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

Stock Code: 27

Annual Report **2008**

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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CHAIRMAN

Dr. Lui Che Woo, *GBS, 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, *JP*

NON-EXECUTIVE DIRECTORS

Dr. Moses Cheng Mo Chi, *GBS, OBE, JP*
Mr. Anthony Thomas Christopher Carter
Dr. Martin Clarke
Mr. Guido Paolo Gamucci

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. James Ross Ancell
Dr. William Yip Shue Lam, *LLD*
Dr. Patrick Wong Lung Tak, *JP*

AUDIT COMMITTEE

Mr. James Ross Ancell *(Chairman)*
Dr. Moses Cheng Mo Chi, *GBS, OBE, JP*
Dr. Patrick Wong Lung Tak, *JP*

REMUNERATION COMMITTEE

Mr. Francis Lui Yiu Tung *(Chairman)*
Dr. William Yip Shue Lam, *LLD*
Dr. Patrick Wong Lung Tak, *JP*

COMPANY SECRETARY

Ms. Kitty Chan Lai Kit

INDEPENDENT AUDITOR

PricewaterhouseCoopers

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The Hongkong and Shanghai Banking Corporation Limited

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Skadden, Arps, Slate, Meagher & Flom
Mallesons Stephen Jaques
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STOCK CODE

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Bloomberg	:	27 HK
Reuters	:	0027.HK
ADR	:	GXYEY

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

DEAR SHAREHOLDERS,

It is my pleasure to present to you our valuable shareholders our performance report for calendar year 2008. It has been a most eventful year. The year ended with a financial crisis that evolved into an abrupt global economic slowdown.

Fortunately, I have experienced numerous global economic cycles in the past and I have always encouraged my executive management team to be balanced and prudent in any business making decisions. As a result of this practical financial management strategy, today your Company is in a very sound financial position with a balance sheet which includes a sizable cash balance of approximately HK$5 billion and no debt maturing until December 2010.

Our operating businesses both the Gaming and Entertainment Division and the Construction Materials Division continue to perform satisfactorily during the period. During 2008 our market share of gaming revenue grew from 10% to 13%.

MACAU MARKET REVIEW

Total gaming revenue grew by 31% in 2008, from HK$81 billion to HK$106 billion. A substantial portion of this growth occurred in the first half of the year and was fuelled by a large infusion of credit into the market. In fact the first half of the year experienced growth rates of approximately 50%, which we believe is unsustainable in the longer term.

As a result of this excessive growth the Central Government has implemented travel restrictions to slow the rate of growth to a manageable and sustainable level. We fully support this initiative of the Central Government and believe in the medium term that this will be positive for Macau as it will allow for the development of infrastructure to match market demand.

Throughout the year visitor arrivals to Macau from South East Asia grew substantially. This bodes well for Macau as it confirms the broader appeal of Macau to international visitors and confirms that Macau is developing as a truly international tourism and entertainment destination. Galaxy continues to work closely with the MGTO (Macau Government Tourist Authority) to further enhance the appeal of Macau to the global market.

FURTHER STRENGTHENED OUR MANAGEMENT TEAM

Galaxy is very pleased to have Mr. Michael Mecca joining us as the President and Chief Operating Officer. Mr. Mecca has over 30 years of experience in the gaming and hotel industry and a distinguished career in leadership roles with a number of globally recognized gaming and hospitality brands, including Station Casinos Inc., Las Vegas, Mandalay Resorts Group, Las Vegas and Caesars World Inc., Las Vegas. Prior to joining Galaxy, he was the President and Chief Executive Officer of Planet Hollywood, Las Vegas.

GALAXY MACAU — COTAI

Under the influence of the global financial turmoil, the Group made a strategic decision to slow the pace of development in Cotai with the aim to complete construction and open the project as economic conditions improve. We wish to reconfirm that construction continues at Cotai, but at a slower pace. Galaxy is well positioned to rapidly accelerate construction once economic indicators point towards an improving economic environment.

MACAU MARKET OUTLOOK

Looking forward, there will be further development of the infrastructure in Macau which will improve the accessibility to Macau. The expansion of the Barrier Gate and the commencement of the operation of the second ferry terminal by the end of 2009 will increase the capacity of both entry points for visitor arrivals. By 2010, the Guangzhou-Zhuhai High Speed Railway will also be completed and the network will allow people to move throughout the Guangdong region to Macau in just one hour. Furthermore, the Central Government has publicly stated its full support for the construction of the HK$70 billion Hong Kong-Zhuhai-Macau Bridge and construction will commence in 2009. All of these infrastructure initiatives will enhance the development of Macau.

CORPORATE GOVERNANCE

The Group welcomes the appointment of Dr. Patrick Wong Lung Tak as an independent non-executive Director on 20 August 2008 bringing substantial management expertise and business experience to the Group.

Dr. Moses Cheng Mo Chi will retire as an independent non-executive Director and will not seek for re-election at our Annual General Meeting on 22 June 2009. I extend my sincere appreciation to Dr. Cheng for his invaluable advice and contribution to the Group during his term of appointment.

CLOSING REMARKS

Whilst 2008 was a challenging year, the Group's performance remained very credible. Significant milestones were achieved by the Company, including the continuing strong performance of StarWorld in a most competitive environment, the successful repositioning of City Clubs that are now making a positive financial contribution.

In closing I would like to express my sincere thanks to all members of the Galaxy team for their loyal support and hard work throughout 2008. I believe Galaxy is well positioned for 2009 and beyond and I look forward to providing you our valuable shareholders with further updates in the future.

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

Hong Kong, 24 April 2009

OVERVIEW

Numerous companies throughout the world have experienced a challenging 2008, and Galaxy is no exception.

There have been a number of key events that have impacted our shorter term performance. Two of these events are globally related and the others are specific to Macau. These include:

- The overall adverse global economic environment
- The slowing economy of China
- The introduction of visa restrictions for Mainland Chinese to visit Macau
- Significant additional gaming supply entering the Macau market in late 2007 and in 2008
- The introduction of substantial credit into the Macau market in early 2008
- Subsequent need to pay increased commissions to junkets to remain competitive

Whilst these external events could not be foreseen, Galaxy proactively responded and successfully adapted our business operations to the changing business environment. For example, during the course of the year, we have:

- Successfully grown our market share of gaming revenue from 10% to 13%
- Adjusted the business model and scale of operations within City Clubs to bring them back into profitability
- Slowed the development of Cotai so as to be able to align the opening date with an improving economy
- Launched a bond buy-back program that on completion in January 2009 reduced our debt by US$170 million, strengthened our balance sheet, eliminated approximately US$40 million in cash interest payments over the remaining term of the bonds and improved our debt maturity profile
- Well advanced with the implementation of an operating efficiency program that we anticipate will generate approximately $200 million in annual savings

REVIEW OF OPERATIONS

Group Financial Results

Revenue and loss attributed to shareholders for the twelve months ended 31 December 2008 (the current year) were $10,497 million and a loss of $11,390 million respectively, as compared to revenue of $13,035 million and a loss of $466 million for the year ended 31 December 2007, the corresponding period. The loss of $11,390 million was largely due to the non-cash write-down of our intangible gaming licence of approximately $11 billion in net amount.

The Group's revenue for the first half of 2008 was $5,392 million and for the second half was $5,105 million. StarWorld's revenue for the first half was $3,508 million, and for the second half was $3,649 million.

For the year ended 31 December 2008, the Group's earnings before interest expense, taxation, depreciation, amortisation, and interest income (EBITDA) was $544 million, compared to $1,221 million in year 2007.

The Group's EBITDA for the first half of 2008 was $265 million and for the second half was $279 million. StarWorld's EBITDA for the first half was $288 million and for the second half was $290 million.

The Group's EBITDA margin for the year was 5.2%.

2008 has been a challenging year and financial results were primarily impacted by:

- Lower than average VIP win rate at StarWorld (average of 2.6% for the year)
- Increased commissions to junkets
- Increased market competition and a significant increase in the number of gaming tables and slot machines

(HK$'M)	FYE2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	**FYE2008**
StarWorld Gaming Revenue	7,761	1,753	1,591	1,623	1,852	**6,819**

The Group's accounting loss for the year was reported after:

- A net amount of approximately $11 billion non-cash write-down of the carrying value of the gaming license
- Non-cash depreciation and amortisation charges of $1,144 million, including $707 million amortisation of the intangible asset arising from the acquisition of the Macau operation in 2005
- $79 million in net finance income, after including a fair value gain of derivative under the convertible notes of $462 million

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

Set out below is the segmental analysis of the Group's operating results for the year ended 31 December 2008.

	Gaming and Entertainment $'M	Construction Materials $'M	Corporate $'M	2008 $'M	2007 $'M
Revenue	8,894	1,603	—	**10,497**	13,035
Operating (loss)/profit excluding interest income	(13,247)	87	(186)	**(13,346)**	(158)
Share of profits less losses of jointly controlled entities	1	54	—	**55**	11
Depreciation and amortisation	1,039	101	4	**1,144**	1,413
Non-recurring items	12,675	(26)	42	**12,691**	(45)
EBITDA (excluding interest income and non-recurring items)	468	216	(140)	**544**	1,221

GAMING AND ENTERTAINMENT DIVISION

Overview of Macau Gaming Market

Towards the end of 2007, significant additional supply entered the market, with the opening of new casinos by other gaming operators. From the latter part of 2007 through to the end of 2008, the supply of gaming tables in Macau increased by 41% from 3,102 to peak at 4,375 and ended the year at 4,017 an increase of 29%. The number of slot machines increased by 64% from 8,234 to peak at 13,552 and ended the year at 11,856 with an increase of 44%.

In the early part of 2008 substantial credit was introduced into the VIP segment and subsequently commission payments to VIP Junkets increased thereby lowering the margins to Casinos. We are now seeing evidence that commission rates are being reduced and recently a Macau Gaming Chamber, comprising the six Gaming Concessionaires was established. We are optimistic that a cap on commission payments will be introduced which will increase the profitability of casinos.

Commencing in June 2008 the Central Government introduced visa restrictions for Mainland Chinese to visit Macau. Despite these restrictions still being enforced, gaming revenue has remained very resilient. Overall gaming revenue in 2008 was $105,605 million which represented a 31% increase over 2007, however gaming revenue in the first half of 2008 was $56,998 million and in the second half was $48,607 million, demonstrating a slow down particularly in the VIP segment. Mass revenue held up reasonably well with total mass gaming revenue being up 24% year-on-year. Visitor volumes to Macau grew in 2008 by 12% to 30 million up from 27 million in 2007.

Towards the latter part of 2008, the progressively slowing world economy impacted Macau like most locations around the world.

StarWorld

StarWorld is a world-class Hotel and Casino and over the past year has won numerous prestigious awards. These include:

November 2008	5 Star Diamond Award — American Academy of Hospitality Sciences
October 2008	China's Top Hotels — <Travel + Leisure> Magazine
September 2008	China Top 100 Hotels & Top 10 Business Hotels — China Hotel Industry Enterprise Leaders Summit
March 2008	China Top Ten City-Nova Hotels — Asia Hotel Forum's China Hotel Starlight Award
January 2008	Higher Flyer Award — Hong Kong Business Magazine

And in 2009, StarWorld continues to win accolades, post our year-end results StarWorld was awarded:

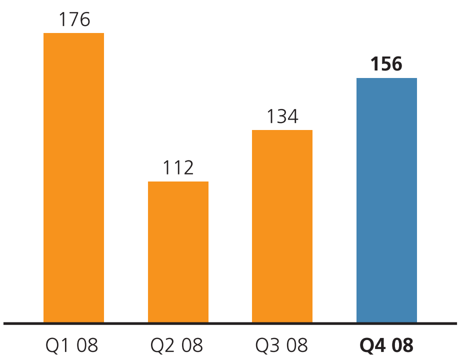
January 2009	Best Casino Interior Design — International Gaming Awards
March 2009	Top 10 Leisure Hotels of China — Asia Hotel Forum's China Hotel Starlight Award

For the year ended December 31, 2008, StarWorld delivered a solid result with total revenue of $7,157 million and EBITDA of $578 million.

In 2008, we completed a number of upgrades and reconfiguration within StarWorld to improve the facilities and the level of service. We changed the layout of our Level One and Level Three in StarWorld by switching Level Three to serve VIP clients and consolidated all mass gaming tables to Level One. We introduced a new poker room on Level Two to attract customers following positive feedback from the Poker tournament which has increased the awareness of Poker among Chinese players. A new Asian restaurant, Sensations was opened on Level One. A number of initiatives relating to the VIP segment were undertaken throughout 2008 included opening a Sky Casino on Level 39, relocating a number of VIP rooms to ensure that they were "right-sized" and expanding selected rooms where appropriate.

As a result of the previously discussed infusion of credit by some Junkets into the market and the consequent higher commission payments to Junkets, StarWorld initially experienced a lower EBITDA per quarter. Subsequent to this, we have focused significant efforts on increasing VIP Rolling Chip and over the period we have sequentially increased our quarterly EBITDA as shown in the graph.

StarWorld EBITDA (HK$'m)



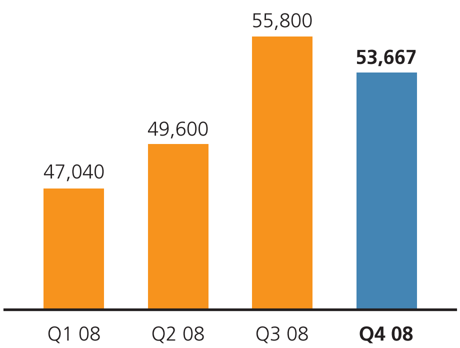
(All amounts are expressed in Hong Kong dollars unless otherwise stated)

In 2008 StarWorld pro-actively responded to the challenging business environment and increased Rolling Chip by 1.3% from $203 billion in 2007 to $206 billion. On a normalized win rate of 2.8% StarWorld's VIP net win would have been $460 million up from the reported $5,310 million.

VIP segment

(HK$'M)	FYE2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FYE2008
Turnover	$203,428	$47,043	$49,581	$55,801	$53,667	**$206,092**
Net Win	$6,028	$1,391	$1,191	$1,241	$1,487	**$5,310**
Win %	3.0%	3.0%	2.4%	2.2%	2.8%	**2.6%**

VIP Turnover (HK$'m)



The Mass Drop for 2008 was $9,012 million, down 8.8% from $9,880 million in 2007. The Win rate was slightly less at 15.4% compared to 15.6% in the previous year. Mass Gaming revenue was down 10.3% from $1,544 million to $1,385 million.

Mass Gaming

(HK$'M)	FYE2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FYE2008
Drop	9,880	2,200	2,513	2,198	2,101	**9,012**
Net Win	1,544	325	368	355	337	**1,385**
Win %	15.6%	14.8%	14.6%	16.2%	16.0%	**15.4%**

Slot turnover for 2008 was $1,978 million compared to $3,099 million in 2007. The win percentage was 6.3% compare to 6.1% in 2007. The Net Win was $125 million compared to $190 million in 2007. In the month of June, a strategic decision was taken to refit Level Three consequently the total number of Electronic Gaming machines was reduced substantially.

Electronic Gaming

(HK$'M)	FYE2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	FYE2008
Turnover	$3,100	$612	$518	$430	$418	**$1,978**
Net Win	$190	$37	$32	$27	$29	**$125**
Win %	6.1%	6.0%	6.2%	6.3%	6.8%	**6.3%**

In 2008, StarWorld's non-gaming revenue was $329 million compared to $234 million previously, an increase of 40% for the year. This growth in revenue was the result of a combination of a number of factors including, higher pricing, the opening of a Grand Ballroom that is available for events and taking over the full management of a joint venture restaurant. The total number of Five-Star hotel rooms nights available in Macau increased by 16% during the year from 250,542 room nights to 290,408 room nights. StarWorld's Hotel room occupancy remained constant at 83% for both 2007 and 2008.

Cotai Development

The development of our resort in Cotai, will redefine the gaming experience in Macau and set a new standard for hospitality in Asia.

The resort will bring "World Class Asian Heart" to the astute Asian consumers. At the heart of the development will be a distinctive casino in terms of architecture and enchanting Asian features. This will include a retail boulevard, lush podium gardens, a wave pool, white sand beach, floating private villas and exclusive poolside cabanas. The white and gold façade towering over Cotai is distinctively designed to immediately capture visitor's attention.

Galaxy remains focused on the construction of area 1 of the resort project while being sensitive to the impact of the global financial downturn. This area will have approximately 5 million sq.ft. of development across two towers, including three luxury hotels and a casino.

The 5-Star hotel in tower one will be operated by Galaxy. Two additional hotels in the second tower will be managed by the Japanese luxury hotel group Okura and a world's leading resort brand, Banyan Tree, respectively.

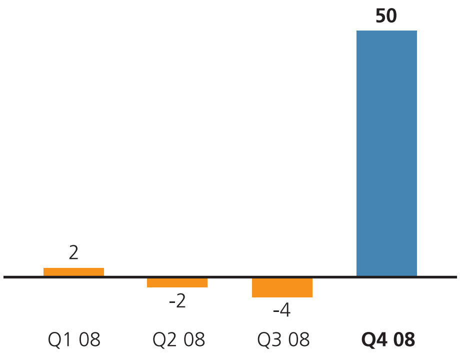
Galaxy has a landbank in Cotai of an additional 10.2 million sq.ft. GFA for the development of areas 2, 3 and 4 of the resort. This ensures Galaxy has the flexibility to grow and expand as market opportunities and economic appropriateness present themselves.

During the year, we advised the market that we were concerned with the economic outlook in 2009. As a consequence, the Group took a strategic decision to slow the development of the project in Cotai and to align the opening of the project with improving market conditions. Construction is now proceeding in line with the market conditions, which will also provide the opportunity of taking advantage of the very likely decrease in costs for materials and labor in the future. We reconfirm our commitment to and belief in Macau and in Cotai specifically and we anticipate to acquire the Cotai land in 2009.

City Clubs

During the year, City Clubs, like all the smaller casinos in Macau, were adversely impacted by significant new supply entering the market. As a result, we restructured our management agreements, adjusted the business model and scale of operations within City Clubs and have successfully brought them back into profitability.

City Clubs EBITDA (HK$'m)



Financial/Operating Efficiency Initiatives

During the course of the year we made several important advances in cost reduction initiatives, particularly in relation to labor efficiency and the number of staff. We have also implemented with the full cooperation of staff a non-paid leave program that commenced in February 2009. These measures have proven to be effective and the benefits to our financial results will continue throughout 2009.

In compliance with Hong Kong Financial Reporting Standards, at each financial reporting date companies are required to assess the carrying values of all their assets on their balance sheet and if appropriate, make an accounting adjustment to the carrying value. As a result, the Group made a net $11 billion non-cash write-down of the value of gaming licence for accounting purposes. After the impairment charge on the gaming licence, it would reduce our amortization cost of this intangible asset to about $100 million per annum starting from 2009.

We successfully launched a bond buyback during the reported period and successfully concluded it in January 2009. This bond buyback program resulted in Galaxy purchasing US$170 million (HK$1,326 million) of our debt for US$86 million (HK$671 million). This has reduced our debt levels, strengthened our Balance Sheet and reduced our cash interest payments by approximately US$40 million (HK$312 million) over the remaining term of the bonds.

Project Funding

The Group has significant cash holdings, all three business entities (StarWorld, City Clubs and Construction Materials) are generating substantial free cash flow and combined with our strengthened balance sheet after our bond buyback the Group is in a strong position if it needed to raise debt at some point in the future.

US GAAP Comparisons

In comparing Galaxy's Gaming and Entertainment Division's results to those of US corporations whose results are prepared under generally accepted accounting principles in the United States ("US GAAP"), it should be noted that gross gaming revenues, presented under US GAAP, are reduced by commissions and discounts paid to players, to arrive at net gaming revenues. An adjusted EBITDA would then be calculated based on these reduced net gaming revenues, resulting in a significantly higher EBITDA margin than that calculated under Hong Kong accounting standards. Galaxy complies with Hong Kong accounting standards. If calculated under US GAAP, StarWorld's EBITDA margin would be approximately 13%, as compared to Hong Kong GAAP which would give an EBITDA margin of 8% for 2008.

CONSTRUCTION MATERIALS DIVISION

Construction materials business continued to grow during the year amid a challenging business environment under unprecedented financial market events. The division's geographic, product and end-use balance reduces the effects of varying demand patterns across our markets, and continues to underpin performance and cash flow. The strategic investments in ground granulated blast furnace slag ("GGBS") and cement operations have provided a solid platform for improved performance. As a result, both revenue and EBITDA for 2008 increased by 3% compared to 2007.

Hong Kong and Macau

The demand for construction materials in Hong Kong was generally sluggish in the fourth quarter of the year as the market responded to the economic slowdown by gearing up cost controls and seeking consolidation through various means. In response to the deteriorating backdrop and unparallel rise in energy costs, the division proactively implemented a number of significant cost reduction measures across the business, and this emphasis on operational efficiency and commercial delivery is providing a satisfactory base for profit contribution. In Macau, after a good start, construction projects driven by expansion in the entertainment sector have slowed down as a result of measures imposed by the Central Government to tighten up the approval of traveling visas for visitors from the mainland to the city.

Mainland

The construction materials market was extremely challenging during the year as it adjusted to the effects of the economic slowdown. Against this backdrop, competition continues to intensify, although the upward pressure on raw material costs is moderating. Notwithstanding such a challenging environment, our operations continued to implement stringent cost saving measures in order to maintain our competitive edge in the market.

Our joint ventures for the manufacture and sale of GGBS in the Mainland continue to generate good profit contribution. GGBS production facilities are being further expanded into Qing An and Qinhuangdao, in Hebei Province and Nanjing in Jiangsu Province, which together with investment opportunities in other key strategic locations under consideration, will enable the division to capitalise on this growing market and expand its production capacity and distribution network across Mainland.

