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 2013 年報

GALAXY'S BUSINESS PHILOSOPHY
銀娛的經營理念

Local Market Insights
Leveraging Chinese heritage and deep understanding of Asian and Chinese customer preferences

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

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

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

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

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

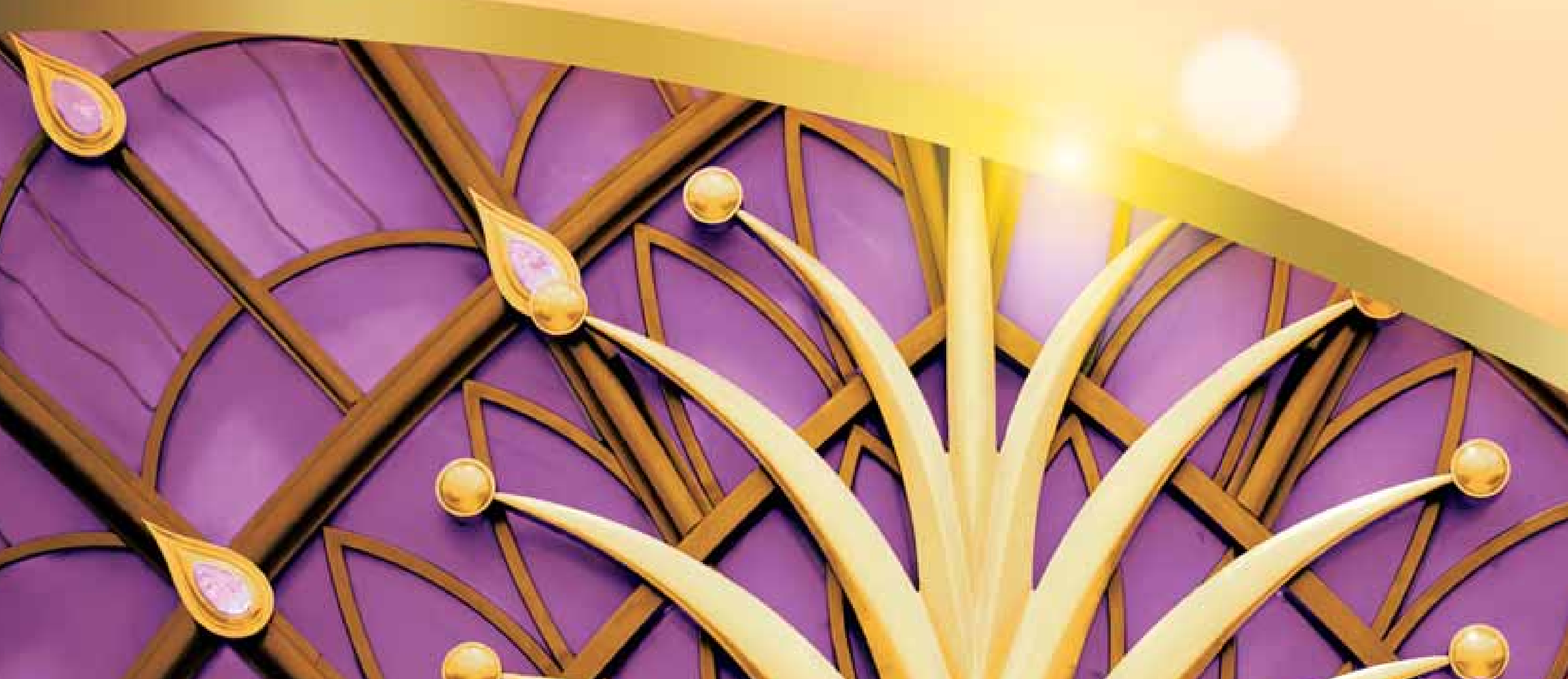
Demand Driven Strategy
Monitor the market's developments and expand prudently in a timely manner

需求主導策略
密切注意市場發展並迅速作出謹慎的應變

OUR VISION
願景

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.

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。



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CORPORATE INFORMATION

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

DEPUTY CHAIRMAN
Mr. Francis Lui Yiu Tung

EXECUTIVE DIRECTORS
Mr. Joseph Chee Ying Keung
Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

NON-EXECUTIVE DIRECTOR
Mr. Anthony Thomas Christopher Carter

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

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

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

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

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

CORPORATE GOVERNANCE COMMITTEE
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Mr. James Ross Ancell
Professor Patrick Wong Lung Tak, *BBS, JP*

COMPANY SECRETARY
Mrs. Jenifer Sin Li Mei Wah

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DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Macau) Limited
The Hongkong and Shanghai Banking Corporation Limited

listed in alphabetical order

SOLICITORS*
Jorge Neto Valente, Escritório de Advogados e Notários
Linklaters

* *listed in alphabetical order*

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

STOCK CODE
SEHK	:	27
Bloomberg	:	27 HK
Reuters	:	0027.HK
ADR	:	GXYEY

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CORPORATE PROFILE

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

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

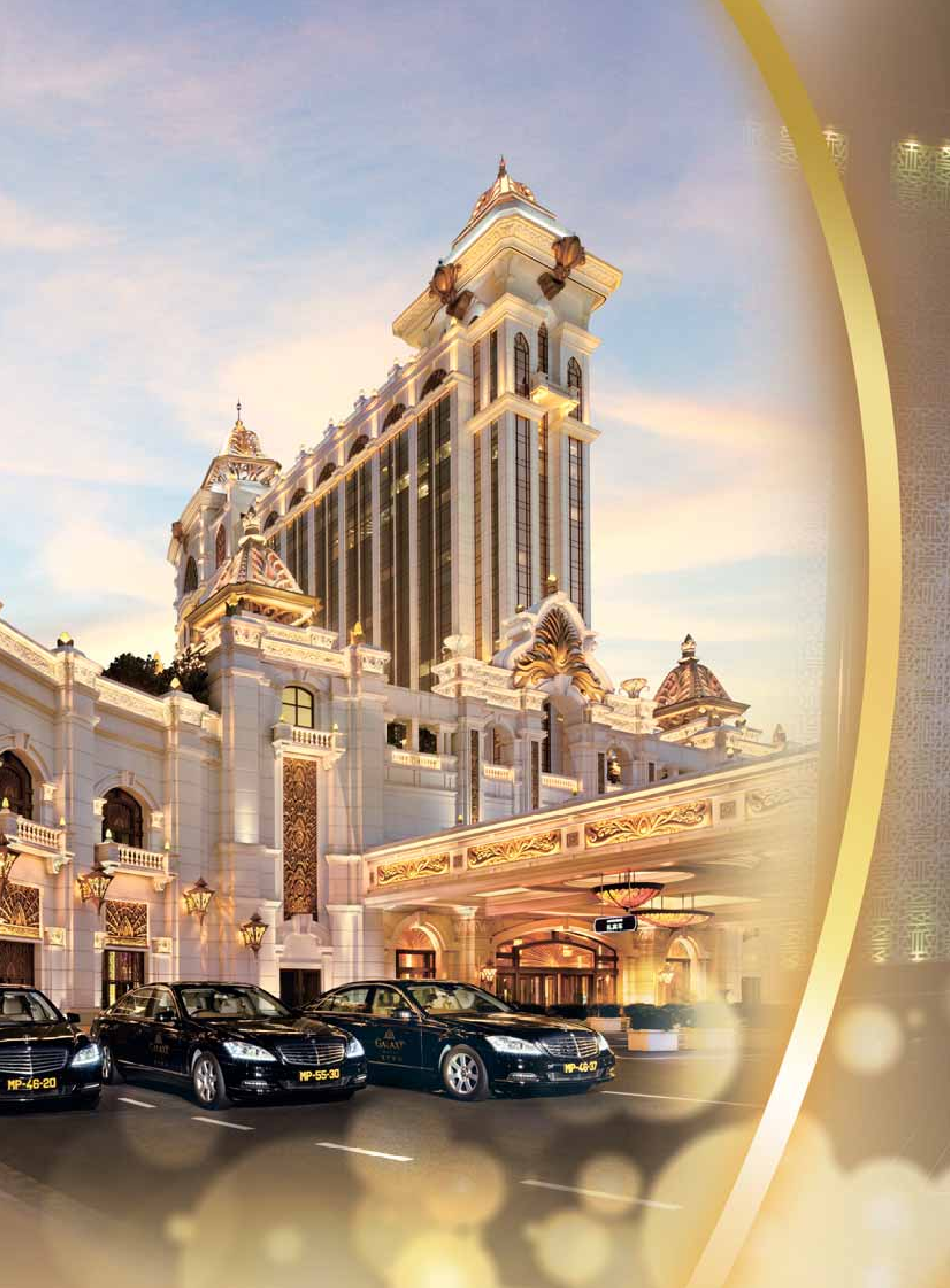
In 2004, the Group successfully entered Macau through City Clubs Casinos. This provided the Group with the opportunity to establish a presence in the Macau gaming market and build relationships with key stakeholders, such as VIP promoters. Equipped with a strong sense of the future strategic direction of the Group and leveraging the City Clubs experience, GEG opened StarWorld Macau, its stunning and highly successful flagship property in the heart of the Macau Peninsula, in 2006. StarWorld Macau, which has received more than 40 awards including the highly prestigious Five-Star Diamond Award for five consecutive years. StarWorld Macau provides world class entertainment, dining and lavishly designed 5-star luxury accommodation. It is a market leader and one of the most successful casinos in the world, with strong VIP gaming, a successful mass gaming operation and near capacity hotel occupancy.

