銀娛 GEG

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

Stock Code 股份代號 : 27

ANNUAL REPORT 2011
2011 年報

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

願景

銀娛的願景是：成為亞洲首屈一指的博彩及娛樂企業。通過實踐我們的經營理念，我們將可以達成我們所訂下的願景。

銀娛的經營理念

洞悉本地市場
深明中華文化，對亞洲及中國旅客喜好有透徹了解，為銀娛一大競爭優勢

專業經驗
透過審慎的資本開支計劃、憑著在建築及酒店業的專業經驗及嚴密監控的發展計劃，致力為股東帶來投資回報

定位清晰
將銀娛定位為領先的綜合博彩及休閒娛樂設施營運商

需求主導策略
密切注意市場發展並迅速作出謹慎的應變

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CORPORATE INFORMATION

CHAIRMAN
Dr. Che-woo Lui, *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
Mr. Henry Lin Chen

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. James Ross Ancell
Dr. William Yip Shue Lam, *LLD*
Dr. Patrick Wong Lung Tak, *BBS, JP*

EXECUTIVE BOARD
Dr. Che-woo Lui, *GBS, MBE, JP, LLD, DSSc, DBA*
Mr. Francis Lui Yiu Tung
Mr. Joseph Chee Ying Keung
Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

AUDIT COMMITTEE
Mr. James Ross Ancell *(Chairman)*
Dr. William Yip Shue Lam, *LLD*
Dr. Patrick Wong Lung Tak, *BBS, JP*

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

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

CORPORATE GOVERNANCE COMMITTEE
Mr. Francis Lui Yiu Tung *(Chairman)*
Mr. James Ross Ancell
Dr. Patrick Wong Lung Tak, *BBS, JP*

COMPANY SECRETARY
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SHARE LISTING
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STOCK CODE

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Bloomberg	:	27 HK
Reuters	:	0027.HK
ADR	:	GXYEY
RMB Bond	:	86002

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GALAXY
MACAU
澳門銀河
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GALAXY
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BANKER

CORPORATE PROFILE

Galaxy Entertainment Group Limited ("GEG", "the Company" or "the Group"), through its subsidiary, Galaxy Casino S.A., is one of Asia's leading gaming and entertainment companies. The Group develops and operates hotels, gaming and integrated entertainment facilities in the Macau SAR. In addition to this, GEG manufactures, sells and distributes construction materials through its Construction Materials Division across Mainland China, Hong Kong and Macau.

Since being granted one of the original three gaming concessions by the Macau Government in 2002, GEG has carefully correlated its growth with Macau's rapidly growing market. GEG's unique story and great success in Macau's gaming and entertainment industry is the result of its competitive advantage as a local operator, with a deep understanding of the Asian market, and its focus on launching new and truly innovative products that enhance Macau's position as one of Asia's most attractive leisure and tourist destinations.

Implementation of the Group's ambition to develop its entertainment business began in Macau in 2004 when GEG launched City Clubs casinos – enabling GEG to build the management team, recruit and train staff, and develop relationship with key stakeholders such as VIP promoters. These successful City Clubs casinos acted as the foundation for the future strategic direction of GEG and they continue to make a valuable contribution to the Group to this day.

In October 2006, GEG opened StarWorld, its stunning and highly successful flagship property, in the heart of the Macau Peninsula. StarWorld provides world class entertainment, dining and lavishly designed 5-star luxury accommodation. The property has received numerous awards, including the highly prestigious Five-Star Diamond Award for 5 consecutive years. Today, StarWorld is a market leader and one of the most successful casinos in the world, with strong VIP gaming, a successful mass gaming operation and near capacity hotel occupancy.

On the back of these considerable achievements, on 15 May 2011 GEG successfully introduced a new game changing integrated destination resort to the market – Galaxy Macau™. This unique property is Macau's first Asian centric destination resort and one of the largest leisure-complexes in Asia. It has been conceived with "World Class, Asian Heart" and offers the most diverse range of World Class Asian themed entertainment, accommodation and food in Macau.

With the successful opening of Galaxy Macau™, GEG is the only operator with flagship properties in both the gaming hub of the Macau Peninsula and the emerging leisure and entertainment centre of Cotai. Furthermore, GEG has the largest contiguous landbank in Macau approved for gaming, which the Group will develop in-line with market demand. The Group is very well positioned to capitalise on the continued growth in Mainland China domestic consumption, and contribute to and benefit from Macau's growing reputation as a tourism and leisure hub in Asia.

FINANCIAL & OPERATIONAL HIGHLIGHTS

KEY MILESTONES FOR 2011

Galaxy Entertainment Group:

銀娛GEG

- Revenue more than doubled year on year to a record of HK$41 billion
- Record Adjusted EBITDA of HK$5.7 billion, increased HK$3.5 billion or 158% year on year
- Record net profit attributable to shareholders in 2011 tripled to HK$3 billion year on year
- Strong balance sheet with cash on hand as at 31 December 2011 of HK$7.7 billion
- Received global recognition for achievements and success by winning Casino Operator of the Year Australia/Asia for 2011 at the prestigious International Gaming Awards

Galaxy Macau™:

GALAXY™ MACAU 澳 門 銀 河

- Opened to worldwide acclaim in May 2011; universally positive response from guests, investors and analysts to 'World Class, Asian Heart' approach and delivery
- Revenue of HK$16.4 billion in the seven and a half months since opening
- Adjusted EBITDA of HK$2.6 billion in the seven and a half months since opening
- Acknowledged as The World's Best Casino/Integrated Resort 2011 by the International Gaming Awards

StarWorld Hotel & Casino:

星際酒店 StarWorld · Macau

- Record revenue of HK$22.5 billion, an increase of 36% on 2010
- Record Adjusted EBITDA of HK$3 billion, an increase of 45% year on year
- Record Return on Investment (ROI) of 86%, ranking among the highest return casinos in the world
- Received numerous awards, including the highly prestigious Five-Star Diamond Award for the 5th consecutive year

Construction Materials:

K. WAH CONSTRUCTION MATERIALS 嘉華建材

- Record high Adjusted EBITDA of HK$433 million, an increase of 24% year on year
- Annual production capacity of Ground Granulated Blast-furnace Slag exceeded 10 million tonnes

City Clubs:

- Adjusted EBITDA of HK$183 million, an increase of 16% against the previous year

PART I: GROUP FINANCIAL HIGHLIGHTS

Revenue

(HK$'m)	2010	**2011**	% change
Gaming and Entertainment	18,020	**39,612**	120%
Construction Materials	1,242	**1,574**	27%
Group Total	19,262	**41,186**	114%

Adjusted EBITDA

(HK$'m)	2010	**2011**	% change
Gaming and Entertainment	1,975	**5,409**	174%
Construction Materials	348	**433**	24%
Corporate	(92)	**(93)**	-1%
Group Total	2,231	**5,749**	158%

Key Financial Metrics

	2010	**2011**	% change
Net Profit Attributable to Shareholders (HK$'m)	898	**3,004**	235%
Earnings per Share (HK cents)	22.8	**72.8**	219%
Total Assets (HK$'m)	25,186	**35,764**	42%
Gearing Ratio (%)	25	**19**	–
Share Price on 31 December (HK$)	8.80	**14.24**	62%

PART II: GALAXY MACAU™

Financials

(HK$'m)	2011*	% change
Revenue	16,375	–
Adjusted EBITDA	2,581	–
Adjusted EBITDA Margin (HK GAAP)	16%	–
Adjusted EBITDA Margin (US GAAP)	23%	–

2011* Selected Gaming Statistics

(HK$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	380,000	12,200	3.2%
Mass Gaming	13,100	2,800	21.7%
Electronic Gaming	10,100	645	6.4%

* 15 May 2011 to 31 December 2011

PART III: STARWORLD HOTEL & CASINO

Financials

(HK$'m)	2010	**2011**	% change
Revenue	16,546	**22,514**	36%
Adjusted EBITDA	2,037	**2,955**	45%
Adjusted EBITDA Margin (HK GAAP)	12%	**13%**	–
Adjusted EBITDA Margin (US GAAP)	21%	**23%**	–
Return on Investment (ROI*)	61%	**86%**	–

2011 Selected Gaming Statistics

(HK$'m)	**Turnover/ Table Drop/ Slots Handle**	**Net Win**	**Win/Hold %**
VIP Gaming	**664,000**	**20,200**	**3.1%**
Mass Gaming	**8,600**	**1,661**	**18.9%**
Electronic Gaming	**4,025**	**241**	**6.0%**

2010 Selected Gaming Statistics

(HK$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	515,000	14,900	2.9%
Mass Gaming	6,600	1,153	16.8%
Electronic Gaming	2,837	207	7.3%

* ROI calculated based on the total Adjusted EBITDA for the latest twelve months divided by the book cost, including land cost.

CHAIRMAN'S STATEMENT

Chairman

Dr. Che-woo Lui

GBS, MBE, JP, LLD, DSSc, DBA

DEAR SHAREHOLDERS,

It is with great pleasure that I write to update you on the performance of our company, Galaxy Entertainment Group.

2011 was another historic year in the Group's evolution, as it achieved all time record highs in revenue, Adjusted EBITDA and net profit attributable to shareholders. In addition, with the opening of Galaxy Macau™, we took another enormous leap forward in the realisation of our vision to be "Globally recognised as Asia's leading gaming and entertainment corporation".

Galaxy Macau™, the Group's first integrated resort, was launched on 15 May 2011 to worldwide acclaim. It was extremely pleasing to see it receive such a rapturous reception from our guests and customers, as well as our partners and friends from the industry and from the Macau Government. GEG is now the only Concessionaire to have flagship properties in both the gaming hub of the Macau Peninsula and the fast emerging area of Cotai.

Underlying Group revenue and earnings grew very strongly, with StarWorld making a significant contribution with another set of record results on the back of achieving its highest ever VIP and mass gaming volumes. Together with Galaxy Macau™, Group Adjusted EBITDA for the year more than doubled to HK$5.7 billion as compared to HK$2.2 billion in 2010.

Despite the exciting challenge of launching Galaxy Macau™, Group net cashflow continues to be exceptionally strong as a result of our excellent revenue growth, operational efficiency and prudent structuring of our long-term financing. Our executive team kept a strong focus on optimising the performance in our other gaming and non-gaming activities and ensuring the highest levels of financial efficiency across the business.

Looking forward, we expect Macau to maintain its growth trajectory, as it continues to successfully diversify and attract a broader spectrum of visitors with an ever wider array of leisure and tourism attractions. Macau has a very exciting future ahead, and GEG will play a major role in its future development as a result of having the largest permitted contiguous landbank in the SAR, excellent cashflow and a truly unique vision.

MACAU MARKET REVIEW

Macau is making impressive progress towards becoming one of Asia's most attractive leisure and tourist destinations. Visitors can stay in an incredible variety of five-star hotels, dine in some of Asia's finest restaurants and enjoy an ever growing selection of leisure and recreational activities.

Impressive plans to greatly enhance road, rail and air access to Macau are already delivering results and will bring enormous benefits for visitors in terms of accessibility and efficiency to Macau for years to come. Significant improvements to the immigration barrier gate in Macau were successfully completed in 2011, and the handling capacity of the Zhuhai barrier gate will also be greatly enhanced in the near future. Accessibility to Macau from Mainland China is also in the process of being transformed through the creation of a High Speed Railway network. The expected completion of the Beijing-Guangzhou railway line in the near future will help drive substantial visitor growth.

Total visitor arrivals in Macau for the year increased by 12% to a new record high of 28 million. Visitors from Mainland China grew by 22% year-on-year to 16.2 million, and this has been a key factor for the accelerating growth in mass market gaming.

We are very proud of the important role that Galaxy Macau™, as a truly integrated resort destination, is playing in supporting the Central and Macau Government's ambitious and innovative plans to drive the growth and diversification of Macau with tourism.

MANAGEMENT TEAM & BOARD UPDATE

GEG has one of the strongest management teams in the industry and I am immensely proud of their success in the innovative design, development and launching of the award winning Galaxy Macau™. Just as impressive is their relentless focus on managing all of our other gaming and non-gaming operations and their constant drive in managing costs and optimising efficiency.

Following a reduction in Permira's investment in GEG, Dr. Martin Clarke, one of the two Directors previously nominated by the Permira funds, tendered his resignation on 20 October 2011. The Board would like to express its gratitude to Dr. Clarke for his support and invaluable contribution to GEG during his term of appointment, a period in which the Group has made enormous progress in achieving its vision.

GALAXY MACAU™

Since opening in May 2011, Galaxy Macau™ has proved to be a game changer for Macau. With its bold Asian themed design, lavish Asian architecture and "World Class, Asian Heart" service, it was the only new resort destination to open in Macau in 2011. Galaxy Macau™'s success reflects the meticulous planning, testing and operational capabilities of the Group.

Even in the short time since opening, Galaxy Macau™ has achieved significant recognition, the most prestigious of which were: The World's Best Casino/Integrated Resort 2011 at the International Gaming Awards and 2011 Best Integrated Resort award at the Top Travel Awards in Beijing held in December of last year.

Following on from the successful launch of Phase One of Galaxy Macau™, we look to the future with great enthusiasm and anticipate providing our stakeholders with the details of our plans for Phase Two in the near future. We are confident that they will be as excited as we are about the possibilities.

STARWORLD

StarWorld, our flagship property on the Macau Peninsula, achieved another excellent year, finishing 2011 with its 14th consecutive quarter of Adjusted EBITDA growth and delivering return on investment (ROI) of 86%, well above last year's record levels. This success was driven by its great location in the gaming hub, outstanding product and service delivery, and powerful operating synergies with its sister casino Galaxy Macau™. StarWorld continues to be one of the best performing casinos in the world, designed to appeal to customers who value an Asian experience with Asian service standards.

MACAU MARKET OUTLOOK

Macau's prospects remain buoyant. The Central and Macau Government's far-sighted and substantial investment in infrastructure, coupled with their encouragement of private sector leisure and tourism projects, will ensure that Macau is able to harness the enormous growth potential of China and the wider Asian region, to become one of Asia's most attractive leisure and tourist destinations.

We remain positive on the economic outlook for China. China is expected to achieve GDP growth in excess of 7.5% in 2012. This economic resilience and continuing growth is a direct result of the Chinese Government's 12th Five Year Plan and it will play a critical role in securing the growth of Macau.

CONSTRUCTION MATERIALS

GEG's Construction Materials Division continues to deliver solid growth, successfully focusing on higher value products such as Slag and forging excellent joint ventures in Mainland China. The Division has ambitious expansion plans in Mainland China and we are confident that given its performance in recent years, it can achieve these.

Reporting 24% Adjusted EBITDA growth during the year, the Division continues to be an important profit driver and cash generator for the Group. Its management team are to be commended for successfully growing the business at rates well ahead of even the Mainland Chinese economy in recent years.

CORPORATE SOCIAL RESPONSIBILITY

At GEG, sharing our success with all of our stakeholders is an integral part of achieving our vision. In 2011, we continued to make a valuable contribution to the local community and wider society through an array of social, environmental, philanthropic and volunteering activities. We spearheaded some of the initiatives, such as "Galaxy Green" which is a key component of our strategy to make Galaxy the greenest resort operator in Macau, and numerous social projects for the elderly, handicapped and young; we sponsored others, for example, the 2011 Macau FIVB World Grand Prix and the 2011 Macau Marathon, for the 7th and 8th consecutive year, respectively; and, we participated in and supported other important events and institutions in Macau, with donations to the University of Macau Development Fund to social and religious groups which do important work in the community.

I would like to emphasise that our initiatives in this area are not just at a corporate level; we strongly encourage and empower our staff to participate in activities that benefit the wider community. We also create and organise numerous activities that enable our staff to practise and enjoy a satisfying work-life balance.

CLOSING REMARKS

GEG has consistently proved its ability to build, open and operate some of the largest and most innovative leisure and entertainment properties in the world. With our "Asian Heart" service we have defined a whole new category in the sector. We have succeeded because we intrinsically understand that our customers want an Asian experience and we deliver this to them in what is rapidly becoming one of Asia's most attractive leisure and tourist destinations.

Looking to the future, we have the largest contiguous gaming permitted landbank in Macau and we are hugely excited about the potential for its development. During the course of 2012 we will reveal more of our plans for Phase Two of Galaxy Macau™, which will extend the appeal of this landmark on the Cotai skyline, grow the footprint, drive visitation and optimise utilisation and returns from the property.

I would like to take this opportunity to thank each and every one of our growing family of staff who have all played a critical role in our success, achieving our vision and delighting our guests with "Asian Heart" service.

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

Hong Kong, 15 March 2012

SELECTED MAJOR AWARDS IN 2011

GALAXY ENTERTAINMENT GROUP

Casino Operator of the Year Australia/Asia
by International Gaming Awards

2011 Hong Kong Outstanding Enterprise
by Economic Digest

Outstanding Corporate Strategy Award
by Eastweek Magazine

The Buy Side's Best IR 2nd Place
by Institutional Investor Magazine

GALAXY MACAU™

The World's Best Casino/Integrated Resort 2011
by International Gaming Awards

2011 Best Integrated Resort
by Top Travel Awards Beijing

Five-Star Diamond Award
by The American Academy of Hospitality Sciences

New Hotel of the Year
by 2011 Travel Weekly China Travel & Meeting Industry Awards

Annual Hotel Space Award
by the 9th (2011) Modern Decoration International Media Award Committee

STARWORLD HOTEL & CASINO

Five-Star Diamond Award
by The American Academy of Hospitality Sciences (5 Consecutive Years)

Best Service Hotel
by Golden Horse Award of China Hotel

Best Consumer Satisfaction Hotel
by Golden Horse Award of China Hotel

Top Ten Glamorous Hotels of China
by China Hotel Starlight Awards

Top Ten China Charming Hotel Brands
by Continental Diamond Awards of World Hotel Association (China)

CONSTRUCTION MATERIALS DIVISION

Caring Company "5 Years Plus" Logo
by The Hong Kong Council of Social Service

Hong Kong Awards for Environmental Excellence – Wastewi$e Label – Class of Excellence
by Environmental Campaign Committee

Occupational Health Award - Prevention of the Pneumoconiosis Category - Best Performance Award/Best Practice Award
by Labour Department/Pneumoconiosis Compensation Fund Board/Occupational Safety and Health Council/Occupational Deafness Compensation Board

10th HK Occupational Safety & Health Award – Safety Performance Award (Construction)
by Occupational Safety & Health Council

Hang Seng Pearl River Delta Environmental Awards – Green Participants
by Federation of Hong Kong Industries/Hang Seng Bank

HSBC Living Business Awards 2011 – Green Achievement Award – Certificate of Excellence
by Hong Kong and Shanghai Banking Corporation Limited





MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

2011 has been a landmark year for the Group. The widely acclaimed opening of Galaxy Macau™, the best ever performance of StarWorld, and solid profit growth at City Clubs and Construction Materials Division, all contributed to a record breaking year with revenue doubling and Adjusted EBITDA increasing by 158% to $5.7 billion. The Group concluded the year by achieving Q4 Adjusted EBITDA of $2.1 billion, more than three times that of the corresponding period last year, and its 13th consecutive quarter of Adjusted EBITDA growth. There can be no doubt that GEG is successfully delivering its vision to be globally recognised as Asia's leading gaming and entertainment corporation.

The greatest milestone of the year was the opening of Galaxy Macau™ in May 2011. The 550,000 square metre, integrated destination resort has received uniformly glowing praise from visitors and the local community and has transformed the Macau leisure and tourism landscape. Its Asian-centric appeal and world class standards have already received global recognition in a number of awards from prestigious industry bodies such as the International Gaming Awards. Furthermore, its Adjusted EBITDA contribution of $2.6 billion in just seven and a half months was highly impressive, with all business segments performing well.

StarWorld, the Group's other flagship property and one of Macau's most successful casinos, finished the year strongly with its 14th consecutive quarter of Adjusted EBITDA growth delivering $827 million in Q4, an increase of 41% on the same period last year. Total Adjusted EBITDA for the year increased by 45% to $3 billion. A combination of continued good VIP sales growth, highest ever mass gaming volumes and prudent cost controls, enabled it to deliver a Return on Investment (ROI) of 86% in 2011, ranking StarWorld among one of the best performing casinos in the world.

The Group's balance sheet has continued to strengthen as a result of exceptionally strong cash generation from the Group's operations. Cash on hand at 31 December 2011 stood at $7.7 billion, which included $2 billion of restricted cash.

There is huge potential for growth in leisure tourism in Macau. This is being driven by rapid regional economic growth and increasing demand from Mainland China for leisure tourism and travel as a result of rising incomes and continued strong domestic consumption, all of which is being bolstered by major infrastructure projects under construction in Macau and Mainland China to improve accessibility and drive visitor volumes. GEG's deep understanding of the local market and the needs and demands of its Asian customers, coupled with its ownership of the largest contiguous casino resort permitted landbank in Macau, make it uniquely well positioned to build out its development plan and capitalise on this growth.

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

REVIEW OF OPERATIONS

Group Financial Results

GEG's financial performance in 2011 has been outstanding, with net profit attributable to shareholders in 2011 increasing more than three times over the prior year to $3 billion (2010: $898 million). Revenue for the year climbed to $41 billion, generating a 158% rise in Group Adjusted EBITDA of $5.7 billion. This compares to revenue of $19.3 billion and Adjusted EBITDA of $2.2 billion in the previous year. The significant uplift reflects in large part the contribution of Galaxy Macau™ which opened in May 2011, but also the strong underlying growth at StarWorld and ongoing progress in growing profitable and diverse revenue streams, while at the same time tightly controlling costs.

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

Excluding non-recurring items such as Galaxy Macau™'s pre-opening expenses of $0.8 billion, non-cash charges from the change in fair value of the derivative under the convertible notes of $0.2 billion and net loss on buyback of guaranteed notes of $0.1 billion, pro forma profit attributable to shareholders increased to $4 billion in 2011 versus $1.5 billion in 2010.