Our cement joint ventures in Yunnan Province, including the plant in Baoshan which commenced commercial production in January 2008, are providing good profit contribution to the division. Construction work for a third cement plant in Shizong, Qujing is progressing as planned and is expected to commence production in the second half of 2009. The Central Government's policies to develop western region will continue to generate strong demand for cement, and the division is well positioned to capture the growth in this developing and dynamic market.

Outlook in 2009 and 2010 for Construction Materials Division

One of the leading indicators for economic recovery is the business forward order book of companies in the Construction and Building Materials supply sectors, as increased construction activities stimulate the jobs market. From the second half of 2009, the Construction Materials Division expects its business to strengthen due to impetus from the Hong Kong and Mainland economic programs focusing on road construction and infrastructure over the next few years. With its excellent geographic coverage and extensive range of building materials products and services, the outlook for the Division remains positive as it believes that it is strategically positioned to benefit from the financial stimulus in infrastructure projects designed to 'kick-start' the wider economy.

GROUP OUTLOOK FOR 2009

We have made good progress in the face of a very challenging 2008 and we believe that the Group is well positioned for 2009 and beyond. StarWorld is delivering excellent results and we continue to look for ways to even further improve its performance. The City Club agreements have been restructured and as a result the City Clubs are now providing a positive financial contribution to the Group. We continue to invest into the development of our Cotai project and have taken the strategic decision to align the opening of Cotai to an improving economic environment. We have strengthened our balance sheet by reducing our debt and interest payments and have significant cash holdings. We remain focused on delivering shareholder value.

LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 31 December 2008 was $7,011 million, a decrease of approximately 62% over that as at 31 December 2007 of $18,407 million while the Group's total assets employed decreased to $18,652 million as compared to $31,761 million as at 31 December 2007. The significant decrease was mainly due to the write-down of net amount of approximately $11 billion made to the carrying value of the gaming licence.

The Group continues to maintain a strong cash position. As at 31 December 2008, total cash and bank balances were $6,042 million as compared to $8,230 million as at 31 December 2007. The Group's total indebtedness was $6,712 million as at 31 December 2008 as compared to $6,506 million as at 31 December 2007. The gearing ratio, defined as the ratio of total loans outstanding less cash balances to total assets (excludes cash balances), was 5% as at 31 December 2008. The Group was in net cash as at end of year 2007.

The total indebtedness of the Group mainly comprises bank loans, guaranteed notes, convertible notes and other obligations which are largely denominated in Hong Kong Dollar and United States Dollar. The Group's borrowings are closely monitored to ensure a smooth repayment schedule to maturity.

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

TREASURY POLICY

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

CHARGES ON GROUP ASSETS

Building with net book values of $17 million (2007: $19 million), leasehold land with net book values of $216 million (2007: $222 million) and bank deposits of $53 million (2007: $50 million) have been pledged to secure banking facilities.

GUARANTEES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to $639 million (2007: $627 million), of which $479 million (2007: $307 million) have been utilised.

The Group has executed guarantees in favour of a bank in respect of facilities granted to an associated company amounting to $9 million (2007: $9 million). At 31 December 2008, facilities utilised amounted to $9 million (2007: $9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2008, the Group, excluding associated companies and jointly controlled entities, employed around 7,300 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to $1,377 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 incentive. The overall remuneration arrangements are fair and justified, prudent and subject to regular review.

Share Option Scheme

The Group operates a share option 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 granted to the eligible employees is determined with reference to the value of share options, market positioning, job seniority and the individual contribution to the Group.

Training and Development

The Group sees the staff as the most valuable asset, as none of our achievements would have been possible without the talents and contributions of each individual employee. We are committed to the development and growth of all employees and consider training and development a life-long process. We offer ongoing personal and professional development opportunities to employees beginning with our new hire orientation program and continuing with the delivery of training programs designed to assist our employees in achieving competency and professionalism in their jobs, and to fortify a continuous learning and improvement corporate culture.

Our training and development programs focus on the key elements that are critical to long term success of the Group:

1. **Internal Capacity Building** — creating a corporate-wide training and development team capable to deliver core training programs. In addition, our existing training facilities have been renovated to establish a centre of excellence for the Group.

2. **Corporate Culture** — development, communication and integration of a Corporate Vision, Mission and Values to reinforce corporate culture.

3. **Program Development and Customization** — four primary areas of focus:

   A. **Core Programs** with a focus on our orientation program, development of a Galaxy STAR Service program, identification and prioritization of training on key competencies that drive employee performance.

   B. **Leadership Development** with a focus on the delivery of a core supervisory/management skills program, development of a three phase internship, fellowship, management trainee program and creation of leadership development initiatives customized to meet the professional development needs of middle and senior management personnel.

   C. **Organizational Effectiveness** with a focus on the creation of a succession management program, set up of a common framework for standard operating procedures and design of a quality assurance program to measure and drive continuous improvement of our guest service initiatives.

   D. **Cotai Pre-opening Plan** with a focus on the development of core curriculum units for pre-employment training, coordination of the on-boarding process for new hires with on-the-job training requirements and ensure performance outcomes are achieved during pre-opening.

Our training and development programs establish direction for the Group with respect to investment in and utilization of our human resource capital. We are excited about continuing our success as one of leading destinations for entertainment and hospitality in Macau. In our ever increasing competitive environment, we are committed to building on the talent and expertise of our staff to ensure our continued growth and development as a customer-centric organization.

The Company is committed to high standards of corporate governance. We have a well-balanced corporate governance system which sets the framework for the Board of Directors ("Board") to manage the Company efficiently, to enhance shareholder 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 principles in the Code on Corporate Governance Practices ("Code") 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, and monitors the performance of the management. The names and biographical details of the Directors (by category) and their relationships are set out in the Corporate Information on page 2 and Further Corporate Information on pages 31 to 33.

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 segregated and are not exercised by the same individual.

The Chairman provides leadership for the Board and manages the Board ensuring that it works effectively and discharges 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, and lead and oversee the day-to-day management of the Group's business.

Board Composition

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

Non-executive Directors are appointed for a specific term. Dr. Moses Cheng Mo Chi was appointed subject to retirement by rotation and re-election pursuant to the Company's Articles of Association. Mr. James Ross Ancell, Dr. William Yip Shue Lam, Mr. Anthony Thomas Christopher Carter and Dr. Patrick Wong Lung Tak were appointed for a fixed term of three years pursuant to their service contracts, which may be extended by another three-year term. Dr. Martin Clarke and Mr. Guido Paolo Gamucci were appointed pursuant to an Investors' Rights Agreement, details of which were included in the circular of the Company dated 5 November 2007, and are subject to retirement by rotation and re-election pursuant to the Company's Articles of Association.

Apart from the relationships among Directors disclosed in the Directors' biographical details, Dr. Moses Cheng Mo Chi is the senior partner of P.C. Woo & Co., a Hong Kong firm of solicitors, which provides legal services on normal commercial terms to certain companies controlled by the Chairman.

Appointment and Re-election of Directors

There is a formal, considered and transparent procedure for the appointment of new Directors to the Board. Candidates to be selected and recommended 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. The ability to provide balanced and independent views and exercise independent judgement and to devote sufficient time and attention to the Company's affairs is an additional criterion for selecting non-executive directors.

On 20 August 2008, Dr. Patrick Wong Lung Tak was appointed by the Board as an independent non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee. In the appointment process, the proposal for appointment together with detailed information on his educational and professional qualifications and the relevant working experience was submitted to the Board for decision. Following the appointment, the Company has complied with Rules 3.10(1) and 3.21 of the Listing Rules which require the appointment of at least three independent non-executive Directors and at least three members of the Audit Committee.

Changes in the Board members during the year are set out in the Report of the Directors on page 35.

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. To this end, the Company has a set of comprehensive induction materials for new Directors and has from time to time organised corporate seminars and arranged for site visits to certain important operations of the Group for Directors. Timely updates on legislative and regulatory changes and corporate governance development relevant to the Group and appropriate information on the Group's business and activities are provided to our Directors by the Company Secretary. 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 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 held at approximately quarterly intervals.

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.

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 be in possession of unpublished price sensitive information in relation to the Group or the securities of the Company in respect of their dealings in the securities of the Company.

DELEGATION BY THE BOARD — 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 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 constituted by all executive Directors of the Company. The Executive Board reports to the Board and causes its resolutions circulated to the Board on a quarterly basis. Certain matters are specifically reserved for approval by the Board, including annual budgets and accounts, dividends and distribution to shareholders, increase of share capital and allotment of new shares, derivative tradings, connected transactions subject to disclosure and/or shareholders approval requirements, and acquisitions, disposals, investments, financing and charging of assets above predetermined thresholds.

In respect of the decision making process, Levels of Authority for management have been formally approved by the Executive Board and management submits written proposals with detailed analysis (both financial and commercial) and recommendations to the Executive Board for consideration and approval, in accordance with those Levels of Authority. 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 executive committees of the gaming and entertainment division and the construction materials division and where appropriate, special task forces charged with specific responsibilities to oversee particular business activities or corporate transactions.

Audit Committee

The Audit Committee of the Company has been in place since 1999. It comprises two independent non-executive Directors, Mr. James Ross Ancell as the Chairman and Dr. Patrick Wong Lung Tak, and a non-executive Director, Dr. Moses Cheng Mo Chi.

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 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 written terms of reference which are posted on the Company's website.

The Audit Committee meets at least twice a year, with the attendance of the Group Chief Financial Officer, the Financial Controller, the Company Secretary and the external Auditor. The Audit Committee submits 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 in respect of which it considers that action or improvement is needed and making appropriate recommendations.

In discharging its duties, the principal work performed by the Audit Committee during the year included the following:

(i) Review of interim and annual financial statements of the Group, with a recommendation to the Board for approval, examination of significant matters relating to the external Auditor's interim review and annual audit, review of tax matters and review of the accounting policies and practices adopted by the Group;

(ii) Review of new and/or revised accounting standards and practices applicable to the Group and their impacts to the Group;

(iii) Review of internal control and risk management systems and assessment of their effectiveness to ensure that appropriate measures are in place to safeguard all significant assets and operations of the Group as well as to support continuous growth;

(iv) Review of overall accounts receivables position of the Group and the effectiveness of credit control;

(v) Review of audit strategy, approach and methodologies and assessment of key audit risks with the external Auditor in the audit planning stage and the external Auditor's confirmation of independence;

(vi) Review of the findings and recommendations from internal audit on the annual internal control review and approval of the internal audit plan; and

(vii) Report of the findings and making recommendations to the Board for improvement or implementation in respect of the above matters.

Remuneration Committee

The Remuneration Committee of the Company has been in place since early 2006. It comprises three members, Mr. Francis Lui Yiu Tung as the Chairman and two independent non-executive Directors, Dr. William Yip Shue Lam and Dr. Patrick Wong Lung Tak.

The Remuneration Committee is accountable to the Board and assists the Board to regularly review and formulate fair and competitive remuneration packages which 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 written terms of reference which are posted on the Company's website.

The Remuneration Committee meets at least once a year, with the attendance of representatives from the human resources department and the Company Secretary. The Remuneration Committee submits its written report and/or recommendation to the Board after each Remuneration Committee Meeting.

In discharging its duties, the principal work performed by the Remuneration Committee during the year included the following:

(i) Review of the remuneration policy and structure for the Directors of the Company;

(ii) Made recommendations to the Board on proposed Directors' fees (including Audit Committee and Remuneration Committee members' fees), which were subsequently endorsed by the Board and approved by shareholders at annual general meeting;

(iii) Approved the salary increment, performance-based year-end discretionary bonus and grant of share options to executive Directors.

The Directors' remuneration for the year ended 31 December 2008 is set out in note 9 to the financial statements.

BOARD AND BOARD COMMITTEE MEETINGS

The Board schedules regular Board Meetings in advance, at least four times a year at approximately quarterly intervals to give Directors the opportunity to participate actively. Directors are consulted for including matters in the agenda for regular Board Meetings. Special Board Meetings are convened as and when needed. During the year of 2008, the Company held seven Board meetings. Together with the Audit Committee and Remuneration Committee Meetings, it provides an effective framework for the Board and Board Committees to perform their works and discharge their duties. Minutes of Board and Board Committee Meetings are kept by the Company Secretary and are made available to all Directors.

Directors' attendance at the Board and Board Committee Meetings held in 2008 are set out in the following table:

Number of Meetings	**Board Meetings (7)**	**Audit Committee Meetings (2)**	**Remuneration Committee Meeting (1)**
EXECUTIVE DIRECTORS			
Dr. Lui Che Woo	4/7	—	—
Mr. Francis Lui Yiu Tung	7/7	—	1/1
Mr. Chan Kai Nang	2/2	—	—
Mr. Joseph Chee Ying Keung	7/7	—	—
Mrs. Paddy Tang Lui Wai Yu	7/7	—	—
NON-EXECUTIVE DIRECTORS			
Dr. Moses Cheng Mo Chi	6/7	2/2	—
Mr. Anthony Thomas Christopher Carter	6/7	—	—
Dr. Martin Clarke	7/7	—	—
Mr. Guido Paolo Gamucci	7/7	—	—
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Dr. Charles Cheung Wai Bun	2/2	1/1	0/1
Mr. James Ross Ancell	7/7	2/2	—
Dr. William Yip Shue Lam	7/7	—	1/1
Dr. Patrick Wong Lung Tak	4/4	1/1	—

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, which give a true and fair view and comply with all applicable regulatory requirements and accounting standards. In preparing the financial statements for the year ended 31 December 2008, the Directors have selected appropriate accounting policies and applied them consistently, and made judgements 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 2008. Accordingly, the Directors have prepared the financial statements for the year ended 31 December 2008 on a going concern basis.

The Board had appointed a Qualified Accountant pursuant to Rule 3.24 of the Listing Rules (before it was repealed on 1 January 2009). Throughout the year, the Company has maintained adequate qualified and experienced staff responsible for the accounting and financial reporting function.

Auditor's Responsibility

The external Auditor of the Company is PricewaterhouseCoopers, Certified Public Accountants. A statement by the Auditor about their reporting responsibilities is included in the Report of Independent Auditor on the Company's financial statements on pages 45 and 46.

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.

The external Auditor is available at the annual general meeting of the Company.

Auditor's Remuneration

Fees for auditing services and non-auditing services provided by the external Auditor for the year ended 31 December 2008 are included in note 8 to the financial statements.

Fees for non-auditing services include HK$720,000 for the services provided in respect of taxation and consultancy services.

INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective internal control system for the Group to achieve its business objectives and managing business risks to safeguard the interest of the shareholders and its assets.

The internal control system encompasses a well defined organizational structure providing limit of authority, clear and written policies, standard and procedures, and risk control self-assessment conducted for all major operating entities of the Group. The system helps to appraise:

- The reliability, integrity, timeliness of significant financial, managerial, and operating information and the adequacy of the internal controls employed over the reporting of such information;
- Compliance with policies, procedures, standards, laws and regulations;
- Measures taken to safeguard assets, including tests of existence and ownership; and
- Whether the Group's resources are being managed in an economical, efficient, and effective manner.

The system is designed to provide reasonable but not absolute assurance of no material misstatement and to manage rather than eliminate risk.

The internal audit function provides independent assurance to the Board and executive management as to the adequacy and effectiveness of internal controls for the Group on an on-going basis. Using a risk-based approach together with the Group's internal governance and the requirements of the external regulators, Internal Audit prepares its annual Internal Audit Plan in consultation with, but independent of, management. The Plan is approved by the Audit Committee before execution.

Internal Audit, upon completion of an audit, will discuss the audit findings and recommendations made with the member of management responsible for the area audited. Follow-up procedures are then performed to appraise management of post audit actions and provide assurance that implemented changes adequately resolved audit findings. Significant internal control weaknesses are brought to the attention of the senior management. Ad-hoc reviews are conducted on areas of concerns identified by the Audit Committee and the senior management. Internal Audit reports to the Audit Committee on a bi-yearly basis whether a sound internal control system is maintained and operated by management in compliance with policies and procedures of the Group and requirements that are laid down by external regulators.

During the year ended 31 December 2008, Internal Audit has adopted risk-based approach to perform reviews on the effectiveness of the Group's system of internal control including financial, operational and compliance controls and risk management functions of the Group's business operations according to annual Audit Plan approved by the Audit Committee. The findings have been discussed with department heads who agreed to comply with most of the recommendations with date of completion. Internal Audit 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, is satisfied that the Group has fully complied with the code provisions on internal controls during the year under review as set forth in the Code.

COMMUNICATION WITH SHAREHOLDERS AND INVESTMENT COMMUNITY

The Company recognizes its responsibilities and the importance of maintaining an on-going and timely communication with shareholders and the investment community to enable them to form their own judgement and to provide constructive feedback.

The Company publishes interim and annual results in accordance with the Listing Rules requirements. In addition, the Company voluntarily provides a management update on the key performance indicators for the first and third quarters to enable the shareholders, investors and the public to better appraise the position and business performance of the Group. The Company holds press conferences, analysts briefings and investor meetings/calls after the announcement of its financial results and the key performance indicators. The Company also organises site visits for analysts to the flagship properties of the Group in order for them to have an in depth understanding of our products. Management of the Company (including certain executive Directors) participates in roadshows organised by international leading investment banks to meet institutional investors and analysts on a regularly basis. Throughout the year, numerous investor meetings were held in Hong Kong, Macau, and many major international cities. The Company's website www.galaxyentertainment.com contains an investor relations section which offers timely access to our financial reports, corporate announcements, press releases and other business information.

The Company encourages its shareholders to attend annual general meetings and welcomes their constructive opinions. Our Directors and the Company Secretary are available at the meetings to answer questions and provide information which shareholders may enquire. The Company has complied with the requirements of the Listing Rules and the Articles of Association in respect of voting by poll and related matters.

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. The Board considers that the spirit of code provision A.4.2 has been upheld, given that the other Directors do retire by rotation in accordance with the Articles of Association of the Company and 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.

Galaxy is committed to recruiting and retaining the very best management and staff and will continue to strengthen our gaming and hospitality executive team as we move forward and continue to build Galaxy into one of the world's leading internationally acclaimed gaming and entertainment companies.

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

Michael Victor Mecca, President and Chief Operating Officer. He has a long and distinguished career in leadership roles with a number of globally recognized gaming and hospitality brands. Most recently he was President and Chief Executive Officer of Planet Hollywood, Las Vegas. He has also held senior executive roles with Station Casinos Inc., Las Vegas, Mandalay Resorts Group, Las Vegas, Crown Limited, Melbourne and Caesars World, Inc., Las Vegas.

Robert Charles Drake, Group Chief Financial Officer. He was the former Vice President, Finance for the Western Division of Harrah's Entertainment Inc., Las Vegas, primarily responsible for the financial reporting of 13 properties in Nevada including Caesars Palace, Paris and Flamingo in Las Vegas. 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.

Heinz Roelz, Director, Hotels & Hospitality. He was formerly Executive Vice President, Stanford Hotels International and graduated from hotel management schools in Germany and in the USA, accumulated more than 45 years experience in hotel development and operations in Germany, Switzerland, Indonesia, mainland China, Bermuda, the USA and Hong Kong.

Baschar Hraki, Director, Project Development. He was the former Executive Vice President, Macao Studio City in charge of a mega project development in Macau. 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 centres, residential developments, shopping centers and sports stadiums in Asia, Europe, Middle East and U.S.A.

Ciaran Pearse Carruthers, Chief Operating Officer, StarWorld Hotel & Casino. He has 22 years experience in the gaming and resort industry in various countries including, the UK, the US Commonwealth of the Northern Marianas Islands, the Philippines and Singapore. He has specialized in the Asia Pacific gaming industry for the past 17 years, consulting to various casino groups such as: Crown, Tabcorp and Pagcor and he has been with Galaxy since late 2002 and was previously Senior Vice President — City Clubs.

Steven Wolstenholme, Chief Operating Officer, Cotai. He was the former Vice President of Operations, Niagara Casinos overseeing all operational issues at both Fallsview Casino and Casino Niagara Resort, Niagara Falls in Canada. He has over 28 years of extensive gaming and resort experience in various countries including the USA, Bahamas and England and with casino groups such as Atlantis Resort & Casino, Sun International and Mohegan Sun.

John Au, Senior Vice President, Business Development. He has been with the Group for over 15 years and he was one of the key members in the Galaxy pre-opening management team to establish the Human Resources & Administration Department. Prior to taking up his current role, he held senior executive position in human resources, public relations and government relations in the Group and had worked with major companies and organizations such as Hong Kong & China Gas and Hong Kong Productivity Council.

Raymond Yap, Senior Vice President, International Premium Market Development. He has more than 22 years experience in hotel operations, resort planning, theme park and plaza development, corporate planning and business development. He has held various executive positions with the Genting Group and his last position was the Senior Vice President, Theme Park and First World Plaza.

Andrew Duggan, Financial Controller, Gaming. He has over 25 years experience in financial leadership with Harrah's Entertainment Inc. spanning seven casino-hotel properties in Nevada, New Jersey and Illinois. He was the former Vice President, Finance of Caesars Palace, Las Vegas.

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 Galaxy for the years to come.

Galaxy continues to be proud of being a good corporate citizen and is committed to promoting the development and well-being of the communities that we serve. We fulfill our corporate social responsibilities through active participation in social voluntary services, community activities, disaster relief, charitable activities as well as employee development and health care.

IN HONG KONG

Our K. Wah Construction Materials (KWCM) division has a long established footing as a caring company. In 2008, we continued our effort by participating in a series of activities.

