



銀娛GEG

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

Annual 2015 Report

Stock Code : 27



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

Dr. Charles Cheung Wai Bun, *JP*

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



CORPORATE INFORMATION

REGISTERED OFFICE

Room 1606, 16th Floor
Hutchison House
10 Harcourt Road
Central, Hong Kong

SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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

INVESTOR RELATIONS CONTACT

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WEBSITE ADDRESS

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CORPORATE PROFILE

Galaxy Entertainment Group Limited (“GEG”, “the Company” or “the Group”) is one of the world’s leading hospitality and gaming companies. The Group primarily develops and operates hotels, gaming and integrated resort facilities in Macau. The Group is listed on the Hong Kong Stock Exchange and is a member of the Hang Seng Index.

GEG is one of six gaming concessionaires in Macau with a track record of delivering innovative, spectacular and industry leading properties, products and services, underpinned by a “World Class, Asian Heart” service philosophy, that has enabled it to consistently outperform the wider market.

GEG operates three flagship venues in Macau: on Cotai, Galaxy Macau™, one of the world’s largest integrated destination resorts, and the adjoining Broadway Macau™, a new hotel, entertainment and retail landmark destination; and on the Peninsula, StarWorld Macau, an award winning high end property.

GALAXY MACAU™

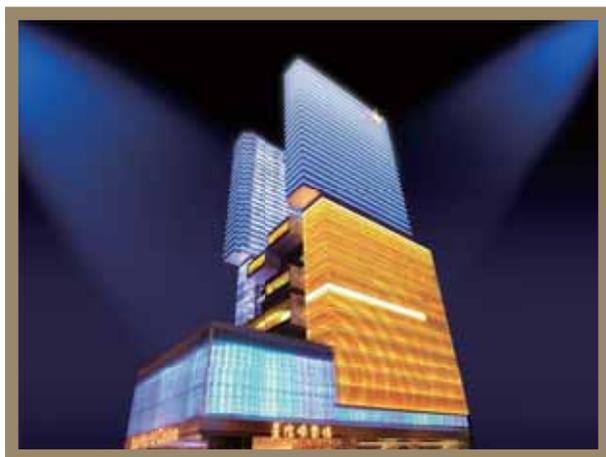
- Opened in May 2011; significantly expanded in May 2015 with the opening of Phase 2
- Footprint of 1.1 million square meters
- Comprises five world-class hotels with approximately 3,600 rooms, suites and villas, including:
 - The Ritz-Carlton Macau
 - Banyan Tree Macau
 - JW Marriott Hotel Macau
 - Hotel Okura Macau
 - Galaxy Hotel
- Features an unprecedented range of retail, food & beverage, entertainment and leisure options, including:
 - Over 100,000 square meters retail space with approximately 160 luxury and lifestyle retail brands
 - Macau’s largest pan-Asian and international cuisine selection under one roof with approximately 80 food and beverage outlets, including the Michelin-rated chefs and restaurant brands
 - The Grand Resort Deck of over 75,000 square meters with the world’s longest skytop river ride Skytop Adventure Rapids at 575 meters and the world’s largest Skytop Wave Pool, plus additional leisure amenities and Asian themed tropical gardens
 - Macau’s most luxurious 10 screen 3D Cineplex – UA Galaxy Cinemas



CORPORATE PROFILE

STARWORLD MACAU

- Opened in 2006 as the Group's first 5-star hotel
- Located in the heart of the Macau Peninsula
- Multi award winning high end property and one of the highest returning casinos in the world
- Offers over 500 guestrooms and suites with near capacity hotel occupancy
- 6 restaurants



BROADWAY MACAU™

- Opened in May 2015; Broadway Macau™ represents a new concept in Macau, providing visitors with a vibrant Food Street and entertainment district showcasing the best of Macanese and Asian culture
- Broadway Hotel with approximately 320 rooms and suites, well priced and complementing the luxury properties at Galaxy Macau™
- 3,000 seat Broadway Theatre featuring the best in up-close-and-personal entertainment, as well as events and Macau occasions
- Approximately 40 food and beverage outlets, including numerous local Macanese cuisines and delicacies
- Approximately 20 retail outlets

The Group has the largest development pipeline of any casino operators in Macau. It plans to expand its Cotai footprint by a further one million square meters in the coming years with the addition of Cotai Phases 3 & 4. We continue to develop our masterplan and site investigation works are expected to commence in 2016.

GEG continues to advance its conceptual plans to develop a world class destination resort on a 2.7 square kilometer land parcel on Hengqin. The low rise, low density resort will complement the Group's high energy properties located in Macau.

GEG is committed to building a sustainable future for Macau and contributing to the local community. In July 2014 it launched the HK\$1.3 billion Galaxy Entertainment Group Foundation, which will focus on educating and empowering the young people of Macau and Mainland China.



FINANCIAL & OPERATIONAL HIGHLIGHTS

Group

- Revenue of HK\$51 billion, decreased 29% year-on-year
- Adjusted EBITDA of HK\$8.7 billion, decreased 34% year-on-year
- Net profit attributable to shareholders of HK\$4.2 billion, decreased 60% year-on-year
- Adjusted net profit attributable to shareholders of HK\$5.4 billion, decreased 49% year-on-year after adjusting for non-recurring charges
- Played unlucky in gaming operations which reduced Adjusted EBITDA by approximately HK\$210 million for the full year
- Mass, slots and non-gaming revenue mix has increased from approximately one third in 2014 to approximately one half in 2015
- Driving an HK\$800 million cost savings program, with approximately HK\$500 million achieved in 2015 and the remaining to be delivered through 2016
- Balance sheet remains healthy and liquid with cash on hand of HK\$7.7 billion and a net cash position of HK\$6.5 billion. The Group is virtually debt free
- Paid two special dividends totaling approximately HK\$1.8 billion in 2015



Galaxy Macau™

- Phase 2 successfully opened on 27 May 2015, doubling the size of the integrated resort to over 1.1 million square meters
- Revenue of HK\$35.5 billion, decreased 24% year-on-year
- Adjusted EBITDA of HK\$6.9 billion, decreased 30% year-on-year
- Hotel occupancy across the five hotels remains high at 99%, despite approximately 1,300 rooms were added
- Non-gaming revenue of HK\$2.3 billion, increased 52% year-on-year



StarWorld Macau

- Revenue of HK\$13.0 billion, decreased 42% year-on-year
- Adjusted EBITDA of HK\$2.2 billion, decreased 37% year-on-year
- Hotel occupancy remains high at 99%



Broadway Macau™

- Successfully opened on 27 May 2015 as a new concept to Macau, connecting to Galaxy Macau™ with a vibrant food street and entertainment district showcasing the best of Macanese and Asian culture
- Revenue of HK\$425 million and Adjusted EBITDA loss of HK\$7 million for seven months operation in 2015
- Hotel occupancy at virtually 100%



FINANCIAL & OPERATIONAL HIGHLIGHTS

Development Update

- Cotai Phases 3 & 4 – Plans are well advanced with the site investigation works expected to begin in 2016
- Hengqin – Continuing with concept plans to develop a 2.7 square kilometers land parcel for a world class destination resort in Hengqin
- International – Continue to actively explore opportunities in overseas markets and completed the first international strategic equity investment in Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco (“SBM”)

Subsequent Event

- Declared another special dividend of HK\$0.15 per share, totaling approximately HK\$650 million, payable on or about 29 April 2016



FINANCIAL & OPERATIONAL HIGHLIGHTS

GROUP

Revenue

(HK\$'m)	2014	2015	% change
Gaming and Entertainment	69,715	49,073	(30%)
Construction Materials	2,037	1,918	(6%)
Group Total	71,752	50,991	(29%)

Adjusted EBITDA

(HK\$'m)	2014	2015	% change
Gaming and Entertainment	12,930	8,572	(34%)
Construction Materials	465	318	(32%)
Corporate	(172)	(154)	10%
Group Total	13,223	8,736	(34%)

Key Financial Metrics

	2014	2015	% change
Net Profit Attributable to Shareholders (HK\$'m)	10,340	4,161	(60%)
Earnings per Share (HK cents)	243.95	97.80	(60%)
Total Assets (HK\$'m)	51,839	55,354	7%
Cash on Hand (HK\$'m)	9,040	7,718	(15%)
Debt (HK\$'m)	988	1,390	41%
Share Price on 31 December (HK\$)	43.65	24.45	(44%)
Market Capitalisation (HK\$'m)	185,289	104,175	(44%)



FINANCIAL & OPERATIONAL HIGHLIGHTS

GALAXY MACAU™

Financial Highlights

(HK\$m)	2014	2015	% change
Revenue	46,915	35,502	(24%)
Adjusted EBITDA	9,871	6,946	(30%)
Adjusted EBITDA Margin (HKFRS)	21%	20%	–
Adjusted EBITDA Margin (US GAAP)	30%	25%	–



2015 Selected Gaming Statistics

(HK\$m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	555,142	19,940	3.6%
Mass Gaming	26,984	11,605	43.0%
Electronic Gaming	40,945	1,604	3.9%

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%

FINANCIAL & OPERATIONAL HIGHLIGHTS

STARWORLD MACAU

Financials Highlights

(HK\$m)	2014	2015	% change
Revenue	22,634	13,039	(42%)
Adjusted EBITDA	3,458	2,185	(37%)
Adjusted EBITDA Margin (HKFRS)	15%	17%	–
Adjusted EBITDA Margin (US GAAP)	25%	24%	–



2015 Selected Gaming Statistics

(HK\$m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	280,463	8,504	3.0%
Mass Gaming	10,324	4,140	40.1%
Electronic Gaming	2,002	117	5.9%

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%

BROADWAY MACAU™

Financials Highlights

(HK\$m)	2014	2015	% change
Revenue	n/a	425	–
Adjusted EBITDA	n/a	(7)	–
Adjusted EBITDA Margin (HKFRS)	n/a	n/a	–
Adjusted EBITDA Margin (US GAAP)	n/a	n/a	–



2015 Selected Gaming Statistics

(HK\$m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	n/a	n/a	n/a
Mass Gaming	1,220	285	23.4%
Electronic Gaming	311	20	6.4%

DIVIDEND SCHEDULE AND CLOSURE OF REGISTER OF MEMBERS

Book close dates for Special Dividend	:	12 April 2016 (Tuesday) to 15 April 2016 (Friday) (both day inclusive)
Record date for Special Dividend	:	15 April 2016 (Friday)
Ex-dividend date	:	8 April 2016 (Friday)
Expected payment date	:	29 April 2016 (Friday)
Latest time to lodge transfer documents with the Company's share registrar to entitle Special Dividend	:	4:30 p.m. on 11 April 2016 (Monday)
Book close dates for 2016 AGM	:	6 May 2016 (Friday) to 10 May 2016 (Tuesday) (both days inclusive)
Latest time to lodge transfer documents with the Company's share registrar to attend and vote at 2016 AGM	:	4:30 p.m. on 5 May 2016 (Thursday)
Date and time of 2016 AGM	:	11:00 a.m. on 10 May 2016 (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

DEAR SHAREHOLDERS,

It is with great pleasure that I write to update you on the performance of our Company in 2015.

As anticipated, strong macro headwinds continued to impact Macau, the entertainment industry and GEG in 2015, resulting in cautious customer spending behaviour across the market and fewer high roller visitors to Macau. However, GEG delivered credible financial results and reached a notable corporate milestone in May 2015 as it successfully opened on time and under budget Galaxy Macau™ Phase 2 and Broadway Macau™ on a combined basis. The properties have been instrumental in driving significant growth in daily visitation to Cotai and have reshaped the Group to the mass market. Underlining their contribution, we closed out the final quarter of 2015 as the largest operator in Macau by gaming volume.

Reflecting the adverse market conditions, revenue in 2015 was lower year-on-year at HK\$51 billion. Lower revenues combined with the opening preparation costs of the expanded property, in particular additional staff costs, and the increase in depreciation and amortization post the new resorts opening, resulted in Adjusted EBITDA falling to HK\$8.7 billion. Net profit attributable to shareholders was HK\$4.2 billion, including non-recurring charges of HK\$1.2 billion. During the year management focused on driving profitable volumes combined with cost control initiatives. To date, approximately 60% out of a HK\$800 million operational cost control program have been realized.

We are cautiously optimistic about the outlook for the market due to an easing of transit visas, the Government's concerted effort to address infrastructure limitations more rapidly, and the scheduled opening of new integrated resorts in Macau this year, which are all very welcomed developments that will enhance Macau's competitive positioning. However, we acknowledged that the challenging global macro economic and political conditions could lead to a degree of continuing volatility in Macau. Despite this, we are a firm believer in the long term potential of Macau.



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

CHAIRMAN'S STATEMENT

We are also encouraged by the sequential growth in Macau's gaming revenue in the final quarter of the year, which could signal a gradual stabilization. Longer term, we have never wavered in our belief that China's economy will continue to grow, which in turn will increase domestic consumption and wealth, and galvanise domestic and international tourism. GEG's reputation for delivering 'World Class, Asian Heart' services and products, unmatched development pipeline and strong balance sheet, leave it well placed to seize the opportunities for growth as Macau attracts a new wave of customers in the years ahead.

CONTRIBUTING TO A SUSTAINABLE FUTURE FOR MACAU

Recognising that we have a duty to give back to the community in Macau and the Greater China Region, GEG established a HK\$1.3 billion Galaxy Entertainment Group Foundation ("The Foundation") in July 2014. The Foundation engages in philanthropic activities, in particular with nurturing young people in developing their positive moral and life values, as well as enhancing their education and employment opportunities so as to enable them to contribute to the community they live in.

The Foundation has been researching emerging issues in the community, particularly in the area of youth development, and will begin launching its first projects in 2016.

GALAXY MACAU™ PHASE 2 AND BROADWAY MACAU™ ENHANCES MASS APPEAL

The expanded integrated resort Galaxy Macau™ and the brand new family friendly Broadway Macau™ both opened simultaneously on 27 May 2015, creating thousands of new jobs and bringing GEG's total investment in Cotai to HK\$43 billion. Comprising approximately 200 retail outlets offering many first-to-Macau brands, including: Alexander McQueen, Alexander Wang, Moncler, Roger Vivier, etc; as well as world leading luxury flagships such as Louis Vuitton, Dior, Prada, Tiffany, and more, and approximately 120 food and beverage options ranging from Michelin 1-star restaurants 8½ Otto e Mezzo BOMBANA and Terrazza Italian Restaurant, much loved Chinese restaurant Fook Lam Moon to popular food outlets such as Tsui Wah and Tim Ho Wan to name a few, the two properties have strengthened our competitive positioning and contributed to the diversification of Macau's economy as it strives to become one of the world's must visit tourism destinations.

MACAU MARKET REVIEW

Well publicized macro challenges including a softening economy in China, a Government led anti-corruption programme and volatility in world financial markets, weighed on sentiment and tempered any hopes of a recovery in 2015. Total gaming revenue decreased by 34% year-on-year to HK\$224 billion, although slight sequential growth was in evident in the final quarter. The VIP segment was most heavily impacted, seeing a revenue decline of 45% year-on-year to HK\$112 billion. Visitor numbers to Macau were 30.7 million, marginally down on last year.

Macau's continued diversification and opening of new capacity, coupled with an increasing appetite among the fast growing middle class in China for more family friendly holidays, has altered the gaming mix of Macau. Mass and electronic gaming revenue in the year was HK\$112 billion, 19% lower year-on-year. In the second half of 2015, the combined mass and slots revenue was reportedly around 50% of the total gaming revenue. We expect this evolution to continue as new capacity opens this year. We are continuing to reposition our product offer in light of this market trend.

CHAIRMAN'S STATEMENT

GALAXY MACAU™

Post expansion, Galaxy Macau™ is now one of the largest integrated destination resorts in the world. Visitation to the property has surged to average approximately 60,000 per day with The Promenade achieving robust retail sales. The greatly enhanced Grand Resort Deck is also proving very popular with approximately 4,000 visitors per day making use of its facilities during the peak summer period. Our UA Galaxy Cineplex achieves some of the highest volume ticket sales of any cinema house in either Macau or Hong Kong. All of this contributed to a 52% year-on-year increase in non-gaming revenue.

Reflecting market conditions, revenue in the year decreased by 24% year-on-year to HK\$35.5 billion. Adjusted EBITDA was also down 30% year-on-year at HK\$6.9 billion as a result of lower gaming volumes and an inevitable mismatch of revenues and costs as GEG geared up for an effective opening of the new properties by hiring additional staff. In the second half of the year, GEG focused on yielding the property better, including resizing its VIP offer and optimising more profitable growth areas such as premium direct, premium mass and slots.

Encouragingly, all three gaming segments delivered sequential growth in the fourth quarter of the year.

STARWORLD MACAU

StarWorld Macau performed broadly in line with the overall market. Revenue was 42% lower year-on-year at HK\$13.0 billion and Adjusted EBITDA decreased by 37% year-on-year to HK\$2.2 billion. Management is successfully transitioning StarWorld Macau to a more mass centric property with StarWorld Macau reporting increased mass revenue in every quarter of 2015.

BROADWAY MACAU™

Our new family friendly/Macau SME concept in Macau is a fantastic addition to Macau's retail, leisure and entertainment landscape. It is like no other property in Macau, showcasing the best Macanese and Asian retail brands, cuisine and cultural shows. The property, which does not have a VIP component, saw near capacity at its hotel, and reported revenue of HK\$425 million and a HK\$7 million loss in Adjusted EBITDA.

CONSTRUCTION MATERIALS DIVISION

The Construction Materials Division was impacted by the construction slowdown in China in 2015, reporting Adjusted EBITDA of HK\$318 million (2014: HK\$465 million).

STRATEGIC OVERSEAS INVESTMENT

In July 2015, GEG announced its first expansion into the overseas market taking approximately a 5% stake in the Principality of Monaco's leading luxury hotels and casinos operator, The Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("SBM") listed on the Euronext Paris. This is an exciting opportunity for both parties to leverage each other's powerful brands and we look forward to building a mutually beneficial strategic partnership.

CHAIRMAN'S STATEMENT

LARGEST CONTIGUOUS LANDBANK

Despite having seven world class hotels, approximately 4,500 hotel rooms and hundreds of F&B and retail options across a footprint of more than 1.2 million square meters, we still have the largest contiguous landbank of any operator in Macau, with the capacity to add an additional 1 million square meters of integrated resort.

We continue to evaluate how best to maximize the value of this remaining development pipeline, but envisage that Cotai Phases 3 & 4 will be more mass, family and MICEE orientated.

To complement our high energy properties in Macau, we are also exploring developing a world class destination resort on a 2.7 square kilometre parcel of land on Hengqin. We are excited by Hengqin's potential to become a major business and leisure hub.