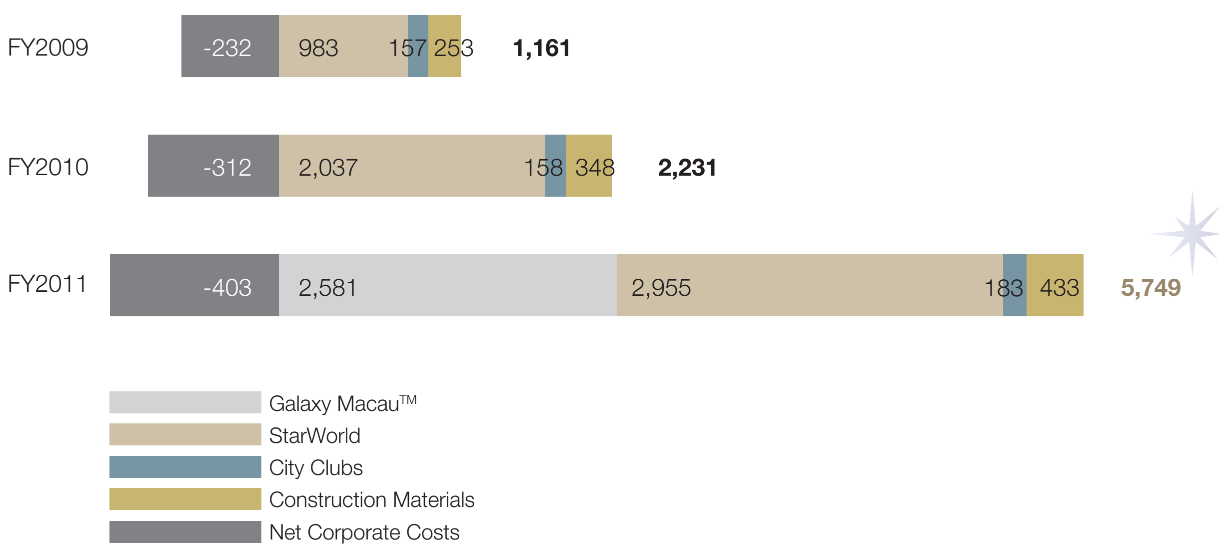
GEG's City Clubs and the Construction Materials Division continued to perform solidly, achieving Adjusted EBITDA growth of 16% and 24% respectively compared to 2010.

Set out below is the segmental analysis of the Group's operating results for the year ended 31 December 2011:

FY2011 (HK$'m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	**39,612**	**1,574**	**–**	**41,186**
Adjusted EBITDA	**5,409**	**433**	**(93)**	**5,749**

FY2010 (HK$'m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	18,020	1,242	–	19,262
Adjusted EBITDA	1,975	348	(92)	2,231

Group Adjusted EBITDA (HK$'m)



GAMING AND ENTERTAINMENT DIVISION

Overview of the Macau Gaming Market

The Macau gaming market experienced another year of strong growth. Total gaming revenue reached $260 billion, representing a year-on-year increase of 42% (2010: $183 billion). Total visitor arrivals in the year grew by 12% to 28 million, with the proportion of Chinese visitors increasing from 53% to 58%.

VIP gaming remains the largest segment of the market. In the year, revenue increased by a very healthy 45% to $190.4 billion (2010: $131.7 billion). VIP Baccarat is the dominant game of the Macau gaming industry, accounting for 73% of overall gaming revenue in 2011.

Mass market displayed substantial growth during the year with revenue of $58.6 billion, an increase of 37% on 2010. Encouragingly, growth rates accelerated in the second half of the year with revenue totaling $31.9 billion against second half of 2010 revenue of $22.7 billion, an increase of almost 41%. The opening of Galaxy Macau™ has been well timed as the Group looks to take advantage of the opportunities in the fast growing mass market.

The development of major infrastructure projects in Macau and Mainland China, such as the expansion of the barrier gates in Macau (completed in 2011) and Zhuhai (due to complete 2012), and the construction of the High Speed Railway Network on the Mainland, will improve accessibility and boost visitor volumes. The strong momentum behind Macau is likely to be sustained over the coming years by a series of other new projects in the pipeline, including development projects in Hengqin, the Hong Kong-Zhuhai-Macau Bridge due to open in 2016, and the Light Rail Transit connecting Macau, Taipa and Cotai due to open in 2015–2016.

Electronic gaming accounts for 4% of overall gaming revenue. It also experienced strong growth in 2011, with revenue up 33% to $11.1 billion against revenue of $8.4 billion in 2010.

This continued growth in gaming revenue and visitor numbers, set against a backdrop of moderating economic growth in China, is testimony to the enhanced attractiveness of Macau as a leisure and tourism destination. We believe the opening of Galaxy Macau™ has successfully diversified our product offer in the territory and increased visitor numbers to Cotai, thereby stimulating the demand for the resort industry.

Galaxy Macau™

Successful Completion and Launch

The 550,000 square metre Galaxy Macau™ integrated resort opened 15 May 2011 to worldwide acclaim. Its vision, design and delivery have been extremely well received by guests, investors and the industry as a whole, all of whom appreciate its "World Class, Asian Heart" service philosophy. Its resounding success to date reflects GEG's meticulous planning, testing and operational capabilities.

Opened just seven and a half months, Galaxy Macau™ has achieved significant recognition, the most prestigious of which were: The World's Best Casino/Integrated Resort 2011 at the International Gaming Awards, 2011 Best Integrated Resort award at the Top Travel Awards in Beijing held in December of last year, New Hotel of the Year at 2011 Travel Weekly China Travel & Meeting Industry Awards, Five-Star Diamond Award at The American Academy of Hospitality Sciences and Annual Hotel Space Award at the 9th (2011) Modern Decoration International Media Award Committee.

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

As Macau's first truly integrated destination resort, Galaxy Macau™ offers a number of game-changing features and amenities which makes the resort one of the most complete and compelling holiday destinations in Macau:

- Three 5-star Asian hotel brands offering the pinnacle of luxury in approximately 2,200 rooms, suites and floating villas: comprising the Banyan Tree Macau, the Hotel Okura Macau and the Galaxy Hotel
- The 52,000 square metre Grand Resort Deck including the world's largest sky top wave pool, completes with 350 tons of white sand
- The renowned award winning Banyan Tree Spa which offers a myriad of Asian health and beauty treatments and therapies
- China Rouge, a 1920s and 1930s Shanghai cabaret inspired lounge designed by the world-famous Hong Kong architect Alan Chan
- Macau's first 9-screen 3D Cinema theatre – opened in Q4, 2011 with the world premiere of The Flying Swords of Dragon Gate 3D by director Tsui Hark
- The Fortune Diamond – a mammoth three-metre gem that rises from behind a waterfall in the main lobby
- The Wishing Crystals – a marvel of interaction with numerous gems rising from the entrance lobby
- The Galaxy Laserama – one of the largest laser shows in the world, with eight showings a night and a different spectacle every time
- Approximately 450 gaming tables and over 1,300 electronic games
- More than 50 food and beverage outlets

GEG has sought to create a truly Asian experience for its customers and it is hugely satisfying to be lauded by prestigious industry global bodies.

Financial and Operational Performance

All the Galaxy Macau™ business segments performed well during the seven and a half months since launch, and the Group is managing to drive significant operational efficiencies as the property matures.

In terms of the key financials, revenue in the period since launch was $16.4 billion, with Adjusted EBITDA at $2.6 billion for a 16% margin.

VIP Gaming Performance

Galaxy Macau™ performed strongly in the fast growing VIP market. Total VIP rolling chip volume for the year was $380 billion, which translated into revenue of $12.2 billion. Three additional VIP rooms were added in the second half of the year bringing the total number to ten.

Galaxy Macau™

VIP Gaming HK$'m	**Q1 2011**	**Q2 2011**	**Q3 2011**	**Q4 2011**	**FY 2010**	**FY 2011**	**YoY%**
Turnover	n/a	50,000	163,000	167,000	n/a	**380,000**	n/a
Net Win	n/a	1,800	4,900	5,500	n/a	**12,200**	n/a
Win %	n/a	3.5%	3.0%	3.3%	n/a	**3.2%**	n/a

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

Galaxy Macau™

Mass Gaming HK$'m	**Q1 2011**	**Q2 2011**	**Q3 2011**	**Q4 2011**	**FY 2010**	**FY 2011**	**YoY%**
Table Drop	n/a	2,400	5,000	5,700	n/a	**13,100**	n/a
Net Win	n/a	400	1,000	1,400	n/a	**2,800**	n/a
Win %	n/a	17.5%	20.9%	24.1%	n/a	**21.7%**	n/a

Galaxy Macau™

Electronic Gaming HK$'m	**Q1 2011**	**Q2 2011**	**Q3 2011**	**Q4 2011**	**FY 2010**	**FY 2011**	**YoY%**
Slots Handle	n/a	1,800	4,000	4,300	n/a	**10,100**	n/a
Net Win	n/a	114	262	269	n/a	**645**	n/a
Win %	n/a	6.3%	6.5%	6.3%	n/a	**6.4%**	n/a

Mass Gaming Performance

Galaxy Macau™ mass market revenue since launch was $2.8 billion. Revenue in the fourth quarter increased by 31% quarter-on-quarter to $1.4 billion, significantly ahead of the market which grew at 10%.

Electronic Gaming Performance

Galaxy Macau™ electronic gaming revenue was $645 million.

Non-Gaming Performance

Non-gaming revenue totalled $697 million. The number of hotel rooms increased from approximately 1,400 at the time of the opening of Galaxy Macau™ to virtually all 2,200 by the end of the year. Occupancy rates at the year-end reached an impressive 90%.

The opening of the 3D cineplex in December, which received great reviews from Galaxy Macau™'s guests and the community, also significantly increased the sales of the property's adjacent restaurants and outlets.

The Grand Resort Deck facilities have been a major success with approximately 3,500 customers per day visiting the wave pool during the summer months.

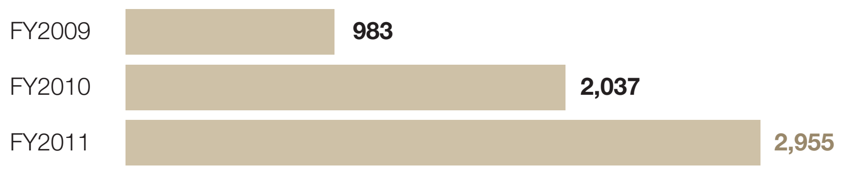
Landbank Development

The opening of Galaxy Macau™ has been a fantastic success for GEG, its customers and Macau. However, it is only the first stage of a multi-stage resort destination development. GEG has Macau's largest contiguous landbank with an integrated resort permit. Additional phases will total approximately 1.5 million square metres, bringing the overall development to approximately 2 million square metres. The planning for the next phase of Galaxy Macau™ is progressing well and will be announced in due course. Upon completion, the expanded facility with additional offerings will further enhance the attractiveness and competitiveness of Galaxy Macau™.

StarWorld Hotel & Casino

StarWorld, our flagship property on the Macau Peninsula, achieved another excellent year and finishing 2011 with its 14th consecutive quarter of Adjusted EBITDA growth with record Adjusted EBITDA of $3 billion for the year.

StarWorld Adjusted EBITDA (HK$'m)



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

For the year as a whole, revenue increased by 36% to $22.5 billion. This generated a 45% increase in full year Adjusted EBITDA to nearly $3 billion. This outstanding increase was driven by improved gaming revenues, strict cost controls and broadly normalised win rates.

2011 Adjusted EBITDA of $3 billion resulted in an annualised ROI of 86%. StarWorld has further enhanced its position as one of the highest return casinos in the world.

Of real significance, is that revenue in second half of 2011 grew by 25% to $12.5 billion against first half revenue of $10 billion. These figures demonstrate that there has been no cannibalisation from StarWorld's sister casino Galaxy Macau™. On the contrary, StarWorld has seen increased footfall as the two properties are highly complementary, with shared transport infrastructure, and the Galaxy Macau™ brand is growing strongly.

VIP Gaming Performance

StarWorld performed strongly in VIP gaming achieving an all-time high VIP rolling chip volume of $664 billion (2010: $515 billion). This resulted in revenue of $20.2 billion, compared to $14.9 billion in 2010.

It enjoys one of the highest VIP market shares in Macau.

Mass Gaming Performance

Mass market revenue for the year was $1.7 billion. Revenue in the fourth quarter increased quarter-on-quarter by 15% to $0.5 billion, significantly ahead of the market which grew at 10%. The exceptional performance can be attributed to its great location in the gaming hub, outstanding service delivery, attractive product offer catering for the specific taste of traditional Chinese, and its ability to leverage on the significant mass customer base at Galaxy Macau™ through shared transport links between the two casinos. The two sister casinos complement each other extremely well and we expect StarWorld to benefit further as Galaxy Macau™'s reputation grows.

Electronic Gaming Performance

StarWorld's electronic gaming generated revenue of $241 million in the year, an increase of 16% over 2010, reflecting the revamp of the electronic gaming area on level three.

Non-Gaming Performance

Non-gaming revenue increased from $315 million in 2010 to $360 million in 2011, an increase of 14%. Room occupancy was at near capacity throughout the year averaging 98%. These statistics are unprecedented and demonstrate that StarWorld is outpacing all other 5-star hotels in Macau.

StarWorld

VIP Gaming HK$'m	**Q1 2011**	**Q2 2011**	**Q3 2011**	**Q4 2011**	**FY 2010**	**FY 2011**	**YoY%**
Turnover	151,000	158,000	180,000	175,000	515,000	**664,000**	29%
Net Win	4,400	4,500	5,900	5,400	14,900	**20,200**	36%
Win %	2.9%	2.9%	3.2%	3.1%	2.9%	**3.1%**	n/a

StarWorld

Mass Gaming HK$'m	**Q1 2011**	**Q2 2011**	**Q3 2011**	**Q4 2011**	**FY 2010**	**FY 2011**	**YoY%**
Table Drop	1,900	2,100	2,300	2,300	6,600	**8,600**	30%
Net Win	362	366	433	500	1,153	**1,661**	44%
Win %	18.1%	17.3%	18.9%	20.9%	16.8%	**18.9%**	n/a

StarWorld

Electronic Gaming HK$'m	**Q1 2011**	**Q2 2011**	**Q3 2011**	**Q4 2011**	**FY 2010**	**FY 2011**	**YoY%**
Slots Handle	1,050	1,020	917	1,038	2,837	**4,025**	42%
Net Win	70	49	58	64	207	**241**	16%
Win %	6.7%	4.8%	6.3%	6.1%	7.3%	**6.0%**	n/a

Awards

StarWorld as one of the most distinguished and popular casinos in Macau has been further reinforced by receiving major industry awards including the Five-Star Diamond Award by The American Academy of Hospitality Sciences for the 5th consecutive year; Best Service Hotel award and Best Consumer Satisfaction Hotel award by the Golden Horse Award of China Hotel; Top Ten Glamorous Hotels of China by the China Hotel Starlight Awards and Top Ten China Charming Hotel Brands by Continental Diamond Awards of World Hotel Association (China).

City Clubs

City Clubs focuses on providing a boutique service to selected VIP customers. The division continues to make a valuable contribution to the Group. In the year under review it generated Adjusted EBITDA of $183 million, an increase of 16% on the prior year.

GEG will continue to carefully manage the business to ensure sustained profitability.

CONSTRUCTION MATERIALS DIVISION

The Construction Materials Division (CMD) has made considerable progress in 2011. For the year ended 31 December 2011, CMD's revenue stood at $1.6 billion and Adjusted EBITDA surged to $433 million, representing an increase of 27% and 24% respectively from last year. CMD continued its expansion strategy in the production and sales of Ground Granulated Blast-furnace Slag ("GGBS") in order to take advantage of this increasingly recognised environmentally friendly and sustainable construction material product.

Mainland China

Expanding GGBS production capacity to maintain leadership position in China

Profit contribution from our network of GGBS plants across the Mainland continues to grow with the operational commencement during the year of our subsidiary in Qian An, Hebei Province. We expect to continue expanding our operations in the future.

Qinhuangdao Shouqin K. Wah Construction Materials Co., Ltd.

Expanding cement production capacities in Yunnan Province

CMD's cement joint ventures in Yunnan Province, namely Anning, Baoshan and Shizong continued to deliver good results in 2011 due to increasing demand for high quality cement for the infrastructure construction projects in the Province. CMD plans to continue to expand its cement production capacity in 2012 and beyond.

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

Hong Kong and Macau

CMD will benefit from Hong Kong's major infrastructure development projects

During 2011, the demands for construction materials in Hong Kong remained strong. Over the next few years, several major infrastructure projects will commence, including the construction of the MTR's Guangzhou-Shenzhen-Hong Kong Express Rail and Shatin to Central Links, East Kowloon Development, and the Hong Kong-Zhuhai-Macau Bridge. CMD is well positioned to benefit from the increased demand for construction materials arising from these major projects, and will play a key role in supplying construction materials for these projects from our Anderson Road Quarry and Lam Tei Quarry. To cope with the increasing demand, a new quarry site in Huidong, Guangdong Province is targeted to commence operation in 2012.

Anderson Road Quarry

Macau Ready Mixed Concrete ("RMC") market shows signs of uplift

In Macau, the construction market continues its steady recovery with increasing demand from the public housing sector and further expansion of construction work in the gaming and entertainment industry. CMD's long established RMC operations are well positioned to gain maximum advantage from this uplift.

GROUP OUTLOOK FOR 2012

GEG has created an enviable position. It is the only operator with flagship properties in both the gaming hub of Macau's Peninsula and the rapidly emerging destination resort area of Cotai. The successful opening of Galaxy Macau™ has firmly established GEG as one of Asia's leading gaming and entertainment groups, and well positioned us to take advantage of accelerating growth in the mass market.

Visitors from Mainland China to Macau increased by 22% year-on-year to 16.2 million and they now represent close to 60% of all visitors (Source: Macau Statistics and Census Service). The pace of growth over the last few years has been phenomenal, with visitors from Mainland China increasing by 47% since 2009. Total visitor arrivals in Macau in 2011 also set a new record of 28 million. These figures illustrate the resilience of Asian economies and the powerful appeal of Macau.

Looking to the future, growth is expected to be fueled by major infrastructure improvements and integrated resorts like Galaxy Macau™, which offer visitors a far more diverse leisure experience. Expansion of the immigration barrier gates in Macau and Zhuhai (the former having already been completed), combined with large scale infrastructure projects such as the High Speed Railway Network in Mainland China, the Light Rail Transit in Macau, and the Hong Kong-Zhuhai-Macau Bridge, all of which are set to be completed in the next few years, will play a paramount role in positioning Macau as a first choice, first class destination for many of Asia's leading economies.

As the owner of the largest contiguous landbank in Macau, and with an acute sense of Asian preferences and tastes, we believe we are very well placed to capitalise on the significant growth opportunities in Macau as it rapidly diversifies and develops into one of the world's pre-eminent leisure and tourist destinations.

LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 31 December 2011 was $14,222 million, an increase of approximately 55% over that as at 31 December 2010 of $9,197 million while the Group's total assets employed increased to $35,764 million as at 31 December 2011 as compared to $25,186 million as at 31 December 2010.

The Group continues to maintain a strong cash position. As at 31 December 2011, total cash and bank balances were $6,013 million as compared to $4,170 million as at 31 December 2010. The Group's total indebtedness was $11,672 million as at 31 December 2011 as compared to $9,426 million as at 31 December 2010. The gearing ratio, defined as the ratio of total borrowings outstanding less cash and bank balances to total assets (excludes cash and bank balances), was 19% as at 31 December 2011 (31 December 2010: 25%).

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

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

TREASURY POLICY

The Group continues to adopt a conservative treasury policy with all bank deposits in either Hong Kong Dollar, United States Dollar, Renminbi or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks. All of the Group's borrowings are in 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, which are considered necessary for the Group's treasury management activities.

CHARGES ON GROUP ASSETS

Property, plant and equipment with net book value of $16,349 million (2010: $11,497 million), leasehold land and land use rights with net book value of $2,828 million (2010: $2,961 million), other assets with net book value of $235 million (2010: $245 million), bank deposits of $1,802 million (2010: $59 million) and shares of certain subsidiaries 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 $10,057 million (2010: $10,001 million), of which $7,543 million (2010: $5,278 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 (2010: $9 million). At 31 December 2011, facilities utilised amounted to $9 million (2010: $9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group, excluding associated companies and jointly controlled entities, employed approximately 15,000 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to $3,226 million.

Remuneration Policy

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

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

Share Option 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.

Organisation Development and Training

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 promote training and development as a life-long process. We offer ongoing personal and professional development opportunities to all employees beginning with our new hire orientation program and progressing to the delivery of technical, guest service and leadership skills training. Our training assists employees in achieving competency and professionalism in their jobs while instilling a culture of continuous improvement.

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

1. **Internal Capacity Building** – building on well-defined career progression pathways in both Casino and Hotel Operations. Our corporate-wide organisation development and training programs provide employees with the technical expertise, management and leadership skills required for advancement and promotion within the Group.

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

3. **Program Development and Customisation** – four primary areas of focus:

   A. **Core Programs** with a focus on our World Class, Asian Heart Service; Mission, Vision and Values; new hire Orientation; identification and prioritisation of training on core competencies that drive employee performance.

   B. **Leadership Development** with a focus on the development and delivery of supervisory/management skills programs; delivery of our GEG Leaders Programs and implementation of succession management programs aligned with our Values and organisational goals.

   C. **Organisational Effectiveness** with a focus on internal communications to support employee engagement; ongoing refinement of our business processes and procedures; continuous enhancement of our performance management initiatives and implementation of local Talent Development programs.

   D. **Service Excellence** with a focus on the delivery of customised training programs that support and drive our "World Class, Asian Heart" Culture; design of quality assurance initiatives to measure and drive continuous service improvement and partnering with Operations to implement performance effectiveness programs for achieving business results.

