233	91,476,690

The fair values of the options granted on 15 January 2014 and 16 July 2014 are estimated at HK\$26.65 and HK\$21.55 per option respectively based on the Black-Scholes valuation model. The significant inputs into the model were share prices of HK\$77.75 and HK\$62.75 at the respective dates of grant, respective exercise prices of HK\$77.75 and HK\$62.75, standard deviation of expected share price returns of 50%, expected life of options of 3.5 to 4.5 years, expected dividend paid out rate of 2% and annual risk-free interest rate of 0.942% to 1.302%. The volatility measured at the standard deviation of expected share price returns is based on the historical share price movement of the Company in the relevant periods matching expected time to exercise prior to the dates of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)

(b) Share award scheme

On 4 August 2014, the Group has adopted a share award scheme as part of a long term incentive arrangement to attract and retain the best quality personnel for the benefits of the Group and its subsidiaries. The Group may, from time to time, at their absolute discretion select any quality personnel for participation in the share award scheme and determine the terms and conditions of the awards and the number of shares to be awarded.

The share award scheme will be valid and effective for a period commencing from the adoption of the share award scheme until the expiry of the share option scheme in note (a), being 21 July 2021.

Pursuant to the share award scheme, existing shares may be acquired by an independent trustee (the "Trustee") at the cost of the Company and/or new shares may be allotted and issued to the Trustee under general mandates granted by the shareholders. Such shares will be held in trust for the award holders until the vesting criteria and conditions have been satisfied.

The aggregate of the maximum number of awarded shares underlying all awards (whether the awards are vested or not) and the total number of shares issued and to be issued upon exercise of options under the share option scheme (whether exercised or outstanding) in any 12-month period granted to each qualifying grantee must not exceed 1% of the shares in issue.

As at year end, the Company has not purchased or allotted shares to the Trustee in respect of the share award scheme as the Trustee arrangement is yet to be approved. Movements in the number of shares held for the share award scheme and awarded shares for the year ended are as follows:

	2014	
	Fair value per share	Number of share award
At beginning of year	–	–
Granted (Note)	45.6	20,202,280
Lapsed	45.6	(407,520)
At end of year	45.6	19,794,760
Vested at end of year		–

Note:

During the year ended 31 December 2014, no awarded share was granted to any director of the Company.

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have taken into account when assessing the fair value of these awarded shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. RESERVES

Group

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Hedging reserve HK\$'000	Legal reserve (note) HK\$'000	Investment reserve HK\$'000	Share option reserve HK\$'000	Share award reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2014	18,989,066	4,395	70	-	231,044	188,391	383,759	-	234,684	11,988,081	32,019,490
Profit for the year	-	-	-	-	-	-	-	-	-	10,339,810	10,339,810
Other comprehensive income											
Change in fair value of available-for-sale financial assets	-	-	-	-	-	(88,151)	-	-	-	-	(88,151)
Currency translation differences	-	-	-	-	-	-	-	-	(30,554)	-	(30,554)
Total other comprehensive income, net of tax	-	-	-	-	-	(88,151)	-	-	(30,554)	-	(118,705)
Total comprehensive income for the year	-	-	-	-	-	(88,151)	-	-	(30,554)	10,339,810	10,221,105
Transactions with equity holders											
Issue of shares upon exercise of share options	149,690	-	-	-	-	-	(107,490)	-	-	-	42,200
Fair value of share options granted	-	-	-	-	-	-	211,582	-	-	-	211,582
Fair value of share award granted	-	-	-	-	-	-	-	117,650	-	-	117,650
Share option lapsed	-	-	-	-	-	-	(24,217)	-	-	24,217	-
Transfer of reserve	-	(4,395)	-	-	-	-	-	-	-	4,395	-
Transition to no-par value regime on 3 March 2014 (note 28 (c))	(19,138,756)	-	(70)	-	-	-	-	-	-	-	(19,138,826)
Special dividends (note 14)	-	-	-	-	-	-	-	-	-	(4,878,981)	(4,878,981)
At 31 December 2014	-	-	-	-	231,044	100,240	463,634	117,650	204,130	17,477,522	18,594,220
At 1 January 2013	18,798,090	4,395	70	(80,711)	231,044	111,404	236,687	-	196,134	1,936,317	21,433,430
Profit for the year	-	-	-	-	-	-	-	-	-	10,051,764	10,051,764
Other comprehensive income											
Change in fair value of available-for-sale financial assets	-	-	-	-	-	76,987	-	-	-	-	76,987
Currency translation differences	-	-	-	-	-	-	-	-	38,550	-	38,550
Change in fair value of cash flow hedges	-	-	-	23,672	-	-	-	-	-	-	23,672
Discontinuance of hedge accounting – settlement of interest rate swap	-	-	-	57,039	-	-	-	-	-	-	57,039
Total other comprehensive income, net of tax	-	-	-	80,711	-	76,987	-	-	38,550	-	196,248
Total comprehensive income for the year	-	-	-	80,711	-	76,987	-	-	38,550	10,051,764	10,248,012
Transactions with equity holders											
Issue of shares upon exercise of share options	190,976	-	-	-	-	-	(57,825)	-	-	-	133,151
Fair value of share options granted	-	-	-	-	-	-	204,897	-	-	-	204,897
At 31 December 2013	18,989,066	4,395	70	-	231,044	188,391	383,759	-	234,684	11,988,081	32,019,490