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

In April 2012, GEG announced the launch of Phase 2 of Galaxy Macau™. Expected to complete in mid-2015, it will almost double the existing Galaxy Macau™ resort to one million square metres and comprise 3,600 rooms across five luxury hotels; over 100,000 square metres of retail space with nearly 200 high end retail outlets; approximately 100 food & beverage outlets; and an expanded meeting, event and banquet space with total capacity of 3,000 guests.

Plans for Phases 3 & 4 of GEG's remaining one million square metres of GFA in Cotai are well advanced. We expect to commence construction in 2014. Expanding GEG's entire building area on Cotai to two million square metres, Phases 3 & 4 will significantly diversify GEG's product and service offering to include a multitude of new cultural and entertainment elements predominantly targeting premium mass guests.

The ambitious HK$50 – HK$60 billion project will provide thousands of additional hotel rooms and suites; a state of the art multi-purpose arena for world class entertainment and sporting events; and a large convention centre. The Group expects that these revolutionary and captivating developments will set a new benchmark for the global leisure and tourism industry, and enhance Macau's position as a world class tourism destination.



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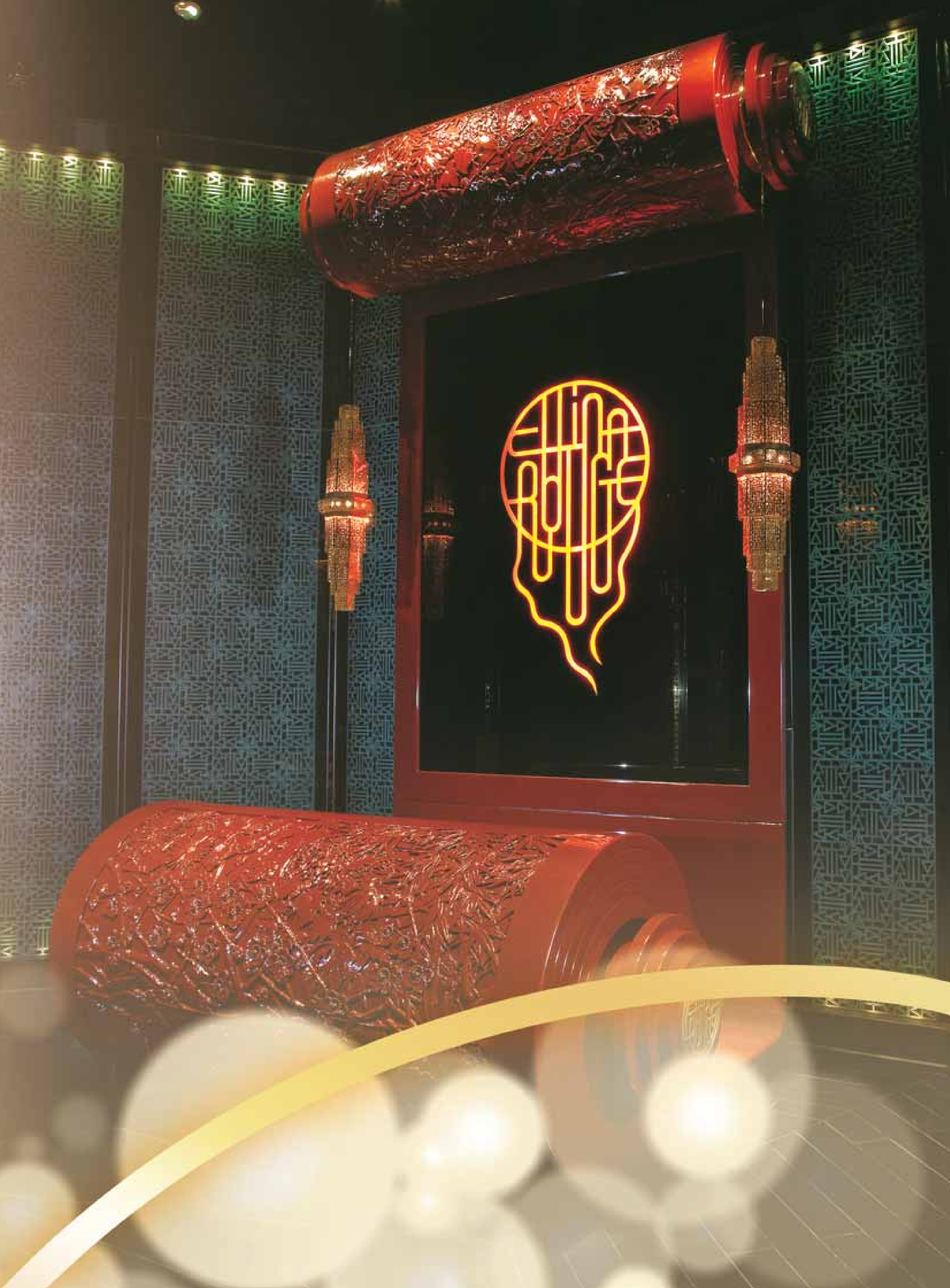

China Rouge

FINANCIAL & OPERATIONAL HIGHLIGHTS

HIGHLIGHTS FOR 2013

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

Group

- Record revenue of $66 billion, grew 16% year-on-year
- Record Adjusted EBITDA of $12.6 billion, grew 28% year-on-year
- Record net profit attributable to shareholders of $10.1 billion, grew 36% year-on-year and 41% on an adjusted basis to $10.4 billion
- Further strengthened balance sheet with cash on hand of $10.3 billion and a net cash position of $9.9 billion, and is virtually debt free after reducing borrowings by 96% from $11 billion to $450 million during the year
- GEG is included as a constituent of the Hang Seng Index effective from 17 June 2013
- Received global recognition for achievements and success by winning Casino Operator of the Year Australia/Asia at the prestigious International Gaming Awards for the third year running

Galaxy Macau™

- Record revenue of almost $40 billion, increased by 21% year-on-year
- Record Adjusted EBITDA of $8.8 billion, increased by 36% year-on-year; and achieved the 10th consecutive quarter of Adjusted EBITDA growth since opening
- Recorded the latest twelve months ROI* of 51%
- Phase 2 on budget and on schedule to complete by mid-2015 as the next major project in Macau, and target to commence the construction of Phases 3 & 4 as early as late 2014

StarWorld Macau

- Record revenue of $23.5 billion, grew 9% year-on-year
- Record Adjusted EBITDA of $3.7 billion, grew 14% year-on-year
- Remains one of the world's highest returning casinos, generating the latest twelve months ROI* of 105%

Construction Materials

- Revenue grew 18% year-on-year to $2.4 billion
- Adjusted EBITDA grew 6% year-on-year to $488 million

* ROI calculated based on the total Adjusted EBITDA for the latest twelve months divided by gross book value through 31 December 2013 including allocated land cost.

PART I: GROUP FINANCIAL HIGHLIGHTS

Revenue

(HK$'m)	2012	2013	% change
Gaming and Entertainment	54,696	**63,620**	16%
Construction Materials	2,050	**2,412**	18%
Group Total	56,746	**66,032**	16%

Adjusted EBITDA

(HK$'m)	2012	2013	% change
Gaming and Entertainment	9,534	**12,279**	29%
Construction Materials	459	**488**	6%
Corporate	(146)	**(192)**	(32%)
Group Total	9,847	**12,575**	28%

Key Financial Metrics

	2012	2013	% change
Net Profit Attributable to Shareholders (HK$'m)	7,378	**10,052**	36%
Earnings per Share (HK cents)	176.20	**238.67**	35%
Total Assets (HK$'m)	44,389	**46,257**	4%
Gearing Ratio (%) (note)	n/a	**n/a**	n/a
Share Price on 31 December (HK$)	30.35	**69.55**	129%

Note: The Group was in a net cash position as at 31 December 2013 and 31 December 2012.

PART II: GALAXY MACAU™

GALAXY™
MACAU
澳門銀河

Financials

(HK$'m)	2012	2013	% change
Revenue	33,048	**39,921**	21%
Adjusted EBITDA	6,496	**8,839**	36%
Adjusted EBITDA Margin (HK GAAP)	20%	**22%**	–
Adjusted EBITDA Margin (US GAAP)	28%	**31%**	–
ROI*	38%	**51%**	–

2013 Selected Gaming Statistics

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

2012 Selected Gaming Statistics

(HK$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	698,720	23,083	3.3%
Mass Gaming	24,706	7,291	29.5%
Electronic Gaming	19,560	1,210	6.2%

* ROI calculated based on the total Adjusted EBITDA for the latest twelve months divided by gross book value through 31 December 2013 including allocated land cost.

