Annual Report 2009

銀河娛樂集團有限公司
Galaxy Entertainment Group Limited
Stock Code: 27

Our Vision

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

Galaxy's Business Philosophy

Local Market Insights

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

Proven Expertise

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

Well Positioned

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

Demand Driven Strategy

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

CONTENTS

CORPORATE INFORMATION

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, *BBS, JP*

NON-EXECUTIVE DIRECTORS

Mr. Anthony Thomas Christopher Carter
Dr. Martin Clarke
Mr. Henry Lin Chen

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. William Yip Shue Lam, *LLD*
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

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Sá Carneiro & Pinheiro Torres, Advogados e Notários Privados
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STOCK CODE

SEHK	:	27
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 with great pleasure that I am able to report to you that 2009 was a very successful year for Galaxy, and for Macau as a whole. The first six months were best characterised as being a recovery from the impact of the economic crisis which swept the world in 2008. In the second half of the year, we witnessed powerful growth with Asia's economy visibly outperforming North America and much of Europe.

Despite the turbulent markets of the previous year, Galaxy began 2009 in a strong position with low gearing and a very balanced portfolio of cash generative and well managed growth businesses. We were not, however, complacent. As a result of a wide reaching efficiency programme implemented during the latter part of 2008 and in 2009, we were able to maximise returns and capitalise fully on the recovering confidence and strong economic fundamentals of the Chinese and wider Asian economies.

All of our operating businesses performed well during the year under review. Our flagship property StarWorld stood out, delivering sequential quarter-on-quarter growth throughout the year, culminating in an exceptional and record breaking fourth quarter. In total, StarWorld has now achieved six consecutive quarters of revenue and EBITDA growth, driven by strong VIP gaming growth and robust mass gaming revenues. StarWorld also boasts one of the highest hotel occupancy rates in Macau.

As one of the world's fastest growing gaming companies, we have always prided ourselves on our long-term vision. We are very excited to be gearing-up for the launch of Galaxy Macau™, our major new development in Cotai, which is scheduled to open in early 2011. Funding for the integrated resort is now committed by a consortium of Asia's leading banks and much of the key management team is now assembled. The fully integrated resort with 2,200 rooms, suites and floating villas was conceived by the very best Asian architects and designers. With a development cost of HK$14.1 billion, it will be a truly unique concept in Asia, and a 'game changer' for the Group.

Galaxy Macau™ will be an integrated resort designed specifically to meet the tastes, preferences and aspirations of Asian customers and this, combined with our "World Class, Asian Heart" service, will ensure that the resort is a resounding success. In Galaxy Macau™ we are delighted to be opening one of the largest, most opulent and keenly anticipated developments in Macau's history.

MACAU MARKET REVIEW

The deterioration of market conditions during 2008 led to a muted beginning of 2009. However, real momentum developed in the middle of the year and this continued to build through to December.

During the year under review, total gaming revenues in the SAR grew by nearly 10% over the previous year to approximately HK$115 billion. This was primarily driven by improving business confidence across Asia and in mainland China, as it became increasingly clear that Eastern economies were weathering the economic storm better than their Western counterparts; achieving growth when economies in North America and Europe were contracting. Improvements in market sentiment were underpinned by the Chinese Government's prudent deployment of stimulus packages to improve China's infrastructure and promote domestic demand.

During 2009, the Government of Macau introduced a number of progressive measures to ensure the managed and sustainable development of the SAR's economy. On 1 December a commission cap was introduced limiting the commission payable on rolling VIP chips to Macau's VIP Promoters to encourage a fair playing field in the market. As an established operator with established VIP Promoter relationships and a long-term view on the development of Macau, we welcome this and future Government-led stabilising initiatives.

Galaxy continues to work closely with the Macau Government to further enhance the appeal of Macau to the local and global market. We are very proud, with the opening of Galaxy Macau™, to be leading the charge in developing Macau as a more integrated leisure destination.

MANAGEMENT TEAM

In recent years we have significantly strengthened our senior management team, recruiting very senior and well respected industry figures to head the Group's operations and the ever more important financial function.

A number of exceptional people were recruited into senior roles during 2009 and have already helped to increase the efficiency of StarWorld and prepare for the build-up to the opening of Galaxy Macau™.

Gabriel Sargent Hunterton joined Galaxy as Chief Operating Officer, StarWorld, bringing with him 12 years of industry experience, most recently as Senior Vice President, Business Development of another leading Macau gaming operator. Andrew Duggan, who joined as Vice President, Finance (Gaming), has over 25 years experience in financial leadership, including his recent tenure as Vice President, Finance at one of Las Vegas' flagship properties.

GALAXY MACAU$_{TM}$ – COTAI

Market conditions improved significantly during 2009, and in the middle of the year Galaxy announced the timeline for launching its game changing destination resort in Cotai: Galaxy Macau$_{TM}$.

With its signature oasis resort sitting 30 metres above the five auspiciously themed gaming areas and an unparalleled array of leisure and dining options, Galaxy Macau$_{TM}$ will be a unique proposition; Macau's first Asian centric integrated resort, and one of the largest leisure complexes in Asia. It is the largest entertainment and gaming development opening in Macau in the next 12 months and will offer the most diverse range of Asian food and Asian accommodation in Macau.

Galaxy Macau$_{TM}$ is being built with Asian pride. It will be a place guided by "World Class, Asian Heart", where people from the world's most populous country, and across the region, will feel welcomed, comfortable, and very much at home. Galaxy Macau$_{TM}$: built by Asians, for Asians – Authentically Asian.

MACAU MARKET OUTLOOK

Prospects for Macau's continued stellar growth are very promising. The economies of Asia are outperforming their Western counterparts and the leisure and entertainment sector is increasingly benefitting from structural, demographic and social development, especially in China.

Market performance during the first quarter of 2010 has been very encouraging, showing a clear upward trend in both visitation and customer spend. This is driven in part by the increasing accessibility of Macau from Mainland China, where the development of a national rail network is well advanced, already linking Macau's neighbour Guangzhou with access to a combined population of 220 million.

During 2010 there is very limited additional supply coming to the market. Only one new development is due to open before 2011, with fewer than 100 tables. Therefore, as demand continues to grow rapidly, with limited additional supply entering the market, we do not anticipate a significant increase in competition in advance of opening Galaxy Macau$_{TM}$.

CORPORATE GOVERNANCE

The Group welcomes the appointment of Mr. Henry Chen, who joined the Board shortly after the year-end, as a non-executive director representing Permira Advisers. Mr. Chen brings a deep understanding of Asian financial markets, particularly China, and has an exceptional pedigree in investment banking and financing.

Mr. Chen replaces Mr. Guido Paolo Gamucci, who resigned from the Board on 20 January 2010 after retiring from Permira Advisers. We thank Mr. Gamucci for his valuable contribution to the Company and wish him very well for the future.

Dr. Moses Cheng Mo Chi retired by rotation as a non-executive director at the annual general meeting held on 22 June 2009 after having served on the Board for more than twelve years. We thank Dr. Cheng for his valuable contribution to the Company and wish him all the best.

POST YEAR-END RESULTS

On 12 April 2010, the Company announced an oversubscribed HK$8.8 billion Club Loan financing package for the development of Galaxy Macau™. The participating Banks included Industrial & Commercial Bank of China (Macau) Ltd, Bank of China Limited, Macau Branch, DBS Bank Ltd., Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Banco Nacional Ultramarino and Guangdong Development Bank. Subsequent to this we are pleased to report that the Club Loan has been upsized to HK$9.0 billion.

We view such support from a consortium of leading Asian Banks as a huge vote of confidence in Galaxy Entertainment Group and an endorsement of our business strategy and market proposition.

On 14 January 2010, the Group called and cancelled the remaining outstanding Floating Rate Notes due 2010. The principal amount paid was US$106 million (HK$824 million). The combined Bonds buyback program and the call of the remaining outstanding 2010 Bonds will generate an interest payment savings of US$67 million (HK$520 million) over the life of the paper.

On 23 March 2010, the Secretary for Economy and Finance of the Macau Government announced that the number of gaming tables would be limited to 5,500 over the period of the next three years. We support this policy and remain confident that Galaxy Macau™ will open with sufficient tables.

CLOSING REMARKS

Galaxy is in a stronger commercial and financial position today than ever before. 2009 was an exceptional year of growth. StarWorld continues to evolve and is now one of the very best performing VIP properties in Macau and, therefore, the world. Looking to the long-term, our plans for the opening of Galaxy's Cotai development advanced dramatically during the year. Galaxy Macau™, the first phase of this development, and the most exceptional destination resort in Macau, will open on time and on budget in early 2011.

The Galaxy team grew rapidly in 2009 and will continue to do so in the immediate future as we recruit talented new staff to launch and operate Galaxy Macau™. The results we are reporting here are not only testament to the strength of our business and our focus on optimising investment returns, but also to the team we have assembled.

I would like to take this opportunity to thank each and every one of the Galaxy team for their exceptional hard work and productivity during 2009, and the invaluable contribution they have made to our breathtaking success.

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

Hong Kong, 20 April 2010

OVERVIEW

2009 was a very good year for Galaxy Entertainment Group Limited ("GEG") during which revenues and earnings improved significantly as market conditions rebounded and GEG's underlying businesses continued to perform strongly.

GEG's quarterly revenues and EBITDA grew consecutively during 2009 culminating in a fourth quarter which was an all time record performance for StarWorld and which marked the third and fifth consecutive quarter of Group revenue and EBITDA growth, respectively.

GEG's success is built on the reputation of StarWorld, its flagship property, as one of the Macau's most popular and successful VIP properties. During the fourth quarter, StarWorld achieved an all-time record VIP turnover of $98 billion, making it one of the leading VIP volume casinos in the world. StarWorld's success is also based on its ability to deliver very strong Return on Investment (ROI) of 30% per annum in 2009.

During 2009, GEG capitalised on market conditions to strengthen its balance sheet by repurchasing outstanding guaranteed notes and convertible notes ("Bonds") with a face value of US$288 million (HK$2,232 million) for a cash consideration of US$162 million (HK$1,255 million). This initiative generated a one-off gain of HK$815 million and also interest expense savings of US$60 million (HK$465 million) over the life of the paper.

Finally, GEG acted decisively during the year to optimise profitability by resizing its operations to suit the prevailing economic conditions and vigilantly manage costs.

As a result of its market position and strategic focus, GEG also benefitted and will continue to benefit from emerging trends and developments in the global economy and wider market:

- The Chinese Government's continued development of infrastructure to drive tourism and resort visitation to Macau

- The Macau Chief Executive's confirmation of his commitment to diversify Macau's economy by growing tourism and resort visitation, and to build Macau into Asia's entertainment capital. The Macau Government maintains its focus on managing the sustainable growth of gaming in Macau, better matching gaming supply to market demand

- The continuing economic resilience and growth in Asia; specifically in Mainland China where the Government's prudent economic management has delivered strong GDP growth

The Group remains entirely focused on maximising and optimizing returns, growing profitable gaming volumes and diversifying revenues into alternative leisure and hospitality streams.

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

REVIEW OF OPERATIONS

Group Financial Results

The Group's strong financial performance during 2009 was a direct result of an impressive increase in gaming volumes, revenue growth and strict cost control.

Revenues for the 12 months ended 31 December 2009 were $12,233 million, an increase of 16% over the previous year. A breakdown of the contribution by businesses is detailed below.

Group Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) of $1.12 billion in 2009 was more than doubled the prior year.

Profit attributable to shareholders in 2009 was $1,149 million and included an exceptional one off gain of $815 million in relation to the Group's Bonds buyback initiative. 2009's results compared very favourably with a loss of $11,390 million in 2008, which included an impairment charge of $12,330 million relating to GEG's Macau gaming licence.

Set out below is the segmental analysis of the Group's operating results for the year ended 31 December 2009.

	Gaming and Entertainment HK$'M	**Construction Materials HK$'M**	**Corporate HK$'M**	**Total HK$'M**
For the year ended 31 December 2009:				
Revenue	**10,988**	**1,245**	**0**	**12,233**
EBITDA*	**1,001**	**237**	**(119)**	**1,119**

	Gaming and Entertainment HK$'M	Construction Materials HK$'M	Corporate HK$'M	Total HK$'M
For the year ended 31 December 2008:				
Revenue	8,917	1,603	0	10,520
EBITDA*	468	216	(140)	544

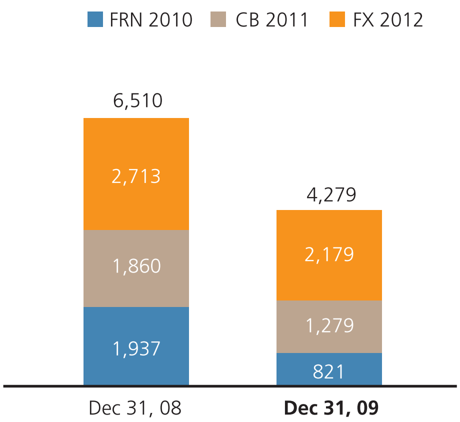
* Excluding interest income and non-recurring items

Balance Sheet

The Group's already robust balance sheet was further strengthened during 2009 as cash on hand was deployed to execute a Bonds buy-back programme where US$288 million (HK$2,232 million) worth of Bonds on issue in the market were repurchased for US$162 million (HK$1,255 million). The buy-back resulted in a one off gain of $815 million and also improved cash flow by eliminating approximately US$60 million in future interest payments over the remaining debt maturity profile, greatly enhanced the Group's financial efficiency. GEG's Cotai land was formally acquired by the Group and is now recorded on the balance sheet.

During 2009, $2.0 billion was invested in the construction of Galaxy Macau$_{TM}$ and the acquisition of GEG's Cotai land. This, in addition to the funds committed to the Bonds buy-back, resulted in a year-end net debt position (excluding finance lease obligations arising from Cotai land lease) of $700 million.

GEG – Total Debt* (HK$'m)



* Notes: Total Debt (exclude Bank loans and finance lease obligations) is stated at nominal value

FRN 2010: Floating Rate Notes due 2010

CB 2011: Zero Coupon Convertible Notes due 2011

FX 2012: 9.875% Fixed Rate Notes due 2012

GAMING AND ENTERTAINMENT DIVISION

Overview of the Macau Gaming Market

During the first half of 2009, the Macau market overcame the difficulties of 2008 which were characterised by global economic turmoil, slowing growth and a very substantial increase in market capacity.

Overall, visitation to Macau was approximately 22 million individual visits during 2009, a slight decrease of 5% from 2008. This was due mostly to the effects of the financial crisis early in the year. However the trend turned positive in August as the monthly visitor arrivals exceeded 2008 levels and continued through to the end of the year.

Market conditions improved towards the end of the six months to 30 June, and the second half of the year witnessed a dramatic turnaround. October 2009 was an all-time market record in gaming revenues of $12.2 billion at that point in time.

Relatively benign competitive conditions prevailed during 2009, with the opening of only one substantial new property in Cotai and two new properties on the Macau Peninsula.

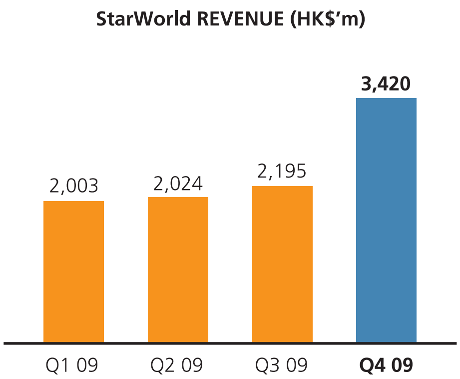
(All amounts are expressed in Hong Kong dollars unless otherwise stated)

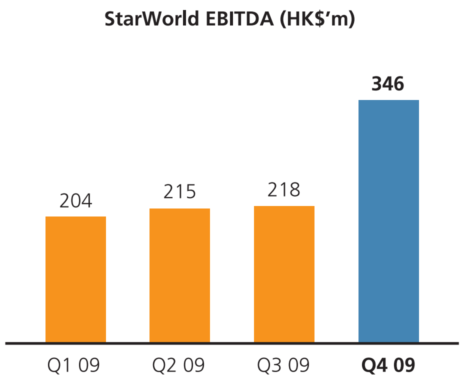
StarWorld

StarWorld concluded 2009 very strongly: fourth quarter EBITDA of $346 million was an all time property record, a 60% increase over the previous quarter and a 120% increase over the same quarter in the prior year. It also represented the property's sixth consecutive quarter of EBITDA and revenue growth and delivered a Return on Investment (ROI) of 30% for the year.

For the year as a whole, StarWorld achieved record revenues of $9.6 billion, a 35% increase over 2008 and generated $983 million in EBITDA for an increase of 70% over 2008. StarWorld's EBITDA margin was 10% compared to 2008 of 8%. Under US GAAP, EBITDA margins would have been approximately 17% compared to 13% in 2008. This impressive EBITDA performance was primarily driven by increased gaming volumes, very tight operational and cost control and broadly normalised win rates.

The below chart demonstrates the progression of Revenues and EBITDA at StarWorld:





VIP Segment

StarWorld's share of VIP revenues was one of the highest in Macau. VIP Rolling Chip Volume for 2009 was $288 billion, a 40% increase from 2008. VIP volume grew strongly in 2009 and finished at an all time record of $98 billion in the fourth quarter. Win rates in 2009 were approximately ten basis points stronger than 2008 at 2.9% (2008: 2.8%), depressed slightly by a weak 2.3% rate in the third quarter. As a result StarWorld's 2009 VIP net win of $8.3 billion was 46% higher than 2008's $5.7 billion.

(HK$'M)	FY2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	**FY2009**
Turnover	$206,000	$55,000	$54,000	$81,000	$98,000	**$288,000**
Net Win	$5,700	$1,700	$1,700	$1,800	$3,000	**$8,300**
Win %	2.8%	3.0%	3.2%	2.3%	3.1%	**2.9%**

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

Mass Gaming

Mass Gaming was impacted by the planned upgrading and refurbishment of StarWorld's Level 1 Mass Gaming area. Mass Drop was down 5% year-on-year at $6.0 billion (2008: $6.32 billion) and, with a weaker win rate of 15.4% (2008: 15.9%). 2009 Mass Gaming net win was 6% lower than prior year at $0.94 billion.