Note:

A subsidiary of the Group, incorporated in Macau and limited by shares, is required under the Macau Commercial Code No. 432 to set aside a minimum of 10% of this subsidiary's profit after taxation to the legal reserve until the balance of the reserve reaches a level equivalent to 25% of the subsidiary's capital. At 31 December 2014 and 2013, the legal reserve reached 25% of the subsidiary's share capital. Legal reserve is not distributable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. RESERVES (Continued)

Company

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Share award reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2014	18,989,066	235,239	70	383,759	-	(312,279)	19,295,855
Profit for the year	-	-	-	-	-	6,641,955	6,641,955
Transactions with equity holders							
Issue of shares upon exercise of share options	149,690	-	-	(107,490)	-	-	42,200
Fair value of share options granted	-	-	-	211,582	-	-	211,582
Fair value of share award granted	-	-	-	-	117,650	-	117,650
Share option lapsed	-	-	-	(24,217)	-	24,217	-
Transition to no-par value regime on 3 March 2014 (note 28 (c))	(19,138,756)	-	(70)	-	-	-	(19,138,826)
Special dividends (note 14)	-	-	-	-	-	(4,878,981)	(4,878,981)
At 31 December 2014	-	235,239	-	463,634	117,650	1,474,912	2,291,435
At 1 January 2013	18,798,090	235,239	70	236,687	-	(260,096)	19,009,990
Loss for the year	-	-	-	-	-	(52,183)	(52,183)
Transactions with equity holders							
Issue of shares upon exercise of share options	190,976	-	-	(57,825)	-	-	133,151
Fair value of share options granted	-	-	-	204,897	-	-	204,897
At 31 December 2013	18,989,066	235,239	70	383,759	-	(312,279)	19,295,855

As at 31 December 2014, reserves of the Company of HK\$1,474,912,000 were available for distribution to shareholders (2013: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS

	Group	
	2014 HK\$'000	2013 HK\$'000
Bank loans		
Secured (note a)	787,129	359,791
Unsecured	4,561	90,649
Obligations under finance leases (note b)	791,690	450,440
	196,314	192,537
Total borrowings	988,004	642,977
Current portion included in current liabilities	(164)	(137,316)
Short-term bank loans	(411,410)	(268,688)
	(411,574)	(406,004)
	576,430	236,973

(a) The bank loans of HK\$787 million (2013: HK\$360 million) are secured by:

- (i) property, plant and equipment with net book value of HK\$358 million (2013: HK\$239 million);
- (ii) bank deposits of HK\$560 million (2013: HK\$262 million) (note 27);
- (iii) no leasehold land and land use rights is secured (2013: leasehold land and land use rights with net book value of HK\$24 million was secured); and
- (iv) no other assets is secured (2013: other assets with net book value of HK\$51 million was secured).