PART III: STARWORLD MACAU

星際酒店
StarWorld Hotel

Financials

(HK$'m)	2012	2013	% change
Revenue	21,485	**23,518**	9%
Adjusted EBITDA	3,247	**3,692**	14%
Adjusted EBITDA Margin (HK GAAP)	15%	**16%**	–
Adjusted EBITDA Margin (US GAAP)	25%	**25%**	–
ROI*	94%	**105%**	–

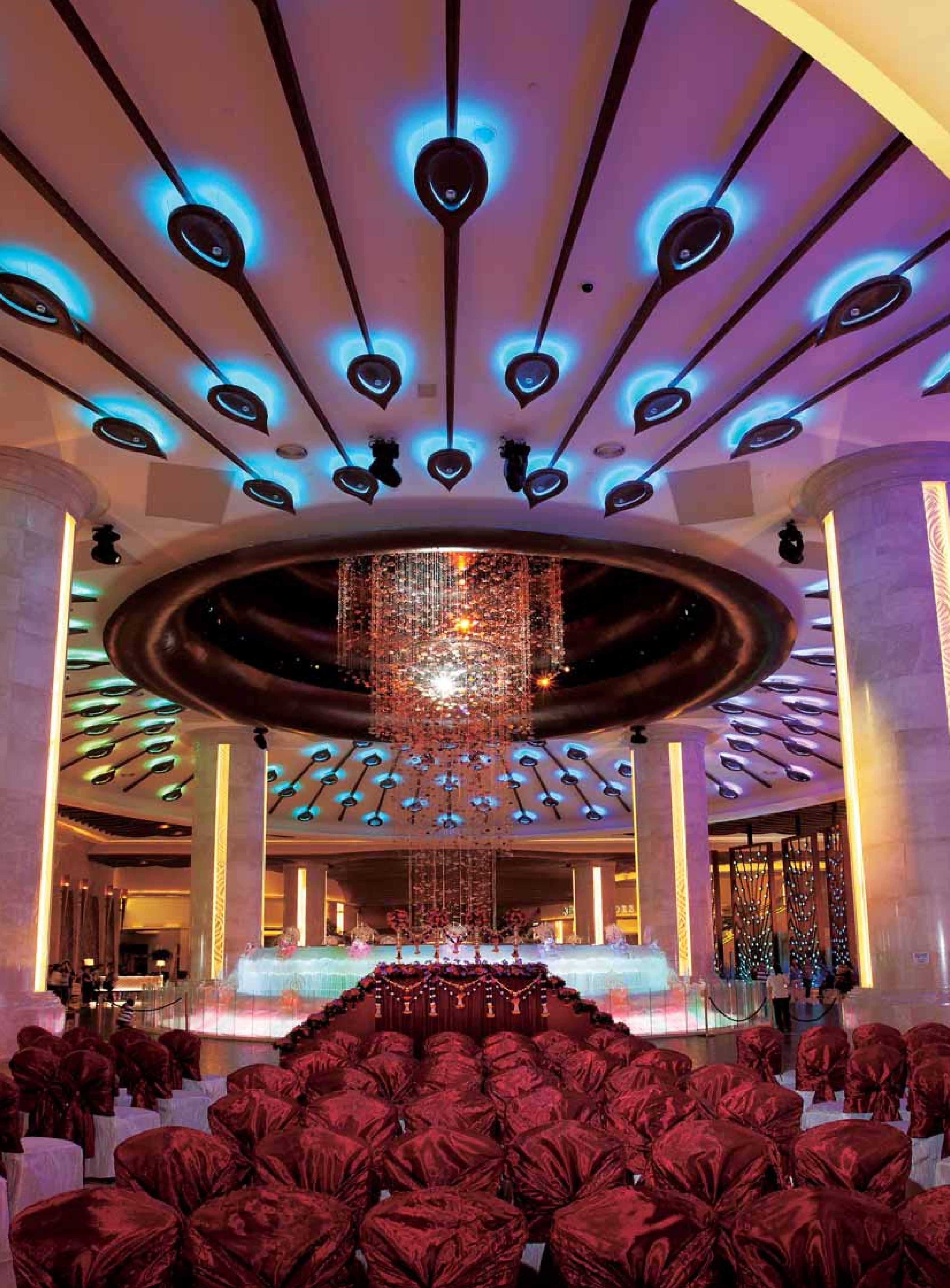
2013 Selected Gaming Statistics

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

2012 Selected Gaming Statistics

(HK$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	633,067	18,383	2.9%
Mass Gaming	9,978	2,433	23.9%
Electronic Gaming	3,545	247	7.0%

* ROI calculated based on the total Adjusted EBITDA for the latest twelve months divided by gross book value through 31 December 2013 including allocated land cost.



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

It is with great pleasure that I write to update you on the performance of our Company. 2013 was another successful and eventful year for GEG. Record highs were achieved in revenue, earnings and net profit attributable to shareholders. We strengthened the balance sheet by reducing borrowings by 96%. The Group's two flagship properties were largely responsible for driving revenue and net profit attributable to shareholders higher by 16% and 36%, respectively. Efforts to optimise the potential of Galaxy Macau™ continue to pay off, and growth initiatives implemented at StarWorld Macau in 2013 have led to a marked resurgence. Both properties finished 2013 reporting their strongest ever quarterly performances, driving GEG's full year Adjusted EBITDA through the HK$12.6 billion mark.

Development of our landbank in Cotai also gathered pace, with Phase 2 of Galaxy Macau™ on budget and on schedule to complete by mid-2015 as the next major project in Macau, and construction of Phases 3 & 4 targeted to commence as early as late 2014. We also expanded our presence in Cotai with the strategic acquisition of the Grand Waldo Complex in July 2013 which is immediately adjacent to our site in Cotai. Further out, the proposed RMB10 billion development of a 2.7 square kilometre land parcel to develop a world class destination resort in Hengqin Island will significantly differentiate us from our competitors, complement GEG's business in Macau and play a key role in supporting Macau to become a world centre of tourism and leisure. We are also exploring new opportunities to expand our brand beyond Macau into overseas markets. We are confident that our short, medium and long term roadmap for growth will enable the Group to create further value for shareholders for many years to come.

Recognising the exceptional growth and achievements of the business, GEG became a constituent of Hong Kong's benchmark Hang Seng Index in June 2013.

In addition, after careful consideration, we are very pleased to declare a special dividend of HK$0.7 per share. We believe that with our significant cash generating capability, combined with our confidence in the outlook for the future of Macau, we have the ability to continue with our development pipeline, maintain a strong balance sheet and return to shareholders.

MACAU MARKET REVIEW

Macau continues to reinforce its reputation as one of the world's most dynamic and vibrant tourism and leisure destinations. Total visitor numbers increased from a high base by 4% to 29.3 million, with Mainland visitations growing at a faster rate of 10% to 18.6 million. Visitors from the Mainland now account for 64% of all visitors. Total gaming revenues grew faster than that of 2012, increasing close to 19% to HK$350 billion. The higher margin mass segment was again the best performer recording revenue growth of 35% and VIP experienced a very encouraging 13% increase in revenue.

The long-term trend toward the mass segment shows no sign of diminishing. The increasingly affluent Chinese middle class has an appetite for travel, and this is being facilitated further by transport and infrastructure improvements such as the Guangzhou-Zhuhai Intercity Mass Rapid Transit and increased processing capabilities at the Gongbei border gate which became effective in December 2012 and June 2013 respectively.

GALAXY MACAU™

Galaxy Macau™ maintained its record of achieving growth in every quarter since opening in May 2011, with latest twelve months ROI increasing to 51%. Results were buoyed by continued outperformance in mass and VIP, with revenues growing in excess of the overall market at 44% and 15%, respectively.

STARWORLD MACAU

StarWorld Macau built on its solid performance in the first half of the year by delivering two consecutive quarters of best ever earnings to finish 2013. Fourth quarter Adjusted EBITDA surpasses the HK$1 billion level for the first time. The property's tremendous performance was a result of several factors, including a strong performance in the mass segment where revenue surged 59%. Hotel occupancy rates stood at near capacity throughout the year at 99%. The latest twelve month ROI was 105%.

CONSTRUCTION MATERIALS DIVISION

GEG's Construction Materials Division recorded a solid set of results, achieving year-on-year growth of 6% in Adjusted EBITDA to HK$488 million.

CORPORATE SOCIAL RESPONSIBILITY

As our business grows, sharing our success with the Macau, Hong Kong and Mainland China communities is becoming ever more important. During 2013, GEG implemented a number of community and volunteering initiatives and contributed close to 2,000 hours of community services. We also made donations to more than 30 charity organisations.