(HK$'M)	FY2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	**FY2009**
Turnover	$6,320	$1,500	$1,390	$1,470	$1,670	**$6,000**
Net Win	$1,007	$253	$187	$230	$271	**$940**
Win %	15.9%	16.8%	13.4%	15.6%	16.0%	**15.4%**

Electronic Gaming

A majority of StarWorld's Electronic Gaming machines are located on the Level 1 Mass Gaming floor and were also impacted by the area's upgrading and refurbishment during the middle of 2009. Despite this disruption, turnover still increased by 2% to $2.02 billion from $1.98 billion in 2008. The increase in volume coupled with a stronger win rate of 6.9% (2008: 6.3%) contributed to StarWorld's Electronic Gaming net win increase of 11% over prior year to $0.14 billion.

Fourth quarter Q4 revenues of $44.9 million were the highest quarterly revenues in more than two years.

(HK$'M)	FY2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	**FY2009**
Turnover	$1,978	$452	$482	$443	$642	**$2,020**
Net Win	$125	$30	$33	$32	$45	**$139**
Win %	6.3%	6.6%	6.8%	7.1%	7.0%	**6.9%**

Non-Gaming

Occupancy of StarWorld Hotel averaged a very healthy 91%, reaching 96% for the second half of the year, and the property was frequently booked-out on holidays and week-ends. Consistent with this strong performance, StarWorld was again recognised as a leading luxury casino hotel in Macau, receiving numerous awards from a number of industry bodies, and it remains the only Five Star Diamond Award winning hotel in Macau.

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

StarWorld is a world-class hotel and casino that has won numerous prestigious awards over the past year. StarWorld Awards in 2009 include:

November 2009	5 Star Diamond Award — American Academy of Hospitality Sciences
November 2009	Top 10 Most Popular Hotels — International Hotel Forum Organization
November 2009	Top Ten New Symbolic Architecture Hotels — World Hotel Continental Diamond Award
November 2009	One Star (to Jade Garden) Recommend Restaurant in the "Bid Gourmand Category"(to Laurel) — Michelin Guide Hong Kong and Macau 2010
June 2009	Best Hotel Brand for Customer Satisfaction — Golden Horse Award of China Hotel
March 2009	Top 10 Leisure Hotels of China — Asia Hotel Forum's China Hotel Starlight Awards
February 2009	Best Casino Interior Design — International Gaming Awards

StarWorld's strong financial performance has made it one of the most successful developments in Macau. StarWorld achieved a ROI of 30% for the year, significantly higher than other gaming operators in the marketplace, and has clearly emerged as the preferred property in Macau for VIP promoters.

City Clubs

The performance of the City Clubs division improved significantly during 2009, following the restructuring of certain management agreements during 2008 and a refocusing of the division's business model. For the twelve months ended 31 December 2009, City Clubs contributed $1.3 billion in revenues and $157 million EBITDA to the Group compared to 2008 revenues of $1.7 billion and EBITDA of $46 million.

CONSTRUCTION MATERIALS

The Group's construction materials business continued to perform well, delivering a solid performance in 2009, with EBITDA growth of 9% to $237 million despite a challenging but improving economic climate. This performance was enhanced by strong cost control initiatives, which enabled the Group to retain solid profitability. The division is well positioned to prosper in China's buoyant but competitive construction materials sector, as the Chinese Government continues to invest heavily in infrastructure to stimulate economic growth.

Hong Kong and Macau

The division was able to improve its profit contribution from Hong Kong. In Macau, the significant slow down of construction activities in the earlier part of 2009 continued to apply downward pressure on volumes and profit margins. However, there are encouraging signs of a gradual recovery, which will be further stimulated through the Macau Government's recent announcement on the land reclamation and city development plan.

Mainland China

Demand for construction materials increased steadily during 2009 and a strong focus on cost control enabled the region to achieve an improved profit contribution, compared to 2008. In Shanghai, construction work linked to the 2010 World Expo provided a much needed boost to the construction sector, but demand is expected to moderate as this nears completion.

Our joint ventures manufacturing and selling slag in the Mainland continued to generate good profits, and the construction of our new slag production facilities in Qing An and Qinhuangdao, Hebei Province and Nanjing, Jiangsu Province, are progressing as planned.

GALAXY MACAU$_{TM}$ COTAI DEVELOPMENT

Galaxy Macau$_{TM}$

Galaxy Macau$_{TM}$ will be the largest entertainment and resort development to launch in Macau in the next 12 months. Opening in early 2011, Galaxy Macau$_{TM}$ will be a unique proposition, Macau's first Asian centric integrated resort, and one of the largest leisure complexes in Asia. It has been conceived with "World Class, Asian Heart" and will offer the most diverse range of Asian themed entertainment and food in Macau.

GEG has a strong track record of successfully building and operating Asian centric gaming and entertainment properties in one of the world's most competitive marketplaces. StarWorld regularly outperforms the market and achieves superior returns. Building on this successful track record, and the Group's long history of operations in Asia, the Board is confident that Galaxy Macau$_{TM}$ will be a 'game changer' in the Macau market.

Bespoke for Asia, designed and built by a "World Class" team, and harnessing the skills of the very best partners, Galaxy Macau$_{TM}$ will be a fantastic and mystical world, rich in adventure. Our guests will enjoy a unique experience in the luxury resort featuring decadent suites, pool villas and an award winning spa, housed in three distinct luxury Asian hotels: Banyan Tree, Okura Hotel and Galaxy Hotel.

Sitting high above the five individually designed gaming areas will be the signature 52,000 sq. m. oasis resort, incorporating the world's largest sky wave pool, a white sandy beach, lush gardens and numerous water features and extensive alfresco dining.

Galaxy Macau$_{TM}$ is built with Asian pride. Asian centric entertainment, food and accommodation will combine to underscore the Asian credentials and appeal of this unique resort.

Galaxy Macau$_{TM}$ Construction Update

As a result of market conditions, construction of Galaxy Macau$_{TM}$ continued during 2009 at a reduced pace. At the year-end, the superstructure construction, roof crest erection and exterior façade installation were almost entirely complete. The exterior of Galaxy Macau$_{TM}$ is now a striking landmark on the Cotai Skyline.

During 2009 the Group invested $2.0 billion in the Galaxy Macau$_{TM}$ development, including the initial land payment. The development team and GEG's management used the longer development timeline to review and enhance all the details of the plans.

In the fourth quarter of 2009, consistent with the trend of growing market confidence and improving financial performance, the Board decided to accelerate the development schedule of Galaxy Macau$_{TM}$, taking the following steps:

- Accelerating the preparation of fitting out tender documents and invitation of tenders to capture the still low material and labour cost;
- Negotiating with the previous contractors for the acceleration of their work;
- Carrying out advanced critical works, including block works, service lifts, hard and soft landscaping, rainwater drains etc;
- Building the project team members gradually to match with the increased workload.

Galaxy Macau$_{TM}$ is on schedule to open in early 2011.

Cotai Land Grant

On 21 October 2009, the land grant for a 440,000 square meters plot of land in Cotai, with a total buildable gross floor area of 1,703,714 square meters, was officially gazetted to the Group by the Macau Government. The terms of the land grant include a 25 year lease; renewable pursuant to applicable laws in Macau. The land premium is approximately $2.8 billion and an initial payment of $1.1 billion was paid on 10 September 2009, with the balance being payable over four years, in eight equal semi annual installments of approximately $225 million.

POST YEAR-END EVENTS

On 12 April 2010, GEG announced an oversubscribed $8.8 billion Club Loan financing package for the development of Galaxy Macau$_{TM}$. The participating Banks included Industrial & Commercial Bank of China (Macau) Ltd, Bank of China Limited, Macau Branch, DBS Bank Ltd., Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Banco Nacional Ultramarino and Guangdong Development Bank. Subsequent to this we are pleased to report that the Club Loan has been upsized to $9.0 billion.

The Key Terms of the Club Loan include:

— Amount: HK$9.0 billion

— Structure: Club Loan

— Undertaking: "Take & Hold" — No sell down

— Rate: HIBOR + 4.5%

— Term: 6 years

We view such support from a consortium of leading Asian Banks as a huge vote of confidence in Galaxy Entertainment Group and an endorsement of our business strategy and market proposition.

On 14 January 2010, the Group called and cancelled the remaining outstanding Floating Rate Notes due 2010. The principal amount paid was US$106 million (HK$824 million). The combined Bonds buyback program and the call of the remaining outstanding 2010 Bonds will generate an interest payment savings of US$67 million (HK$520 million) over the life of the paper.

On 23 March 2010, the Secretary for Economy and Finance of the Macau Government announced that the number of gaming tables would be limited to 5,500 over the period of the next three years. We support this policy and remain confident that Galaxy Macau$_{TM}$ will open with sufficient tables.

GROUP OUTLOOK FOR 2010

Macau has now reached a turning point in its evolution. Moving beyond its core gaming heritage, it will, over the coming years, increasingly become a destination within Asia, for Asian people seeking Asian entertainment and recreation. GEG, through the launch of Galaxy Macau$_{TM}$ as an integrated resort destination, and the other elements of its Cotai development, will play a critical role in defining this evolution.

Furthermore, the Macau Government is investing heavily in developing infrastructure and transportation in the SAR to meet the needs of tomorrow's guests, with the expansion of border gates and the construction of a comprehensive light rail network.

At the same time the accessibility of the SAR is being transformed by the large scale infrastructure investment being made by the Chinese Government, building-out a national rail network which will link Macau and neighbouring Guangdong with cities across China.

In the short-term, the launch of Galaxy Macau$_{TM}$ in early 2011 will not only capture the imagination of visitors from across Asia, but it will also resonate powerfully in the rapidly growing market, as there is very limited capacity entering the market at this time.

At an investment of $14.1 billion, Galaxy Macau™ will be a boldly Asian statement; it will create over 7,500 jobs and transform the nature of visitation to Macau. It is also important to remember that Galaxy Macau™ is only the first phase of GEG's Cotai development plans.

The huge revenue potential will be complemented by the Group's well proven ability to control costs, drive profitable growth and manage ROI to ensure that it continues to be one of the most profitable operators in Macau.

The Group is in an excellent position to capitalise on the growth potential of the world's largest gaming market, and, by early 2011, it will be the only operator with flagship properties in both the heart of Macau's Peninsula and the emerging and hugely important area of Cotai. This will give the Group a unique opportunity to leverage the expected growth in leisure and recreation, including gaming, as Macau becomes a more diversified destination for visitors from across Asia.

LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 31 December 2009 was $8,169 million, an increase of approximately 17% over that as at 31 December 2008 of $7,011 million while the Group's total assets employed increased to $18,963 million as at 31 December 2009 as compared to $18,652 million as at 31 December 2008.

The Group continues to maintain a strong cash position. As at 31 December 2009, total cash and bank balances were $3,516 million as compared to $6,042 million as at 31 December 2008. The Group's total indebtedness was $5,843 million as at 31 December 2009 as compared to $6,712 million as at 31 December 2008. The gearing ratio, defined as the ratio of total borrowings outstanding less cash balances to total assets (excludes cash balances), was 15% as at 31 December 2009 (31 December 2008: 5%).

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 value of $15 million (2008 : $17 million), leasehold land with net book value of $209 million (2008: $216 million) and bank deposits of $54 million (2008: $53 million) have been pledged to secure banking facilities.

GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to $855 million (2008: $639 million), of which $250 million (2008: $479 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 (2008: $9 million). At 31 December 2009, facilities utilised amounted to $9 million (2008: $9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2009, the Group, excluding associated companies and jointly controlled entities, employed around 6,200 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to $1,200 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

Our employees are the most valuable asset of the Group and the talents and contributions of each individual are critical to our continuing success and achievement of our Mission, Vision and Values. 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 progressing to the delivery of training programs designed to assist employees in achieving competency and professionalism in their jobs while instilling a culture of continuous improvement.

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 of delivering core training programs in support of operational excellence and business opportunities across the organization.

2. **Corporate Culture** — communication, reinforcement and integration of our Vision, Mission and Values to establish a corporate culture that clearly differentiates the Group as a leading Asian gaming company.

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

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

   B. **Leadership Development** with a focus on the development and delivery of supervisory/management skills programs to support our Galaxy Leadership Competencies, implementation of a Leadership Development strategy and delivery of performance management initiatives aligned with our Values and organizational goals.

   C. **Organizational Effectiveness** with a focus on the creation of a succession management program, ongoing refinement of our internal business processes and procedures and design of quality assurance initiatives to measure and drive continuous improvement of our guest service delivery.

   D. **Galaxy Macau$_{TM}$ Pre-opening Plan** with a focus on the development of core curriculum units for pre-employment and on-the-job training for new hires, development of customized training programs that support and drive our Galaxy Macau$_{TM}$ Brand and Service Culture and ensuring all employees are job ready by grand 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 the 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 employees to ensure our continued growth and development as a leading Asian gaming company providing exceptional experiences to our guests.

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 shareholders' value and to care for the community as a good corporate citizen, with a high level of transparency and accountability to shareholders. The Board has applied the 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, determines the appropriate management structure, 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 33 to 35.

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 six 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. 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. Henry Lin Chen 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.

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 January 2010, Mr. Henry Lin Chen was appointed by the Board as a non-executive Director. 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.

Changes in the Board members during the year are set out in the Report of the Directors on page 37.

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 on a regular basis. 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 the external Auditor and independent professional advisers, are provided to the Board Committees to enable them to discharge their duties.

Executive Board

The Board has delegated the power, authorities and discretions for the management of the Group's operations and activities to a formally established Executive Board 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 certain 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. All three members are independent non-executive Directors. Mr. James Ross Ancell is the Chairman and Dr. William Yip Shue Lam and Dr. Patrick Wong Lung Tak are members.

The Audit Committee is accountable to the Board and assists the Board to oversee the Company's financial reporting process and internal control and risk management systems and to review the Group's interim and annual 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 adjustments, performance-based year-end discretionary bonus and grant of share options to executive Directors; and

(iv) Approved a performance-based new executive bonus plan for the gaming and entertainment division in respect of its application to an executive Director.

The Directors' remuneration for the year ended 31 December 2009 is set out in note 10 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 2009, the Company held five 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 the 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 2009 are set out in the following table:

Number of Meetings	**Board Meetings (5)**	**Audit Committee Meetings (2)**	**Remuneration Committee Meetings (2)**
EXECUTIVE DIRECTORS			
Dr. Lui Che Woo	4/5	—	—
Mr. Francis Lui Yiu Tung	5/5	—	2/2
Mr. Joseph Chee Ying Keung	4/5	—	—
Ms. Paddy Tang Lui Wai Yu	5/5	—	—
NON-EXECUTIVE DIRECTORS			
Dr. Moses Cheng Mo Chi	1/2	1/1	—
Mr. Anthony Thomas Christopher Carter	5/5	—	—
Dr. Martin Clarke	5/5	—	—
Mr. Guido Paolo Gamucci	4/5	—	—
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Mr. James Ross Ancell	4/5	2/2	—
Dr. William Yip Shue Lam	5/5	1/1	2/2
Dr. Patrick Wong Lung Tak	5/5	2/2	2/2

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 2009, 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 2009. Accordingly, the Directors have prepared the financial statements for the year ended 31 December 2009 on a going concern basis.

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

Auditor's Responsibility

PricewaterhouseCoopers, the auditor of the Company, acknowledges the reporting responsibilities in the Report of Independent Auditor on the financial statements for the year ended 31 December 2009.

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 2009 are included in note 9 to the financial statements.

Fees for non-auditing services include HK$777,000 for the services provided in respect of taxation and advisory services.

INTERNAL CONTROLS

The Board is responsible for maintaining sound and effective internal control systems to safeguard the Group's assets and the stakeholders' interests as well as for reviewing the effectiveness of the systems. The systems comprise a well-defined organizational structure with clearly defined lines of responsibility, limits of authority, clear and written policies, standard operation procedures, and risk control self-assessment conducted for all major operating units of the Group.

Policies and Procedures are designed to manage and minimize risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

The internal audit function provides independent assessment to the Board and executive management as to the adequacy and effectiveness of the internal controls for the Group on an on-going basis. Internal Audit adopts a risk based audit methodology in designing the annual internal audit plan which is approved by the Audit Committee. During the year, the Internal Audit Department has conducted operational and financial reviews with objectives to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

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. Internal Audit was not aware of any significant internal control issues that would have been an adverse impact on the financial position or operations of the Group.

For the financial year ended 31 December 2009, the Board, through the review of the Audit Committee, has reviewed the internal control systems, policies and procedures of the Group and considered that they were effective and adequate.

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 publishes announcements on a voluntary basis to provide quarterly management updates on the key performance indicators 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 and conducts conference calls for both the Asian time zone and the Americas time zone 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.

GAMING AND HOSPITALITY EXPERTISE

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 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. He was the former 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 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 46 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 the USA.

Steven Wolstenholme, Chief Operating Officer, Galaxy Macau$_{TM}$. 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.

Gabriel Hunterton, Chief Operating Officer, StarWorld. He has an intense and diverse gaming career spanning 12 years in Las Vegas and Macau. Most recently, he was the Senior Vice President of Business Development of MGM Grand Macau. He has also held management roles with Treasure Island Hotel Casino, Las Vegas, Mirage Hotel Casino, Las Vegas and Bellagio Hotel Casino, Las Vegas.

John Au, Senior Vice President, Business Development. He has been with the Group for over 16 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 23 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.

Dennis Andreaci, Senior Vice President, Gaming Operations, Galaxy Macau$_{TM}$. He has over 25 years' experience of casino operations development and management in various countries including the USA, Macau, Singapore, Philippines, Cambodia and Lao. He was the former Vice President of Casino Table Games of Marina Bay Sands, Singapore. He also held senior casino operations positions with various casinos including Sands Macao, Venetian Macao, Osmach Resort Casino, Cambodia, and Subic Bay Casino, Philippines.

Gillian Murphy, Senior Vice President, Non-Gaming Operations, Galaxy Macau$_{TM}$. She has over 28 years of experience in hotel and resort operations. She held senior executive positions with a number of prestigious gaming and hotel companies in United States including Harrah's Entertainment Inc., Las Vegas, Ameristar, Colorado, and MGM Grand at Foxwoods, Connecticut. She was the former Senior Vice President of Resort Operations, Foxwoods Resort Casino in Mashantucket, Connecticut.