Subsequent to year end date, the Group has drawn down bank loans of HK\$1.8 billion which is pledged by HK\$1.5 billion of the Group's Renminbi fixed deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

(b) Obligations under finance leases

The finance lease obligations are payable in the following years:

	Minimum payments		Present value	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within one year	192	6,714	164	5,564
Between one to two years	–	192	–	164
Between two to five years	15,201	15,201	10,803	10,803
Over five years	589,259	589,259	185,347	176,006
	604,652	611,366	196,314	192,537

The future finance charges on finance lease liabilities amounted to HK\$408 million (2013: HK\$419 million).

(c) The bank loans are repayable as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	411,410	400,440
Between one to two years	50,704	50,000
Between two to five years	329,576	–
	791,690	450,440

(d) Effective interest rates at balance sheet date are as follows:

	2014				2013			
	HK\$	RMB	US\$	MOP	HK\$	RMB	US\$	MOP
Bank loans	–	6.1%	1.4%	–	4.1%	6.5%	1.5%	–
Obligations under finance leases	–	–	5%	5%	–	–	5%	5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

- (e) The exposure of the Group's bank loans to interest rate changes and the contractual repricing dates or maturity (whichever is earlier) are as follows:

	2014 HK\$'000	2013 HK\$'000
Six months or less	4,561	201,200
One to five years	380,280	–
	384,841	201,200

- (f) The carrying amounts and fair value of the borrowings are as follows:

	Carrying amount		Fair value	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Bank loans	791,690	450,440	791,690	450,440
Obligations under finance leases	196,314	192,537	439,889	224,081
	988,004	642,977	1,231,579	674,521

The fair value of the borrowings is calculated using cash flows discounted at prevailing borrowing rates or based on quoted market price. The carrying amounts of other current borrowings approximate their fair value. All borrowings are within level 2 of the fair value hierarchy.

- (g) The carrying amounts of borrowings are denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	–	85,957
Macau Patacas	196,150	186,809
Renminbi	787,129	359,791
US dollar	4,725	10,420
	988,004	642,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. DEFERRED TAXATION LIABILITIES

	Group	
	2014 HK\$'000	2013 HK\$'000
At beginning of the year	245,165	279,059
Charged/(credited) to income statement	3,275	(70,594)
Acquisition of business (note 37)	–	36,700
Acquisition of additional interest of a joint venture	673	–
At end of the year	249,113	245,165

Deferred taxation assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred taxation relates to the same authority. The above liabilities shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts.

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates. Movements on the deferred taxation liabilities/ (assets) are as follows:

	Depreciation allowance HK\$'000	Withholding tax on undistributed profit and others HK\$'000	Fair value adjustments HK\$'000	Total HK\$'000
At 31 December 2012	23,680	20,227	235,152	279,059
Acquisition of business (note 37)	–	–	36,700	36,700
Charged/(credited) to income statement	1,424	(4,703)	(67,315)	(70,594)
At 31 December 2013	25,104	15,524	204,537	245,165
Acquisition of additional interest of a joint venture	–	673	–	673
Charged/(credited) to income statement	5,672	1,079	(3,476)	3,275
At 31 December 2014	30,776	17,276	201,061	249,113

Deferred taxation assets of HK\$875,347,000 (2013: HK\$850,339,000) arising from unused tax losses and other temporary differences totalling of HK\$7,058,763,000 (2013: HK\$6,880,833,000) have not been recognised in the consolidated financial statements. Unused tax losses of HK\$126,656,000 (2013: HK\$115,266,000) have no expiry date and the remaining balance will expire at various dates up to and including 2019 (2013: 2018). Majority of deferred income tax liabilities are to be recovered after twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. PROVISIONS

Group	Environment restoration HK\$'000	Quarrying right HK\$'000	Total HK\$'000
At 31 December 2012	71,341	41,698	113,039
Additions	174	–	174
Charged to the income statement	856	8,835	9,691
Applied during the year	(14,443)	(26,217)	(40,660)
At 31 December 2013	57,928	24,316	82,244
Additions	9,706	–	9,706
Charged to the income statement	565	4,266	4,831
Applied during the year	(22,552)	(21,875)	(44,427)
At 31 December 2014	45,647	6,707	52,354

	Group	
	2014 HK\$'000	2013 HK\$'000
Current portion	26,325	41,262
Non-current portion	26,029	40,982
	52,354	82,244