Furthermore, as a member of the Responsible Gaming Working Committee, GEG works closely with relevant local parties in Macau to develop a wide range of initiatives to enhance Macau's responsible gaming culture. We also take seriously our obligations in upholding the new era of a smoke-free Macau, and have significantly upped our efforts to promote conservation and environmental sustainability across the business.

Recognising the importance of sporting and educational services to Macau's well-being and long term development, we sponsored the 10th Macau Galaxy Entertainment International Marathon 2013 and launched the GEG Youth Achievement Program 2013-2014 in October, which in past years has assisted more than 900 youngsters to maximise their full potential.

MACAU MARKET OUTLOOK

We are very optimistic about Macau's prospects. The fundamental shift in the market to the mass segment, which now accounts for 30% of total gaming revenue, is positioned to continue at around these growth levels for the foreseeable future. GEG's high quality portfolio of complementary properties, which are equipped with diverse leisure and entertainment options that appeal to a broad cross section of guests, also position it well to capture this increasing set of visitors looking for a more holistic holiday experience. In terms of VIP, we expect the upward trend to continue this year, reflecting increased confidence in China's economic outlook.

Major infrastructure and transport improvement projects in the region are well underway. Within the next 3-4 years the Guangzhou-Zhuhai Super Highway ending at Hengqin Island, the Hong Kong-Zhuhai-Macau Bridge, the Light Rail Transit connecting Macau, Taipa and Cotai and improvements to the Macau International Airport, are all expected to complete, transforming again Macau's access from the Mainland China. Furthermore, we believe that Hengqin Island, which is just minutes away from Macau, will be complementary to our Macau properties and play a key role in supporting Macau's development as a world centre of tourism and leisure.

CLOSING REMARKS

2013 has been a resounding success for the Group at a financial, operational and strategic level. To achieve historic highs in revenue and earnings at both of our flagship properties for the full year basis, demonstrates that we are effectively executing our strategy to drive strong returns at our existing facilities. Simultaneously, we have created a solid financial foundation to fund our future growth aspirations.

I would like to express my sincere thanks to every team member at GEG for their unwavering commitment and passion for the business. And finally, to the Macau Government, whose foresight and stewardship, outstanding support for the industry and GEG's diversification plans, leave Macau extremely well placed to prosper for decades to come.

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

Hong Kong, 19 March 2014


GALAXY

MAJOR AWARDS & ACHIEVEMENTS

Recognising the exceptional growth and achievements GEG has made in the past years, GEG is included as a constituent of the Hang Seng Index effective from 17 June 2013. The Group also received numerous industry awards.

DR. LUI CHE WOO, Chairman of GEG

Outstanding Contribution Award
International Gaming Awards

Lifetime Achievement Award
Golden Horse Award of China Hotel

MR. FRANCIS LUI, Deputy Chairman of GEG

Best CEO in Hong Kong
FinanceAsia Magazine

Capital Leaders of Excellence Awards
Capital Magazine

MR. ROBERT DRAKE, Group Chief Financial Officer of GEG

Best CFO in Hong Kong
FinanceAsia Magazine

GEG

Casino Operator of the Year Australia/Asia
International Gaming Awards

Outstanding Listed Company Award
The Hong Kong Institute of Financial Analysts and Professional Commentators Limited

The Asset Excellence in Management and Corporate Governance Awards – Gold Award
The Asset Magazine

Overall Best Company in Hong Kong for Corporate Governance
Asiamoney Magazine

MAJOR AWARDS & ACHIEVEMENTS

Overall Best Company in Asia for Corporate Governance 2nd Place
Asiamoney Magazine

Best for Investor Relations in Hong Kong
Asiamoney Magazine

Best for Shareholders' Rights and Equitable Treatment in Hong Kong
Asiamoney Magazine

Best for Disclosure and Transparency in Hong Kong
Asiamoney Magazine

Best for Responsibilities of Management and the Board of Directors in Hong Kong
Asiamoney Magazine

Best Managed Companies in Asia 2013 – Gaming 2nd Place
Euromoney Magazine

Forbes Asia's Fabulous 50 Companies
Forbes Magazine

2013 Business Awards of the Year – Corporate Social Responsibility Excellence Award
De Ficção Multimedia Projects and Charity Association of Macau Business Readers

Best Managed Company in Hong Kong
FinanceAsia Magazine

Best Investor Relations in Hong Kong
FinanceAsia Magazine

Best Corporate Governance in Hong Kong 2nd Place
FinanceAsia Magazine

Best Corporate Social Responsibility in Hong Kong 3rd Place
FinanceAsia Magazine

Best IR Companies 3rd Place (voted by the Buy-side & Sell-side)
Institutional Investor Magazine – All Asia Executive Team Survey

Best IR Professionals (voted by the Buy side) – Mr. Peter Caveny
Institutional Investor Magazine – All Asia Executive Team Survey

Best Investor Relations Officer – Hong Kong – Mr. Peter Caveny
IR Magazine

Top 100 Comprehensive Strength
Top 10 Return on Equity
QQ.com & Finet – Top 100 HK-Listed Companies 2013

GALAXY MACAU™

Best Resort Hotel Macau
International Hotel Awards

Most Charming Resort in Asia
Golden Horse Award of China Hotel

Top 10 Resort Hotels of China
China Hotel Starlight Awards

Most Popular Brand for Tourists – Gold Trophy Award
China Media Network and Hong Kong and Macau Individual Visit Scheme Organizing Committee

U Magazine Travel Awards – The Most Favourite Hotel and Resort in Asia
U Magazine

Asia's Leading Casino Resort
World Travel Award

World Hotel • Continental Diamond – The Best Resort Hotels
World Hotel Association

Hurun Report Best of the Best Awards – Luxury Hotel in Macau Star Performer
Hurun Report

Agoda Gold Circle Award
Agoda.com

STARWORLD MACAU

Best Service Hotel of the Year
Travel Weekly Magazine and Events Magazine – China Travel and Meetings Industry Awards

Top 10 Glamorous Hotels of China
China Hotel Starlight Awards

Best Service Hotel
Golden Horse Award of China Hotel

Macau Elite Service Hotel Award
Ming Pao Weekly

Macau Best Service Hotel Award
Exmoo

The Most Popular Macau Hotel
TVB Weekly Magazine

Most Popular Brand for Tourists – Starlight Award
China Media Network and Hong Kong and Macau Individual Visit Scheme Organizing Committee

CONSTRUCTION MATERIALS DIVISION

10 Consecutive Years Plus Caring Company Logo
The Hong Kong Council of Social Service

12th Hong Kong Occupational Safety & Health Award – Best Safety Performance Award
Labour Department/Occupational Safety & Health Council

HSBC Living Business 2013 – Long Term Achievement Award
Business Environmental Council

CarbonSmart Programme – CarbonSmart Low-Carbon Commitment Partner
Hong Kong Productivity Council

Hang Seng Pan Pearl River Delta Environment Awards – 3 years+ Entrant, Green Medal
Federation of Hong Kong Industries/Hang Seng Bank

CEDD Construction Site Safety Award 2013 – Silver Award
Civil Engineering and Development Department

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

2013 was another successful and eventful year for GEG. All-time record highs were achieved in revenue and earnings, and net profit attributable to shareholders increased 36% to $10.1 billion. The balance sheet at December year-end was exceptionally strong, with $10.3 billion of cash on hand and virtually debt-free after borrowings were significantly reduced during the year. Operationally, GEG continued to optimise the potential of Galaxy Macau™ and implemented new growth initiatives at StarWorld Macau that led to its best ever yearly performance. City Clubs and the Construction Materials Division also made valuable contributions to the top and bottom line. All businesses recorded full year revenue and Adjusted EBITDA ahead of the prior year, enabling Group revenue to improve 16% year-on-year to $66 billion and Adjusted EBITDA to increase 28% year-on-year to $12.6 billion.

In its full second year of operation, Galaxy Macau™ was again instrumental in the Group's record results. Adjusted EBITDA for the full year increased by 36% to $8.8 billion, buoyed by a fourth quarter that represented its 10th consecutive quarter of earnings growth. Revenue for the year grew 21% to $40 billion and the property's ROI[1] for the latest twelve months was 51%. Excellent performances in the mass segment and record VIP volumes, were key contributing factors.

Development of the Group's remaining landbank on Cotai continued to progress on budget and on schedule with Galaxy Macau™ Phase 2 expected to complete by mid-2015 as the next major project in Macau. Plans for Cotai Phases 3 & 4 are also well advanced, with construction expected to begin as early as late 2014. In July 2013 the Group also completed a $3.25 billion strategic acquisition of the Grand Waldo Complex. Located adjacent to Galaxy Macau™, it extends GEG's casino permitted landbank in Cotai. The Group is confident that these complementary developments will provide visitors with the widest choice of entertainment, cultural and MICE facilities in Macau.