Jeffrey King, Senior Vice President, Marketing, Galaxy Macau$_{TM}$. He has over 20 years of solid marketing experience in the US gaming and hotel industry. He held senior marketing positions with a number of prestigious gaming companies in Las Vegas including Harrah's Entertainment Inc., Caesars Palace, Planet Hollywood, Excalibur and Tropicana.

Andrew Duggan, Vice President, Finance (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.

CORPORATE SOCIAL RESPONSIBILITY

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 2009, we continued our effort by participating in a series of activities.

Recognition — 5 Years Plus Caring Company Award

Our corporate citizenship continues to earn public recognition. Having been awarded for more than five years as a caring company, we were again awarded the "5 Years Plus Caring Company" logo in 2009 by The Hong Kong Council of Social Service in recognition of our sustainable commitment in good corporate citizenship with an extra effort. Three scopes are covered in the award: caring for the community, caring for the employees and caring for the environment.

Volunteering — "Mentoring the Way to the Future" Extension Program

Building on the success of the "Mentoring the Way to the Future" program, we continue to serve the community by an extension program. The program was originally launched in 2007 by KWCM jointly with The Evangelical Lutheran Church of Hong Kong. Our voluntary staff members act as mentors to nurture a group of less privileged children aged between 8 and 12 from single-parent families. In 2009, we organised various outdoor activities to these children to widen their horizon:

- Conservation & Revitalization Heritage Tour — It is a rising concern for preserving cultural heritage in Hong Kong. To educate the children of the heritage revitalization, we organized a tour to visit J-Residence, an urban renewal property development which conserves the historic Wo Cheong Pawnshop and revitalizes the Wanchai area

- English Class Outing @ Stanley — Aiming to improve the proficiency of the children's spoken English, an outgoing in Stanley, one of Hong Kong's famous tourist areas, was organized to provide them with opportunities to have face-to-face contact with overseas tourists

Charity

KWCM employees actively and voluntarily participated in various charity activities:

- Blood Donation — organised by Hong Kong Red Cross

- Dress Special Day — a fund raising activity organised by The Community Chest

- Sowers Action Challenging 12 Hours — a charity walk organised by Sowers Action to raise funds for its Education Development Program in China

Employee Friendly

KWCM Social Club continuously organized various activities for our employees' participation during leisure:

- Disneyland Tour
- Football Match
- Movie Sharing
- Bakery Class

IN MACAU

Being a leading gaming operator in Macau, our Gaming and Entertainment Division is committed to repaying the society and working for a better tomorrow. In 2009, we demonstrated our corporate citizenship excellence through various activities.

Responsible Gaming

We promote responsible gaming to the public and staff members via the following channels:

- Developed a new Responsible Gaming logo to better communicate the essence of responsible gaming through collaborative research with the Institute for the Study of Commercial Gaming of the University of Macau
- Placed new Responsible Gaming materials including brochures and posters, at the main entrances and back-of-house areas at StarWorld Hotel & Casino and the four City Club Casinos to alert both the public and our staff members of the importance of responsible gaming
- Established Macau's first and only Responsible Gaming Support and Counseling Hotline to provide staff members with twenty-four hours, seven days a week telephone counseling. Individual face-to-face counseling and online counseling are also provided as needed
- Established guidelines for staff members to take online & classroom trainings so that they are aware of the risks associated with problem gambling
- Established procedures for all staff members to take a Mandatory Responsible Gaming Education and yearly Responsible Gaming training refresher courses
- Posted signages at all casino entry points to reinforce the message that minors under the age of 18 are strictly prohibited from entering the casino floor
- Established procedures for staff members to provide self-exclusion services to our patrons if needed

Corporate Sponsorships

We support Macau's sports development and truly believe that sport is an important element for promoting social harmony and balance.

- 2009 Macau Galaxy Entertainment FIVB World Grand Prix — title sponsor for the 5th consecutive year
- 2009 Macau Galaxy Entertainment International Marathon — title sponsor for the 6th consecutive year

Community Care

We participate in community care and encourage our staff members to participate actively in charitable activities.

Community Activities

1. Participated in the International Challenge Day in response to the call from the Macau Sport Development Board and TAFISA
2. Established a blood donation station with the Macao Blood Transfusion Service for the first time at StarWorld Hotel's 8/F Grand Ballroom to collect blood donations from staff members
3. Organised a volunteer training session for staff members to equip them with a better understanding of the vulnerable groups' needs and to enhance their communication skills with people from different social sectors

Charitable Activities

1. Donated MOP500,000 to Macao Daily News Readers' Charity Fund and organised staff members to participate in the Walk for a Million 2009
2. Donated MOP100,000 to Tung Sin Tong
3. Organised senior executives and staff members to join the Directors of the Macau Daily News Readers' Charity Fund in visiting the seniors of Lar De Nossa Senhora Da Misericórdia
4. Organised senior executives and staff members to visit the single-living senior residents under the Centro de Dia da Residência D. Julieta Nobre de Carvalho
5. Organised a cartoon movie gala for the children from Caritas and joined the children for a lunch buffet at Grand Waldo Hotel. Launched a fund raising campaign for internal staff members to collect funds for the purchase of stationeries and educational toys to children in need
6. StarWorld Hotel & Casino was awarded the 3rd edition of Attributed Awards to Employers' of Deficient People organised by Macau Labour Affairs Bureau and Macau Social Welfare Bureau

Environmental Protection

Striving to create a better tomorrow, we support energy conservation and the sustainable development of Macau and the rest of the world by taking part in energy savings initiatives:

- Participated in the Worldwide Fund for Nature's "Earth Hour 2009" and the Office for Development of Energy Sector's "Letting off light for one hour" respectively. All inessential lights on the building exteriors of our flagship StarWorld Hotel & Casino and four City Club Casinos were switched off for one hour on the event days

Education & Culture

We are committed to supporting the education and cultural developments in Macau. During the year of the 60th anniversary of the establishment of the People's Republic of China and the 10th anniversary of the establishment of the Macau SAR, we sponsored and organised a series of cultural and educational events to promote a more comprehensive understanding of the home country and Macau:

- Scholarships were awarded to three students from Macao Polytechnic Institute who have performed outstandingly in the sports sector
- Sponsored the Teenager Civic Knowledge Competition — Macau Cup
- Hosted a lunch party for the Chinese Film Delegation
- Sponsored the production of "The Star and the Sea" movie and titled sponsored the special screening of "The Star and The Sea Galaxy Gala"
- Sponsored the University of Macau's Communication Week 2009

Employee Friendly

In addition to organising staff volunteers to provide community services, our Staff Social Club regularly hosts various activities to promote staff members' work-life balance:

- Galaxy Got Talent 2009
- Dragon boat races
- Movie galas
- Badminton playing sessions
- Wine-tasting sessions

FIVE-YEAR SUMMARY

	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	**Year ended 31 December 2009 HK$'000**
CONSOLIDATED INCOME STATEMENT					
Revenue	1,291,927	4,669,495	13,035,439	10,520,120	**12,232,679**
Profit/(loss) attributable to Equity holders of the Company	2,395,269	(1,531,546)	(466,200)	(11,390,368)	**1,149,113**
Dividends	—	—	—	—	**—**
Earnings/(loss) per share (cents)	110.7	(46.5)	(13.8)	(289.3)	**29.2**
Dividend per share (cents)	—	—	—	—	**—**
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment, investment properties and leasehold land and land use rights	2,889,283	5,566,921	6,374,464	8,085,812	**11,589,392**
Intangible assets	16,493,230	15,520,486	14,520,665	1,488,039	**1,391,322**
Jointly controlled entities and associated companies	300,778	387,250	506,923	833,359	**1,003,918**
Other non-current assets	595,120	951,697	600,757	291,733	**352,660**
Net current assets/(liabilities)	1,712,199	2,608,958	5,340,858	3,251,497	**(939,749)**
Employment of capital	21,990,610	25,035,312	27,343,667	13,950,440	**13,397,543**
Represented by:					
Share capital	329,058	329,612	393,564	393,817	**394,159**
Reserves	14,603,396	13,303,187	18,013,088	6,617,467	**7,774,378**
Shareholders' funds	14,932,454	13,632,799	18,406,652	7,011,284	**8,168,537**
Minority interests	491,910	490,700	531,791	262,616	**266,597**
Long term borrowings	4,643,355	8,439,965	6,010,571	6,275,958	**4,459,703**
Other non-current liabilities	1,778,531	2,351,697	2,259,031	285,029	**372,928**
Provisions	144,360	120,151	135,622	115,553	**129,778**
Capital employed	21,990,610	25,035,312	27,343,667	13,950,440	**13,397,543**
Net assets per share (dollars)	4.54	4.14	4.68	1.78	**2.07**

BIOGRAPHICAL INFORMATION OF DIRECTORS

Executive Directors

Dr. Lui Che Woo, *GBS, MBE, JP, LLD, DSSc, DBA*, aged 80, 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 a Member of Steering Committee on MICE (Meetings, Incentives, Conventions and Exhibitions) since 2007. Further, Dr. Lui was a Committee Member of the 9th Chinese People's Political Consultative Conference, a member of the Selection Committee for the First Government of the HKSAR and a member of the Election Committee of the HKSAR. Dr. Lui was awarded the Gold Bauhinia Star by 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 awarded Business Person of the Year by DHL/SCMP Hong Kong Business Awards 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 54, 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 member of the Shanghai Committee of the Chinese People's Political Consultative Conference and also 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 52, 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 28 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 is appointed as a member of Pneumoconiosis Compensation Fund Board (2010-2011). He served as a member of the Working Group on Construction Waste of the Provisional Construction Industry Co-ordination Board from 2004 to 2006. He was also the Chairman of The Institute of Quarrying in the UK (Hong Kong Branch) from 1998 to 2000 and the Chairman of Hong Kong Contract Quarry Association from 2002 to 2008.

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*, aged 56, 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 McGill University, Canada and is a member of The Institute of Chartered Accountants in England and Wales. Ms. Lui 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 and the Chairman of the Board of Opera Hong Kong Limited. Ms. Lui was appointed as a member of the Hong Kong Arts Development Council, the Statistic Advisory Board, the Standing Committee on Company Law Reform and the Tourism Strategy Group in 2007 and a member of the General Committee of The Chamber of Hong Kong Listed Companies on 31 July 2009. Ms. Lui has been again elected as a member of the Election Committee of the HKSAR in December 2006. Ms. Lui is a daughter of Dr. Lui Che Woo and the elder sister of Mr. Francis Lui Yiu Tung.

Non-executive Directors

Mr. Anthony Thomas Christopher Carter, aged 64, 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 54, has been a non-executive Director of the Company since November 2007. He became a Partner at Permira in 2004. He is a member of Permira's Management 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 Permira, 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. Henry Lin Chen, aged 39, has been a non-executive Director of the Company since January 2010. He joined Permira in August 2008 and is responsible for running Permira's Hong Kong office and for developing Permira's activities, with a particular focus on Greater China. Prior to joining Permira, he spent nine years in senior positions at Goldman Sachs. Most recently, as Head of General Industrials Group, Asia ex-Japan, he was responsible for managing the largest industry group in investment banking covering four major sectors: Industrials, Transportation, Consumer Retail and Healthcare. Previously, Mr. Chen served as Chief Operating Officer of Corporate Finance where he led the execution of complex transactions including Lenovo's acquisition of IBM's PC Business and Temasek's investment in China Construction Bank. In addition, he led and executed a broad range of transactions primarily in Greater China. Mr. Chen received a Bachelor and Master of Arts in History and Science from Harvard University and a Juris Doctorate from Harvard Law School. He is licensed to practice law in the state of New York, USA.

Independent Non-executive Directors

Mr. James Ross Ancell, aged 56, 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 72, 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 University 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 62, 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. Dr. Wong is an independent non-executive director of China Precious Metal Resources Holdings Co., Ltd., C C Land Holdings Limited and Water Oasis Group Limited, all of which are listed on the Main Board of the Stock Exchange. Dr. Wong has been appointed as an independent non-executive director of Vertex Group Limited (listed on the Growth Enterprise Market of the Stock Exchange) with effect from 3 February 2010. He is also an independent non-executive director of Ruinian International Limited which has been listed on the Main Board of the Stock Exchange on 19 February 2010.

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 the 9.875% guaranteed senior notes due 2012 in the outstanding principal amounts of US$105,910,000 and US$281,163,000 respectively as at 31 December 2009, which were 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. Subsequent to the year end, all the then outstanding floating rate notes due 2010 were redeemed on 14 January 2010.

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 2009.

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 2009 are set out in the consolidated income statement on page 50 of this annual report.

No interim dividend (2008: nil) was paid during the year. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30 to the financial statements.

During the year, 3,400,000 new shares of HK$0.10 each ("Shares") and 20,000 new Shares were issued at the prices of HK$0.5216 and HK$3.32 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) issued by Galaxy Entertainment Finance Company Limited, a subsidiary of the Company, are set out in note 33 to the financial statements.

During the year, US$144.1 million principal amount of the Floating Rate Notes and US$68.8 million principal amount of the Fixed Rate Notes were purchased for cash at an aggregate amount of US$127.4 million.

On 14 December 2009, Galaxy Entertainment Finance Company Limited exercised its optional redemption right to redeem in whole all of the then outstanding Floating Rate Notes in the principal amount of US$105.9 million at a redemption price of 100% of the principal amount and settlement took place on 14 January 2010.

Details of the zero coupon convertible notes due 2011 ("Convertible Notes") issued by the Company are set out in note 33 to the financial statements.

During the year, US$75 million principal amount of the Convertible Notes were purchased for cash at an aggregate amount of US$34.9 million.

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 2009.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 32 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 16 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. Joseph Chee Ying Keung, Ms. Paddy Tang Lui Wai Yu, Dr. Moses Cheng Mo Chi (who retired on 22 June 2009), 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. Mr. Guido Paolo Gamucci resigned as a Director of the Company and Mr. Henry Lin Chen was appointed a Director of the Company, both with effect from 20 January 2010. The biographical details of the existing Directors are set out on pages 33 to 35 of this annual report.

In accordance with Article 106(A) of the Articles of Association of the Company, Mr. James Ross Ancell, Mr. Anthony Thomas Christopher Carter and Dr. Martin Clarke will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. In accordance with Article 97 of the Articles of Association of the Company, Mr. Henry Lin Chen 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 2009 will be payable to the Directors:

	Chairman (HK$)	**Member** (HK$)
The Board	150,000	130,000
Audit Committee	120,000	100,000
Remuneration Committee	60,000	50,000

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 2009 or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES AND SHARE OPTIONS

At 31 December 2009, 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	24,087,632	2,181,518	395,362,426(1)	2,554,267,923(2)	2,975,899,499	75.50
Francis Lui Yiu Tung	21,498,896	—	407,558,099(3)	2,546,842,504(2)	2,975,899,499	75.50
Joseph Chee Ying Keung	3,745,000	—	—	—	3,745,000	0.10
Paddy Tang Lui Wai Yu	12,939,722	—	—	2,962,959,777(2)	2,975,899,499	75.50
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 Liaison 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 1,240,380,717 Shares, 1,232,955,298 Shares and 1,649,072,571 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 Top Notch and Kentlake are controlled by Mr. Francis Lui Yiu Tung. The aforesaid underlying Shares had not been delivered to Top Notch and Kentlake and are still counted towards the public float.

(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 2009, 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 2009, 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.	2,975,899,499(1)	75.50
ENB Topco 2 S.àr.l	2,975,899,499(1)(3)	75.50
Galaxy Entertainment Group Limited	2,975,899,499(1)	75.50
HSBC International Trustee Limited	1,313,887,206(2)	33.33
Mark Liaison Limited	2,975,899,499(1)	75.50
Permira Holdings Limited	2,975,899,499(1)(4)	75.50
Premium Capital Profits Limited	2,975,899,499(1)	75.50
Recurrent Profits Limited	2,975,899,499(1)	75.50
Super Focus Company Limited	2,975,899,499(1)	75.50

Notes:

(1) City Lion Profits Corp., ENB Topco 2 S.àr.l, Galaxy Entertainment Group Limited, Mark Liaison Limited, Permira Holdings Limited, 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 1,662,012,293 Shares, 2,333,180,916 Shares, 2,975,899,499 Shares, 2,966,238,644 Shares, 2,177,515,499 Shares, 2,962,591,320 Shares, 2,861,395,460 Shares and 2,706,699,345 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.

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 Permira Holdings Limited and ENB Topco 2 S.àr.l.; 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, 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 disclosed in the relevant notes above.

Save as disclosed above, as at 31 December 2009, 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 247,327,936 Shares, which represented approximately 6.27% 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 2009 were as follows:

		Number of Options						
Name	**Date of grant**	**Held at 1 January 2009**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Held at 31 December 2009**	**Exercise price (HK$)**	**Exercise period**
Lui Che Woo	30 Dec 1999	1,800,000	—	1,800,000[a]	—	—	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
	8 May 2009	—	1,150,000	—	—	1,150,000	2.1600	8 May 2010–7 May 2015
	8 May 2009	—	1,150,000	—	—	1,150,000	2.1600	8 May 2011–7 May 2015
	8 May 2009	—	1,150,000	—	—	1,150,000	2.1600	8 May 2012–7 May 2015

Name	Date of grant	Number of Options: Held at 1 January 2009	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2009	Exercise price (HK$)	Exercise period
Francis Lui Yiu Tung	30 Dec 1999	1,600,000	—	1,600,000[a]	—	—	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
	8 May 2009	—	1,666,666	—	—	1,666,666	2.1600	8 May 2010–7 May 2015
	8 May 2009	—	1,666,666	—	—	1,666,666	2.1600	8 May 2011–7 May 2015
	8 May 2009	—	1,666,668	—	—	1,666,668	2.1600	8 May 2012–7 May 2015
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
	21 Oct 2009	—	642,000	—	—	642,000	3.6000	21 Oct 2010–20 Oct 2015
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
	8 May 2009	—	666,666	—	—	666,666	2.1600	8 May 2010–7 May 2015
	8 May 2009	—	666,666	—	—	666,666	2.1600	8 May 2011–7 May 2015
	8 May 2009	—	666,668	—	—	666,668	2.1600	8 May 2012–7 May 2015
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 2009	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2009	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	1,924,000	—	—	594,000	1,330,000	4.5900	22 Oct 2006–21 Oct 2011
	17 Jan 2008	8,552,000	—	—	7,927,000	625,000	6.9720	17 Jan 2010–16 Jan 2014
	17 Jan 2008	8,552,000	—	—	7,927,000	625,000	6.9720	17 Jan 2011–16 Jan 2014
	17 Jan 2008	17,104,000	—	—	15,854,000	1,250,000	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	—	20,000[b]	173,000	4,718,000	3.3200	18 Aug 2009–17 Aug 2014
	18 Aug 2008	2,272,000	—	—	2,272,000	—	3.3200	18 Aug 2010–17 Aug 2014
	18 Aug 2008	2,272,000	—	—	2,272,000	—	3.3200	18 Aug 2011–17 Aug 2014
	18 Aug 2008	4,544,000	—	—	4,544,000	—	3.3200	18 Aug 2012–17 Aug 2014
	8 May 2009	—	14,947,651	—	1,234,665	13,712,986	2.1600	8 May 2010–7 May 2015
	8 May 2009	—	14,947,651	—	1,234,665	13,712,986	2.1600	8 May 2011–7 May 2015
	8 May 2009	—	14,947,698	—	1,234,670	13,713,028	2.1600	8 May 2012–7 May 2015
	21 Oct 2009	—	6,313,000	—	103,000	6,210,000	3.6000	21 Oct 2010–20 Oct 2015
Others	21 Oct 2005	3,500,000	—	—	—	3,500,000	4.5900	22 Oct 2005–21 Oct 2011

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$3.43.

b. The weighted average closing price of the Shares immediately before the date on which the options were exercised during the year was HK$3.76.