EXCEPTIONAL STRONG BALANCE SHEET

GEG has always adopted a prudent financial strategy. Even after investing over HK\$50 billion in Macau over the last ten years, and paying special dividends totalling HK\$1.8 billion in 2015, we have a strong, well-capitalized and liquid balance sheet. At 31 December 2015, cash on hand was HK\$7.7 billion and net cash was HK\$6.5 billion. The Group is virtually debt free.

Two special dividends were paid in the year: HK\$0.28 on 22 May 2015 and HK\$0.14 on 30 October 2015.

We are also pleased to announce another special dividend of HK\$0.15 per share to be paid on or about 29 April 2016. Including this special dividend, GEG will have returned HK\$7.3 billion to shareholders since 2014, confirming our confidence in Macau and our commitment of returning surplus capital to shareholders.

BOARD CHANGE

I would like to extend my thanks to Mr. Anthony Carter, who resigned as a Non-Executive Director of the Board of GEG in August 2015, for his valuable contribution over the years. I would also like to welcome Dr. Charles Cheung Wai Bun, who joined the Company as a Non-Executive Director in October 2015.

MACAU MARKET OUTLOOK

GEG remains confident about the medium to long term prospects for the Macau market. Our confidence is supported by unchanged fundamental drivers for growth, such as increasing domestic consumption and the growth in the middle class in China, combined with low penetration rates into Macau that will be transformed over time as major planned infrastructure works such as the Taipa Ferry Terminal, Hong Kong-Zhuhai-Macau Bridge and other high speed rail links come on stream in the next couple of years.

In the short term, while it is too early to call the bottom of the market, sequential growth in Macau's 2015 fourth quarter gross gaming revenue, continuing high occupancy rates across all of our properties and healthy visitation over the Chinese New Year Period, are positive signs that the market could be stabilizing.

However, we do acknowledge that the global economy is currently experiencing a wide range of challenges. This could result in less predictive trends and great volatility in the shorter time horizon.

CHAIRMAN'S STATEMENT

CLOSING REMARKS

There can be no denying that 2015 was the most challenging year on record for Macau and the gaming industry. However, GEG's financial performance was more than respectable and the opening on time and under budget of Galaxy Macau™ Phase 2 and Broadway Macau™ on a combined basis was a tremendous accomplishment.

The market's evolution to mass has accelerated in the last five years and particularly over the last 18 months as VIP has been disproportionately impacted by macro factors. In this time, GEG has structurally shifted its own business to mass, which now accounts for the vast majority of our EBITDA.

We expect the challenging business environment to continue and therefore it is imperative that we strive for operational excellence and exercise strict cost controls. While I am delighted that we were able to make operational cost savings of approximately HK\$500 million last year, we are very cognisant that efficiency gains must not compromise the 'World Class, Asian Heart' service standards that we have become renowned for and we will not pursue any local labor redundancies.

In the last ten years our rise has been staggering. We have transformed from effectively being a start up to vying for market share leadership in Macau and becoming one of the world's most valuable gaming companies. With our differentiated proposition, excellent management team and staff and well defined development pipeline, we believe the next ten years will be equally as successful.

Dr. Lui Che Woo

GBM, MBE, JP, LLD, DSSc, DBA

Chairman

Hong Kong, 25 February 2016



SELECTED MAJOR AWARDS

Award	Presenter
GALAXY ENTERTAINMENT GROUP	
Casino Operator of the Year Australia/Asia	International Gaming Awards
Best Managed Company – Gaming in Asia	Euromoney Magazine
Gaming and Lodging – Most Honored Company	Institutional Investor Magazine
Best Investor Relations – Second Place – Nominated by the Buy Side	– 2015 All-Asia Executive Team Survey
Best Overall for Corporate Governance (ranked 5th)	Asiamoney Magazine
Best for Investor Relations (ranked 5th)	– Corporate Governance Poll 2015
Best for Disclosure and Transparency (ranked 5th)	
Best for Corporate Social Responsibilities (ranked 5th)	
Best for Responsibilities of Management and The Board of Directors (ranked 5th)	
Best Managed Public Companies in HK (6th Place)	FinanceAsia Magazine
Best Investor Relations in HK (5th Place)	
4th Outstanding Corporate Social Responsibility Award	The Mirror
Best Investor Relations Company – Large Cap	Hong Kong Investor Relations Association
Best Investor Relations Presentation Collaterals – Large Cap	
The Asset Corporate Awards 2015 – Titanium Award (Investor Relations)	The Asset Magazine
The Asset Corporate Awards 2015 – Best Investor Relations Team Award	
Certificate for Excellence in Investor Relations	IR Magazine
Excellent Corporate Volunteer Team in Macau	Association of Volunteers Social Service Macao
“TVB Magazine” The Most Popular Hotel Group in Macau	TVB Publications Limited
2015 HR Innovation Awards – Silver for Excellence in Leadership Development – Bronze for Excellence in Talent Management	Human Resources Magazine
Motivation Award for Organizations	Macao Health Bureau
GALAXY MACAU™	
“Macau Energy Saving Contest 2015” Energy-Saving Concept Award – Hotels Group C	CEM – Macau Electricity Company, Ltd. and Office for the Development of the Energy Sector
World’s Leading Casino Resort	World Travel Awards 2015
Best Commercial Development (Macau)	China Property Awards 2015
Best Hotel & Tourism Development Silver Winner	MIPIM Asia Awards 2015
Hotel & Event Facilities of the Year	Asia Pacific MICE Awards 2015
The Best Integrated Entertainment Hotel	Life Weekly
My Favourite Hotel and Resort	U Magazine Travel Awards 2015
Ranked as “Top Class Comfort” Hotel	The Michelin Guide Hong Kong Macau 2016
Hotel of Most Satisfied Vacation	T + Urban Space – Grand Design Award 2015

SELECTED MAJOR AWARDS

Award	Presenter
Casino VIP Room of the Year	International Gaming Awards
World's Best Hotel 2014-2015 – Resort Hotel Macau	International Hotel Awards
2015 Asia's Top Entertainment Complex	NOW Travel Asia Awards
Hurun Report Best of the Best Awards – Luxury Hotel Wedding in Macau Star Performer	Hurun Report
TripAdvisor's Travelers' Choice 2015 Winner – Top Hotel for Romance & Top Luxury Hotel (China) (Banyan Tree Macau)	TripAdvisor
2015 Forbes Travel Guide – Five-Star Hotel (Banyan Tree Macau) 2015 Forbes Travel Guide – Five-Star Spa (Banyan Tree Spa Macau)	Forbes Travel Guide
LEED Gold Certification – Galaxy Macau™ Phase 2	United States Green Building Council
STARWORLD MACAU	
2015 Asia's Top Leisure Hotel	NOW Travel Asia Awards
Ranked as "Top Class Comfort" Hotel	The Michelin Guide Hong Kong Macau 2016
Top 10 Glamorous Hotels of China	China Hotel Starlight Awards
Best Service Hotel of Asia	Golden Horse Award of China Hotel
BROADWAY MACAU™	
The Best Integrated Entertainment Hotel	Life Weekly
CONSTRUCTION MATERIALS DIVISION	
Hang Seng Pan Pearl River Delta Environmental Awards – Silver Award – Green Participant – 5 years+Entrant	Federation of Hong Kong Industries/ Hang Seng Bank
Caring Company – 10 Years Plus Caring Company Logo	The Hong Kong Council of Social Service
21st Considerate Contractor Site Award Scheme – Outstanding Environmental Management & Performance Award – Bronze Award – Public Works – New Works – Bronze Award	Development Bureau/Construction Industry Council
HSBC Living Business Awards 2015 – Long Term Participation Award – Caring for People Award – Certificate of Merit – Community Engagement Award – Certificate of Merit – Green Achievement Award – Certificate of Merit	HSBC, Commercial Banking
14th Hong Kong Occupational Safety & Health Award – Safety Performance Award – Construction – Safety Management System Award – Construction – Certificate of Participation	Labour Department/Occupational Safety and Health Council

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

2015 was one of the most challenging years for Macau and its entertainment industry as macro factors impacted customer spending behaviour and stymied visitor growth. However, this was a year of considerable progress for GEG as it once again delivered a solid set of results by improving its revenue market share, made its first international investment by taking a strategic minority equity stake in Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco (“SBM”), a renowned luxury hotels and casino business in the Principality of Monaco, and, most importantly, transformed its already compelling World Class integrated resort with the successful opening of Galaxy Macau™ Phase 2 and Broadway Macau™ on 27 May 2015, on time and under budget on a combined basis. The two interconnected properties have significantly enhanced GEG’s mass segment and family appeal.

GEG is pleased to report Group revenue and Adjusted EBITDA of \$51 billion and \$8.7 billion, respectively, in 2015, which includes the seven months contribution from Galaxy Macau™ Phase 2 and Broadway Macau™. Net profit attributable to shareholders was \$4.2 billion, including \$1.2 billion of non-recurring charges such as \$0.8 billion of pre-opening costs, \$0.2 billion of foreign exchange loss mainly due to treasury yield management exercise¹, and a significant increase in depreciation and amortization post the opening of Galaxy Macau™ Phase 2 and Broadway Macau™. Management is focused on rigorously managing all costs, without adversely impacting service standards, and has successfully implemented an \$800 million operational cost control program, with approximately \$500 million achieved to date with the balance to be delivered through 2016.

The market’s structural transition to the higher margin mass segment continued in 2015 due to the increasing appetite among middle class Chinese visitors for more holistic holiday experiences. In the second half of 2015, the combined mass and slots revenue was reportedly approximately 50% of total gaming revenue in Macau. In 2015, GEG actively managed its business to meet this evolution by opening Galaxy Macau™ Phase 2 and Broadway Macau™, reallocating tables to their highest and best use, particularly to the premium mass segment, and significantly expanding non-gaming amenities to attract a broader cross section of visitors. As a result the vast majority of Group EBITDA continues to be generated by our non-VIP business.

GEG finished the year with its strongest quarterly performance in over a year. For the full year GEG delivered \$51 billion of revenue and \$8.7 billion of Adjusted EBITDA, including Galaxy Macau™ contributing \$35.5 billion of revenue and \$6.9 billion of Adjusted EBITDA. The property continues to ramp up after the successful opening of Galaxy Macau™ Phase 2, with additional facilities coming on stream boosting its mass appeal.

StarWorld Macau, the Group’s award-winning hotel, achieved revenue of \$13.0 billion and Adjusted EBITDA of \$2.2 billion in 2015. It continues to experience challenges in the VIP segment. We are successfully transitioning the property to the more profitable mass market business.

Broadway Macau™, a new family friendly/Macau SME concept that showcases the best of Macanese and Asian culture, made a small loss of \$7 million in its first seven months in 2015. The property has enriched the Group’s Cotai offer and contributed to an increase in traffic at Galaxy Macau™.

There can be no doubt that 2015 was one of the most challenging years on record for the industry, as China’s continuing transition to a consumption based economy and Government led anti-corruption measures, curtailed spending in Macau and deterred high rollers from travelling. Nevertheless, GEG achieved credible financial results, with successfully opening two major new projects on time and under budget on a combined basis which was 100% funded by internally generated funds and returned \$1.8 billion of capital to shareholders in dividends in 2015.

¹ Throughout the term of the yield management exercise, the Group’s actual net gain was approximately \$0.1 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

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

GEG has entered 2016 on a very solid footing with one of the strongest balance sheets of any Macau concessionaire. It has an excellent mass offer and is now far less reliant on the VIP segment and is making good progress in moving its portfolio of properties up the efficiency curve and implementing rigorous cost reductions without compromising service standards. While macro conditions remain challenging, management is encouraged by early positive signs of gradual market stabilization, as evidenced by the sequential quarterly growth in Q4 in Macau's gross gaming revenue. Supportive comments made by the Government, new capacity being built in Macau and clearer visibility on the completion of major infrastructure projects such as the Hong Kong-Zhuhai-Macau Bridge and Taipa Ferry Terminal, afford GEG confidence that a positive environment is being created that will stimulate future growth and increased visitation. The Group's extremely healthy balance sheet and robust medium to long term development pipeline coupled with a focus on executing operationally leave it well placed to navigate the continuing choppy economic waters and prosper as conditions turn more positive.

Successful Opening of Galaxy Macau™ Phase 2 and Broadway Macau™ Enhances Mass and Family Friendly Appeal

GEG reached a major milestone in 2015 by opening its expanded mass market focused Galaxy Macau™ Phase 2 and new Broadway Macau™ on time and under budget, on a combined basis, on 27 May 2015. Bringing GEG's total investment in Cotai to \$43 billion, both properties have been well received by guests. Daily visitation to Galaxy Macau™ has increased to approximately 60,000 and occupancy rates across the five world class hotels averaged an impressive 99% at year-end. Subsequent to opening the budgeted \$19.6 billion Galaxy Macau™ Phase 2, the Group can confirm development cost savings in the range of \$400–\$500 million. Broadway Macau™ offers a new family friendly/Macau SME concept in Macau that caters for all price points. It has been well received by visitors and hotel occupancy was virtually 100%.

Galaxy Macau™

It is one of the world's largest destination resorts ever built and offers an unparalleled selection of amenities, including:

- Five world class hotels, including The Ritz-Carlton Macau with over 250 suites and JW Marriott Hotel Macau with over 1,100 rooms and suites; complemented by Banyan Tree Macau, Hotel Okura Macau and Galaxy Hotel
- New signature features such as the world's longest skytop river ride Skytop Adventure Rapids, which complements the largest skytop wave pool in the world
- Approximately 160 retail outlets, offering many first-to-Macau designer and lifestyle brands, including: Alexander McQueen, Alexander Wang, Delvaux, Harry Winston, Maje, Moncler, Mulberry, Murano Art Glass, Proenza Schouler, Roger Vivier, Sandro and more. Visitors will also find flagship Macau shopping opportunities from luxury brands such as Louis Vuitton, Burberry, Dior, Prada, Tiffany, Bvlgari and many other lifestyle brands such as H&M, Nike, Adidas and DFS Beauty

MANAGEMENT DISCUSSION AND ANALYSIS

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

- Approximately 80 food and beverage outlets, including Michelin 1-star restaurants 8½ Otto e Mezzo BOMBANA and Terrazza Italian Restaurant; Michelin recommended restaurants such as Lai Heen, Gosto and The Ritz-Carlton Cafe. This is complemented by other highly rated restaurants such as Fook Lam Moon and popular food outlets such as Tsui Wah and Tim Ho Wan. We offer Macau's largest range of pan-Asian cuisine under one roof

Broadway Macau™

Broadway Macau™ is a unique family friendly, street entertainment and food resort. GEG is committed to working with the local SME community as evidenced by the inclusion of numerous SME businesses within the Broadway Macau™ development. Facilities in Broadway Macau™ include:

- The 3,000 seat Broadway Theatre, showcasing the best in Asian entertainment, dance and music, as well as events and Macau occasions
- A vibrant Broadway street market and entertainment district celebrating the best of Macanese and Asian culture and cuisine
- 320 room Broadway Hotel, well priced and complementing the luxury properties at Galaxy Macau™
- Approximately 20 retail outlets
- Approximately 40 mainly local SMEs food and beverage options



MANAGEMENT DISCUSSION AND ANALYSIS

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

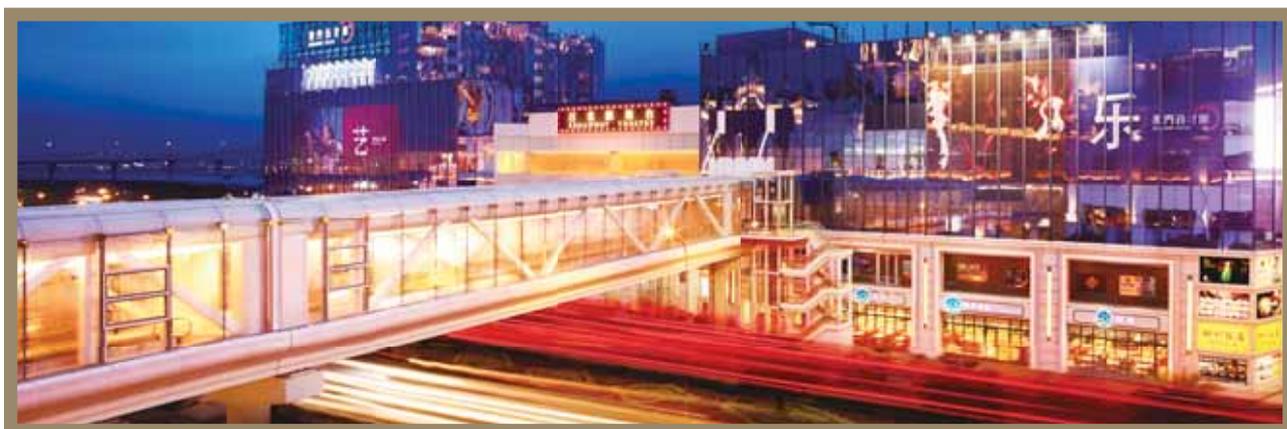
During the course of the second half of the year, additional facilities have come on stream at both properties. This contributed to Galaxy Macau™'s performance strengthening as the year progressed and the Group reportedly securing the largest revenue market share in Macau in the final quarter.

Overview of the Macau Gaming Market

As expected, a number of well publicized factors continued to weigh on sentiment and impact market revenues in 2015. These included: a Government led anti-corruption programme in Mainland China; a slowing Chinese economy; smoking restrictions in Macau; and concerns about liquidity and volatility in financial markets. During 2015, there was significant consolidation within the VIP market due to falling VIP revenue, liquidity challenges and their internal control issues. This resulted in a reduction in the number of junkets operating within Macau and contributed to the reported 45% year-on-year decline in VIP revenue to \$112 billion.

Total gaming revenue decreased by 34% year-on-year to \$224 billion, albeit the final quarter of 2015 registered very slight growth sequentially. Visitor numbers to Macau held up relatively well at 30.7 million, a reduction of just 3% on the prior year. Mainland China visitors represented 66% of total visitation, a modest drop of 4% on 2014.

As Macau has diversified and new integrated resorts have opened, the market has experienced a structural shift to the mass segment. This change in mix has accelerated in recent years as the fast growing middle class in China actively seeks more holistic family friendly holiday experiences. In the year under review mass and electronic gaming revenue in Macau was reportedly \$100.5 billion and \$11.4 billion, down 19% and 19% on last year respectively. In the second half of 2015, the combined mass and slots revenue was reportedly around 50% of the total gaming revenue.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Government Support for the Industry and Potential Stabilization

While considerable challenges persist in 2016, GEG is encouraged by positive supportive comments made by the Government in relation to the industry, including greater clarity on the completion of the Taipa Ferry Terminal and Hong Kong-Zhuhai-Macau Bridge, due in 2016 and 2018, respectively.