The current portion of the provisions amounting to HK\$26,325,000 (2013: HK\$41,262,000) is included under other creditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. CREDITORS AND ACCRUALS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade creditors (note a)	1,616,457	1,872,761	–	–
Other creditors (note b)	4,674,558	4,974,158	–	–
Chips issued	2,617,506	3,018,755	–	–
Loans from non-controlling interests (note c)	43,586	62,653	–	–
Accruals and provision	2,145,486	1,451,360	20,984	21,547
Deposits received	13,540	32,368	–	–
Dividend payable	971	–	971	–
	11,112,104	11,412,055	21,955	21,547

(a) The ageing analysis of trade creditors of the Group based on the invoice dates is as follows:

	2014 HK\$'000	2013 HK\$'000
Within one month	1,363,379	1,490,260
Two to three months	62,847	168,386
Four to six months	45,112	99,863
Over six months	145,119	114,252
	1,616,457	1,872,761

The carrying amounts of trade creditors of the Group are denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	860,964	1,338,166
Macau Patacas	539,315	283,753
Renminbi	158,866	220,233
Other	57,312	30,609
	1,616,457	1,872,761

(b) Other creditors mainly represented gaming tax payable to the Macau Government and construction payable to contractors.

(c) The loans payable of HK\$30,308,000 (2013: HK\$47,118,000) are unsecured, carrying interest at prevailing market rate and have no fixed terms of repayment. The remaining are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to cash generated from operations

	2014 HK\$'000	2013 HK\$'000
Profit before taxation	10,564,452	10,036,822
Finance costs	32,849	598,477
Share of profits less losses of joint ventures and associated companies	(162,521)	(141,438)
Depreciation and amortisation	1,884,445	1,949,610
Change in fair value of investment properties	–	(6,500)
Write-off/loss on disposal of property, plant and equipment	64,781	43,579
Loss on write-off of intangible assets	133	3
Unrealised loss on listed investments	1,720	–
Gain on disposal of subsidiaries	(77,030)	(14,093)
Gain on disposal of a joint venture	(3,663)	–
Gain on disposal of investment property	(24,660)	–
Impairment of property, plant and equipment	–	8,664
Interest income	(188,663)	(214,304)
Gross earnings on finance lease	(221)	(809)
Dividend income from unlisted investments	(26,000)	(38,380)
Fair value of share options granted	211,582	204,897
Fair value of share award granted	104,816	–
Operating profit before working capital changes	12,382,020	12,426,528
(Increase)/decrease in inventories	(11,574)	4,735
Decrease/(increase) in debtors and prepayments	54,937	(45,696)
(Decrease)/increase in creditors and accruals	(235,939)	1,391,309
(Decrease)/increase in amounts due to joint ventures	(11,800)	15,510
Decrease/(increase) in amounts due from joint ventures	16,623	(26,827)
Decrease in amounts due from associated companies	1,668	881
Cash generated from operations	12,195,935	13,766,440

36. OTHER NON-CURRENT DEPOSIT OR PAYABLE

	Group	
	2014 HK\$'000	2013 HK\$'000
Non-current deposits received	219,761	–
Cash payable (note 37)	–	650,000
	219,761	650,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. ACQUISITION OF BUSINESS

On 4 May 2013, the Group entered into an agreement with Get Nice Holdings Limited and its subsidiaries for the acquisition of land and buildings, and the rights of Grand Waldo Entertainment Limited (collectively known as the "Assets"), at an aggregate consideration of HK\$3,250 million. The acquisition is a strategic investment and is expected to have synergistic effect on the Group's development at Cotai, Macau.

On 17 July 2013, the acquisition pursuant to the agreement was completed.