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 8 May 2009 — 51,589,000 options outstanding as at 31 Dec 2009	$0.86	$2.16	$2.16	58%	3 to 6 years	2%	1.3% to 1.9%
Granted on 21 Oct 2009 — 6,852,000 options outstanding as at 31 Dec 2009	$1.42	$3.60	$3.60	65%	3 years	2%	1.1%

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 four 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 8 May 2009 and 21 October 2009 were HK$2.15 and HK$3.57 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

1. 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, the People's Republic of China ("PRC"). 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.

2. On 19 October 2009, 遷安首嘉建材有限公司 (Qianan Shougang K. Wah Construction Materials Company Limited) ("Qianan JV"), a non-wholly owned subsidiary of the Company, entered into a construction contract ("Construction Contract") with 北京首鋼建設集團有限公司 (Beijing Shougang Construction Group Company Limited) ("Contractor"), a PRC incorporated company which is 35% owned by Shougang Group Company, a substantial shareholder of Qianan JV. Under the Construction Contract, Qianan JV had agreed to employ the Contractor to carry out the construction works relating to the construction and installation of a slag production plant for Qianan JV at Qianan City, Hebei Province, PRC. The contract price of the Construction Contract was determined to be approximately RMB36,000,000 (equivalent to approximately HK$41,040,000).

   The Construction Contract constituted a connected transaction for the Company as the Contractor is a connected person of the Company (at the subsidiary level) for reason that the Contractor is an associate of a substantial shareholder of Qianan JV. Details of the transaction were included in the Company's announcement dated 19 October 2009.

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 32 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, 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$10,750,000 (2008: HK$4,927,000).

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.

SUBSEQUENT EVENTS

The post balance sheet events are set out in note 43 to the financial statements.

AUDITOR

The financial statements of the Company for the year ended 31 December 2009 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, 20 April 2010

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") and its subsidiaries (together the "Group") set out on pages 50 to 128, which comprise the balance sheets of the Company and the Group as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory 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 judgment, 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 2009 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	**2009 HK$'000**	2008 HK$'000 (restated, note 2)
Revenue	7	**12,232,679**	10,520,120
Other income/gains, net	9(a)	**221,036**	200,793
Net gain on buyback of guaranteed notes	33(a)	**623,838**	—
Gain on buyback of convertible notes	33(b)	**191,267**	—
Special gaming tax and other related taxes to the Macau Government		**(4,215,981)**	(3,382,448)
Commission and allowances to gaming counterparties		**(4,426,441)**	(3,248,754)
Raw material and consumable used		**(587,563)**	(860,491)
Amortisation and depreciation		**(541,097)**	(1,143,951)
Employee benefit expenses		**(1,188,709)**	(1,418,312)
Other operating expenses		**(926,334)**	(1,526,151)
Impairment of gaming licence	19	**—**	(12,330,305)
Operating profit/(loss)	9(b)	**1,382,695**	(13,189,499)
Finance costs	11	**(138,993)**	(382,704)
Change in fair value of derivative under the convertible notes		**(96,295)**	461,994
Share of profits less losses of:			
Jointly controlled entities		**85,845**	51,885
Associated company		**127**	—
Profit/(loss) before taxation		**1,233,379**	(13,058,324)
Taxation (charge)/credit	12	**(75,726)**	1,503,093
Profit/(loss) for the year		**1,157,653**	(11,555,231)
Attributable to:			
Equity holders of the Company	32	**1,149,113**	(11,390,368)
Minority interests		**8,540**	(164,863)
		1,157,653	(11,555,231)
		HK cents	HK cents
Earnings/(loss) per share	14		
Basic		**29.2**	(289.3)
Diluted		**29.1**	(289.3)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Profit/(loss) for the year	**1,157,653**	(11,555,231)
Other comprehensive income/(loss)		
Change in fair value of non-current investments, net of tax	**7,744**	(88,747)
Disposal of non-current investments, net of tax	**—**	(3,363)
Currency translation differences, net of tax	**(7,544)**	49,772
Change in fair value of cash flow hedges	**(3,173)**	12,272
Other comprehensive loss for the year, net of tax	**(2,973)**	(30,066)
Total comprehensive income/(loss) for the year	**1,154,680**	(11,585,297)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**1,145,920**	(11,427,673)
Minority interests	**8,760**	(157,624)
	1,154,680	(11,585,297)

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**7,175,464**	6,480,783
Investment properties	17	**66,700**	64,500
Leasehold land and land use rights	18	**4,347,228**	1,540,529
Intangible assets	19	**1,391,322**	1,488,039
Jointly controlled entities	21	**1,003,061**	832,629
Associated company	22	**857**	730
Derivative financial instruments	23	**—**	1,522
Other non-current assets	24	**352,660**	290,211
		14,337,292	10,698,943
Current assets			
Inventories	25	**84,820**	94,022
Debtors and prepayments	26	**894,862**	1,607,505
Amounts due from jointly controlled entities	27	**91,556**	191,621
Derivative financial instruments	23	**382**	—
Taxation recoverable		**2,479**	1,999
Other investments	28	**35,132**	15,574
Cash and bank balances	29	**3,516,490**	6,042,300
		4,625,721	7,953,021
Total assets		**18,963,013**	18,651,964

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
EQUITY			
Share capital	30	**394,159**	393,817
Reserves	32	**7,774,378**	6,617,467
Shareholders' funds		**8,168,537**	7,011,284
Minority interests		**266,597**	262,616
Total equity		**8,435,134**	7,273,900
LIABILITIES			
Non-current liabilities			
Borrowings	33	**4,459,703**	6,275,958
Deferred taxation liabilities	34	**271,884**	267,224
Derivative financial instruments	23	**101,044**	17,805
Provisions	35	**129,778**	115,553
		4,962,409	6,676,540
Current liabilities			
Creditors and accruals	36	**4,115,549**	4,254,533
Amounts due to jointly controlled entities	27	**4,157**	348
Borrowings	33	**1,383,488**	435,903
Derivative financial instruments	23	**508**	—
Provision for tax		**61,768**	10,740
		5,565,470	4,701,524
Total liabilities		**10,527,879**	11,378,064
Total equity and liabilities		**18,963,013**	18,651,964
Net current (liabilities)/assets	3	**(939,749)**	3,251,497

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

COMPANY BALANCE SHEET

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	20	**3,830,001**	3,921,680
Amounts due from subsidiaries	20	**4,753,428**	4,628,775
		8,583,429	8,550,455
Current assets			
Debtors and prepayments	26	**587**	651
Taxation recoverable		**339**	339
Cash and bank balances	29	**41,267**	726,059
		42,193	727,049
Total assets		**8,625,622**	9,277,504
EQUITY			
Share capital	30	**394,159**	393,817
Reserves	32	**7,039,065**	7,062,150
Shareholders' funds		**7,433,224**	7,455,967
LIABILITIES			
Non-current liabilities			
Borrowings	33	**1,077,224**	1,433,585
Derivative financial instruments	23	**101,044**	6,820
		1,178,268	1,440,405
Current liabilities			
Creditors and accruals	36	**14,130**	6,132
Current portion of borrowings	33	**—**	375,000
		14,130	381,132
Total liabilities		**1,192,398**	1,821,537
Total equity and liabilities		**8,625,622**	9,277,504
Net current assets		**28,063**	345,917

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	37(a)	**1,890,585**	(440,083)
Hong Kong profits tax paid		**(16,961)**	(9,560)
Mainland China income tax and Macau complementary tax paid		**(3,557)**	(8,815)
Interest paid		**(322,979)**	(461,981)
Income from cashflow hedges		**17,891**	23,747
Net cash from/(used in) operating activities		**1,564,979**	(896,692)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,113,412)**	(1,526,219)
Purchase of leasehold land and land use rights		**(1,245,728)**	—
Purchase of intangible assets		**(23,250)**	(12,633)
Proceeds from sale of property, plant and equipment		**4,201**	7,667
Proceeds from disposal of a subsidiary	37(b)	**46,428**	—
Proceeds from partial disposal of jointly controlled entities		**—**	44,113
Step-up acquisition of additional interest in a subsidiary		**—**	(11,080)
Acquisition of subsidiaries, net of cash acquired		**—**	(9,613)
Investments in jointly controlled entities		**(127,967)**	(184,679)
Decrease in amounts due from jointly controlled entities		**107,810**	20,742
Deferred expenditure		**(129)**	(432)
Decrease in deferred receivable		**1,405**	1,785
Decrease in finance lease receivable		**39,965**	56,796
Decrease in non-current investments		**77**	725
Proceeds from disposal of non-current investments		**—**	8,273
Interest received		**17,485**	166,263
Increase in restricted bank deposits		**(689)**	(2,890)
Dividends received from jointly controlled entities		**42,787**	10,905
Dividends received from unlisted and listed investments		**1,143**	13,038
Net cash used in investing activities		**(2,249,874)**	(1,417,239)

	Note	2009 HK$'000	2008 HK$'000
Cash flows from financing activities			
Issue of new shares		**1,840**	670
New bank loans		**7,024**	636,561
Repayment of bank loans		**(543,160)**	(533,357)
Buyback of convertible notes		**(270,307)**	—
Buyback of guaranteed notes		**(987,224)**	—
Capital element of finance lease payments		**(4,389)**	(3,990)
Decrease in loan from minority interests		**(40,502)**	(7,550)
Dividend paid to minority interests		**(262)**	(1,724)
(Return on capital to)/injection from minority interests		**(4,517)**	33,253
Net cash (used in)/from financing activities		**(1,841,497)**	123,863
Net decrease in cash and bank balances		**(2,526,392)**	(2,190,068)
Cash and bank balances at beginning of year		**6,042,300**	8,230,362
Changes in exchange rates		**582**	2,006
Cash and bank balances at end of year		**3,516,490**	6,042,300

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital HK$'000	Reserves HK$'000	Shareholders' funds HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	393,564	18,013,088	18,406,652	531,791	18,938,443
Total comprehensive 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 granted	–	31,635	31,635	–	31,635
Dividend paid to minority interests	–	–	–	(1,724)	(1,724)
At 31 December 2008	393,817	6,617,467	7,011,284	262,616	7,273,900
Total comprehensive income for the year	–	1,145,920	1,145,920	8,760	1,154,680
Return on capital	–	–	–	(4,517)	(4,517)
Issue of shares upon exercise of share options	342	1,408	1,750	–	1,750
Fair value of share options granted	–	31,243	31,243	–	31,243
Share options lapsed	–	(21,660)	(21,660)	–	(21,660)
Dividend paid to minority interests	–	–	–	(262)	(262)
At 31 December 2009	**394,159**	**7,774,378**	**8,168,537**	**266,597**	**8,435,134**

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 20 April 2010.

2. Presentation of Income Statement

The Group continually reviews the content and presentation of the financial statements to ensure compliance with relevant accounting standards and regulations and also to consider their relevance and usefulness to readers. As a result of this ongoing review the Group has changed the format of the consolidated income statement from the "function" format to the "nature of expense" format. Comparative figures have been restated. The Group believes this revised presentation will provide users of the financial statements with a better understanding of the business. The "nature of expense" presentation is also more consistent with that of the Group's major competitors and is more closely aligned with the way management reviews performance internally.

3. Basis of Preparation

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.

At 31 December 2009, the Group's current liabilities exceeded its current assets by HK$940 million, mainly due to maturity of the guaranteed floating rate notes of HK$822 million in 2010. The redemption of such guaranteed floating rate notes was completed with payment made on 14 January 2010 as disclosed in note 43(a) to the financial statements. Taking into account the committed banking facilities of HK$9.0 billion obtained after the year end as set out in note 43(b), 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 meet its liabilities and commitments (principally relating to the development of Galaxy Macau resort at Cotai) as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its 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 6 below.

3. Basis of Preparation (Continued)

(a) The adoption of new/revised HKFRS

In 2009, the Group adopted the following new/revised HKFRS issued by the HKICPA which are effective for the accounting periods beginning on or after 1 January 2009 and relevant to its operations.

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
HKFRS 2 (Amendment)	Share-based Payments
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 (Amendment) and HKAS 39 (Amendment)	Reassessment of Embedded Derivatives and Financial Instruments: Recognition and Measurement
HK(IFRIC)-Int 18	Transfer of Assets from Customers

Improvements to HKFRS published in October 2008

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 18 (Amendment)	Revenue
HKAS 19 (Amendment)	Employee Benefits
HKAS 23 (Amendment)	Borrowing Costs
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 28 (Amendment)	Investments in Associates
HKAS 31 (Amendment)	Interests in Joint Ventures
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKAS 40 (Amendment)	Investment Property

In addition, the Group has early adopted HKAS 17 (Amendment) Leases, which is mandatory for accounting periods beginning on and after 1 January 2010.

The Group has assessed the impact of the adoption of these new/revised HKFRS 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, except the following:

(i) presentation of the consolidated statement of comprehensive income to present the non-owner consolidated changes in equity as required under HKAS 1 (Revised). The Group has elected to present two statements: a consolidated income statement and a consolidated statement of comprehensive income;

(ii) segment information as required under HKFRS 8 requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes; and

(iii) HKAS 17 (Amendment) requires the Group to reassess the classification of leasehold land as finance or operating lease. Upon adoption, the opening balances have been assessed and classified accordingly. Current year addition to leasehold land has been classified based on the underlying criteria of HKAS 17.

3. Basis of Preparation (Continued)

(b) Standards, amendments and interpretations to existing standards which are not yet effective and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 38 (Amendment)	Intangible Assets	1 July 2009
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Eligible Hedge Item	1 July 2009
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1 July 2009
HKFRS 2 (Amendment)	Share-based Payments	1 January 2010
HKFRS 8 (Amendment)	Operating Segments	1 January 2010
HKAS 1 (Amendment)	Presentation of Financial Statements	1 January 2010
HKAS 7 (Amendment)	Statement of Cash Flows	1 January 2010
HKAS 36 (Amendment)	Impairment of Assets	1 January 2010
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement	1 January 2010
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
HKFRS 5 (Amendment)	Non-current Assets Held For Sale and Discontinued Operations	1 January 2010
HKFRS 9	Financial Instruments	1 January 2013

The Group has not early adopted the above standards, amendments and interpretations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of financial statements will be resulted.

4. Summary of Significant Accounting Policies

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

4.1 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 income 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.

4.2 Subsidiaries

Subsidiaries are entities (including special purpose 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 rights. 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 income 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.

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

4. Summary of Significant Accounting Policies (Continued)

4.3 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 income 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.

4.4 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 income 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 received and receivable.

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.

4.5 Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence but not control is exercised in its management, generally accompanying a shareholding of between 20% to 50% of the voting rights.

Investments in associated companies are accounted for under the equity method of accounting and are initially recognised at cost. The investments in associated companies of the Group include goodwill, net of any accumulated impairment loss, identified on acquisition.

4. Summary of Significant Accounting Policies (Continued)

4.5 Associated companies (Continued)

The share of post-acquisition profits or losses of associated companies attributable to the Group is recognised in the income 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.

In the balance sheet of the Company, investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

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.

4.6 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 date of acquisition, and, in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition over 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 annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of any entity include the carrying amount of goodwill relating to the entity sold.

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 income 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.

4.7 Property, plant and equipment

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

4. Summary of Significant Accounting Policies (Continued)

4.7 Property, plant and equipment (Continued)

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 income statement.

4.8 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 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 income statement.

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

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

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

4.9 Gaming licence

Gaming licence is carried at cost less accumulated amortisation 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.

4. Summary of Significant Accounting Policies (Continued)

4.10 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.

4.11 Impairment of investments in subsidiaries, jointly controlled entities, associated companies and non-financial assets

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

4.12 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.

4.13 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 income statement.

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

4. Summary of Significant Accounting Policies (Continued)

4.13 Financial assets (Continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in the balance sheet under non-current 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 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 income 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 income 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. If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, the investment is measured at cost less impairment losses.

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

4.14 Derivative financial instruments and hedging activities

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

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

4. Summary of Significant Accounting Policies (Continued)

4.14 Derivative financial instruments and hedging activities (Continued)

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 income 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 other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance costs. Amounts accumulated in equity are reclassified in the income 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 income statement.

4.15 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 income statement within other operating expenses. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited to the income statement against other operating expenses.

4.16 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.

4. Summary of Significant Accounting Policies (Continued)

4.17 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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

4.18 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.

4.19 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 income statement over the period of the borrowings using the effective interest method.

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

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

4.20 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.

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.

4. Summary of Significant Accounting Policies (Continued)

4.20 Convertible notes (Continued)

(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 income 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 income statement.

4.21 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 income 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 income statement on a straight line basis over the period of the leases. The up-front prepayments made for leasehold land and land use rights are amortised on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. The amortisation of the leasehold land and land use rights is capitalised under the relevant assets when the property on the leasehold land is under construction.