GEG is cautiously optimistic that the market is stabilizing as demonstrated by a modest sequential uplift in Macau's gross gaming revenue in the final quarter of 2015. The reported easing of transit visas in July 2015 has been positive in increasing overnight stay, the scheduled opening of new integrated resorts this year and clear Government guidance on the infrastructure limitations removes uncertainty. These infrastructure developments, coupled with Macau's ongoing diversification and the transformation of nearby Hengqin, should drive a new wave of visitors to Macau in the medium to long term.

REVIEW OF OPERATIONS

Group Financial Results

The expanded Galaxy Macau™ and new Broadway Macau™ contributed seven months of results to the Group, which saw total revenue in the year decline by 29% year-on-year to \$51 billion and Adjusted EBITDA fall 34% year-on-year to \$8.7 billion. Net profit attributable to shareholders was 60% lower year-on-year at \$4.2 billion, reflecting \$1.2 billion of non-recurring charges such as \$0.8 billion of pre-opening costs and a significant increase in depreciation and amortization post the opening of Galaxy Macau™ Phase 2 and Broadway Macau™. Galaxy Macau™'s Adjusted EBITDA was \$6.9 billion, a reduction of 30% year-on-year. StarWorld Macau's Adjusted EBITDA was \$2.2 billion, 37% lower year-on-year. Broadway Macau™ reported a small loss of \$7 million. GEG's Construction Materials Division and City Clubs made solid Adjusted EBITDA contributions of \$318 million and \$107 million respectively.

GEG experienced bad luck in its gaming operation during 2015, which reduced its Adjusted EBITDA by approximately \$210 million.

The Group's total gaming revenue on a management basis² in 2015 decreased by 32% year-on-year to \$48.4 billion as total mass table games revenue decreased by 6% year-on-year to \$17.7 billion and total VIP revenue dropped 43% year-on-year to \$28.9 billion.

Group Gaming 2015 (HK\$'b)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	850.5	28.9	3.4%
Mass Gaming	43.8	17.7	40.3%
Electronic Gaming	51.3	1.8	3.5%

² 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)

Group Gaming 2014 (HK\$'b)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	1,592.4	50.4	3.2%
Mass Gaming	45.0	18.8	41.8%
Electronic Gaming	38.9	1.8	4.6%

Driving Efficiencies, Cost Savings and Mass Business in an Evolving Market

As with any major project launch, and to ensure absolute readiness on the opening day of Galaxy Macau™ Phase 2 and Broadway Macau™, GEG recruited additional staff prior to opening. This inevitably created a short term mismatch of revenues and costs, but was a vital step in ensuring GEG's customers received outstanding service and exceptional standards for which GEG is renowned. As 2015 progressed, GEG sought to drive economies of scale and move the property up the efficiency curve as it opened additional mass centric facilities. A critical part of this process has involved re-allocating tables and hotel rooms to their highest and best use, particularly in the premium mass area. As the market has evolved to mass, so has GEG, which continues to derive the vast majority of its earnings from the higher margin mass segment while retaining its leadership position in VIP.

Further the Group constantly reviews its operations and cost structures and during 2015 identified an \$800 million cost control program. Approximately \$500 million of these operational cost control initiatives were achieved in 2015 with the remaining balance targeted for 2016, without compromising customer service.

On top of the operational cost control program outlined above, the project budget for the development of Galaxy Macau™ Phase 2 was \$19.6 billion where the Group can confirm development cost savings in the range of \$400–\$500 million.

Balance Sheet and Special Dividends

The Group's balance sheet is one of the strongest in the industry even after investing approximately \$25 billion in the development of Galaxy Macau™ Phase 2 and Broadway Macau™ and paying special dividends totalling \$1.8 billion during the year. At year-end cash on hand was \$7.7 billion and the Group's net cash position was \$6.5 billion. The Group is virtually debt free.

Including the latest announced dividend, GEG will have returned \$7.3 billion to shareholders since 2014, confirming our confidence in Macau and our commitment of returning surplus capital to shareholders.

Set out below is the segmental analysis of the Group's operating results for the year ended 31 December 2015:

2015 (HK\$'m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	49,073	1,918	–	50,991
Adjusted EBITDA	8,572	318	(154)	8,736

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

GAMING AND ENTERTAINMENT DIVISION

Galaxy Macau™

Financial and Operational Performance

With a 1.1 million square meter footprint, Galaxy Macau™ is one of the largest integrated resorts in the world. 95% of its floor area is allocated to non-gaming. In 2015, revenue was of \$35.5 billion (2014: \$46.9 billion) and Adjusted EBITDA of \$6.9 billion (2014: \$9.9 billion). Adjusted EBITDA margin under HKFRS was 20% (2014: 21%), or 25% under US GAAP (2014: 30%).

Galaxy Macau™ experienced bad luck in its gaming operations which reduced its Adjusted EBITDA by approximately \$214 million in 2015.

VIP Gaming Performance

Total VIP rolling chip volume for the year was \$555.1 billion, 41% lower than last year. This translated to revenue of \$19.9 billion (2014: \$31.7 billion).

VIP Gaming							
HK\$m	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015	YoY%
Turnover	156,645	137,222	124,645	136,630	941,679	555,142	(41%)
Net Win	5,623	4,659	4,481	5,177	31,669	19,940	(37%)
Win %	3.6%	3.4%	3.6%	3.8%	3.4%	3.6%	n/a

Mass Gaming Performance

Full year mass revenue was \$11.6 billion (2014: \$12.1 billion), a decrease of 4% year-on-year.

Mass Gaming							
HK\$m	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015	YoY%
Table Drop	6,018	6,542	7,014	7,410	27,516	26,984	(2%)
Net Win	2,879	2,496	3,013	3,217	12,125	11,605	(4%)
Hold %	47.8%	38.2%	43.0%	43.4%	44.1%	43.0%	n/a

Electronic Gaming Performance

Electronic gaming revenue was in line with last year at \$1.6 billion.

Electronic Gaming							
HK\$m	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015	YoY%
Slots Handle	7,608	9,579	11,435	12,323	35,581	40,945	15%
Net Win	316	378	442	468	1,576	1,604	2%
Hold %	4.2%	3.9%	3.9%	3.8%	4.4%	3.9%	n/a

Non-Gaming Performance

Non-gaming revenue was \$2.3 billion, an increase of 52% on last year.

The opening of Galaxy Macau™ Phase 2 has significantly enhanced GEG's non-gaming offer and its appeal to the mass market. Welcoming two new additional hotels, The Ritz-Carlton Macau and the JW Marriot Hotel Macau; and a vast selection of new retail, food and beverage, entertainment, leisure and MICE options, it has become a must visit destination for visitors and residents of Macau alike. The combined five hotels registered strong occupancy of 99% for 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Net rental revenue for the Promenade was \$661 million in the year, an increase of 252% compared to \$188 million in 2014. This was primarily due to the opening of the Promenade in late May 2015 and the Promenade was virtually fully operational at year end.

To illustrate the success and popularity of our offer, during the peak summer season guest numbers to the expanded Grand Resort Deck surged to approximately 4,000 per day. The ten screen UA Galaxy Cineplex has been a huge success since it opened in December 2011, achieving some of the highest volume ticket sales of any cinema house in either Hong Kong or Macau.

Non-Gaming							
HK\$m	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015	YoY%
Net Rental Revenue	56	100	236	269	188	661	252%
Hotel Revenue/F&B/ Others	333	364	506	473	1,350	1,676	24%
Total	389	464	742	742	1,538	2,337	52%

StarWorld Macau

Financial and Operational Performance

StarWorld Macau on the Peninsula had a challenging year, posting annual revenue of \$13.0 billion and Adjusted EBITDA of \$2.2 billion, decreases year-on-year of 42% and 37% respectively due to lower VIP volumes. However, StarWorld Macau is successfully transitioning to a mass centric property with mass revenue achieving all-time records in every quarter of 2015.

Adjusted EBITDA margin in the year improved by two percentage points year-on-year to 17% under HKFRS but under US GAAP decreased by one percentage point to 24%.

StarWorld Macau experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$18 million during 2015.

VIP Gaming Performance

StarWorld Macau reported VIP rolling chip volume of \$280.5 billion (2014: \$622.8 billion), a decrease of 55%. This translated to a 52% year-on-year reduction in revenue to \$8.5 billion (2014: \$17.8 billion).

VIP Gaming							
HK\$m	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015	YoY%
Turnover	88,491	71,448	67,543	52,981	622,753	280,463	(55%)
Net Win	2,905	2,112	1,795	1,692	17,755	8,504	(52%)
Win %	3.3%	3.0%	2.7%	3.2%	2.9%	3.0%	n/a

Mass Gaming Performance

Full year mass revenue decreased by 4% to \$4.1 billion (2014: \$4.3 billion).

Mass Gaming							
HK\$m	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015	YoY%
Table Drop	2,330	2,465	2,642	2,887	10,890	10,324	(5%)
Net Win	939	951	1,063	1,187	4,321	4,140	(4%)
Hold %	40.3%	38.6%	40.3%	41.1%	39.4%	40.1%	n/a

MANAGEMENT DISCUSSION AND ANALYSIS

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

Electronic Gaming Performance

StarWorld Macau's electronic gaming decreased by 35% to \$117 million (2014: \$181 million).

Electronic Gaming							
HK\$m	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015	YoY%
Slots Handle	497	480	558	467	2,937	2,002	(32%)
Net Win	33	33	27	24	181	117	(35%)
Hold %	6.6%	7.0%	4.9%	5.1%	6.2%	5.9%	n/a

Non-Gaming Performance

Non-gaming revenue decreased by 26% to \$275 million (2014: \$373 million), and hotel occupancy rates remained high at 99%.

Broadway Macau™

Financial and Operational Performance

Broadway Macau™, a new family friendly/Macau SME concept in Macau that caters for all price points and provides visitors with a vibrant street market and entertainment district, was opened for seven months of the year under review. It does not have a VIP gaming component. The property recorded revenue of \$425 million and an Adjusted EBITDA loss of \$7 million.

Broadway Macau™ experienced bad luck in its gaming operations which reduced its Adjusted EBITDA by approximately \$14 million during 2015.

Mass Gaming Performance

Broadway Macau™'s mass gaming revenue was \$285 million.

Mass Gaming							
HK\$m	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015	YoY%
Table Drop	n/a	177	495	548	n/a	1,220	n/a
Net Win	n/a	37	124	124	n/a	285	n/a
Hold %	n/a	20.7%	25.1%	22.7%	n/a	23.4%	n/a

Electronic Gaming Performance

Electronic gaming revenue was \$20 million.

Electronic Gaming							
HK\$m	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2014	FY 2015	YoY%
Slots Handle	n/a	58	122	131	n/a	311	n/a
Net Win	n/a	4	8	8	n/a	20	n/a
Hold %	n/a	7.1%	6.8%	5.6%	n/a	6.4%	n/a

Non-Gaming Performance

Non-gaming revenue was \$120 million and hotel occupancy was virtually 100%.

The property's unique selection of small and medium sized Macanese and Asian food & beverage and retail outlets has been well received by visitors. In addition, the 3,000 seat Broadway Theatre has virtually sold out every concert and is playing an important role in enhancing the overall appeal of Cotai.

City Clubs

City Clubs contributed \$107 million of Adjusted EBITDA to the Group's earnings, a decrease of 36% year-on-year reflecting the wider challenges in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

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

CONSTRUCTION MATERIALS DIVISION

Construction Materials Division (“CMD”) delivered a satisfactory performance during the year considering the challenging macro environment in Mainland China. In line with expectations, CMD’s revenue and Adjusted EBITDA for the year declined by 6% to \$1.9 billion and by 32% to \$318 million respectively, over the corresponding period last year.

Hong Kong and Macau

In Hong Kong, the demand for construction materials remained stable despite delays to major infrastructure projects such as the Hong Kong-Zhuhai-Macau Bridge and the territory’s section of the high-speed rail line to Guangzhou. A new flagship concrete production facility at Tai Po in the New Territories, which commenced operation in July 2015, will further strengthen CMD’s market position and result in significant cost savings.

In Macau, CMD’s relentless focus on operational efficiency and cost reduction initiatives, coupled with its vertically integrated business model, ensured the division’s performance was comparable to last year’s.

Mainland China

Moderating economic growth in Mainland China reduced overall demand for cement and ground granulated blast-furnace slag (“GGBS”) during the year, which in turn exerted downward pricing pressure on GGBS in particular in the important Northern and Eastern markets. However, despite these prevailing national headwinds, the Central Government’s “Go West” Policy continued to underpin robust demand for cement in the Yunnan Province, where CMD has strategically positioned its cement facilities.

While the outlook for 2016 remains challenging in light of the country’s continuing adjustment to a ‘new normal’ economy, the combination of lower energy costs and recent cuts in interest and deposit reserve ratios and the commencement of new infrastructure projects relating to “The Belt and Road Initiative”, are expected to drive medium to long-term demand for construction materials.



A new flagship concrete production facility at Tai Po



Cement production plant under construction in Puer of Yunnan Province.

FIRST INTERNATIONAL EXPANSION – SBM

On 25 July 2015, GEG announced a strategic minority equity investment in SBM listed on the Euronext Paris.

SBM is a world renowned owner and operator of iconic luxury hotels and casinos in the Principality of Monaco. SBM’s hotel properties include: Hôtel de Paris Monte-Carlo, Hôtel Hermitage Monte-Carlo, Monte-Carlo Beach, Monte-Carlo Bay Hotel & Resort, Villa La Vigie and Villas du Sporting, and its casino properties comprise: Casino de Monte-Carlo, Casino Café de Paris, Sun Casino and Monte-Carlo Bay Casino.

MANAGEMENT DISCUSSION AND ANALYSIS

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

GEG acquired ordinary shares equivalent to approximately 5% of the issued share capital of SBM from an independent third party who is unconnected with GEG or its connected persons.

This strategic stake in SBM is the first step in an exciting partnership with SBM and its other strategic partner, LVMH, which could result in these iconic brands being used in GEG's developments.

DEVELOPMENT UPDATE – COTAI AND HENGQIN

Phases 3 & 4 on Cotai

GEG has the largest contiguous development landbank of any operator in Macau. Plans are advancing well on Cotai Phases 3 & 4, which will add a further one million square meters to GEG's existing footprint. It is envisaged that the properties will be more mass and family orientated, with a significant MICE component. Site investigation works are expected to begin this year.

Hengqin

Hengqin has been earmarked as a national New Area in China for certain designated industries. GEG is excited by its potential to become another major business and leisure hub and is exploring the option to develop a world class destination resort on a 2.7 square kilometre land parcel on the island. This low rise, low density resort will complement the Group's existing properties in Macau.

Overseas

GEG continues to actively examine development opportunities in overseas markets.

SUBSEQUENT EVENT

GEG announced a special dividend of \$0.15 per share payable on or about 29 April 2016.

GROUP OUTLOOK

GEG performed credibly in 2015 considering the challenging market conditions. The successful opening of Galaxy Macau™ Phase 2 and Broadway Macau™ has transformed GEG's already compelling customer offer, repositioned the business to the higher margin and more resilient mass segment and significantly increased the Group's market share in the fourth quarter of 2015 post the opening of Galaxy Macau™ Phase 2 and Broadway Macau™.

Looking ahead, GEG remains confident in the long term potential of China. Its transition to a domestic consumption based economy, combined with rising incomes and continuing urbanisation, will drive long-term demand for tourism and travel. Macau is well positioned to benefit from this growth, as is GEG, which has demonstrated that it can leverage its Chinese heritage and intrinsic understanding of Asia and Chinese customer preferences to deliver differentiated 'World Class, Asian Heart' products and services that Chinese customers appreciate and enjoy.

While it is too early to call outright stabilization in the market, supportive comments from the Government on the industry, sequential growth in Q4 in Macau gaming revenue, greater clarity on the completion dates of major infrastructure works, and new properties coming on stream this year are viewed positively. However, we acknowledge that the global economy is currently experiencing a wide range of challenges. This could result in less predictive trends and greater volatility in the shorter term. We will continue to manage the business cautiously until more definitive business trends emerge.

GEG's focus in 2016 will be to drive profitable volumes and focus on the \$800 million cost control program while delivering an exceptional customer experience. Further out, GEG's sizeable approved landbank and exciting development plans, strong balance sheet and track record of execution, position us well to capture a significant share of new visitors to Macau as market conditions and sentiment turn more positive.

LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 31 December 2015 was \$41,101 million, an increase of approximately 7% over that as at 31 December 2014 of \$38,369 million, while the Group's total assets employed increased to \$55,354 million as at 31 December 2015 as compared to \$51,839 million as at 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group continues to maintain a strong cash position. As at 31 December 2015, total cash and bank balances were \$7,718 million, as compared to \$9,040 million as at 31 December 2014. The Group's total borrowings were \$1,390 million as at 31 December 2015 as compared to \$988 million as at 31 December 2014. The Group was in a net cash position as at 31 December 2015 and 31 December 2014.

The total borrowings of the Group mainly comprised bank loans and other obligations which were largely denominated in Renminbi and Euro. 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 and working capital requirements.

TREASURY POLICY

The Group continues to adopt a conservative treasury policy in liquidity and financial management. Cash is generally placed in short-term deposits mostly denominated in Hong Kong Dollar, Renminbi or in the local currencies of the operating subsidiaries. Forward foreign exchange contracts are utilized and borrowings in foreign currencies are arranged 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.

The Group's borrowings were largely denominated in Renminbi and Euro. Euro bank loan was utilized to fund and hedge the foreign exchange risk on the Euro-denominated SBM investment in August 2015.

CHARGES ON GROUP ASSETS

Property, plant and equipment with net book value of \$764 million (2014: \$358 million) and bank deposits of \$462 million (2014: \$560 million) have been pledged to secure banking facilities.

GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to \$58 million (2014: \$149 million). No facility has been utilized (2014: facilities of \$89 million had been utilized).

The Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures and an associated company amounting to \$290 million (2014: \$299 million). At 31 December 2015, facilities utilized amounted to \$266 million (2014: \$282 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group, excluding associated companies and joint ventures, employed approximately 21,500 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$6,919 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.

CORPORATE SOCIAL RESPONSIBILITY

As one of Asia's leading gaming and entertainment corporations, Galaxy Entertainment Group ("GEG" or "the Group") recognizes that sustainable businesses are established on the foundations of integrity, quality and people development. To this end, GEG takes proactive steps to ensure full compliance with applicable laws and regulations, deliver "World Class, Asian Heart" products and services to its guests, and develop relationships to support and grow with its team members and business partners and uphold its quality and professionalism.

GEG considers corporate social responsibility ("CSR") as one of the key defining features of how it shapes its future. The Group is committed to supporting and participating in a wide range of social, philanthropic and volunteering activities, and contributing to environmental sustainability. GEG continually explores new and eco-friendly ways to build and develop its projects, monitor and adjust its waste management systems and invest in energy and water saving initiatives.