Volunteering — "Mentoring the Way to the Future"

To further the "Mentoring the Way to the Future" (providing mentoring service to single-parent children aged between 8 and 12 launched in 2007), our staff continue acting as mentors to nurture those single-parent children and organized different kinds of activities:

- English Classes
- English Corner
- Outing — Lion's Nature Education Centre and On-site Quarry Visit

Employee Friendly

KWCM Social Club organized various family and group activities for our employees' participation during leisure:

- KWCM Fun Fun Day
- Ocean Park Tour
- Table Tennis Competition
- Badminton Competition
- Movie Sharing

Charity

KWCM employees actively participated in charity functions and voluntarily contributed to the community:

- Donation for Earthquake Victims in Sichuan, China
- KWCM Blood Donation
- Community Chest
- Dress Special Day
- Standard Chartered Marathon

Recognition — Caring Company Award

Our corporate citizenship gets the public recognition. In this year, we participated in Caring Company Award organized by The Hong Kong Council of Social Service and were awarded the 5 Consecutive Years Caring Company Logo to recognize our sustainable commitment in good corporate citizenship.

Health, Safety & Environmental Protection

KWCM organized different Health, Safety & Environment (HSE) seminars and promotional activities for our Hong Kong, Macau and China operations to promote workplace health and safety and raise employees' environmental awareness.

IN MACAU

Our Gaming and Entertainment Division, being a leading gaming company in Macau, is committed to repaying the society and working for a better tomorrow. In 2008, we demonstrated our corporate citizenship excellence through various activities.

Responsible Gaming

We promote responsible gaming to our employees and customers via the following channels:

- Established Macau's first and only Responsible Gaming Support and Counseling Hotline to provide employees with twenty-four hours, seven days a week telephone counseling. Individual face-to-face counseling and online counseling are also provided as needed
- Developed a Responsible Gaming Online Training Program and customized classroom training to support employees in developing an appropriate gaming attitude and enhance their responsible gaming knowledge
- Responsible Gaming materials, including brochures and posters are placed at main entrances and employee bulletin boards at StarWorld Hotel & Casino and the four City Club Casinos

Corporate Sponsorships

We fully support the sports development of Macau. In year 2008, Galaxy served as the title sponsor of the following major sports events:

- 2008 Macau Galaxy Entertainment FIVB World Grand Prix
- 2008 Macau Galaxy Entertainment International Marathon

Relief Efforts for Natural Disasters and Community Care

We are committed to community care and encourage our employees to actively participate in charity.

Relief Efforts for Natural Disasters

- Donation to the Liaison Office of The Central People's Government in the Macao SAR to assist Sichuan Earthquake victims
- Donation to the Macau Red Cross for Snowstorm Reform Works in Mainland China

Community Activities

- Participated in the "Macau Rotary Blood Donation Day 2008"
- Participated in the "International Challenge Day" in support of TAFISA

Charitable Activities

- Donation to the Macao Daily News Readers' Fund and mobilized a team of 300 employees to participate in the "Walk for a Million"
- StarWorld Hotel & Casino supported the Macau Deaf Association through the organization of a Fund Raising Campaign to collect donations inside its property
- Grand Waldo Casino's donation to Caritas Macau and jointly-organized a "Chinese New Year Luncheon" for 220 seniors, children, single-parent families and individuals with disabilities

Environmental Protection

- Participated in the "Macau Energy Conservation Week Lights Off Event" that was organized by the Office for Development of Energy Sector

Research and Education

To develop Macau's future talents, we sponsor various local tertiary education institutes and establish scholarships to reward outstanding students.

- Donation to the University of Macau's Institute for the Study of Commercial Gaming (ISCG) for the establishment of a research and training fund
- Donation to ISCG's "GAME" Executive Development Program
- Established a scholarship at the Macao Polytechnic Institute to reward outstanding students

	Year ended 31 December 2004 HK$'000	Year ended 31 December 2005 HK$'000	Year ended 31 December 2006 HK$'000	Year ended 31 December 2007 HK$'000	**Year ended 31 December 2008 HK$'000**
CONSOLIDATED PROFIT AND LOSS STATEMENT					
Revenue	1,299,143	1,291,927	4,669,495	13,035,439	**10,496,657**
Profit/(loss) attributable to shareholders	55,886	2,395,269	(1,531,546)	(466,200)	**(11,390,368)**
Dividends	25,805	—	—	—	**—**
Earnings/(loss) per share (cents)	4.4	110.7	(46.5)	(13.8)	**(289.3)**
Dividend per share (cents)	2.0	—	—	—	**—**
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment, investment properties and leasehold land and land use rights	787,028	2,889,283	5,566,921	6,374,464	**8,085,812**
Intangible assets	—	16,493,230	15,520,486	14,520,665	**1,488,039**
Jointly controlled entities and associated companies	266,893	300,778	387,250	506,923	**833,359**
Other non-current assets	408,883	595,120	951,697	600,757	**291,733**
Net current assets	507,958	1,712,199	2,608,958	5,340,858	**3,251,497**
Employment of capital	1,970,762	21,990,610	25,035,312	27,343,667	**13,950,440**
Represented by:					
Share capital	129,648	329,058	329,612	393,564	**393,817**
Reserves	1,295,616	14,603,396	13,303,187	18,013,088	**6,617,467**
Shareholders' funds	1,425,264	14,932,454	13,632,799	18,406,652	**7,011,284**
Minority interests	39,025	491,910	490,700	531,791	**262,616**
Long term borrowings	311,580	4,643,355	8,439,965	6,010,571	**6,275,958**
Other non-current liabilities	14,020	1,778,531	2,351,697	2,259,031	**285,029**
Provisions	180,873	144,360	120,151	135,622	**115,553**
Capital employed	1,970,762	21,990,610	25,035,312	27,343,667	**13,950,440**
Net assets per share (dollars)	1.10	4.54	4.14	4.68	**1.78**

BIOGRAPHICAL INFORMATION OF DIRECTORS

Executive Directors

Dr. Lui Che Woo, *GBS, MBE, JP, LLD, DSSc, DBA*, aged 79, the founder of the Group, has been a Director of the Company since August 1991 and is the Chairman of the Company. Dr. Lui is also an executive director, 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 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 was awarded the Gold Bauhinia Star of the Government of the HKSAR in July 2005. Dr. Lui has been again elected as a member of the Election Committee of the HKSAR in December 2006. Dr. Lui was honoured as the Business Person of the Year in DHL/SCMP Hong Kong Business Awards 2007 and the Lifetime Achievement Award by American Academy of Hospitality Sciences of 2007 respectively. Dr. Lui is the father of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

Mr. Francis Lui Yiu Tung, aged 53, joined the Group in 1979. He has been an executive Director of the Company since June 1987 and is the Deputy Chairman 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. He is a Committee Member of the 11th Chinese People's Political Consultative Conference. 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 51, 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 of the Company. Mr. Chee holds an International 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 27 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 Standing Committee on Concrete Technology organized by Civil Engineering and Development Department, HKSAR and was a member of the Working Group on Construction Waste of the Provisional Construction Industry Co-ordination Board from 2004 to 2006. He was also the Chairman of The Institute of Quarrying in the UK (Hong Kong Branch) from 1998 to 2000 and the Chairman of Hong Kong Contract Quarry Association from 2002 to 2008.

Ms. Paddy Tang Lui Wai Yu, *JP*, aged 55, joined the Group in 1980 and has been an executive Director of the Company since August 1991. She is also an executive director of K. Wah International Holdings Limited. She holds a bachelor of commerce degree from the McGill University, Canada and is a member of The Institute of Chartered Accountants in England and Wales. Ms. Tang was a member of the Election Committee of the HKSAR. She is also a member of various public and social service organizations, including the Board of Ocean Park Corporation, the Hong Kong Arts Development Council, the Statistic Advisory Board and the Standing Committee on Company Law Reform. Ms. Tang has been again elected as a member of the Hotel Sub-sector of Election Committee for the Third Term Chief Executive of the HKSAR in December 2006. Ms. Tang is the daughter of Dr. Lui Che Woo and the elder sister of Mr. Francis Lui Yiu Tung.

Non-executive Directors

Dr. Moses Cheng Mo Chi, *GBS, OBE, JP*, aged 59, has been a non-executive Director of the Company since August 1996. Dr. Cheng is the senior partner of P.C. Woo & Co., a Hong Kong firm of solicitors, and is the Founder Chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Dr. Cheng is a non-official member of the Commission on Strategic Development. He had served as a member of the Legislative Council of Hong Kong.

Mr. Anthony Thomas Christopher Carter, aged 63, joined the Group in 2003 and has been a non-executive Director of the Company since April 2007. Mr. Carter holds a L.L.B. (Hons) from the University of Leeds in England. He is a solicitor in the United Kingdom and Hong Kong. He has extensive experience in strategic planning and business management as well as in corporate finance and development. Prior to his retirement from the Company in March 2007, he was the Chief Executive Officer of Galaxy Casino, S.A.

Dr. Martin Clarke, aged 53, has been a non-executive Director of the Company since 27 November 2007. He became a Partner at Permira in 2004. He is a member of Permira's Executive Committee and Head of the Consumer Sector. He has worked on a number of transactions including Gala Coral Group, New Look, Principal Hayley Group, Telepizza and Galaxy Entertainment. Dr. Clarke has over 25 years of experience of private equity. Prior to joining, he was one of the founder directors of PPM Capital, the private equity arm of Prudential plc. and was involved in over 20 deals with a particular emphasis on the consumer space. His early career was spent at CIN Industrial Investments, the precursor of Cinven. He holds an MA and PhD in History from Cambridge University, England.

Mr. Guido Paolo Gamucci, aged 56, has been a non-executive Director of the Company since 27 November 2007. He is Chairman of Permira's Asia Pacific operations, having previously managed its Milan office. He is a Partner in Permira and has worked on numerous transactions including DinoSol Supermercados, EEMS, Ferretti Group and Seat PG. Prior to joining Permira in 1997, he spent six years with UBS Capital in Italy as Founding Partner and Managing Director. Previously Mr. Gamucci worked at Citicorp in Italy, as Deputy Head of Investment Banking and Country Treasurer for Italy. He has a degree in Mechanical Engineering from the University of Rome, Italy, and an MBA from INSEAD, France.

Independent Non-executive Directors

Mr. James Ross Ancell, aged 55, has been an independent non-executive Director of the Company since April 2004. 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 71, has been an independent non-executive Director of the Company since December 2004. 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, a company listed on the Australian Stock Exchange and engaged in real estate development and tourist attraction business. He is also the Chairman of Cantravel Limited, Guangzhou. Dr. Yip has been active in public services and is presently a Standing Committee Member of The Chinese General Chamber of Commerce and the President of Concordia Hong Kong Foundation Limited. He also serves on the Board of Governors of The Canadian Chamber of Commerce in Hong Kong. In addition, Dr. Yip has been elected a Guangzhou Municipal Honorable Citizen.

Dr. Patrick Wong Lung Tak, *JP*, aged 61, has been an independent non-executive Director of the Company since August 2008. Dr. Wong is a Certified Public Accountant (Practising) in Hong Kong and the Managing Practising Director of Wong Lam Leung & Kwok CPA Limited. He has over 30 years experience in the accountancy profession. Dr. 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 has been appointed Adjunct Professor, School of Accounting and Finance of the Hong Kong Polytechnic University since 2002. Dr. Wong participates in many types of community services and is holding posts in various organisations and committees in government and voluntary agencies.

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.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The guaranteed senior floating rate notes due 2010 and 9.875% guaranteed senior notes due 2012 in the aggregate principal amount of US$600 million issued by Galaxy Entertainment Finance Company Limited, a subsidiary of the Company, indirectly impose specific performance obligations on the controlling shareholders of the Company, which are Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Lui family trust and interests associated with them to maintain not less than 35% of the voting share capital of Galaxy Casino, S.A., failing which (together with the occurrence of certain events) will constitute a default thereunder. Further details were included in the announcement of the Company dated 8 December 2005.

The Company entered into a facility letter with a bank on 24 October 2008 for a non-revolving fixed loan facility up to HK$300 million for a term of 12 months which imposes a specific performance obligation on Dr. Lui Che Woo, his family, family trust and interests associated with them to remain the largest shareholder and holding not less than 35% of the voting share capital of the Company. Further details were included in the announcement of the Company dated 24 October 2008.

The Directors have pleasure in presenting to the shareholders their annual report together with the audited financial statements of the Company for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal subsidiaries, jointly controlled entities and associated companies of the Company are primarily engaged in gaming and entertainment in Macau and the manufacture, sale and distribution of construction materials in Hong Kong, Macau and Mainland China, and their principal activities and other particulars are set out in note 45 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated profit and loss statement on page 47 of this annual report.

No interim dividend (2007: nil) was paid during the year. The Directors have resolved not to recommend any final dividend for the year ended 31 December 2008 (2007: nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 29 to the financial statements.

During the year, 2,500,000 new shares of HK$0.10 each ("Shares") and 30,000 new Shares were issued at the prices of HK$0.5333 and HK$4.59 each respectively pursuant to share option schemes of the Company as a result of the exercise of share options by option holders.

DEBT SECURITIES

Details of the guaranteed senior floating rate notes due 2010 ("Floating Rate Notes") and 9.875% guaranteed senior notes due 2012 ("Fixed Rate Notes") (both listed on the Singapore Stock Exchange) in the aggregate principal amount of US$600,000,000 issued by Galaxy Entertainment Finance Company Limited, a subsidiary of the Company, are set out in note 32 to the financial statements.

On 31 December 2008, US$113,890,000 principal amount of the Floating Rate Notes and US$56,337,000 principal amount of the Fixed Rate Notes were purchased for cash at an aggregate amount of approximately US$86,350,000 (including accrued interest up to the settlement date of 2 January 2009).

Details of the zero coupon convertible notes due 2011 in the aggregate principal amount of US$240,000,000 issued by the Company are set out in note 32 to the financial statements.

DEALINGS IN LISTED SECURITIES

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares or listed debt securities during the year ended 31 December 2008.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

The Directors of the Company who served during the year were Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Mr. Chan Kai Nang (who retired on 1 May 2008), Mr. Joseph Chee Ying Keung, Ms. Paddy Tang Lui Wai Yu, Dr. Charles Cheung Wai Bun (who retired on 19 June 2008), Dr. Moses Cheng Mo Chi, Mr. James Ross Ancell, Dr. William Yip Shue Lam, Mr. Anthony Thomas Christopher Carter, Dr. Martin Clarke, Mr. Guido Paolo Gamucci and Dr. Patrick Wong Lung Tak (who was appointed on 20 August 2008). The biographical details of the existing Directors are set out on pages 31 to 33 of this annual report.

In accordance with Article 106(A), Mr. Francis Lui Yiu Tung, Mr. Joseph Chee Ying Keung and Dr. Moses Cheng Mo Chi will retire from office by rotation at the forthcoming annual general meeting. Mr. Francis Lui Yiu Tung and Mr. Joseph Chee Ying Keung, being eligible, will offer themselves for re-election. Dr. Moses Cheng Mo Chi has elected that he will not offer himself for re-election and will retire from office at the forthcoming annual general meeting. In accordance with Article 97, Dr. Patrick Wong Lung Tak shall hold office until the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

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

Subject to the approval of shareholders at the forthcoming annual general meeting, the following directors' fees in respect of the year ended 31 December 2008 will be payable to the Directors:

	Chairman (HK$)	**Member** (HK$)
The Board	120,000	100,000
Audit Committee	100,000	80,000
Remuneration Committee	50,000	40,000

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this Report of the Directors, no contracts of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a Director has or had a material beneficial interest, whether directly or indirectly, subsisted on 31 December 2008 or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES AND SHARE OPTIONS

At 31 December 2008, the interests of each Director in the Shares, underlying Shares and debentures of the Company, and the details of any right to subscribe for Shares and of the exercise of such rights, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Shares (including underlying Shares)

	Number of Shares (including underlying Shares)					
Name	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Percentage of Issued Share Capital
Lui Che Woo	20,637,632	2,181,518	395,362,426[1]	2,547,267,923[2]	2,965,449,499	75.30
Francis Lui Yiu Tung	16,498,896	—	407,558,099[3]	2,541,392,504[2]	2,965,449,499	75.30
Joseph Chee Ying Keung	3,103,000	—	—	—	3,103,000	0.08
Paddy Tang Lui Wai Yu	10,939,722	—	—	2,954,509,777[2]	2,965,449,499	75.30
Moses Cheng Mo Chi	500,000	—	—	—	500,000	0.01
James Ross Ancell	250,000	—	—	—	250,000	0.01
William Yip Shue Lam	250,000	—	—	—	250,000	0.01
Anthony Thomas Christopher Carter	2,800,000	—	—	—	2,800,000	0.07
Martin Clarke	—	—	—	—	—	—
Guido Paolo Gamucci	—	—	—	—	—	—
Patrick Wong Lung Tak	—	—	—	—	—	—

Notes:

(1) 80,387,837 Shares, 305,401 Shares, 106,716,107 Shares, 162,484,047 Shares, 13,308,179 Shares, 9,660,855 Shares and 22,500,000 Shares were respectively held by Best Chance Investments Ltd., Po Kay Securities & Shares Company Limited, Super Focus Company Limited, Sutimar Enterprises Limited, Premium Capital Profits Limited, Mark Liaision Limited and Favor Right Investments Limited, all controlled by Dr. Lui Che Woo.

(2) A discretionary family trust established by Dr. Lui Che Woo as founder was interested in 1,313,887,206 Shares. 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.

Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu are, among others, parties to certain arrangements to which section 317 of the SFO applies and each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any Shares held by the other parties to such arrangements for so long as such arrangements are in place. The deemed interests pursuant to these arrangements of Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu were 1,233,380,717 Shares, 1,227,505,298 Shares and 1,640,622,571 Shares respectively.

(3) 114,504,039 Shares were held by Recurrent Profits Limited which is controlled by Mr. Francis Lui Yiu Tung. Top Notch Opportunities Limited ("Top Notch") was interested in 171,916,021 underlying Shares. Kentlake International Investments Limited ("Kentlake") was interested in 60,000,000 Shares and 61,138,039 underlying Shares. Both Kentlake and Top Notch are controlled by Mr. Francis Lui Yiu Tung. The underlying Shares had not been delivered to Top Notch and Kentlake and are still counted towards the public float.

(b) 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 2008, none of the Directors of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 31 December 2008, the interests of every person (not being a Director or chief executive of the Company) in the Shares and underlying Shares 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.	2,965,449,499[(1)]	75.30
ENB Topco 2 S.àr.l	2,965,449,499[(1)(3)]	75.30
Galaxy Entertainment Group Limited	2,965,449,499[(1)]	75.30
HSBC International Trustee Limited	1,313,887,206[(2)]	33.36
Mark Liaison Limited	2,965,449,499[(1)]	75.30
Permira Holdings Limited	2,965,449,499[(1)(4)]	75.30
Permira Holdings LLP	2,965,449,499[(1)(4)]	75.30
Premium Capital Profits Limited	2,965,449,499[(1)]	75.30
Recurrent Profits Limited	2,965,449,499[(1)]	75.30
Super Focus Company Limited	2,965,449,499[(1)]	75.30

Notes:

(1) City Lion Profits Corp., ENB Topco 2 S.àr.l, Galaxy Entertainment Group Limited, Mark Liaison Limited, Permira Holdings Limited, Permira Holdings LLP, Premium Capital Profits Limited, Recurrent Profits Limited and Super Focus Company Limited are, among others, parties having interests in certain arrangements to which section 317 of the SFO applies and each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any Shares held by the other parties to such arrangements for so long as such arrangements are in place. Their deemed interests pursuant to these arrangements were 1,651,562,293 Shares, 2,322,730,916 Shares, 2,965,449,499 Shares, 2,955,788,644 Shares, 2,167,065,499 Shares, 2,167,065,499 Shares, 2,952,141,320 Shares, 2,850,945,460 Shares and 2,696,249,345 Shares respectively.

(2) HSBC International Trustee Limited is the trustee of a discretionary family trust established by Dr. Lui Che Woo as founder, which was interested in 1,313,887,206 Shares.

(3) ENB Topco 2 S.àr.l is deemed to have an interest in the Shares as a result of the direct holding of the Shares by ENB Lux 2 S.àr.l, its wholly-owned subsidiary.

(4) Permira Holdings Limited is deemed to have an interest in the Shares in its capacity as the holding company of the general partner and manager of the funds which control the companies holding the Shares. Permira Holdings LLP is deemed to have an interest in the Shares in its capacity as the holding company of Permira Holdings Limited.

There was duplication of interests of:

(i) 1,313,887,206 Shares between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, City Lion Profits Corp. and HSBC International Trustee Limited;

(ii) 9,660,855 Shares between Dr. Lui Che Woo and Mark Liaison Limited;

(iii) 13,308,179 Shares between Dr. Lui Che Woo and Premium Capital Profits Limited;

(iv) 269,200,154 Shares between Dr. Lui Che Woo and Super Focus Company Limited;

(v) 114,504,039 Shares between Mr. Francis Lui Yiu Tung and Recurrent Profits Limited;

(vi) 642,718,583 Shares between ENB Topco 2 S.àr.l., Permira Holdings Limited and Permira Holdings LLP; and

(vii) apart from the above, duplication of interests also existed among Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, City Lion Profits Corp., ENB Topco 2 S.àr.l, Galaxy Entertainment Group Limited, Mark Liaison Limited, Permira Holdings Limited, Permira Holdings LLP, Premium Capital Profits Limited, Recurrent Profits Limited and Super Focus Company Limited, which are parties having interests in certain arrangements to which section 317 of the SFO applies. As a result, each of them is deemed, for the purpose of the disclosure requirements in Part XV of the SFO, to be interested in any Shares held by the other parties to such arrangements for so long as such arrangements are in place. Their interests were duplicated to the extent as disclosed in the relevant notes above.

Save as disclosed above, as at 31 December 2008, the Company had not been notified by any persons who had interests or short positions in the Shares or underlying Shares which are required to be recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company ("Share Option Scheme") was adopted on 30 May 2002. A summary of the Share Option Scheme is set out below:

(1) Purpose

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

(2) Participants

(i) any employee of the Company or any affiliate and any senior executive or director of the Company or any affiliate; or

(ii) any consultant, agent, representative or adviser of the Company or any affiliate; or

(iii) any person who provides goods or services to the Company or any affiliate; or

(iv) any customer or contractor of the Company or any affiliate; or

(v) any business ally or joint venture partner of the Company or any affiliate; or

(vi) any trustee of any trust established for the benefit of employees; or

(vii) in relation to any of the above qualifying grantee who is an individual, a trust solely for the benefit of the qualifying grantee or his immediate family members, and companies controlled solely by the qualifying grantee or his immediate family members.