Our organisation development and training programs establish direction for the Group with respect to investment in and utilisation of our human resource capital. We are excited about continuing our success as one of leading destinations for entertainment and hospitality in Macau. In our ever increasing competitive environment, we are committed to building on the talent and expertise of our employees to ensure our continued growth and development as a leading Asian gaming company providing exceptional experiences to our guests.






CORPORATE GOVERNANCE REPORT

The Company is committed to high standards of corporate governance. We have a well-balanced corporate governance system which sets out the framework for the Board of Directors ("Board") to manage the Company efficiently, to enhance shareholders' value and to care for the community as a good corporate citizen, with a high level of transparency and accountability to shareholders. The Board has applied the 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"). Certain amendments to the Code and Listing Rules are effective on 1 April 2012, the Company has made appropriate arrangements for it to comply with the revised Code and revised Listing Rules.

THE BOARD

The Company is headed by the Board, which is responsible to lead and control the Company and its subsidiaries ("Group") and promote the success of the Group by directing and supervising the Group's affairs in an effective manner. The Board sets strategies and priorities for the Company, approves annual budgets and performance targets, determines the appropriate management structure, and monitors the performance of the management. The names and biographical details of the Directors and their relationships are set out in Further Corporate Information on pages 55 to 57 as well as the Company's website at www.galaxyentertainment.com.

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 ensures that the Board works effectively in discharging its responsibilities, and that all key issues are discussed and addressed to in a timely manner. The Deputy Chairman supports and assists the Chairman in performing the above works and, together with the Managing Director of the Construction Materials Division, develop strategic operation plans to implement the Company's set strategies and priorities, 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 five (six up to 20 October 2011) non-executive Directors (including three independent non-executive Directors). The skill-sets of the Board are determined and regularly reviewed on the basis that members of the Board as a whole possess all-rounded business and professional skills essential to manage a successful sizeable enterprise and to support continuous growth. Added to our executive Directors' substantial experience in the Company's business, our Directors have brought in a mix of experience and qualifications in corporate management and strategic planning, investment, finance, legal and corporate governance practices. In fulfilling their roles and duties, our Directors provide balanced and independent views to the Board, exercise independent judgment and play a check and balance role on the Board's decisions, particularly on matters that may involve conflict of interest.

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. Mr. Henry Lin Chen was appointed pursuant to an Investors' Rights Agreement, details of which were included in the circular of the Company dated 5 November 2007, and is subject to retirement by rotation and re-election pursuant to the Company's Articles of Association.

On 20 October 2011, Dr. Martin Clarke resigned as a non-executive Director of the Company pursuant to the said Investors' Rights Agreement. Changes in the Board composition during the year are set out in the Report of the Directors on page 59.

Appointment and Re-election of Directors

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

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 their 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 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 relevant 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.

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 AND BOARD COMMITTEES

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

Executive Board

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

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

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

Audit Committee

The Audit Committee of the Company has been in place since 1999. It comprises three members who are all independent non-executive Directors. Mr. James Ross Ancell is the Chairman and Dr. William Yip Shue Lam and 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 consolidated financial statements. The Audit Committee has access to and maintains an independent communication with the external Auditor and management. The role and function of the Audit Committee are set out in its revised written terms of reference which are posted on the websites of the The Hong Kong Exchanges and Clearing Limited ("HKEX") and the Company.

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

The principal work performed by the Audit Committee during the year included review of interim and annual consolidated financial statements, management representation letter, audit strategy, significant accounting and tax matters, internal audit annual plan and report, independence of external auditors, other financial and internal control matters, and certain operational activities.

Remuneration Committee

The Remuneration Committee of the Company has been in place since early 2006. It comprises three members, 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. To comply with the revised Listing Rules, Mr. Francis Lui Yiu Tung ceased to act as Chairman and remains as a member and Dr. William Yip Shue Lam was appointed as Chairman of the Remuneration Committee in his stead with effect from 15 March 2012.

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

The Remuneration Committee met once a year with the attendance of representatives from the human resources department and the Company Secretary. The Remuneration Committee submitted its written report and/or recommendation to the Board after the Remuneration Committee Meeting.

The principal work performed by the Remuneration Committee during the year included recommendation of Directors' fee subject to approval of shareholders at the annual general meeting, review and approval of remuneration packages to executive Directors and grant of share options to a Director.

Nomination Committee

The Nomination Committee of the Company was set up on 15 March 2012. It comprises three members of which a majority is independent non-executive Directors. Dr. William Yip Shue Lam is the Chairman of the Nomination Committee and Mr. Francis Lui Yiu Tung and Dr. Patrick Wong Lung Tak are the members. Its major responsibilities are to formulate and implement the policy for nominating candidates for election to the Board, assess the independence of non-executive Directors and propose re-election of retiring Directors. The terms of reference of the Nomination Committee are posted on the websites of the HKEX and the Company.

Corporate Governance Committee

The Corporate Governance Committee of the Company was set up on 15 March 2012 with written terms of reference. It comprises three members. Mr. Francis Lui Yiu Tung is the Chairman of the Corporate Governance Committee and Mr. James Ross Ancell and Dr. Patrick Wong Lung Tak are the members. Its main responsibilities are to review the Company's policies and practices on corporate governance and training and continuous professional development of Directors and senior management.

BOARD AND BOARD COMMITTEE MEETINGS

The Board schedules regular Board Meetings in advance to give Directors the opportunity to participate actively. Directors are consulted for matters to be included in the agenda for regular Board Meetings. Special Board Meetings are convened as and when needed. Minutes of the Board and Board Committee Meetings are kept by the Company Secretary and are made available and circulated to all Directors periodically.

Directors' attendance at the Board and Board Committee Meetings held in 2011 are set out in the following table:

Number of Meetings	Board Meetings (4)	Audit Committee Meetings (2)	Remuneration Committee Meeting (1)
EXECUTIVE DIRECTORS			
Dr. Che-woo Lui	4/4	–	–
Mr. Francis Lui Yiu Tung	4/4	–	1/1
Mr. Joseph Chee Ying Keung	4/4	–	–
Ms. Paddy Tang Lui Wai Yu	4/4	–	–
NON-EXECUTIVE DIRECTORS			
Mr. Anthony Thomas Christopher Carter	4/4	–	–
Dr. Martin Clarke#	3/3	–	–
Mr. Henry Lin Chen	3/4	–	–
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Mr. James Ross Ancell	4/4	2/2	–
Dr. William Yip Shue Lam	4/4	2/2	1/1
Dr. Patrick Wong Lung Tak	4/4	2/2	1/1

resigned on 20 October 2011

FINANCIAL REPORTING

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

Directors' Responsibility

The Directors acknowledge their responsibilities for preparing the financial statements of the Company are to give a true and fair view and comply with all applicable regulatory requirements and accounting standards. In preparing the consolidated financial statements for the year ended 31 December 2011, the Directors have selected appropriate accounting policies and applied them consistently, and made judgments and estimates that are prudent and reasonable. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as at 31 December 2011. Accordingly, the Directors have prepared the consolidated financial statements for the year ended 31 December 2011 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.

Independent Auditor's Responsibility

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

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

Independent Auditor's Remuneration

Fees for auditing services and non-auditing services provided by the external Auditor for the year ended 31 December 2011 are included in note 8 to the consolidated financial statements.

Fees for non-auditing services include HK$2,617,000 for the services provided in respect of taxation and consultancy services.

INTERNAL CONTROLS

The Board recognises the importance of a sound internal control system and commits to assess and manage any risk that may adversely affect the Group in achieving its business objectives so as to safeguard the interests of the shareholders and the assets of the Group.

The Board employs a well-structured management team with qualified personnel who are delegated with authorities to oversee daily operations of all major operating entities of the Group. Regular review on the management structure is carried out to swiftly adapt to the ever changing market conditions. A sound internal control system has been put in place in which policies and procedures have been formulated to help identify and manage rather than eliminate the risk in a systematic approach.

Internal Audit Department ("IA") has adopted a risk-based assessment methodology with the consultation of management to understand and analyse the business and determine the risk areas within key processes of major operations before deriving an annual audit plan according to the nature of the business and risk exposures for the review and approval of the Audit Committee.

During the year ended 31 December, 2011, IA has conducted independent reviews with the objectives to ensure that all materials controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively. Audit findings with recommendations have been discussed with Department Heads who agreed to comply with most of the recommendations with date of completion. IA has followed up on the corrective actions to ensure that satisfactory controls are maintained and will bring to the attention of senior management on the significant internal control on a regular basis.

IA reports to the Audit Committee twice a year whether a sound internal control system has been maintained and operated by management in compliance with policies and procedures of the Group and requirements that are laid down by external regulators. IA was not aware of any significant internal control issues that would have an adverse impact on the financial position or operations of the Group. The Board, through the review of the Audit Committee, is satisfied that the Group has fully complied with the code provisions on internal controls during the year under review as set forth in the Code.

COMMUNICATION WITH SHAREHOLDERS AND INVESTMENT COMMUNITY

The Company places a great deal of importance on timely, accurate and transparent communication with shareholders and the investment community.

In addition to publishing interim and annual results in accordance with the Listing Rules requirements, the Company is one of the few Hong Kong listed companies to voluntarily release unaudited key financial information on a quarterly basis to enable stakeholders to better assess the performance of the Group.

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

The Company's website www.galaxyentertainment.com is also a valuable tool for investors and contains a dedicated investor relations section offering timely and direct access to our financial reports, corporate announcements, press releases and other business information.

COMPLIANCE WITH THE CODE

Throughout the year under review, the Company has complied with the code provisions in the Code, except code provisions 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

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

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

Michael Mecca, President and Chief Operating Officer. He has a long and distinguished career in leadership roles with a number of globally recognised gaming and hospitality brands. 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 48 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 with a large company 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.

Gabriel Hunterton, Chief Operating Officer, StarWorld. He has an intense and diverse gaming career spanning 14 years in Las Vegas and Macau. He was the former Senior Vice President of Business Development of a major gaming company in 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, Director, Business Development. He has been with the Group for over 18 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 organisations such as Hong Kong & China Gas and Hong Kong Productivity Council.

Raymond Yap, Senior Vice President, International Premium Market Development. He has more than 25 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.

GAMING AND HOSPITALITY EXPERTISE

Gillian Murphy, Senior Vice President, Non-Gaming Operations, Galaxy Macau™. She has over 30 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.

Andrew Duggan, Senior Vice President, Finance. 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 GEG for the years to come.

CORPORATE SOCIAL RESPONSIBILITY

GAMING AND ENTERTAINMENT DIVISION

Being a leading gaming operator in Macau, GEG believes in sharing our success with the community. In 2011, GEG made a valuable contribution to the local community and wider society through a number of different types of social, philanthropic and volunteering activities.

RESPONSIBLE GAMING

GEG continues to promote responsible gaming both to the public and to our team members through the following initiatives:

- Continues to advertise the responsible gaming logo created in collaboration with University of Macau's Institute for the Study of Commercial Gaming
- Posts signs at all casino entry points to reinforce the message that minors under the age of 18 are strictly prohibited from entering the casino floor
- Continues to provide a Responsible Gaming Support and Counseling Hotline to GEG team members with 24/7 telephone service
- Provides individual face-to-face counseling and online counseling for responsible gaming support
- Establishes guidelines and procedures for GEG team members to take mandatory responsible gaming education courses
- Works with team members to identify guests with potential gambling addictions and how to refer them to appropriate counseling

As an active member of the Responsible Gaming Working Committee, GEG joins local gaming operators, Social Welfare Bureau of Macau SAR Government, Gaming Inspection and Coordination Bureau of Macau SAR Government and the Institute for the Study of Commercial Gaming, University of Macau (ISCG) in regular meetings to discuss the implementation of initiatives aimed at enhancing Macau's responsible gaming culture.

SMOKE-FREE AREA

GEG supports Macau government initiatives aimed at turning Macau into the World Center of Tourism and Leisure. In response to the tobacco control law started in 1 January 2012, GEG launched the following campaigns at Galaxy Macau™ and StarWorld so as to support Macau's transformation into a smoke-free city and keep its team members and patrons informed about the new rules and regulations.

- Front-of-house non-smoking areas include the main entrance, hotel lobbies, hotel public areas, guest floor corridors, indoor pool & change rooms, all restaurants (except bars & lounges), retail promenades, retail outlets, public toilets, lift lobbies and function/meeting rooms
- Briefing sessions were held for team members to ensure that they understand the new smoking policy
- Signage boards were posted at all smoking and non-smoking areas so as to help team members and patrons understand the penalties for violations
- Directional signs were posted at all relevant areas inside Galaxy Macau™ and StarWorld so that team members and patrons can better identify the smoking and non-smoking zones

- All ash trays were taken out permanently inside the non-smoking venues so as to discourage patrons from lighting any cigars/cigarettes while inside the non-smoking areas

- All indoor, back-of-house smoking areas for team members were closed on 1 January 2012 to demonstrate GEG's commitment towards protecting the health of its non-smoking team members

ENVIRONMENTAL PROTECTION

GEG implemented a series of waste reduction and energy conservation initiatives to support building a sustainable environment:

- Participated in "Earth Hour 2011" organised by the WWF, which resulted in over 1,000kWh of electricity saved

- Took part in the "Lights Out" and "Dress Light, Dress Right" events hosted by the Office for the Development of the Energy Sector of the Macau SAR

- Supported the Macau Maritime Administration Offices in promoting Macau's water conservation efforts by participating in a panel discussion on the hotel industry's water conservation practices, and sharing GEG's water conservation measures and techniques with the administration offices' representatives, StarWorld and Galaxy Macau™'s engineers led the representatives to a guided technical tour of both properties' engineering facilities

- Supported the Macau Environmental Protection Bureau by inviting StarWorld and Galaxy Macau™'s engineers to join other industry professionals in giving comments on Macau's "Environmental Protection Planning 2010–2020"

- Encouraged team members and guests to make sustainable lifestyle choices through education programs and water/energy saving advertisements

Lights Out at StarWorld and Galaxy Macau™

COMMUNITY ACTIVITIES

In 2011, the Group took an active role in giving back to the community. The following is a selected list of community activities we had organised during the period:

- Organised a "Year of the Rabbit Welcoming Lunch" for 99 senior citizens from the Centro de Convívio Vivacidade of the Macau Federation of Trade Unions
- Joined the mentally handicapped individuals from the Fuhong Society of Macau in a Ceramic Craft-Making Workshop
- Visited the elderly residents of the Asilo de Betânia and Lar de Idosos da Obra das Mãe with members of the Macau Heart Foundation
- Celebrated Easter with close to 40 children from the Macau Cradle of Hope and Macau Fountain of Hope
- Worked with Peng On Tung Tele-Assistance Service Center to assist single-living seniors
- Joined the Respect Senior General Association of Macau in making and distributing festive dumplings to single-living seniors in celebration of the Dragon Boat Festival

Ceramic Workshop with Fuhong Society of Macau

Blood Donation Activity

- Worked with children from the Macau Special Olympics in a Plant Decoration Competition
- Collaborated with the Macau Blood Transfusion Centre and organised GEG's third "Blood Donation Activity" for team members at both StarWorld and Galaxy Macau™

- Invited members of Macau Deaf Association and their family members to watch the game between Russia and Serbia during the “Macau Galaxy Entertainment International FIVB World Grand Prix” competitions

- Gathered nearly 100 GEG volunteers in joining the Macau Juvenile Volunteer Association for a “One Day Volunteering Activity”

- Distributed Galaxy Macau™ moon cakes and celebrated a warm Mid-Autumn Festival with 70 single-living seniors at the Ilha Verde Community Centre of the General Union of Neighbors Association of Macau

- Supported the Macau Federation of Trade Unions and the Macau Deaf Association in promoting the use of sign language by joining over 1,000 Macau citizens in a “Sing a Song through Sign Language” performance

- Celebrated StarWorld’s 5th anniversary with over 20 members of the Women’s General Association of Macau’s Family Service Centre who were invited to witness the “StarWorld Super Chef Competition”

- Title sponsored the “2011 Galaxy Entertainment Special Olympics Table Tennis Competition” so as to encourage the community’s mentally handicapped individuals to take part in sports activities and explore their own potentials

- Promoted social inclusion by inviting the Macao Association of Parents of Mentally Handicapped Persons’ Sunshine Band to perform at the 2011 Galaxy Got Talent Grand Final

2011 Galaxy Entertainment Special Olympics Table Tennis Competition

Sunshine Band performing at “2011 Galaxy Got Talent Grand Final”

- Supported the mentally handicapped community by assisting Fuhong Society of Macau with its "Charity Soap Selling" fundraising event
- Collected over 200 toys from GEG team members for donations to Sheng Kung Hui Center for Gambling Counseling and Family Support Services
- Shared the first Galaxy Macau™ Christmas with Macau's elderly, children and single-parent families by distributing over 1,500 gingerbread cookies to Macau's various community groups and associations
- Supported the Macau Cradle of Hope Association as one of its 2011 Corporate Christmas Santas
- Invited nearly 600 elderly people, children and their family members through a number of local charity associations to watch movies at UA Galaxy Cinemas

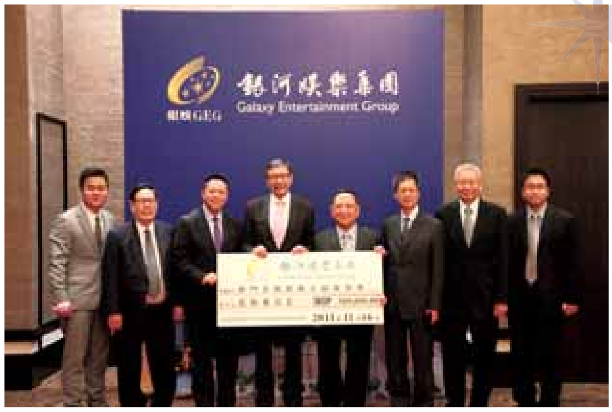
Movie Screening with Macau's elderly community

CHARITABLE ACTIVITIES

Upholding the Group's belief that business grow alongside the community, GEG shares our success with the wider community and in 2011, GEG donated to the following organisations in an effort to help more people in need:

- Linguistics Society of Macau
- Association of Rehabilitation of Drug Abusers of Macau
- Care Action Macau
- Caritas Macau
- France Macau Business Association (in organising its annual charity gala dinner event)
- Fuhong Society of Macau
- General Union of Macao Neighborhood Association
- Half the Sky Foundation
- International Ladies Club of Macau (in organising its various annual charity fundraising initiatives)
- Macau Association of Parents of Mentally Handicapped Persons

- Macau Business (in organising the "5th Macau Business Charity Golf Tournament & Gala Dinner Event")
- Macau Child Development Association
- Macau Cradle of Hope Association
- Macau Daily News Readers Charitable Foundation
- Macau Deaf Association
- Macau Federation of Trade Unions
- Macau Gaming Industry Laborers' Association
- Macau Inspirational Youth Association
- Macau Special Olympics
- Macau Tung Sin Tong Charitable Society
- ORBIS Macau
- Richmond Fellowship of Macau
- The American Chamber of Commerce in Macau (in organising its annual charity ball)
- Women's General Association of Macau
- British Business Association of Macao (in organising its annual charity ball)



Cheque presentation to Macau Tung Sin Tong Charitable Society

Cheque presentation to Macao Daily News Readers Charitable Foundation

SPONSORSHIPS FOR SPORTS DEVELOPMENT

GEG has been a long time supporter of Macau's sports development. Living out our commitment to assist Macau in becoming a more culturally diverse and luring international tourism destination, GEG contributes enormously towards enhancing the attractiveness, scale and quality of Macau's various sports and community initiatives. In 2011, GEG again championed our sole title sponsorship to two of Macau's annual international sports events:

- **2011 Macau Galaxy Entertainment FIVB World Grand Prix** – Since 2005, GEG has been the sole title sponsor of the "Macau Galaxy Entertainment FIVB World Grand Prix". This year, Galaxy Macau™ was appointed as the tournament's official hotel
- **2011 Macau Galaxy Entertainment International Marathon** – Since 2004, GEG has been the sole title sponsor of the "Macau Galaxy Entertainment International Marathon", and the GEG won the group trophy for the 7th time

- Sponsored the Macau Yacht Sailing Academy's participation in Hebe Haven Yacht Club's organised "2011 International 24 Hour Charity Dinghy Regatta" in Hong Kong
- Sponsored the Macao Polo Team's participation in the "B. Grimm Thai Polo Masters Tournament" in Thailand
- Sponsored the "Hai Xia Cup" Basketball Competition coorganised by FuKien Sports Association and the Macau Sports Development Board
- Sponsored the Macau Tennis Association with its youths tennis development

EDUCATION & CULTURE

In addition to the above, GEG also believes that education is an essential element to promote Macau's future development and has supported the sector through the following selected activities in 2011:

- Donated to the University of Macau Development Fund to support the university's funding of its ISCG which is responsible for research and training works that are invaluable to the healthy and sustainable development of Macau's gaming industry
- Collaborated with the Macau Management Association to provide training courses to local young people and GEG members to develop their leadership skills
- Title sponsored the "GEG Macau Cup – Teenager National Conditions Knowledge Competition" for the 3rd consecutive year
- Provided internship opportunities and permanent placements to students from various Macau institutes and universities
- Awarded scholarships to distinguished students from Macau Polytechnic Institute
- Introduced the "Galaxy Macau™ Student Exposure and Experiential Development Program" to local undergraduate students
- Title sponsored the inauguration ceremony of the Macau Publishing Industrial Commercial Association
- Sponsored the Creative Youth Culture Association of Macao's organisation of "Cultural Creative's 360" Seminar
- Sponsored the University of St. Joseph's hosting of the "1911–2011: From Revolution to Reforms" international conference

GEG Youth Achievement Program Launch Event

- Supported the communication students from the University of Macau's Faculty of Social Sciences and Humanities in organising the "2011 Communication Week"
- Supported the tourism event management students from the Institute for Tourism Studies in organising the "2011 Go-Kart Charity Event"
- Sponsored one Macanese poet-translator from the Association of Stories in Macao in attending a poetry-translation workshop in Bundanon Estate in Australia
- Supported Hong Kong Wen Wei Po's Future Star Federation of Student in establishing a "Future Star Federation of Student Foundation"

EMPLOYEE FRIENDLY

In addition to community work, GEG creates and organises numerous activities that encourage team members to practice and enjoy a satisfying work-life balance:

- Organised a two-week simulation period for team members to get ready for the launch of Galaxy Macau™
- Hosted the "GEG Volunteer Team Inauguration Ceremony" to celebrate the establishment of GEG Volunteer Team
- Held the "Star of the Year Award Presentation" to acknowledge the devotion and outstanding performances of our team members
- Organised the "2011 Galaxy Got Talent" to create a platform for GEG team members to share and parade their talents

GEG Volunteer Team Inauguration Ceremony

- Supported the GEG Dragon Boat Teams' participation in the "2011 Macau International Dragon Boat Races" and the "Macau Mid-Autumn Festival Cup" where the team achieved outstanding results

GEG Dragon Boat Team at the "2011 Macau International Dragon Board Races"

- Participated in the "Macau Gaming Industry Laborers Association Basketball Cup" for the first time and took home the championship title
- Participated in the "Macau Gaming Industry Sport Competition" for the first time and won 13 medals
- Received seven awards from the "Macao Occupational Skills Recognition System Gold Pin Competition 2011" organised by Institute for Tourism Studies and became the biggest winner of the competition
- Subsidised GEG team members to take the Diploma in Casino Management program at ISCG at University of Macau
- Offered different types of recreational activities and interest courses

CONSTRUCTION MATERIALS DIVISION

Corporate Social Responsibility plays a significant part in CMD's sustainability value. Being a responsible corporate citizen, CMD endeavours to participate in various social and charity activities, implementing a series of green initiatives to protect the environment as well as emphasising staff development and fulfilment.