The following table summarises the consideration paid for the Assets, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	HK\$'000
Purchase consideration	
– cash paid	2,600,000
– cash payable in January 2015 (note 36)	650,000
	3,250,000
Acquisition-related costs	7,644
Recognised amounts of identifiable assets acquired and liabilities assumed	
	Fair value HK\$'000
Building (note 15)	1,719,056
Land (note 17)	780,944
Intangible asset (note 18(b))	786,700
Deferred taxation liabilities relating to the intangible asset (note 32)	(36,700)
Total identifiable net assets	3,250,000

The Group measures its total identifiable assets at fair value and were revalued by either internal valuation model or Vigers Macao Company Limited, independent qualified valuer not related to the Group, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of assets valued, at acquisition date and the current use equates to the highest and best use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. ACQUISITION OF BUSINESS (Continued)

Fair values of the Assets are generally derived using the discounted cash flow method. The net present value of the income stream is estimated by applying an appropriate discount rate which reflects the risk profile and the rate of return that adequately compensates investors for the risks taken. The higher the rates, the lower the fair value. These assumptions determine the earning capability of the property upon which the pattern of income and expenditures are projected to establish a fair maintainable operating profit on a yearly basis. The anticipated net operating income stream receivable thereafter is capitalised at appropriate terminal capitalisation rate and adjusted to present value to reflect the capital value beyond the years until the end of land lease's term.

38. CAPITAL COMMITMENTS

	Group	
	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for	7,275,826	10,935,570
Authorised but not contracted for	7,128,484	6,855,777

The Group's share of capital commitment in joint ventures is as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for	29,895	55,985
Authorised but not contracted for	-	-

39. OPERATING LEASE COMMITMENTS

The future aggregate minimum lease rental expense in respect of land and buildings and equipment under non-cancellable operating leases is payable in the following periods:

	Group	
	2014 HK\$'000	2013 HK\$'000
First year	74,373	41,840
Second to fifth years inclusive	44,507	53,369
After the fifth year	89,442	96,013
	208,322	191,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. OPERATING LEASE RENTAL RECEIVABLES

The future aggregate minimum lease rental income in respect of land and buildings and equipments under non-cancellable operating leases is receivable in the following periods:

	Group	
	2014 HK\$'000	2013 HK\$'000
First year	145,668	75,605
Second to fifth years inclusive	275,633	172,538
After the fifth year	27,992	53,618
	449,293	301,761

41. RELATED PARTY TRANSACTIONS

In addition to the transactions or balances disclosed elsewhere in the financial statements, the significant related party transactions carried out in the normal course of the Group's business activities during the year are as follows:

- (a) Interest income from joint ventures amounting to HK\$11,181,000 (2013: HK\$13,499,000) are charged at prevailing market rate (note 25(a)).
- (b) Management fee received from joint ventures and an associated company amounted to HK\$7,162,000 (2013: HK\$9,639,000) are charged at terms agreed among the parties.
- (c) Rental expenses of HK\$1,324,000 (2013: HK\$1,208,000) were paid to a subsidiary of K. Wah International Holdings Limited, a shareholder of the Company, based on the terms of the rental agreement between the parties. This is a continuing connected transaction which is fully exempted from reporting and disclosure requirements under rule 14A.76(1) of the Rules Governing the Listing of Securities on SEHK.
- (d) Sales to joint ventures amounted to HK\$14,350,000 (2013: HK\$20,916,000) at terms agreed among the parties.
- (e) Purchases from and processing fee paid to joint ventures and its partner and an associated company amounted to HK\$231,188,000 (2013: HK\$218,388,000) at terms agreed among the parties.
- (f) The balances with joint ventures and associated companies are disclosed in notes 25 and 24(c).
- (g) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. Key management compensation amounted to HK\$159,795,000 for the year ended 31 December 2014 (2013: HK\$85,708,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. GUARANTEES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK\$149 million (2013: HK\$369 million), of which HK\$89 million (2013: HK\$178 million) have been utilised.

The Company has executed an indemnity in favour of K. Wah International Holdings Limited (“KWIH”), a shareholder of the Company, in respect of a performance guarantees executed by KWIH to a subsidiary of the Company.

A subsidiary of the Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures and an associated company amounting to HK\$299 million (2013: HK\$258 million). At 31 December 2014, facilities utilised amounted to HK\$282 million (2013: HK\$186 million).

The banking facilities extended to a subsidiary of the Group represent a guarantee amounting to HK\$291 million for the period from 1 April 2007 to the earlier of 90 days after the expiry of the Concession Agreement or 31 March 2022 which is in favour of the Macau Government against the legal and contractual liabilities of the subsidiary of the Group under the Concession Agreement.