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

(3) Total number of Shares available for issue

Mandate Limit — Subject to the paragraph below, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 329,464,936 Shares, being 10% of the Shares in issue as at 29 June 2006, the date of passing of an ordinary resolution of the shareholders for refreshment of the Mandate Limit.

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 was 303,377,936 Shares, which represented approximately 7.7% of the issued share capital of the Company on that date.

(4) Maximum entitlement of each participant

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

Subject to separate approval by the shareholders in general meeting with the relevant participant and his associates (as defined in the Listing Rules) abstaining from voting 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.

(9) The remaining life of the Share Option Scheme

The life of the Share Option Scheme is 10 years commencing on its adoption date, being 30 May 2002 and will expire on 29 May 2012.

The particulars of the movements in the options held by each of the Directors of the Company, the employees of the Company in aggregate and other participants granted under the Share Option Scheme or under any other share option schemes of the Company during the year ended 31 December 2008 were as follows:

		Number of Options						
Name	Date of grant	Held at 1 January 2008	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2008	Exercise price (HK$)	Exercise period
Lui Che Woo	20 May 1998	1,500,000	—	1,500,000 [(a)]	—	—	0.5333	20 May 1999–19 May 2008
	30 Dec 1999	1,800,000	—	—	—	1,800,000	0.5216	30 Dec 2000–29 Dec 2009
	28 Feb 2003	2,000,000	—	—	—	2,000,000	0.5140	1 Mar 2004–28 Feb 2013
	21 Oct 2005	2,700,000	—	—	—	2,700,000	4.5900	22 Oct 2005–21 Oct 2011
	21 Oct 2005	590,000	—	—	—	590,000	4.5900	22 Oct 2006–21 Oct 2011
	17 Jan 2008	—	862,500	—	—	862,500	6.9720	17 Jan 2010–16 Jan 2014
	17 Jan 2008	—	862,500	—	—	862,500	6.9720	17 Jan 2011–16 Jan 2014
	17 Jan 2008	—	1,725,000	—	—	1,725,000	6.9720	17 Jan 2012–16 Jan 2014
Francis Lui Yiu Tung	20 May 1998	1,000,000	—	1,000,000 [(b)]	—	—	0.5333	20 May 1999–19 May 2008
	30 Dec 1999	1,600,000	—	—	—	1,600,000	0.5216	30 Dec 2000–29 Dec 2009
	28 Feb 2003	1,870,000	—	—	—	1,870,000	0.5140	1 Mar 2004–28 Feb 2013
	21 Oct 2005	6,000,000	—	—	—	6,000,000	4.5900	22 Oct 2005–21 Oct 2011
	21 Oct 2005	580,000	—	—	—	580,000	4.5900	22 Oct 2006–21 Oct 2011
	17 Jan 2008	—	1,250,000	—	—	1,250,000	6.9720	17 Jan 2010–16 Jan 2014
	17 Jan 2008	—	1,250,000	—	—	1,250,000	6.9720	17 Jan 2011–16 Jan 2014
	17 Jan 2008	—	2,500,000	—	—	2,500,000	6.9720	17 Jan 2012–16 Jan 2014
Joseph Chee Ying Keung	21 Oct 2005	270,000	—	—	—	270,000	4.5900	22 Oct 2006–21 Oct 2011
	18 Aug 2008	—	383,000	—	—	383,000	3.3200	18 Aug 2009–17 Aug 2014
Paddy Tang Lui Wai Yu	21 Oct 2005	3,000,000	—	—	—	3,000,000	4.5900	22 Oct 2005–21 Oct 2011
	21 Oct 2005	400,000	—	—	—	400,000	4.5900	22 Oct 2006–21 Oct 2011
	17 Jan 2008	—	500,000	—	—	500,000	6.9720	17 Jan 2010–16 Jan 2014
	17 Jan 2008	—	500,000	—	—	500,000	6.9720	17 Jan 2011–16 Jan 2014
	17 Jan 2008	—	1,000,000	—	—	1,000,000	6.9720	17 Jan 2012–16 Jan 2014
Moses Cheng Mo Chi	—	—	—	—	—	—	—	—
James Ross Ancell	21 Oct 2005	250,000	—	—	—	250,000	4.5900	22 Oct 2006–21 Oct 2011
William Yip Shue Lam	21 Oct 2005	250,000	—	—	—	250,000	4.5900	22 Oct 2006–21 Oct 2011

Name	Date of grant	Number of Options Held at 1 January 2008	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2008	Exercise price (HK$)	Exercise period
Anthony Thomas Christopher Carter	21 Oct 2005	2,500,000	—	—	—	2,500,000	4.5900	22 Oct 2005–21 Oct 2011
Martin Clarke	—	—	—	—	—	—	—	—
Guido Paolo Gamucci	—	—	—	—	—	—	—	—
Patrick Wong Lung Tak	—	—	—	—	—	—	—	—
Employees (in aggregate)	28 Feb 2003	#110,000	—	—	—	110,000	0.5140	1 Mar 2004–28 Feb 2013
	21 Oct 2005	5,900,000	—	—	—	5,900,000	4.5900	22 Oct 2005–21 Oct 2011
	21 Oct 2005	*2,148,000	—	30,000 (c)	194,000	1,924,000	4.5900	22 Oct 2006–21 Oct 2011
	17 Jan 2008	—	10,252,000	—	1,700,000	8,552,000	6.9720	17 Jan 2010–16 Jan 2014
	17 Jan 2008	—	10,252,000	—	1,700,000	8,552,000	6.9720	17 Jan 2011–16 Jan 2014
	17 Jan 2008	—	20,504,000	—	3,400,000	17,104,000	6.9720	17 Jan 2012–16 Jan 2014
	11 Jul 2008	—	750,000	—	—	750,000	3.8420	11 Jul 2010 — 10 Jul 2014
	11 Jul 2008	—	750,000	—	—	750,000	3.8420	11 Jul 2011–10 Jul 2014
	11 Jul 2008	—	1,500,000	—	—	1,500,000	3.8420	11 Jul 2012–10 Jul 2014
	18 Aug 2008	—	4,911,000	—	—	4,911,000	3.3200	18 Aug 2009–17 Aug 2014
	18 Aug 2008	—	2,522,000	—	250,000	2,272,000	3.3200	18 Aug 2010–17 Aug 2014
	18 Aug 2008	—	2,522,000	—	250,000	2,272,000	3.3200	18 Aug 2011–17 Aug 2014
	18 Aug 2008	—	5,044,000	—	500,000	4,544,000	3.3200	18 Aug 2012–17 Aug 2014
Others	21 Oct 2005	3,500,000	—	—	—	3,500,000	4.5900	22 Oct 2005–21 Oct 2011
	21 Oct 2005	@250,000	—	—	250,000	—	4.5900	22 Oct 2006–21 Oct 2011

\# on reclassification of share options held by Mr. Chan Kai Nang under "Directors" to "Employees" following his retirement as a director of the Company during the year.

* on reclassification of 270,000 share options held by Mr. Chan Kai Nang under "Directors" to "Employees".

@ on reclassification of share options held by Dr. Charles Cheung Wai Bun under "Directors" to "Others" following his retirement as a director of the Company during the year.

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$5.10.

b. The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$5.55.

c. The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the year was HK$5.38.

The vesting periods for the above options are the periods from the respective dates of grant to the respective commencement dates of the exercise periods of the options as disclosed above. The consideration paid by each grantee for each grant of options was HK$1.00.

Details of the options granted 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 the 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 17 Jan 2008 — 44,658,000 options outstanding as at 31 Dec 2008	$1.87	$6.60	$6.972	39%	4 to 6 years	2%	2.2% to 2.4%
Granted on 11 Jul 2008 — 3,000,000 options outstanding as at 31 Dec 2008	$1.12	$3.70	$3.842	39%	4 to 6 years	2%	3.0% to 3.3%
Granted on 18 Aug 2008 — 5,294,000 options outstanding as at 31 Dec 2008	$0.89	$3.22	$3.32	41%	3 to 6 years	2%	2.8% to 3.0%
Granted on 18 Aug 2008 — 9,088,000 options outstanding as at 31 Dec 2008	$1.01	$3.22	$3.32	41%	4 to 6 years	2%	2.8% to 3.0%

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 past two years prior to the dates of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

The closing prices of the Shares immediately before the dates on which the share options were granted during the year on 17 January 2008, 11 July 2008 and 18 August 2008 were HK$6.59, HK$3.80 and HK$3.43 respectively.

Except for the Share Option Scheme, 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.

CONNECTED TRANSACTIONS

On 18 February 2009, Spring High Limited ("Spring High") and K. Wah Construction Materials (Hong Kong) Limited ("K. Wah Construction") (both wholly owned subsidiaries of the Company) entered into a sale and purchase agreement with Pioneer Quarries (Hong Kong) Limited ("Pioneer") and Alliance Construction Materials Limited ("Alliance") for the sale by Spring High of 50% of the issued share capital of Boom Victory Investments Limited ("Boom Victory") and a related shareholder's loan to Pioneer for a total consideration of HK$47,084,895. Boom Victory is the sole shareholder of K. Wah Materials and Development (Huidong) Company Limited, which in turn, is one of the two shareholders of 惠東嘉

華材料有限公司 (K. Wah Materials (Huidong) Limited), being a sino-foreign co-operative joint venture licensed to quarry mine and extract rock at a quarry located in Huidong, Guangdong Province, mainland China. On the same date, Spring High, K. Wah Construction, Pioneer and Alliance, together with Boom Victory, entered into a shareholders' agreement to govern the terms of the joint venture in Boom Victory, under which, among other things, Pioneer is required to pay to Spring High a total sum of HK$110,000,000 in seven annual instalments.

The two above-mentioned agreements constituted connected transactions for the Company as both Pioneer and Alliance are connected persons of the Company (at the subsidiary level) for reason that Pioneer is a substantial shareholder of a non-wholly owned subsidiary of the Company and Pioneer is a wholly-owned subsidiary of Alliance. The transactions were approved in writing by a closely allied group of shareholders holding more than 50% of the issued share capital of the Company. The sale was completed on 18 February 2009 and further details were included in the announcement and circular of the Company dated 18 February 2009 and 10 March 2009 respectively.

CONTINUING CONNECTED TRANSACTIONS

The Company's indirect subsidiaries continued to lease from Jia Hui Da Real Estate Development Co., Ltd. Shanghai (上海嘉匯達房地產開發經營有限公司) ("JHD"), an indirect non-wholly owned subsidiary of K. Wah International Holdings Limited ("KWIH"), the office units 1802–1804 of Shanghai K. Wah Centre, No. 1010, Huaihai Zhong Road, Xuhui District, Shanghai, the PRC pursuant to the Tenancy Agreements (collectively the "Tenancy Agreements") entered into on 2 June 2005 for a 3-year term from 1 June 2005 to 31 May 2008, details of which were included in the joint announcement dated 23 August 2005 issued by the Company and KWIH. These continuing connected transactions were carried out during the year up to 31 May 2008 within the annual cap for 2008.

Each of the independent non-executive Directors of the Company has reviewed the transactions under the Tenancy Agreements and confirms that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms; and

(3) in accordance with the Tenancy Agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company, PricewaterhouseCoopers, has confirmed to the Board of Directors of the Company that:

(1) the transactions have been approved by the Company's Board of Directors;

(2) the transactions were conducted on terms in accordance with the Tenancy Agreements governing the transactions; and

(3) the aggregate rental under the Tenancy Agreements amounted to approximately HK$839,590 for the five months ended 31 May 2008 and is within the corresponding annual cap.

Upon the expiry of the Tenancy Agreements, another three new tenancy agreements were entered into between JHD and the Company's indirect subsidiaries in respect of the office units 1803, 1804 and 1806 of Shanghai K. Wah Centre. These three new tenancy agreements would constitute continuing connected transactions, but the aggregate annual rental has not exceeded 0.1% of each of the relevant percentage ratios and are therefore exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 30 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2008, 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.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the five largest customers or suppliers (not including of a capital nature).

MANAGEMENT CONTRACTS

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

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$4,927,000 (2007: HK$10,668,000).

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 financial statements of the Company for the year ended 31 December 2008 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, 24 April 2009

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

To the shareholders of Galaxy Entertainment Group Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Galaxy Entertainment Group Limited (the "Company") set out on pages 47 to 126, which comprise the balance sheets of the Company and the Group as at 31 December 2008, and the consolidated profit and loss statement, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 141 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 April 2009

CONSOLIDATED PROFIT AND LOSS STATEMENT

For the year ended 31 December 2008

	Notes	**2008 HK$'000**	2007 HK$'000
Revenue	7	**10,496,657**	13,035,439
Cost of sales	8a	**(9,447,353)**	(11,383,472)
Gross profit		**1,049,304**	1,651,967
Other income	8b	**279,643**	415,732
Impairment of gaming licence	18	**(12,330,305)**	—
Administrative expenses		**(1,073,619)**	(928,304)
Other operating expenses		**(1,114,522)**	(1,058,113)
Operating (loss)/profit	8c	**(13,189,499)**	81,282
Finance income/(costs), net	10	**79,290**	(557,395)
Share of profits less losses of jointly controlled entities		**51,885**	52
Loss before taxation		**(13,058,324)**	(476,061)
Taxation credit/(charge)	11	**1,503,093**	(26,172)
Loss for the year		**(11,555,231)**	(502,233)
Attributable to:			
Shareholders	31	**(11,390,368)**	(466,200)
Minority interests		**(164,863)**	(36,033)
		(11,555,231)	(502,233)
		HK cents	HK cents
Loss per share	13		
Basic		**(289.3)**	(13.8)
Diluted		**(289.3)**	(13.8)

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**6,480,783**	4,731,187
Investment properties	16	**64,500**	62,500
Leasehold land and land use rights	17	**1,540,529**	1,580,777
Intangible assets	18	**1,488,039**	14,520,665
Jointly controlled entities	20	**832,629**	506,193
Associated company	21	**730**	730
Derivative financial instruments	22	**1,522**	1,155
Other non-current assets	23	**290,211**	599,602
		10,698,943	22,002,809
Current assets			
Inventories	24	**94,022**	90,449
Debtors and prepayments	25	**1,607,505**	1,039,336
Amounts due from jointly controlled entities	26	**191,621**	339,168
Taxation recoverable		**1,999**	1,299
Other investments	27	**15,574**	57,768
Cash and bank balances	28	**6,042,300**	8,230,362
		7,953,021	9,758,382
Total assets		**18,651,964**	31,761,191

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Share capital	29	**393,817**	393,564
Reserves	31	**6,617,467**	18,013,088
Shareholders' funds		**7,011,284**	18,406,652
Minority interests		**262,616**	531,791
Total equity		**7,273,900**	18,938,443
LIABILITIES			
Non-current liabilities			
Borrowings	32	**6,275,958**	6,010,571
Deferred taxation liabilities	33	**267,224**	1,781,500
Derivative financial instruments	22	**17,805**	477,531
Provisions	34	**115,553**	135,622
		6,676,540	8,405,224
Current liabilities			
Creditors and accruals	35	**3,979,776**	3,901,630
Provision for claims from contractors	5j	**274,757**	—
Amount due to a jointly controlled entity	26	**348**	2,177
Borrowings	32	**435,903**	495,247
Taxation payable		**10,740**	18,470
		4,701,524	4,417,524
Total liabilities		**11,378,064**	12,822,748
Total equity and liabilities		**18,651,964**	31,761,191

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

COMPANY BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	19	**8,550,455**	15,212,438
Current assets			
Debtors and prepayments	25	**651**	21,378
Taxation recoverable		**339**	339
Cash and bank balances	28	**726,059**	4,548,722
		727,049	4,570,439
Total assets		**9,277,504**	19,782,877
EQUITY			
Share capital	29	**393,817**	393,564
Reserves	31	**7,062,150**	17,172,132
Shareholders' funds		**7,455,967**	17,565,696
LIABILITIES			
Non-current liabilities			
Borrowings	32	**1,433,585**	1,320,525
Derivative financial instruments	22	**6,820**	468,858
		1,440,405	1,789,383
Current liabilities			
Creditors and accruals	35	**6,132**	30,198
Borrowings	32	**375,000**	397,600
		381,132	427,798
Total liabilities		**1,821,537**	2,217,181
Total equity and liabilities		**9,277,504**	19,782,877

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	36(a)	**(440,083)**	1,267,776
Hong Kong profits tax paid		**(9,560)**	(4,017)
Mainland China income tax and Macau complementary tax paid		**(8,815)**	(6,477)
Interest paid		**(461,981)**	(646,454)
Income from cashflow hedges		**23,747**	27,298
Net cash (used in)/from operating activities		**(896,692)**	638,126
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,526,219)**	(1,303,467)
Purchase of leasehold land and land use rights		**—**	(104)
Purchase of intangible assets		**(12,633)**	(4,268)
Proceeds from sale of property, plant and equipment		**7,667**	18,022
Proceeds from disposal of a subsidiary		**—**	49,217
Proceeds from partial disposal of jointly controlled entities		**44,113**	102,257
Step up acquisition of additional interest in a subsidiary	37(a)	**(11,080)**	—
Acquisition of subsidiaries, net of cash acquired	37(b)(c)	**(9,613)**	—
Investments in jointly controlled entities and an associated company		**(184,679)**	(110,686)
Decrease/(increase) in amounts due from jointly controlled entities and an associated company		**20,742**	(157,423)
Deferred expenditure		**(432)**	(13,232)
Decrease in deferred receivable		**1,785**	2,730
Decrease in finance lease receivable		**56,796**	38,419
Decrease in non-current investments		**725**	7,212
Proceeds from disposal of listed investments		**—**	49,902
Proceeds from disposal of non-current investments		**8,273**	5,509
Interest received		**166,263**	205,357
(Increase)/decrease in restricted bank deposits		**(2,890)**	209,153
Dividends received from jointly controlled entities		**10,905**	21,504
Dividends received from unlisted and listed investments		**13,038**	17,018
Net cash used in investing activities		**(1,417,239)**	(862,880)

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
Cash flows from financing activities		
Issue of new shares	**670**	3,948,508
New bank loans	**636,561**	135,063
Repayment of bank loans	**(533,357)**	(240,460)
Repayment of fixed rate notes	**—**	(1,187,939)
Capital element of finance lease payments	**(3,990)**	(3,282)
Contribution from minority interests	**25,703**	13,584
Dividends paid to minority interests	**(1,724)**	(4,582)
Net cash from financing activities	**123,863**	2,660,892
Net (decrease)/increase in cash and bank balances	**(2,190,068)**	2,436,138
Cash and bank balances at beginning of year	**8,230,362**	5,783,197
Changes in exchange rates	**2,006**	11,027
Cash and bank balances at end of year	**6,042,300**	8,230,362

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital HK$'000	Reserves HK$'000	Shareholders' funds HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2007	329,612	13,303,187	13,632,799	490,700	14,123,499
Change in fair value of non-current investments	—	(14,938)	(14,938)	1,817	(13,121)
Exchange differences	—	47,995	47,995	8,562	56,557
Change of fair value of cash flow hedges	—	(61,802)	(61,802)	(316)	(62,118)
Net (loss)/income recognised directly in equity	—	(28,745)	(28,745)	10,063	(18,682)
Loss for the year	—	(466,200)	(466,200)	(36,033)	(502,233)
Total recognised loss for the year	—	(494,945)	(494,945)	(25,970)	(520,915)
Injection of minority interests	—	—	—	71,643	71,643
Issue of new shares	63,019	5,167,851	5,230,870	—	5,230,870
Issue of shares upon exercise of share options	933	36,995	37,928	—	37,928
Dividend paid to minority interests	—	—	—	(4,582)	(4,582)
At 31 December 2007	393,564	18,013,088	18,406,652	531,791	18,938,443
Change in fair value of non-current investments	—	(88,384)	(88,384)	(363)	(88,747)
Disposal of non-current investments	—	(3,363)	(3,363)	—	(3,363)
Exchange differences	—	42,429	42,429	7,343	49,772
Change of fair value of cash flow hedges	—	12,013	12,013	259	12,272
Net (loss)/income recognised directly in equity	—	(37,305)	(37,305)	7,239	(30,066)
Loss for the year	—	(11,390,368)	(11,390,368)	(164,863)	(11,555,231)
Total recognised loss for the year	—	(11,427,673)	(11,427,673)	(157,624)	(11,585,297)
Injection of minority interests	—	—	—	33,253	33,253
Acquisition of minority interests	—	—	—	(143,080)	(143,080)
Issue of shares upon exercise of share options	253	417	670	—	670
Fair value of share options	—	31,635	31,635	—	31,635
Dividend paid to minority interests	—	—	—	(1,724)	(1,724)
	253	32,052	32,305	(111,551)	(79,246)
At 31 December 2008	**393,817**	**6,617,467**	**7,011,284**	**262,616**	**7,273,900**

1. General Information

Galaxy Entertainment Group Limited (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. The address of its registered office and principal place of business is Room 1606, 16th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 24 April 2009.

2. Basis of Preparation

The Group meets its day to day working capital requirements and capital commitments mainly through revenue from its operations, cash at banks as well as credit facilities from banks. The tougher visa restrictions on Mainland China visitors to Macau and the global financial turmoil in late 2008 have brought adverse impact on the macro economic environment. The current economic conditions create uncertainties particularly over the number of tourists visiting Macau, and hence, the number of players in the Group's gaming and entertainment properties. In addition, competition in the Macau gaming market has continued to intensify.