CMD initiatives include:

Environmental Protection

- KWCM Tree Planting Day – planted 120 saplings at Anderson Road Quarry, to echo the message of environmental protection
- Sustainable Recycling Programme – launched on 6 October 2011 with the slogan "Support Green, Create Value From Waste", aimed to recycling wastes into valuable materials initially covering *Waste Glass, Reclaimed Asphalt Pavement, Concrete Waste, Waste Rubber and Waste Oil* generated from our daily operation

Green Fun Day

- Green Fun Day – a staff-get-together event and by collaborating with EcoVision Asia, around 350 staffs participated in the annual Hong Kong International Coastal Cleanup Challenge, a year-round effort aimed at raising awareness of the issue of marine trash
- CMD proudly received awards under environmental protection aspects: Hong Kong Awards for Environmental Excellence – Wastewi$e Label – Class of Excellence; Hang Seng Pearl River Delta Environmental Awards – Green Participants; HSBC Living Business Awards 2011 – Green Achievement Award – Certificate of Excellence

Recognition

CMD has been recognised as "Caring Company" for nine consecutive years by the Hong Kong Council of Social Service, a "5 Years Plus" logo was awarded to recognise our sustainable commitment in good corporate citizenship.

Volunteering

To further our mentoring service programme "Mentoring the Way to the Future" which was launched in 2007, we continue to serve the less privileged single-parent children. Our volunteers together with the mentees from The Evangelical Lutheran Church of Hong Kong joined the "Dialogue in the Dark" workshop to experience a journey in the dark.

Charity

- Joined the Blood Donation Day organised by Hong Kong Red Cross
- Joined the Dress Causal Day organised by The Community Chest of Hong Kong to raise funds for charities
- Participated in Sedan Chair Race organised by Matilda International Hospital's Sedan Chair Charities Fund to raise money for needy charities that generally do not receive assistance from the Hong Kong Community Chest, Hong Kong Jockey Club or the Government
- Participated in Challenging 12 Hours organised by Sowers Action to raise funds for the education fund in China
- Joined the Green Day organised by The Community Chest of Hong Kong to promote the message of taking a more eco-friendly style of living
- Organised the Donation To Japan Earthquake and received enthusiastic support by staff, donations were allocated to Hong Kong Red Cross relief work in Japan

Employee Friendly

- Organised Basketball, Badminton and Football Teams to enhance teamwork spirit
- Organised two Movie Premiers to provide opportunities for staff to mingle and to enjoy leisure with their family
- Organised a variety of recreational activities and interest courses such as Wargame, Cuttlefishing and Dancing Class, etc.
- Launched regular Staff Wellness Program with a variety of themes such as Aroma DIY, Nutrition, Chinese Medicine and Psychology, etc.

Sedan Chair Race

Challenging 12 Hours

FIVE-YEAR SUMMARY

	Year ended 31 December 2007 HK$'000	Year ended 31 December 2008 HK$'000	Year ended 31 December 2009 HK$'000	Year ended 31 December 2010 HK$'000	**Year ended 31 December 2011 HK$'000**
CONSOLIDATED INCOME STATEMENT					
Revenue	13,035,439	10,520,120	12,232,679	19,262,133	**41,186,446**
Profit/(loss) attributable to equity holders of the Company	(466,200)	(11,390,368)	1,149,113	898,455	**3,003,908**
Dividends	–	–	–	–	**–**
Earnings/(loss) per share (cents)	(13.8)	(289.3)	29.2	22.8	**72.8**
Dividend per share (cents)	–	–	–	–	**–**
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment, investment properties and leasehold land and land use rights	6,374,464	8,085,812	11,589,392	16,801,790	**21,990,582**
Intangible assets	14,520,665	1,488,039	1,391,322	1,320,129	**1,270,424**
Jointly controlled entities and associated companies	506,923	833,359	1,003,918	1,042,147	**1,169,613**
Long-term pledged bank deposits	–	–	–	–	**1,702,230**
Other non-current assets	600,757	291,733	352,660	486,307	**348,179**
Net current assets/(liabilities)	5,340,858	3,251,497	(939,749)	(2,471,963)	**(710,166)**
Employment of capital	27,343,667	13,950,440	13,397,543	17,178,410	**25,770,862**
Represented by:					
Share capital	393,564	393,817	394,159	395,440	**417,421**
Reserves	18,013,088	6,617,467	7,774,378	8,801,497	**13,804,605**
Shareholders' funds	18,406,652	7,011,284	8,168,537	9,196,937	**14,222,026**
Non-controlling interests	531,791	262,616	266,597	377,614	**421,201**
Long term borrowings	6,010,571	6,275,958	4,459,703	7,143,507	**10,530,722**
Other non-current liabilities	2,259,031	285,029	372,928	345,202	**495,679**
Provisions	135,622	115,553	129,778	115,150	**101,234**
Capital employed	27,343,667	13,950,440	13,397,543	17,178,410	**25,770,862**
Net assets per share (dollars)	4.68	1.78	2.07	2.33	**3.41**

FURTHER CORPORATE INFORMATION

BIOGRAPHICAL INFORMATION OF DIRECTORS

Executive Directors

Dr. Che-woo Lui, *GBS, MBE, JP, LLD, DSSc, DBA*, aged 82, the founder of the Group, has been a Director of the Company since August 1991 and is the Chairman and a member of the Executive Board of the Company. Dr. Lui is also the Chairman and the Managing Director of K. Wah International Holdings Limited. He has over 50 years' experience in quarrying, construction materials and property development. He was the Founding Chairman of the Institute of Quarrying in the UK (Hong Kong Branch) and the Chairman of the Tung Wah Group of Hospitals. Dr. Lui is also the Founding Chairman of The Federation of Hong Kong Hotel Owners, the President of Tsim Sha Tsui East Property Developers Association, the Founding President of Hong Kong – Guangdong Economic Development Association and an Honorary President of Hong Kong – Shanghai Economic Development Association. Dr. Lui has been appointed as a Member of Steering Committee on MICE (Meetings, Incentives, Conventions and Exhibitions) since 2007. Further, Dr. Lui was a Committee Member of the 9th Chinese People's Political Consultative Conference, a member of the Selection Committee for the First Government of the HKSAR and a member of the Election Committee of the HKSAR. In 1995, an asteroid discovered by the Purple Mountain Observatory in Nanjing was named "Lui Che Woo Star". Dr. Lui was presented the Outstanding Contribution Award in Guangzhou in 1996. Dr. Lui was awarded the Gold Bauhinia Star by the Government of the HKSAR in July 2005. Dr. Lui has been again elected as a member of the Election Committee of the HKSAR in December 2006. Dr. Lui was awarded Business Person of the Year 2007 by DHL/SCMP Hong Kong Business Awards and the Lifetime Achievement Award by American Academy of Hospitality Sciences of 2007 respectively. Dr. Lui was presented the Diamond Award by Macau Tatler and the Lifetime Achievement Award by All Leaders Publication Group Limited in 2011. Dr. Lui is the father of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

Mr. Francis Lui Yiu Tung, aged 56, joined the Group in 1979. He has been an executive Director of the Company since June 1987 and is the Deputy Chairman and a member of each of the Executive Board, Nomination Committee (appointed on 15 March 2012) and Remuneration Committee (ceased to act as Chairman on 15 March 2012 but remains as a member) as well as the Chairman of Corporate Governance Committee (appointed on 15 March 2012) of the Company. Mr. Lui is also an executive director of K. Wah International Holdings Limited. He holds a bachelor of science degree in civil engineering and a master of science degree in structural engineering from the University of California at Berkeley, USA. Mr. Lui is a member of the National Committee of the Chinese People's Political Consultative Conference, a member of the Shanghai Committee of the Chinese People's Political Consultative Conference, and a member of the Election Committee of the HKSAR. He is also a director of the 68th Term of Macao Chamber of Commerce and an Honorary Chairman of the 18th Term of Kiang Wu Hospital Charitable Association. Mr. Lui is a son of Dr. Che-woo Lui and a younger brother of Ms. Paddy Tang Lui Wai Yu.

Mr. Joseph Chee Ying Keung, aged 54, joined the Group in 1982. He has been an executive Director of the Company since April 2004 and is the Managing Director of the Construction Materials Division as well as a member of the Executive Board of the Company. Mr. Chee holds a Master degree in Business Administration from the University of South Australia and a Bachelor degree in Mechanical Engineering from the University of Western Ontario in Canada. He is a fellow member of The Institute of Quarrying in the UK and has 30 years of broad experience in the construction materials industry including operations and management, technical and quality assurance, environmental protection, commercial and strategic planning. He is currently a member of Standing Committee on Concrete Technology organized by Civil Engineering and Development Department, HKSAR and a member of Pneumoconiosis Compensation Fund Board. He served as a member of the Working Group on Construction Waste of the Provisional Construction Industry Co-ordination Board from 2004 to 2006. He was also the Chairman of The Institute of Quarrying in the UK (Hong Kong Branch) from 1998 to 2000 and the Chairman of Hong Kong Contract Quarry Association from 2002 to 2008. He was re-elected as the Chairman of Hong Kong Contract Quarry Association in 2011.

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*, aged 57, joined the Group in 1980 and has been an executive Director of the Company since August 1991 as well as a member of the Executive Board of the Company. She is also an executive director of K. Wah International Holdings Limited. She holds a bachelor of commerce degree from McGill University, Canada and is a member of The Institute of Chartered Accountants in England and Wales. Ms. Lui is appointed as a non-executive director of the Mandatory Provident Fund Schemes Authority on 17 March 2011. She is also a member of various public and social service organizations, including the General Committee of The Chamber of Hong Kong Listed Companies. Ms. Lui was appointed as a member of the Standing Committee on Company Law Reform, the Tourism Strategy Group, the Statistic Advisory Board, the Hong Kong Arts Development Council and the Board of Ocean Park Corporation. Ms. Lui was elected as a member of the Election Committee of the HKSAR since 1998. Ms. Lui is a daughter of Dr. Che-woo Lui and the elder sister of Mr. Francis Lui Yiu Tung.

Non-executive Directors

Mr. Anthony Thomas Christopher Carter, aged 66, 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.

Mr. Henry Lin Chen, aged 41, has been a non-executive Director of the Company since January 2010. He joined Permira in August 2008 and is a partner and co-head of Asia. Prior to joining Permira, he spent nine years in senior positions at Goldman Sachs, including Head of General Industrials Group, Asia ex-Japan. 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 58, has been an independent non-executive Director of the Company since April 2004. Mr. Ancell is the Chairman of the Audit Committee and a member of the Corporate Governance Committee (appointed on 15 March 2012) of the Company. He holds a Bachelor's degree in Management Studies from University of Waikato in New Zealand. He is a member of the Institute of Chartered Accountants of New Zealand and has over 30 years of broad experience in building materials and construction sectors, waste management and recycling business gained from multinational corporations. He is currently the Chairman of Churngold Construction Holdings Limited in the UK, a leading specialist groundworks subcontractor carrying out groundworks and road surfacing, with a separate remediation business, cleaning up sites contaminated by previous industrial activity. He is also a non-executive director of MJ Gleeson Group PLC, a housebuilder and regeneration company listed on the London Stock Exchange.

Dr. William Yip Shue Lam, *LLD*, aged 74, has been an independent non-executive Director of the Company since December 2004. Dr. Yip is a member of the Audit Committee as well as the Chairman of each of the Nomination Committee (appointed on 15 March 2012) and the Remuneration Committee (is a member and appointed as the Chairman on 15 March 2012) of the Company. He 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 is an independent non-executive director of K. Wah International Holdings Limited. 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, *BBS, JP*, aged 63, has been an independent non-executive Director of the Company since August 2008. Dr. Wong is a member of each of the Audit Committee, Remuneration Committee, Nomination Committee (appointed on 15 March 2012) and Corporate Governance Committee (appointed on 15 March 2012) of the Company. He is a Certified Public Accountant (Practising) in Hong Kong and the Managing Practising Director of Patrick Wong CPA Limited. He has over 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 was also awarded a Bronze Bauhinia Star by the Government of the HKSAR in 2010. 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, Water Oasis Group Limited, Sino Oil and Gas Holdings Limited, Real Nutriceutical Group Limited, Guangzhou Pharmaceutical Company Limited and Winox Holdings Limited, all of which are listed on the Main Board of the Stock Exchange. Dr. Wong is also an independent non-executive director of National Arts Holdings Limited (listed on the Growth Enterprise Market of the Stock Exchange).

SENIOR MANAGEMENT

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

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Pursuant to the terms of a secured six-year HK$9 billion club loan entered in June 2010, and made available by a consortium of several banks to Galaxy Entertainment Finance (Galaxy Macau) Limited, a subsidiary of the Company, there is a requirement that the Lui Family is the single largest shareholder of the Company and maintains a minimum 35% interest in the Company during the term of the facility. Failure to comply with this obligation will result in the facility becoming mandatorily repayable and all commitments under the facility will be cancelled. For this purpose, the Lui Family includes Dr. Che-woo Lui and any heir, estate, lineal descendent, spouse or parent of him; and any trust, corporation, partnership or other entity in which Dr. Che-woo Lui and/or any of the said persons beneficially holds, directly or indirectly, a 100% controlling interest.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to the shareholders their annual report together with the audited consolidated financial statements of the Company for the year ended 31 December 2011.

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 43 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 71 of this annual report.

No interim dividend (2010: nil) was paid during the year. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: nil).

SHARE CAPITAL

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

During the year, 219,810,478 new shares of HK$0.10 each were issued, of which 46,826,616 new shares were issued pursuant to the share option scheme of the Company as a result of the exercise of share options by option holders and 172,983,862 new shares were issued as a result of conversion of all zero coupon convertible notes due 2011 ("Convertible Notes") at a conversion price of HK$7.44 per share.

DEBT SECURITIES

Details of the Convertible Notes issued by the Company are set out in note 32(b) to the consolidated financial statements. All the Convertible Notes were converted into 172,983,862 shares of the Company at a conversion price of HK$7.44 per share.

The Company issued fixed rate senior unsecured bonds in the aggregate principal amount of RMB1.38 billion (HK$1.70 billion) with fixed rate of 4.625% per year due in December 2013 ("RMB Bonds"). The RMB Bonds are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") with Stock Code No. 86002.

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 2011.

RESERVES

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

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

The Directors of the Company who served during the year were:

Dr. Che-woo Lui, *Chairman*
Mr. Francis Lui Yiu Tung, *Deputy Chairman*
Mr. Joseph Chee Ying Keung, *executive Director*
Ms. Paddy Tang Lui Wai Yu, *executive Director*
Mr. Anthony Thomas Christopher Carter, *non-executive Director*
Dr. Martin Clarke, *non-executive Director (resigned on 20 October 2011)*
Mr. Henry Lin Chen, *non-executive Director*
Mr. James Ross Ancell, *independent non-executive Director*
Dr. William Yip Shue Lam, *independent non-executive Director*
Dr. Patrick Wong Lung Tak, *independent non-executive Director*

The biographical details of the existing Directors are set out on pages 55 to 57 of this annual report.

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

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

Subject to the approval of shareholders at the forthcoming annual general meeting, the following directors' fees in respect of the year ended 31 December 2011 will be payable to the Directors:

	Chairman (HK$)	**Member** (HK$)
The Board	190,000	160,000
Audit Committee	140,000	110,000
Remuneration Committee	80,000	60,000

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 at 31 December 2011 or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES AND SHARE OPTIONS

At 31 December 2011, the interests of each Director in the shares, underlying shares and debentures of the Company, and the details of any right to subscribe for shares of the Company and of the exercise of such rights, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") or as otherwise notified to the Company and the Stock Exchange 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**
Che-woo Lui	27,537,632	2,181,518	305,401[1]	2,697,032,948[2]	2,727,057,499	65.33
Francis Lui Yiu Tung	37,906,896	–	407,558,099[3]	2,281,592,504[2]	2,727,057,499	65.33
Joseph Chee Ying Keung	3,387,000	–	–	–	3,387,000	0.08
Paddy Tang Lui Wai Yu	14,239,722	–	–	2,712,817,777[2]	2,727,057,499	65.33
James Ross Ancell	250,000	–	–	–	250,000	0.00
William Yip Shue Lam	250,000	–	–	–	250,000	0.00
Anthony Thomas Christopher Carter	2,800,000	–	–	–	2,800,000	0.06
Patrick Wong Lung Tak	–	–	–	–	–	–
Henry Lin Chen	–	–	–	–	–	–

Notes:

(1) 305,401 shares of the Company were held by Po Kay Securities & Shares Company Limited which is controlled by Dr. Che-woo Lui.

(2) A discretionary family trust established by Dr. Che-woo Lui as founder was interested in 1,708,944,231 shares of the Company. Dr. Che-woo Lui, 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. Che-woo Lui, 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 of the Company 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. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu were 988,088,717 shares, 572,648,273 shares and 1,003,873,546 shares of the Company respectively.

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

(b) Underlying shares – Share Options
Details are set out in the Share Option Scheme section below.

All the interests stated above represent long positions.

Save as disclosed above, as at 31 December 2011, 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 2011, the interests of every person (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Number of shares (Long Position)	Percentage of Issued Share Capital
City Lion Profits Corp.	2,727,057,499[(1)]	65.33
CWL Assets (PTC) Limited	1,708,944,231	40.94
ENB Topco 2 S.àr.l	2,727,057,499[(1)(3)]	65.33
Galaxy Entertainment Group Limited	2,727,057,499[(1)]	65.33
HSBC International Trustee Limited	1,709,062,231[(2)]	40.94
Mark Liaison Limited	2,727,057,499[(1)]	65.33
Permira Holdings Limited	2,727,057,499[(1)(4)]	65.33
Premium Capital Profits Limited	2,727,057,499[(1)]	65.33
Recurrent Profits Limited	2,727,057,499[(1)]	65.33
Super Focus Company Limited	2,727,057,499[(1)]	65.33

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 of the Company 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 1,413,170,293 shares, 2,301,695,498 shares, 2,727,057,499 shares, 2,717,396,644 shares, 2,198,673,499 shares, 2,713,749,320 shares, 2,612,553,460 shares and 2,457,857,345 shares of the Company respectively.

(2) Included in 1,709,062,231 shares of the Company, HSBC International Trustee Limited as the trustee of a discretionary family trust established by Dr. Che-woo Lui as founder was interested in 1,708,944,231 shares of the Company.

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

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

There was duplication of interests of:

(i) 1,708,944,231 shares of the Company between Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, CWL Assets (PTC) Limited and HSBC International Trustee Limited;

(ii) 1,313,887,206 shares of the Company between City Lion Profits Corp. and CWL Assets (PTC) Limited;

(iii) 114,504,039 shares of the Company between Mr. Francis Lui Yiu Tung and Recurrent Profits Limited;

(iv) 528,384,000 shares of the Company between ENB Topco 2 S.àr.l and Permira Holdings Limited; and

(v) apart from the above, duplication of interests also existed among Dr. Che-woo Lui, 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 of the Company held by the other parties to such arrangements for so long as such arrangements are in place. Their interests were duplicated to the extent as disclosed in the relevant notes above.

Save as disclosed above, as at 31 December 2011, the Company had not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 22 June 2011, the shareholders approved the adoption of a new share options scheme ("Share Option Scheme") and termination of the then existing share option scheme, which was adopted on 30 May 2002, (the "Old Scheme"). Options granted under the Old Scheme remain effective. No option was granted under the Share Option Scheme during the year under review. A summary of the Share Option Scheme is set out below:

(1) Purpose

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

(2) Participants

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

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

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

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

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

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

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

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

(3) Total number of shares available for issue

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

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

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 398,652,806 shares, which represented approximately 9.54% 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 and provided the Company shall issue a circular to shareholders before such approval is sought, the Company may grant options to a participant which would exceed this limit.