4. Summary of Significant Accounting Policies (Continued)

4.22 Creditors and accruals

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

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

4.23 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.

4.24 Current and deferred taxation

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, 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.

4. Summary of Significant Accounting Policies (Continued)

4.24 Current and deferred taxation (Continued)

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

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

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

4.26 Commission and allowances to gaming counterparties

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

4.27 Contributions from the operations of certain city club casinos

Contributions from the operations of certain city club casinos are recognised based on the established rates for the net gaming wins, after deduction of special gaming tax 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 financial statements.

4.28 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.

4. Summary of Significant Accounting Policies (Continued)

4.28 Employee benefits (Continued)

(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.

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

4.29 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 income statement in the financial period in which they are incurred.

4.30 Revenue recognition

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.

(a) Gaming operations

Revenue from gaming operations, representing the net gaming wins, is recognised when the relevant services have been rendered and is measured at the entitlement of economic inflows of the Group from the business. Contributions from the operations of certain city club casinos are recognised in the income statement as set out in 4.27 above.

(b) Hotel operations

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

(c) Construction materials

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

4. Summary of Significant Accounting Policies (Continued)

4.30 Revenue recognition (Continued)

(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.

4.31 Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the balance sheet date are recognised in the income 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 are recognised in profit or loss as part of the fair value gain or loss. Translation difference on non-monetary available-for-sale investments is included in equity.

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 income 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 income 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.

4. Summary of Significant Accounting Policies (Continued)

4.32 Segment reporting

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

4.33 Dividend distribution

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

5. 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.

5.1 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 2009, the Group had entered into forward foreign exchange contracts to manage the foreign exchange risk.

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

5. Financial Risk Management (Continued)

5.1 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 28) or non-current investments (see note 24(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 2009, the Group was exposed to this risk through the conversion rights attached to the Convertible Notes issued by the Company as disclosed in note 33(b).

The following table shows the approximate effect on the Group's profit after tax if the Company's own share price (for the conversion option of certain convertible bonds) were 5% (2008: 5%) higher or lower with all other variables held constant.

	2009 HK$'000	2008 HK$'000
If the market price of the Company's own share price were 5% (2008: 5%) higher with all other variables held constant		
Profit/loss after tax for the year decreased/increased by	**9,900**	853
If the market price of the Company's own share price were 5% (2008: 5%) lower with all other variables held constant		
Profit/loss after tax for the year increased/decreased by	**9,700**	1,240

5. Financial Risk Management (Continued)

5.1 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 and loan receivables, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rate risk of the Group 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.

The Company's loan to a subsidiary was interest free and exposes the Company to fair value interest rate risk.

At 31 December 2009, if interest rates on borrowings at that date had been 0.5% higher or lower with all other variables held constant, profit after tax for the year would have been HK$1,053,000 lower or higher (2008: loss after tax for the year would have been HK$3,562,000 higher or lower), mainly as a result of higher or lower interest expense on floating rate borrowings.

At 31 December 2009, if interest rates on deposits and cash at banks at that date had been 0.5% higher or lower with all other variables held constant, profit after tax for the year would have been HK$13,000,000 higher or lower (2008: loss after tax would have been HK$26,000,000 lower or higher).

(b) Credit risk

Credit risk arises from derivative financial instruments and deposits with banks and financial institutions and loan receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions, and the gaming counterparties and premium players of gaming. Cash and bank balances are deposited in bank and financial institutions with sound credit ratings to mitigate the risk.

The 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 31% (2008: 39%) of the total trade and other debtors. As at 31 December 2009, other debtors included advances to gaming counterparties, and such advances contributed to approximately 63% (2008: 75%) of the other debtors balance. 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 26.

The maximum exposure at 31 December 2009 to financial assets represents the unimpaired carrying amounts of respective financial assets.

5. Financial Risk Management (Continued)

5.1 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.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Treasury. Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 43(b)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements (for example, currency restrictions).

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

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 2009					
Bank loans	**158,385**	**2,606**	**7,494**	**10,547**	**179,032**
Guaranteed notes	**1,081,416**	**215,308**	**2,395,643**	**—**	**3,692,367**
Convertible notes	**—**	**1,279,526**	**—**	**—**	**1,279,526**
Obligations under finance lease	**451,105**	**451,105**	**902,211**	**—**	**1,804,421**
Derivative financial instruments	**508**	**—**	**—**	**—**	**508**
Creditors and accruals	**3,379,307**	**572,340**	**163,902**	**—**	**4,115,549**
Amounts due to jointly controlled entities	**4,157**	**—**	**—**	**—**	**4,157**
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
Obligations under finance lease	4,828	—	—	—	4,828
Derivative financial instruments	—	10,985	—	—	10,985
Creditors and accruals	3,900,075	292,460	61,955	43	4,254,533
Amount due to a jointly controlled entity	348	—	—	—	348

5. Financial Risk Management (Continued)

5.1 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 2009				
Convertible notes	**—**	**1,279,526**	**—**	**1,279,526**
Creditors and accruals	**14,130**	**—**	**—**	**14,130**
At 31 December 2008				
Bank loans	375,955	—	—	375,955
Convertible notes	—	—	1,860,048	1,860,048
Creditors and accruals	6,132	—	—	6,132

The table below analyses the Group's cross-currency swap contracts and forward foreign exchange 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 2009				
Forward foreign exchange contracts				
Outflow	**(508)**	**—**	**—**	**(508)**
Inflow	**382**	**—**	**—**	**382**
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

5. Financial Risk Management (Continued)

5.2 Capital risk management

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

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

The gearing ratios at 31 December 2009 and 2008 were as follows.

	2009 **HK$'000**	2008 HK$'000
Total borrowings (note 33)	**(5,843,191)**	(6,711,861)
Less: cash and bank balances (note 29)	**3,516,490**	6,042,300
Net debt	**(2,326,701)**	(669,561)
Total assets less cash and bank balances	**15,446,523**	12,609,664
Gearing ratio	**15%**	5%

5.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

5. Financial Risk Management (Continued)

5.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss				
— Equity securities	35,132	—	—	35,132
Available-for-sale financial assets				
— Equity securities	84	—	43,356	43,440
Derivative financial instruments	—	382	—	382
Total	35,216	382	43,356	78,954
Liabilities				
Derivative financial instruments	—	508	101,044	101,552
Total	—	508	101,044	101,552

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of cross-currency swaps is calculated as the present value of the estimated future cash flows based on observable yield curves and forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

5. Financial Risk Management (Continued)

5.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2009.

	Available-for-sale financial assets HK$'000	Derivative financial instruments HK$'000
Opening balance	38,626	(16,283)
Losses recognised in profit or loss	(2,930)	(81,588)
Gains/(losses) recognised in equity	7,660	(3,173)
Closing balance	43,356	(101,044)
Total losses for the year included in profit or loss for assets held at the end of the year	(2,930)	(94,224)

6. 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) Carrying amount of non-financial assets other than goodwill

The Group tests for possible reversal of impairment for assets within a cash generating unit that has suffered an 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.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 4.6. 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 19.

(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.

6. Critical Accounting Estimates and Judgements (Continued)

(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.

(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 doubtful debts

The policy of provision for doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each counterparty. The amount of provision made as at 31 December 2009 was HK$109,371,000 (2008: HK$97,716,000). If the financial conditions of the counterparty were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

7. Revenue

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

	2009 HK$'000	2008 HK$'000
Sales of construction materials	**1,245,297**	1,603,074
Gaming operations		
Net gaming wins	**10,578,436**	8,431,001
Contributions from Certain City Club Casinos (note)	**101,543**	116,828
Tips received	**10,343**	16,808
Hotel operations		
Room rental	**122,372**	153,576
Food and beverages	**81,394**	88,072
Others	**80,660**	87,298
Administrative fees from gaming operations	**12,634**	23,463
	12,232,679	10,520,120

(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 the 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 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.

During the year ended 31 December 2009, the Group is entitled to HK$101,543,000 (2008: HK$116,828,000) as set out below, which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the Certain City Club Casinos are not recognised as expenses of the Group in the consolidated financial statements.

7. Revenue (Continued)

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

	2009 HK$'000	2008 HK$'000
Net gaming wins	**2,898,329**	1,856,395
Other income	**7,310**	9,861
Interest income	**1,121**	5,707
	2,906,760	1,871,963
Operating expenses		
Special gaming tax and other related taxes to the Macau Government	**(1,156,840)**	(744,390)
Commission and allowances to gaming counterparties	**(1,089,783)**	(700,723)
Employee benefit expenses	**(231,795)**	(241,756)
Other operating expenses	**(157,281)**	(168,033)
	(2,635,699)	(1,854,902)
Contributions from gaming operations	**271,061**	17,061
(Entitlement of)/contributions from the Service Providers	**(169,518)**	99,767
Contributions from the Certain City Club Casinos	**101,543**	116,828

8. Segment Information

The Board of Directors is responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, based on a measurement of adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). This measurement basis excludes the effects of non-recurring income and expenditure from the operating segments, such as pre-opening expenses, net gains on buyback of guaranteed notes and convertible notes, gain on disposal of investments and impairment charge when the impairment is the result of an isolated, non-recurring event. The Adjusted EBITDA also excludes the effects of forfeiture on equity-settled share-based payments, and unrealised gains or losses on financial instruments.

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

8. Segment Information (Continued)

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

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

	Gaming and entertainment HK$'000	Construction materials HK$'000	Corporate and treasury management HK$'000	Total HK$'000
Year ended 31 December 2009				
Reportable segment revenue	13,777,050	1,245,297	—	15,022,347
Adjusted for:				
Certain City Club Casinos arrangement set out in note 7				
Revenue not recognised	(2,898,329)	—	—	(2,898,329)
Contributions	101,543	—	—	101,543
Others	7,118	—	—	7,118
Revenue recognised under HKFRS	10,987,382	1,245,297	—	12,232,679
Adjusted EBITDA	1,001,395	237,061	(119,129)	1,119,327
Interest income and gross earnings on finance lease				27,565
Amortisation and depreciation				(541,097)
Finance costs				(138,993)
Change in fair value of derivative under the convertible notes				(96,295)
Taxation charge				(75,726)
Taxation of jointly controlled entities				(7,473)
Adjusted items:				
Net gain on buyback of guaranteed notes				623,838
Gain on buyback of convertible notes				191,267
Reversal upon forfeiture of share options				21,225
Pre-opening expenses of Galaxy Macau resort at Cotai				(33,365)
Unrealised gain on listed investments				19,558
Gain on disposal of a subsidiary				148,385
Impairment of investment in and advance to a non-current investment				(22,757)
Termination of cross currency swaps				(6,895)
Other provision				(70,911)
Profit for the year				1,157,653

8. Segment Information (Continued)

	Gaming and entertainment HK$'000	Construction materials HK$'000	Corporate and treasury management HK$'000	Total HK$'000
Year ended 31 December 2008				
Reportable segment revenue	11,271,004	1,603,074	—	12,874,078
Adjusted for:				
Certain City Club Casinos arrangement set out in note 7				
Revenue not recognised	(1,856,395)	—	—	(1,856,395)
Contributions	116,828	—	—	116,828
Revenue not recognised under a jointly controlled operation	(627,656)	—	—	(627,656)
Others	13,265	—	—	13,265
Revenue recognised under HKFRS	8,917,046	1,603,074	—	10,520,120
Adjusted EBITDA	467,680	216,420	(140,125)	543,975
Interest income and gross earnings on finance lease				157,222
Amortisation and depreciation				(1,143,951)
Finance costs				(382,704)
Change in fair value of derivative under the convertible notes				461,994
Taxation credit				1,503,093
Taxation of jointly controlled entities				(3,187)
Adjusted items:				
Impairment of gaming licence				(12,330,305)
Pre-opening expenses of Galaxy Macau resort at Cotai				(59,636)
Unrealised loss on listed investments				(42,194)
Gain on deemed disposal of jointly controlled entities				15,697
Gain on disposal of a subsidiary				8,255
Excess of fair value over consideration upon step-up acquisition in a subsidiary				22,000
Impairment of advance to a non-current investment and other debtors				(30,733)
Other provision				(274,757)
Loss for the year				(11,555,231)

8. Segment Information (Continued)

	Gaming and entertainment HK$'000	Construction materials HK$'000	Corporate and treasury management HK$'000	Total HK$'000
As at 31 December 2009				
Total assets	**16,311,283**	**2,596,784**	**54,946**	**18,963,013**
Total assets include:				
Jointly controlled entities	**8,210**	**994,851**	**—**	**1,003,061**
Associated company	**—**	**857**	**—**	**857**
Total liabilities	**8,530,191**	**792,754**	**1,204,934**	**10,527,879**
As at 31 December 2008				
Total assets	15,188,978	2,712,342	750,644	18,651,964
Total assets include:				
Jointly controlled entities	4,070	828,559	—	832,629
Associated company	—	730	—	730
Total liabilities	8,556,539	986,774	1,834,751	11,378,064

Geographical analysis

Year ended 31 December	**2009 HK$'000**	2008 HK$'000
Revenue		
Macau	**11,031,432**	9,110,428
Hong Kong	**679,557**	742,103
Mainland China	**521,690**	667,589
	12,232,679	10,520,120

8. Segment Information (Continued)

Geographical analysis (Continued)

Non-current assets, other than financial instruments	As at 31 December 2009 HK$'000	As at 31 December 2008 HK$'000
Macau	**12,613,974**	9,194,016
Hong Kong	**655,034**	534,084
Mainland China	**1,068,284**	969,321
	14,337,292	10,697,421

9. Other Income/Gains, Net and Operating Profit/(Loss)

	2009 HK$'000	2008 HK$'000
(a) Other income/gains, net		
Rental income	**5,549**	4,843
Interest income		
Bank deposits	**12,069**	132,893
Loans to jointly controlled entities (note 27a)	**5,041**	11,776
Deferred receivables (note 24c)	**792**	499
Dividend income from unlisted investments	**600**	11,227
Dividend income from listed investments	**543**	1,811
Realised gain on unlisted investments	—	4,500
Unrealised gain/(loss) on listed investments	**19,558**	(42,194)
Gain on disposal of a subsidiary (note 37b)	**148,385**	8,255
Gain on deemed disposal of jointly controlled entities	—	15,697
Excess of fair value over consideration upon step-up acquisition in a subsidiary	—	22,000
Gross earnings on finance lease	**9,663**	12,054
Change in fair value of investment properties	**2,200**	2,000
Loss on disposal of property, plant and equipment	**(5,723)**	(8,267)
Loss on disposal of intangible assets	**(588)**	—
Foreign exchange gain/(loss)	**7,431**	(4,926)
Others	**15,516**	28,625
	221,036	200,793

9. Other Income/Gains, Net and Operating Profit/(Loss) (Continued)

	2009 HK$'000	2008 HK$'000
(b) Operating profit/(loss) is stated after charging		
Depreciation	**347,584**	352,417
Amortisation		
Gaming licence	**106,337**	706,987
Computer software	**13,042**	7,494
Quarry site improvements	**16,216**	20,599
Overburden removal costs	**8,385**	15,057
Quarry site development	**564**	917
Leasehold land and land use rights	**48,969**	40,480
Operating lease rental		
Land and buildings	**39,339**	68,099
Plant and machinery	**—**	444
Royalty	**5,045**	2,067
Staff costs, including Directors' remuneration (note)	**1,188,709**	1,418,312
Outgoing in respect of investment properties	**460**	463
Auditor's remuneration		
Audit services		
Provision for the year	**6,379**	6,739
Under/(over)-provision in prior year	**698**	(722)
Non-audit services		
Provision for the year	**754**	711
Under-provision in prior year	**23**	9

Note: Staff costs is stated after amount capitalised in assets under construction in the aggregate of HK$63,650,000 (2008: HK$105,882,000), and include share option expenses of HK$9,584,000 (2008: HK$31,635,000).

10. 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$'000	2009 Total HK$'000	2008 Total HK$'000
Executive Directors							
Dr. Lui Che Woo	120	4,281	—	214	3,359	**7,974**	8,744
Mr. Francis Lui Yiu Tung	150	10,672	—	533	4,869	**16,224**	21,000
Mr. Chan Kai Nang	33	—	—	—	—	**33**	1,181
Mr. Joseph Chee Ying Keung	100	3,000	295	264	427	**4,086**	3,918
Ms. Paddy Tang Lui Wai Yu	100	—	—	—	1,947	**2,047**	1,347
	503	17,953	295	1,011	10,602	**30,364**	36,190
Non-executive Directors							
Dr. Charles Cheung Wai Bun	111	—	—	—	—	**111**	240
Dr. Moses Cheng Mo Chi	180	—	—	—	—	**180**	180
Mr. James Ross Ancell	187	—	—	—	—	**187**	180
Dr. William Yip Shue Lam	140	—	—	—	—	**140**	140
Mr. Anthony Thomas Christopher Carter	100	—	—	—	—	**100**	70
Dr. Martin Clarke	—	—	—	—	—	**—**	—
Mr. Guido Paolo Gamucci	—	—	—	—	—	**—**	—
Dr. Patrick Wong Lung Tak	81	—	—	—	—	**81**	—
	799	—	—	—	—	**799**	810
Total 2009	**1,302**	**17,953**	**295**	**1,011**	**10,602**	**31,163**	
Total 2008	1,380	19,275	8,636	1,053	6,656		37,000

(i) The discretionary bonuses and directors' fees paid in 2009 were in relation to performance and services for 2008.

(ii) Mr. Chan Kai Nang retired as an Executive Director on 1 May 2008 and Dr. Charles Cheung Wai Bun retired as an Independent Non-executive Director on 19 June 2008.

10. Management Remuneration (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2008: two) Directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three individuals (2008: three) are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other emoluments	15,535	13,822
Discretionary bonuses	4,061	4,634
Retirement benefits	148	547
Share options (note d)	2,453	4,239
	22,197	23,242

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2009	2008
HK$5,500,001 – HK$6,000,000	—	1
HK$6,000,001 – HK$6,500,000	—	1
HK$6,500,001 – HK$7,000,000	2	—
HK$8,500,001 – HK$9,000,000	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.

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 8% 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.