GEG's business operations are mainly divided into the gaming and entertainment segment and the construction materials segment. The majority of the information in our report relates to the gaming and entertainment division, while the remaining information mentioned in the last paragraph of this report relates to the construction materials division.

COMPLIANCE WITH LAWS AND REGULATIONS

GEG is fully compliant with the rules and regulations of the Macau Special Administrative Region ("SAR") Government and the statutory requirements as set out by the Hong Kong SAR Government. In particular, the Group is committed to implementing strict standards in areas concerning anti-corruption and anti-money laundering practices, imposing these on its officers and employees, partners and all independent third parties who work on GEG's behalf, and undertake due diligence on business partners working with GEG. Furthermore, GEG has in place anti-corruption and anti-money laundering policies and standards of practice that facilitate the close monitoring of the compliance with applicable rules and actively encourages all its team members to report any non-compliance and suspected non-compliance in accordance with the Group's standard operating procedures. In addition, GEG makes every effort to train, educate and bring up-to-date its team members to fully execute its internal policies and standard of practice.

TEAM MEMBERS ENGAGEMENT

GEG considers team members as its biggest asset. Viewing team members as the very foundation of its achievements, the Group supports and empowers its team members to fulfill the needs of its guests and deliver its exceptional "game day" experience.

Diversity of Team Members

GEG values diversity when hiring team members, including different genders, ages, qualifications and experiences. The portion of our male and female team members are equally distributed where the majority of our team members are aged 30 years old or above and possess a mature set of skills and experience.

Talent Management

Organization Development and Training initiatives engage and support the promotion and delivery of the Group's Mission, Vision and core values. Our team members receive our full support in their development as this is a differentiating factor that attracts, retains and prepares our team members for great personal and organizational success.



GEG training programs provide team members the opportunity to learn in a structured and supported way on and off the job whilst providing them with promotional and career development possibilities

CORPORATE SOCIAL RESPONSIBILITY

To support the Group's continued success, Organization Development and Training has built and delivered in collaboration with the business units the following key initiatives in 2015.

- **Galaxy Macau™ Phase 2 and Broadway Macau™** – Designed and delivered training programs for all new onboard staff in line with key customer journeys to ensure the World Class Asian Service philosophy was embedded into the new elements of the property whilst creating a new “Fun, Festive and Friendly” service style which provides an “Up Close and Personal” experience for our guests at Broadway Macau™.
- **Accelerated Development of Local Team Members** – the Accelerated Development Program is designed to develop and fast track local team members into key supervisory and managerial roles in order to build workforce capability for the expansion of the integrated resort. The program gave hundreds of local team members the opportunity for career progression and promotion. This program was recognized as an award winner for talent management practices in the Asia Region Human Resource and Innovation Awards.
- **Capability Development** – building the capabilities of our employees in a structured and responsive manner through a blend of world-class on-and-off-the-job learning experiences.
- **Training & Learning Innovation** – investing in the right technologies and leveraging the 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 existing and future business needs and growth by development programs that respond to employee and business requirements whilst promoting progressive career development and growth opportunities for local team members.

Organizational Development and Training Programs establish direction for the Group with respect to the strategic and tactical investment in the utilization of our human resource capital including:

- **Signature and Core Programs**
Programs are anchored in the Group's Mission, Vision and Values to ensure complete alignment of knowledge and skills and provide professional and career development opportunities customized to business and team member needs. Guest service and corporate social responsibility programs are our core programs and activities for this year.
- **Technical Skills and Operations Programs**
Operations skills training programs continue to support and drive for operational excellence. Our employee training journeys and GEG's curriculum as a framework standardizes training design, development, implementation and evaluation of service and operations training programs.
- **Career Development**
Career development with a focus on developing local team members within GEG remains a high priority and commitment. Career and Talent Development Programs have been designed to provide targeted structured technical, managerial and leadership skills training for managers and leaders.

The Group's world class Leaders Program series is a tailor-made program for the leaders and is closely linked to practical and contextualized learning. This program was recognized as an award winner for Leadership Development at the Human Resource and Innovation awards covering the Asia region.

CORPORATE SOCIAL RESPONSIBILITY

Health and Safety

The health and safety of our team members, guests and community are paramount to the Group. Apart from fulfilling our legal obligations on health and safety, the below efforts were made across our properties in 2015:

- Engaged team members via different channels for raising work-related feedback
- Reviewed the internal procedures on the adequacy and effectiveness of protecting team members in the event of adversities
- Continuously supported the Macau SAR Government on the Tobacco Prevention and Control Law as the health and well-being of the team members and guests are crucial to GEG. Since the gaming floor smoking ban came into effect on 6 October 2014, GEG has been in full compliance with the relevant rules and regulations. Until now, GEG’s smoking lounges have been well-received and the feedback from labor unions, team members and guests have all been positive



Working with Companhia de Electricidade de Macau (“CEM”), GEG co-hosted the “Macau Safety, Health and Environmental Sharing Forum 2015” at UA Galaxy Cinemas

Separately, GEG has also initiated a number of health and safety programs at its properties. All GEG properties have established communication platforms to share safety information among business units and all properties have developed and adopted an Accident Management System to monitor and control accident rates and take corresponding action. Furthermore, Galaxy Macau™ also systematically identifies and mitigates health and safety risks through a certified OHSAS 18001 system and in 2015, the integrated resort also hosted a sharing forum that attracted around 100 participants from the community.

Working Environment

GEG is dedicated to building a strong employer brand – one that attracts and retains people. GEG achieved three goals in 2015 to enable this philosophy:

<p> A great place to start:</p> <ul style="list-style-type: none"> • Developed a structured Orientation Program which allows team members, particularly new hires, to understand GEG’s Mission, Vision, Values and Culture • Showed appreciation to team members through presenting awards to outstanding staff 	<p> A comfortable working environment:</p> <ul style="list-style-type: none"> • Expanded and upgraded its facilities such as opening new staff restaurants at Galaxy Macau™ Phase 2 and Broadway Macau™ to cater for increasing staff numbers
<p style="text-align: center;"> Balance for everyone:</p> <ul style="list-style-type: none"> • Organized three Team Member Rallies at Broadway Theatre to support and show appreciation to around 6,000 team members • Supported team members to achieve a healthy work-life balance by setting up monthly social and volunteering activities through GEG Staff Social Club and GEG Volunteer Team. Social activities included drone videography workshop, soccer fun day and origami workshop 	

CORPORATE SOCIAL RESPONSIBILITY

GUEST ENGAGEMENT

GEG provides all new team members with Orientation Program to communicate its Mission, Vision and Values, and guest service standards. A work buddy system is in place to support new team members, and feedback on performance is immediately provided. Furthermore, the Group tactfully provides a number of different channels for its guests to provide their feedback:

- Mystery shopping is conducted to evaluate service quality, compliance with rules and regulations, and the overall guest experience
- Comment cards, email addresses and social media channels are available for guests to provide feedback and rate the Group's services
- Teleservices hotline and Quality Assurance Managers are available for monitoring guest reviews and resolving complaints, where appropriate

SUPPLIER MANAGEMENT

GEG works diligently to promote responsible business practices across its supply chain. Supporting Macau SAR Government to foster new industries and accelerate the process of Macau's economic diversification, GEG supports Macau's SMEs and local enterprises proactively by:

- Sourcing its material goods and services locally in Macau
- Giving priority to local SMEs when looking for suppliers in the areas of food, facilities, renovation and maintenance works
- Inviting local SMEs in the retail and food and beverage sectors to open outlets in Broadway Macau™
- Supporting SMEs in areas such as management, maintenance, security, cleaning, finance, team member training and marketing

GEG works closely with all its suppliers in selecting products and services that meets its operational need, creates minimal adverse impacts on the environment, and possesses the quality assurance that meets or exceeds all relevant legal obligations and codes of practice.

SOCIAL RESPONSIBILITY

Responsible Gaming

GEG employs industry best practices and benchmarks international standards to achieve its responsible gaming objectives. The Group continues to work closely with different authorities to develop a wide range of initiatives in 2015, including:

- Organized a number of responsible gaming related workshops, training and programs in which over 9,000 frontline team members took part
- Provided individual face-to-face, hotline, on-site and online counseling support for team members and consulting services to guests suffering from gambling disorders



Gabinete Coordenador Dos Serviços Sociais Sheng Kung Hui Macau and GEG joined hands to hold responsible gaming roadshows under the theme of "How to help someone with gambling problems"

CORPORATE SOCIAL RESPONSIBILITY

- Sponsored a micro movie premiere to enhance the understanding of problem gambling and promote responsible gaming to the public
- Distributed thousands of pamphlets containing messages of responsible gaming and the rules of games

Galaxy Entertainment Group Foundation

To reinforce GEG's commitment to being a socially responsible organization, the Group established the Galaxy Entertainment Group Foundation ("the Foundation") in April 2015. The Foundation advocates in giving back to the community in Macau and the Greater China Region through engaging in philanthropic activities, in particular with nurturing young people in developing their positive moral and life values, as well as enhancing their education and employment opportunities so as to enable them to contribute to the community they live in.

GEG's commitment to building a strong relationship with its team members, guests, business partners and local communities enables the Group to meet its objectives and, at the same time, support and contribute to Macau's economy. Looking ahead, the Foundation will continue to inspire positive changes to the communities through the projects it will initiate.

Contribution to Community

Following the philosophy of "what is taken from the community is to be used for the good of the community", GEG contributes to the community by sponsoring a variety of local charities and fundraising activities, launching its own initiatives that focus on the specific areas of youth development, sports, promoting social harmony and establishing Macau as a World Center of Tourism & Leisure.

Rooted in Macau, GEG also contributes to the local community by encouraging its team members to join and take part in volunteering activities. Established in 2011, the GEG Volunteer Team has thus far, reached out to over 120 different non-profits and contributed over 6,500 hours in community services. During the year, the GEG Volunteer Team organized over 20 volunteering activities of which GEG volunteers took part in contributing close to 930 hours to 41 charitable associations.



Mr. Francis Lui, Deputy Chairman of GEG (third right) presented the Group's donations to representatives from Macau Tung Sin Tong Charitable Society



GEG celebrated the Chinese New Year by offering complimentary haircuts to elderly members of Macau Tung Sin Tong Charitable Society

CORPORATE SOCIAL RESPONSIBILITY

Charitable Activities

GEG is dedicated to giving back to the community by offering support to Macau's different charity groups. Key beneficiaries include (in alphabetical order):

- Caritas Macau
- Cradle of Hope Association
- Charity Fund from the Readers of Macao Daily News
- Fuhong Society of Macau
- General Union of Neighborhood Associations of Macau
- Macau Deaf Association
- Macau Holy House of Mercy
- Macau Red Cross



GEG invited the world-renowned illusionist Cyril to have his first-ever public performance in the Broadway Theatre. Members from Macau Deaf Association and Macau Association for the Mentally Handicapped were offered a chance to meet the illusionist up close and personal

Sports Development

Aiming to promote the international image of Macau, GEG works closely with the Macau SAR Government and the local community on enhancing the attractiveness, scale and quality of Macau's sports and community activities. Key initiatives in 2015 include:

- Sponsored "Macau Galaxy Entertainment International Marathon" for the 12th consecutive year, which is one of Macau's four major annual, international sport events and attracts amateur and professional runners from different countries and regions. Close to 1,000 GEG team members took part in the activity

Mr. Francis Lui, Deputy Chairman of GEG, Mr. Alexis Tam Chon Weng, Secretary of Social Affairs and Culture and Mr. Ma Iao Hang, President of Macau Athletic Association (front left to right) presented awards to the first ten male athletes of Full Marathon



GEG Volunteers and Clean the World representatives held a soap recycling activity at the General Education Center of the General Union of Neighborhood Associations of Macau

- Macau Special Olympics
- Macau Tung Sin Tong Charitable Society
- Orbis Macau
- Richmond Fellowship of Macau
- The Macau Association for the Mentally Handicapped
- The Macau Association of Parents of the Mentally Handicapped
- The Women's General Association of Macau



CORPORATE SOCIAL RESPONSIBILITY

- Supported and participated in Macau Sports Bureau's hosting of "Macau International Dragon Boat Races". GEG's Dragon Boat Team took part in the race for the 10th time and obtained 11 awards in total



GEG Dragon Boat men's team fiercely rowed their boat to the frontline of the race

Education and Culture

GEG supports the Macau SAR Government's policies on talent cultivation. Collaborating with many educational, arts and cultural associations and institutes on developing different programs aimed at assisting young people to build a more solid foundation for their future careers, in 2015, GEG:

- Launched the "5th GEG Youth Achievement Program" ("YAP"), which GEG co-organizes with the Macau Management Association ("MMA"). First launched in 2011, the previous editions of the YAP attracted over 1,400 participants
- Title sponsored the "7th GEG Macau Cup – Youth National Education Competition" organized by National Conditions Education (Macau) Association. This year, the competition attracted the participation of over 6,000 students from 15 different secondary and tertiary schools

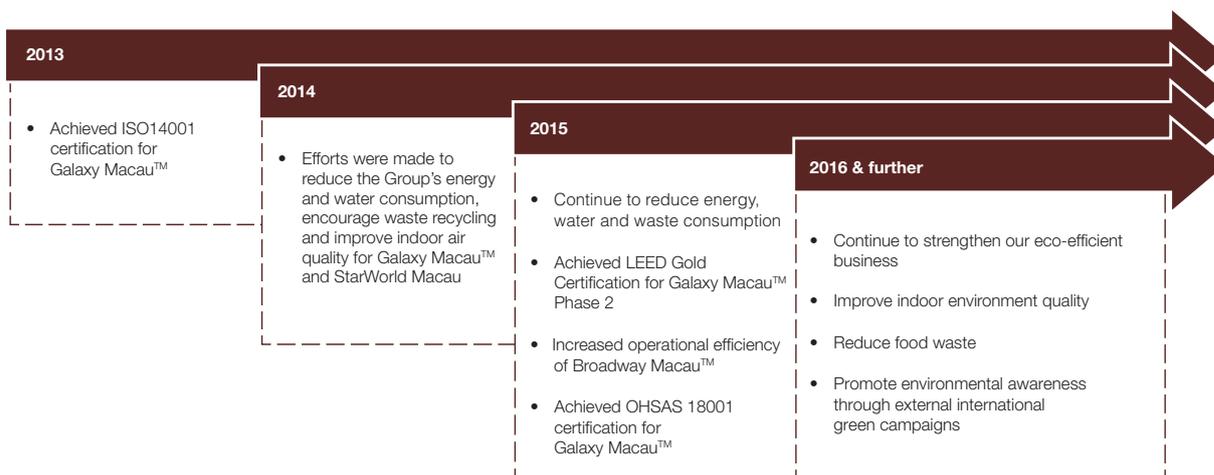


Mr. Francis Lui, Deputy Chairman of GEG, Mr. Hong Bo, Director of the Department of Culture and Education, Liaison Office of the Central People's Government in the Macau SAR, Ms. Teng Nga Kan, Deputy Director of Macau Labor Affairs Bureau, Mr. Kong Chi Meng, Head of the Division of Pre-School and Primary Education of Education and Youth Affairs Bureau and Mr. Chui Sai Cheong, President of MMA (left to right) officiated the launch of the "5th GEG Youth Achievement Program"

CORPORATE SOCIAL RESPONSIBILITY

Environmental Protection and Sustainability

GEG has taken active steps to build a strong foundation for the future. By communicating its environmental protection objectives across all properties, GEG integrates sustainability into the Group's business strategy.



Protecting the Environment

GEG is committed to improving its environmental performance along the sustainability journey. To meet this goal, GEG implements the following ongoing actions:

- Comply with all applicable environmental requirements and legislations and strives to make it beyond the required standards
- Provide sufficient resources to meet the environmental objectives and targets (for example, GEG devotes efforts to achieve green building requirements that promote renewable, clean energy)
- Conduct business in a manner that fosters the sustainable use of the earth's resources, such as validated the ISO 14001 certification after passing the surveillance audit

GEG continues to reduce its energy and water consumption, recycle and reduce waste, and improve indoor air quality across the Group's properties through the below actions:

Energy

The Group retrofitted green lightings across hotel floors, VIP lobbies and bars & restaurants for all its properties to achieve significant energy saving initiatives. The HVAC system across all properties have been optimized to improve overall efficiency and replaced with environmentally friendly refrigerants. The Group is proud that Galaxy Macau™ saved approximately 11.5 million kWh of energy in 2015 and at the same time, Galaxy Macau™ Phase 2 obtained LEED gold certification for its new tower.

Water

GEG is developing water management platforms and establishing water reduction plans at its properties so as to continuously reduce portable water consumption and comply with water quality requirements in 2016. Thus far, the Group has installed water saving faucets in most of its properties and has had in place water recycling and circulation systems for cleaning and irrigation to reduce its water consumption. It is looking into establishing a water consumption database to help monitor its water usage and recycling.

Waste

GEG monitors and reviews its properties' waste production on a regular basis and has strong recycling initiatives. It collected different waste materials for recycling in 2015, inclusive of plastic bottles, glass bottles, metal, cardboard and paper materials and food waste.

CORPORATE SOCIAL RESPONSIBILITY

Since food waste constitutes most of the waste in its operation, GEG installed a brand new food waste processing machine at Galaxy Macau™ and through compression and dehydration, the machine reduced food waste volume by 80%. In addition, Galaxy Macau™ also has a food waste decomposer that has generated over 5 tons of fertilizer for landscape planting use. Meanwhile, GEG is also considering to install the food waste decomposer at all properties in near future.

GEG has displayed great achievements in protecting the environment. Major Environmental Protection related awards received in 2015 are listed below:

- Winner of “Macau Energy Saving Contest 2015” Energy Saving Concept Award for Hotel Group C for Galaxy Macau™ Phase I from Companhia de Electricidade de Macau (“CEM”) and Macau Office for the Development of the Energy Sector (“GDSE”)
- 2014 Macau Green Hotel Awards – Silver Award to Galaxy Hotel from Environmental Protection Bureau of Macau SAR Government

CONSTRUCTION MATERIALS DIVISION

The Group’s construction materials division, K Wah Construction Materials Limited (“KWCM”), has always been at the forefront of sustainability. It serves the dual function of adopting best practices in the industry as well as providing a solid foundation for extending some of its innovation across the Group. KWCM has constructed a value creation model that serves as a center of the efforts it made so as to create long term shareholder value. The model is supported by four core drivers, in terms of CSR, People, Business Economics and Safety and Environment. A summary of the four pillars is as follows:

- CSR – it includes the social responsibilities to the team members, environmental protection and community activities
- People – it applies 8 mindsets (confidence, devotion, determination, creative mind, disciplined mind, ethical mind, respectful mind, and synthesizing mind) in the employment, training and development activities to cultivate a harmonious culture within the workplace for the well-being of the staff
- Business Economics – it implies the application of enterprise resource planning system, the latest techniques in risk management and corporate governance control to strengthen KWCM’s long term development
- Safety and Environment – it promotes the importance of health, safety and environment, which is considered as one of KWCM’s top priorities

In 2014, KWCM issued its first Sustainability Report “Breaking New Ground in Sustainability”, describing its core values, management processes and key achievements to Environmental, Social and Governance. In 2016, KWCM will issue the second sustainability report to introduce the value chain concept as well as to communicate with its people and other stakeholders. Further details can be obtained from the sustainability reports, which are available on KWCM’s official website.