(5) Option period

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

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

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

(7) Payment on acceptance of the option

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

(8) Basis of determining the subscription price

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

(i) the closing price of the shares on the date of grant;

(ii) the average closing prices of the shares for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

(9) The remaining life of the Share Option Scheme

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

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 2011 were as follows:

		Number of Options						
Name	Date of grant	Held at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2011	Exercise price (HK$)	Exercise period
Che-woo Lui	28 Feb 2003	2,000,000	–	–	–	2,000,000	0.514	1 Mar 2004 – 28 Feb 2013
	21 Oct 2005	2,700,000	–	2,700,000[(a)]	–	–	4.590	22 Oct 2005 – 21 Oct 2011
	21 Oct 2005	590,000	–	590,000[(a)]	–	–	4.590	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	862,500	–	–	–	862,500	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	862,500	–	–	–	862,500	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,725,000	–	–	–	1,725,000	6.972	17 Jan 2012 – 16 Jan 2014
	8 May 2009	1,150,000	–	–	–	1,150,000	2.160	8 May 2010 – 7 May 2015
	8 May 2009	1,150,000	–	–	–	1,150,000	2.160	8 May 2011 – 7 May 2015
	8 May 2009	1,150,000	–	–	–	1,150,000	2.160	8 May 2012 – 7 May 2015
	11 Oct 2010	1,150,000	–	–	–	1,150,000	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	1,150,000	–	–	–	1,150,000	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	1,150,000	–	–	–	1,150,000	6.810	11 Oct 2013 – 10 Oct 2016

Name	Date of grant	Number of Options: Held at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2011	Exercise price (HK$)	Exercise period
Francis Lui Yiu Tung	28 Feb 2003	1,870,000	–	1,870,000[b]	–	–	0.514	1 Mar 2004 – 28 Feb 2013
	21 Oct 2005	6,000,000	–	6,000,000[a]	–	–	4.590	22 Oct 2005 – 21 Oct 2011
	21 Oct 2005	580,000	–	580,000[a]	–	–	4.590	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	1,250,000	–	–	–	1,250,000	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	1,250,000	–	–	–	1,250,000	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	2,500,000	–	–	–	2,500,000	6.972	17 Jan 2012 – 16 Jan 2014
	8 May 2009	1,666,666	–	1,666,666[b]	–	–	2.160	8 May 2010 – 7 May 2015
	8 May 2009	1,666,666	–	1,666,666[b]	–	–	2.160	8 May 2011 – 7 May 2015
	8 May 2009	1,666,668	–	–	–	1,666,668	2.160	8 May 2012 – 7 May 2015
	11 Oct 2010	1,666,666	–	–	–	1,666,666	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	1,666,666	–	–	–	1,666,666	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	1,666,668	–	–	–	1,666,668	6.810	11 Oct 2013 – 10 Oct 2016
Joseph Chee Ying Keung	21 Oct 2005	270,000	–	270,000[c]	–	–	4.590	22 Oct 2006 – 21 Oct 2011
	18 Aug 2008	383,000	–	383,000[b]	–	–	3.320	18 Aug 2009 – 17 Aug 2014
	21 Oct 2009	642,000	–	–	–	642,000	3.600	21 Oct 2010 – 20 Oct 2015
	20 Apr 2011	–	642,000	–	–	642,000	13.820	20 Apr 2012 – 19 Apr 2017
Paddy Tang Lui Wai Yu	21 Oct 2005	3,000,000	–	3,000,000[c]	–	–	4.590	22 Oct 2005 – 21 Oct 2011
	21 Oct 2005	400,000	–	400,000[c]	–	–	4.590	22 Oct 2006 – 21 Oct 2011
	17 Jan 2008	500,000	–	–	–	500,000	6.972	17 Jan 2010 – 16 Jan 2014
	17 Jan 2008	500,000	–	–	–	500,000	6.972	17 Jan 2011 – 16 Jan 2014
	17 Jan 2008	1,000,000	–	–	–	1,000,000	6.972	17 Jan 2012 – 16 Jan 2014
	8 May 2009	666,666	–	–	–	666,666	2.160	8 May 2010 – 7 May 2015
	8 May 2009	666,666	–	–	–	666,666	2.160	8 May 2011 – 7 May 2015
	8 May 2009	666,668	–	–	–	666,668	2.160	8 May 2012 – 7 May 2015
	11 Oct 2010	666,666	–	–	–	666,666	6.810	11 Oct 2011 – 10 Oct 2016
	11 Oct 2010	666,666	–	–	–	666,666	6.810	11 Oct 2012 – 10 Oct 2016
	11 Oct 2010	666,668	–	–	–	666,668	6.810	11 Oct 2013 – 10 Oct 2016
James Ross Ancell	21 Oct 2005	250,000	–	250,000[c]	–	–	4.590	22 Oct 2006 – 21 Oct 2011
William Yip Shue Lam	21 Oct 2005	250,000	–	250,000[d]	–	–	4.590	22 Oct 2006 – 21 Oct 2011
Anthony Thomas Christopher Carter	21 Oct 2005	2,500,000	–	2,500,000[a]	–	–	4.590	22 Oct 2005 – 21 Oct 2011
Patrick Wong Lung Tak	–	–	–	–	–	–	–	–
Henry Lin Chen	–	–	–	–	–	–	–	–

		Number of Options							
Name	Date of grant	Held at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2011	Exercise price (HK$)	Exercise period	
Employees	28 Feb 2003	110,000	–	–	–	110,000	0.514	1 Mar 2004 – 28 Feb 2013	
(in aggregate)	21 Oct 2005	747,000	–	747,000[e]	–	–	4.590	22 Oct 2006 – 21 Oct 2011	
	17 Jan 2008	625,000	–	–	–	625,000	6.972	17 Jan 2010 – 16 Jan 2014	
	17 Jan 2008	625,000	–	–	–	625,000	6.972	17 Jan 2011 – 16 Jan 2014	
	17 Jan 2008	1,250,000	–	–	–	1,250,000	6.972	17 Jan 2012 – 16 Jan 2014	
	18 Aug 2008	1,032,000	–	580,000[f]	–	452,000	3.320	18 Aug 2009 – 17 Aug 2014	
	8 May 2009	8,030,659	–	4,887,995[g]	33,333	3,109,331	2.160	8 May 2010 – 7 May 2015	
	8 May 2009	11,931,655	–	7,574,329[h]	–	4,357,326	2.160	8 May 2011 – 7 May 2015	
	8 May 2009	11,931,690	–	–	–	11,931,690	2.160	8 May 2012 – 7 May 2015	
	21 Oct 2009	2,612,000	–	1,835,000[i]	–	777,000	3.600	21 Oct 2010 – 20 Oct 2015	
	11 Feb 2010	1,650,330	–	1,423,298[j]	–	227,032	2.910	11 Feb 2011 – 10 Feb 2016	
	11 Feb 2010	1,650,330	–	–	–	1,650,330	2.910	11 Feb 2012 – 10 Feb 2016	
	11 Feb 2010	1,650,340	–	–	–	1,650,340	2.910	11 Feb 2013 – 10 Feb 2016	
	23 Jul 2010	9,992,992	–	3,584,662[k]	166,666	6,241,664	4.670	23 Jul 2011 – 22 Jul 2016	
	23 Jul 2010	9,992,992	–	–	733,332	9,259,660	4.670	23 Jul 2012 – 22 Jul 2016	
	23 Jul 2010	9,993,016	–	–	733,336	9,259,680	4.670	23 Jul 2013 – 22 Jul 2016	
	11 Oct 2010	666,666	–	–	–	666,666	6.810	11 Oct 2011 – 10 Oct 2016	
	11 Oct 2010	666,666	–	–	–	666,666	6.810	11 Oct 2012 – 10 Oct 2016	
	11 Oct 2010	666,668	–	–	–	666,668	6.810	11 Oct 2013 – 10 Oct 2016	
	20 Apr 2011	–	5,709,661	–	411,666	5,297,995	13.820	20 Apr 2012 – 19 Apr 2017	
	20 Apr 2011	–	1,707,661	–	166,666	1,540,995	13.820	20 Apr 2013 – 19 Apr 2017	
	20 Apr 2011	–	1,707,678	–	166,668	1,541,010	13.820	20 Apr 2014 – 19 Apr 2017	
Others	21 Oct 2005	3,500,000	–	3,500,000[l]	–	–	4.590	22 Oct 2005 – 21 Oct 2011	
	8 May 2009	568,000	–	568,000[b]	–	–	2.160	8 May 2011 – 7 May 2015	
	8 May 2009	568,000	–	–	–	568,000	2.160	8 May 2012 – 7 May 2015	

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$17.12.

b. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$9.42.

c. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$14.44.

d. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$12.00.

e. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$10.62.

f. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$13.39.

g. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$12.91.

h. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$14.33.

i. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$13.31.

j. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$13.01.

k. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$19.95.

l. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$11.62.

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 value of the options granted on 20 April 2011 is estimated at HK$5.81 or HK$5.96, per option based on the Black-Scholes valuation model. The significant inputs into the model are share price of HK$13.82 on the date of grant, exercise price of HK$13.82, standard deviation of expected share price return of 65%, expected life of options of 3 to 5 years, expected dividend paid out rate of 2% and annual risk-free interest rate of 1.3% to 1.8%. The volatility measured at the standard deviation of expected share price return is based on the historical share price movement of the Company in the relevant periods matching expected time to exercise prior to the date of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

The closing prices of the shares immediately before the dates on which the share options were granted on 20 April 2011 was HK$13.04.

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.

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 54 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, 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$34,980,000 (2010: HK$20,854,000).

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2011 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. Che-woo Lui
Chairman

Hong Kong, 15 March 2012

REPORT OF INDEPENDENT AUDITOR

pwc

羅兵咸永道

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

We have audited the consolidated financial statements of Galaxy Entertainment Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 71 to 152, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 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 about whether the consolidated financial statements are free from material misstatement.

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

pwc

羅兵咸永道

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 2011 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, 15 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	6	**41,186,446**	19,262,133
Other income/gains, net	8(a)	**130,209**	25,456
Special gaming tax and other related taxes to the Macau Government		**(15,116,844)**	(6,966,527)
Commission and allowances to gaming counterparties		**(14,993,995)**	(7,594,026)
Raw materials and consumables used		**(750,250)**	(601,691)
Amortisation and depreciation		**(1,247,898)**	(510,519)
Employee benefit expenses		**(3,275,854)**	(1,342,296)
Other operating expenses		**(2,476,195)**	(975,903)
Net loss on buyback of guaranteed notes		**–**	(133,175)
Finance costs	10	**(399,597)**	(59,142)
Change in fair value of derivative under the convertible notes		**(164,718)**	(286,058)
Share of profits less losses of:			
Jointly controlled entities	20(a)	**169,468**	141,866
Associated companies	21(a)	**456**	(857)
Profit before taxation	8(b)	**3,061,228**	959,261
Taxation charge	11	**(31,612)**	(44,725)
Profit for the year		**3,029,616**	914,536
Attributable to:			
Equity holders of the Company	31	**3,003,908**	898,455
Non-controlling interests		**25,708**	16,081
		3,029,616	914,536
		HK cents	HK cents
Earnings per share	13		
Basic		**72.8**	22.8
Diluted		**71.4**	22.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**3,029,616**	914,536
Other comprehensive income		
Change in fair value of non-current investments	**36,422**	11,528
Currency translation differences	**69,168**	31,629
Change in fair value of cash flow hedges	**(63,475)**	–
Derecognition of cash flow hedges	**–**	5,890
Other comprehensive income for the year, net of tax	**42,115**	49,047
Total comprehensive income for the year	**3,071,731**	963,583
Total comprehensive income attributable to:		
Equity holders of the Company	**3,032,474**	941,143
Non-controlling interests	**39,257**	22,440
	3,071,731	963,583

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**17,469,329**	12,394,439
Investment properties	16	**77,000**	77,000
Leasehold land and land use rights	17	**4,444,253**	4,330,351
Intangible assets	18	**1,270,424**	1,320,129
Jointly controlled entities	20	**1,169,155**	1,042,147
Associated companies	21	**458**	–
Long-term pledged bank deposits	28	**1,702,230**	–
Other non-current assets	23	**348,179**	486,307
		26,481,028	19,650,373
Current assets			
Inventories	24	**138,471**	87,113
Debtors and prepayments	25	**1,578,636**	852,634
Amounts due from jointly controlled entities	26	**298,194**	143,059
Derivative financial instruments	22	**–**	2,475
Taxation recoverable		**8,379**	1,562
Other investments	27	**8,330**	20,463
Other cash equivalents	28	**1,238,562**	258,800
Cash and bank balances	28	**6,012,706**	4,169,695
		9,283,278	5,535,801
Total assets		**35,764,306**	25,186,174

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
EQUITY			
Share capital	29	**417,421**	395,440
Reserves	31	**13,804,605**	8,801,497
Shareholders' funds		**14,222,026**	9,196,937
Non-controlling interests		**421,201**	377,614
Total equity		**14,643,227**	9,574,551
LIABILITIES			
Non-current liabilities			
Borrowings	32	**10,530,722**	7,143,507
Deferred taxation liabilities	33	**276,220**	277,555
Derivative financial instruments	22	**63,475**	–
Provisions	34	**101,234**	115,150
Retention payable		**155,984**	67,647
		11,127,635	7,603,859
Current liabilities			
Creditors and accruals	35	**8,829,439**	5,243,615
Amounts due to jointly controlled entities	26	**14,875**	23,763
Current portion of borrowings	32	**1,141,862**	2,282,725
Derivative financial instruments	22	**–**	387,242
Provision for tax		**7,268**	70,419
		9,993,444	8,007,764
Total liabilities		**21,121,079**	15,611,623
Total equity and liabilities		**35,764,306**	25,186,174
Net current liabilities	2	**(710,166)**	(2,471,963)
Total assets less current liabilities		**25,770,862**	17,178,410

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

COMPANY BALANCE SHEET

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	19	**3,830,001**	3,830,001
Amounts due from subsidiaries	19	**15,978,217**	5,365,053
Long-term pledged bank deposits	28	**1,702,230**	–
		21,510,448	9,195,054
Current assets			
Debtors and prepayments	25	**2,582**	1,009
Derivative financial instruments	22	**–**	2,475
Cash and bank balances	28	**381,512**	1,612,107
		384,094	1,615,591
Total assets		**21,894,542**	10,810,645
EQUITY			
Share capital	29	**417,421**	395,440
Reserves	31	**18,891,087**	6,672,029
Shareholders' funds		**19,308,508**	7,067,469
LIABILITIES			
Non-current liabilities			
Borrowings	32	**1,667,990**	1,573,794
		1,667,990	1,573,794
Current liabilities			
Creditors and accruals	35	**27,064**	36,271
Amount due to a subsidiary	19	**710,980**	–
Current portion of borrowings	32	**180,000**	1,745,869
Derivative financial instruments	22	**–**	387,242
		918,044	2,169,382
Total liabilities		**2,586,034**	3,743,176
Total equity and liabilities		**21,894,542**	10,810,645
Net current liabilities		**(533,950)**	(553,791)
Total assets less current liabilities		**20,976,498**	8,641,263

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations	36	**6,295,897**	2,384,953
Hong Kong profits tax paid		**(88,413)**	(17,382)
Mainland China income tax and Macau complementary tax paid		**(14,502)**	(12,104)
Interest paid		**(494,541)**	(257,433)
Income from cashflow hedges		**–**	7,590
Net cash from operating activities		**5,698,441**	2,105,624
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,510,327)**	(4,521,269)
Purchase of leasehold land		**–**	(23,504)
Purchase of intangible assets		**(90,801)**	(47,608)
Proceeds from sale of property, plant and equipment		**21,931**	4,161
Investments in jointly controlled entities		**(28,295)**	–
Increase in amounts due from jointly controlled entities		**(127,780)**	(51,503)
Deferred expenditure		**(426)**	(348)
Increase in deferred receivable		**(2,072)**	(5,745)
Decrease in finance lease receivable		**10,428**	18,183
Decrease in non-current investments		**2,107**	4,784
Increase in deposits paid for purchase of property, plant and equipment		**(11,900)**	(214,376)
Interest received		**59,762**	8,621
Increase in bank deposits		**(358,503)**	–
Dividends received from jointly controlled entities		**122,704**	86,680
Dividends received from listed investments		**181**	–
Net cash used in investing activities		**(4,912,991)**	(4,741,924)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from financing activities			
Issue of new shares		**162,405**	37,708
New bank loans		**3,954,094**	5,398,043
Repayment of bank loans		**(454,965)**	(116,160)
Increase in pledged bank deposits		**(1,659,274)**	(5,661)
New fixed rate bonds		**–**	1,595,523
Buyback of guaranteed notes		**–**	(3,105,475)
Capital element of finance lease payments		**(409,512)**	(404,311)
Increase/(decrease) in loan from non-controlling interests		**19,097**	(1,556)
Dividends paid to non-controlling interests		**(17,417)**	(8,968)
Injection of capital from non-controlling interests		**21,747**	97,545
Net cash from financing activities		**1,616,175**	3,486,688
Net increase in cash and cash equivalents		**2,401,625**	850,388
Cash and cash equivalents at beginning of year		**4,369,255**	3,516,490
Changes in exchange rates		**22,208**	2,377
Cash and cash equivalents at end of year	28	**6,793,088**	4,369,255

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital HK$'000	Reserves HK$'000	Shareholders' funds HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	394,159	7,774,378	8,168,537	266,597	8,435,134
Comprehensive income					
Profit for the year	–	898,455	898,455	16,081	914,536
Other comprehensive income					
Change in fair value of non-current investments	–	11,528	11,528	–	11,528
Currency translation differences	–	25,270	25,270	6,359	31,629
Derecognition of cash flow hedges	–	5,890	5,890	–	5,890
Total other comprehensive income, net of tax	–	42,688	42,688	6,359	49,047
Total comprehensive income for the year	–	941,143	941,143	22,440	963,583
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	97,545	97,545
Dividend paid to non-controlling interests	–	–	–	(8,968)	(8,968)
Issue of shares upon exercise of share options	1,281	34,553	35,834	–	35,834
Fair value of share options granted	–	51,423	51,423	–	51,423
At 31 December 2010	395,440	8,801,497	9,196,937	377,614	9,574,551
Comprehensive income					
Profit for the year	–	3,003,908	3,003,908	25,708	3,029,616
Other comprehensive income					
Change in fair value of non-current investments	–	36,422	36,422	–	36,422
Currency translation differences	–	55,619	55,619	13,549	69,168
Change in fair value of cash flow hedges	–	(63,475)	(63,475)	–	(63,475)
Total other comprehensive income, net of tax	–	28,566	28,566	13,549	42,115
Total comprehensive income for the year	–	3,032,474	3,032,474	39,257	3,071,731
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	21,747	21,747
Dividend paid to non-controlling interests	–	–	–	(17,417)	(17,417)
Issue of shares upon exercise of share options	4,683	157,722	162,405	–	162,405
Issue of shares upon conversion of convertible notes	17,298	1,728,296	1,745,594	–	1,745,594
Fair value of share options granted	–	84,616	84,616	–	84,616
At 31 December 2011	**417,421**	**13,804,605**	**14,222,026**	**421,201**	**14,643,227**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 15 March 2012.

2. 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 2011, the Group's current liabilities exceeded its current assets by HK$710 million and the Company's current liabilities exceeded its current assets by HK$534 million. Taking into account the committed unutilised banking facilities of HK$2.9 billion as at 31 December 2011 and cash flows from operations, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments (principally relating to the development of Galaxy Macau™ resort at Cotai) as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

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

(a) The adoption of new/revised HKFRS

In 2011, the Group adopted the following new/revised HKFRS which are relevant to its operations.

HKAS 24 (Revised)	Related party disclosures
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Annual improvements to HKFRS published in May 2010

HKFRS 3 (Amendment)	Business Combinations
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 7 (Amendment)	Financial Instruments: Disclosures

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.

2. BASIS OF PREPARATION (Continued)

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

New standards and amendments		Effective for accounting periods beginning on or after
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Transfers of Financial Assets	1 July 2011
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying assets	1 January 2012
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKFRS 7 (Amendments)	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 7 (Amendments)	Financial Instruments: Disclosure – Mandatory Effective date of HKFRS 9 and Transitional Disclosure	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015

The Group has not early adopted the above standards and amendments 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December and the share of post acquisition results and reserves of its 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

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

3.3 Non-controlling interests

Change in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

3.4 Jointly controlled entities

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 consolidated 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence 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, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investments in associated companies of the Group include goodwill, net of any accumulated impairment loss, identified on acquisition.

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

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

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

3.6 Goodwill

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

Goodwill on acquisition of subsidiaries is included in intangible assets while goodwill on acquisition of jointly controlled entities and associated companies is included in investments in jointly controlled entities and associated companies.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant and equipment

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

No depreciation is provided on assets under construction until it is completed and is ready 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	20 to 50 years
Plant and machinery	3 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 consolidated income statement.

3.8 Investment properties

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 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.

3.10 Computer software

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

3.11 Impairment of investments in subsidiaries, associated companies, jointly controlled entities 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.

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

3.12 Deferred expenditure

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

Pre-operating costs are expensed as they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

The fair values of quoted investments are based on current 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets (Continued)

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

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

3.14 Derivative financial instruments and hedging activities

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

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

The fair value of hedging derivative is classified as a non-current asset or liability where the remaining maturity of the 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.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Derivative financial instruments and hedging activities (Continued)

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

3.15 Debtors

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

3.16 Inventories

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

3.17 Cash and cash equivalents

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

3.18 Share capital

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Borrowings

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

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

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

3.20 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 of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 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 consolidated 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 consolidated income statement.

3.21 Leases

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 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.

3.23 Provisions

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

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

3.24 Current and deferred taxation

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, 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 for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 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.

3.25 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 consolidated income statement and are charged to the consolidated income statement as incurred.

3.26 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.

3.27 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 consolidated financial statements.

3.28 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.28 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.

3.29 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 until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the profit and loss statement in the financial period in which they are incurred.

3.30 Revenue recognition

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

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

(a) Gaming operations

Revenue from gaming operations, representing the net gaming wins, is recognised when the relevant services have been rendered and is measured at the entitlement of economic inflows of the Group from the business. Contributions from the operations of Certain City Club Casinos are recognised in the consolidated income statement as set out in 3.27 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.30 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.