10. Management Remuneration (Continued)

(c) Retirement benefit schemes (Continued)

The costs of the retirement benefit schemes charged to the income statement during the year comprise contributions to the schemes of HK$27,162,000 (2008: HK$40,398,000), after deducting forfeitures of HK$17,370,000 (2008: HK$12,103,000), leaving HK$1,784,000 (2008: HK$5,516,000) available to reduce future contributions.

(d) Share options

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

11. Finance Costs

	2009 HK$'000	2008 HK$'000
Interest expenses		
Guaranteed fixed rate notes and floating rate notes wholly repayable within five years	**316,596**	466,815
Convertible notes wholly repayable within five years	**102,456**	122,272
Bank loans and overdrafts	**12,453**	10,036
Obligations under finance leases wholly payable within five years	**439**	838
Net gain from cross-currency swap contracts for hedging	**(25,643)**	(38,216)
Other borrowing costs	**11,392**	15,139
	417,693	576,884
Amount capitalised in assets under construction	**(278,700)**	(194,180)
	138,993	382,704

12. Taxation (Charge)/Credit

	2009 HK$'000	2008 HK$'000
Current taxation		
Hong Kong profits tax	**(11,511)**	(8,786)
Mainland China income tax	**(7,239)**	(2,021)
Macau complementary tax	**(75)**	(376)
Net under-provision in prior years (note a)	**(52,241)**	—
Deferred taxation (note 34)	**(4,660)**	1,514,276
Taxation (charge)/credit	**(75,726)**	1,503,093

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which those profits arose, these rates range from 12% to 25% (2008 : 12% to 25%).

12. Taxation (Charge)/Credit (Continued)

The taxation on the profit/(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:

	2009 HK$'000	2008 HK$'000
Profit/(loss) before taxation	**1,233,379**	(13,058,324)
Share of profits less losses of		
Jointly controlled entities	**(85,845)**	(51,885)
Associated company	**(127)**	–
	1,147,407	(13,110,209)
Tax calculated at applicable tax rate	**(122,670)**	1,563,882
Income under tax relief	**—**	556
Income not subject to tax	**108,585**	95,686
Profit exempted from Macau Complementary Tax (note b)	**108,919**	59,992
Expenses not deductible for tax purpose	**(60,501)**	(165,804)
Utilisation of previously unrecognised tax losses	**4,580**	5,070
Tax losses not recognised	**(52,760)**	(53,373)
(Under)/over provision of tax	**(52,267)**	667
Change of tax rate in Hong Kong and Macau	**—**	1,204
Mainland China withholding tax	**(9,612)**	(4,787)
Taxation (charge)/credit	**(75,726)**	1,503,093

(note a) The Group is currently in the process of providing information to the Inland Revenue Department in respect of tax enquiries for a subsidiary of the Group for certain prior years tax assessments. Provision has been made for these liabilities based on the best professional advice available and estimated by management. The final liabilities in respect of the outstanding assessments may differ from provision made, giving rise to further provisions or a write back of provision already made.

(note b) Pursuant to the Despatch No. 249/2004 issued by the Chief Executive of the Macau Government on 30 September 2004, the Company is exempted 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 five years effective from the 2009 year of assessment till year 2013.

13. Profit/Loss Attributable to Equity Holders of the Company

The profit/loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of HK$34,076,000 (2008: loss of HK$10,142,034,000).

14. Earnings/(Loss) per Share

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

	2009 HK$'000	2008 HK$'000
Profit/(loss) attributable to equity holders of the Company	**1,149,113**	(11,390,368)

	Number of shares	
	2009	2008
Weighted average number of shares for calculating basic earnings/(loss) per share	**3,938,463,224**	3,937,281,082
Effect of dilutive potential ordinary shares		
Share options	**5,670,154**	—
Weighted average number of shares for calculating diluted earnings/(loss) per share	**3,944,133,378**	3,937,281,082

15. Dividends

The Board of Directors does not declare any dividend for the year ended 31 December 2009 (2008: nil).

16. Property, Plant and Equipment

Group

	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 2008	1,582,702	80,809	1,394,341	1,039,250	3,685,424	7,782,526
Exchange differences	44	4	267	286	—	601
Additions	925	35,863	5,099	32,927	978,598	1,053,412
Disposal of a subsidiary	(1,648)	—	—	—	—	(1,648)
Disposals	—	(11,390)	(64,153)	(31,787)	—	(107,330)
At 31 December 2009	1,582,023	105,286	1,335,554	1,040,676	4,664,022	8,727,561
Accumulated depreciation and impairment						
At 31 December 2008	81,821	50,566	662,871	506,485	—	1,301,743
Exchange differences	14	3	151	228	—	396
Charge for the year	34,708	20,852	120,513	171,511	—	347,584
Disposal of a subsidiary	(220)	—	—	—	—	(220)
Disposals	—	(10,548)	(64,085)	(22,773)	—	(97,406)
At 31 December 2009	116,323	60,873	719,450	655,451	—	1,552,097
Net book value						
At 31 December 2009	**1,465,700**	**44,413**	**616,104**	**385,225**	**4,664,022**	**7,175,464**
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

16. Property, Plant and Equipment (Continued)

Group (Continued)

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

(b) During the year, borrowing costs of HK$278,700,000 (2008: HK$194,180,000) were capitalised and included in assets under construction. A capitalisation rate of 8.41% (2008: 5.16%) was used, representing the effective finance costs of the loans used to finance the assets under construction.

(c) Building with net book value of HK$15,065,000 (2008: HK$17,084,000) has been pledged as securities for certain bank loan of the Group (note 33).

(d) During the year, staff costs of HK$63,650,000 (2008: HK$105,882,000) were capitalised and included in assets under construction.

(e) At 31 December 2009, no equipment was held under finance leases (2008: HK$3,851,000).

17. Investment Properties

	Group	
	2009 HK$'000	2008 HK$'000
At fair value		
Beginning of the year	**64,500**	62,500
Change in fair value	**2,200**	2,000
End of the year	**66,700**	64,500

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.

18. Leasehold Land and Land Use Rights

	Group	
	2009 HK$'000	2008 HK$'000
Net book value at beginning of the year	**1,540,529**	1,580,777
Exchange differences	**5**	232
Additions	**2,862,972**	—
Amortisation	**(56,278)**	(40,480)
Net book value at end of the year	**4,347,228**	1,540,529
Cost	**4,629,486**	1,766,509
Accumulated amortisation	**(282,258)**	(225,980)
Net book value	**4,347,228**	1,540,529
Represented by		
Finance lease of between 10 to 50 years		
Macau	**4,122,278**	1,309,564
Hong Kong	**221,637**	227,571
	4,343,915	1,537,135
Operating lease of between 10 to 50 years		
Mainland China	**3,313**	3,394
	4,347,228	1,540,529

Leasehold land held under finance lease in Macau included a piece of land in Cotai, Macau amounting to HK$2,847 million (2008: nil), for which net book value of HK$1,446 million is under development and HK$1,401 million is held for development for specific uses.

Amortisation of the leasehold land amounting to HK$7,309,000 (2008: nil) for the year ended 31 December 2009 was capitalised and included in assets under construction (note 16) when the property on the leasehold land is under construction. The remaining amortisation charge incurred during the year was charged to the consolidated income statement within "amortisation and depreciation".

Leasehold land with net book value of HK$209,050,000 (2008: HK$215,610,000) has been pledged as securities for certain loan of the Group (note 33).

19. 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 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
Additions	—	—	23,250	23,250
Disposals	—	—	(594)	(594)
At 31 December 2009	33,014	16,887,329	57,300	16,977,643
Accumulated amortisation and impairment				
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
Charge for the year	—	106,337	13,042	119,379
Disposals	—	—	(6)	(6)
At 31 December 2009	—	15,558,840	27,481	15,586,321
Net book value				
At 31 December 2009	**33,014**	**1,328,489**	**29,819**	**1,391,322**
At 31 December 2008	33,014	1,434,826	20,199	1,488,039

(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 (2008: HK$28,524,000) and HK$4,490,000 (2008: 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. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. 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.

(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.

20. Subsidiaries

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Loans receivable from a subsidiary	**3,830,000**	3,921,679
	3,830,001	3,921,680
Amounts due from subsidiaries	**15,265,501**	15,140,848
Provision	**(10,512,073)**	(10,512,073)
Amounts due from subsidiaries, less provision	**4,753,428**	4,628,775
	8,583,429	8,550,455

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

The amounts receivable are denominated in Hong Kong dollar, unsecured, interest free and have no fixed terms 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).

21. Jointly Controlled Entities

	Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**1,003,061**	832,629

21. Jointly Controlled Entities (Continued)

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

	2009 HK$'000	2008 HK$'000
Non-current assets	**968,523**	835,630
Current assets	**453,504**	378,784
Current liabilities	**(330,157)**	(327,258)
Non-current liabilities	**(88,809)**	(54,527)
	1,003,061	832,629
Income	**664,175**	630,969
Expenses	**(578,330)**	(579,084)
Share of results for the year	**85,845**	51,885

(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).

22. Associated Company

	Group	
	2009 HK$'000	2008 HK$'000
Share of net assets	**857**	730

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

	2009 HK$'000	2008 HK$'000
Non-current assets	**9,103**	9,847
Current assets	**16,946**	13,963
Current liabilities	**(6,868)**	(5,702)
Non-current liabilities	**(18,324)**	(17,378)
	857	730
Income	**23,830**	24,164
Expenses	**(23,703)**	(24,164)
Share of results for the year	**127**	—

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

23. Derivative Financial Instruments

	Group	
	2009 **HK$'000**	2008 HK$'000
Non-current assets		
Cross-currency swaps for cash flow hedges (note a)	**—**	1,522
Current assets		
Forward foreign exchange contracts (note b)	**382**	—
	382	1,522
Non-current liabilities		
Cross-currency swaps for cash flow and fair value hedges (note a)	**—**	(10,985)
Derivative component of the Convertible Notes (note 33b)	**(101,044)**	(6,820)
	(101,044)	(17,805)
Current liabilities		
Forward foreign exchange contracts (note b)	**(508)**	—
	(101,552)	(17,805)

(a) The Group sold or early terminated all cross-currency swap contracts during the year ended 31 December 2009. The notional principal amounts of the cross-currency swap contracts were US$600 million as at 31 December 2008.

(b) The notional principal amounts of the outstanding forward foreign exchange contracts were US$314 million (2008: nil) as at 31 December 2009.

24. Other Non-Current Assets

	Group	
	2009 **HK$'000**	2008 HK$'000
Non-current investments (note a)	**43,440**	38,626
Finance lease receivable (note b)	**44,957**	80,049
Deferred expenditure		
Overburden removal costs	**28,353**	36,609
Quarry site development	**1,423**	15,518
Quarry site improvements	**72,973**	63,034
Deferred receivable (note c)	**107,935**	3,485
Restricted bank deposits (note d)	**53,579**	52,890
	352,660	290,211

24. Other Non-Current Assets (Continued)

(a) Non-current investments

	Group	
	2009 HK$'000	2008 HK$'000
Unlisted investments, at fair value	**43,356**	38,626
Listed investments, at fair value	**84**	—
Advances to investee companies	**23,010**	23,010
Less: Provision for impairment	**(23,010)**	(23,010)
	43,440	38,626

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

(b) Finance lease receivable

	Group	
	2009 HK$'000	2008 HK$'000
Gross receivable	**86,660**	135,272
Unearned finance income	**(9,589)**	(18,236)
	77,071	117,036
Current portion included in current assets	**(32,114)**	(36,987)
	44,957	80,049

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.

24. Other Non-Current Assets (Continued)

(b) Finance lease receivable (Continued)

The finance lease is receivable in the following years:

	Present value		Minimum receipts	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Within one year	**32,114**	36,987	**37,644**	46,497
Between one to five years	**44,957**	80,049	**49,016**	88,775
	77,071	117,036	**86,660**	135,272

(c) Deferred receivable includes consideration receivable in respect of the disposal of a subsidiary amounting to HK$105,916,000 (2008: nil) and advances to various contractors amounting to HK$2,019,000 (2008: HK$3,485,000).

The consideration receivable is unsecured, interest free and payable in seven annual instalments with first installment payable on 18 February 2012 (see note 37(b)).

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 2009, restricted bank deposits of HK$54 million (2008: HK$53 million) are pledged to secure banking facilities extended to 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 under the Concession Agreement.

25. Inventories

	Group	
	2009 HK$'000	2008 HK$'000
Construction materials		
Aggregates and sand	**32,017**	33,476
Concrete pipes and blocks	**7,291**	8,480
Cement	**6,223**	8,459
Spare parts	**14,695**	17,117
Consumables	**9,909**	13,041
	70,135	80,573
Gaming and entertainment		
Playing cards	**6,602**	5,104
Food and beverages	**2,646**	3,021
Consumables	**5,437**	5,324
	14,685	13,449
	84,820	94,022

26. Debtors and Prepayments

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Trade debtors, net of provision (note a)	**415,506**	581,092	**—**	—
Other debtors, net of provision (note b)	**414,048**	943,608	**3**	52
Prepayments	**25,243**	41,099	**584**	599
Amount due from an associated company (note c)	**7,951**	4,719	**—**	—
Current portion of finance lease receivable (note 24(b))	**32,114**	36,987	**—**	—
	894,862	1,607,505	**587**	651

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

	2009 **HK$'000**	2008 HK$'000
Within one month	**125,774**	157,768
Two to three months	**129,995**	180,289
Four to six months	**92,749**	117,859
Over six months	**66,988**	125,176
	415,506	581,092

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

	2009 **HK$'000**	2008 HK$'000
Renminbi	**250,967**	383,502
Hong Kong dollar	**131,991**	161,700
Macau Patacas	**32,548**	35,890
	415,506	581,092

26. Debtors and Prepayments (Continued)

(a) (Continued)

Included in the Group's trade debtors were debtors with a carrying amount of HK$257,058,000 (2008: HK$349,634,000) which were not yet due. Debtors with a carrying amount of HK$158,448,000 (2008: HK$231,458,000) were past due over their credit terms for which the Group has not provided for impairment loss. The ageing analysis of these trade debtors based on due dates is as follows:

	2009 HK$'000	2008 HK$'000
Overdue:		
Within one month	**48,572**	66,050
Two to three months	**46,262**	74,239
Four to six months	**37,472**	44,990
Over six months	**26,142**	46,179
	158,448	231,458

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

As at 31 December 2009, trade debtors of the Group amounting to HK$58,754,000 (2008 HK$60,716,000) were impaired and fully provided for. The factors the Group considered in determining whether the trade debtors were impaired are disclosed in note 4.15.

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

	2009 HK$'000	2008 HK$'000
Balance at 1 January	**60,716**	54,400
Provision for impairment of receivables	**2,262**	6,032
Receivables written off during the year as uncollectible	**(4,326)**	(3,386)
Exchange differences	**102**	3,670
Balance at 31 December	**58,754**	60,716

26. Debtors and Prepayments (Continued)

(b) Other debtors include 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, 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.

As of 31 December 2009, other debtors of the Group amounting to HK$50,617,000 (2008: HK$37,000,000) were impaired and fully provided for.

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

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

	Group	
	2009	2008
	HK$'000	HK$'000
Amounts due from jointly controlled entities (note a)	**91,556**	191,621
Amounts due to jointly controlled entities (note b)	**(4,157)**	(348)

(a) Amounts receivable of HK$68,056,000 (2008: HK$178,083,000), carry interest at prevailing market rate and are repayable within one year, all of which (2008: HK$172,435,000) are unsecured. The remaining amounts receivable of HK$23,500,000 (2008: HK$13,538,000) are unsecured, interest free and have no fixed terms of repayment. The amounts receivable are mainly denominated in US dollar.

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

28. Other Investments

	Group	
	2009	2008
	HK$'000	HK$'000
Equity securities listed in Hong Kong, at fair value	**35,132**	15,574

29. Cash and Bank Balances

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**1,263,525**	1,142,293	**657**	636
Short-term bank deposits	**2,252,965**	4,231,005	**40,610**	725,423
Cash at a registered clearing agency (note a)	**—**	669,002	**—**	—
	3,516,490	6,042,300	**41,267**	726,059

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

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**2,658,262**	3,132,630	**38,730**	723,753
US dollar	**706,447**	2,648,829	**10**	2
Macau Patacas	**80,124**	188,110	**—**	—
Renminbi	**69,130**	70,427	**—**	—
UK pound	**2,527**	2,304	**2,527**	2,304
	3,516,490	6,042,300	**41,267**	726,059

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

	2009	2008
	HK$'000	HK$'000
Counterparties with external credit rating (Standard & Poor's or Moody's)		
AAA	**—**	669,002
AA- to AA+	**822,115**	1,131,712
A- to A+	**371,869**	852,584
BBB+	**1,345,360**	2,640,075
BBB	**234,842**	256,780
Unrated and cash on hand	**742,304**	492,147
	3,516,490	6,042,300

30. Share Capital

	Ordinary shares of HK$0.10 each	HK$'000
Authorised:		
At 31 December 2008 and at 31 December 2009	9,000,000,000	900,000
Issued and fully paid:		
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
Issue of shares upon exercise of share options	3,420,000	342
At 31 December 2009	**3,941,589,361**	**394,159**

31. 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 price during the year are as follows:

	2009		2008	
	Average exercise price HK$	**Number of share options**	Average exercise price HK$	Number of share options
At beginning of year	**5.16**	**97,284,000**	3.54	38,218,000
Granted	**2.32**	**62,248,000**	6.03	69,840,000
Exercised	**0.54**	**(3,420,000)**	0.58	(2,530,000)
Lapsed	**5.56**	**(54,270,000)**	6.40	(8,244,000)
At end of year	**3.37**	**101,842,000**	5.16	97,284,000
Vested at end of year	**3.84**	**30,451,000**	3.74	35,244,000

31. Share Option Scheme (Continued)

The weighted average share price at the date of exercise for share options exercised during the year was HK$3.33 (2008: HK$5.69).

The options outstanding at 31 December 2009 have exercise prices ranging from HK$0.5140 to HK$6.9720 (2008: HK$0.5140 to HK$6.9720) with weighted average remaining contractual life of 4.35 years (2008: 4.30 years).