KWCM organized a Summer Fun Day for staffs and their families in 2015. Over 400 participants enjoyed various sports games on the day

BIOGRAPHICAL INFORMATION OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Lui Che Woo, *GBM, MBE, JP, LLD, DSSc, DBA*, aged 86, 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. Dr. Lui has been again elected as a member of the Election Committee of the HKSAR in December 2006. 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 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 was awarded the Lifetime Achievement Award by the World Travel Awards in 2015. Dr. Lui is the founder of the Lui Che Woo Prize – Prize for World Civilisation established in Hong Kong in 2015 for sustainable development of the world, welfare of mankind and promotion of positive life attitude. Dr. Lui is the father of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

Mr. Francis Lui Yiu Tung, aged 60, 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.

Mr. Joseph Chee Ying Keung, aged 58, 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

BIOGRAPHICAL INFORMATION OF DIRECTORS

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

Dr. Charles Cheung Wai Bun, *JP*, aged 79, has been a non-executive Director of the Company since October 2015. Dr. Cheung holds an honorary doctor's degree from John Dewey University, U.S.A., a master degree in business administration and a bachelor of science degree in accounts and finance from New York University, U.S.A.. He was awarded the Directors of the Year Awards 2002 of Listed Company Non-Executive Director by The Hong Kong Institute of Directors. In December 2010, Dr. Cheung received three awards, namely (1) Outstanding Management Award of The Chartered Management Association; (2) Outstanding Director Award of The Chartered Association of Directors; and (3) Outstanding CEO Award of The Asia Pacific CEO Association.

Dr. Cheung is a council member of The Hong Kong Institute of Directors. He is also a member of the Hospital Governing Committee of Kowloon Hospital and Hong Kong Eye Hospital, and a member of the Kowloon Regional Advisory Committee of the Hospital Authority in Hong Kong. Dr. Cheung was formerly a visiting professor of the School of Business of Nanjing University, PRC. He was formerly the group chief executive and executive deputy chairman of Mission Hills Group, Hong Kong, and a former director and advisor of the Tung Wah Group of Hospitals. He has held senior management positions in various companies of different industries and possessed extensive banking, financial and commercial experiences.

Dr. Cheung is an independent non-executive director of China Financial International Investments Limited, Modern Dental Group Limited (appointed on 24 November 2015), Pioneer Global Group Limited and Universal Technologies Holdings Limited, all are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is the Chairman of the Board and an independent non-executive director of Grand T G Gold Holdings Limited and also an independent non-executive director of Zebra Strategic Holdings Limited, both of which are listed on the growth enterprise market of the Stock Exchange. Dr. Cheung is also a director and the vice chairman of executive committee of the Metropolitan Bank (China) Ltd.. He was formerly an independent non-executive director of Shanghai Electric Group Company Limited from November 2004 to February 2014, a company listed on the main board of the Stock Exchange.

BIOGRAPHICAL INFORMATION OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. James Ross Ancell, aged 62, 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 78, 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 67, 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, C C Land Holdings Limited, China Precious Metal Resources Holdings Co., Ltd., 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 on the Hong Kong Stock Exchange. Professor Wong was formerly an independent non-executive director of Excel Development (Holdings) Limited from November 2013 to August 2015, a company listed on 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, GEG. He has a long and distinguished career in leadership roles with a number of globally recognized 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.

Kevin Kelley, Chief Operating Officer, Macau. He has extensive experience in gaming, hospitality and entertainment through his career spanning over the USA and Macau. Previously, he held senior executive positions at various well-known casinos and hotels in Las Vegas and Macau.

John Au, Senior Director – Business Development & Director of Operations, Broadway Macau™ & City Clubs. He has been with the Group for over 22 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 29 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 31 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 26 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 35 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.

GAMING AND HOSPITALITY EXPERTISE

Michael Palmieri, Senior Vice President – Electronic Games, Galaxy Macau™. He has over 19 years of experience in slots and cage operations. Previously, he held senior management positions with a gaming company in the USA.

Roger Lienhard, Senior Vice President – Hospitality, Galaxy Macau™. He has over 31 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 Macau™. She has over 34 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 executive and non-executive Directors (currently include four executive, one non-executive and three independent non-executive Directors). During the year, Mr. Anthony Thomas Christopher Carter resigned as a non-executive Director of the Company with effect from 19 August 2015 and Dr. Charles Cheung Wai Bun was appointed in his stead with effect from 12 October 2015. 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, 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 nominating new Director to the Board, 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, Dr. Charles Cheung Wai Bun 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.

Dr. Charles Cheung Wai Bun was appointed by the Board on 12 October 2015. Pursuant to the Company's Articles of Association and Code A.4.2 of Appendix 14 of the Listing Rules, his appointment is subject to rotation and re-election by shareholders at the next general meeting.

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, Mr. James Ross Ancell, an Independent non-executive Director, has served the Board for more than 9 years and is due to retire at the annual general meeting to be held on 10 May 2016. During his appointment, Mr. Ancell has demonstrated his ability to provide an independence view to the Company's matters. Mr. Ancell had made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is satisfied that Mr. Ancell remains independent, and there is no evidence that his tenure has had an impact on his independence. Separate resolution will be proposed for his re-election at the forthcoming annual general meeting.

At the forthcoming annual general meeting to be held on 10 May 2016, Mr. Joseph Chee Ying Keung, Mr. James Ross Ancell and Dr. Charles Cheung Wai Bun will retire 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. To keep the Directors abreast of the Group's recent development and operations, all Directors, including the Independent non-executive Directors were invited to attend the opening ceremony of the Company's new properties in Macau in 2015. 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 organizations, 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. Each newly appointed director receives a comprehensive induction package covering the statutory and regulatory obligations of directors, policies, procedures and codes of the Company applicable to the Directors. Dr. Charles Cheung Wai Bun who joined the Board on 12 October 2015, was provided with such induction package. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on the relevant topics also counts towards CDP training. The Company keeps a record of training provided by each Director, summarized 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		
Dr. Charles Cheung Wai Bun	✓	✓
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 were updated in the year to align with the latest developments in the Code with regard to risk management, 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. In addition, written resolutions were circulated to the members for approval as and when needed.

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 operations 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 including anti-money laundering compliance and certain operational activities, and recommendation of its revised terms of reference as mentioned above to the Board for approval.

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 once in 2015 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' fees subject to approval of members at the annual general meeting, review and approval of remuneration policy, structure and packages to executive Directors based on market data, and by reference to the Director's 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. Recognizing the benefits of having a Board that has a balance of skills, experiences and diversity of perspectives, the nomination 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 above and all other applicable factors relevant to the Company. The Board then considers the recommendation and forms its opinion as to whether the proposed candidate shall be appointed as a Director. Dr. Charles Cheung Wai Bun was nominated as a non-executive Director in accordance with the nomination policy mentioned above and his appointment was recommended to the Board. 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 2015 with all the members present. The Nomination Committee submitted its written report and/or recommendations to the Board after the Nomination Committee meeting. In addition, written resolutions were circulated to the members for approval as and when needed.

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, recommending the re-appointment of retiring directors and nominating Dr. Charles Cheung Wai Bun as a Non-executive Director of the Company 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 2015 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, code of conduct on securities transactions by Directors and employees, training and continuous professional development of Directors and senior management, compliance of the Code and disclosure in the corporate governance report and review of the Corporate Social Responsibility 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 (1)	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	-	1/1	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 Directors						
Mr. Anthony Thomas Christopher Carter [#]	0/2	-	-	-	-	0/1
Dr. Charles Cheung Wai Bun [*]	2/2	-	-	-	-	0/0
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	1/1	1/1	-	1/1
Professor Patrick Wong Lung Tak	4/4	2/2	1/1	1/1	1/1	1/1

[#] Resigned on 19 August 2015

^{*} Appointed on 12 October 2015

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 2015, 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 2015. Accordingly, the Directors have prepared the consolidated financial statements for the year ended 31 December 2015 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 2015 are included in note 8 to the consolidated financial statements.

Fees for non-auditing services include HK\$4,355,000 for the services provided in respect of taxation and advisory services.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining a sound and effective risk management and internal control systems, and for reviewing their design, operational adequacy and effectiveness on an ongoing basis. The systems, aiming at providing reasonable assurance of no material misstatement or loss and to manage risks failure in operational systems and achievement of the Group's objectives, are designed to:

- facilitate their effective and efficient operation by allowing it to respond appropriately to significant business, operational, financial compliance and other risks with a view of achieving business objectives;
- help ensure maintenance of proper accounting records for the provision of reliable financial information for internal or external reporting; and
- help ensure compliance with relevant legislation and regulations, and also with internal policies with respect to the conduct of business.

The key procedures that the Group established to provide effective risk management and internal controls include 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.

Department heads are responsible for daily operations and manage the day-to-day operational and business risks. Procedures and process including those relating to internal control, are formally documented to provide a consistent approach of managing risks. The Group's Internal Audit Department 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 through the monitoring of the Group's internal governance, evaluating the quality of the internal control systems.

Using a risk based audit methodology, 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 are in place and functioning effectively. 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 the risk management and sound internal control systems are maintained and operated by management in compliance with policies and procedures of the Group and the requirements that are laid down by external regulators.

CORPORATE GOVERNANCE REPORT

For the financial year ended 31 December 2015, Internal Audit Department was not aware of any significant internal control issues that would have an adverse impact on the financial position or operations of the Group. The Board, through the review of the Audit Committee, considered the risk management and internal control systems of the Group are effective and adequate. The Board, through the Audit Committee also satisfied itself that the accounting & financial reporting and the internal audit functions of the Group are adequately resourced with staff of appropriate qualifications and experience, and that they have received appropriate and sufficient training.

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 the 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 Company's Articles of Association has been published on the websites of the Company and HKEx. There have been no changes during the year ended 31 December 2015.

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 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal subsidiaries, joint 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 44 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 71 of this annual report.

DIVIDENDS

Special dividends of HK\$0.28 and HK\$0.14 per share for the year ended 31 December 2015 were paid to the shareholders of the Company on 22 May 2015 and 30 October 2015 respectively.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

Total dividends paid to shareholders of the Company for the year ended 31 December 2015 were HK\$0.42 per share (2014: HK\$1.15 per share).

On 25 February 2016, the Board of Directors has resolved to declare special dividend of HK\$0.15 per share totaling approximately HK\$650 million, payable to shareholders whose names appear on the register of members of the Company on 15 April 2016. This special dividend is expected to be paid on or about 29 April 2016.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2015, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK\$1,912,499,000 (2014: HK\$1,474,912,000).

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and principal risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 12 to 16 and Management Discussion and Analysis on pages 20 to 31 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 4 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2015 are provided in note 41 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial & Operational Highlights on pages 6 to 10 of this annual report.

REPORT OF THE DIRECTORS

In addition, discussions on the Group's environmental policies and performance, compliance with relevant laws and regulations which have a significant impact on the Group and an account of the Group's key relationships with its employees, customers and suppliers and others which have a significant impact on the Group are contained in the section headed "Corporate Social Responsibility" on pages 32 to 40 of this annual report.

SHARES ISSUED

Details of the shares issued by the Company during the year are set out in note 27 to the consolidated financial statements.

During the year, 15,847,336 new ordinary 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 2015.

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* (resigned on 19 August 2015)
Dr. Charles Cheung Wai Bun, *non-executive Director* (appointed on 12 October 2015)
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. Joseph Chee Ying Keung and Mr. James Ross Ancell will retire from office by rotation, being eligible, and will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 97 of the Articles of Association of the Company, Dr. Charles Cheung Wai Bun will retire from office by rotation, being eligible, and will offer himself 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).

REPORT OF THE DIRECTORS

Notes:

- (1) 305,401 shares, 295,421,000 shares and 68,000,000 shares of the Company were held by Po Kay Securities & Shares Company Limited, Lui Che Woo Foundation Limited (“Lui Che Woo Foundation”) and LUI Che Woo Prize Limited (“LUI Che Woo Prize”) respectively, all of which are controlled by Dr. Lui Che Woo. Lui Che Woo Foundation and LUI Che Woo Prize are charitable organizations.
- (2) A discretionary family trust established by Dr. Lui Che Woo as founder was interested in 1,362,225,231 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 held by Recurrent Profits Limited, 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.

(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 2015, 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 specified undertakings or its other associated corporations (within the meaning of Part XV of the SFO and the Hong Kong Companies Ordinance (Cap. 622)).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 31 December 2015, 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.	973,282,206	22.84
CWL Assets (PTC) Limited	1,362,225,231	31.97
HSBC International Trustee Limited	1,362,850,491 ⁽¹⁾	31.99
Super Focus Company Limited	274,494,154	6.44
Lui Che Woo Foundation Limited	295,421,000	6.93
The Capital Group Companies, Inc.	260,178,000	6.11

Note:

- (1) HSBC International Trustee Limited, the trustee of a discretionary family trust established by Dr. Lui Che Woo as founder, was interested in 1,362,225,231 shares of the Company.

REPORT OF THE DIRECTORS

There was duplication of interests of:

- (i) 1,362,225,231 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) 973,282,206 shares of the Company between City Lion Profits Corp. and CWL Assets (PTC) Limited; and
- (iii) 274,494,154 shares of the Company between CWL Assets (PTC) Limited and Super Focus Company Limited.

Save as disclosed above, as at 31 December 2015, the Company had not been notified by any person 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.

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.

REPORT OF THE DIRECTORS

(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.

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme, is 315,744,140 shares, representing approximately 7.41% of the issued share capital of the Company on that date, and is further reduced by the number of share awards granted pursuant to the Share Awards Scheme mentioned below.

(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).

REPORT OF THE DIRECTORS

Name	Date of grant	Number of Options					Exercise price (HK\$)	Exercise period
		Held at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2015		
Employees ^(a) (in aggregate)	8 May 2009	2,500,000	–	2,500,000 ^(d)	–	–	2.16	8 May 2010 – 7 May 2015
	21 Oct 2009	65,000	–	65,000 ^(d)	–	–	3.60	21 Oct 2010 – 20 Oct 2015
	23 Jul 2010	8,493,669	–	4,495,000 ^{(d)(f)}	–	3,998,669	4.67	23 Jul 2011 – 22 Jul 2016
	20 Apr 2011	716,668	–	87,000 ^(d)	–	629,668	13.82	20 Apr 2012 – 19 Apr 2017
	9 Jan 2012	5,285,357	–	2,114,342 ^(d)	–	3,171,015	14.22	9 Jan 2013 – 8 Jan 2018
	16 Mar 2012	4,033,000	–	750,000 ^(d)	–	3,283,000	20.10	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	9,287,864	–	596,992 ^(d)	206,005	8,484,867	32.50	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	1,357,668	–	37,000 ^(d)	78,000	1,242,668	37.45	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	4,872,000	–	–	233,000	4,639,000	77.75	15 Jan 2015 – 14 Jan 2020
	16 Jul 2014	1,412,000	–	–	162,001	1,249,999	62.75	16 Jul 2015 – 15 Jul 2020
	16 Jan 2015	–	11,252,000 ^(f)	–	945,000	10,307,000	39.86	16 Jan 2016 – 15 Jan 2021
	24 Dec 2015	–	23,093,000 ^(f)	–	–	23,093,000	24.80	24 Dec 2016 – 23 Dec 2021
Others (in aggregate)	9 Jan 2012	440,004	–	440,004 ^(e)	–	–	14.22	9 Jan 2013 – 8 Jan 2018
	17 Jan 2013	399,335	–	181,332 ^(e)	109,002	109,001	32.50	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	266,668	–	26,666 ^(e)	53,334	186,668	37.45	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	273,000	–	–	140,000	133,000	77.75	15 Jan 2015 – 14 Jan 2020
	16 Jan 2015	–	125,000	–	–	125,000	39.86	16 Jan 2016 – 15 Jan 2021
	24 Dec 2015	–	220,000	–	–	220,000	24.80	24 Dec 2016 – 23 Dec 2021
Total		60,874,233	43,689,000	15,847,336	1,926,342	86,789,555		

Notes:

- a. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$40.70.
- b. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$31.43.
- c. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$35.95.
- d. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$34.97.
- e. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$39.89.
- f. Include associate of director, Ms. Lui Wai Ling who held 2,000,000 (all were exercised during the year and the weighted average closing price before the date of exercise was HK\$29.43), 1,000,000, 400,000, 80,000, 126,000, 337,000 and 594,000 options granted on 23 July 2010, 9 January 2012, 17 January 2013, 5 July 2013, 15 January 2014, 16 January 2015 and 24 December 2015 respectively at an exercise price and exercise period shown above. The remaining options represent balance held at 31 December 2015.
- g. Dr. Charles Cheung Wai Bun was appointed as a Non-executive Director of the Company on 12 October 2015.
- h. Mr. Anthony Thomas Christopher Carter resigned as a Non-executive Director of the Company on 19 August 2015.

REPORT OF THE DIRECTORS

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 that the vesting period for options granted on 21 October 2009 and the balance of 644,000 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 16 January 2015							
– 14,569,000 options outstanding as at 31 December 2015	13.75	38.35	39.86	55%	3.5 to 4.5 years	2%	0.753% to 0.848%
Granted on 24 December 2015							
– 28,175,000 options outstanding as at 31 December 2015	8.45	24.80	24.80	50%	3.5 to 4.5 years	2%	0.837% to 1.004%

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 16 January 2015 and 24 December 2015 were HK\$40.15 and HK\$24.60 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.

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.

REPORT OF THE DIRECTORS

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, 7,601,510 and 2,480 share awards was granted to employees and an associate of Directors respectively.

Save as disclosed, no share awards was granted to the Directors of the Company or their respective associates under the Share Award Scheme during the year ended 31 December 2015.