3.31 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 consolidated income statement, except when deferred in equity as qualifying cash flow 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 other comprehensive income.

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

(i) assets and liabilities for each balance sheet presented are translated at the exchange rate ruling at the date of that balance sheet;

(ii) income and expenses for each consolidated income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.31 Foreign currency translation (Continued)

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

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

3.32 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.

3.33 Dividend distribution

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

3.34 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.35 Financial guarantee contract

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

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

4. FINANCIAL RISK MANAGEMENT

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

The Group seeks to minimise the effects of 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.

4.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

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

In 2010, the Group had entered into forward foreign exchange contracts to manage the foreign exchange risk. There is no forward foreign exchange contract as at 31 December 2011.

The Group is not exposed to foreign exchange risk in respect of Hong Kong dollar against the United States dollar and Macau Patacas as long as these currencies are pegged. The Group has no significant foreign exchange risk in respect of Renminbi.

(ii) Price risk

The Group is exposed to equity price changes arising from equity investments held by the Group classified on the consolidated balance sheet either as other investments (note 27) or non-current investments (see note 23(a)). Other than unquoted securities held for strategic purposes, all of these investments are listed. The Group is not exposed to commodity price risk.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

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 2010, the Group was exposed to this risk through the conversion rights attached to the Convertible Notes issued by the Company as disclosed in note 32(b). During the year ended 31 December 2011, all conversion rights were exercised by the holders.

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 10% (2010: 10%) higher or lower with all other variables held constant.

	2011 **HK$'000**	2010 HK$'000
If the market price of the Company's own share price were 10% (2010: 10%) higher with all other variables held constant		
Profit after tax for the year decreased by	**–**	123,600
If the market price of the Company's own share price were 10% (2010: 10%) lower with all other variables held constant		
Profit after tax for the year increased by	**–**	110,000

(iii) Interest rate risk

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

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

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

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk (Continued)

At 31 December 2011, if interest rates on borrowings at variable rates at that date had been 0.5% higher or lower with all other variables held constant, profit after tax for the year would have been HK$45,037,000 (2010: HK$6,520,000) lower or higher, mainly as a result of higher or lower interest expense on floating rate borrowings.

At 31 December 2011, 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$25,401,000 (2010: HK$15,550,000) higher or lower.

(b) Credit risk

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

The Group has policies and guidelines in place to assess the credit worthiness of customers and gaming counterparties to ensure that credits are made to parties with an appropriate credit history and a good history of performance records. As at 31 December 2011, approximately 75% (2010: 41%) of the other debtors and deposits paid represent advances to gaming counterparties and service providers. There is a concentration of credit risk relating to advances to certain gaming counterparties. 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. See note 25 for details of debtors and further disclosure on credit risks.

The maximum exposure at 31 December 2011 to financial assets represents the unimpaired carrying amounts of respective financial assets.

(c) Liquidity risk

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

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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 2011					
Bank loans	**998,898**	**2,666,094**	**6,722,092**	**–**	**10,387,084**
Fixed rate bonds	**78,728**	**1,780,958**	**–**	**–**	**1,859,686**
Obligations under finance leases	**463,130**	**463,130**	**4,853**	**591,234**	**1,522,347**
Derivatives financial instruments	**12,650**	**25,300**	**63,250**	**–**	**101,200**
Provisions	**34,345**	**34,252**	**66,982**	**–**	**135,579**
Creditors and accruals (including non-current retention payable)	**8,795,094**	**155,364**	**620**	**–**	**8,951,078**
Amounts due to jointly controlled entities	**14,875**	**–**	**–**	**–**	**14,875**
At 31 December 2010					
Bank loans	1,015,975	737,255	3,092,079	2,595,412	7,440,721
Convertible notes	1,284,063	–	–	–	1,284,063
Fixed rate bonds	75,007	75,007	1,696,783	–	1,846,797
Obligations under finance leases	451,105	451,105	451,106	–	1,353,316
Provisions	34,655	34,345	55,868	29,394	154,262
Creditors and accruals (including non-current retention payable)	5,243,615	–	67,647	–	5,311,262
Amounts due to jointly controlled entities	23,763	–	–	–	23,763

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Company

	Within one year HK$'000	Between one to two years HK$'000	Between two to five years HK$'000	Total HK$'000
At 31 December 2011				
Bank loans	**180,060**	**–**	**–**	**180,060**
Fixed rate bonds	**78,728**	**1,780,958**	**–**	**1,859,686**
Creditors and accruals	**27,064**	**–**	**–**	**27,064**
At 31 December 2010				
Bank loans	565,433	–	–	565,433
Convertible notes	1,284,063	–	–	1,284,063
Fixed rate bonds	75,007	75,007	1,696,783	1,846,797
Creditors and accruals	36,271	–	–	36,271

4.2 Capital risk management

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

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

The gearing ratios at 31 December 2011 and 2010 were as follows.

	2011 HK$'000	2010 HK$'000
Total borrowings (note 32)	**(11,672,584)**	(9,426,232)
Less: cash and bank balances (note 28)	**6,012,706**	4,169,695
Net debt	**(5,659,878)**	(5,256,537)
Total assets less cash and bank balances	**29,751,600**	21,016,479
Gearing ratio	**19%**	25%

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011 and 2010:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2011				
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	**8,330**	**–**	**–**	**8,330**
Available-for-sale financial assets				
– Equity securities	**22**	**–**	**84,477**	**84,499**
Total	**8,352**	**–**	**84,477**	**92,829**
Liabilities				
Derivative financial instruments	**–**	**63,475**	**–**	**63,475**
Total	**–**	**63,475**	**–**	**63,475**
At 31 December 2010				
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	20,463	–	–	20,463
Available-for-sale financial assets				
– Equity securities	56	–	50,128	50,184
Derivative financial instruments	–	2,475	–	2,475
Total	20,519	2,475	50,128	73,122
Liabilities				
Derivative financial instruments	–	–	387,242	387,242
Total	–	–	387,242	387,242

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

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

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2011 and 2010:

	Available-for-sale financial assets HK$'000	Derivative financial instruments HK$'000
Opening balance as of 1 January 2011	**50,128**	**(387,242)**
Losses recognised in profit or loss	**–**	**(164,718)**
Converted into ordinary shares during the year	**–**	**551,960**
Gains recognised in equity	**36,456**	**–**
Return of capital	**(2,107)**	**–**
Closing balance as of 31 December 2011	**84,477**	**–**
Total losses for the year included in profit or loss for assets held at the end of the year	**–**	**–**
Opening balance as of 1 January 2010	43,356	(101,044)
Losses recognised in profit or loss	–	(286,198)
Gains recognised in equity	11,556	–
Return of capital	(4,784)	–
Closing balance as of 31 December 2010	50,128	(387,242)
Total losses for the year included in profit or loss for assets/liabilities held at the end of the year	–	(286,198)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

The Group tests for possible impairment or reversal of impairment for non-financial assets other than goodwill. The 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. A reversal of an impairment loss is only recognised to increase in the estimated service potential of an asset since the date when an entity last recognised an impairment loss for that asset. The determination of whether there is an increase in services potential of an asset requires significant judgement.

(b) Impairment of goodwill

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

(c) Useful lives of property, plant and equipment

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

(d) Impairment of available-for-sale financial assets

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

(e) Fair value of derivative financial instruments

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

(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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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 receivable and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each counterparty. The amount of provision made as at 31 December 2011 was HK$77,473,000 (2010: HK$76,984,000). If the financial conditions of counterparty were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(j) Other cash equivalents

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

6. REVENUE

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

	2011 HK$'000	2010 HK$'000
Sales of construction materials	**1,574,012**	1,241,715
Gaming operations		
Net gaming wins	**38,432,664**	17,622,855
Contributions from Certain City Club Casinos (note)	**118,167**	79,709
Tips received	**18,385**	11,639
Hotel operations	**1,034,318**	297,740
Administrative fees from gaming operations	**8,900**	8,475
	41,186,446	19,262,133

6. REVENUE (Continued)

(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 2011, the Group is entitled to HK$118,167,000 (2010: HK$79,709,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the Certain City Club Casinos are not recognised as expenses of the Group in the consolidated financial statements.

7. SEGMENT INFORMATION

The Board of Directors is responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, based on a measurement of adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). This measurement basis of Adjusted EBITDA excludes the effects of non-recurring income and expenditure from the operating segments, such as pre-opening expenses, sponsorship, net loss on buyback of guaranteed 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 of equity-settled share-based payments, share option expenses, donation expenses, loss on derecognition of cash flow hedges, 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.

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.

7. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK$'000	Construction materials HK$'000	Corporate and treasury management HK$'000	Total HK$'000
Year ended 31 December 2011				
Reportable segment revenue	42,742,777	1,574,012	–	44,316,789
Adjusted for:				
Certain City Club Casinos arrangement set out in note 6				
Revenue not recognised	(3,250,162)	–	–	(3,250,162)
Contributions	118,167	–	–	118,167
Others	1,652	–	–	1,652
Revenue recognised under HKFRS	39,612,434	1,574,012	–	41,186,446
Adjusted EBITDA	5,408,471	433,306	(93,108)	5,748,669
Interest income and gross earnings on finance leases				61,838
Amortisation and depreciation				(1,247,898)
Finance costs				(399,597)
Change in fair value of derivative under the convertible notes				(164,718)
Taxation charge				(31,612)
Taxation of jointly controlled entities				(25,933)
Adjusted items:				
Pre-opening expenses of Galaxy Macau™ resort at Cotai				(786,133)
Unrealised loss on listed investments				(12,133)
Share option expenses				(84,616)
Donation and sponsorship				(34,980)
Impairment of property, plant and equipment				(10,809)
Other compensation income				17,538
Profit for the year				3,029,616

7. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK$'000	Construction materials HK$'000	Corporate and treasury management HK$'000	Total HK$'000
Year ended 31 December 2010				
Reportable segment revenue	20,356,032	1,241,715	–	21,597,747
Adjusted for:				
Certain City Club Casinos arrangement set out in note 6				
Revenue not recognised	(2,416,991)	–	–	(2,416,991)
Contributions	79,709	–	–	79,709
Others	1,668	–	–	1,668
Revenue recognised under HKFRS	18,020,418	1,241,715	–	19,262,133
Adjusted EBITDA	1,974,657	348,014	(91,698)	2,230,973
Interest income and gross earnings on finance leases				14,659
Amortisation and depreciation				(510,519)
Finance costs				(59,142)
Change in fair value of derivative under the convertible notes				(286,058)
Taxation charge				(44,725)
Taxation of jointly controlled entities				(14,169)
Adjusted items:				
Net loss on buyback of guaranteed notes				(133,175)
Pre-opening expenses of Galaxy Macau™ resort at Cotai				(161,528)
Unrealised loss on listed investments				(14,669)
Share option expenses				(51,423)
Donation expenses				(20,854)
Loss on derecognition of cash flow hedges				(5,890)
Loss on disposal and impairment of certain plant and equipment				(26,553)
Other				(2,391)
Profit for the year				914,536

7. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK$'000	Construction materials HK$'000	Corporate and treasury management HK$'000	Total HK$'000
As at 31 December 2011				
Total assets	**29,892,938**	**3,754,280**	**2,117,088**	**35,764,306**
Total assets include:				
Jointly controlled entities	**12,391**	**1,156,764**	**–**	**1,169,155**
Associated companies	**–**	**458**	**–**	**458**
Additions to non-current assets	**6,198,636**	**180,985**	**5,679**	**6,385,300**
Total liabilities	**16,108,124**	**1,540,599**	**3,472,356**	**21,121,079**
As at 31 December 2010				
Total assets	20,413,296	3,151,052	1,621,826	25,186,174
Total assets include:				
Jointly controlled entities	13,325	1,028,822	–	1,042,147
Additions to non-current assets	5,557,510	327,568	33	5,885,111
Total liabilities	10,456,163	1,398,626	3,756,834	15,611,623

Geographical analysis

Year ended 31 December	2011 HK$'000	2010 HK$'000
Revenue		
Macau	**39,695,133**	18,092,665
Hong Kong	**927,753**	782,276
Mainland China	**563,560**	387,192
	41,186,446	19,262,133

7. SEGMENT INFORMATION (Continued)

Geographical analysis (Continued)

Non-current assets, other than financial instruments	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000
Macau	22,499,814	17,619,030
Hong Kong	463,998	599,800
Mainland China	1,814,986	1,431,543
	24,778,798	19,650,373

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

	2011 HK$'000	2010 HK$'000
(a) Other income/gains, net		
Rental income from investment properties	6,246	5,911
Interest income		
Bank deposits	53,272	3,708
Loans to jointly controlled entities (note 26a)	5,815	5,055
Deferred receivables (note 23c)	1,175	1,188
Dividend income from listed investments	181	–
Gross earnings on finance leases	1,576	4,708
Change in fair value of forward contracts	1,058	11,917
Reversal of provision for other liabilities	6,514	9,588
Other compensation income	17,538	–
Others	30,614	26,807
	123,989	68,882
Unrealised loss on listed investments	(12,133)	(14,669)
Change in fair value of investment properties	–	10,300
Gain/(loss) on disposal of property, plant and equipment	2,158	(20,576)
Impairment of property, plant and equipment	(10,809)	(11,770)
Foreign exchange gain/(loss)	27,004	(6,711)
	6,220	(43,426)
	130,209	25,456

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

	2011 HK$'000	2010 HK$'000
(b) Profit before taxation is stated after charging		
Depreciation	**1,037,689**	326,306
Amortisation		
Gaming licence	**106,337**	106,337
Computer software	**33,607**	12,464
Quarry site improvements	**16,216**	16,216
Overburden removal costs	**8,385**	8,385
Quarry site development	**316**	316
Leasehold land and land use rights	**45,348**	40,495
Operating lease rental		
Land and buildings	**30,674**	25,483
Royalty	**11,902**	6,899
Staff costs, including Directors' remuneration (note)	**3,275,854**	1,342,296
Outgoing in respect of investment properties	**486**	522
Auditor's remuneration		
Audit services		
Provision for the year	**10,102**	7,152
Under-provision in prior year	**37**	1,637
Non-audit services		
Provision for the year	**2,521**	418
Under/(over)-provision in prior year	**96**	(194)

Note: Staff costs is stated after amount capitalised in assets under construction in the aggregate of HK$109,676,000 (2010: HK$108,923,000), and include share option expenses of HK$84,616,000 (2010: HK$51,423,000).

9. MANAGEMENT REMUNERATION

(a) Directors' remuneration

	Fees HK$'000	Salary, allowance and benefit in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Share options (note d) HK$'000	2011 Total HK$'000	2010 Total HK$'000
Executive Directors							
Dr. Lui Che Woo	170	7,200	–	360	6,581	**14,311**	15,736
Mr. Francis Lui Yiu Tung	210	10,187	–	509	9,538	**20,444**	23,054
Mr. Joseph Chee Ying Keung	150	3,271	1,367	291	2,487	**7,566**	5,094
Ms. Paddy Tang Lui Wai Yu	150	1,992	–	100	3,815	**6,057**	4,033
	680	22,650	1,367	1,260	22,421	**48,378**	47,917
Non-executive Directors							
Dr. Moses Cheng Mo Chi	–	–	–	–	–	**–**	108
Mr. James Ross Ancell	270	–	–	–	–	**270**	250
Dr. William Yip Shue Lam	300	–	–	–	–	**300**	233
Mr. Anthony Thomas Christopher Carter	150	–	–	–	–	**150**	130
Dr. Martin Clarke	–	–	–	–	–	**–**	–
Mr. Guido Paolo Gamucci	–	–	–	–	–	**–**	–
Dr. Patrick Wong Lung Tak	300	–	–	–	–	**300**	280
Mr. Henry Lin Chen	–	–	–	–	–	**–**	–
	1,020	–	–	–	–	**1,020**	1,001
Total 2011	**1,700**	**22,650**	**1,367**	**1,260**	**22,421**	**49,398**	
Total 2010	1,601	22,013	11,203	1,221	12,880		48,918

(i) The discretionary bonuses and directors' fees paid in 2011 were in relation to performance and services for 2010.

(ii) Dr. Moses Cheng Mo Chi resigned as a non-executive Director on 22 June 2009. Directors' fees paid to Dr. Moses Cheng Mo Chi in 2010 were in relation to his services for 2009.

(iii) Mr. Guido Paolo Gamucci resigned as a Non-executive Director on 20 January 2010 and Mr. Henry Lin Chen was appointed as a Non-executive Director on the same day. Dr. Martin Clarke resigned as a non-executive Director on 20 October 2011.

9. MANAGEMENT REMUNERATION (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2010: two) Directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three individuals (2010: three) are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other emoluments	**15,803**	14,579
Discretionary bonuses	**3,602**	6,504
Retirement benefits	**425**	388
Share options (note d)	**10,498**	8,745
	30,328	30,216

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2011	2010
HK$7,500,001 – HK$8,000,000	**–**	1
HK$8,500,001 – HK$9,000,000	**1**	–
HK$10,000,001 – HK$10,500,000	**1**	1
HK$11,000,001 – HK$11,500,000	**1**	–
HK$12,000,001 – HK$12,500,000	**–**	1
	3	3

(c) Retirement benefit schemes

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

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

9. MANAGEMENT REMUNERATION (Continued)

(c) Retirement benefit schemes (Continued)

Employees in Mainland China participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 10% to 22%, dependent upon the applicable local regulations. The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above payments.

The costs of the retirement benefit schemes charged to the consolidated income statement during the year comprise contributions to the schemes of HK$78,326,000 (2010: HK$39,997,000), after deducting forfeitures of HK$8,038,000 (2010: HK$5,500,000), leaving HK$50,000 (2010: HK$27,000) available to reduce future contributions.

(d) Share options

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

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest expenses		
Guaranteed fixed rate notes and floating rate notes wholly repayable within five years	**–**	92,756
Convertible notes wholly repayable within five years	**12,766**	99,665
Fixed rate bonds wholly repayable within five years	**91,773**	3,931
Bank loans not wholly repayable within five years	**–**	98,627
Bank loans and overdrafts wholly repayable within five years	**437,347**	32,538
Obligations under finance leases wholly payable within five years	**57,080**	51,502
Other borrowing costs	**1,770**	1,795
	600,736	380,814
Amount capitalised in assets under construction	**(201,139)**	(321,672)
	399,597	59,142

11. TAXATION CHARGE

	2011 HK$'000	2010 HK$'000
Current taxation		
Hong Kong profits tax	**18,325**	19,371
Mainland China income tax	**15,250**	9,356
Macau complementary tax	**413**	485
Net (over)/under-provision in prior years (note a)	**(1,041)**	9,842
Deferred taxation (note 33)	**(1,335)**	5,671
Taxation charge	**31,612**	44,725

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year after setting off available taxation losses brought forward. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the areas in which those profits arose, these rates range from 12% to 25% (2010: 12% to 25%).

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

	2011 HK$'000	2010 HK$'000
Profit before taxation	**3,061,228**	959,261
Share of profits less losses of		
Jointly controlled entities	**(169,468)**	(141,866)
Associated companies	**(456)**	857
	2,891,304	818,252
Tax calculated at applicable tax rate	**339,640**	82,201
Income not subject to tax	**(11,579)**	(711)
Profit exempted from Macau Complementary Tax (note b)	**(651,850)**	(212,512)
Expenses not deductible for tax purpose	**75,831**	101,749
Utilisation of previously unrecognised tax losses	**(7,291)**	(6,108)
Tax losses not recognised	**275,873**	53,406
Net (over)/under-provision in prior years (note a)	**(1,041)**	9,842
Mainland China withholding tax on undistributed profit	**12,029**	16,858
Taxation charge	**31,612**	44,725

11. TAXATION CHARGE (Continued)

The weighted average applicable tax rate was 12% (2010: 10%). The increase is caused by a change in the profitability of the Group's subsidiaries in the respective areas.

(note a) The Group has settled with the Inland Revenue Department in respect of tax enquiries for a subsidiary of the Group for certain prior years tax assessments in 2010. Further tax provision of HK$15 million has been made for the year ended 31 December 2010 based on the final assessments.

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

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company includes the Company's profit of HK$10,248,424,000 (2010: loss of HK$452,820,000).

13. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible notes and share options. Diluted earnings per share for the period ended 31 December 2011 did not assume the conversion of the convertible notes at the beginning of period and to the date of conversion since the conversion would have an anti-dilutive effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

	2011 HK$'000	2010 HK$'000
Profit attributable to equity holders of the Company	**3,003,908**	898,455

	Number of shares	
	2011	2010
Weighted average number of shares for calculating basic earnings per share	**4,124,565,318**	3,945,153,249
Effect of dilutive potential ordinary shares		
Share options	**82,454,717**	36,774,541
Weighted average number of shares for calculating diluted earnings per share	**4,207,020,035**	3,981,927,790

14. DIVIDENDS

The Board of Directors does not declare any dividend for the year ended 31 December 2011 (2010: nil).