StarWorld Macau, the Group's flagship property on the Macau peninsula, registered its highest ever quarter of Adjusted EBITDA in the fourth quarter, breaking through the $1 billion threshold for the first time. A continued outperformance in mass and a notable strengthening in VIP in the second half of the year, resulted in full year Adjusted EBITDA growing 14% to $3.7 billion.

GEG is very optimistic on Macau's prospects for 2014 and beyond. The evolution of the market to mass gaming continues, momentum in the VIP segment is improving and the development of major infrastructure and transport projects is set to transform access to Macau from Mainland China and connectivity within Macau itself. Developments such as the Guangzhou-Zhuhai Intercity Mass Rapid Transit connecting to the immigration gate at Gongbei and expansion of the Gongbei gate on Zhuhai side, which became effective in December 2012 and June 2013 respectively, are already boosting visitation. GEG believes initiatives such as these will increase penetration of Chinese consumers further, enabling Macau and GEG to tap into increasingly affluent Chinese consumers and their growing appetite for travel. With a well-defined short, medium and long term development pipeline in the world's most dynamic market in Macau, GEG has confidence that it can attract the new influx of visitors, and in turn deliver long term sustainable growth to its shareholders.

Major Achievement

Reflecting the Group's impressive growth and many achievements since gaining a gaming concession in 2002, GEG reached a major milestone in its vision to be 'globally recognised as Asia's leading gaming and entertainment corporation' by becoming a constituent of Hong Kong's benchmark Hang Seng Index effective from 17 June 2013. The achievement is a fitting reward for the 16,000 team members at GEG that ensure every guest receives a 'World Class, Asian Heart' product and service experience.

Overview of the Macau Gaming Market

The Macau gaming market experienced faster year-on-year growth than that of 2012. Total gaming revenue increased by almost 19% year-on-year to $350 billion (2012: $295 billion, an increase of 14% on 2011). Visitations were up 4% to 29.3 million, with Mainland visitations growing at a faster rate of 10% to 18.6 million. Mainland visitors now account for 64% of all visitors, compared to 60% in 2012.

VIP accounts for 66% of total gaming revenue, and remains the largest segment of the market. Year-on-year revenue growth was up 13% to $232 billion.

As Macau diversifies its leisure and entertainment offering to appeal to a broader customer set, the market continues to evolve to the higher margin mass segment with revenue growing 35% to $105 billion, representing 30% of Macau's total gaming revenue. GEG is continuously refining its product offering at both of its flagship properties to capture

[1] *Return on investment ("ROI") calculated based on the total Adjusted EBITDA for the latest twelve months divided by gross book value through 31 December 2013 including allocated land cost.*

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

this growth opportunity, and combined with its planned new developments on Cotai, believes it is well positioned to benefit from this fundamental shift in the market.

Initiatives to improve accessibility to Macau from Mainland China and connectivity within Macau itself are expected to profoundly change the tourism landscape of the region, driving a new wave of visitors to Macau and its surrounding areas. Hengqin Island, which is located adjacent to Macau, will also play a key role in supporting Macau's ambitions to become the world centre of tourism and leisure.

Electronic gaming saw revenue growth of 9% in 2013, and now accounts for 4% of the total gaming market.

REVIEW OF OPERATIONS

Group Financial Results

GEG posted record full year results, generating revenue of $66 billion and Adjusted EBITDA of $12.6 billion, year-on-year increases of 16% and 28%, respectively. Net profit attributable to shareholders grew 36% to $10.1 billion. Excluding non-recurring costs associated with prepaying bank loan of approximately $0.3 billion, adjusted net profit attributable to shareholders grew 41% to $10.4 billion. All segments of the business delivered year-on-year revenue and earnings growth, with Galaxy Macau™ excelling once again by achieving Adjusted EBITDA growth of 36%. StarWorld Macau also enjoyed resurgence in 2013, achieving double digit growth in Adjusted EBITDA of 14%. GEG's Construction Materials Division and City Clubs also made solid contributions to earnings of $488 million and $181 million, respectively.

Of the gaming segments, mass was once again a strong performer at both flagship properties. Galaxy Macau™ saw net win increase from $7.3 billion in 2012 to $10.5 billion in 2013 for a 44% increase, while StarWorld Macau climbed 59% to $3.9 billion.

The Group's exceptional cash generation translated to cash on hand of $10.3 billion as of 31 December 2013, including restricted cash of $0.4 billion. The Group has a net cash position of $9.9 billion. At year-end 2013 GEG was virtually debt free after reducing total borrowings by 96% during the course of the year from $11 billion to $450 million, primarily as a result of repaying a $6.9 billion club loan, a $1.7 billion maturing RMB bond and a $1.6 billion back-to-back loan.

Set out below is the segmental analysis of the Group's operating results for the year ended 31 December 2013.

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

2012 (HK$'m)	**Gaming and Entertainment**	**Construction Materials**	**Corporate**	**Total**
Revenue	54,696	2,050	–	56,746
Adjusted EBITDA	9,534	459	(146)	9,847

Special Dividend

After careful consideration, we believe that with our significant cash generating capability, combined with our confidence in the outlook for the future of Macau that we have the ability to continue with our development pipeline, generate strong cash flow from operations, maintain a strong balance sheet and return capital to shareholders. Therefore we are pleased to declare a special dividend of $0.7 per share, payable to shareholders on or about 31 July 2014.

For the purpose of ascertaining the shareholders who are entitled to the special dividend, the register of members of GEG will be closed from Tuesday, 27 May 2014 to Friday, 30 May 2014, both days inclusive, during which period no transfer of shares will be effected.

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

GAMING AND ENTERTAINMENT DIVISION

Galaxy Macau™

Financial and Operational Performance

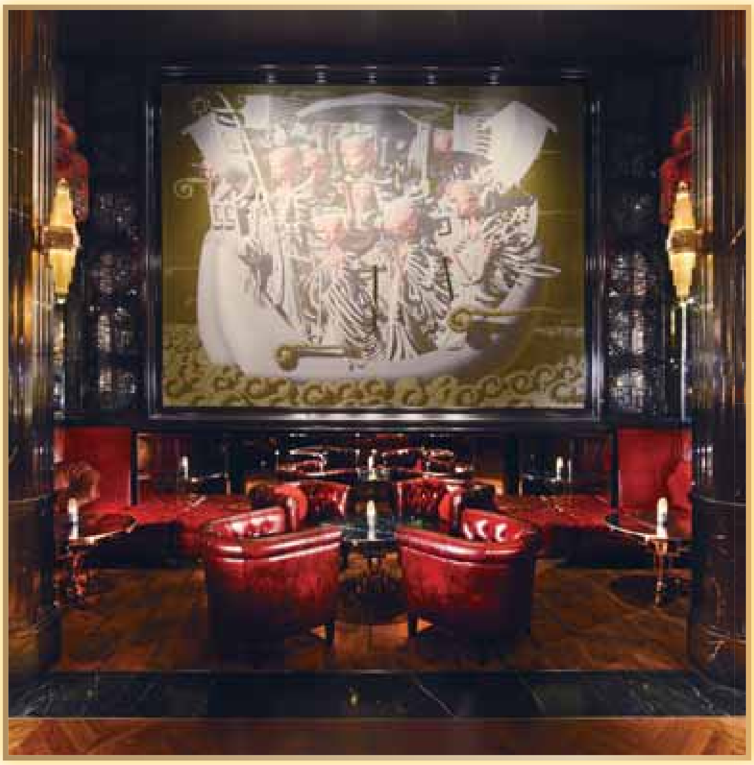
Galaxy Macau™ celebrated its second year anniversary in May 2013, and capped off another strong performance with a 10th consecutive quarter of earnings growth in the final quarter of the year. Full year revenue was $40 billion, up 21% on the prior year, which translated to an increase of 36% in Adjusted EBITDA at $8.8 billion. Latest twelve months ROI was 51%.

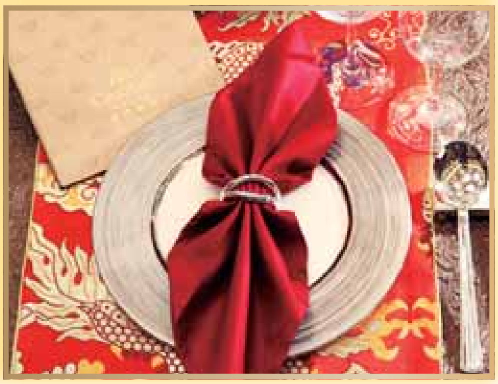
Adjusted EBITDA margin under HK GAAP rose from 20% in 2012 to 22% in 2013, and from 28% to 31% under US GAAP. This was due to continuously improving mass revenues and increased efficiency across the business.

VIP Gaming Performance

Total VIP rolling chip volume for the year was $774 billion, generating revenue of $26.5 billion, an increase of 15% year-on-year.

The property closing out the year with a strong fourth quarter with VIP net win up 37% year-on-year at $8.1 billion in the fourth quarter.