The particulars of the movements in the share awards held by the employees of the Company in aggregate and associates of Directors granted under the Share Award Scheme during the year ended 31 December 2015 were as follows:

Name	Date of grant	Number of Awards					Closing price at date of grant (HK\$)	
		Held at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2015		
Employees (in aggregate)	28 Oct 2014	19,792,040	–	–	1,961,610	17,830,430	31 Dec 2017	47.70
	16 Jan 2015	–	1,623,380	–	353,210	1,270,170	31 Dec 2017	38.35
	7 May 2015	–	1,491,640	–	294,050	1,197,590	31 Dec 2017	37.10
	13 Jul 2015	–	3,727,530	–	484,200	3,243,330	31 Dec 2017	35.45
	24 Nov 2015	–	657,170	–	19,600	637,570	31 Dec 2017	23.45
	24 Dec 2015	–	101,790	–	–	101,790	30 June 2018	24.80
Associates of Directors	28 Oct 2014	2,720	–	–	2,720	–	31 Dec 2017	47.70
	7 May 2015	–	2,480	–	–	2,480	31 Dec 2017	37.10
Total		19,794,760	7,603,990	–	3,115,390	24,283,360		

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.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and Share Awards Scheme as disclosed above, no equity-linked agreement that will or may result in the Company issuing shares or no agreement that requires the Company to enter into an agreement that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2015 or subsisted at the end of the financial year.

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 2015, 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.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$5,191,000 (2014: HK\$331,534,000).

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 2015 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, 25 February 2016

FIVE-YEAR SUMMARY

	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	Year ended 31 December 2015 HK\$'000
CONSOLIDATED INCOME STATEMENT					
Revenue	41,186,446	56,746,423	66,032,501	71,752,470	50,990,813
Profit attributable to equity holders of the Company	3,003,908	7,377,839	10,051,764	10,339,810	4,161,050
Dividends	–	–	–	4,878,981	1,787,611
Earnings per share (cents)	72.8	176.2	238.7	243.9	97.8
Dividend per share (cents)	–	–	–	115.0	42.0
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment, investment properties and leasehold land and land use rights	21,990,582	22,736,878	28,421,703	35,661,629	40,854,372
Intangible assets	1,270,424	1,103,508	1,715,360	1,516,326	1,341,213
Joint ventures and associated companies	1,169,613	1,351,792	1,373,882	1,451,471	1,322,153
Long-term pledged bank deposits	1,702,230	–	–	–	–
Other non-current assets	348,179	373,340	515,823	382,481	637,388
Net current assets/(liabilities)	(710,166)	3,489,100	2,355,647	1,243,598	(1,045,599)
Employment of capital	25,770,862	29,054,618	34,382,415	40,255,505	43,109,527
Represented by:					
Share capital	417,421	419,958	421,971	19,774,917	19,952,107
Reserves	13,804,605	21,433,430	32,019,490	18,594,220	21,149,332
Equity attributable to owners of the Company	14,222,026	21,853,388	32,441,461	38,369,137	41,101,439
Non-controlling interests	421,201	440,992	612,827	619,945	611,898
Long term borrowings	10,530,722	6,291,171	236,973	576,430	671,461
Other non-current liabilities	495,679	390,280	1,050,172	663,964	724,729
Provisions	101,234	78,787	40,982	26,029	–
Capital employed	25,770,862	29,054,618	34,382,415	40,255,505	43,109,527
Net assets per share (dollars)	3.41	5.20	7.69	9.04	9.65

REPORT OF INDEPENDENT AUDITOR



羅兵咸永道

To the Members 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 set out on pages 71 to 152, which comprise the consolidated balance sheet as at 31 December 2015, 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 405 of 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.

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

REPORT OF INDEPENDENT AUDITOR

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 February 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	6	50,990,813	71,752,470
Other (losses)/income/gains, net	8(a)	(55,873)	336,605
Special gaming tax and other related taxes to the Macau Government		(18,233,209)	(26,565,030)
Commission and allowances to gaming counterparties		(12,540,402)	(22,214,046)
Raw materials and consumables used		(836,814)	(984,739)
Amortisation and depreciation		(3,086,292)	(1,884,445)
Employee benefit expenses		(7,052,410)	(5,601,896)
Other operating expenses		(5,005,241)	(4,404,139)
Finance costs	10	(32,772)	(32,849)
Share of profits less losses of:			
Joint ventures	18(a)	60,719	162,521
Associated companies	19(a)	211	–
Profit before taxation	8(b)	4,208,730	10,564,452
Taxation charge	11	(82,441)	(201,904)
Profit for the year		4,126,289	10,362,548
Attributable to:			
Equity holders of the Company	29	4,161,050	10,339,810
Non-controlling interests		(34,761)	22,738
		4,126,289	10,362,548
		HK cents	HK cents
Earnings per share	12		
Basic		97.8	243.9
Diluted		96.9	241.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Profit for the year	4,126,289	10,362,548
Other comprehensive loss		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	(94,639)	(88,151)
Currency translation differences	(170,052)	(32,371)
Other comprehensive loss for the year, net of tax	(264,691)	(120,522)
Total comprehensive income for the year	3,861,598	10,242,026
Total comprehensive income attributable to:		
Equity holders of the Company	3,924,909	10,221,105
Non-controlling interests	(63,311)	20,921
	3,861,598	10,242,026

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	35,690,673	30,421,771
Investment properties	15	42,000	35,000
Leasehold land and land use rights	16	5,121,699	5,204,858
Intangible assets	17	1,341,213	1,516,326
Joint ventures	18	1,321,081	1,450,610
Associated companies	19	1,072	861
Other non-current assets	20	637,388	382,481
		44,155,126	39,011,907
Current assets			
Inventories	21	150,789	143,461
Debtors and prepayments	22	2,183,880	1,981,960
Amounts due from joint ventures	23	404,441	325,814
Taxation recoverable		6,148	13,945
Derivative financial instruments	24	9,103	–
Other investments	25	3,425	6,429
Other cash equivalents	26	723,748	1,314,993
Cash and bank balances	26	7,717,681	9,040,327
		11,199,215	12,826,929
Total assets		55,354,341	51,838,836

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
EQUITY			
Share capital	27	19,952,107	19,774,917
Reserves	29	21,149,332	18,594,220
Equity attributable to owners of the Company		41,101,439	38,369,137
Non-controlling interests		611,898	619,945
Total equity		41,713,337	38,989,082
LIABILITIES			
Non-current liabilities			
Borrowings	30	671,461	576,430
Deferred taxation liabilities	31	250,280	249,113
Provisions	32	–	26,029
Retention payable		150,477	195,090
Non-current deposits	35	323,972	219,761
		1,396,190	1,266,423
Current liabilities			
Creditors and accruals	33	11,457,586	11,112,104
Amounts due to joint ventures	23	27,306	24,969
Current portion of borrowings and short-term bank loans	30	718,879	411,574
Provision for tax		41,043	34,684
		12,244,814	11,583,331
Total liabilities		13,641,004	12,849,754
Total equity and liabilities		55,354,341	51,838,836
Net current (liabilities)/assets		(1,045,599)	1,243,598
Total assets less current liabilities		43,109,527	40,255,505

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	6,753,375	12,195,935
Hong Kong profits tax paid		(22,784)	(30,660)
Mainland China tax and Macau complementary tax paid		(44,465)	(120,881)
Interest paid		(60,569)	(24,790)
Net cash from operating activities		6,625,557	12,019,604
Cash flows from investing activities			
Purchase of property, plant and equipment	34(b)	(6,541,429)	(9,303,290)
Acquisition of business		(650,000)	–
Addition to leasehold land		–	(171,929)
Purchase of intangible assets		(52,709)	(39,225)
Proceeds from disposal of investment property		74,670	3,975
Proceeds from disposal of property, plant and equipment		5,568	6,319
Proceeds from disposal of a joint venture		–	3,203
Investments in joint ventures		(39)	(60,703)
Decrease in advances to joint ventures		37,117	8,063
Proceeds from disposal of subsidiaries		–	87,607
Proceeds from disposal of other investments		2,684	–
Decrease in deferred receivable		9,987	19,545
Increase in finance lease receivable		(58,923)	(12,277)
Purchase of available-for-sale financial assets		(365,793)	–
Interest received		133,157	186,222
Decrease in short-term pledged deposits and short-term bank deposits with maturity over three months		1,543,587	699,159
Dividends received from joint ventures		105,095	144,342
Dividends received from unlisted investments		4,730	26,000
Net cash used in investing activities		(5,752,298)	(8,402,989)
Cash flows from financing activities			
Issue of new shares		124,694	256,320
New bank loans		6,986,349	737,325
Repayment of bank loans		(6,553,625)	(394,887)
Capital element of finance lease payments		(164)	(6,008)
Decrease in loan from non-controlling interests		(21,937)	(19,067)
Dividends paid to non-controlling interests		(9,663)	(14,049)
Injection of capital from non-controlling interests		64,927	246
Dividends paid to shareholders	13	(1,787,611)	(4,878,981)
Net cash used in financing activities		(1,197,030)	(4,319,101)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year		8,330,951	9,028,320
Translation differences		(27,962)	5,117
Cash and cash equivalents at end of year	26	7,979,218	8,330,951

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	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 2014	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 29)	19,138,826	(19,138,826)	–	–	–
Special dividends (note 13)	–	(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
Comprehensive income					
Profit for the year	–	4,161,050	4,161,050	(34,761)	4,126,289
Other comprehensive loss					
Change in fair value of available-for-sale financial assets	–	(94,639)	(94,639)	–	(94,639)
Currency translation differences	–	(141,502)	(141,502)	(28,550)	(170,052)
Total other comprehensive loss, net of tax	–	(236,141)	(236,141)	(28,550)	(264,691)
Total comprehensive income for the year	–	3,924,909	3,924,909	(63,311)	3,861,598
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	64,927	64,927
Dividends paid to non-controlling interests	–	–	–	(9,663)	(9,663)
Issue of shares upon exercise of share options	177,190	(52,496)	124,694	–	124,694
Fair value of share options granted	–	201,457	201,457	–	201,457
Fair value of share award granted	–	268,853	268,853	–	268,853
Special dividends (note 13)	–	(1,787,611)	(1,787,611)	–	(1,787,611)
At 31 December 2015	19,952,107	21,149,332	41,101,439	611,898	41,713,337

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.

During the year, Galaxy Macau™ Phase 2 and Broadway Macau™ was opened on 27 May 2015.

These consolidated financial statements have been approved for issue by the Board of Directors on 25 February 2016.

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.

At 31 December 2015, the Group’s current liabilities exceeded its current assets by HK\$1,046 million. Taking into account the committed unutilised banking facilities of HK\$6.5 billion as at 31 December 2015 and cash flows from operations, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments (principally relating to the development of Galaxy Macau™ resort at Cotai) as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

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

In 2015, the Group adopted the following new/amended standards which are relevant to its operations.

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010–2012 Cycle	
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	
HKAS 40 (Amendment)	Investment Property
HKFRS 3 (Amendment)	Business Combinations
HKFRS 13 (Amendment)	Fair Value Measurement

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)

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

New standards and amendments		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 27 (Amendment)	Equity Method In Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 10, 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
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 19 (Amendment)	Employee Benefits	
HKAS 34 (Amendment)	Interim Financial Reporting	

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

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, and as a result, there are changes to presentation and disclosures of certain information in the consolidated 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 applies the acquisition method 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

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.

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 accounted for at cost less impairment losses. Cost includes direct attributable costs of investment. 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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 the CGU containing the 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. The carrying amount of the replaced part is derecognised. 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 that are subject to amortisation 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 financial assets held for trading. 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.

(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 joint ventures and cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets (Continued)

(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 of the 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. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Leases (Continued)

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.

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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 taxation 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 taxation 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 taxation asset is realised or the deferred taxation liability is settled.

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 liabilities are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 of the share options, 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.29 Revenue recognition (Continued)**(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.30 Foreign currency translation (Continued)**

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 risks by using derivative financial instruments to manage 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.

4.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group operates principally in Hong Kong, Macau and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi, Macau Patacas and other non-Hong Kong dollar currencies. 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 foreign exchange contracts and arrangement of foreign currency borrowings whenever considered appropriate.

Forward foreign exchange contracts with notional principal amount of HK\$456 million were outstanding as at 31 December 2015.

The foreign exchange risk mainly arises on the cash and bank balances which are denominated in Renminbi. As at 31 December 2015, if Renminbi weakened/strengthened by 2%, profit after tax for the year would have been HK\$3,000 (2014: HK\$73,306,000) lower/higher as a result of foreign exchange loss/gain on translation of that balance. As at 31 December 2015, the majority of Renminbi cash and bank balances are held by group companies operating in Mainland China with Renminbi as their functional currency.

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

The foreign exchange risk arisen from assets denominated in other foreign currencies are not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(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 25) or available-for-sale financial assets (see note 20(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 2015, 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\$37,760,000 (2014: HK\$10,644,000) higher or lower.

(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 banking facilities as considered appropriate to match its investments in Hong Kong, Macau, Mainland China and other countries. 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 2015, 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\$5,922,000 (2014: HK\$3,958,000) lower or higher, mainly as a result of higher or lower interest expense on floating rate borrowings.

At 31 December 2015, 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\$28,404,000 (2014: HK\$28,340,000) higher or lower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(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.

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 2015, approximately 74% (2014: 63%) 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 22 for details of debtors and further disclosure on credit risks.

The maximum exposure to credit risk at 31 December 2015 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 for its financial liabilities, drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay and include both interest and principal, is set out below.

	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 2015					
Borrowings	742,647	138,169	358,388	–	1,239,204
Obligations under finance leases	–	15,201	–	589,259	604,460
Provisions	22,503	–	–	–	22,503
Creditors and accruals (including non-current retention payable and non-current deposits)	11,435,083	185,481	202,974	85,994	11,909,532
Amounts due to joint ventures	27,306	–	–	–	27,306
At 31 December 2014					
Borrowings	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 non-current deposits)	11,085,779	42,524	366,444	5,883	11,500,630
Amounts due to joint ventures	24,969	–	–	–	24,969

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management (Continued)

The gearing ratios at 31 December 2015 and 2014 were as follows.

	2015 HK\$'000	2014 HK\$'000
Total borrowings (note 30)	(1,390,340)	(988,004)
Less: cash and bank balances (note 26)	7,717,681	9,040,327
Net cash	6,327,341	8,052,323
Total assets less cash and bank balances	47,636,660	42,798,509
Gearing ratio (note)	n/a	n/a

Note: The Group was in a net cash position as at 31 December 2015 and 2014.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015 and 2014.

At 31 December 2015	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	3,425	–	–	3,425
Derivative financial instruments	–	9,103	–	9,103
Available-for-sale financial assets				
– Equity securities	351,217	–	26,381	377,598
Total	354,642	9,103	26,381	390,126

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

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 20) for the year ended 31 December 2015 and 2014.

	Available-for-sale financial assets	
	2015 HK\$'000	2014 HK\$'000
At beginning of the year	106,407	194,555
Losses recognised in other comprehensive income	(78,098)	(88,148)
Return of capital	(1,928)	–
At end of the year	26,381	106,407
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\$32.9 billion as included in notes 14, 16 and 17 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 of disposal 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 recoverable amount 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 where there is an 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 an increase/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 and other receivables 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 2015 was HK\$353,616,000 (2014: HK\$135,018,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE

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

	2015 HK\$'000	2014 HK\$'000
Gaming operations		
Net gaming wins	46,215,018	67,626,932
Contributions from City Club Casinos (note)	97,449	156,160
Tips received	9,480	10,946
Hotel and mall operations	2,731,027	1,911,312
Administrative fees from gaming operations	19,919	9,900
Sales of construction materials	1,917,920	2,037,220
	50,990,813	71,752,470

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 2015, the Group is entitled to HK\$97,449,000 (2014: HK\$156,160,000), 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 and impairment charge when the impairment is the result of an isolated, non-recurring event. The Adjusted EBITDA also excludes taxation of joint ventures and associated companies, the effects of share option expenses, share award expenses, donation expenses, and unrealised losses/gain on other 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 2015				
Reportable segment revenue	51,128,784	1,917,920	-	53,046,704
Adjusted for:				
City Club Casinos arrangement set out in note 6				
Revenue not recognised	(2,173,259)	-	-	(2,173,259)
Contributions	97,449	-	-	97,449
Others	19,919	-	-	19,919
Revenue recognised under HKFRS	49,072,893	1,917,920	-	50,990,813
Adjusted EBITDA including share of results of joint ventures and associated companies	8,571,602	318,064	(154,004)	8,735,662
Interest income and gross earnings on finance lease				117,584
Amortisation and depreciation				(3,086,292)
Finance costs				(32,772)
Taxation charge				(82,441)
Adjusted items:				
Taxation of joint ventures and associated companies				(13,371)
Pre-opening expenses of Galaxy Macau™				
Phase 2 at Cotai				(590,735)
Pre-opening expenses of Broadway Macau™				
at Cotai				(163,405)
Other pre-opening expenses				(47,697)
Unrealised loss on other investments				(917)
Share option expenses				(201,457)
Share award expenses				(238,389)
Donation and sponsorship				(5,191)
Write-off/loss on disposal of certain property, plant and equipment				(11,555)
Change in fair value of investment properties				7,000
Foreign exchange loss				(202,193)
Others				(57,542)
Profit for the year				4,126,289
Share of results of joint ventures and associated companies	29,705	31,225	-	60,930

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 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 including share of results of joint ventures and associated companies	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)
Adjusted items:				
Taxation of joint ventures and associated companies				(44,044)
Pre-opening expenses of Galaxy Macau™				
Phase 2 at Cotai				(168,619)
Other pre-opening expenses				(73,922)
Unrealised loss on other 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
Foreign exchange gain				5,127
Others				(49,382)
Profit for the year				10,362,548
Share of results of joint ventures and associated companies	56,716	105,805	–	162,521

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 2015				
Total assets	49,864,096	5,386,459	103,786	55,354,341
Total assets include:				
Joint ventures	66,824	1,254,257	-	1,321,081
Associated companies	-	1,072	-	1,072
Total liabilities	11,673,031	1,494,956	473,017	13,641,004
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
Year ended 31 December 2015				
Additions to non-current assets	7,665,670	492,083	1,992	8,159,745
Year ended 31 December 2014				
Additions to non-current assets	9,208,410	457,280	44	9,665,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION (Continued)

Geographical analysis

Year ended 31 December	2015 HK\$'000	2014 HK\$'000
Revenue		
Macau	49,387,041	70,048,579
Hong Kong	1,456,179	1,384,701
Mainland China	147,593	319,190
	50,990,813	71,752,470
Non-current assets	As at 31 December 2015 HK\$'000	As at 31 December 2014 HK\$'000
Macau	41,033,337	36,041,240
Hong Kong	575,197	545,122
Mainland China	2,546,592	2,425,545
	44,155,126	39,011,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2015 HK\$'000	2014 HK\$'000
(a) Other (losses)/income/gains, net		
Rental income from investment properties	3,765	6,180
Interest income		
Bank deposits	109,622	176,092
Loans to joint ventures (note 23(a))	5,961	11,181
Deferred receivables (note 20(c))	1,312	1,390
Dividend income from unlisted investments	4,730	26,000
Gross earnings on finance lease	689	221
Gain on disposal of subsidiaries	–	77,030
Gain on disposal of a joint venture	–	3,663
Gain on disposal of investment property	–	24,660
Gain on disposal of other investments	597	–
Unrealised loss on other investments	(917)	(1,720)
Change in fair value of investment properties	7,000	–
Write-off/loss on disposal of property, plant and equipment	(17,988)	(64,781)
Loss on/write-off of intangible assets	(113)	(133)
Fair value change on financial derivative instruments	9,103	–
Foreign exchange (loss)/gain	(202,193)	5,127
Others	22,559	71,695
	(55,873)	336,605
(b) Profit before taxation is stated after charging		
Depreciation	2,765,733	1,564,745
Amortisation		
Gaming licence	106,337	106,337
Computer software	33,446	43,864
Quarry site improvements	8,804	8,765
Overburden removal costs	2,092	2,097
Quarry site development	98	97
Leasehold land and land use rights	81,856	70,615
Reacquired right	87,926	87,925
Operating lease rental		
Land and buildings	55,039	45,246
Staff costs, including Directors' remuneration (note i)	7,052,410	5,601,896
Outgoing in respect of investment properties	556	590
Auditor's remuneration		
Audit services		
Provision for the year	10,898	11,608
Over-provision in prior year	(1,008)	(3,468)
Non-audit services		
Provision for the year	4,355	2,368
Over-provision in prior year	(221)	(5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER (LOSSES)/INCOME/GAINS, NET AND PROFIT BEFORE TAXATION (Continued)

(i) Staff costs, including Directors' remuneration

Staff costs is stated after amount capitalised in assets under construction in the aggregate of HK\$271,182,000 (2014: HK\$252,291,000), and include share option expenses and share award expenses of HK\$201,457,000 (2014: HK\$211,582,000) and HK\$238,389,000 (2014: HK\$104,816,000) respectively.