15. 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 2010	1,581,966	100,844	1,348,879	1,063,432	10,165,552	14,260,673
Exchange differences	1,340	20	8,378	8,500	13,489	31,727
Additions	2,065,129	10,670	517,178	1,343,160	2,188,562	6,124,699
Transfer	6,262,226	121,363	2,139,971	3,399,675	(11,923,235)	–
Disposals	–	(3,135)	(17,565)	(96,236)	(163)	(117,099)
At 31 December 2011	9,910,661	229,762	3,996,841	5,718,531	444,205	20,300,000
Accumulated depreciation and impairment						
At 31 December 2010	151,827	76,997	829,579	807,831	–	1,866,234
Exchange differences	590	3	5,588	7,084	–	13,265
Charge for the year	187,745	30,952	255,955	563,037	–	1,037,689
Disposals	–	(3,213)	(18,393)	(75,720)	–	(97,326)
Impairment charge	–	–	10,568	241	–	10,809
At 31 December 2011	340,162	104,739	1,083,297	1,302,473	–	2,830,671
Net book value						
At 31 December 2011	**9,570,499**	**125,023**	**2,913,544**	**4,416,058**	**444,205**	**17,469,329**
Cost						
At 31 December 2009	1,582,023	105,286	1,335,554	1,040,676	4,664,022	8,727,561
Exchange differences	941	108	5,852	5,763	–	12,664
Additions	46	234	65,717	32,094	5,501,530	5,599,621
Disposals	(1,044)	(4,784)	(58,244)	(15,101)	–	(79,173)
At 31 December 2010	1,581,966	100,844	1,348,879	1,063,432	10,165,552	14,260,673
Accumulated depreciation and impairment						
At 31 December 2009	116,323	60,873	719,450	655,451	–	1,552,097
Exchange differences	321	87	3,581	4,768	–	8,757
Charge for the year	35,288	20,751	118,465	151,802	–	326,306
Disposals	(105)	(4,714)	(15,548)	(12,329)	–	(32,696)
Impairment charge	–	–	3,631	8,139	–	11,770
At 31 December 2010	151,827	76,997	829,579	807,831	–	1,866,234
Net book value						
At 31 December 2010	1,430,139	23,847	519,300	255,601	10,165,552	12,394,439

15. 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$201,139,000 (2010: HK$321,672,000) were capitalised and included in assets under construction. A capitalisation rate of 5.88% (2010: 8.54%) was used, representing the effective finance costs of the loans used to finance the assets under construction.

(c) During the year, staff costs of HK$109,676,000 (2010: HK$108,923,000) were capitalised and included in assets under construction.

16. INVESTMENT PROPERTIES

	Group	
	2011 HK$'000	2010 HK$'000
At fair value		
Beginning of the year	**77,000**	66,700
Change in fair value	**–**	10,300
End of the year	**77,000**	77,000

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

17. LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2011	2010
	HK$'000	HK$'000
Net book value at beginning of the year	**4,330,351**	4,347,228
Exchange differences	**1,350**	114
Additions	**157,900**	23,504
Amortisation	**(45,348)**	(40,495)
Net book value at end of the year	**4,444,253**	4,330,351
Cost	**4,812,425**	4,653,133
Accumulated amortisation	**(368,172)**	(322,782)
Net book value	**4,444,253**	4,330,351
Represented by:		
Finance lease of between 10 to 50 years		
Macau	**4,206,393**	4,087,804
Hong Kong	**209,772**	215,705
	4,416,165	4,303,509
Operating lease of between 10 to 50 years		
Mainland China	**28,088**	26,842
	4,444,253	4,330,351

Leasehold land held under finance lease in Macau included a piece of land in Cotai, Macau amounting to HK$2,970 million (2010: HK$2,847 million), for which net book value of HK$784 million (2010: nil) is developed, HK$586 million (2010: HK$1,446 million) is under development and HK$1,600 million (2010: HK$1,401 million) is held for development for specific uses.

18. INTANGIBLE ASSETS

Group

	Goodwill (note a) HK$'000	Gaming licence (note b) HK$'000	Computer software HK$'000	Total HK$'000
Cost				
At 31 December 2009	33,014	16,887,329	57,300	16,977,643
Additions	–	–	47,608	47,608
At 31 December 2010	33,014	16,887,329	104,908	17,025,251
Additions	–	–	90,801	90,801
Disposals	–	–	(1,952)	(1,952)
At 31 December 2011	33,014	16,887,329	193,757	17,114,100
Accumulated amortisation and impairment				
At 31 December 2009	–	15,558,840	27,481	15,586,321
Charge for the year	–	106,337	12,464	118,801
At 31 December 2010	–	15,665,177	39,945	15,705,122
Charge for the year	–	106,337	33,607	139,944
Disposals	–	–	(1,390)	(1,390)
At 31 December 2011	–	15,771,514	72,162	15,843,676
Net book value				
At 31 December 2011	**33,014**	**1,115,815**	**121,595**	**1,270,424**
At 31 December 2010	33,014	1,222,152	64,963	1,320,129

(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 (2010: HK$28,524,000) and HK$4,490,000 (2010: 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.

19. SUBSIDIARIES

	Company 2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**1**	1
Loans receivable from a subsidiary	**3,830,000**	3,830,000
	3,830,001	3,830,001
Amounts due from subsidiaries	**15,978,217**	15,877,126
Provision	**–**	(10,512,073)
Amounts due from subsidiaries, net of provision	**15,978,217**	5,365,053
	19,808,218	9,195,054
Amount due to a subsidiary	**710,980**	–

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

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

In 2008, the Company recognised an impairment charge of HK$10.5 billion for its investment in the subsidiary as a result of market conditions at that time. In 2011, the Company reversed the impairment charge of its subsidiary due to an increase in the estimated recoverable amount. The recoverable amount was determined based on fair value less cost to sell with reference to the current performance of the subsidiary and the current market conditions.

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

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 43(a).

20. JOINTLY CONTROLLED ENTITIES

	Group 2011 HK$'000	2010 HK$'000
Share of net assets	**1,169,155**	1,042,147

20. JOINTLY CONTROLLED ENTITIES (Continued)

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

	2011 HK$'000	2010 HK$'000
Non-current assets	**1,193,945**	1,090,333
Current assets	**679,870**	531,707
Current liabilities	**(502,851)**	(403,164)
Non-current liabilities	**(201,809)**	(176,729)
	1,169,155	1,042,147
Income	**1,416,445**	1,091,955
Expenses	**(1,246,977)**	(950,089)
Share of results for the year	**169,468**	141,866

(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 43(b).

21. ASSOCIATED COMPANIES

	Group	
	2011 HK$'000	2010 HK$'000
Share of net assets	**458**	–

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

	2011 HK$'000	2010 HK$'000
Non-current assets	**15,371**	20,881
Current assets	**33,093**	11,277
Current liabilities	**(19,023)**	(11,375)
Non-current liabilities	**(28,983)**	(20,783)
	458	–
Income	**30,702**	26,015
Expenses	**(30,246)**	(26,872)
Share of results for the year	**456**	(857)

(b) Details of the associated companies are given in note 43(c).

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Current assets				
Forward foreign exchange contracts (note a)	**–**	2,475	**–**	2,475
Current liabilities				
Derivative component of the convertible notes (note 32b)	**–**	(387,242)	**–**	(387,242)
Non-current liabilities				
Interest rate swap contracts (note b)	**(63,475)**	–	**–**	–

(a) The notional principal amounts of the forward foreign exchange contracts were US$165 million as at 31 December 2010.

(b) The notional principal amounts of the outstanding interest rate swap contracts were HK$1 billion as at 31 December 2011. Gains and losses recognised in the hedging reserve in equity (note 31) on interest rate swap contracts as of 31 December 2011 will be continuously released to the income statement starting from the effective date of the interest rate swap contract in June 2012 until the repayment of the bank borrowings (note 32). There was no ineffective portion during the year.

23. OTHER NON-CURRENT ASSETS

	Group	
	2011 HK$'000	2010 HK$'000
Non-current investments (note a)	**84,499**	50,184
Finance lease receivable (note b)	**34,126**	30,729
Deferred expenditure		
Overburden removal costs	**20,959**	20,316
Quarry site development	**791**	1,107
Quarry site improvements	**40,365**	56,679
Deferred receivable (note c)	**100,050**	112,916
Deposits paid for property, plant and equipment	**48,650**	214,376
Other	**18,739**	–
	348,179	486,307

23. OTHER NON-CURRENT ASSETS (Continued)

(a) Non-current investments

	Group	
	2011	2010
	HK$'000	HK$'000
Unlisted investments in overseas, at fair value (note 4.3)	**84,477**	50,128
Listed investments in Hong Kong, at fair value	**22**	56
Advances to investee companies	**23,010**	23,010
Less: Provision for impairment	**(23,010)**	(23,010)
	84,499	50,184

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

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

(b) Finance lease receivable

	Group	
	2011	2010
	HK$'000	HK$'000
Gross receivable	**50,896**	62,081
Unearned finance income	**(2,436)**	(3,193)
	48,460	58,888
Current portion included in current assets (note 25)	**(14,334)**	(28,159)
	34,126	30,729

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.

23. OTHER NON-CURRENT ASSETS (Continued)

(b) Finance lease receivable (Continued)

The finance lease is receivable in the following years:

	Minimum receipts		Present value	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Within one year	**15,507**	30,355	**14,334**	28,159
Between one to five years	**35,389**	31,726	**34,126**	30,729
	50,896	62,081	**48,460**	58,888

(c) Deferred receivable includes consideration receivable in respect of the partial disposal of a subsidiary in 2009 amounting to HK$91,201,000 (2010: HK$106,416,000) and advances to various contractors amounting to HK$8,849,000 (2010: HK$6,500,000).

The consideration receivable is unsecured, interest free and payable in seven annual instalments with first installment payable on 18 February 2012. The first instalment of this receivable of HK$15,715,000 is included in other debtors.

The whole advances are secured by assets provided by the contractors, carry interest at prevailing market rate and are repayable by monthly instalments up to 2017 (2010: up to 2016). The current portion of the receivable is included under other debtors.

24. INVENTORIES

	Group	
	2011 HK$'000	2010 HK$'000
Construction materials		
Aggregates and sand	**25,609**	27,299
Concrete pipes and blocks	**13,580**	7,431
Slag	**8,485**	–
Cement	**7,644**	9,787
Spare parts	**12,076**	12,939
Consumables	**11,499**	10,613
	78,893	68,069
Gaming and entertainment		
Playing cards	**6,137**	9,370
Food and beverages	**32,479**	3,393
Consumables	**20,962**	6,281
	59,578	19,044
	138,471	87,113

25. DEBTORS AND PREPAYMENTS

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Trade debtors, net of provision (note a)	**594,833**	363,324	**–**	–
Other debtors and deposit paid, net of provision (note b)	**901,611**	413,626	**2,383**	834
Prepayments	**50,438**	35,112	**199**	175
Amount due from associated companies (note c)	**17,420**	12,413	**–**	–
Current portion of finance lease receivable (note 23(b))	**14,334**	28,159	**–**	–
	1,578,636	852,634	**2,582**	1,009

(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 (2010: 30 to 60 days) for customers in Hong Kong and Macau and 120 to 210 days (2010: 120 to 180 days) for customers in Mainland China. These are subject to periodic reviews by management. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

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

	2011 HK$'000	2010 HK$'000
Within one month	**240,364**	142,565
Two to three months	**211,222**	113,507
Four to six months	**98,280**	65,799
Over six months	**44,967**	41,453
	594,833	363,324

25. DEBTORS AND PREPAYMENTS (Continued)

(a) (Continued)

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

	2011 HK$'000	2010 HK$'000
Renminbi	**262,884**	196,578
Hong Kong dollar	**231,486**	133,677
Macau Patacas	**100,463**	29,532
US dollar	**–**	3,537
	594,833	363,324

Included in the Group's trade debtors were debtors with a carrying amount of HK$420,720,000 (2010: HK$247,404,000) which were not yet due. Debtors with a carrying amount of HK$174,113,000 (2010: HK$115,920,000) 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:

	2011 HK$'000	2010 HK$'000
Overdue:		
Within one month	**60,997**	51,916
Two to three months	**61,574**	35,225
Four to six months	**40,506**	18,795
Over six months	**11,036**	9,984
	174,113	115,920

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

As at 31 December 2011, trade debtors of the Group amounting to HK$40,494,000 (2010: HK$39,367,000) were impaired and fully provided for. The factors the Group considered in determining whether the trade debtors were impaired are disclosed in note 3.15.

25. DEBTORS AND PREPAYMENTS (Continued)

(a) (Continued)

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

	2011 **HK$'000**	2010 HK$'000
Balance at 1 January	**39,367**	58,754
Receivables written off during the year as uncollectible	**(1,315)**	(21,189)
Exchange differences	**2,442**	1,802
Balance at 31 December	**40,494**	39,367

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

As at 31 December 2011, other debtors of the Group amounting to HK$36,979,000 (2010: HK$37,617,000) were impaired and fully provided for.

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

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

26. AMOUNTS DUE FROM/(TO) JOINTLY CONTROLLED ENTITIES

	Group	
	2011 **HK$'000**	2010 HK$'000
Amounts due from jointly controlled entities (note a)	**298,194**	143,059
Amounts due to jointly controlled entities (note b)	**(14,875)**	(23,763)

(a) Amounts receivable of HK$154,489,000 (2010: HK$89,031,000), carry interest at prevailing market rate and are repayable within one year, all of which are unsecured. The remaining amounts receivable of HK$143,705,000 (2010: HK$54,028,000) are unsecured, interest free and have no fixed terms of repayment. The amounts receivable are mainly denominated in US dollar and HK dollar.

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

27. OTHER INVESTMENTS

	Group	
	2011 **HK$'000**	2010 HK$'000
Equity securities listed in Hong Kong, at fair value	**8,330**	20,463

28. CASH AND CASH EQUIVALENTS AND OTHER BANK DEPOSITS

	Group		Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Cash at bank and on hand	**2,976,240**	1,296,663	**15,139**	13,697
Short-term bank deposits	**3,036,466**	2,873,032	**366,373**	1,598,410
Cash and bank balances	**6,012,706**	4,169,695	**381,512**	1,612,107
Less: short-term bank deposits	**(458,180)**	(59,240)	**(358,503)**	–
Other cash equivalents				
– cash chips of other casinos	**1,238,562**	258,800	**–**	–
Cash and cash equivalents	**6,793,088**	4,369,255	**23,009**	1,612,107
Short-term pledged bank deposits	**99,677**	59,240	**–**	–
Short-term bank deposits with maturity over three months	**358,503**	–	**358,503**	–
Long-term pledged bank deposits	**1,702,230**	–	**1,702,230**	–
	8,953,498	4,428,495	**2,083,742**	1,612,107

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

	Group		Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Hong Kong dollar	**5,356,804**	2,570,982	**11,432**	13,693
US dollar	**7,106**	15,061	**2**	3
Macau Patacas	**1,123,716**	89,492	**–**	–
Renminbi	**2,465,778**	1,752,076	**2,072,308**	1,597,527
UK pound	**94**	884	**–**	884
	8,953,498	4,428,495	**2,083,742**	1,612,107

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

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

	2011 HK$'000	2010 HK$'000
Counterparties with external credit rating (Standard & Poor's or Moody's)		
AA – to AA+	**317**	530,919
A – to A+	**6,085,179**	2,232,335
BBB+	**–**	631,855
BBB	**119,147**	206,025
Unrated and cash on hand	**1,510,293**	568,561
Other cash equivalents – cash chips of other casinos (note)	**1,238,562**	258,800
	8,953,498	4,428,495

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

29. SHARE CAPITAL

	Ordinary shares of HK$0.10 each	**HK$'000**
Authorised:		
At 31 December 2010 and at 31 December 2011	**9,000,000,000**	**900,000**
Issued and fully paid:		
At 31 December 2009	3,941,589,361	394,159
Issue of shares upon exercise of share options	12,808,883	1,281
At 31 December 2010	3,954,398,244	395,440
Issue of shares upon exercise of share options	46,826,616	4,683
Issue of shares upon conversion of convertible notes (note 32b)	172,983,862	17,298
At 31 December 2011	**4,174,208,722**	**417,421**

30. SHARE OPTION SCHEME

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

At the annual general meeting of the Company held on 22 June 2011, the shareholders approved the adoption of a new share option scheme and termination of the then existing share option scheme, which was adopted on 30 May 2002 (the "Old Scheme"). Options granted under the Old Scheme remain effective.

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

	2011		2010	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
At beginning of year	**4.03**	**133,246,004**	3.37	101,842,000
Granted	**13.82**	**9,767,000**	4.92	51,180,000
Exercised	**3.47**	**(46,826,616)**	2.94	(12,808,883)
Lapsed	**7.46**	**(2,411,667)**	2.94	(6,967,113)
At end of year	**5.24**	**93,774,721**	4.03	133,246,004
Vested at end of year	**4.19**	**32,174,683**	3.65	44,187,491

The weighted average share price at the date of exercise for share options exercised during the year was HK$13.78 (2010: HK$6.18).

The options outstanding at 31 December 2011 have exercise prices ranging from HK$0.514 to HK$13.82 (2010: HK$0.514 to HK$6.972) with weighted average remaining contractual life of 3.85 years (2010: 4.04 years).

30. SHARE OPTION SCHEME (Continued)

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

Exercise period	Exercise price per share HK$	Number of share options 2011	2010
Directors			
1 March 2004 to 28 February 2013	0.514	**2,000,000**	3,870,000
22 October 2005 to 21 October 2011	4.590	**–**	14,200,000
22 October 2006 to 21 October 2011	4.590	**–**	2,340,000
17 January 2010 to 16 January 2014	6.972	**2,612,500**	2,612,500
17 January 2011 to 16 January 2014	6.972	**2,612,500**	2,612,500
17 January 2012 to 16 January 2014	6.972	**5,225,000**	5,225,000
18 August 2009 to 17 August 2014	3.320	**–**	383,000
8 May 2010 to 7 May 2015	2.160	**1,816,666**	3,483,332
8 May 2011 to 7 May 2015	2.160	**1,816,666**	3,483,332
8 May 2012 to 7 May 2015	2.160	**3,483,336**	3,483,336
21 October 2010 to 20 October 2015	3.600	**642,000**	642,000
11 October 2011 to 10 October 2016	6.810	**3,483,332**	3,483,332
11 October 2012 to 10 October 2016	6.810	**3,483,332**	3,483,332
11 October 2013 to 10 October 2016	6.810	**3,483,336**	3,483,336
20 April 2012 to 19 April 2017	13.820	**642,000**	–
Employees and others			
1 March 2004 to 28 February 2013	0.514	**110,000**	110,000
22 October 2005 to 21 October 2011	4.590	**–**	3,500,000
22 October 2006 to 21 October 2011	4.590	**–**	747,000
18 August 2009 to 17 August 2014	3.320	**452,000**	1,032,000
17 January 2010 to 16 January 2014	6.972	**625,000**	625,000
17 January 2011 to 16 January 2014	6.972	**625,000**	625,000
17 January 2012 to 16 January 2014	6.972	**1,250,000**	1,250,000
8 May 2010 to 7 May 2015	2.160	**3,109,331**	8,030,659
8 May 2011 to 7 May 2015	2.160	**4,357,326**	12,499,655
8 May 2012 to 7 May 2015	2.160	**12,499,690**	12,499,690
21 October 2010 to 20 October 2015	3.600	**777,000**	2,612,000
11 February 2011 to 10 February 2016	2.910	**227,032**	1,650,330
11 February 2012 to 10 February 2016	2.910	**1,650,330**	1,650,330
11 February 2013 to 10 February 2016	2.910	**1,650,340**	1,650,340
23 July 2011 to 22 July 2016	4.670	**6,241,664**	9,992,992
23 July 2012 to 22 July 2016	4.670	**9,259,660**	9,992,992
23 July 2013 to 22 July 2016	4.670	**9,259,680**	9,993,016
11 October 2011 to 10 October 2016	6.810	**666,666**	666,666
11 October 2012 to 10 October 2016	6.810	**666,666**	666,666
11 October 2013 to 10 October 2016	6.810	**666,668**	666,668
20 April 2012 to 19 April 2017	13.820	**5,297,995**	–
20 April 2013 to 19 April 2017	13.820	**1,540,995**	–
20 April 2014 to 19 April 2017	13.820	**1,541,010**	–
		93,774,721	133,246,004

The fair value of the options granted on 20 April 2011 is estimated at HK$5.81 or HK$5.96, per option based on the Black-Scholes valuation model. The significant inputs into the model are share price of HK$13.82 on the date of grant, exercise price of HK$13.82, standard deviation of expected share price return of 65%, expected life of options of 3 to 5 years, expected dividend paid out rate of 2% and annual risk-free interest rate of 1.3% to 1.8%. The volatility measured at the standard deviation of expected share price return is based on the historical share price movement of the Company in the relevant periods matching expected time to exercise prior to the date of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

31. RESERVES

Group

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Hedging reserve HK$'000	Legal reserve (note a) HK$'000	Investment reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2011	**16,719,408**	**4,395**	**70**	**–**	**123,022**	**30,720**	**100,987**	**160,332**	**(8,337,437)**	**8,801,497**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,003,908**	**3,003,908**
Other comprehensive income										
Change in fair value of non current investments	**–**	**–**	**–**	**–**	**–**	**36,422**	**–**	**–**	**–**	**36,422**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**55,619**	**–**	**55,619**
Change in fair value of cash flow hedges	**–**	**–**	**–**	**(63,475)**	**–**	**–**	**–**	**–**	**–**	**(63,475)**
Other comprehensive income for the year, net of tax	**–**	**–**	**–**	**(63,475)**	**–**	**36,422**	**–**	**55,619**	**–**	**28,566**
Total comprehensive income for the year	**–**	**–**	**–**	**(63,475)**	**–**	**36,422**	**–**	**55,619**	**3,003,908**	**3,032,474**
Transactions with equity holders										
Issue of shares upon exercise of share options	**205,217**	**–**	**–**	**–**	**–**	**–**	**(47,495)**	**–**	**–**	**157,722**
Issue of shares upon conversion of convertible notes	**1,728,296**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,728,296**
Fair value of share options granted	**–**	**–**	**–**	**–**	**–**	**–**	**84,616**	**–**	**–**	**84,616**
Share options lapsed	**–**	**–**	**–**	**–**	**–**	**–**	**(29)**	**–**	**29**	**–**
Transfer to legal reserve	**–**	**–**	**–**	**–**	**108,022**	**–**	**–**	**–**	**(108,022)**	**–**
At 31 December 2011	**18,652,921**	**4,395**	**70**	**(63,475)**	**231,044**	**67,142**	**138,079**	**215,951**	**(5,441,522)**	**13,804,605**
At 1 January 2010	16,671,841	4,395	70	(5,890)	45,631	19,192	62,873	135,062	(9,158,796)	7,774,378
Profit for the year	–	–	–	–	–	–	–	–	898,455	898,455
Other comprehensive income										
Change in fair value of non-current investments	–	–	–	–	–	11,528	–	–	–	11,528
Currency translation differences	–	–	–	–	–	–	–	25,270	–	25,270
Derecognition of cash flow hedges	–	–	–	5,890	–	–	–	–	–	5,890
Other comprehensive income for the year, net of tax	–	–	–	5,890	–	11,528	–	25,270	–	42,688
Total comprehensive income for the year	–	–	–	5,890	–	11,528	–	25,270	898,455	941,143
Transactions with equity holders										
Issue of shares upon exercise of share options	47,567	–	–	–	–	–	(13,014)	–	–	34,553
Fair value of share options granted	–	–	–	–	–	–	51,423	–	–	51,423
Share options lapsed	–	–	–	–	–	–	(295)	–	295	–
Transfer to legal reserve	–	–	–	–	77,391	–	–	–	(77,391)	–
At 31 December 2010	16,719,408	4,395	70	–	123,022	30,720	100,987	160,332	(8,337,437)	8,801,497

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. At 31 December 2011, the legal reserve reached 25% of the subsidiary's share capital. Nil amount (2010: HK$108,022,000) 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.