VIP Gaming HK$'m	Q1 2013	Q2 2013	Q3 2013	Q4 2013	FY 2012	FY 2013	YoY%
Turnover	168,014	178,196	191,140	236,793	698,720	**774,143**	11%
Net Win	5,910	5,965	6,473	8,143	23,083	**26,491**	15%
Win %	3.5%	3.3%	3.4%	3.4%	3.3%	**3.4%**	n/a

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

Mass Gaming Performance

In 2013, revenue in the mass market segment was $10.5 billion, up 44% year-on-year. Fourth quarter revenue was $2.9 billion, up 40% year-on-year.

Mass Gaming HK$'m	**Q1 2013**	**Q2 2013**	**Q3 2013**	**Q4 2013**	**FY 2012**	**FY 2013**	**YoY%**
Table Drop	6,694	6,845	7,012	7,345	24,706	**27,896**	13%
Net Win	2,261	2,538	2,730	2,932	7,291	**10,461**	44%
Hold %	33.8%	37.1%	38.9%	39.9%	29.5%	**37.5%**	n/a

Electronic Gaming Performance

Electronic gaming revenue was $1.5 billion in 2013, up 25% year-on-year.

Electronic Gaming HK$'m	**Q1 2013**	**Q2 2013**	**Q3 2013**	**Q4 2013**	**FY 2012**	**FY 2013**	**YoY%**
Slots Handle	6,187	7,781	8,375	7,708	19,560	**30,051**	54%
Net Win	359	383	402	371	1,210	**1,515**	25%
Hold %	5.8%	4.9%	4.8%	4.8%	6.2%	**5.0%**	n/a

Non-Gaming Performance

Non-gaming revenue was flat against the prior year at $1.5 billion.

Hotel occupancy on a combined basis at the resort's three luxury hotels was at 98% for the full year.

Cotai landbank development - Phases 2, 3 and 4

GEG is well advanced with the construction of Galaxy Macau™ Phase 2. It remains on budget and on schedule to complete by mid-2015 as the next major project in Macau. Together with Phase 1, it will boast an unparalleled selection of cuisine options under one roof; nearly 200 luxury retail outlets; total meetings, events and banquet capacity for 3,000 guests; and, approximately 3,600 luxury five star hotel rooms, suites and villas.

GEG's medium and long term growth, Phases 3 & 4 design plans on Cotai are also in the final stages and construction is expected to begin as early as late 2014. The $50 - $60 billion project will double the footprint of the first two phases. Highlights include:

- A total floor area of approximately 1 million square metres, with non-gaming amenities accounting for 95% of the total floor space
- Thousands of additional luxury hotel rooms
- A state of the art multi-purpose arena for world class entertainment and sporting events
- A large convention centre

The Group is confident that this exciting new development will enable GEG to attract the new wave of visitors as Macau develops into one of the world's most dynamic tourism and leisure destinations.

Strategic Acquisition of the Grand Waldo Complex

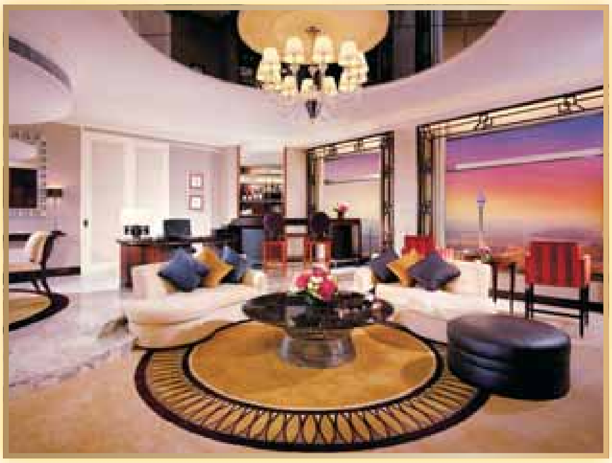
On 17 July 2013, GEG purchased 100% of the properties of the Grand Waldo Complex for a purchase price of $3.25 billion. Grand Waldo Complex is strategically located adjacent to Galaxy Macau™ and will be complementary to GEG's Cotai development with a focus on family customers. Refitting works are already underway where GEG expects to unveil its plans in mid-2014.

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

StarWorld Macau

Financial and Operational Performance

Revenue increased by 9% to $23.5 billion and Adjusted EBITDA climbed to $3.7 billion, an increase of 14% on 2012. Adjusted EBITDA margin in the year improved from 15% to 16% under HK GAAP, and stood at 25% under US GAAP (2012: 25%). StarWorld Macau reported the latest twelve months ROI of 105% (2012: 94%). Fourth quarter Adjusted EBITDA surpassed the $1 billion mark for the first time.



The property's excellent results can be attributed to a range of factors, including outperforming the market considerably in the mass segment and VIP bouncing back strongly in the second half of the year, and particularly in the final quarter where VIP volumes reached historic highs.

VIP Gaming Performance

StarWorld Macau reported VIP rolling chip volume of $662 billion in 2013, up 5% on the previous year. This translated to revenue of $19.1 billion (2012: $18.4 billion). Fourth quarter revenue grew 21% year-on-year.

Growth initiatives to reinvigorate the property's VIP offering were completed at the mid-point of the year.

Management is continuing to rework other areas of the building to ensure the property delivers the very best quality VIP products and services in aspirational surroundings.

VIP Gaming HK$'m	**Q1 2013**	**Q2 2013**	**Q3 2013**	**Q4 2013**	**FY 2012**	**FY 2013**	**YoY%**
Turnover	149,440	161,913	169,121	181,548	633,067	**662,022**	5%
Net Win	4,805	4,807	4,500	4,964	18,383	**19,076**	4%
Win %	3.2%	2.9%	2.7%	2.7%	2.9%	**2.9%**	n/a

Mass Gaming Performance

Mass Gaming continued to be the fastest growing gaming segment at StarWorld Macau. Full year revenue increased by 59% to almost $3.9 billion, with fourth quarter revenue increasing by 69% year-on-year and by 18% on a sequential basis.

Mass Gaming HK$'m	**Q1 2013**	**Q2 2013**	**Q3 2013**	**Q4 2013**	**FY 2012**	**FY 2013**	**YoY%**
Table Drop	2,664	2,663	2,829	2,935	9,978	**11,091**	11%
Net Win	802	856	1,012	1,193	2,433	**3,863**	59%
Hold %	29.6%	32.2%	35.4%	40.2%	23.9%	**34.4%**	n/a

Electronic Gaming Performance

StarWorld Macau's electronic gaming generated revenue of $209 million, down 15% on last year as a result of slightly less volume and a lower win rate for the year.

Electronic Gaming HK$'m	**Q1 2013**	**Q2 2013**	**Q3 2013**	**Q4 2013**	**FY 2012**	**FY 2013**	**YoY%**
Slots Handle	898	777	744	781	3,545	**3,200**	(10%)
Net Win	64	48	44	53	247	**209**	(15%)
Hold %	7.1%	6.1%	5.9%	6.8%	7.0%	**6.5%**	n/a

Non-Gaming Performance

Non-gaming revenue was $364 million (2012: $416 million). The decline was primarily due to a change in accounting practices related to travel related revenue plus the closure of a restaurant for refurbishment.

Hotel room occupancy remained at near capacity throughout the year at 99%.

City Clubs

City Clubs contributed $181 million of Adjusted EBITDA to the Group's earnings, an increase of 11% year-on-year.

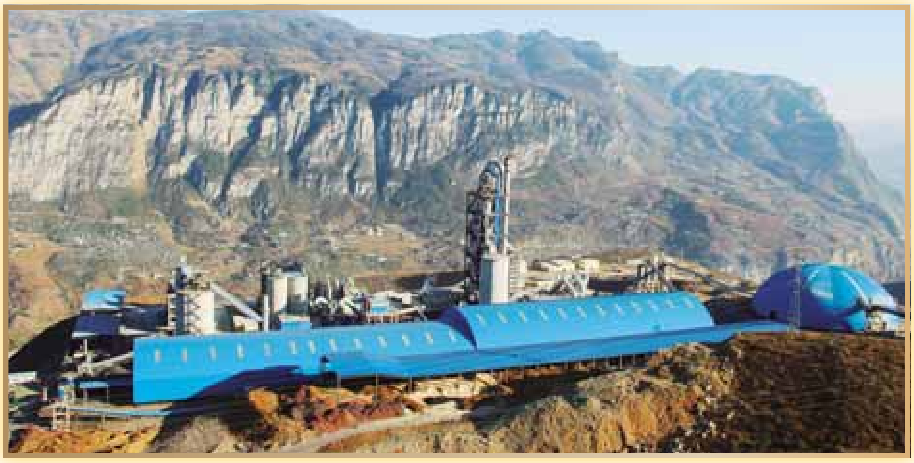
CONSTRUCTION MATERIALS DIVISION

The Construction Materials Division ("CMD") once again delivered a solid performance for the full year. Revenue and Adjusted EBITDA grew by 18% to $2.4 billion and by 6% to $488 million, respectively.