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

	Exercise price per share	**Number of share options**	
Exercise period	HK$	**2009**	2008
Directors			
30 December 2000 to 29 December 2009	0.5216	**—**	3,400,000
1 March 2004 to 28 February 2013	0.5140	**3,870,000**	3,870,000
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**	2,340,000
17 January 2010 to 16 January 2014	6.9720	**2,612,500**	2,612,500
17 January 2011 to 16 January 2014	6.9720	**2,612,500**	2,612,500
17 January 2012 to 16 January 2014	6.9720	**5,225,000**	5,225,000
18 August 2009 to 17 August 2014	3.3200	**383,000**	383,000
8 May 2010 to 7 May 2015	2.1600	**3,483,332**	—
8 May 2011 to 7 May 2015	2.1600	**3,483,332**	—
8 May 2012 to 7 May 2015	2.1600	**3,483,336**	—
21 October 2010 to 20 October 2015	3.6000	**642,000**	—
Employees and others			
1 March 2004 to 28 February 2013	0.5140	**110,000**	110,000
22 October 2005 to 21 October 2011	4.5900	**3,500,000**	9,400,000
22 October 2006 to 21 October 2011	4.5900	**1,330,000**	1,924,000
17 January 2010 to 16 January 2014	6.9720	**625,000**	8,552,000
17 January 2011 to 16 January 2014	6.9720	**625,000**	8,552,000
17 January 2012 to 16 January 2014	6.9720	**1,250,000**	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	**4,718,000**	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
8 May 2010 to 7 May 2015	2.1600	**13,712,986**	—
8 May 2011 to 7 May 2015	2.1600	**13,712,986**	—
8 May 2012 to 7 May 2015	2.1600	**13,713,028**	—
21 October 2010 to 20 October 2015	3.6000	**6,210,000**	—
		101,842,000	97,284,000

The fair values of the options granted during the year on 8 May 2009 and 21 October 2009 are estimated at HK$0.86 and HK$1.42, per option respectively based on the Black-Scholes valuation model. The significant inputs into the model were share prices of HK$2.16 and HK$3.60 at the respective dates of grant, respective exercise prices of HK$2.16 and HK$3.60, standard deviation of expected share price returns of 58% and 65%, expected life of options of 3 to 6 years, expected dividend paid out rate of 2% and annual risk-free interest rate of 1.1% to 1.9%. 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 four years prior to the dates of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

32. 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 2009	**16,670,415**	**4,395**	**70**	**(2,717)**	**45,631**	**11,448**	**59,952**	**142,826**	**(10,314,553)**	**6,617,467**
Exchange differences	—	—	—	—	—	—	—	**(7,764)**	—	**(7,764)**
Change in fair value of cash flow hedges	—	—	—	**(3,173)**	—	—	—	—	—	**(3,173)**
Issue of shares upon exercise of share options	**1,426**	—	—	—	—	—	**(18)**	—	—	**1,408**
Fair value of share options	—	—	—	—	—	—	**31,243**	—	—	**31,243**
Share options lapsed	—	—	—	—	—	—	**(28,304)**	—	**6,644**	**(21,660)**
Change in fair value of non-current investments	—	—	—	—	—	**7,744**	—	—	—	**7,744**
Profit for the year	—	—	—	—	—	—	—	—	**1,149,113**	**1,149,113**
At 31 December 2009	**16,671,841**	**4,395**	**70**	**(5,890)**	**45,631**	**19,192**	**62,873**	**135,062**	**(9,158,796)**	**7,774,378**
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

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. Amount of HK$77,391,000 (2008: nil) will be transferred from retained earnings to the legal reserve upon approval by the shareholders of this subsidiary at the next annual general meeting. Legal reserve is not distributable.

32. 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 2009	**16,670,415**	**235,239**	**70**	**59,952**	**(9,903,526)**	**7,062,150**
Issue of shares upon exercise of share options	**1,426**	**—**	**—**	**(18)**	**—**	**1,408**
Fair value of share options	**—**	**—**	**—**	**31,243**	**—**	**31,243**
Share options lapsed	**—**	**—**	**—**	**(28,304)**	**6,644**	**(21,660)**
Loss for the year	**—**	**—**	**—**	**—**	**(34,076)**	**(34,076)**
At 31 December 2009	**16,671,841**	**235,239**	**70**	**62,873**	**(9,930,958)**	**7,039,065**
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

As at 31 December 2009, no reserves of the Company were available for distribution to shareholders (2008: nil).

33. Borrowings

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Bank loans				
Secured	**20,980**	98,140	**—**	75,000
Unsecured	**155,443**	614,354	**—**	300,000
	176,423	712,494	**—**	375,000
Other borrowings				
Guaranteed notes (note a)	**2,972,300**	4,561,393	**—**	—
Convertible notes (note b)	**1,077,224**	1,433,585	**1,077,224**	1,433,585
Bank loans and other borrowings	**4,225,947**	6,707,472	**1,077,224**	1,808,585
Obligations under finance leases (note c)	**1,617,244**	4,389	**—**	—
Total borrowings	**5,843,191**	6,711,861	**1,077,224**	1,808,585
Current portion included in current liabilities	**(1,342,045)**	(26,549)	**—**	—
Short term bank loans	**(41,443)**	(409,354)	**—**	(375,000)
	(1,383,488)	(435,903)	**—**	(375,000)
	4,459,703	6,275,958	**1,077,224**	1,433,585

(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 bear 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 bear 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.

During the year ended 31 December 2009, the Group redeemed US$144,090,000 principal amount of the Floating Rate Notes and US$68,837,000 principal amount of the Fixed Rate Notes, at an aggregate amount of US$127,403,000 resulting in a net gain on buyback of HK$623,838,000. As disclosed in note 43(a), the Group redeemed all of the remaining floating rate notes in January 2010.

33. 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 reset to HK$7.44 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.

During the year ended 31 December 2009, the Company redeemed US$75,000,000 principal amount of its Convertible Notes at a consideration of US$34,875,000, resulting in a gain on buy back of HK$191,267,000.

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:

	2009 **HK$'000**	2008 HK$'000
Liability under the Convertible Notes		
At beginning of the year	**1,433,585**	1,320,525
Redeemed during the year	**(459,442)**	—
Exchange difference	**625**	(9,212)
Interest expense	**102,456**	122,272
At end of the year	**1,077,224**	1,433,585

Interest expense on the Convertible Notes is calculated using the effective interest method by applying the effective interest rate of 9.23% (2008: 9.23%).

	2009 **HK$'000**	2008 HK$'000
Derivative component		
At beginning of the year	**6,820**	468,858
Redeemed during the year	**(2,131)**	—
Change in fair value	**96,295**	(461,994)
Exchange difference	**60**	(44)
At end of the year (note 23)	**101,044**	6,820

33. 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 82% (2008: 62%) of the share price of the Company is based on the share price movements for the last two 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% (2008: 0.1%) during the life of the Convertible Notes.

(c) Obligations under finance lease

At 31 December 2009, obligations under finance lease represented land premium payable to the Macau government in respect of the outstanding installment payable for a piece of land in Cotai, Macau under the concession contract amounting to MOP1,666 million (approximately HK$1,617 million).

Obligations under finance lease at 31 December 2008 represented lease payment for certain plant and equipment.

The finance lease obligations are payable in the following years:

	Minimum payments		**Present value**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Within one year	**451,105**	4,828	**404,311**	4,389
Between one to two years	**451,105**	—	**404,311**	—
Between two to five years	**902,211**	—	**808,622**	—
	1,804,421	4,828	**1,617,244**	4,389

33. Borrowings (Continued)

(d) The borrowings are repayable as follows:

	Group					
	Bank loans		Guaranteed notes		Convertible notes	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Within one year	**157,603**	431,514	**821,574**	—	**—**	—
Between one to two years	**2,160**	262,160	**—**	1,900,580	**1,077,224**	—
Between two to five years	**6,480**	6,480	**2,150,726**	2,660,813	**—**	1,433,585
Over five years	**10,180**	12,340	**—**	—	**—**	—
	176,423	712,494	**2,972,300**	4,561,393	**1,077,224**	1,433,585

	Company			
	Bank loans		Convertible notes	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Within one year	**—**	375,000	**—**	—
Between one to two years	**—**	—	**1,077,224**	—
Between two to five years	**—**	—	**—**	1,433,585
	—	375,000	**1,077,224**	1,433,585

(e) Effective interest rates:

	2009				2008			
	HK$	**RMB**	**US$**	**MOP**	HK$	RMB	US$	MOP
Bank loans	**2.6%**	**5.5%**	**—**	**—**	1.8%	5.5%	—	—
Guaranteed Notes	**—**	**—**	**9.8%**	**—**	—	—	9.9%	—
Convertible Notes	**—**	**—**	**9.23%**	**—**	—	—	9.23%	—
Obligations under finance lease	**—**	**—**	**—**	**5%**	—	—	—	10%

33. Borrowings (Continued)

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

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
6 months or less	**997,997**	2,613,074	**—**	375,000

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

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Bank loans	**176,423**	712,494	**176,423**	712,494	**—**	375,000	**—**	375,000
Guaranteed notes	**2,972,300**	4,561,393	**3,040,065**	2,126,461	**—**	—	**—**	—
Convertible notes	**1,077,224**	1,433,585	**1,059,867**	1,191,654	**1,077,224**	1,433,585	**1,059,867**	1,191,654
Obligations under finance lease	**1,617,244**	4,389	**1,634,090**	4,162	**—**	—	**—**	—
	5,843,191	6,711,861	**5,910,445**	4,034,771	**1,077,224**	1,808,585	**1,059,867**	1,566,654

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

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

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Hong Kong dollar	**134,980**	679,701	**—**	375,000
US dollar	**4,049,524**	5,994,979	**1,077,224**	1,433,585
Renminbi	**40,794**	32,792	**—**	—
Macau Patacas	**1,617,893**	4,389	**—**	—
	5,843,191	6,711,861	**1,077,224**	1,808,585

34. Deferred Taxation Liabilities

	Group	
	2009	2008
	HK$'000	HK$'000
At beginning of the year	**267,224**	1,781,500
Effect of changes in tax rate	**—**	(901)
Charged/(released) to income statement	**4,660**	(1,513,375)
At end of the year	**271,884**	267,224

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

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

	Depreciation allowance	**Tax losses and others**	**Fair value adjustments**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
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 income statement	(4,956)	2,973	(1,511,392)	(1,513,375)
At 31 December 2008	26,449	(8,281)	249,056	267,224
(Released)/charged to income statement	(2,220)	10,356	(3,476)	4,660
At 31 December 2009	**24,229**	**2,075**	**245,580**	**271,884**

Deferred taxation assets of HK$138,625,000 (2008: HK$89,125,000) arising from unused tax losses and other temporary differences totalling of HK$1,097,779,000 (2008: HK$713,141,000) have not been recognised in the consolidated financial statements. Unused tax losses of HK$86,280,000 (2008: HK$77,426,000) have no expiry date and the remaining balance will expire at various dates up to and including 2014.

35. Provisions

	Group		
	Environment restoration HK$'000	Quarrying right HK$'000	Total HK$'000
At 31 December 2007	102,904	69,682	172,586
Reversal of provision	(42)	—	(42)
Charged to the income 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
Additions	26,156	—	26,156
Charged to the income statement	1,079	17,740	18,819
Applied during the year	(14,044)	(21,800)	(35,844)
At 31 December 2009	**103,175**	**61,560**	**164,735**

The current portion of the provisions amounting to HK$34,957,000 (2008: HK$40,051,000) is included under other creditors.

36. Creditors and Accruals

	Group		Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Trade creditors (note a)	**1,246,633**	961,502	**—**	—
Other creditors	**842,945**	605,457	**—**	—
Chips issued	**1,008,662**	1,299,099	**—**	—
Loans from minority interests (note b)	**50,675**	91,177	**—**	—
Accruals and provision	**958,904**	1,288,454	**14,130**	6,132
Deposits received	**7,730**	8,844	**—**	—
	4,115,549	4,254,533	**14,130**	6,132

36. Creditors and Accruals (Continued)

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

	2009 HK$'000	2008 HK$'000
Within one month	**841,830**	559,557
Two to three months	**77,764**	104,163
Four to six months	**41,586**	40,989
Over six months	**285,453**	256,793
	1,246,633	961,502

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

	2009 HK$'000	2008 HK$'000
Macau Patacas	**98,984**	197,215
Renminbi	**162,635**	214,276
Hong Kong dollar	**962,425**	545,196
Other	**22,589**	4,815
	1,246,633	961,502

(b) The loans payable of HK$12,231,000 (2008: HK$32,844,000) 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.

37. Notes to Consolidated Cash Flow Statement

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

	2009 HK$'000	2008 HK$'000
Operating profit/(loss)	**1,382,695**	(13,189,499)
Depreciation and amortisation	**541,097**	1,143,951
Change in fair value of investment properties	**(2,200)**	(2,000)
Loss on disposal of property, plant and equipment	**5,723**	8,267
Loss on disposal of intangible assets	**588**	473
Realised and unrealised (gain)/loss on listed and unlisted investments	**(19,558)**	37,694
Excess of fair value over consideration upon step-up acquisition in a subsidiary	**—**	(22,000)
Gain on disposal of a subsidiary	**(148,385)**	(8,255)
Gain on deemed disposal of jointly controlled entities	**—**	(15,697)
Net gain on buyback of guaranteed notes	**(623,838)**	—
Gain on buyback of convertible notes	**(191,267)**	—
Excess of consideration over fair value on acquisition of subsidiaries	**—**	9,344
Impairment of intangible assets	**—**	12,330,305
Impairment of non-current investments	**2,853**	23,992
Interest income	**(17,902)**	(145,168)
Gross earnings on finance lease	**(9,663)**	(12,054)
Dividend income from listed and unlisted investments	**(1,143)**	(13,038)
Fair value of share options granted	**9,584**	31,635
Operating profit before working capital changes	**928,584**	177,950
Decrease/(increase) in inventories	**9,202**	(3,168)
Decrease/(increase) in debtors and prepayments	**717,390**	(583,397)
Increase/(decrease) in creditors and accruals	**231,328**	(30,086)
Increase/(decrease) in amounts due to jointly controlled entities	**3,809**	(1,382)
Decrease in amounts due from jointly controlled entities and an associated company	**272**	—
Cash generated from/(used in) operations	**1,890,585**	(440,083)

37. Notes to Consolidated Cash Flow Statement (Continued)

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

During 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 for a cash consideration of HK$47,085,000 ("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.

	HK$'000
Fair value of total consideration	152,584
Less: Fair value of deferred receivable included in non-current asset (note 24(c))	(105,499)
Cash consideration received in 2009	47,085
Direct costs related to the disposal	(477)
Cash and bank balances disposed	(180)
Net cash inflow in respect of the disposal	46,428
Fair value of total consideration	152,584
Net assets disposed	(6,919)
Direct costs related to the disposal	(477)
Exchange reserves	3,197
Gain on disposal of a subsidiary	148,385

38. Capital Commitments

	Group	
	2009 HK$'000	2008 HK$'000
Contracted but not provided for	937,194	1,867,222
Authorised but not contracted for	3,947,994	5,842,168

38. Capital Commitments (Continued)

The Group's share of capital commitment in jointly controlled entities is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Contracted but not provided for	**113,150**	152,687
Authorised but not contracted for	**—**	—

As at 31 December 2009, the Group has settled all investment commitments in jointly controlled entities.

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	
	2009	2008
	HK$'000	HK$'000
First year	**37,486**	48,453
Second to fifth years inclusive	**44,610**	76,423
After the fifth year	**89,185**	105,082
	171,281	229,958

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	
	2009	2008
	HK$'000	HK$'000
First year	**17,564**	15,530
Second to fifth years inclusive	**36,990**	52,796
After the fifth year	**8,047**	15,400
	62,601	83,726

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$5,041,000 (2008: HK$11,776,000) at prevailing market rate (note 27(a)).

(b) Management fee received from jointly controlled entities amounted to HK$3,506,000 (2008: HK$3,047,000) at terms agreed among the parties.

(c) Rental expenses of HK$1,992,000 (2008: HK$2,008,000) were paid to a subsidiary of K. Wah International Holdings Limited, a shareholder of the Company, based on the terms of the rental agreement between the parties.

(d) The balances with jointly controlled entities and an associated company are disclosed in notes 27 and 26(c).

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

	2009 HK$'000	2008 HK$'000
Fees	**503**	570
Salaries and other allowances	**17,953**	19,275
Discretionary bonuses	**295**	8,636
Retirement benefits	**1,011**	1,053
Share options	**10,602**	6,656
	30,364	36,190

42. Guarantees

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK$855,148,000 (2008: HK$638,800,000), of which HK$249,537,000 (2008: HK$479,425,000) have been utilised.

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

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 (2008: HK$9,125,000). At 31 December 2009, facilities utilised amounted to HK$9,125,000 (2008: HK$9,125,000).

43. Post Balance Sheet Events

(a) On 14 December 2009, the Group served notice to redeem all the remaining Floating Rate Notes with principal amount of US$105,910,000, through its subsidiary, Galaxy Entertainment Finance Company Limited, for cash at an aggregate amount of approximately US$106,375,000 (including accrued interest up to the settlement date of 14 January 2010). The redemption was completed with payment made on 14 January 2010.

(b) Subsequent to the year end, the Group has obtained committed banking facilities of HK$9.0 billion, repayable within six years. The banking facilities will be secured by certain property, plant and equipment and leasehold land of the Group.

(c) Subsequent to the year end, the Directors have approved a total budget of HK$14.1 billion in respect of the construction of Galaxy Macau resort at Cotai.

44. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors on 20 April 2010.