31. RESERVES (Continued)

Company

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2011	**16,719,408**	**235,239**	**70**	**100,987**	**(10,383,675)**	**6,672,029**
Profit for the year	**–**	**–**	**–**	**–**	**10,248,424**	**10,248,424**
Transactions with equity holders						
Issue of shares upon exercise of share options	**205,217**	**–**	**–**	**(47,495)**	**–**	**157,722**
Issue of shares upon conversion of convertible notes	**1,728,296**	**–**	**–**	**–**	**–**	**1,728,296**
Fair value of share options granted	**–**	**–**	**–**	**84,616**	**–**	**84,616**
Share options lapsed	**–**	**–**	**–**	**(29)**	**29**	**–**
At 31 December 2011	**18,652,921**	**235,239**	**70**	**138,079**	**(135,222)**	**18,891,087**
At 1 January 2010	16,671,841	235,239	70	62,873	(9,930,958)	7,039,065
Loss for the year	–	–	–	–	(452,820)	(452,820)
Transactions with equity holders						
Issue of shares upon exercise of share options	47,567	–	–	(13,014)	–	34,553
Fair value of share options granted	–	–	–	51,423	–	51,423
Share options lapsed	–	–	–	(295)	103	(192)
At 31 December 2010	16,719,408	235,239	70	100,987	(10,383,675)	6,672,029

As at 31 December 2011, no reserves of the Company were available for distribution to shareholders (2010: nil).

32. BORROWINGS

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Bank loans				
Secured (note a)	**8,638,117**	4,615,411	**–**	–
Unsecured	**369,320**	843,225	**180,000**	565,000
	9,007,437	5,458,636	**180,000**	565,000
Other borrowings				
Convertible notes (note b)	**–**	1,180,869	**–**	1,180,869
Fixed rate bonds – unsecured (note c)	**1,667,990**	1,573,794	**1,667,990**	1,573,794
Bank loans and other borrowings	**10,675,427**	8,213,299	**1,847,990**	3,319,663
Obligations under finance leases (note d)	**997,157**	1,212,933	**–**	–
Total borrowings	**11,672,584**	9,426,232	**1,847,990**	3,319,663
Current portion included in current liabilities	**(851,599)**	(1,587,340)	**–**	(1,180,869)
Short term bank loans	**(290,263)**	(695,385)	**(180,000)**	(565,000)
	(1,141,862)	(2,282,725)	**(180,000)**	(1,745,869)
	10,530,722	7,143,507	**1,667,990**	1,573,794

(a) The bank loans of HK$8,638 million (2010: HK$4,615 million) are secured by:

(i) property, plant and equipment with net book value of HK$16,349 million (2010: HK$11,497 million);

(ii) leasehold land and land use rights with net book value of HK$2,828 million (2010: HK$2,961 million);

(iii) other assets with net book value of HK$235 million (2010: HK$245 million);

(iv) bank deposits of HK$1,802 million (2010: HK$59 million) (note 28); and

(v) shares of certain subsidiaries of the Group (note 43(a)).

In addition, cash and cash equivalents of the Group of approximately HK$3,198 million (2010: HK$1,438 million) are designated to be used for the servicing of a specific bank loan, operating costs and expenses, financing the construction and development of Galaxy Macau™ resort at Cotai and StarWorld Hotel and other specified purposes in accordance with the loan agreements.

32. BORROWINGS (Continued)

(b) On 14 December 2006, the Company issued zero coupon convertible notes (the "Convertible Notes") with an aggregate principal amount of US$240 million (approximately HK$1,872 million). The Convertible Notes are unsecured, do not carry any interest and have a maturity date of 14 December 2011. Subject to the terms of the Convertible Notes, the holders have the option to convert the Convertible Notes into ordinary shares of the Company at any time on or after 14 June 2007 up to the maturity date at the initial conversion price of HK$9.36 per share, subject to adjustment. The conversion price is 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 2011, all convertible notes with an aggregate principal amount of US$165 million (approximately HK$1,287 million) as at 31 December 2010 have been converted into ordinary shares of the Company.

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

	2011 HK$'000	2010 HK$'000
Liability under the Convertible Notes		
At beginning of the year	**1,180,869**	1,077,224
Converted during the year	**(1,193,635)**	–
Exchange difference	**–**	3,980
Interest expense	**12,766**	99,665
At end of the year	**–**	1,180,869

32. BORROWINGS (Continued)

(b) (Continued)

Interest expense on the Convertible Notes is calculated using the effective interest method by applying the effective interest rate of 9.23% (2010: 9.23%).

	2011 HK$'000	2010 HK$'000
Derivative component		
At beginning of the year	**387,242**	101,044
Change in fair value	**164,718**	286,058
Converted during the year	**(551,960)**	–
Exchange difference	**–**	140
At end of the year (note 22)	**–**	387,242

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 47% (2010: 43%) 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 2% (2010: 0.1%) during the life of the Convertible Notes.

(c) Fixed rate bonds – unsecured

In December 2010, the Company issued fixed rate senior unsecured bonds in an aggregate amount of RMB1.38 billion. The senior unsecured bonds bear fixed interest at 4.625% per annum and will be fully repayable in December 2013. The fixed rate bonds are listed on the SEHK.

32. BORROWINGS (Continued)

(d) Obligations under finance leases

The finance lease obligations are payable in the following years:

	Minimum payments		Present value	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Within one year	**463,130**	451,105	**413,454**	404,311
Between one to two years	**463,130**	451,105	**413,922**	404,311
Between two to five years	**4,853**	451,106	**3,986**	404,311
Over five years	**591,234**	–	**165,795**	–
	1,522,347	1,353,316	**997,157**	1,212,933

The future finance charges on finance lease liabilities amounted to HK$525 million (2010: HK$140 million).

(e) The borrowings are repayable as follows:

	Group					
	Bank loans		Convertible notes		Fixed rate bonds	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Within one year	**728,408**	697,545	**–**	1,180,869	**–**	–
Between one to two years	**2,377,803**	415,138	**–**	–	**1,667,990**	–
Between two to five years	**5,901,226**	2,094,424	**–**	–	**–**	1,573,794
Over five years	**–**	2,251,529	**–**	–	**–**	–
	9,007,437	5,458,636	**–**	1,180,869	**1,667,990**	1,573,794

	Company					
	Bank loans		Convertible notes		Fixed rate bonds	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Within one year	**180,000**	565,000	**–**	1,180,869	**–**	–
Between one to two years	**–**	–	**–**	–	**1,667,990**	–
Between two to five years	**–**	–	**–**	–	**–**	1,573,794
	180,000	565,000	**–**	1,180,869	**1,667,990**	1,573,794

32. BORROWINGS (Continued)

(f) Effective interest rates:

	2011				2010			
	HK$	**RMB**	**US$**	**MOP**	HK$	RMB	US$	MOP
Bank loans	**4.6%**	**6.9%**	**–**	**–**	4.6%	5.7%	–	–
Convertible Notes	**–**	**–**	**9.2%**	**–**	–	–	9.2%	–
Fixed rate bonds	**–**	**5.7%**	**–**	**–**	–	5.7%	–	–
Obligations under finance leases	**–**	**–**	**5%**	**5%**	–	–	–	5%

(g) 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	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Six months or less	**8,907,759**	5,399,395	**180,000**	565,000

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

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Bank loans	**9,007,437**	5,458,636	**9,007,437**	5,458,636	**180,000**	565,000	**180,000**	565,000
Convertible notes	**–**	1,180,869	**–**	1,225,488	**–**	1,180,869	**–**	1,225,488
Fixed rate bonds	**1,667,990**	1,573,794	**1,709,890**	1,643,881	**1,667,990**	1,573,794	**1,709,890**	1,643,881
Obligations under finance leases	**997,157**	1,212,933	**1,045,897**	1,255,314	**–**	–	**–**	–
	11,672,584	9,426,232	**11,763,224**	9,583,319	**1,847,990**	3,319,663	**1,889,890**	3,434,369

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

32. BORROWINGS (Continued)

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

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Hong Kong dollar	**8,731,108**	5,254,235	**180,000**	565,000
US dollar	**26,702**	1,180,869	**–**	1,180,869
Renminbi	**1,940,357**	1,778,195	**1,667,990**	1,573,794
Macau Patacas	**974,417**	1,212,933	**–**	–
	11,672,584	9,426,232	**1,847,990**	3,319,663

33. DEFERRED TAXATION LIABILITIES

	Group	
	2011 HK$'000	2010 HK$'000
At beginning of the year	**277,555**	271,884
(Credited)/charged to income statement	**(1,335)**	5,671
At end of the year	**276,220**	277,555

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

33. DEFERRED TAXATION LIABILITIES (Continued)

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

	Depreciation allowance HK$'000	Withholding tax on undistributed profit and others HK$'000	Fair value adjustments HK$'000	Total HK$'000
At 31 December 2009	24,229	2,075	245,580	271,884
Charged/(credited) to income statement	627	8,520	(3,476)	5,671
At 31 December 2010	24,856	10,595	242,104	277,555
(Credited)/charged to income statement	(3,575)	5,716	(3,476)	(1,335)
At 31 December 2011	**21,281**	**16,311**	**238,628**	**276,220**

Deferred taxation assets of HK$386,155,000 (2010: HK$153,695,000) arising from unused tax losses and other temporary differences totalling of HK$3,073,129,000 (2010: HK$1,161,624,000) have not been recognised in the consolidated financial statements. Unused tax losses of HK$111,187,000 (2010: HK$49,516,000) have no expiry date and the remaining balance will expire at various dates up to and including 2016 (2010: 2015).

34. PROVISIONS

Group	Environment restoration HK$'000	Quarrying right HK$'000	Total HK$'000
At 31 December 2009	103,175	61,560	164,735
Reversal of provision	(78)	–	(78)
Charged to the income statement	1,238	17,740	18,978
Applied during the year	(12,030)	(21,800)	(33,830)
At 31 December 2010	92,305	57,500	149,805
Reversal of provision	(97)	–	(97)
Charged to the income statement	1,108	17,740	18,848
Applied during the year	(11,177)	(21,800)	(32,977)
At 31 December 2011	**82,139**	**53,440**	**135,579**

34. PROVISIONS (Continued)

	Group	
	2011	2010
	HK$'000	HK$'000
Current portion	**34,345**	34,655
Non-current portion	**101,234**	115,150
	135,579	149,805

The current portion of the provisions amounting to HK$34,345,000 (2010: HK$34,655,000) is included under other creditors.

35. CREDITORS AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors (note a)	**943,626**	1,050,050	**–**	–
Other creditors	**4,408,892**	2,195,880	**–**	–
Chips issued	**2,042,824**	1,268,935	**–**	–
Loans from non-controlling interests (note b)	**68,216**	49,119	**–**	–
Accruals and provision	**1,304,342**	666,478	**27,064**	36,271
Deposits received	**61,539**	13,153	**–**	–
	8,829,439	5,243,615	**27,064**	36,271

35. CREDITORS AND ACCRUALS (Continued)

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

	2011 HK$'000	2010 HK$'000
Within one month	**724,053**	611,223
Two to three months	**99,550**	91,645
Four to six months	**35,457**	51,000
Over six months	**84,566**	296,182
	943,626	1,050,050

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

	2011 HK$'000	2010 HK$'000
Macau Patacas	**83,434**	59,006
Renminbi	**154,430**	167,932
Hong Kong dollar	**688,436**	706,932
Other	**17,326**	116,180
	943,626	1,050,050

(b) The loans payable of HK$30,016,000 (2010: HK$12,286,000) are unsecured, carrying interest at prevailing market rate and have no fixed terms of repayment. The remaining are unsecured, interest free and have no fixed terms of repayment.

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to cash generated from operations

	2011 HK$'000	2010 HK$'000
Profit before taxation	**3,061,228**	959,261
Finance costs	**399,597**	59,142
Change in fair value of derivative under the convertible notes	**164,718**	286,058
Share of profits less losses of jointly controlled entities and associated companies	**(169,924)**	(141,009)
Depreciation and amortisation	**1,247,898**	510,519
Change in fair value of investment properties	**–**	(10,300)
(Gain)/loss on disposal of property, plant and equipment	**(2,158)**	20,576
Loss on disposal of intangible assets	**562**	–
Unrealised loss on listed investments	**12,133**	14,669
Net loss on buyback of guaranteed notes	**–**	133,175
Impairment of property, plant and equipment	**10,809**	11,770
Interest income	**(60,262)**	(9,951)
Gross earnings on finance leases	**(1,576)**	(4,708)
Dividend income from listed investments	**(181)**	–
Fair value of share options granted	**84,616**	51,423
Reversal of provision for other liabilities	**(6,514)**	(9,588)
Operating profit before working capital changes	**4,740,946**	1,871,037
Increase in inventories	**(51,358)**	(2,293)
(Increase)/decrease in debtors and prepayments	**(716,924)**	128,420
Increase in creditors and accruals	**2,364,483**	372,645
(Decrease)/increase in amounts due to jointly controlled entities	**(8,888)**	19,606
Increase in amounts due from jointly controlled entities	**(27,355)**	–
Increase in amounts due from associated companies	**(5,007)**	(4,462)
Cash generated from operations	**6,295,897**	2,384,953

The principal non-cash transaction is the conversion of convertible notes discussed in note 32(b).

37. CAPITAL COMMITMENTS

	Group	
	2011	2010
	HK$'000	HK$'000
Contracted but not provided for	**365,489**	2,126,830
Authorised but not contracted for	**890,694**	2,573,747

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

	Group	
	2011	2010
	HK$'000	HK$'000
Contracted but not provided for	**41,589**	32,036
Authorised but not contracted for	**–**	–

38. 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	
	2011	2010
	HK$'000	HK$'000
First year	**56,049**	37,628
Second to fifth years inclusive	**57,219**	26,247
After the fifth year	**102,262**	87,264
	215,530	151,139

39. OPERATING LEASE RENTAL RECEIVABLE

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

	Group	
	2011	2010
	HK$'000	HK$'000
First year	**44,014**	28,613
Second to fifth years inclusive	**102,190**	102,081
After the fifth year	**47,460**	49,484
	193,664	180,178

40. RELATED PARTY TRANSACTIONS

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

(a) Interest income from jointly controlled entities amounting to HK$5,815,000 (2010: HK$5,055,000) are charged at prevailing market rate (note 26(a)).

(b) Management fee received from jointly controlled entities amounted to HK$4,185,000 (2010: HK$6,413,000) are charged at terms agreed among the parties.

(c) Rental expenses of HK$2,139,000 (2010: HK$2,037,000) 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 associated companies are disclosed in notes 26 and 25(c).

(e) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. Key management compensation amounted to HK$48,378,000 for the year ended 31 December 2011 (2010: HK$47,917,000).

41. GUARANTEES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK$10,057 million (2010: HK$10,001 million), of which HK$7,543 million (2010: HK$5,278 million) have been utilised.

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

The Group has executed guarantees in favour of a bank in respect of facilities granted to an associated company amounting to HK$9 million (2010: HK$9 million). At 31 December 2011, facilities utilised amounted to HK$9 million (2010: HK$9 million).

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

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 15 March 2012.

43. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of company	Principal place of operation	Issued share capital: Number of issued ordinary shares	Issued share capital: Number of non-voting deferred shares	Par value per share	Percentage of equity held by the Group	Principal activities
Incorporated in Hong Kong						
Bright Advice Limited	Hong Kong	10,000	–	HK$1	100	Investment holding
Doran (Hong Kong) Limited	Hong Kong	1,000	–	HK$10	100	Sale and distribution of concrete pipes
Earnmark Limited	Hong Kong	1	–	HK$1	100	Investment holding
Forcecharm (Hong Kong) Enterprises Limited	Hong Kong	10,000	–	HK$1	80	Investment holding
Galaxy Entertainment Management Services Limited	Hong Kong	1	–	HK$1	100	Provision of management services
K. Wah Asphalt Limited	Hong Kong	1,100,000	–	HK$10	100	Manufacture, sale, distribution and laying of asphalt
K. Wah Concrete Company Limited	Hong Kong	2	1,000	HK$100	100	Manufacture, sale and distribution of ready-mixed concrete
K. Wah Construction Materials (Hong Kong Region) Limited	Hong Kong	1	–	HK$1	100	Investment holding
K. Wah Construction Materials (Hong Kong) Limited	Hong Kong	2	2	HK$10	100	Provision of management services
K. Wah Construction Materials (Shaoguan) Investment Company Limited	Hong Kong	2	–	HK$1	100	Investment holding
K. Wah Construction Products Limited	Hong Kong	2	1,000	HK$100	100	Manufacture, sale and distribution of concrete products
K. Wah Materials Limited	Hong Kong	28,080,002	–	HK$1	100	Trading
K. Wah Quarry Company Limited	Hong Kong	200,002	100,000	HK$100	100	Sale of aggregates
K. Wah Trading and Development Limited	Hong Kong	2	2	HK$10	100	Investment holding
KWP Quarry Co. Limited	Hong Kong	9,000,000	–	HK$1	63.5	Quarrying
Lightway Limited	Hong Kong	2	2	HK$1	100	Property investment
Master Target Limited	Hong Kong	2	–	HK$1	100	Investment holding
Quantum Limited	Hong Kong	2	–	HK$1	100	Equipment leasing
Rainbow Country Limited	Hong Kong	2	–	HK$1	100	Investment holding
Starflow Enterprises Limited	Hong Kong	1	–	HK$1	100	Investment holding
Supreme World Investments Limited	Hong Kong	1	–	HK$1	100	Investment holding
View Faith Limited	Hong Kong	10	–	HK$1	100	Investment holding
Wealth Build Limited	Hong Kong	10	–	HK$1	100	Investment holding

43. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
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
京港嘉華諮詢(北京)有限公司	Beijing	HK$1,500,000	100	Provision of management services
Cooperative joint venture				
Nanjing K. Wah Concrete Co., Ltd.	Nanjing	US$2,800,000	100	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiajian Concrete Co., Ltd.	Shanghai	RMB17,400,000	60	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

43. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Equity joint venture				
Liupanshui Shougang K. Wah Bohong Construction Materials Company Limited	Liupanshui	RMB22,600,000	27.5^	Manufacture, sale and distribution of slag
Qianan Shougang K. Wah Construction Materials Company Limited	Qianan	RMB152,442,500	55	Manufacture, sale and distribution of slag
Sanhe Shougang K. Wah Construction Materials Company Limited	Sanhe	RMB92,190,000	41.25^	Manufacture, sale an distribution of slag
Shanghai Ganghui Concrete Co., Ltd.	Shanghai	US$4,000,000	60	Manufacture, sale and distribution of ready-mixed concrete

^ The Group can exercise control over companies' financial and operating policy through its representation of the board.

43. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

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

* Wholly owned and directly held by the Company.

The shares have been pledged to secure the Group's banking facilities (Note 32(a)).

43. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Continued)

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Number of quota	Registered share capital	Percentage of equity held by the Group	Principal activities
Incorporated in Macau					
Galaxy A Hotel Macau Limited	Macau	2#	MOP25,000	Equity: 90 Profit sharing:100	Hospitality
Galaxy C Hotel Limited	Macau	2	MOP25,000	Equity: 90 Profit sharing:100	Provision of hotel management services
Galaxy Cotai Project Management Limited	Macau	2#	MOP25,000	Equity: 90 Profit sharing:100	Provision of project management services
GC Security Services Limited	Macau	2	MOP1,000,000	Equity: 90 Profit sharing:100	Provision of security services
GM Hotel Management Limited	Macau	2#	MOP25,000	Equity: 90 Profit sharing:100	Provision of hotel management services
K. Wah Construction Materials (Macau) Limited	Macau	3	MOP30,000	100	Trading
K. Wah (Macao Commercial Offshore) Company Limited	Macau	1	MOP100,000	100	Trading
New Galaxy Entertainment Company Limited	Macau	2#	MOP25,000	Equity: 90 Profit Sharing: 100	Property holding
StarWorld Hotel Company Limited	Macau	2#	MOP100,000	Equity: 90 Profit Sharing: 100	Property holding and hospitality

The quotas have been pledged to secure the Group's banking facilities (Note 32(a)).

(b) Jointly controlled entities

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 Hong Kong					
AHK Concrete Limited	Hong Kong	1,000,000	HK$1	50	Manufacture, sale and distribution of ready-mixed concrete
AK Asphalt Limited	Hong Kong	1,000	HK$1	30	Manufacture, sale and laying of asphalt, road marking and other services

43. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Continued)

(b) Jointly controlled entities (Continued)

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
Hubei Egang K. Wah New Materials Company Limited	Hubei	RMB48,000,000	49	Manufacture, sale and distribution of slag
K. Wah Materials (Huidong) Limited	Huidong	US$8,800,000	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 Companies

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 Hong Kong					
AHK Aggregates Limited	Hong Kong	2,000,000	HK$1	36.5	Quarrying

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