The Group has prepared the projected cash flows for the period up to 30 April 2010. Key assumptions of the cash flow projections include expected revenues generated from the gaming and entertainment and construction materials operations to be at a similar level of 2008, HK$1.9 billion further capital expenditure (note 38) and HK$1.3 billion for repayment of borrowings, of which HK$0.9 billion has been used to early repay some of guaranteed notes and convertible notes (note 43(a) and (c)). If there were unexpected adverse changes in general economic conditions which results in a decrease in the projected revenue, the Group has a number of alternative plans to mitigate the negative impact on cash inflow, including rescheduling the development program of the Galaxy Macau resort at Cotai. The Group will enhance the cash inflow from operations by implementing additional cost control measures and bringing in players from other Asian countries. The Group has continued discussions with banks to explore opportunities to expand its credit facilities thereby strengthening its financial resources.

Actual net gaming wins of StarWorld Casino for the first quarter of 2009 is approximately HK$1.9 billion, increased by approximately 10% as compared with that of the first quarter of 2008. The cash at banks at 31 March 2009 was approximately HK$5 billion, after early repayment of guaranteed notes of approximately HK$1.3 billion principal amount in January 2009 (note 43(a)). The Group considers its liquidity and financial position as a whole is healthy and has a reasonable expectation that the Group has adequate resources 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 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, non-current investments, financial assets and financial liabilities (including derivative financial instruments), which are carried at fair values.

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 judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 below.

2. Basis of Preparation (Continued)

(a) The adoption of new/revised HKFRS

In 2008, the Group adopted the following new interpretations of HKFRS issued by the HKICPA which are effective for the accounting periods beginning on or after 1 January 2008 and relevant to its operations.

HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 13	Customer loyalty programmes

The Group has assessed the impact of the adoption of these new interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the financial statements.

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

The following new standard, interpretations and amendments to existing standards, which have been published and are relevant to the Group's operations and consolidated financial statements, are mandatory for the accounting periods beginning on or after 1 January 2009 or later periods but which the Group has not early adopted:

Effective from 1 January 2009

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 (Amendment) and HKAS 1 (Amendment)	Financial instruments: Presentation of financial statements — Puttable financial instruments and obligations arising on liquidation
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement — Eligible hedged item
HKFRS 2 (Amendment)	Share-based Payment
HKFRS 8	Operating Segments

Effective from 1 July 2009

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers

Improvements to HKFRS published in October 2008 effective for accounting periods beginning on or after 1 January 2009.

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 16 (Amendment)	Property, plant and equipment
HKAS 19 (Amendment)	Employee benefits
HKAS 23 (Amendment)	Borrowing costs
HKAS 28 (Amendment)	Investments in associates
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKAS 31 (Amendment)	Interests in Joint Venture
HKAS 36 (Amendment)	Impairment of asset
HKAS 38 (Amendment)	Intangible assets
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HKAS 40 (Amendment)	Investment property

2. Basis of Preparation (Continued)

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

The Group has already commenced an assessment of the impact of the above standards, interpretations and amendments but is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will be resulted.

3. Summary of Significant Accounting Policies

The principal 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.

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 jointly controlled entities and associated companies attributable to the Group.

Results attributable to subsidiaries, jointly controlled entities and associated companies acquired or disposed of during the year are included in the consolidated profit and loss statement from the date of acquisition or to the date of disposal as applicable.

The profit or loss on disposal of subsidiaries, jointly controlled entities 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 over which the Group has the power to govern the financial and operating policies generally accompanying a direct or indirect shareholding of more than one half of the voting power. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired by the Group is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss statement.

Inter-company transactions, balances and unrealised gains 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.

3. Summary of Significant Accounting Policies (Continued)

3.2 Subsidiaries (Continued)

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

3.3 Minority interests

Minority interests represent the interest of outside shareholders in the operating results and net assets of subsidiaries.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of equity interests to minority interests result in gains and losses for the Group that are recorded in the profit and loss statement. Purchases of equity interests from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary being acquired.

3.4 Jointly controlled entities and jointly controlled operations

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturer undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity.

The share of post-acquisition profits or losses of jointly controlled entities attributable to the Group is recognised in the profit and loss statement, and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the share of losses of the Group in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

In the balance sheet of the Company, investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividend income.

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

Interests in unincorporated jointly controlled operations are accounted for using the proportionate consolidation method under which the share of individual assets and liabilities, income and expenses and cash flows of jointly controlled operations is included in the relevant components of the consolidated financial statements.

3. Summary of Significant Accounting Policies (Continued)

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 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. The investments in associated companies of the Group include goodwill, net of any accumulated impairment loss, identified on acquisition.

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

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

3.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets of the acquired subsidiary, jointly controlled entity and associated company attributable to the Group at the effective date of acquisition, and, in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition and the carrying amount of the proportion of the minority interests acquired. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets while goodwill on acquisition of jointly controlled entities and associated companies is included in investments in jointly controlled entities and associated companies. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interests acquired, the difference is recognised directly in the profit and loss statement.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

3. Summary of Significant Accounting Policies (Continued)

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 assets. 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 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 profit and loss 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 in 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	Over the remaining period of the lease
Buildings	50 years
Plant and machinery	4 to 20 years
Gaming equipment	3 to 5 years
Other assets	2 to 10 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 is determined as the difference between the net sales proceed and the carrying amount of the relevant asset, and is recognised in the profit and loss statement.

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 freehold land, 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 its 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 profit and loss 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 profit and loss 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. Property that is being constructed or developed for future use as investment property is classified as properties under development and carried at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

3. Summary of Significant Accounting Policies (Continued)

3.8 Investment properties (Continued)

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 profit and loss statement.

3.9 Gaming licence

Gaming licence is carried at cost less accumulated amortization and impairment losses. It has a finite useful life and is amortised over its estimated useful life of 17 years on a straight-line basis.

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 developing or maintaining computer software programmes are recognised as an expense as incurred.

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

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

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. Summary of Significant Accounting Policies (Continued)

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 and re-evaluates this designation at every balance sheet date.

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

Financial assets at fair value through profit or loss are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. 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 profit and loss statement.

(b) Loans and receivable

Loans and receivable 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 receivable are carried at amortised cost using the effective interest method.

(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 investments 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 profit and loss statement. Unrealised gains and losses arising from changes in fair value non-monetary available-for-sale investments are recognised in equity. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments are included in the profit and loss statement as gains or losses from investments.

The fair values of quoted investments are based on current bid prices. 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.

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 profit and loss statement is removed from equity and recognised in the profit and loss statement. Impairment losses recognised in the profit and loss statement on available-for-sale investments are not reversed through the profit and loss statement.

3. Summary of Significant Accounting Policies (Continued)

3.14 Derivative financial instruments

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 hedge 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.

For fair value hedge, where the instruments are designated to hedge fair value of recognised assets or liabilities, changes in the fair value of these derivatives and the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in the profit and loss statement as finance costs. When the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which effective interest method is used is amortised to profit or loss over the period to maturity.

For cash flow hedge, where instruments are designated to hedge against the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss statement within finance costs. Amounts accumulated in equity are recycled in the profit and loss statement in the financial period when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Changes in fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss statement.

3.15 Debtors and prepayments

Debtors and prepayments 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 profit and loss 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 profit and loss statement against other operating expenses.

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 and financial institutions repayable within three months from the date of placement less bank overdrafts.

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 profit and loss 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.

3.20 Convertible notes

(a) Convertible notes with equity component

Convertible notes that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible notes is determined using a market interest rate for an equivalent non-convertible note. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

3. Summary of Significant Accounting Policies (Continued)

3.20 Convertible notes (Continued)

(a) Convertible notes with equity component (Continued)

When the note is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. When the note is redeemed, the relevant equity component is transferred to retained profit.

(b) Convertible notes without equity component

All other convertible notes which do not exhibit the characteristics mentioned in (a) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract.

At initial recognition, the embedded derivative of the convertible notes is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as a liability under the contract. Transaction costs that relate to the issue of the convertible notes are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the profit and loss statement. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the note is converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the note is redeemed, any difference between the redemption amount and the carrying amounts of both components is recognised in the profit and loss statement.

3.21 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 profit and loss statement over the lease periods. Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases, net of any incentives received from the lessors, are charged to the profit and loss 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 profit and loss 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. Summary of Significant Accounting Policies (Continued)

3.22 Creditors and accruals

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

3.23 Provisions

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

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

3.24 Current and deferred taxation

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, jointly controlled entities and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, except 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.

3. Summary of Significant Accounting Policies (Continued)

3.25 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

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 voting period with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

3.26 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. All other borrowing costs are charged to the profit and loss statement in the financial period in which they are incurred.

3.27 Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services provided in the ordinary course of the activities of the Group. Revenue is shown, net of value-added tax, returns, rebates and discounts, allowance for credit and other revenue reducing factors.

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.

3. Summary of Significant Accounting Policies (Continued)

3.27 Revenue recognition (Continued)

(a) Gaming operations

Revenue from gaming operations, representing the net gaming wins, is recognised when the relevant services have been rendered and is measured at the entitlement of economic inflows of the Group from the business.

(b) Hotel operations

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

(c) Construction materials

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

(d) Rental income

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

(e) Administrative fee

Administrative fee is recognised when the services have been rendered.

(f) Interest income

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

(g) Dividend income

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

3.28 Foreign currencies

Transactions 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. 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 profit and loss statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

3. Summary of Significant Accounting Policies (Continued)

3.28 Foreign currencies (Continued)

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 profit and loss statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in the profit and loss statement as part of the gain or loss on sale.

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.

3.29 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3.30 Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the consolidated financial statements in the financial period in which the dividend payable becomes legal and constructive obligations of the Company.

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, 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 these risks by using derivative financial instruments to hedge these 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.

Due to a number of factors affecting a slowdown in global economies and contracting credit markets, the Group is exposed to higher credit risk in respect of its receivables from customers of the construction material business and gaming counterparties and bank deposits with financial institutions; higher interest rate risks in respect of its floating rate borrowings; higher counterparty risk in respect of its service providers and gaming counterparties; and liquidity risk in respect of obligations to financial liabilities and commitments for development projects.

4.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong, Macau and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Macau Patacas. 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 the Group.

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

As at 31 December 2008, the Group had entered into cross-currency interest rate swap contracts, which were designated as cash flow hedges and fair value hedges to hedge the foreign currency risk on the Guaranteed Notes (see note 32(a)).

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 (see note 27) or non-current investments (see note 23(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 against performance of similar listed entities, based on the information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. As at 31 December 2008, the Group was exposed to this risk through the conversion rights attached to the Convertible Notes issued by the Company as disclosed in note 32(b).

The following table shows the approximate effect on the Group's loss after tax if the Company's own share price (for the conversion option of certain convertible notes) were 5% (2007: 5%) higher or lower with all other variables held constant.

	2008 HK$'000	2007 HK$'000
If the market price of the Company's own share price were 5% (2007: 5%) higher with all other variables held constant		
Loss after tax for the year increased by	**853**	43,000
If the market price of the Company's own share price were 5% (2007: 5%) lower with all other variables held constant		
Loss after tax for the year decreased by	**1,240**	41,000

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk

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

As the Group has no significant interest bearing assets, other than deposits and cash at banks, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rate risk of the Group 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.

At 31 December 2008, if interest rates on borrowings at that date had been 0.5% higher or lower with all other variables held constant, loss after tax for the year would have been HK$3,562,000 (2007: HK$3,056,000) higher or lower, mainly as a result of higher or lower interest expense on floating rate borrowings.

At 31 December 2008, 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, loss after tax for the year would have been HK$26,000,000 (2007: HK$37,234,000) lower or higher.

(b) Credit risk

Credit risk arises from derivative financial instruments and deposits with banks and financial institutions, 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 banks and financial institutions with sound credit ratings to mitigate the risk.

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. The top five debtors of the Group contribute to approximately 39% (2007: 19%) of the total trade, advances to gaming counterparties and other receivables. The Group monitors the issuance of credit on an ongoing basis to minimise the exposure to credit risk. 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. Details of debtors are disclosed in note 25.

The maximum exposure at 31 December 2008 to financial assets represents the unimpaired carrying amounts of respective financial assets.

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(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.

The Group also maintains a conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business.

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

Group

	Within one year HK$'000	Between one to two years HK$'000	Between two to five years HK$'000	Over five years HK$'000	Total HK$'000
At 31 December 2008					
Bank loans	**434,539**	**262,660**	**7,656**	**12,990**	**717,845**
Guaranteed notes	**409,743**	**2,347,293**	**3,248,303**	**—**	**6,005,339**
Convertible notes	**—**	**—**	**1,860,048**	**—**	**1,860,048**
Other borrowings	**4,389**	**—**	**—**	**—**	**4,389**
Derivative financial instruments	**—**	**10,985**	**6,820**	**—**	**17,805**
Creditors and accruals	**3,625,318**	**292,460**	**61,955**	**43**	**3,979,776**
At 31 December 2007					
Bank loans	589,828	3,267	9,157	16,477	618,729
Guaranteed notes	461,248	461,248	5,680,423	—	6,602,919
Convertible notes	—	—	1,403,142	—	1,403,142
Other borrowings	3,990	4,389	—	—	8,379
Derivative financial instruments	—	60	477,471	—	477,531
Creditors and accruals	3,523,414	62,921	1,889	313,406	3,901,630

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Company

	Within one year HK$'000	Between one to two years HK$'000	Between two to five years HK$'000	Total HK$'000
At 31 December 2008				
Bank loans	**375,955**	**—**	**—**	**375,955**
Convertible notes	**—**	**—**	**1,860,048**	**1,860,048**
Derivative financial instruments	**—**	**—**	**6,820**	**6,820**
Creditors and accruals	**6,132**	**—**	**—**	**6,132**
At 31 December 2007				
Bank loans	397,891	—	—	397,891
Convertible notes	—	—	1,403,142	1,403,142
Derivative financial instruments	—	—	468,858	468,858
Creditors and accruals	30,198	—	—	30,198

The table below analyses the Group's cross-currency swap contracts which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year HK$'000	Between one to two years HK$'000	Between two to five years HK$'000	Total HK$'000
At 31 December 2008				
Cross-currency swap contracts				
Outflow	**(3,112,858)**	**(2,079,517)**	**—**	**(5,192,375)**
Inflow	**3,122,313**	**2,079,427**	**—**	**5,201,740**
At 31 December 2007				
Cross-currency swap contracts				
Outflow	(427,888)	(3,144,888)	(2,111,548)	(5,684,324)
Inflow	461,248	3,191,248	2,141,661	5,794,157

4. Financial Risk Management (Continued)

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 return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The gearing ratios at 31 December 2008 and 2007 were as follows.

	2008 **HK$'000**	2007 HK$'000
Total borrowings (note 32)	**(6,711,861)**	(6,505,818)
Less: cash and bank balances (note 28)	**6,042,300**	8,230,362
Net (debt)/cash	**(669,561)**	1,724,544
Total assets less cash and bank balances	**12,609,664**	23,530,829
Gearing ratio	**5%**	N/A

4.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

In assessing the fair value of non-trading securities, other financial assets and embedded financial liabilities, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair values of long-term borrowings are estimated using the expected future payments discounted at market interest rates.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year (including debtors, cash and bank balances, creditors and current borrowings) are assumed to approximate their fair values.

5. Critical Accounting Estimates and Judgements

Estimates and judgements 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) Impairment of non-financial assets other than goodwill

When there is indication for impairment, the Group tests whether the assets within a cash generating unit has suffered any impairment. The recoverable amount has been determined based on the higher of fair value less cost to sell and value-in-use. The methodologies are based upon estimates of future results, assumptions as to income and expenses of the business, future economic conditions on growth rates and estimation of the future returns.

An impairment charge of HK$12.3 billion arose in the gaming and entertainment division cash generating unit during 2008, resulting in the carrying amount of the gaming licence being written down to its recoverable amount. If the annual growth rate for each of all the coming years used in the fair value calculation had been 1% lower or higher than management's estimates at 31 December 2008, the impairment of gaming licence would have increased or decreased by approximately HK$500 million, details of which are disclosed in note 18. If the discount rate is increased or decreased by 1%, the impairment of gaming licence would have increased or decreased by approximately HK$600 million.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3.6. The recoverable amounts of cash generating units in the construction materials division have been determined based on value-in-use calculations. These calculations require the use of estimates, details of which are disclosed in note 18.

(c) Useful lives of property, plant and equipment

The management determines the estimated useful lives and residual values for its 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.

(d) Impairment 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 judgement 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. The Group determines whether an investment is impaired by evaluating the duration and extent to which the fair value of an investment is less than its cost.

(e) Fair value of derivative financial instruments

The fair value of derivative financial instruments is with reference to the valuation performed by an independent valuer by reference to the Binomial model. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date.

5. Critical Accounting Estimates and Judgements (Continued)

(f) 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.

(g) 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 at the date of granting the options.

(h) Taxation

The Group is subject to taxation in Hong Kong, Macau and Mainland China. Significant judgement 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.

(i) Provision for bad and doubtful debts

The policy of provision for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement 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 2008 was HK$97,716,000 (2007: HK$54,400,000). If the financial conditions of counterparty of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(j) Provision for claims from contractors

In view of the revised development schedule resulting from management's decision to move the staged opening of the Galaxy Macau resort at Cotai beyond 2009, the Group has estimated the provision for claims from contractors based on the latest information available, and in the absence of such, the best estimates derived from reasonable assumptions, experience and judgement and with reference to the estimates prepared by an independent surveyor. The total claims received amount to approximately HK$500 million and the final outcome of the amount of claims to be settled will always depend on commercial negotiations, taking account of business goodwill, long-term partnering relationships, cash flow considerations, economic climates, etc. If the final settlement percentage is differed by 10% from the estimate, the loss for the year would increase or decrease by approximately HK$50 million.

6. Segment Information

In accordance with the internal financial reporting and operating activities of the Group, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, other non-current assets, inventories, debtors and prepayments, and mainly exclude investments, derivative financial instruments, taxation recoverable and cash and bank balances. Segment liabilities comprise mainly creditors, accruals and provisions and mainly exclude tax liabilities and borrowings. There are no sales or trading transaction between the business segments.

(a) Business segments

	Gaming and entertainment HK$'000	Construction materials HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2008				
Revenue	8,893,583	1,603,074	—	10,496,657
Operating (loss)/profit (note)	(13,247,646)	86,813	(28,666)	(13,189,499)
Finance income, net				79,290
Share of profits less losses of jointly controlled entities	1,192	50,693	—	51,885
Loss before taxation				(13,058,324)
Taxation credit				1,503,093
Loss for the year				(11,555,231)
Capital expenditure	(2,083,837)	(30,148)	(2,579)	(2,116,564)
Depreciation	(290,073)	(58,774)	(3,570)	(352,417)
Amortisation	(749,008)	(42,526)	—	(791,534)
Impairment of gaming licence	(12,330,305)	—	—	(12,330,305)
Impairment of non-current investments	(23,010)	—	(982)	(23,992)
Impairment of trade and other debtors	(37,000)	(6,032)	—	(43,032)

Note: Results of the gaming and entertainment division include pre-opening expenses of HK$59,636,000 incurred for the Galaxy Macau resort.

6. Segment Information (Continued)

(a) Business segments (Continued)

	Gaming and entertainment HK$'000	Construction materials HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2007				
Revenue	11,481,227	1,554,212	—	13,035,439
Operating (loss)/profit (note)	(203,059)	74,898	209,443	81,282
Finance costs, net				(557,395)
Share of profits less losses of jointly controlled entities	174	(122)	—	52
Loss before taxation				(476,061)
Taxation charge				(26,172)
Loss for the year				(502,233)
Capital expenditure	(1,233,343)	(32,413)	(4,184)	(1,269,940)
Depreciation	(248,491)	(77,331)	(2,458)	(328,280)
Amortisation	(1,038,612)	(45,731)	—	(1,084,343)
Impairment of non-current investments	—	—	(4,569)	(4,569)
Impairment of property, plant and equipment	—	(27,457)	—	(27,457)
Impairment of trade debtors	—	(3,016)	—	(3,016)

Note: Results of the gaming and entertainment division included pre-opening expenses of HK$22,199,000 incurred for the Galaxy Macau resort.

6. Segment Information (Continued)

(a) Business segments (Continued)

	Gaming and entertainment HK$'000	Construction materials HK$'000	Unallocated HK$'000	Total HK$'000
As at 31 December 2008				
Segment assets	**10,012,016**	**1,655,971**	**6,150,618**	**17,818,605**
Jointly controlled entities	**4,070**	**828,559**	**—**	**832,629**
Associated company	**—**	**730**	**—**	**730**
Total assets				**18,651,964**
Segment liabilities	**3,707,576**	**552,335**	**7,118,153**	**11,378,064**
As at 31 December 2007				
Segment assets	20,593,125	1,855,623	8,805,520	31,254,268
Jointly controlled entities	(2,595)	508,788	—	506,193
Associated company	—	730	—	730
Total assets				31,761,191
Segment liabilities	3,153,545	586,592	9,082,611	12,822,748

(b) Geographical segments

	For the year ended 31 December		As at 31 December
	Revenue HK$'000	Capital expenditure HK$'000	Total assets HK$'000
2008			
Macau	**9,086,965**	**2,084,447**	**15,293,612**
Hong Kong	**742,103**	**21,293**	**1,683,538**
Mainland China	**667,589**	**10,824**	**1,674,814**
	10,496,657	**2,116,564**	**18,651,964**
2007			
Macau	11,756,085	1,238,195	24,698,271
Hong Kong	686,311	9,592	5,694,789
Mainland China	593,043	22,153	1,368,131
	13,035,439	1,269,940	31,761,191

7. Revenue

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

	2008 **HK$'000**	2007 HK$'000
Sales of construction materials	**1,603,074**	1,554,212
Gaming operations		
Net gaming wins	**8,431,001**	11,135,284
Contributions (note)	**116,828**	78,966
Tips received	**16,808**	33,276
Hotel operations		
Room rental	**153,576**	139,519
Food and beverages	**88,072**	37,835
Others	**87,298**	56,347
	10,496,657	13,035,439

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

Under the Agreements, certain service providers (the "Service Providers") undertake for the provision of a steady flow of customers to the Certain 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 special gaming tax and other related taxes to the Macau Government. The remaining net gaming wins and revenue from gaming operations less all the relevant operating and administrative expenses belong to the Service Providers.