Hong Kong and Macau

Hong Kong's major infrastructure projects such as the Hong Kong-Zhuhai-Macau Bridge and associated border crossing facility, together with long-term projects from the Urban Renewal Authority to redevelop rundown areas, continue to generate a stable demand for construction material products. In addition, the policy commitment

Granulated blast furnace slag production plant (Phase 2) of Nanjing Nangang K. Wah High Tech Materials Co., Ltd.



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

of the Government to address the housing supply issue will further increase demand for construction materials in the medium term. With the benefit of CMD's strategic aggregate reserve in Huidong Quarry in Guangdong Province, together with its well positioned fully integrated downstream production facilities for ready-mixed concrete and asphalt, we are confident to maintain CMD's position as the leading construction materials supplier in Hong Kong.

Macau's infrastructure projects and the continued expansion of leisure and entertainment sector continue to drive construction demand, leading to a rise for construction materials during the year.

Mainland China

China's commitment to urbanisation will continue to underscore economic growth, and the cyclical rebound led by infrastructure investment will ensure a growing demand for construction materials, including cement and ground granulated blast furnace slag.

ADDITIONAL UPDATE

Development in Hengqin Island

GEG recently entered into a framework agreement for a 2.7 square kilometre land parcel to move forward with the proposed development of a world class destination resort in Hengqin Island. The property includes approximately 2.5 kilometres of water front coastline. GEG plans to invest RMB10 billion in the proposed resort that will complement GEG's business in Macau, significantly differentiate GEG from its competitors and play a key role in supporting Macau to become a world centre of tourism and leisure.

GROUP OUTLOOK

GEG made significant financial, operational and developmental progress in 2013. Historic highs in revenue and earnings were achieved on a full year and quarterly basis. The balance sheet was strengthened considerably as borrowings were reduced by 96%. Great strides were made in optimising the performance of the Group's two flagship properties, with Galaxy Macau™ and StarWorld Macau recording best ever fourth quarters. Development of Phases 2, 3 & 4 on Cotai advanced apace, and were complemented by GEG's strategic acquisition of the Grand Waldo Complex, as well as the proposed expansion in Hengqin Island which will be highly complementary to our Macau properties and support Macau in developing into a world class tourism destination. GEG is also actively exploring new opportunities to expand our successful brand into overseas markets and create value for stakeholders. And finally, the Group's inclusion as a constituent to the blue chip Hang Seng Index in June 2013 reinforced its position as one of the region's most distinguished companies.

GEG is very confident in Macau's future prospects. Planned infrastructure and transport improvements over the next several years such as the extension of Guangzhou-Zhuhai Intercity Mass Rapid Transit, Hong Kong-Zhuhai-Macau Bridge and the Light Rail Transit connecting Macau, Taipa and Cotai, are expected to drive visitation numbers and in turn facilitate strong growth in the higher margin mass segment as the penetration of increasingly affluent Chinese consumers deepens.

The Group's unique expertise and exceptional properties, clear roadmap for short, medium and long term growth through its extensive development pipeline, and increasingly powerful brand, position it well to build further value for its shareholders and contribute to the continuing transformation of Macau and China's tourism landscape.

LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 31 December 2013 was $32,441 million, an increase of approximately 48% over that as at 31 December 2012 of $21,853 million, while the Group's total assets employed increased to $46,257 million as at 31 December 2013 as compared to $44,389 million as at 31 December 2012.

The Group continues to maintain a strong cash position. As at 31 December 2013, total cash and bank balances were $10,360 million, as compared to $15,609 million as at 31 December 2012. The Group's total indebtedness was $643 million as at 31 December 2013 as compared to $11,257 million as at 31 December 2012. The Group was in a net cash position as at 31 December 2013 and 31 December 2012.

The total indebtedness of the Group mainly comprises bank loans and other obligations which are largely denominated in Hong Kong 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 a majority of bank deposits in Hong Kong Dollar, Renminbi or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks. All of the Group's borrowings are in Hong Kong Dollar or Renminbi. Forward foreign exchange contracts are utilised when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposure, which are considered necessary for the Group's treasury management activities.

CHARGES ON GROUP ASSETS

Property, plant and equipment with net book value of $239 million (2012: $15,377 million), leasehold land and land use rights with net book value of $24 million (2012: $2,584 million), other assets with net book value of $51 million (2012: $300 million) and bank deposits of $262 million (2012: $1,892 million) have been pledged to secure banking facilities.

GUARANTEES

GEG has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to $369 million (2012: $7,552 million), of which $178 million (2012: $7,314 million) have been utilised.

The Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures and an associated company amounting to $258 million (2012: $9 million). At 31 December 2013, facilities utilised amounted to $186 million (2012: $9 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group, excluding associated companies and joint ventures, employed approximately 16,000 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to $4,380 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

Organisation Development and Training initiatives promote the Group's view and core value that employees are our most valuable and differentiating asset and that the Group's continuing success and achievement of our Mission, Vision and Values can only be realised through the efforts and contributions of our employees.

To support and underpin the delivery of Group's Mission, Vision and Values, Organisation Development and Training has built and delivered in collaboration with operating departments and business units and a number of key initiatives and programs build upon the following four key pillars in 2013:

- **Stakeholder Engagement** – continuous partnership and engagement with customers, leaders, employees and the community to ensure the achievement of mutually beneficial outcomes for all.

- **Capability Development** – building the capabilities of our employees in a structured, pragmatic and timely manner through a blend of on and off-the-job learning experiences and activities.

- **Training & Learning Innovation** – investing in the right technologies and leveraging appropriate delivery channels to ensure maximum learning impact on employee development and business outcomes.

- **Workforce Agility** – preparing workforce to support the existing and future business needs and growth by developing programs that respond to employee and business requirements and promoting progressive employee career development and growth opportunities.

The Group's Organisation Development and Training Programs establish direction for the Group with respect to the strategic and tactical investment in and utilisation of our human resource capital and incorporate the following key elements:

- **Signature and Core Programs**
  Programs anchored in the Group's Mission, Vision and Values to ensure complete alignment of knowledge and skills GEG-wide, provide professional and career development opportunities customised to business needs and comply with Corporate Social Responsibilities. Programs such as Orientation Program, "World Class, Asian Heart" guest service Program, THE LOOK, Grooming Spotlight Program, Responsible Gaming Program and Anti-Money Laundering & Combating the Finance of Terrorism Program will continue to be featured in 2014, along with a number of new and refined programs that employee and the Group continued market leadership in customer service with an "Asian Heart".

- **Operations and Job Skills Programs**
  Operations skills training programs comprise curriculum for skills and department-specific training, as well as customised business-driven programs that support and drive our "World Class, Asian Heart" philosophy. Through programs such as our multi-tiered Galaxy Privilege Club Program, our departmental and operations trainers have diligently ensured that our entire frontline workforce is equipped with the requisite technical and guest service skills to provide exceptional experiences to our guests. Our Trainer Competency Map serves as a framework that standardises training design, development, implementation and evaluation of service and operations training programs and initiatives across departments and properties.

- **Manager and Leader Development**
  The Management Skills Program helps managers gain practical and essential skills. The program involves classroom training, in-class skills assessments and follow-up on the job to check for transfer of learning to the workplace.

  The Group's Leaders Program series are tailor-made programs for the leaders, developed around our Mission, Vision and Values, and Core Competencies. The program strives to develop a high-performing leadership culture and create a pool of talent, who are ready for future leadership roles.

In the ever increasing competitive environment that exists in Macau and the Asia region, we are committed to supporting and building on the talent and expertise of our employees to ensure we meet the increasing need for talent as we prepare for the opening of Galaxy Macau™ Phase 2 and develop other assets and projects to deliver the "Game Day Experience" for our guests and customers, as the leading Asian gaming and entertainment company providing exceptional experiences to our guests and customers.

CORPORATE GOVERNANCE REPORT

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

THE BOARD

The Company is headed by the Board, which is responsible to lead and control the Company and its subsidiaries ("Group") and promote the success of the Group by directing and supervising the Group's affairs in an effective manner. The Board sets strategies and priorities for the Company, approves annual budgets and performance targets, determines the appropriate management structure, and monitors the performance of the management. The names and biographical details of the Directors and their relationships are set out in Further Corporate Information on pages 52 to 54 as well as the Company's website at www.galaxyentertainment.com. The list of Directors and their roles and function is also disclosed in the websites of the Company and The Hong Kong Exchanges and Clearing Limited ("HKEx").

Chairman, Deputy Chairman and Managing Director of Business Division

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

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

Appointment and Re-election of Directors

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

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

Pursuant to the Code A.4.3 of Appendix 14 of the Listing Rules, any re-appointment of independent non-executive director who served more than 9 years shall be subject to a separate resolution to be approved by the shareholders. Dr. William Yip Shue Lam, an Independent non-executive Director, has served the Board for more than 9 years and is due to retire at the annual general meeting to be held on 11 June 2014. During his years of appointment, Dr. Yip has demonstrated his ability to provide an independent view to the Company's matters. Dr. Yip had made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is satisfied that Dr. Yip remains independent, and there is no evidence that his tenure has had an impact on his independence. Separate resolution will be proposed for his re-election at the forthcoming annual general meeting.