45. Principal Subsidiaries, Jointly Controlled Entities and Associated Company

(a) Subsidiaries

		Issued share capital				
Name of company	**Principal place of operation**	**Number of ordinary shares**	**Number of non-voting deferred shares**	**Par value per share** HK$	**Percentage of equity held by the Group**	**Principal activities**
Incorporated in Hong Kong						
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
Forcecharm (Hong Kong) Enterprises Limited	Hong Kong	10,000	—	1	80	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 Materials (Shaoguan) Investment Company Limited	Hong Kong	2	—	1	100	Investment holding
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
View Faith Limited	Hong Kong	10	—	1	100	Investment holding
Wealth Build Limited	Hong Kong	10	—	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
Nanjing K. Wah Concrete Co., Ltd.	Nanjing	US$2,800,000	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 issued 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	Equity: 90 Profit sharing: 100	Financing
High Regard Investments Limited	Hong Kong	20	US$1	100	Investment holding
K. Wah Construction Materials Limited	Hong Kong	10	US$1	100*	Investment holding
Profit Access Investments Limited	Hong Kong	10	US$1	100	Investment holding
Prosperous Fields Limited	Hong Kong	10	US$1	100	Investment holding
Right Grand Investments Limited	Hong Kong	100	US$1	80	Investment holding
Taksin Profits Limited	Hong Kong	17	US$1	100	Investment holding
Incorporated in Macau					
Galaxy Casino, S.A.	Macau	951,900	MOP100,000	Equity: 90 Profit sharing: 100	Casino games of chance

Name of Company	Principal place of operation	Number of quota	Registererd share capital	Percentage of equity held by the Group	Principal activities
Incorporated in Macau					
Friendship Catering Management Company Limited	Macau	2	MOP25,000	100	Catering
K. Wah Construction Materials (Macau) Limited	Macau	3	MOP30,000	100	Trading
K. Wah (Macao Commercial Offshore) Company Limited	Macau	1	MOP100,000	100	Trading
New Galaxy Entertainment Company Limited	Macau	2	MOP25,000	Equity: 90 Profit sharing: 100	Property holding
Prosperity Catering Management Company Limited	Macau	2	MOP25,000	100	Catering
StarWorld Hotel Company Limited	Macau	2	MOP100,000	Equity: 90 Profit sharing: 100	Property holding and hospitality

* Wholly owned and directly held by the Company

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

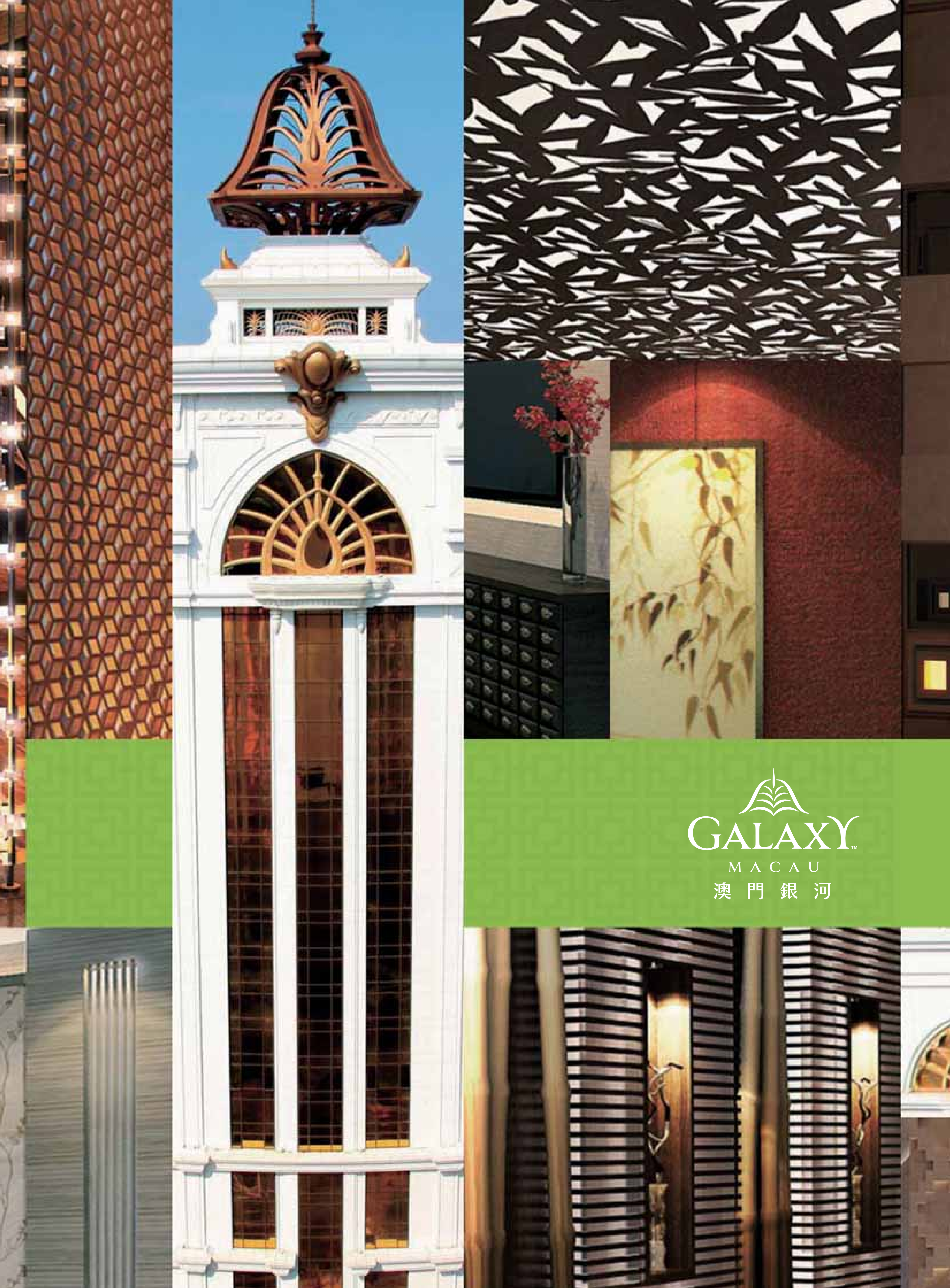
(b) Jointly controlled entities

Name of company	Principal place of operation	Number of issued ordinary shares	Par value per share HK$	Percentage of equity held by the Group	Principal activities
Incorporated in Hong Kong					
AHK Concrete Limited	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$8,389,000	30	Manufacture, sale and distribution of slag
Baoshan Kungang & K. Wah Cement Construction Materials Co. Ltd.	Baoshan	RMB316,250,000	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
K. Wah Materials (Huidong) Limited	Huidong	US$2,800,000	50	Quarrying
Maanshan Masteel K. Wah Concrete Co., Ltd.	Maanshan	US$2,450,000	30	Manufacture, sale and distribution of ready-mixed concrete
Nanjing Nangang K. Wah High Tech Materials Co., Ltd.	Nanjing	RMB116,000,000	40	Manufacture, sale and distribution of slag
Qinhuangdao Shouqin K. Wah Construction Materials Co., Ltd.	Qinhuangdao	RMB60,000,000	50	Manufacture, sale and distribution of slag
Qujin Kungang & K. Wah Cement Construction Materials Co., Ltd	Qujin	RMB374,520,000	32	Manufacture, sale and distribution of cement
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	RMB825,000,000	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



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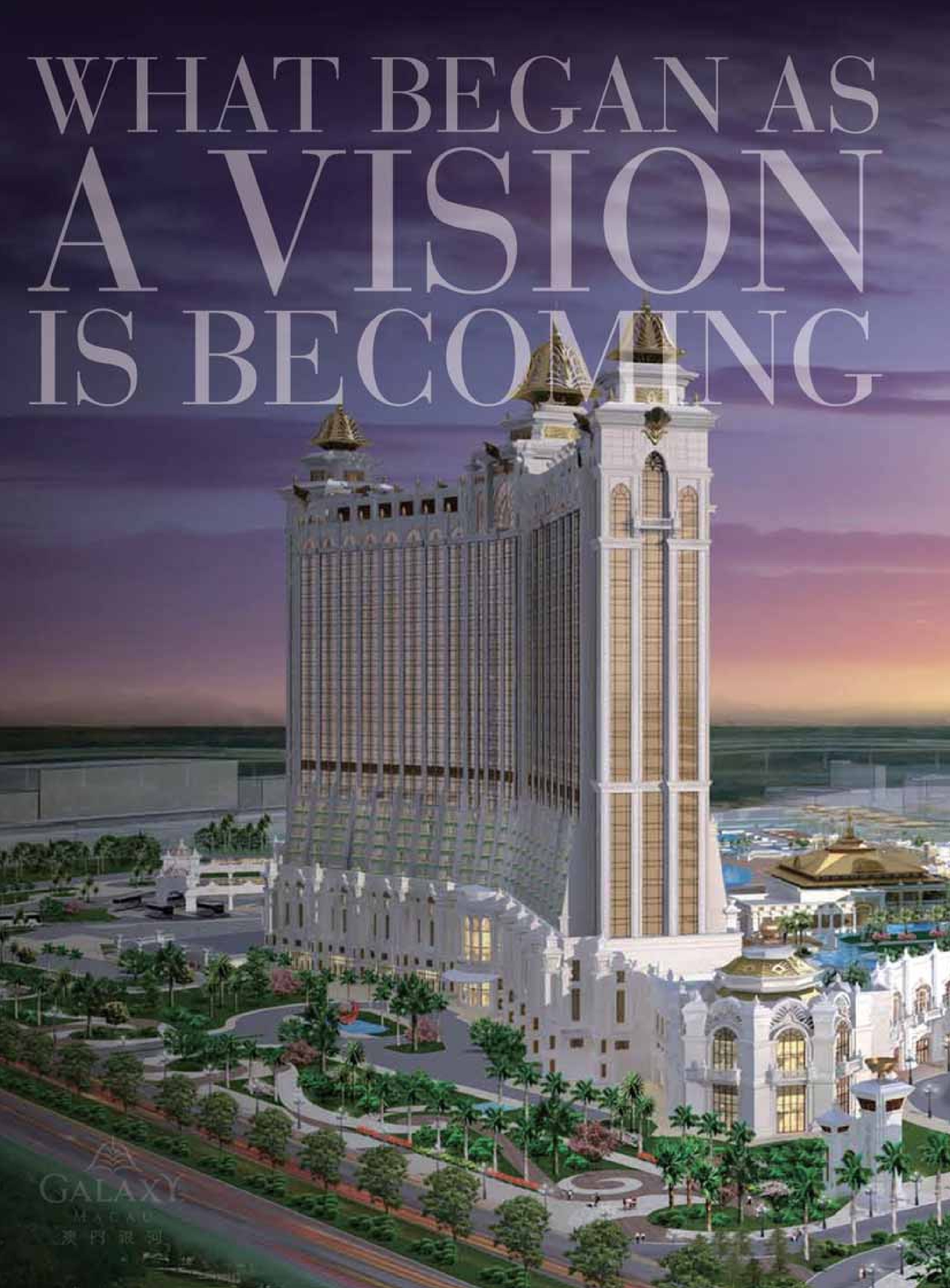
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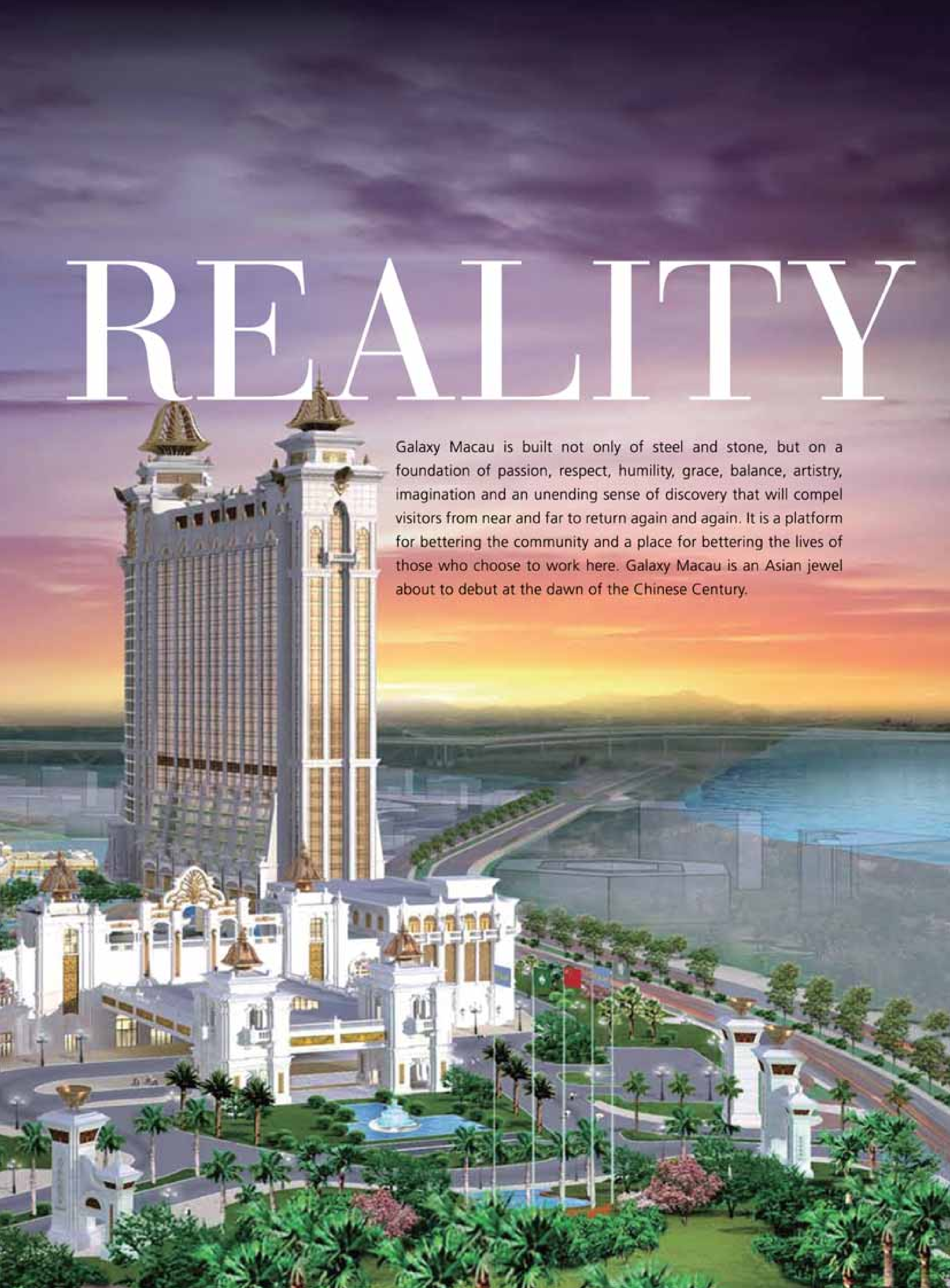
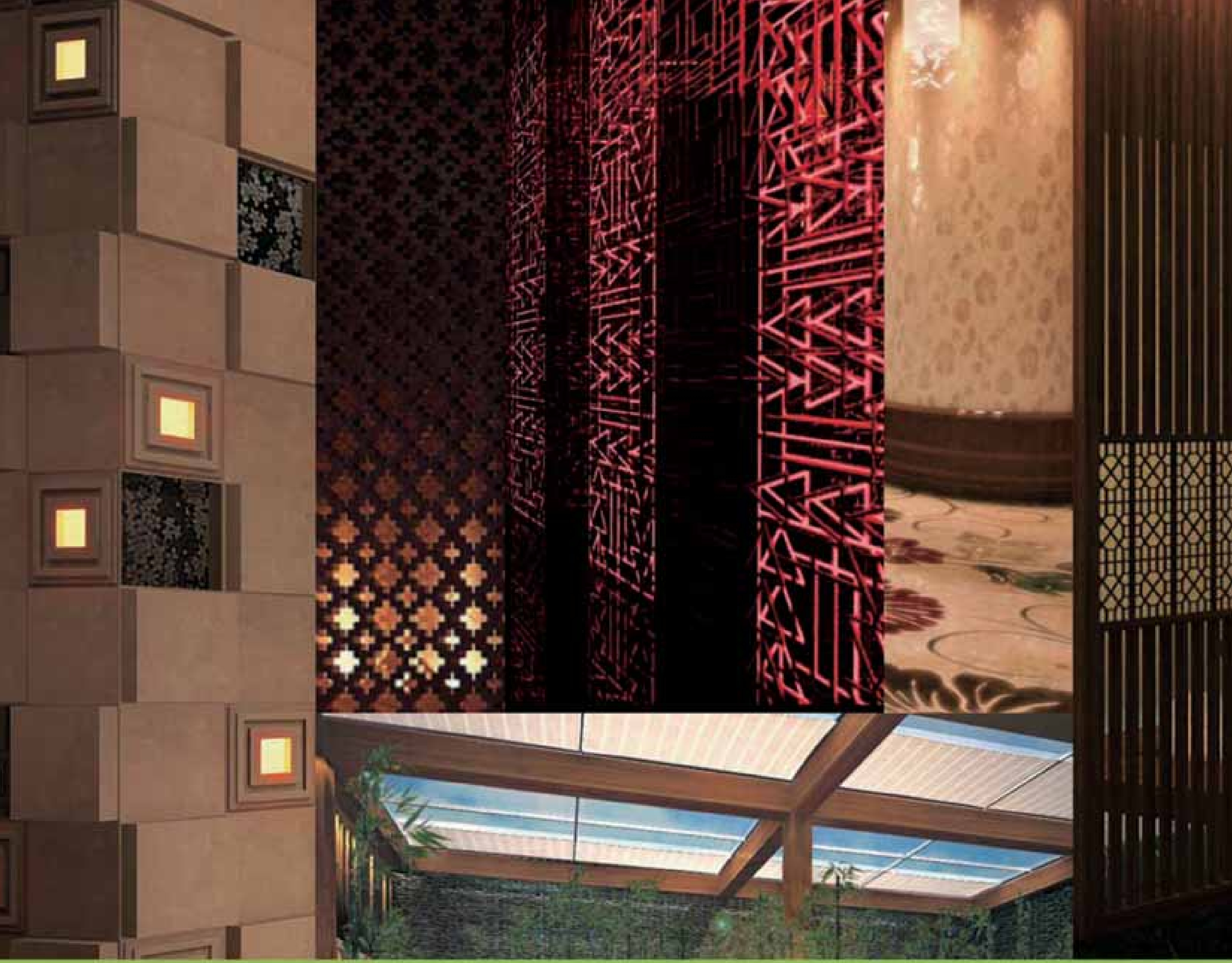
GALAXY
MACAU

REALITY

Galaxy Macau is built not only of steel and stone, but on a foundation of passion, respect, humility, grace, balance, artistry, imagination and an unending sense of discovery that will compel visitors from near and far to return again and again. It is a platform for bettering the community and a place for bettering the lives of those who choose to work here. Galaxy Macau is an Asian jewel about to debut at the dawn of the Chinese Century.





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