43. POST BALANCE SHEET EVENT

On 19 March 2015, the Board of Directors declared a special dividend of HK\$0.28 per share, payable to shareholders of the Company whose names appear on the register of members of the Company on 30 April 2015. The total amount of the special dividend to be distributed is estimated to be approximately HK\$1,191 million and will be paid on or about 22 May 2015.

44. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 19 March 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of company	Principal place of operation	Issued share capital		Percentage of equity held by the Group	Principal activities
		Number of issued ordinary shares	Number of non-voting deferred shares		
Incorporated in Hong Kong					
Bright Advice Limited	Hong Kong	10,000	–	100	Investment holding
Delight Man Limited	Hong Kong	10,000	–	100	Investment holding
Doran (Hong Kong) Limited	Hong Kong	1,000	–	100	Sale and distribution of concrete pipes
Earnmark Limited	Hong Kong	1	–	100	Investment holding
Extent Sun Limited	Hong Kong	10,000	–	100	Investment holding
Fast Vision Limited	Hong Kong	1	–	100	Investment holding
Forcecharm (Hong Kong) Enterprises Limited	Hong Kong	10,000	–	80	Provision of management services and investment holding
Forcecharm (Yunnan) Enterprises Limited	Hong Kong	10,000	–	80	Investment holding
Galaxy Entertainment Management Services Limited	Hong Kong	1	–	100	Provision of management services
Galaxy Entertainment Management Services (International) Limited	Hong Kong	1	–	100	Provision of management services
K. Wah Asphalt Limited	Hong Kong	1,100,000	–	100	Manufacture, sale, distribution and laying of asphalt
K. Wah Concrete Company Limited	Hong Kong	2	1,000	100	Manufacture, sale and distribution of ready-mixed concrete
K. Wah Construction Materials (Changzhou) Limited	Hong Kong	10,000	–	100	Provision of management services and investment holding
K. Wah Construction Materials (Hong Kong Region) Limited	Hong Kong	1	–	100	Provision of management services and investment holding
K. Wah Construction Materials (Hong Kong) Limited	Hong Kong	2	2	100	Provision of management services
K. Wah Construction Materials (Shaoguan) Investment Company Limited	Hong Kong	2	–	100	Trading of construction materials products, provision of management services and investment holding
K. Wah Construction Products Limited	Hong Kong	2	1,000	100	Manufacture, sale and distribution of concrete products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Issued share capital			Principal activities
		Number of issued ordinary shares	Number of non-voting deferred shares	Percentage of equity held by the Group	
Incorporated in Hong Kong					
K. Wah Materials Limited	Hong Kong	28,080,002	–	100	Trading
K. Wah Quarry Company Limited	Hong Kong	200,002	100,000	100	Sale of aggregates
K. Wah Trading and Development Limited	Hong Kong	2	2	100	Investment holding
KWP Quarry Co. Limited	Hong Kong	9,000,000	–	63.5	Quarrying
Lightway Limited	Hong Kong	2	2	100	Property investment
Master Target Limited	Hong Kong	2	–	100	Investment holding
Million Cloud Limited	Hong Kong	10,000	–	100	Provision of management services and investment holding
Profit Link Asia Group Limited	Hong Kong	2	–	100	Investment holding
Quanturn Limited	Hong Kong	2	–	100	Equipment leasing
Rainbow Country Limited	Hong Kong	2	–	100	Investment holding
Starflow Enterprises Limited	Hong Kong	1	–	100	Provision of management services and investment holding
Supreme World Investments Limited	Hong Kong	1	–	100	Provision of management services and investment holding
View Faith Limited	Hong Kong	10	–	100	Investment holding
Wealth Build Limited	Hong Kong	10	–	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
Doran Construction Products (Shenzhen) Co., Ltd.	Shenzhen	HK\$10,000,000	100	Manufacture, sale and distribution of concrete pipes
K. Wah Consultancy (Guangzhou) Co., Ltd.	Guangzhou	HK\$1,560,000	100	Provision of management services
嘉華諮詢(上海)有限公司 (K. Wah Consultancy (Shanghai) Co., Ltd.)	Shanghai	US\$350,000	100	Provision of management services
深圳嘉華混凝土管樁有限公司	Shenzhen	US\$2,100,000	100	Manufacture, sale and distribution of concrete piles
京港嘉華諮詢(北京)有限公司 (Jing Gang K. Wah Consultancy (Beijing) Co., Limited)	Beijing	HK\$1,500,000	100	Provision of management services
雲南嘉華亮訊諮詢有限公司	Anning	RMB2,000,000	100	Provision of management services
Shanghai K. Wah Concrete Co., Ltd.	Shanghai	RMB10,000,000	100	Provision of quality assurance service
六盤水首嘉博宏建材有限公司 (Liupanshui Shougang K. Wah Bohong Construction Materials Company Limited)	Liupanshui	RMB22,600,000	27.5 [^]	Manufacture, sale and distribution of slag
Puer Kungang & K. Wah Cement Construction Materials Co., Ltd.	Puer	RMB283,400,000	48 [^]	Manufacture, sale and distribution of cement
遷安首嘉建材有限公司 (Qianan Shougang K. Wah Construction Materials Company Limited)	Qianan	RMB152,442,500	55	Manufacture, sale and distribution of slag
三河首嘉建材有限公司 (Sanhe Shougang K. Wah Construction Materials Company Limited)	Sanhe	RMB92,190,000	41.25 [^]	Manufacture, sale and distribution of slag
Shanghai Ganghui Concrete Co., Ltd.	Shanghai	US\$4,000,000	60	Manufacture, sale and distribution of ready-mixed concrete