After analysing the risks and rewards attributable to the Group, and the Service Providers under the Agreements, revenue from the Certain City Club Casinos is recognised based on the established rates for the net gaming wins, after deduction of special gaming taxes and other related taxes to the Macau Government, 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 Certain City Club Casinos are not recognised as expenses of the Group in the consolidated financial statements.

7. Revenue (Continued)

The revenue and expenses related to the gaming operations of the Certain City Club Casinos are summarised as follows:

	2008 HK$'000	2007 HK$'000
Net gaming wins	**1,856,395**	1,730,121
Other income	**9,861**	11,242
Interest income	**5,707**	9,527
	1,871,963	1,750,890
Operating expenses		
Special gaming tax and other related taxes to the Macau Government	**(744,390)**	(698,314)
Commission and allowances to gaming counterparties	**(700,723)**	(615,260)
Employee benefit expenses	**(241,756)**	(292,793)
Other operating expenses	**(168,033)**	(84,770)
	(1,854,902)	(1,691,137)
Contributions from gaming operations	**17,061**	59,753
Contributions from the Service Providers	**99,767**	19,213
Contributions attributable to the Group	**116,828**	78,966

8. Cost of Sales, Other Income and Operating (Loss)/Profit

		2008 HK$'000	2007 HK$'000
(a)	Cost of sales		
	Special gaming tax and other related taxes to the Macau Government	**3,382,448**	4,439,215
	Commission and allowances to gaming counterparties	**3,248,754**	4,207,442
	Cost of inventories sold	**1,358,540**	1,306,974
	Other direct costs	**1,457,611**	1,429,841
		9,447,353	11,383,472
(b)	Other income		
	Rental income	**4,843**	3,792
	Interest income		
	Bank deposits	**132,893**	219,281
	Loan to jointly controlled entities (note 26a)	**11,776**	5,409
	Deferred receivable (note 23c)	**499**	719
	Administrative fees from gaming operations	**23,463**	30,089
	Dividend income from unlisted investments	**11,227**	11,973
	Dividend income from listed investments	**1,811**	1,223
	Realised gain on unlisted investments	**4,500**	—
	Realised and unrealised gain on listed investments	**—**	68,429
	Gain on partial disposal of jointly controlled entities	**—**	28,863
	Gain on deemed disposal of jointly controlled entities	**15,697**	—
	Gain on disposal of non-current investments	**—**	1,736
	Gain on disposal of a subsidiary	**8,255**	—
	Excess of fair value over consideration upon step up acquisition in a subsidiary (note 37a)	**22,000**	—
	Gross earnings on finance lease	**12,054**	14,514
	Foreign exchange gain	**—**	1,146
	Change in fair value of investment properties	**2,000**	—
	Others	**28,625**	28,558
		279,643	415,732

8. Cost of Sales, Other Income and Operating (Loss)/Profit (Continued)

	2008 HK$'000	2007 HK$'000
(c) Operating (loss)/profit is arrived at after charging		
Depreciation	**352,417**	328,280
Amortisation		
Gaming licence	**706,987**	998,360
Computer software	**7,494**	5,728
Overburden removal costs	**20,599**	15,057
Quarry site improvements	**15,057**	20,609
Quarry site development	**917**	3,105
Leasehold land and land use rights	**40,480**	41,484
Operating lease rental		
Land and buildings	**68,099**	81,169
Plant and machinery	**444**	1,738
Royalty	**2,067**	4,790
Unrealised loss on listed investments	**42,194**	—
Loss on disposal of property, plant and equipment	**8,267**	1,229
Loss on disposal of a subsidiary	**—**	2,337
Staff costs, including Directors' remuneration (note)	**1,418,312**	1,406,263
Impairment of gaming licence	**12,330,305**	—
Impairment of non-current investments	**23,992**	4,569
Impairment of property, plant and equipment	**—**	27,457
Impairment of trade and other debtors	**43,032**	3,016
Provision for claims from contractors	**274,757**	—
Outgoing in respect of investment properties	**463**	518
Foreign exchange loss	**4,926**	—
Auditor's remuneration		
Audit services		
Provision for the year	**6,739**	7,525
(Over)/under-provision in prior year	**(722)**	54
Non-audit services		
Provision for the year	**711**	2,501
Under-provision in prior year	**9**	77

Note: Staff costs are stated after amount capitalised in assets under construction in the aggregate of HK$105,882,000 (2007: HK$92,210,000), and include share option expenses of HK$31,635,000 (2007: nil).

9. Management Remuneration

(a) Directors' remuneration

	Fees HK$'000	Salary, allowance and benefit in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Share options (note d) HK$'000	2008 Total HK$'000	2007 Total HK$'000
Executive Directors							
Dr. Lui Che Woo	120	3,308	3,000	166	2,150	**8,744**	6,408
Mr. Francis Lui Yiu Tung	150	12,127	5,000	606	3,117	**21,000**	15,254
Mr. Chan Kai Nang	100	1,047	—	34	—	**1,181**	2,767
Mr. Joseph Chee Ying Keung	100	2,793	636	247	142	**3,918**	3,183
Ms. Paddy Tang Lui Wai Yu	100	—	—	—	1,247	**1,347**	80
Mr. William Lo Chi Chung	—	—	—	—	—	**—**	1,079
	570	19,275	8,636	1,053	6,656	**36,190**	28,771
Non-executive Directors							
Dr. Charles Cheung Wai Bun	240	—	—	—	—	**240**	217
Dr. Moses Cheng Mo Chi	180	—	—	—	—	**180**	160
Mr. James Ross Ancell	180	—	—	—	—	**180**	160
Dr. William Yip Shue Lam	140	—	—	—	—	**140**	117
Mr. Anthony Thomas Christopher Carter	70	—	—	—	—	**70**	98
Dr. Martin Clarke	—	—	—	—	—	**—**	—
Mr. Guido Paolo Gamucci	—	—	—	—	—	**—**	—
Dr. Patrick Wong Lung Tak	—	—	—	—	—	**—**	—
	810	—	—	—	—	**810**	752
Total 2008	**1,380**	**19,275**	**8,636**	**1,053**	**6,656**	**37,000**	
Total 2007	1,201	20,462	6,782	1,078	—		29,523

The discretionary bonuses paid in 2008 were in relation to performance for 2007.

9. Management Remuneration (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2007: two) Directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three individuals (2007: three) are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other emoluments	**13,822**	12,915
Discretionary bonuses	**4,634**	2,188
Retirement benefits	**547**	476
Share options (note d)	**4,239**	—
	23,242	15,579

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2008	2007
HK$4,500,001 – HK$5,000,000	**—**	2
HK$5,500,001 – HK$6,000,000	**1**	1
HK$6,000,001 – HK$6,500,000	**1**	—
HK$11,000,001 – HK$11,500,000	**1**	—
	3	3

(c) Retirement benefit schemes

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

The Group also operates a defined contribution scheme which is a unitized 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.

9. Management Remuneration (Continued)

(c) Retirement benefit schemes (Continued)

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 10% to 22%, 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 profit and loss statement during the year comprise contributions to the schemes of HK$40,398,000 (2007: HK$43,298,000), after deducting forfeitures of HK$12,103,000 (2007: HK$27,571,000), leaving HK$5,516,000 (2007: HK$1,389,000) available to reduce future contributions.

(d) Share options

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

10. Finance (Income)/Costs, net

	2008 HK$'000	2007 HK$'000
Interest expenses		
Guaranteed fixed rate notes and floating rate notes wholly repayable within five years	**466,815**	493,842
Amount capitalised in assets under construction	**(194,180)**	(104,120)
	272,635	389,722
Interest expenses		
Fixed rate notes wholly repayable within five years	**—**	123,141
Convertible notes wholly repayable within five years	**122,272**	111,630
Bank loans and overdrafts	**10,036**	35,792
Obligations under finance leases wholly payable within five years	**838**	1,227
Change in fair value of derivative under the convertible notes	**(461,994)**	(105,924)
Net gain from cross-currency swap contracts for hedging	**(38,216)**	(14,174)
Other borrowing costs	**15,139**	15,981
Finance (income)/costs, net	**(79,290)**	557,395

11. Taxation (Credit)/Charge

	2008 HK$'000	2007 HK$'000
Current taxation		
Hong Kong profits tax	**8,786**	7,660
Mainland China income tax	**2,021**	11,965
Macau complementary tax	**376**	3,635
Deferred taxation (note 33)	**(1,514,276)**	2,912
Taxation (credit)/charge	**(1,503,093)**	26,172

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) 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 countries in which those profits arose, these rates range from 12% to 25% (2007: 12% to 33%).

The taxation on the loss 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:

	2008 HK$'000	2007 HK$'000
Loss before taxation	**(13,058,324)**	(476,061)
Share of profits less losses of jointly controlled entities	**(51,885)**	(52)
	(13,110,209)	(476,113)
Tax calculated at applicable tax rate	**1,563,882**	73,925
Income under tax relief	**556**	527
Income not subject to tax	**95,686**	20,607
Profit exempted from Macau Complementary Tax (Note)	**59,992**	97,881
Expenses not deductible for tax purpose	**(165,804)**	(163,216)
Utilisation of previously unrecognised tax losses	**5,070**	1,257
Tax losses not recognised	**(53,373)**	(56,653)
Over/(under) provision of tax	**667**	(500)
Change of tax rate in Hong Kong	**1,204**	—
Mainland China withholding tax	**(4,787)**	—
Taxation credit/(charge)	**1,503,093**	(26,172)

Note: Pursuant to the Despatch No. 249/2004 issued by the Chief Executive of the Macau Government on 30 September 2004, the Company is exempt from Macau Complementary Tax on its gaming activities for five years effective from the 2004 year of assessment till year 2008. Pursuant to the Despatch No. 326/2008 issued by the Chief Executive of the Macau Government on 20 November 2008, the Company is exempt from Macau Complementary Tax on its gaming activities for the five years effective from the 2009 year of assessment till year 2013.

12. Loss Attributable to Shareholders

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK$10,142,034,000 (2007: loss of HK$25,886,000).

13. Loss per Share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK$11,390,368,000 (2007: HK$466,200,000) and the weighted average of 3,937,281,082 shares (2007: 3,373,065,022 shares) in issue during the year.

The diluted loss per share for 2008 and 2007 equals to the basic loss per share since the exercise of the outstanding share options or conversion of convertible notes would not have a dilutive effect on the loss per share.

14. Dividends

The Board of Directors has resolved not to declare any dividend for the year ended 31 December 2008 (2007: nil).

15. Property, Plant and Equipment

Group

	Buildings	**Leasehold improvements**	**Plant and machinery**	**Gaming equipment and other assets**	**Assets under construction**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 31 December 2007	1,863,868	54,559	1,149,085	960,091	1,790,481	5,818,084
Exchange differences	2,541	180	12,774	10,675	—	26,170
Acquisition of a subsidiary	—	7,596	—	9,731	—	17,327
Additions	2,718	23,980	87,517	94,774	1,894,943	2,103,932
Transfer	(262,322)	—	262,461	(139)	—	—
Disposal of a subsidiary	(18,457)	—	(32,639)	(1,117)	—	(52,213)
Disposals	(5,646)	(5,506)	(84,857)	(34,765)	—	(130,774)
At 31 December 2008	1,582,702	80,809	1,394,341	1,039,250	3,685,424	7,782,526
Accumulated depreciation and impairment						
At 31 December 2007	89,717	43,322	583,673	370,185	—	1,086,897
Exchange differences	1,467	179	6,765	8,074	—	16,485
Charge for the year	36,437	12,437	147,223	156,320	—	352,417
Transfer	(26,602)	—	26,602	—	—	—
Disposal of a subsidiary	(18,457)	—	(19,642)	(1,117)	—	(39,216)
Disposals	(741)	(5,372)	(81,750)	(26,977)	—	(114,840)
At 31 December 2008	81,821	50,566	662,871	506,485	—	1,301,743
Net book value						
At 31 December 2008	**1,500,881**	**30,243**	**731,470**	**532,765**	**3,685,424**	**6,480,783**

15. Property, Plant and Equipment (Continued)

Group (Continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Gaming equipment and other assets HK$'000	Assets under construction HK$'000	Total HK$'000
Cost						
At 31 December 2006	1,694,939	53,251	1,246,604	866,015	798,305	4,659,114
Exchange differences	2,933	6	19,608	12,788	—	35,335
Additions	173,268	4,989	38,964	42,939	992,176	1,252,336
Transfer	376	(1,434)	(60,395)	61,453	—	—
Disposal of a subsidiary	(5,294)	—	(51,719)	(1,341)	—	(58,354)
Disposals	(2,354)	(2,253)	(43,977)	(21,763)	—	(70,347)
At 31 December 2007	1,863,868	54,559	1,149,085	960,091	1,790,481	5,818,084
Accumulated depreciation and impairment						
At 31 December 2006	21,652	35,368	511,403	208,187	—	776,610
Exchange differences	488	100	8,872	8,823	—	18,283
Charge for the year	57,280	6,697	99,430	164,873	—	328,280
Disposal of a subsidiary	(2,498)	—	(9,156)	(983)	—	(12,637)
Disposals	(986)	(706)	(38,461)	(10,943)	—	(51,096)
Impairment	13,781	1,863	11,585	228	—	27,457
At 31 December 2007	89,717	43,322	583,673	370,185	—	1,086,897
Net book value						
At 31 December 2007	1,774,151	11,237	565,412	589,906	1,790,481	4,731,187

(a) Other assets comprise barges, furniture and equipment, operating equipment and motor vehicles.

(b) The net book amount of other equipment held under finance leases amounts to HK$3,851,000 (2007: HK$7,702,000).

(c) During the year, borrowing costs of HK$194,180,000 (2007: HK$104,120,000) arising on financing specifically entered into for the construction of a building, have been capitalised and included in assets under construction. A capitalisation rate of 5.16% (2007: 3.84%) was used, representing the effective finance costs of the loans used to finance the assets under construction.

(d) Building with net book values of HK$17,084,000 (2007: HK$19,109,000) has been pledged as securities for the bank borrowings (note 32).

16. Investment Properties

	Group	
	2008	2007
	HK$'000	HK$'000
At valuation		
Beginning of the year	**62,500**	62,500
Change in fair value	**2,000**	—
End of the year	**64,500**	62,500

Investment properties are held under leases of 10 to 50 years in Hong Kong and were valued on an open market value basis by Vigers Appraisal & Consulting Limited, independent professional valuers.

17. Leasehold Land and Land Use Rights

	Group	
	2008	2007
	HK$'000	HK$'000
Net book value at beginning of the year	**1,580,777**	1,621,917
Exchange differences	**232**	240
Additions	—	104
Amortisation	**(40,480)**	(41,484)
Net book value at end of the year	**1,540,529**	1,580,777
Cost	**1,766,509**	1,766,277
Accumulated amortisation	**(225,980)**	(185,500)
Net book value	**1,540,529**	1,580,777
Leases of between 10 to 50 years		
Macau	**1,309,564**	1,344,091
Hong Kong	**227,571**	233,503
Mainland China	**3,394**	3,183
	1,540,529	1,580,777

Leasehold land with net book values of HK$215,610,000 (2007: HK$222,173,000) has been pledged as securities for the bank borrowings (note 32).

18. Intangible Assets

Group

	Goodwill (note a) HK$'000	Gaming licence (note b) HK$'000	Computer software HK$'000	Total HK$'000
Cost				
At 31 December 2006	33,014	16,887,329	18,201	16,938,544
Additions	—	—	4,268	4,268
Disposals	—	—	(2)	(2)
At 31 December 2007	33,014	16,887,329	22,467	16,942,810
Additions	—	—	12,633	12,633
Disposals	—	—	(456)	(456)
At 31 December 2008	33,014	16,887,329	34,644	16,954,987
Accumulated amortisation and impairment				
At 31 December 2006	—	1,416,851	1,207	1,418,058
Charge for the year	—	998,360	5,728	1,004,088
Disposals	—	—	(1)	(1)
At 31 December 2007	—	2,415,211	6,934	2,422,145
Charge for the year	—	706,987	7,494	714,481
Disposals	—	—	17	17
Impairment charge	—	12,330,305	—	12,330,305
At 31 December 2008	—	15,452,503	14,445	15,466,948
Net book value				
At 31 December 2008	**33,014**	**1,434,826**	**20,199**	**1,488,039**
At 31 December 2007	33,014	14,472,118	15,533	14,520,665

(a) Goodwill is allocated to the Group's cash-generating units identified according to country of operation and business segment. Goodwill with carrying amount of HK$28,524,000 (2007: HK$28,524,000) and HK$4,490,000 (2007: HK$4,490,000) is allocated to the construction materials segment in Macau and Hong Kong respectively. The recoverable amount of the business unit is determined based on value-in-use calculations. The key assumptions used in the value-in-use calculations are based on the best estimates of growth rates and discount rates of the respective segments.

18. Intangible Assets (Continued)

(b) 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.

In the face of a weakening global economy and the tightening of Mainland China's policy on visa issuance to the PRC nationals to visit Macau, visitor growth in Macau has slowed down which also adversely affected the Macau gaming market. Keen competition from the other five concession/sub-concession holders together with the rising labour and operating costs in Macau has exerted pressure on the Group's gaming operation net margin. Taking into account the presently available indicators, the Group performed an impairment assessment on the net assets of the gaming business which is regarded as a cash-generating unit. This assessment indicated an impairment on the gaming licence as at 31 December 2008.

With reference to a valuation carried out by an independent professional valuer, American Appraisal China Limited, the carrying value of the gaming licence is written down by approximately HK$12.3 billion to the recoverable amount of HK$1.4 billion at 31 December 2008. The recoverable amount of the gaming licence has been determined based on its fair value less cost to sell which the Group considers to be higher than the value-in-use. It is calculated using the cash flow projections derived from the financial forecasts for the remaining concession tenure in respect of a normal market participant.

Key assumptions adopted in the valuation are as follows:

Market growth rate in 2009, 2010, 2011 and 2012	–9%, 9%, 18%, –1%
Market share	16.67%
Customer mix (VIP : Mass)	
2009	64% : 36%
2010	62% : 38%
2011	66% : 34%
2012	65% : 35%
Discount rate	16%

The market growth rate projections beyond four years are extrapolated at a rate of 3% per annum. Other key assumptions for the fair value calculation relating to the estimated cash flows include gross margin which is estimated based on the gaming division's past performance, management's expectations for the market development, and industry information. The average growth rates used are consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the gaming and entertainment segments.

Taking into account the corresponding release of approximately HK$1.3 billion in deferred taxation liability, the net amount of write-down is approximately HK$11.0 billion.

19. Subsidiaries

	Company	
	2008 **HK$'000**	2007 HK$'000
Unlisted shares, at cost	**1**	1
Loans receivable from subsidiaries	**3,921,679**	381,208
Amounts due from subsidiaries	**15,140,848**	14,831,229
Provision	**(10,512,073)**	—
Amounts due from subsidiaries, less provision	**4,628,775**	14,831,229
	8,550,455	15,212,438

The loans receivable are unsecured, interest free and have no fixed terms of repayment, except for a loan of HK$3.83 billion (2007: nil) which is repayable at the subsidiary's discretion after the repayment of the Guaranteed Notes (Note 32(a)).

The amounts receivable are unsecured, interest free and have no fixed term of repayment.

Details of the subsidiaries which, in the opinion of the Directors, materially affect the results and/or net assets of the Group are given in note 45(a).

20. Jointly Controlled Entities

	Group	
	2008 **HK$'000**	2007 HK$'000
Share of net assets	**832,629**	506,193

20. Jointly Controlled Entities (Continued)

(a) The share of assets, liabilities and results of the jointly controlled entities attributable to the Group is summarised below:

	2008 HK$'000	2007 HK$'000
Non-current assets	**835,630**	814,795
Current assets	**378,784**	443,256
Current liabilities	**(327,258)**	(540,202)
Non-current liabilities	**(54,527)**	(211,656)
	832,629	506,193
Income	**630,969**	469,028
Expenses	**(579,084)**	(468,976)
	51,885	52

(b) Details of the jointly controlled entities which, in the opinion of the Directors, materially affect the results and/or net assets of the Group are given in note 45(b).

21. Associated Company

	Group	
	2008 HK$'000	2007 HK$'000
Share of net assets	**730**	730

21. Associated Company (Continued)

(a) The share of assets, liabilities and results of the associated company attributable to the Group is summarised as follows:

	2008 **HK$'000**	2007 HK$'000
Non-current assets	**9,847**	7,211
Current assets	**13,963**	12,385
Current liabilities	**(5,702)**	(4,700)
Non-current liabilities	**(17,378)**	(14,166)
	730	730
Income	**24,164**	5,929
Expenses	**(24,164)**	(5,929)
Share of results for the year	**—**	—

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

22. Derivative Financial Instruments

	Group	
	2008 **HK$'000**	2007 HK$'000
Cross-currency swaps for cash flow hedges (note a)	**1,522**	1,155
Cross-currency swaps for cash flow and fair value hedges (note a)	**(10,985)**	(8,673)
Derivative component of the Convertible Notes (note 32b)	**(6,820)**	(468,858)
	(17,805)	(477,531)

22. Derivative Financial Instruments (Continued)

(a) In August 2006, the Group entered into fixed and floating rate cross-currency swaps to hedge the underlying interest and foreign currency risk on the Guaranteed Notes (note 32). Under the fixed rate swap agreements, the Group pays Hong Kong dollar borrowings at fixed interest rate in exchange for receipts in United States dollar at a fixed interest rate. Under the floating rate swap agreements, the Group pays Hong Kong dollar borrowings at floating rates based on HIBOR in exchange for receipts in United States dollar at a floating interest rate based on LIBOR.