(ii) 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.

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 13% 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\$201,294,000 (2014: HK\$138,064,000), after deducting forfeitures of HK\$28,351,000 (2014: HK\$31,767,000), leaving HK\$6,103,000 (2014: HK\$716,000) available to reduce future contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	(note iii)					2015 Total HK\$'000
	Directors' fees (note i) HK\$'000	Salary, allowance and benefit in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Estimated money value of other benefits (note ii) HK\$'000	
Executive Directors						
Dr. Lui Che Woo	240	10,786	15,774	539	21,664	49,003
Mr. Francis Lui Yiu Tung	420	15,260	22,318	763	30,704	69,465
Mr. Joseph Chee Ying Keung	210	3,948	1,242	359	1,524	7,283
Ms. Paddy Tang Lui Wai Yu	210	2,328	-	116	2,991	5,645
	1,080	32,322	39,334	1,777	56,883	131,396
Non-executive Directors						
Mr. James Ross Ancell	440	-	-	-	-	440
Dr. William Yip Shue Lam	520	-	-	-	-	520
Mr. Anthony Thomas Christopher Carter (note iv)	210	-	-	-	-	210
Professor Patrick Wong Lung Tak	540	-	-	-	-	540
Dr. Charles Cheung Wai Bun (note v)	-	-	-	-	-	-
	1,710	-	-	-	-	1,710
Total 2015	2,790	32,322	39,334	1,777	56,883	133,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

	(note iii)					2014 Total HK\$'000
	Directors' fees HK\$'000	Salary, allowance and benefit in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Estimated money value of other benefits (note ii) HK\$'000	
Executive Directors						
Dr. Lui Che Woo	240	10,786	28,967	539	19,624	60,156
Mr. Francis Lui Yiu Tung	420	15,260	40,984	763	27,941	85,368
Mr. Joseph Chee Ying Keung	210	3,793	818	344	1,517	6,682
Ms. Paddy Tang Lui Wai Yu	210	2,328	-	116	4,935	7,589
	1,080	32,167	70,769	1,762	54,017	159,795
Non-executive Directors						
Mr. James Ross Ancell	440	-	-	-	-	440
Dr. William Yip Shue Lam	520	-	-	-	-	520
Mr. Anthony Thomas Christopher Carter	210	-	-	-	-	210
Professor Patrick Wong Lung Tak	540	-	-	-	-	540
	1,710	-	-	-	-	1,710
Total 2014	2,790	32,167	70,769	1,762	54,017	161,505

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director of the Company undertaking for 2014.

(ii) Other benefits represent share options. The value of the share options granted to the Directors under the share option schemes of the Company represents the fair value of these options charged to the consolidated income statement for the year according to their vesting periods.

(iii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

The discretionary bonuses paid in 2015 were in relation to performance and services for 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

(iv) Mr. Anthony Thomas Christopher Carter resigned as a Non-executive Director on 19 August 2015.

(v) Dr. Charles Cheung Wai Bun was appointed as a Non-executive Director on 12 October 2015.

There was no arrangement under which a Director waived or agreed to waive any emoluments during the current and prior years.

(b) Directors material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2014: two) Directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three individuals (2014: three) are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other emoluments	22,020	20,339
Discretionary bonuses	13,328	14,633
Retirement benefits	627	581
Share options (note 28)	28,428	41,496
	64,403	77,049

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2015	2014
HK\$13,500,001 – HK\$14,000,000	–	1
HK\$14,000,001 – HK\$14,500,000	1	–
HK\$17,000,001 – HK\$17,500,000	1	1
HK\$33,000,001 – HK\$33,500,000	1	–
HK\$45,500,001 – HK\$46,000,000	–	1
	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest expenses		
Bank loans and overdrafts	60,076	23,364
Obligations under finance leases	10,496	9,636
Other borrowing costs	1,916	1,917
	72,488	34,917
Amount capitalised in assets under construction	(39,716)	(2,068)
	32,772	32,849

11. TAXATION CHARGE

	2015 HK\$'000	2014 HK\$'000
Current taxation		
Hong Kong profits tax	28,053	37,567
Mainland China income tax and withholding tax	5,961	18,340
Macau complementary tax	8,563	174
Net under/(over) provision in prior years	3,163	(268)
Lump sum in lieu of Macau complementary tax on dividend	35,534	142,816
Deferred taxation (note 31)	1,167	3,275
Taxation charge	82,441	201,904

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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% (2014: 12% to 25%). The weighted average applicable tax rate was 12% (2014: 12%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. TAXATION CHARGE (Continued)

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:

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	4,208,730	10,564,452
Share of profits less losses of		
Joint ventures	(60,719)	(162,521)
Associated companies	(211)	–
	4,147,800	10,401,931
Tax calculated at applicable tax rate	473,885	1,232,309
Income not subject to tax	(16,306)	(24,200)
Profit exempted from Macau Complementary Tax (note a)	(1,066,138)	(1,546,808)
Expenses not deductible for tax purpose	114,001	94,595
Utilisation of previously unrecognised tax losses	(1,066)	(7,203)
Tax losses not recognised	534,248	302,110
Net under/(over) provision in prior years	3,163	(268)
Mainland China withholding tax	5,120	8,553
Lump sum in lieu of Macau complementary tax on dividend (note b)	35,534	142,816
Taxation charge	82,441	201,904

- (a) Pursuant to the Despatch 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. 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 (2014: two) 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 the share options and the 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.

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

	2015	2014
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	4,161,050	10,339,810
	Number of shares	
	2015	2014
Weighted average number of shares for calculating basic earnings per share	4,255,528,729	4,238,511,510
Effect of dilutive potential ordinary shares		
Share options	16,179,334	42,586,977
Share award	21,432,884	8,297,530
Weighted average number of shares for calculating diluted earnings per share	4,293,140,947	4,289,396,017

13. DIVIDENDS

	2015	2014
	HK\$'000	HK\$'000
First special dividend paid of HK\$0.28 (2014: HK\$0.70) per ordinary share	1,191,466	2,969,566
Second special dividend paid of HK\$0.14 (2014: HK\$0.45) per ordinary share	596,145	1,909,415
	1,787,611	4,878,981

The Board of Directors does not declare any final dividend for the year ended 31 December 2015 (2014: nil).

Details of the special dividend declared subsequent to the year-end are given in note 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

	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 2014	12,072,948	383,601	4,785,468	6,664,023	13,762,903	37,668,943
Exchange differences	(7,011)	(24)	(32,133)	(954)	(20,977)	(61,099)
Additions	1,963,795	30,400	1,084,435	1,453,072	3,578,393	8,110,095
Transfer	8,938,262	190,959	2,770,672	3,345,779	(15,245,672)	–
Disposals/Write-off	(1,164)	(4,512)	(110,344)	(94,931)	–	(210,951)
At 31 December 2015	22,966,830	600,424	8,498,098	11,366,989	2,074,647	45,506,988
Accumulated depreciation and impairment						
At 31 December 2014	1,591,118	249,122	2,193,683	3,213,249	–	7,247,172
Exchange differences	(1,551)	(23)	(6,965)	(656)	–	(9,195)
Charge for the year	624,861	73,863	695,150	1,371,859	–	2,765,733
Disposals/Write-off	(334)	(4,509)	(107,995)	(74,557)	–	(187,395)
At 31 December 2015	2,214,094	318,453	2,773,873	4,509,895	–	9,816,315
Net book value						
At 31 December 2015	20,752,736	281,971	5,724,225	6,857,094	2,074,647	35,690,673
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (a) Other assets comprise barges, furniture and equipment, operating equipment, vessel, aircrafts, and motor vehicles.
- (b) During the year, borrowing costs of HK\$39,716,000 (2014: HK\$2,068,000) were capitalised and included in assets under construction. A capitalisation rate of 2.03% (2014: 5.48%) 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\$271,182,000 (2014: HK\$252,291,000) were capitalised and included in assets under construction.

15. INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
Fair value		
At beginning of the year	35,000	88,500
Change in fair value	7,000	–
Disposal	–	(53,500)
At end of the year	42,000	35,000

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 2015. 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;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. LEASEHOLD LAND AND LAND USE RIGHTS

	2015 HK\$'000	2014 HK\$'000
Net book value at beginning of the year	5,204,858	5,106,987
Exchange differences	(1,303)	(116)
Additions	-	171,929
Disposal of a subsidiary	-	(3,327)
Amortisation	(81,856)	(70,615)
Net book value at end of the year	5,121,699	5,204,858
Cost	5,764,140	5,765,619
Accumulated amortisation	(642,441)	(560,761)
Net book value	5,121,699	5,204,858

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\$3,057 million (2014: HK\$3,087 million), for which net book value of HK\$1,432 million (2014: HK\$807 million) is developed, HK\$483 million (2014: HK\$1,045 million) is under development and HK\$1,142 million (2014: HK\$1,235 million) is held for development for specific uses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INTANGIBLE ASSETS

	Gaming licence (note a)	Reacquired right (note b)	Computer software	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
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
Additions	–	–	52,709	52,709
Write-off	–	–	(407)	(407)
At 31 December 2015	16,887,329	786,700	319,476	17,993,505
Accumulated amortisation and impairment				
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
Charge for the year	106,337	87,926	33,446	227,709
Write-off	–	–	(294)	(294)
At 31 December 2015	16,197,154	215,186	239,952	16,652,292
Net book value				
At 31 December 2015	690,175	571,514	79,524	1,341,213
At 31 December 2014	796,512	659,440	60,374	1,516,326

(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

18. JOINT VENTURES

	2015 HK\$'000	2014 HK\$'000
Share of net assets	1,321,081	1,450,610

- (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:

	2015 HK\$'000	2014 HK\$'000
Non-current assets	1,759,691	1,853,480
Current assets	721,428	779,284
Current liabilities	(742,886)	(728,795)
Non-current liabilities	(417,152)	(453,359)
	1,321,081	1,450,610
Income	1,344,476	1,553,919
Expenses	(1,283,757)	(1,391,398)
Share of results for the year	60,719	162,521

- (b) Details of the joint ventures are given in note 44(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. ASSOCIATED COMPANIES

	2015 HK\$'000	2014 HK\$'000
Share of net assets	1,072	861

- (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:

	2015 HK\$'000	2014 HK\$'000
Non-current assets	47	3,200
Current assets	12,809	35,685
Current liabilities	(2,246)	(24,962)
Non-current liabilities	(9,538)	(13,062)
	1,072	861
Income	7,129	21,089
Expenses	(6,918)	(21,089)
Share of results for the year	211	–

- (b) Details of the associated companies are given in note 44(c).

20. OTHER NON-CURRENT ASSETS

	2015 HK\$'000	2014 HK\$'000
Available-for-sale financial assets (note a)	377,598	106,444
Finance lease receivable (note b)	58,976	15,047
Deferred expenditure		
Overburden removal costs	–	2,092
Quarry site development	–	98
Quarry site improvements	–	9,011
Deferred receivable (note c)	43,226	53,143
Deposits paid for property, plant and equipment	147,681	185,681
Other	9,907	10,965
	637,388	382,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. OTHER NON-CURRENT ASSETS (Continued)

(a) Available-for-sale financial assets

	2015 HK\$'000	2014 HK\$'000
Unlisted investments in overseas, at fair value (note 4.3) (note i)	26,381	106,407
Listed investment in overseas, at fair value (note 4.3) (note ii)	351,188	–
Listed investments in Hong Kong, at fair value	29	37
Advances to investee companies (note iii)	23,010	23,010
Less: Provision for impairment	(23,010)	(23,010)
	377,598	106,444

- (i) The unlisted investments are mainly denominated in Macau Patacas and US dollar.
- (ii) On 25 July 2015, GEG announced a strategic minority investment in Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("SBM") listed on the Euronext Paris. SBM is a world renowned owner and operator of iconic luxury hotels and casinos in the Principality of Monaco. GEG has acquired ordinary shares equivalent to approximately 5% of the issued share capital of SBM with total consideration of Euro 42,385,000 (equivalent to HK\$364,363,000) from an independent third party who is unconnected with GEG or its connected persons.
- (iii) 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

	2015 HK\$'000	2014 HK\$'000
Gross receivable	83,748	23,228
Unearned finance income	(2,126)	(529)
	81,622	22,699
Current portion included in current assets (note 22)	(22,646)	(7,652)
	58,976	15,047

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

20. OTHER NON-CURRENT ASSETS (Continued)

(b) Finance lease receivable (Continued)

The finance lease is receivable in the following years:

	Minimum receipts		Present value	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Within one year	23,574	7,904	22,646	7,652
Between two to five years	60,174	15,324	58,976	15,047
	83,748	23,228	81,622	22,699

- (c)** Deferred receivable includes consideration receivable in respect of the partial disposal of a subsidiary in 2009 amounting to HK\$30,341,000 (2014: HK\$45,556,000) and advances to various contractors amounting to HK\$12,884,000 (2014: HK\$7,587,000).

The consideration receivable is unsecured, interest free, payable in three (2014: four) annual instalments and the current portion of this receivable of HK\$15,715,000 (2014: 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 2021 (2014: up to 2019). The current portion of the receivable is included under other debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Gaming and entertainment		
Playing cards	1,503	4,158
Food and beverages	43,939	33,611
Consumables	20,998	18,483
	66,440	56,252
Construction materials		
Aggregates and sand	14,286	16,443
Concrete, pipes and piles	15,010	19,785
Slag	7,236	19,493
Cement	21,384	11,097
Spare parts	10,996	11,455
Consumables	15,437	8,936
	84,349	87,209
	150,789	143,461

22. DEBTORS AND PREPAYMENTS

	2015 HK\$'000	2014 HK\$'000
Trade debtors, net of provision (note a)	447,451	441,830
Other debtors and deposit paid, net of provision (note b)	1,555,905	1,438,876
Prepayments	153,582	83,977
Amounts due from associated companies (note c)	4,296	9,625
Current portion of finance lease receivable (note 20(b))	22,646	7,652
	2,183,880	1,981,960

- (a) Trade debtors mainly arise from the sales of construction materials and mall operations. 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 (2014: 30 to 60 days) for customers in Hong Kong and Macau and 60 to 120 days (2014: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. DEBTORS AND PREPAYMENTS (Continued)

(a) (Continued)

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:

	2015 HK\$'000	2014 HK\$'000
Within one month	268,507	215,931
Two to three months	133,924	168,824
Four to six months	21,720	24,542
Over six months	23,300	32,533
	447,451	441,830

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollar	316,240	298,174
Macau Patacas	114,016	85,879
Renminbi	17,195	57,777
	447,451	441,830

Included in the Group's trade debtors were debtors with a carrying amount of HK\$345,910,000 (2014: HK\$338,666,000) which were not yet due. Debtors with a carrying amount of HK\$101,541,000 (2014: HK\$103,164,000) 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:

	2015 HK\$'000	2014 HK\$'000
Overdue:		
Within one month	50,482	53,997
Two to three months	13,363	17,828
Four to six months	14,427	16,011
Over six months	23,269	15,328
	101,541	103,164

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. DEBTORS AND PREPAYMENTS (Continued)

(a) (Continued)

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 2015, trade debtors of the Group amounting to HK\$17,279,000 (2014: HK\$21,059,000) 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:

	2015 HK\$'000	2014 HK\$'000
Balance at 1 January	21,059	36,669
Receivables written off during the year as uncollectible	(2,551)	(532)
Exchange differences	(1,229)	(266)
Reversal of provision	-	(14,812)
Balance at 31 December	17,279	21,059

(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 2015, other debtors of the Group amounting to HK\$336,337,000 (2014: HK\$113,959,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. AMOUNTS DUE FROM/(TO) JOINT VENTURES

	2015 HK\$'000	2014 HK\$'000
Amounts due from joint ventures (note a)	404,441	325,814
Amounts due to joint ventures (note b)	(27,306)	(24,969)

- (a) The amounts receivable of HK\$313,820,000 (2014: HK\$207,515,000) 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 Hong Kong dollar, Renminbi and Macau Patacas.

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 Group 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 and Macau Patacas.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 HK\$'000	2014 HK\$'000
Current assets		
Forward foreign exchange contracts (note a)	9,103	–

- (a) The notional principal amount of the outstanding forward foreign exchange contracts was HK\$456 million as at 31 December 2015 (2014: nil).