[^] The Group can exercise control over companies' relevant activities through its representation of the board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Number of issued ordinary shares	Par value per share	Percentage of equity held by the Group	Principal activities
Incorporated in the Bermuda					
Galaxy Entertainment Aviation CL2012 Limited	Macau	1	US\$1	100	Aircraft holding
Incorporated in the Cayman Islands					
Chelford Limited	Macau	1	US\$1	100	Vessel holding
Incorporated in the British Virgin Islands					
Canton Treasure Group Ltd.	Macau	10	US\$1	100*	Investment holding
Cheer Profit International Limited	Macau	10	US\$1	100	Property investment
Eternal Profits International Limited	Hong Kong	10	US\$1	100	Property investment
Forcecharm Investments Limited	Hong Kong	10	US\$1	80	Investment holding
Galaxy Entertainment Aviation CL2010 Limited	Macau	10	US\$1	Equity: 90 Profit sharing:100	Aircraft operation
Galaxy Entertainment Finance Company Limited	Macau	10	US\$1	Equity: 90 Profit sharing:100	Financing
Galaxy Entertainment Finance (Galaxy Macau) Limited	Macau	10	US\$1	Equity: 90 Profit sharing:100	Financing
GCSA Finance (2010) Company Limited	Macau	10	US\$1	Equity: 90 Profit sharing:100	Financing
GEG Finance (2010) Company Limited	Hong Kong	10	US\$1	100	Financing
High Regard Investments Limited	Hong Kong	20	US\$1	100	Investment holding
K. Wah Construction Materials Limited	Hong Kong	10	US\$1	100*	Investment holding
Profit Access Investments Limited	Hong Kong	10	US\$1	100	Investment holding
Prosperous Fields Limited	Hong Kong	10	US\$1	100	Investment holding
Right Grand Investments Limited	Hong Kong	100	US\$1	80	Investment holding
Taksin Profits Limited	Hong Kong	17	US\$1	100	Investment holding
Wilfred International Limited	Hong Kong	10	US\$1	100	Investment holding
Incorporated in Macau					
Galaxy Casino, S.A.	Macau	951,900	MOP1,000	Equity: 90 Profit sharing:100	Casino games of chance