The notional principal amounts of the fixed and floating cross-currency swaps are US$350 million and US$250 million, respectively (2007: US$350 million and US$250 million). The terms of the fixed and floating rate swaps are from August 2006 to December 2009 and December 2010, respectively.

At 31 December 2008, the fixed interest rates vary from 9.47% to 9.495% (2007: 9.47% to 9.495%). Gains and losses recognised in the hedging reserve in equity (note 31) on cross-currency swaps as of 31 December 2008 will be continuously released to the profit and loss statement until the repayment of the Guaranteed Notes (note 32).

23. Other Non-Current Assets

	Group	
	2008 HK$'000	2007 HK$'000
Non-current investments (note a)	**38,626**	256,257
Finance lease receivable (note b)	**80,049**	137,438
Deferred expenditure		
Overburden removal costs	**36,609**	51,538
Quarry site development	**15,518**	15,867
Quarry site improvements	**63,034**	83,675
Deferred receivable (note c)	**3,485**	4,827
Restricted bank deposits (note d)	**52,890**	50,000
	290,211	599,602

23. Other Non-Current Assets (Continued)

(a) Non-current investments

	Group	
	2008 **HK$'000**	2007 HK$'000
Unlisted investments, at fair value	**38,626**	123,256
Advances to investee companies	**23,010**	133,001
Less : Provision for impairment	**(23,010)**	—
	38,626	256,257

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

(b) Finance lease receivable

	Group	
	2008 **HK$'000**	2007 HK$'000
Gross receivable	**135,272**	204,435
Unearned finance income	**(18,236)**	(30,603)
	117,036	173,832
Current portion included in current assets	**(36,987)**	(36,394)
	80,049	137,438

23. Other Non-Current Assets (Continued)

(b) Finance lease receivable (Continued)

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.

The finance lease is receivable in the following years:

	Present value		Minimum receipts	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**36,987**	36,394	**46,497**	50,709
Between one to five years	**80,049**	121,685	**88,775**	137,550
Over five years	**—**	15,753	**—**	16,176
	117,036	173,832	**135,272**	204,435

(c) Deferred receivable represents advances to various contractors. The advances are secured by assets provided by the contractors, carry interest at prevailing market rate and are repayable by monthly instalments up to 2012. The current portion of the receivable is included under other debtors.

(d) At 31 December 2008, restricted bank deposits of HK$53 million (2007: HK$50 million) are pledged to secure banking facilities extended to the Company and the Group which comprise 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 Group and the Company under the Concession Agreement.

24. Inventories

	Group	
	2008 **HK$'000**	2007 HK$'000
Construction materials		
Aggregates and sand	**33,476**	33,019
Concrete products	**8,480**	8,485
Cement	**8,459**	7,118
Spare parts	**17,117**	14,767
Consumables	**13,041**	14,770
	80,573	78,159
Gaming and entertainment		
Playing cards	**5,104**	6,462
Food and beverages	**3,021**	2,052
Consumables	**5,324**	3,776
	13,449	12,290
	94,022	90,449

25. Debtors and Prepayments

	Group		Company	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Trade debtors, net of provision (note a)	**581,092**	616,574	**—**	—
Advances to gaming counterparties (note b)	**705,000**	205,000	**—**	—
Other debtors, net of provision (note c)	**238,608**	143,254	**52**	21,138
Prepayments	**41,099**	32,948	**599**	240
Amount due from an associated company (note d)	**4,719**	5,166	**—**	—
Current portion of finance lease receivable (note 23(b))	**36,987**	36,394	**—**	—
	1,607,505	1,039,336	**651**	21,378

25. Debtors and Prepayments (Continued)

(a) Trade debtors mainly arise from the sales of construction materials. The Group has established credit policies which follow local industry standards. The Group normally allows an approved credit period ranging from 30 to 60 days for customers in Hong Kong and Macau and 120 to 180 days for customers in Mainland China. These are subject to periodic reviews by management.

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

	2008 HK$'000	2007 HK$'000
Within one month	**157,768**	160,066
Two to three months	**180,289**	178,714
Four to six months	**117,859**	118,994
Over six months	**125,176**	158,800
	581,092	616,574

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

	2008 HK$'000	2007 HK$'000
Renminbi	**383,502**	398,942
Hong Kong dollar	**161,700**	161,365
Macau Patacas	**35,890**	56,267
	581,092	616,574

Included in the Group's trade debtors were debtors with a carrying amount of HK$349,634,000 (2007: HK$354,343,000) which were not yet due. Debtors with a carrying amount of HK$231,458,000 (2007: HK$262,231,000) which 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:

	2008 HK$'000	2007 HK$'000
Overdue:		
Within one month	**66,050**	66,566
Two to three months	**74,239**	73,867
Four to six months	**44,990**	63,051
Over six months	**46,179**	58,747
	231,458	262,231

25. Debtors and Prepayments (Continued)

(a) (Continued)

Trade debtors that were overdue but not provided for impairment loss relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment provision is necessary in respect of 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 2008, trade debtors of the Group amounting to HK$60,716,000 (2007: HK$54,400,000) were impaired and fully provided for.

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

	2008 HK$'000	2007 HK$'000
Balance at 1 January	**54,400**	50,288
Additional provision	**6,032**	3,016
Receivables written off during the year as uncollectible	**(3,386)**	(3,133)
Exchange differences	**3,670**	4,229
Balance at 31 December	**60,716**	54,400

(b) The Group provides advances denominated in Hong Kong dollar to gaming counterparties which are repayable on demand. These advances are granted with reference to their credit history and business volumes. Such advances are interest free and secured, 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 entities.

(c) Other debtors of HK$238,608,000 (2007: HK$143,254,000) are mainly denominated in Hong Kong dollars which are not yet due. As at 31 December 2008, other debtors of the Group amounting to HK$37,000,000 (2007: nil) were impaired and fully provided for.

(d) Amount receivable is unsecured, interest free and repayable in accordance with agreed term. The amount is denominated in Hong Kong dollar.

26. Amounts Due From/(Due To) Jointly Controlled Entities

	Group	
	2008 HK$'000	2007 HK$'000
Amounts due from jointly controlled entities (note a)	**191,621**	339,168
Amount due to a jointly controlled entity (note b)	**(348)**	(2,177)

(a) Amounts receivable of HK$178,083,000 (2007: HK$187,226,000), of which HK$5,648,000 (2007: HK$5,648,000) are secured, carry interest at prevailing market rate and are repayable within one year. The remaining amounts receivable of HK$13,538,000 are unsecured, interest free and have no fixed terms of repayment. As at 31 December 2008, the amounts receivable are mainly denominated in US dollar.

(b) The amount payable is unsecured, interest free and has no fixed terms of repayment. The amount payable is denominated in Macau Patacas.

27. Other Investments

	Group	
	2008 HK$'000	2007 HK$'000
Equity securities listed in Hong Kong, at market value	**15,574**	57,768

28. Cash and Bank Balances

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Cash at bank and on hand (note a)	**1,142,293**	1,339,154	**636**	438
Short-term bank deposits (note a)	**4,231,005**	6,891,208	**725,423**	4,548,284
Cash at a registered clearing agency (note b)	**669,002**	—	**—**	—
	6,042,300	8,230,362	**726,059**	4,548,722

(a) As at 31 December 2007, cash and bank balances of the Group of HK$1,934 million and of the Company of HK$1,577 million were restricted to specified uses in accordance with the note offering agreements as set out in note 32 (a) and (b). There was no such amount as at 31 December 2008.

(b) As at 31 December 2008, cash at a registered clearing agency was designated to be used for the purchase of outstanding notes payable (Note 32a).

The carrying amounts of cash and bank balances are denominated in the following currencies:

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Hong Kong dollar	**3,132,630**	5,587,741	**723,753**	2,647,691
US dollar	**2,648,829**	2,264,440	**2**	1,901,031
Macau Patacas	**188,110**	306,976	**—**	—
Renminbi	**70,427**	71,205	**—**	—
UK pound	**2,304**	—	**2,304**	—
	6,042,300	8,230,362	**726,059**	4,548,722

28. Cash and Bank Balances (Continued)

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

	2008 HK$'000	2007 HK$'000
Counterparties with external credit rating (Standard & Poor's or Moody's)		
AAA	**669,002**	—
AA- to AA+	**1,131,712**	4,566,105
A- to A+	**852,584**	661,319
BBB+	**2,640,075**	1,493,263
BBB	**256,780**	838,853
Unrated and cash on hand	**492,147**	670,822
	6,042,300	8,230,362

29. Share Capital

	Ordinary shares of HK$0.10 each	HK$'000
Authorised:		
At 31 December 2007 and at 31 December 2008	**9,000,000,000**	**900,000**
Issued and fully paid:		
At 31 December 2006	3,296,117,361	329,612
Issue of new shares	630,188,000	63,019
Issue of shares upon exercise of share options	9,334,000	933
At 31 December 2007	3,935,639,361	393,564
Issue of shares upon exercise of share options	2,530,000	253
At 31 December 2008	**3,938,169,361**	**393,817**

30. 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 scheme was adopted on 30 May 2002 and the options granted under the previous schemes remain effective. Under the scheme, share options may be granted to, amongst others, Directors, senior executives or employees of the Company or its affiliates. Consideration to be paid by the grantee on acceptance of each grant of option is HK$1.00. The period within which the shares may be taken up under an option is determined by the Board at the time of grant, except that such period shall not expire later than ten years from the date of grant of the option.

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

	2008		2007	
	Average exercise price HK$	**Number of share options**	Average exercise price HK$	Number of share options
At beginning of year	**3.54**	**38,218,000**	3.64	47,552,000
Granted	**6.03**	**69,840,000**	—	—
Exercised	**0.58**	**(2,530,000)**	4.06	(9,334,000)
Lapsed	**6.40**	**(8,244,000)**	—	—
At end of year	**5.16**	**97,284,000**	3.54	38,218,000
Vested at end of year	**3.74**	**35,244,000**	3.54	38,218,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$5.69 (2007: HK$7.94).

The options outstanding at 31 December 2008 have exercise prices ranging from HK$0.5140 to HK$6.9720 (2007: HK$0.5140 to HK$4.5900) with weighted average remaining contractual life of 4.30 years (2007: 3.54 years).

30. 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 2008	2007
Directors			
20 May 1999 to 19 May 2008	0.5333	**—**	2,500,000
30 December 2000 to 29 December 2009	0.5216	**3,400,000**	3,400,000
1 March 2004 to 28 February 2013	0.5140	**3,870,000**	3,980,000
22 October 2005 to 21 October 2011	4.5900	**14,200,000**	14,200,000
22 October 2006 to 21 October 2011	4.5900	**2,340,000**	2,860,000
17 January 2010 to 16 January 2014	6.9720	**2,612,500**	—
17 January 2011 to 16 January 2014	6.9720	**2,612,500**	—
17 January 2012 to 16 January 2014	6.9720	**5,225,000**	—
18 August 2009 to 17 August 2014	3.3200	**383,000**	—
Employees and others			
1 March 2004 to 28 February 2013	0.5140	**110,000**	—
22 October 2005 to 21 October 2011	4.5900	**9,400,000**	9,400,000
22 October 2006 to 21 October 2011	4.5900	**1,924,000**	1,878,000
17 January 2010 to 16 January 2014	6.9720	**8,552,000**	—
17 January 2011 to 16 January 2014	6.9720	**8,552,000**	—
17 January 2012 to 16 January 2014	6.9720	**17,104,000**	—
11 July 2010 to 10 July 2014	3.8420	**750,000**	—
11 July 2011 to 10 July 2014	3.8420	**750,000**	—
11 July 2012 to 10 July 2014	3.8420	**1,500,000**	—
18 August 2009 to 17 August 2014	3.3200	**4,911,000**	—
18 August 2010 to 17 August 2014	3.3200	**2,272,000**	—
18 August 2011 to 17 August 2014	3.3200	**2,272,000**	—
18 August 2012 to 17 August 2014	3.3200	**4,544,000**	—
		97,284,000	38,218,000

The fair values of the options granted during the year on 17 January 2008, 11 July 2008, 18 August 2008 and 18 August 2008 are estimated at HK$1.87, HK$1.12, HK$1.01 and HK$0.89 per option respectively based on the Black-Scholes valuation model. The significant inputs into the model were share prices of HK$6.60, HK$3.70, HK$3.22 and HK$3.22 at the respective dates of grant, respective exercise prices of HK$6.972, HK$3.842, HK$3.32 and HK$3.32, standard deviation of expected share price returns of 39%, 39%, 41% and 41%, expected life of options of 3 to 6 years, expected dividend paid out rate of 2% and annual risk-free interest rate of 2.2% to 3.3%. 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 past two years prior to the dates of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

31. Reserves

Group

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Hedging reserve HK$'000	Legal reserve (note a) HK$'000	Investment reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Revenue reserve HK$'000	Total HK$'000
At 1 January 2008	**16,669,970**	**4,395**	**70**	**(14,730)**	**—**	**103,195**	**28,762**	**100,397**	**1,121,029**	**18,013,088**
Exchange differences	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**42,429**	**—**	**42,429**
Change in fair value of cash flow hedges	**—**	**—**	**—**	**12,013**	**—**	**—**	**—**	**—**	**—**	**12,013**
Issue of shares upon exercise of share options	**445**	**—**	**—**	**—**	**—**	**—**	**(28)**	**—**	**—**	**417**
Fair value of share options	**—**	**—**	**—**	**—**	**—**	**—**	**31,635**	**—**	**—**	**31,635**
Share options lapsed	**—**	**—**	**—**	**—**	**—**	**—**	**(417)**	**—**	**417**	**—**
Change in fair value of non-current investments	**—**	**—**	**—**	**—**	**—**	**(88,384)**	**—**	**—**	**—**	**(88,384)**
Disposal of non-current investments	**—**	**—**	**—**	**—**	**—**	**(3,363)**	**—**	**—**	**—**	**(3,363)**
Transfer to legal reserve	**—**	**—**	**—**	**—**	**45,631**	**—**	**—**	**—**	**(45,631)**	**—**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(11,390,368)**	**(11,390,368)**
At 31 December 2008	**16,670,415**	**4,395**	**70**	**(2,717)**	**45,631**	**11,448**	**59,952**	**142,826**	**(10,314,553)**	**6,617,467**
At 1 January 2007	11,456,959	4,395	70	47,072	—	118,133	36,927	52,402	1,587,229	13,303,187
Exchange differences	—	—	—	—	—	—	—	47,995	—	47,995
Change in fair value of cash flow hedges	—	—	—	(61,802)	—	—	—	—	—	(61,802)
Issue of new shares	5,167,851	—	—	—	—	—	—	—	—	5,167,851
Issue of shares upon exercise of share options	45,160	—	—	—	—	—	(8,165)	—	—	36,995
Change in fair value of non-current investments	—	—	—	—	—	(14,938)	—	—	—	(14,938)
Loss for the year	—	—	—	—	—	—	—	—	(466,200)	(466,200)
At 31 December 2007	16,669,970	4,395	70	(14,730)	—	103,195	28,762	100,397	1,121,029	18,013,088

Note:

(a) 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. Legal reserve is not distributable.

31. Reserves (Continued)

Company

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Revenue reserve HK$'000	Total HK$'000
At 1 January 2008	**16,669,970**	**235,239**	**70**	**28,762**	**238,091**	**17,172,132**
Issue of shares upon exercise of share options	**445**	**—**	**—**	**(28)**	**—**	**417**
Fair value of share options	**—**	**—**	**—**	**31,635**	**—**	**31,635**
Share options lapsed	**—**	**—**	**—**	**(417)**	**417**	**—**
Loss for the year	**—**	**—**	**—**	**—**	**(10,142,034)**	**(10,142,034)**
At 31 December 2008	**16,670,415**	**235,239**	**70**	**59,952**	**(9,903,526)**	**7,062,150**
At 1 January 2007	11,456,959	235,239	70	36,927	263,977	11,993,172
Issue of new shares	5,167,851	—	—	—	—	5,167,851
Issue of shares upon exercise of share options	45,160	—	—	(8,165)	—	36,995
Loss for the year	—	—	—	—	(25,886)	(25,886)
At 31 December 2007	16,669,970	235,239	70	28,762	238,091	17,172,132

As at 31 December 2008, no reserves of the Company were available for distribution to shareholders (2007: HK$238,091,000).

32. Borrowings

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Bank loans				
Secured	**98,140**	178,700	**75,000**	153,400
Unsecured	**614,354**	432,597	**300,000**	244,200
	712,494	611,297	**375,000**	397,600
Other borrowings				
Guaranteed notes (note a)	**4,561,393**	4,565,617	**—**	—
Convertible notes (note b)	**1,433,585**	1,320,525	**1,433,585**	1,320,525
Bank loans and other borrowings	**6,707,472**	6,497,439	**1,808,585**	1,718,125
Obligations under finance leases (note c)	**4,389**	8,379	**—**	—
Total borrowings	**6,711,861**	6,505,818	**1,808,585**	1,718,125
Current portion included in current liabilities	**(26,549)**	(6,150)	**—**	—
Short term loan	**(409,354)**	(489,097)	**(375,000)**	(397,600)
	(435,903)	(495,247)	**(375,000)**	(397,600)
	6,275,958	6,010,571	**1,433,585**	1,320,525

(a) On 14 December 2005, the Group, through its subsidiary, Galaxy Entertainment Finance Company Limited, issued guaranteed senior fixed rate and floating rate notes with aggregate principal amount of US$600 million (the "Guaranteed Notes"). The fixed rate guaranteed senior notes with nominal value of US$350,000,000 carry fixed interest at 9.875% per annum and will be fully repayable on 15 December 2012. The floating rate guaranteed senior notes with nominal value of US$250,000,000 carry interest at six-month US Dollar London Inter-Bank Offering Rate plus 5% and are fully repayable on 15 December 2010. The Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

The proceeds from the notes are restricted to be used for the repayment of a specific bank loan, interest payments of the Guaranteed Notes, financing the construction and development of assets under construction, and for general corporate purpose (note 28).

32. Borrowings (Continued)

(b) On 14 December 2006, the Company issued zero coupon convertible notes (the "Convertible Notes") with an aggregate principal amount of US$240 million (approximately HK$1,872 million). The Convertible Notes are unsecured, do not carry any interest and have a maturity date of 14 December 2011. Subject to the terms of the Convertible Notes, the holders have the option to convert the Convertible Notes into ordinary shares of the Company at any time on or after 14 June 2007 up to the maturity date at the initial conversion price of HK$9.36 per share, subject to adjustment. The conversion price is subject to a reset mechanism pursuant to the terms of the Convertible Notes. Unless previously redeemed and cancelled, or converted, the Convertible Notes will be redeemed at 100% of their principal amount on the maturity date. The Group may, at its option at any time after 14 December 2007 and prior to the maturity date, redeem the Convertible Notes in whole or in part, at 100% of their principal amount subject to the terms of the Convertible Notes.

The proceeds from the Convertible Notes are restricted to be used for financing the construction and development of assets under construction, and for general corporate purpose (note 28).

The fair value of the derivative under the Convertible Notes was estimated at the issue date by reference to the Binomial model. The excess of net proceeds over the fair value of the derivative component is recognised as a liability.

The liability under the Convertible Notes and the derivative component recognised in the balance sheet are analysed as follows:

	2008 **HK$'000**	2007 HK$'000
Liability under the Convertible Notes		
At beginning of the year	**1,320,525**	1,205,377
Exchange difference	**(9,212)**	3,518
Interest expense	**122,272**	111,630
At end of the year	**1,433,585**	1,320,525

Interest expense on the Convertible Notes is calculated using the effective interest method by applying the effective interest rate of 9.23% (2007: 9.23%).

	2008 **HK$'000**	2007 HK$'000
Derivative component		
At beginning of the year	**468,858**	573,109
Change in fair value	**(461,994)**	(105,924)
Exchange difference	**(44)**	1,673
At end of the year (note 22)	**6,820**	468,858

32. Borrowings (Continued)

(b) (Continued)

The fair value of the derivative component is determined by reference to the Binomial model. The significant assumptions used in the calculation of the fair values are as follows:

(i) The valuation is based on the assumption that the Convertible Notes will continue without default, delay in payments and no earlier redemption.

(ii) The expected volatility of 62% (2007: 45%) of the share price of the Company is based on the share price movements for the last three years.

(iii) The risk free rate is based on the yield of Exchange Fund Notes as at the respective dates, with maturity in accordance with the life of the Convertible Notes.

(iv) The expected dividend paid out rate is 0.1% (2007: 0.1%) during the life of the Convertible Notes.