25. OTHER INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Equity securities listed in Hong Kong, at fair value through profit or loss	3,425	6,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. CASH AND CASH EQUIVALENTS AND OTHER BANK DEPOSITS

	2015 HK\$'000	2014 HK\$'000
Cash and bank balances	7,717,681	9,040,327
Less: short-term bank deposits	(462,211)	(2,024,369)
Other cash equivalents – cash chips of other casinos	723,748	1,314,993
Cash and cash equivalents	7,979,218	8,330,951
Short-term pledged bank deposits	462,211	559,655
Short-term bank deposits with maturity over three months	–	1,464,714
Cash and cash equivalents and other bank deposits	8,441,429	10,355,320

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollar	7,034,132	5,240,998
Macau Patacas	188,694	238,919
Renminbi	718,785	4,563,622
Others	499,818	311,781
	8,441,429	10,355,320

Cash and short-term deposits of HK\$719 million (2014: HK\$898 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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:

	2015 HK\$'000	2014 HK\$'000
Counterparties with external credit rating (Standard & Poor's or Moody's)		
AA – to AA+	168,546	295,002
A – to A+	5,385,601	7,279,476
BBB	697,175	64,235
Unrated and cash on hand	1,466,359	1,401,614
Other cash equivalents – cash chips of other casinos (note)	723,748	1,314,993
	8,441,429	10,355,320

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

27. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares, issued and fully paid:		
At 31 December 2013	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 a)	–	19,138,826
At 31 December 2014 and 1 January 2015	4,244,889,689	19,774,917
Issue of shares upon exercise of share options	15,847,336	177,190
At 31 December 2015	4,260,737,025	19,952,107

Note:

- (a) The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3 March 2014. 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. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Hong Kong Companies Ordinance (Cap. 622).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. 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.

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

	2015		2014	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
At beginning of year	25.43	60,874,233	14.10	91,476,690
Granted	30.15	43,689,000	75.07	8,761,000
Exercised	7.87	(15,847,336)	10.18	(25,183,159)
Lapsed	47.75	(1,926,342)	10.05	(14,180,298)
At end of year	30.52	86,789,555	25.43	60,874,233
Vested at end of year	23.83	33,363,723	12.03	32,655,448

The weighted average share price at the date of exercise for share options exercised during the year was HK\$35.08 (2014: HK\$67.29).

The options outstanding at 31 December 2015 have exercise prices ranging from HK\$4.67 to HK\$77.75 (2014: HK\$2.16 to HK\$77.75) with weighted average remaining contractual life of 4.08 years (2014: 3.06 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. 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	
		2015	2014
Directors			
8 May 2010 to 7 May 2015	2.16	–	3,070,000
11 October 2011 to 10 October 2016	6.81	3,450,000	4,784,000
20 April 2012 to 19 April 2017	13.82	392,000	542,000
16 March 2013 to 15 March 2018	20.10	7,330,000	7,330,000
17 January 2014 to 16 January 2019	32.50	3,380,000	3,380,000
5 July 2014 to 4 July 2019	37.45	486,000	486,000
15 January 2015 to 14 January 2020	77.75	1,748,000	1,748,000
16 July 2015 to 15 July 2020	62.75	132,000	132,000
16 January 2016 to 15 January 2021	39.86	4,137,000	–
24 December 2016 to 23 December 2021	24.80	4,862,000	–
Employees and others			
8 May 2010 to 7 May 2015	2.16	–	2,500,000
21 October 2010 to 20 October 2015	3.60	–	65,000
23 July 2011 to 22 July 2016	4.67	3,998,669	8,493,669
20 April 2012 to 19 April 2017	13.82	629,668	716,668
9 January 2013 to 8 January 2018	14.22	3,171,015	5,725,361
16 March 2013 to 15 March 2018	20.10	3,283,000	4,033,000
17 January 2014 to 16 January 2019	32.50	8,593,868	9,687,199
5 July 2014 to 4 July 2019	37.45	1,429,336	1,624,336
15 January 2015 to 14 January 2020	77.75	4,772,000	5,145,000
16 July 2015 to 15 July 2020	62.75	1,249,999	1,412,000
16 January 2016 to 15 January 2021	39.86	10,432,000	–
24 December 2016 to 23 December 2021	24.80	23,313,000	–
		86,789,555	60,874,233

The fair values of the options granted on 16 January 2015 and 24 December 2015 are estimated at HK\$13.75 and HK\$8.45 per option respectively based on the Black-Scholes valuation model. The significant inputs into the model were share prices of HK\$38.35 and HK\$24.80 at the respective dates of grant, respective exercise prices of HK\$39.86 and HK\$24.80, respective standard deviation of expected share price returns of 55% and 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 0.753% to 1.004%. 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

28. 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.

Movements in the number of shares held for the share award scheme and awarded shares for the year ended are as follows:

	2015		2014	
	Weighted average fair value per share HK\$	Number of share award	Fair value per share HK\$	Number of share award
At beginning of year	45.60	19,794,760	–	–
Granted (Note)	33.71	7,603,990	45.60	20,202,280
Lapsed	41.62	(3,115,390)	45.60	(407,520)
At end of year	42.39	24,283,360	45.60	19,794,760
Vested at end of year	–	–	–	–

Note:

During the year ended 31 December 2015, 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

29. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption 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 2015	-	-	-	231,044	100,240	463,634	117,650	204,130	17,477,522	18,594,220
Profit for the year	-	-	-	-	-	-	-	-	4,161,050	4,161,050
Other comprehensive loss										
Change in fair value of available-for-sale financial assets	-	-	-	-	(94,639)	-	-	-	-	(94,639)
Currency translation differences	-	-	-	-	-	-	-	(141,502)	-	(141,502)
Total other comprehensive loss, net of tax	-	-	-	-	(94,639)	-	-	(141,502)	-	(236,141)
Total comprehensive income for the year	-	-	-	-	(94,639)	-	-	(141,502)	4,161,050	3,924,909
Transactions with equity holders										
Issue of shares upon exercise of share options	-	-	-	-	-	(52,496)	-	-	-	(52,496)
Fair value of share options granted	-	-	-	-	-	201,457	-	-	-	201,457
Fair value of share award granted	-	-	-	-	-	-	268,853	-	-	268,853
Transfer to legal reserve	-	-	-	36	-	-	-	-	(36)	-
Special dividends (note 13)	-	-	-	-	-	-	-	-	(1,787,611)	(1,787,611)
At 31 December 2015	-	-	-	231,080	5,601	612,595	386,503	62,628	19,850,925	21,149,332
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 loss										
Change in fair value of available-for-sale financial assets	-	-	-	-	(88,151)	-	-	-	-	(88,151)
Currency translation differences	-	-	-	-	-	-	-	(30,554)	-	(30,554)
Total other comprehensive loss, 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 options lapsed	-	-	-	-	-	(24,217)	-	-	24,217	-
Transfer of reserve	-	(4,395)	-	-	-	-	-	-	4,395	-
Transition to no-par value regime on 3 March 2014 (note 27(a))	(19,138,756)	-	(70)	-	-	-	-	-	-	(19,138,826)
Special dividends (note 13)	-	-	-	-	-	-	-	-	(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

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 2015 and 2014, the legal reserve reached 25% of the subsidiary's share capital. Legal reserve is not distributable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Bank loans		
Secured (note a)	820,660	787,129
Unsecured	363,723	4,561
	1,184,383	791,690
Obligations under finance leases (note b)	205,957	196,314
Total borrowings	1,390,340	988,004
Current portion included in current liabilities	(47,744)	(164)
Short-term bank loans	(671,135)	(411,410)
	(718,879)	(411,574)
	671,461	576,430

(a) The bank loans of HK\$821 million (2014: HK\$787 million) are secured by:

- (i) property, plant and equipment with net book value of HK\$764 million (2014: HK\$358 million); and
- (ii) bank deposits of HK\$462 million (2014: HK\$560 million) (note 26).

(b) Obligations under finance leases

The finance lease obligations are payable in the following years:

	Minimum payments		Present value	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Within one year	–	192	–	164
Between one to two years	15,201	–	13,788	–
Between two to five years	–	15,201	–	10,803
Over five years	589,259	589,259	192,169	185,347
	604,460	604,652	205,957	196,314

The future finance charges on finance lease liabilities amounted to HK\$399 million (2014: HK\$408 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. BORROWINGS (Continued)

(c) The bank loans are repayable as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	718,879	411,410
Between one to two years	119,360	50,704
Between two to five years	346,144	329,576
	1,184,383	791,690

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

	2015				2014			
	EUR	RMB	US\$	MOP	EUR	RMB	US\$	MOP
Bank loans	1.0%	4.5%	1.8%	-	-	6.1%	1.4%	-
Obligations under finance leases	-	-	-	5.0%	-	-	5.0%	5.0%

(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:

	2015 HK\$'000	2014 HK\$'000
Six months or less	876,971	4,561
One to five years	-	380,280
	876,971	384,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. BORROWINGS (Continued)

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

	Carrying amount		Fair value	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Bank loans	1,184,383	791,690	1,184,383	791,690
Obligations under finance leases	205,957	196,314	447,172	439,889
	1,390,340	988,004	1,631,555	1,231,579

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:

	2015 HK\$'000	2014 HK\$'000
Macau Patacas	205,957	196,150
Renminbi	820,660	787,129
Euro	359,181	–
US dollar	4,542	4,725
	1,390,340	988,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. DEFERRED TAXATION LIABILITIES

	2015 HK\$'000	2014 HK\$'000
At beginning of the year	249,113	245,165
Charged to income statement	1,167	3,275
Acquisition of additional interest of a joint venture	-	673
At end of the year	250,280	249,113

Current taxation assets and liabilities, 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, respectively. 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 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
Charged/(credited) to income statement	5,773	(1,130)	(3,476)	1,167
At 31 December 2015	36,549	16,146	197,585	250,280

Deferred taxation assets of HK\$1,135,959,000 (2014: HK\$875,347,000) arising from unused tax losses and other temporary differences totalling of HK\$9,191,859,000 (2014: HK\$7,058,763,000) have not been recognised in the consolidated financial statements. Unused tax losses of HK\$92,558,000 (2014: HK\$126,656,000) have no expiry date and the remaining balance will expire at various dates up to and including 2020 (2014: 2019). The majority of unused tax losses arise from hotel operations which is regarded as a supporting function of the Group's gaming activities. These tax losses can be carried forward for 3 years before expiry. No significant taxable profit is expected to be generated from the hotel operations within this period, hence no deferred taxation asset is recognised in the consolidated financial statements. Majority of deferred income tax liabilities are to be recovered after twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. PROVISIONS

	Environment restoration HK\$'000	Quarrying right HK\$'000	Total HK\$'000
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
Reversal of provision	(207)	–	(207)
Charged to the income statement	1,438	2,128	3,566
Applied during the year	(24,375)	(8,835)	(33,210)
At 31 December 2015	22,503	–	22,503
	2015 HK\$'000		2014 HK\$'000
Current portion	22,503		26,325
Non-current portion	–		26,029
	22,503		52,354

The current portion of the provisions amounting to HK\$22,503,000 (2014: HK\$26,325,000) is included under other creditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. CREDITORS AND ACCRUALS

	2015 HK\$'000	2014 HK\$'000
Trade creditors (note a)	1,667,062	1,616,457
Other creditors (note b)	5,428,925	4,674,558
Chips issued	2,023,774	2,617,506
Loans from non-controlling interests (note c)	21,649	43,586
Accruals and provision	2,297,178	2,145,486
Deposits received	17,884	13,540
Dividend payable	1,114	971
	11,457,586	11,112,104

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

	2015 HK\$'000	2014 HK\$'000
Within one month	1,249,164	1,363,379
Two to three months	83,123	62,847
Four to six months	35,428	45,112
Over six months	299,347	145,119
	1,667,062	1,616,457

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong dollar	985,626	860,964
Macau Patacas	391,872	539,315
Renminbi	187,714	158,866
Other	101,850	57,312
	1,667,062	1,616,457

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

(c) The loans payable of HK\$8,082,000 (2014: HK\$14,132,000) are unsecured, carrying interest at prevailing market rate and repayable within next twelve months. The remaining are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to cash generated from operations

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	4,208,730	10,564,452
Finance costs	32,772	32,849
Share of profits less losses of joint ventures and associated companies	(60,930)	(162,521)
Depreciation and amortisation	3,086,292	1,884,445
Change in fair value of investment properties	(7,000)	–
Write-off/loss on disposal of property, plant and equipment	17,988	64,781
Loss on/write-off of intangible assets	113	133
Unrealised loss on other investments	917	1,720
Gain on disposal of subsidiaries	–	(77,030)
Gain on disposal of a joint venture	–	(3,663)
Gain on disposal of investment property	–	(24,660)
Gain on disposal of other investments	(597)	–
Interest income	(116,895)	(188,663)
Gross earnings on finance lease	(689)	(221)
Dividend income from unlisted investments	(4,730)	(26,000)
Fair value change on financial derivative instruments	(9,103)	–
Fair value of share options granted	201,457	211,582
Fair value of share award granted	238,389	104,816
Operating profit before working capital changes	7,586,714	12,382,020
Increase in inventories	(7,328)	(11,574)
(Increase)/decrease in debtors and prepayments	(333,907)	54,937
Decrease in creditors and accruals	(388,782)	(235,939)
Increase/(decrease) in amounts due to joint ventures	2,337	(11,800)
(Increase)/decrease in amounts due from joint ventures	(110,988)	16,623
Decrease in amounts due from associated companies	5,329	1,668
Cash generated from operations	6,753,375	12,195,935

(b) 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, at an aggregate consideration of HK\$3,250 million. On 17 July 2013, the acquisition pursuant to the agreement was completed.

According to the agreement, the final payment of HK\$650 million (2014: nil) of purchase consideration was settled in January 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. NON-CURRENT DEPOSITS

	2015 HK\$'000	2014 HK\$'000
Non-current deposits received	323,972	219,761

Non-current deposits received mainly represent deposits from tenants with remaining contract terms of over one year.

36. CAPITAL COMMITMENTS

	2015 HK\$'000	2014 HK\$'000
Contracted but not provided for	1,147,547	7,275,826

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

	2015 HK\$'000	2014 HK\$'000
Contracted but not provided for	41,854	29,895

37. 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:

	2015 HK\$'000	2014 HK\$'000
First year	81,400	74,373
Second to fifth years inclusive	43,736	44,507
After the fifth year	79,524	89,442
	204,660	208,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. OPERATING LEASE RENTAL RECEIVABLES

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

	2015 HK\$'000	2014 HK\$'000
First year	990,659	145,668
Second to fifth years inclusive	2,727,334	275,633
After the fifth year	250,198	27,992
	3,968,191	449,293

39. 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\$5,961,000 (2014: HK\$11,181,000) are charged at prevailing market rate (note 23(a)).
- (b) Management fee received from joint ventures and an associated company amounted to HK\$5,842,000 (2014: HK\$7,162,000) are charged at terms agreed among the parties.
- (c) Rental expenses of HK\$1,380,000 (2014: HK\$1,324,000) 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\$471,000 (2014: HK\$14,350,000) at terms agreed among the parties.
- (e) Purchases from joint ventures and its partner and an associated company amounted to HK\$184,779,000 (2014: HK\$231,188,000) at terms agreed among the parties.
- (f) The balances with joint ventures and associated companies are disclosed in notes 23 and 22(c).
- (g) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. Key management compensation amounted to HK\$131,396,000 for the year ended 31 December 2015 (2014: HK\$159,795,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. GUARANTEES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK\$58 million (2014: HK\$149 million). No facility has been utilised (2014: facilities of HK\$89 million had 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\$290 million (2014: HK\$299 million). At 31 December 2015, facilities utilised amounted to HK\$266 million (2014: HK\$282 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.

41. POST BALANCE SHEET EVENT

On 25 February 2016, the Board of Directors declared a special dividend of HK\$0.15 per share, payable to shareholders of the Company whose names appear on the register of members of the Company on 15 April 2016. The total amount of the special dividend to be distributed is estimated to be approximately HK\$650 million and will be paid on or about 29 April 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	2015 HK\$'000	2014 HK\$'000
Assets		
Non-current assets		
Subsidiaries	3,830,001	3,830,001
Amounts due from subsidiaries	19,577,735	18,202,215
	23,407,736	22,032,216
Current assets		
Debtors and prepayments	621	18,967
Derivative financial instruments	9,103	–
Cash and bank balances	65,710	3,745,316
	75,434	3,764,283
Total assets	23,483,170	25,796,499
Equity		
Share capital	19,952,107	19,774,917
Reserves (note a)	3,146,836	2,291,435
Equity attributable to owners of the Company	23,098,943	22,066,352
Liabilities		
Current liabilities		
Creditors and accruals	25,046	21,955
Amount due to a subsidiary	–	3,708,192
Short-term bank loan	359,181	–
	384,227	3,730,147
Total liabilities	384,227	3,730,147
Total equity and liabilities	23,483,170	25,796,499

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the 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 2015	-	235,239	-	463,634	117,650	1,474,912	2,291,435
Profit for the year	-	-	-	-	-	2,225,198	2,225,198
Transactions with equity holders							
Issue of shares upon exercise of share options	-	-	-	(52,496)	-	-	(52,496)
Fair value of share options granted	-	-	-	201,457	-	-	201,457
Fair value of share award granted	-	-	-	-	268,853	-	268,853
Special dividends (note 13)	-	-	-	-	-	(1,787,611)	(1,787,611)
At 31 December 2015	-	235,239	-	612,595	386,503	1,912,499	3,146,836
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 options lapsed	-	-	-	(24,217)	-	24,217	-
Transition to no-par value regime on 3 March 2014	(19,138,756)	-	(70)	-	-	-	(19,138,826)
Special dividends (note 13)	-	-	-	-	-	(4,878,981)	(4,878,981)
At 31 December 2014	-	235,239	-	463,634	117,650	1,474,912	2,291,435

As at 31 December 2015, reserves of the Company of HK\$1,912,499,000 were available for distribution to shareholders (2014: HK\$1,474,912,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 25 February 2016.

44. 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) Limited	Hong Kong	2	2	100	Provision of management services
K. Wah Construction Materials (Hong Kong Region) Limited	Hong Kong	1	–	100	Provision of management services and Investment holding
K. Wah Construction Materials (Shaoguan) Investment Company Limited	Hong Kong	2	–	100	Trading of construction materials products, provision of management services and investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Subsidiaries (Continued)

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					
K. Wah Construction Products Limited	Hong Kong	2	1,000	100	Manufacture, sale and distribution of concrete products
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
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
Quantum 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. 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	RMB383,400,000	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
珠海橫琴銀娛體育度假發展有限公司 (Zhuhai Hengqin GEG Sports Resort Development Company Limited)	Zhuhai	RMB12,000,000	100	Investment holding

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. 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
GEG Investment Holdings (Monaco) Limited	Hong Kong	1	US\$1	100	Investment holding
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

44. 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
Macau Hengqin Sports and Resort Development Limited	Macau	2	MOP25,000	100	Investment holding
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 and hospitality
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

44. 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 Masteeel 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
北京首鋼嘉華建材有限公司 (Beijing Shougang K. Wah Construction Materials Co., Ltd.)	Beijing	RMB50,000,000	40	Manufacture, sale and distribution of slag
廣東韶鋼嘉羊新型材料有限公司 (Guangdong Shaogang Jia Yang New Materials Co., Ltd.)	Shaoguan	US\$14,349,200	28.97	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
K. Wah Materials (Huidong) Limited	Huidong	US\$14,500,000	50	Quarrying

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. 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				
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
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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