* Wholly owned and directly held by the Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Number of quota	Registered share capital	Percentage of equity held by the Group	Principal activities
Incorporated in Macau					
Fast Concrete Limited	Macau	3	MOP200,000	75	Manufacture, sale and distribution of ready-mixed concrete
Galaxy Cotai Project Management Limited	Macau	2	MOP25,000	Equity: 90 Profit sharing: 100	Provision of project management services
GC Security Services Limited	Macau	2	MOP1,000,000	Equity: 90 Profit sharing: 100	Provision of security services
K. Wah Construction Materials (Macau) Limited	Macau	3	MOP30,000	100	Trading
K. Wah (Macao Commercial Offshore) Company Limited	Macau	1	MOP100,000	100	Trading
New Galaxy Entertainment Company Limited	Macau	10	MOP1,000,000	Equity: 90 Profit sharing: 100	Property holding and hospitality
Perfect Assets Real Estate Limited	Macau	2	MOP25,000	Equity: 90 Profit sharing: 100	Property holding
Perfect Contract Management Services Limited	Macau	2	MOP25,000	100	Investment holding
San Fok Va (International) Import & Export Company Limited	Macau	2	MOP50,000	75	Import and export trading, transportation of construction materials
StarWorld Hotel Company Limited	Macau	2	MOP100,000	Equity: 90 Profit sharing: 100	Property holding and hospitality

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

(b) Joint ventures

Name of company	Principal place of operation	Number of issued ordinary shares	Percentage of equity held by the Group	Principal activities	
Incorporated in Hong Kong					
AHK Concrete Limited	Hong Kong	1,000,000	50	Manufacture, sale and distribution of ready-mixed concrete	
AK Asphalt Limited	Hong Kong	1,000	30	Manufacture, sale and laying of asphalt and road marking services	
Name of company	Principal place of operation	Number of issued ordinary shares	Par value per share	Percentage of equity held by the Group	Principal activities
Incorporated in the British Virgin Islands					
K. Wah Materials and Development (Huidong) Company Limited	Hong Kong	10	US\$1	50	Sale of aggregates and investment holding
Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities	
Incorporated in Mainland China					
Anhui Masteel K. Wah New Building Materials Co., Ltd.	Maanshan	US\$8,389,000	30	Manufacture, sale and distribution of slag	
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	Baoshan	RMB412,580,000	25.6	Manufacture, sale and distribution of cement	
Beijing Shougang K. Wah Construction Materials Co., Ltd.	Beijing	RMB50,000,000	40	Manufacture, sale and distribution of slag	
廣東韶關嘉羊新型材料有限公司 (Guangdong Shaogang Jia Yang New Materials Co., Ltd.)	Shaoguan	US\$6,000,000	35	Manufacture, sale and distribution of slag	
湖北鄂鋼嘉華新型建材有限公司 (Hubei Egang K. Wah New Materials Company Limited)	Hubei	RMB48,000,000	49	Manufacture, sale and distribution of slag	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES (Continued)

(b) Joint ventures (Continued)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
K. Wah Materials (Huidong) Limited	Huidong	US\$12,000,000	50	Quarrying
Maanshan Masteel K. Wah Concrete Co., Ltd.	Maanshan	US\$2,450,000	30	Manufacture, sale and distribution of ready-mixed concrete
Nanjing Nangang K. Wah High Tech Materials Co., Ltd.	Nanjing	RMB176,000,000	50	Manufacture, sale and distribution of slag
Qinhuangdao Shouqin K. Wah Construction Materials Co., Ltd.	Qinhuangdao	RMB60,000,000	50	Manufacture, sale and distribution of slag
Qujin Kungang & K. Wah Cement Construction Materials Co., Ltd.	Qujin	RMB374,520,000	32	Manufacture, sale and distribution of cement
惠東協孚港口綜合開發有限公司 (Huidong Server Port Integrated Development Company Limited)	Huidong	RMB8,620,000	30	Property holding
韶關市新韶鋼嘉羊新型材料有限公司 (Shaoguan City New Shaogang Jia Yang New Materials Co., Ltd.)	Shaoguan	US\$5,000,000	35	Manufacture, sale and distribution of slag
雲南昆鋼嘉華水泥建材有限公司 (Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.)	Kunming	RMB825,000,000	25.6	Manufacture, sale and distribution of cement
昭通昆鋼嘉華水泥建材有限公司 (Zhaotong Kungang & K. Wah Cement Construction Materials Co., Ltd.)	Zhaotong	RMB250,000,000	32	Manufacture, sale and distribution of cement

(c) Associated Company

Name of company	Principal place of operation	Number of issued ordinary shares	Percentage of equity held by the Group	Principal activities
Incorporated in Hong Kong				
AHK Aggregates Limited	Hong Kong	2,000,000	36.5	Quarrying



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