(c) Obligations under finance leases

The finance lease obligations are payable in the following years:

	Minimum payments		Present value	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Within one year	**4,828**	4,828	**4,389**	3,990
In the second year	—	4,828	—	4,389
	4,828	9,656	**4,389**	8,379

32. Borrowings (Continued)

(d) The borrowings are repayable as follows:

	Group					
	Bank loans		Guaranteed notes		Convertible notes	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Within one year	**431,514**	491,257	**—**	—	**—**	—
Between one to two years	**262,160**	99,060	**1,900,580**	—	**—**	—
Between two to five years	**6,480**	6,480	**2,660,813**	4,565,617	**1,433,585**	1,320,525
Over five years	**12,340**	14,500	**—**	—	**—**	—
	712,494	611,297	**4,561,393**	4,565,617	**1,433,585**	1,320,525

	Company			
	Bank loans		Convertible notes	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Within one year	**375,000**	397,600	**—**	—
Between two to five years	**—**	—	**1,433,585**	1,320,525
	375,000	397,600	**1,433,585**	1,320,525

(e) Effective interest rates:

	2008			2007		
	HK$	**RMB**	**US$**	HK$	RMB	US$
Bank loans	**1.8%**	**5.5%**	**—**	3.8%	5.8%	—
Fixed rate notes	**—**	**—**	**—**	5.7%	—	—
Guaranteed Notes	**—**	**—**	**9.9%**	—	—	10.9%
Convertible Notes	**—**	**—**	**9.23%**	—	—	9.23%

32. Borrowings (Continued)

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
6 months or less	**2,617,463**	2,513,637	**375,000**	397,600
1 to 5 years	**4,094,398**	3,992,181	**1,433,585**	1,320,525
	6,711,861	6,505,818	**1,808,585**	1,718,125

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

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Bank loans	**712,494**	611,297	**712,494**	611,297	**375,000**	397,600	**375,000**	397,600
Guaranteed notes	**4,561,393**	4,565,617	**2,126,461**	4,661,763	**—**	—	**—**	—
Convertible notes	**1,433,585**	1,320,525	**1,191,654**	1,183,827	**1,433,585**	1,320,525	**1,191,654**	1,183,827
Other borrowings	**4,389**	8,379	**4,162**	8,425	**—**	—	**—**	—
	6,711,861	6,505,818	**4,034,771**	6,465,312	**1,808,585**	1,718,125	**1,566,654**	1,581,427

The fair value of the borrowings is calculated using cash flows discounted at prevailing borrowing rates. The carrying amounts of floating rate and other current borrowings approximate their fair value.

32. Borrowings (Continued)

(h) The carrying amounts of bank loans and other borrowings are denominated in the following currencies:

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Hong Kong dollar	**679,701**	539,800	**375,000**	397,600
US dollar	**5,994,979**	5,886,142	**1,433,585**	1,320,525
Renminbi	**32,792**	71,497	**—**	—
Macau Patacas	**4,389**	8,379	**—**	—
	6,711,861	6,505,818	**1,808,585**	1,718,125

33. Deferred Taxation Liabilities

	Group	
	2008 HK$'000	2007 HK$'000
At beginning of the year	**1,781,500**	1,778,588
Effect of changes in tax rate	**(901)**	—
(Released)/charged to profit and loss statement	**(1,513,375)**	2,912
At end of the year	**267,224**	1,781,500

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

33. Deferred Taxation Liabilities (Continued)

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$'000	Tax losses HK$'000	Fair value adjustments HK$'000	Total HK$'000
At 31 December 2006	39,125	(24,367)	1,763,830	1,778,588
(Released)/charged to profit and loss statement	(6,317)	12,611	(3,382)	2,912
At 31 December 2007	32,808	(11,756)	1,760,448	1,781,500
Effect of changes in tax rate	(1,403)	502	—	(901)
(Released)/charged to profit and loss statement	(4,956)	2,973	(1,511,392)	(1,513,375)
At 31 December 2008	**26,449**	**(8,281)**	**249,056**	**267,224**

Deferred taxation assets of HK$49,710,000 (2007: HK$63,862,000) arising from unused tax losses and other temporary differences totalling of HK$713,141,000 (2007: HK$460,394,000) have not been recognised in the consolidated financial statements. Unused tax losses of HK$77,426,000 (2007: HK$138,352,000) have no expiry date and the remaining balance will expire at various dates up to and including 2014.

Pursuant to the Despatch No. 326/2008 issued by the Chief Executive of the Macau Government on 20 November 2008, the Company is exempt from Macau Complementary Tax on its gaming activities for five years effective from the 2009 year of assessment till year 2013.

34. Provisions

	Group		
	Environment restoration HK$'000	Quarrying right HK$'000	Total HK$'000
At 31 December 2006	119,870	67,200	187,070
Reversal of provision	(1,597)	—	(1,597)
Charged to the profit and loss statement	1,438	17,740	19,178
Applied during the year	(16,807)	(15,258)	(32,065)
At 31 December 2007	102,904	69,682	172,586
Reversal of provision	(42)	—	(42)
Charged to the profit and loss statement	1,236	17,738	18,974
Applied during the year	(14,114)	(21,800)	(35,914)
At 31 December 2008	**89,984**	**65,620**	**155,604**

The current portion of the provisions amounting to HK$40,051,000 (2007: HK$36,964,000) is included under other creditors.

35. Creditors and Accruals

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors (note a)	**961,502**	1,038,002	**—**	—
Other creditors	**605,457**	678,030	**—**	—
Chips issued	**1,299,099**	1,322,394	**—**	—
Loans from minority interests (note b)	**91,177**	89,672	**—**	—
Accrued operating expenses	**1,013,697**	765,649	**6,132**	30,198
Deposits received	**8,844**	7,883	**—**	—
	3,979,776	3,901,630	**6,132**	30,198

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

	2008	2007
	HK$'000	HK$'000
Within one month	**559,557**	608,429
Two to three months	**104,163**	86,894
Four to six months	**40,989**	43,952
Over six months	**256,793**	298,727
	961,502	1,038,002

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

	2008	2007
	HK$'000	HK$'000
Macau Patacas	**197,215**	206,157
Renminbi	**214,276**	204,646
Hong Kong dollar	**545,196**	617,369
Other	**4,815**	9,830
	961,502	1,038,002

(b) The loans payable of HK$32,844,000 (2007: 32,281,000) are unsecured, carrying interest at prevailing market rate and have no fixed terms of repayment. The remaining are unsecured, interest free and have no fixed terms of repayment.

36. Notes to Consolidated Cash Flow Statement

(a) Reconciliation of operating (loss)/profit to cash generated from operations

	2008 HK$'000	2007 HK$'000
Operating (loss)/profit	**(13,189,499)**	81,282
Depreciation	**352,417**	328,280
Change in fair value of investment properties	**(2,000)**	—
Loss on disposal of property, plant and equipment	**8,267**	1,229
Loss on disposal of intangible assets	**473**	—
Realised and unrealised loss/(gain) on listed and unlisted investments	**37,694**	(68,429)
Excess of fair value over consideration upon step up acquisition in a subsidiary	**(22,000)**	—
(Gain)/loss on disposal of a subsidiary	**(8,255)**	2,337
Gain on partial disposal of jointly controlled entities	**—**	(28,863)
Gain on deemed disposal of jointly controlled entities	**(15,697)**	—
Gain on disposal of non-current investments	**—**	(1,736)
Excess of consideration over fair value on acquisition of subsidiaries	**9,344**	—
Impairment of intangible assets	**12,330,305**	—
Impairment of non-current investments	**23,992**	4,569
Impairment of property, plant and equipment	**—**	27,457
Interest income	**(145,168)**	(225,409)
Gross earnings on finance lease	**(12,054)**	(14,514)
Dividend income from listed and unlisted investments	**(13,038)**	(13,196)
Amortisation of deferred expenditure	**36,573**	38,771
Amortisation of intangible assets	**714,481**	1,004,088
Amortisation of leasehold land and land use rights	**40,480**	41,484
Fair value of share options granted	**31,635**	—
Operating profit before working capital changes	**177,950**	1,177,350
(Increase)/decrease in inventories	**(3,168)**	227
Increase in debtors and prepayments	**(583,397)**	(329,928)
(Decrease)/increase in creditors and accruals	**(30,086)**	423,411
Decrease in amount due to a jointly controlled entity	**(1,382)**	(3,284)
Cash (use in)/generated from operations	**(440,083)**	1,267,776

(b) Analysis of net cash inflow in respect of disposal of a subsidiary

	2008 HK$'000	2007 HK$'000
Consideration settled in cash	**—**	49,217
Net cash inflow on disposal	**—**	49,217

37. Business Combinations

(a) The Group held 88.11% equity interest of Galaxy Casino, S.A. ("GCSA"). The principal activities of GCSA and its subsidiaries are operation in casino games of chance or games of other forms and related activities, provision of hospitality, entertainment and related services. On 29 September 2008, the Group acquired 1.89% equity interest in GCSA.

	HK$'000
Cash consideration	10,164
Direct costs relating to the acquisition	916
Cash outflow on acquisition	11,080
Assignment of consideration from sales of non-current investments	110,000
Total acquisition cost	121,080
Interest previously held by minority interest	143,080
Excess of fair value of net assets acquired over consideration	(22,000)

(b) The Group held 40% equity interest in Friendship Catering Management Co Ltd ("Friendship"), a company engaged in catering service at StarWorld Hotel. On 20 February 2008, the Group acquired the remaining 60% equity interest in Friendship. Upon completion of the transaction, Friendship became a wholly owned subsidiary of the Group.

	HK$'000
Cash consideration	10,000
Assignment of loan from the other shareholder	(7,185)
Total acquisition cost	2,815

37. Business Combinations (Continued)

(b) (Continued)

The assets and liabilities as at the date of acquisition are as follows:

	Carrying amounts HK$'000	Fair values HK$'000
Property, plant and equipment	5,189	5,189
Trade and other receivables	3,099	3,099
Inventories	135	135
Cash and bank balances	815	815
Trade and other payables	(14,140)	(14,140)
Net liabilities acquired	(4,902)	(4,902)
Interest previously held by the Group as investment in a jointly controlled entity		1,961
Excess of consideration over fair value of net assets acquired		5,756
Total acquisition cost		2,815
Cash consideration		10,000
Cash and bank balances acquired		(815)
Net cash outflow on acquisition		9,185

The acquired business contributed revenue of HK$18,718,000 and net loss of HK$5,667,000 to the Group for the period since acquisition. If the acquisition had occurred on 1 January 2008, revenue and loss for the year of the Group would have been increased by HK$1,801,000 and HK$1,178,000 respectively.

37. Business Combinations (Continued)

(c) The Group held 50% equity interest in Prosperity Catering Management Co Ltd ("Prosperity"), a company engaged in catering service at StarWorld Hotel. On 28 February 2008, the Group acquired the remaining 50% equity interest in Prosperity. Upon completion of the transaction, Prosperity became a wholly owned subsidiary of the Group.

	HK$'000
Cash consideration	1,146
Assignment of loan from the other shareholder	(1,069)
Total acquisition cost	77

The assets and liabilities as at the date of acquisition are as follows:

	Carrying amounts HK$'000	**Fair values** HK$'000
Property, plant and equipment	12,137	12,137
Trade and other receivables	1,184	1,184
Inventories	270	270
Cash and bank balances	718	718
Trade and other payables	(21,331)	(21,331)
Net liabilities acquired	(7,022)	(7,022)
Interest previously held by the Group as investment in a jointly controlled entity		3,511
Excess of consideration over fair value of net assets acquired		3,588
Total acquisition cost		77
Cash consideration		1,146
Cash and bank balances acquired		(718)
Net cash outflow on acquisition		428

The acquired business contributed revenue of HK$9,714,000 and net loss of HK$5,974,000 to the Group for the period since acquisition. If the acquisition had occurred on 1 January 2008, revenue and loss for the year of the Group would have been increased by HK$3,665,000 and HK$628,000 respectively.

38. Capital Commitments

	Group 2008 HK$'000	2007 HK$'000
Contracted but not provided for	**1,867,222**	2,519,750
Authorised but not contracted for	**5,842,168**	3,866,781

39. Operating Lease Commitments

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

	Group 2008 HK$'000	2007 HK$'000
First year	**48,453**	29,245
Second to fifth years inclusive	**76,423**	43,518
After the fifth year	**105,082**	108,742
	229,958	181,505

40. Operating Lease Rental Receivable

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

	Group 2008 HK$'000	2007 HK$'000
First year	**15,530**	15,752
Second to fifth years inclusive	**52,796**	54,670
After the fifth year	**15,400**	35,098
	83,726	105,520

41. Related Party Transactions

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 jointly controlled entities amounted to HK$11,776,000 (2007: HK$5,409,000) based on terms agreed among the parties and no interest income was received from a subsidiary of K. Wah International Holdings Limited ("KWIH"), a substantial shareholder of the Company (2007: nil).

(b) Management fee received from jointly controlled entities amounted to HK$3,047,000 (2007: HK$3,286,000).

(c) Rental expenses of HK$2,008,000 (2007: HK$2,015,000) were paid to a subsidiary of KWIH based on the terms of the rental agreement between the parties.

(d) There is no sales of property, plant and equipment to an associated company (2007: HK$3,122,000).

(e) The balances with jointly controlled entities and an associated company are disclosed in note 26 and 25(c).

(f) Key management personnel comprise the Chairman, Deputy Chairman, Managing Director, Deputy Managing Director and other Executive Directors. The total remuneration of the key management is shown below:

	2008 HK$'000	2007 HK$'000
Fees	**570**	547
Salaries and other allowances	**19,275**	20,364
Discretionary bonuses	**8,636**	6,782
Retirement benefits	**1,053**	1,078
Share options	**6,656**	—
	36,190	28,771

42. Guarantees

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK$638,800,000 (2007: HK$627,109,000), of which HK$479,425,000 (2007: HK$307,087,000) have been utilised.

The Group has executed guarantees in favour of a bank in respect of facilities granted to an associated company amounting to HK$9,125,000 (2007: HK$9,125,000). At 31 December 2008, facilities utilised amounted to HK$9,125,000 (2007: HK$9,125,000).

43. Post Balance Sheet Events

(a) On 31 December 2008, US$113,890,000 principal amount of the Floating Rate Notes and US$56,337,000 principal amount of the Fixed Rate Notes were purchased by the Group, through its subsidiary, Galaxy Entertainment Finance Company Limited, for cash at an aggregate amount of approximately US$86,350,000 (including accrued interest up to the settlement date of 2 January 2009). The purchases were completed with payment made on 2 January 2009 and the estimated gain of approximately HK$650 million will be recognised in the 2009 financial statements.

(b) On 18 February 2009, the Group entered into a sale and purchase agreement with a third party (the "Buyer") for the sale of 50% of the issued share capital of Boom Victory Investments Limited ("Boom Victory"), a wholly owned indirect subsidiary of the Group, and a related shareholder's loan to Pioneer for a total consideration of HK$47,084,895 ("SPA"). Boom Victory is the sole shareholder of K. Wah Materials and Development (Huidong) Company Limited, which in turn, is one of the two shareholders of 惠東嘉華材料有限公司 (K. Wah Materials (Huidong) Limited), being a sino-foreign co-operative joint venture licensed to quarry mine and extract rock at a quarry located in Huidong, Guangdong Province, mainland China. On the same date, the Group and the Buyer entered into a shareholders' agreement to govern the terms of the joint venture in Boom Victory, under which, among other things, the Buyer is required to pay to the Group a total sum of HK$110,000,000 in seven annual instalments. The SPA was completed and the total consideration of HK$47,084,895 was received on 18 February 2009.

(c) On 13 March 2009, the Company purchased US$50 million principal amount of its Convertible Notes. The aggregate amount to be paid by the Company will be approximately US$22.5 million, and the estimated gain is approximately HK$125 million. Payment was made on 1 April 2009.

44. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors on 24 April 2009.

45. Principal Subsidiaries, Jointly Controlled Entities and Associated Company

(a) Subsidiaries

Name of company	Principal place of operation	Issued share capital: Number of ordinary shares	Issued share capital: Number of non-voting deferred shares	Issued share capital: Par value per share HK$	Percentage of equity held by the Group	Principal activities
Incorporated in Hong Kong						
Barichon Limited	Hong Kong	3,000,000	—	1	99.93	Sale and distribution of concrete pipes
Chelsfield Limited	Hong Kong	2,111,192	—	10	100	Investment holding
Construction Materials Limited	Hong Kong	30,000	—	10	100	Sale of aggregates
Doran (Hong Kong) Limited	Hong Kong	1,000	—	10	100	Sale and distribution of concrete pipes
Earnmark Limited	Hong Kong	1	—	1	100	Investment holding
Galaxy Entertainment Management Services Limited	Hong Kong	1	—	1	100	Provision of management services
K. Wah Asphalt Limited	Hong Kong	1,100,000	—	10	100	Manufacture, sale and distribution and laying of asphalt
K. Wah Concrete Company Limited	Hong Kong	2	1,000	100	100	Manufacture, sale and distribution of ready-mixed concrete
K. Wah Construction Materials (Hong Kong) Limited	Hong Kong	2	2	10	100	Provision of management services
K. Wah Construction Products Limited	Hong Kong	2	1,000	100	100	Manufacture, sale and distribution of concrete products
K. Wah Materials Limited	Hong Kong	28,080,002	—	1	100	Trading
K. Wah Quarry Company Limited	Hong Kong	200,002	100,000	100	100	Sale of aggregates
K. Wah Stones (Zhu Hai) Company Limited	Zhuhai	2	1,000	10	100	Quarrying
KWP Quarry Co. Limited	Hong Kong	9,000,000	—	1	63.5	Quarrying
Lightway Limited	Hong Kong	2	2	1	100	Property investment
Master Target Limited	Hong Kong	2	—	1	100	Investment holding
Quanturn Limited	Hong Kong	2	—	1	100	Equipment leasing
Rainbow Country Limited	Hong Kong	2	—	1	100	Investment holding
Starflow Enterprises Limited	Hong Kong	1	—	1	100	Investment holding

45. Principal Subsidiaries, Jointly Controlled Entities and Associated Company (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				
Wholly-owned foreign enterprise				
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
K. Wah Consultancy (Shanghai) Co., Ltd.	Shanghai	US$350,000	100	Provision of management services
Shanghai Jia Shen Concrete Co., Ltd.	Shanghai	RMB20,000,000	100	Manufacture, sale and distribution of ready-mixed concrete
Shanghai K.Wah Qingsong Concrete Co., Ltd.	Shanghai	US$2,420,000	100	Manufacture, sale and distribution of ready-mixed concrete
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
Cooperative joint venture				
Beijing K.Wah GaoQiang Concrete Co., Ltd.	Beijing	US$2,450,000	100	Manufacture, sale and distribution of ready-mixed concrete
K. Wah Materials (Huidong) Ltd.	Huidong	US$2,800,000	100	Quarrying
Nanjing K. Wah Concrete Co., Ltd.	Nanjing	US$1,330,000	100	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Beicai Concrete Co., Ltd.	Shanghai	RMB31,500,000	100	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiajian Concrete Co., Ltd.	Shanghai	RMB17,400,000	100	Manufacture, sale and distribution of ready-mixed concrete
Shanghai K. Wah Concrete Co., Ltd.	Shanghai	RMB10,000,000	100	Manufacture, sale and distribution of ready-mixed concrete and provision of quality assurance service
Equity joint venture				
Shanghai Ganghui Concrete Co., Ltd.	Shanghai	US$4,000,000	60	Manufacture, sale and distribution of ready-mixed concrete

45. Principal Subsidiaries, Jointly Controlled Entities and Associated Company (Continued)

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Number of ordinary shares	Par value per share	Percentage of equity held by the Group	Principal activities
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 Finance Company Limited	Macau	10	US$1	90	Financing
K. Wah Construction Materials Limited	Hong Kong	10	US$1	100*	Investment holding
High Regard Investments Limited	Hong Kong	20	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
Taksin Profits Limited	Hong Kong	17	US$1	100	Investment holding
Right Grand Investments Limited	Hong Kong	100	US$1	80	Investment holding
Incorporated in Macau					
Galaxy Casino, S.A.	Macau	951,900	MOP1,000	Equity: 90 Profit sharing: 100	Casino games of chance

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					
StarWorld Hotel Company Limited	Macau	2	MOP100,000	100	Property holding and hospitality
Friendship Catering Management Company Limited	Macau	2	MOP25,000	100	Catering
Prosperity Catering Management Limited	Macau	2	MOP25,000	100	Catering
K. Wah (Macao Commercial Offshore) Company Limited	Macau	1	MOP100,000	100	Trading
Wise Concrete Limited	Macau	2	MOP25,000	75	Trading

* Wholly owned and directly held by the Company

45. Principal Subsidiaries, Jointly Controlled Entities and Associated Company (Continued)

(b) Jointly controlled entities

Name of company	Principal place of operation	Number of ordinary shares	Par value per share HK$	Percentage of equity held by the Group	Principal activities
Incorporated in Hong Kong					
AHK Concrete Ltd.	Hong Kong	1,000,000	1	50	Manufacture, sale and distribution of ready-mixed concrete

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
Anhui Masteel K. Wah New Building Materials Co., Ltd.	Maanshan	US$4,290,000	30	Manufacture, sale and distribution of slag
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	Baoshan	RMB253,000,000	25.6	Manufacture, sale and distribution of cement
Beijing Shougang K. Wah Construction Materials Co., Ltd.	Beijing	RMB50,000,000	40	Manufacture, sale and distribution of slag
Guangdong Shaogang Jia Yang New Materials Co., Ltd.	Shaoguan	US$6,000,000	35	Manufacture, sale and distribution of slag
Maanshan Masteel K. Wah Concrete Co., Ltd.	Maanshan	US$2,450,000	30	Manufacture, sale and distribution of ready-mixed concrete
Qinhuangdao Shouqin K. Wah Construction Materials Company Limited	Qinhuangdao	RMB60,000,000	50	Manufacture, sale and distribution of slag
Qujing Kungang & K. Wah Cement Construction Materials Co. Ltd.	Qujing	RMB374,520,000	32	Manufacture, sale and distribution of cement
Shanghai Bao Jia Concrete Co., Ltd.	Shanghai	US$4,000,000	50	Manufacture, sale and distribution of ready-mixed concrete
Shaoguan City New Shaogang Jia Yang New Materials Co., Ltd.	Shaoguan	US$5,000,000	35	Manufacture, sale and distribution of slag
Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.	Kunming	RMB660,000,000	25.6	Manufacture, sale and distribution of cement

(c) Associated Company

Name of company	Principal place of operation	Number of issued ordinary shares	Par value per share HK$	Percentage of equity held by the Group	Principal activities
Incorporated in Hong Kong					
AHK Aggregates Limited	Hong Kong	2,000,000	1	36.5	Quarrying


Entertainment 娛樂
Hotel 酒店
Hospitality 熱誠待客
Fine Dining 國際美食

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美滿旅程由此起