Confirmation of Independence

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

Responsibilities of Directors

Each Director has a duty to act in good faith in the interests of the Company. The Company believes that to enable our Directors to provide their maximum contributions, it is essential to keep them updated on their duties and responsibilities as well as the conduct, business activities and development of the Group. All Directors have access to the management and Company Secretary for any information relevant to the Group they require in discharging their duties. Reports on the Company's performance, annual budget and comparison with budget together with the necessary commentary and explanation on any deviation from budget are provided to our Directors at regular Board meetings. The Company has also arranged site visits to important operations of the Group for the non-executive Directors in 2013 to ensure they have hands-on knowledge in the operations. In addition, monthly updates on the market trend and Company's development, financial and operational information were provided to Directors as soon as practicable.

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

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

Directors' Induction and Continuous Professional Development

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

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

Code of Conduct for Securities Transactions

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

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

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 the executives/committees of the gaming and entertainment division and the construction materials division and where appropriate, special task forces with specified duties to oversee particular business activities or corporate transactions.

Audit Committee

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

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

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

The principal work performed by the Audit Committee during the year included review of interim and annual consolidated financial statements, audit engagement letter, audit fee, audit strategy, significant accounting matters, internal audit annual plan and reports with its resource requirements, independence of external auditors, other financial and internal control matters, and certain operational activities.

Remuneration Committee

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

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

The Remuneration Committee met twice in 2013 with all its members present and with the attendance of representatives from the human resources department and the Company Secretary. The Remuneration Committee submitted its written report and/or recommendation to the Board after the Remuneration Committee meeting. In addition, written resolutions were circulated to the members as and when needed.

The principal work performed by the Remuneration Committee during the year included recommendation of Directors' fee subject to approval of members at the annual general meeting, review, and approval of remuneration policy, structure and packages to executive Directors and approval of grant of share options to executive Directors. No Director was involved in deciding his own remuneration at the Remuneration Committee meeting.

Nomination Committee

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

The Nomination Committee met once in 2013 with all the members present. The Nomination Committee submitted its written report and/or recommendations to the Board after the Nomination Committee meeting.

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

Corporate Governance Committee

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

The Corporate Governance Committee met once in 2013 with all its members present. The corporate Governance Committee submitted its written report and/or recommendation to the Board after the Corporate Governance Committee meeting.

The principal work performed by the Corporate Governance Committee included review of the Company's policies and practices on corporate governance and on compliance with the Listing Rules requirement, code of conduct on securities transactions by Directors and employees, training and continuous professional development of Directors and senior management and compliance of the Code and disclosure in the corporate governance report.

BOARD, BOARD COMMITTEES AND GENERAL MEETINGS

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

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

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

COMPANY SECRETARY

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

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

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

FINANCIAL REPORTING

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

Directors' Responsibility

The Directors acknowledge their responsibilities for preparing the financial statements of the Company are to give a true and fair view and comply with all applicable regulatory requirements and accounting standards. In preparing the consolidated financial statements for the year ended 31 December 2013, 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 2013. Accordingly, the Directors have prepared the consolidated financial statements for the year ended 31 December 2013 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 page 65.

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 2013 are included in note 8 to the consolidated financial statements.

Fees for non-auditing services include HK$1,024,000 for the services provided in respect of taxation and advisory services.

INTERNAL CONTROLS

The Board is responsible for maintaining a sound effective internal control system for the Group to achieve its business objectives and manage business risks to safeguard the interest of the shareholders and its assets. To help successfully achieve the business objectives with a good internal control system in place, there is a well defined organisational structure providing limit of authority, clear and written policies, standards and procedures, and risk control self-assessment conducted for all major operating entities of the Group. Regular review of the management structure is carried out to swiftly adapt to the ever changing market conditions. Under the sound internal control system, unauthorised use or disposition of assets is effectively prevented, proper maintenance of accounting records and provision of reliable financial information are ascertained, and strict compliance with relevant statutory rules and regulation is warranted.

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

Internal Audit reports to the Audit Committee on a semi-annual basis whether a sound internal control system is maintained and operated by management in compliance with policies and procedures of the Group and requirements that are laid down by external regulators. For the financial year ended 31 December 2013, Internal Audit was not aware of any significant internal control issues that would have an adverse impact on the financial position or operations of the Group. The Board, through the review of the Audit Committee, considered the internal control systems of the Group effective and adequate.

COMMUNICATION WITH SHAREHOLDERS AND INVESTMENT COMMUNITY

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

In addition to publishing interim and annual results in accordance with the Listing Rules requirements, the Company 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 Relations Team has been designated to maintain purposeful dialogue and ongoing relationships with investors, analysts and media. Quality information will be provided to shareholders and the investment community.

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

SHAREHOLDERS' RIGHTS

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

Convening General Meetings

Pursuant to Article 67 of the Articles of Association of the Company, the Board may, whenever it thinks fit, convene a general meeting, and general meetings shall also be convened on requisition, as provided by the predecessor Ordinance (as defined in the Companies Ordinance (Chapter 622) ("Companies Ordinance")), or, in default, may be convened by the requisitionists.

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

Putting Forward Proposals at General Meetings

Pursuant to Section 580 of the Companies Ordinance, shareholders of the Company representing at least 2.5% of the total voting rights of all shareholders of the Company who have a relevant right to vote, or at least 50 shareholders who have a relevant right to vote, may request the Company to circulate, to shareholders of the Company entitled to receive notice of a general meeting, a statement of not more than 1000 words with respect to (a) a matter mentioned in a proposed resolution to be dealt with at that meeting, or (b) other business to be dealt with at that meeting. The request must be sent to the Company in hard copy form, identify the statement to be circulated, be authenticated by the person or persons making it (including by way of signing by such person(s)) and be received by the Company at the registered office stated above at least 7 days before the meeting to which it relates.

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

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

Enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

The Company's Memorandum and Articles of Association has been published on the websites of the Company and HKEx. There have been no changes during the year ended 31 December 2013. With the Companies Ordinance becoming effective on 3 March 2014, special resolutions will be proposed to the members at the forthcoming Annual General Meeting to be held on 11 June 2014 for the amendments to the Memorandum and Articles of Association to align with the Companies Ordinance.

COMPLIANCE WITH THE CODE

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

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

GAMING AND HOSPITALITY EXPERTISE

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

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

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

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

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

John Au, Director, Business Development and Deputy Chief Operating Officer, Grand Waldo & City Clubs. He has been with the Group for over 20 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 positions in human resources, public relations and government relations in the Group.

Raymond Yap, Director, International Premium Market Development. He has more than 27 years of experience in hotel operations, resort planning, theme park and plaza development, corporate planning and business development. Previously, he held various senior executive positions with a gaming company in Malaysia.

Gabriel Hunterton, Deputy Chief Operating Officer, Galaxy Macau™. He has an intense and diverse gaming career spanning 16 years in Las Vegas and Macau. Previously, he held senior management roles with various major gaming companies in Las Vegas.

Charles So, Deputy Chief Operating Officer, StarWorld. He has over 33 years of experience in hotel operations and food and beverage services. Previously, he held various senior management positions with a number of prestigious hotels across Beijing, Hong Kong, the Philippines, Vietnam and Australia.

Gillian Murphy, Senior Vice President, Hospitality, Galaxy Macau™. She has over 32 years of experience in hotel and resort operations. Previously, she held senior executive positions with a number of prestigious gaming and hotel companies in the USA.

Joe Malnerich, Senior Vice President, Corporate Casino Marketing. He has over 21 years of experience in casino marketing gained from the hotel and gaming industry in the USA and Asia. Previously, he held senior marketing executive positions with a number of hotels and casinos in establishing CRM infrastructure, developing loyalty programs and leading customer database management.

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

As one of Asia's leading gaming and entertainment corporations, GEG is committed to being a responsible and proactive member of the Macau community, investing in the development of Macau for the benefit of all its residents and visitors to ensure its long term success. In 2013, GEG supported and participated in a wide range of social, philanthropic and volunteering activities in Macau, and also contributed to worthwhile causes in Hong Kong and Mainland China.

RESPONSIBLE GAMING

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

- Organised the "1st GEG Responsible Gaming Awareness Week" in 2013 for team members: a series of interactive activities including workshops, slogan design competitions and mini quizzes were held to promote responsible gaming to team members
- Partnered with Sheng Kung Hui Macau Social Services Coordination Office to launch the "Employee Support Program" and "Responsible Gaming Promotion Program"
- Preventing people under the age of 21 from entering and gambling at all GEG properties
- Providing casino exclusion forms to patrons on the casino floor and team members at the back-of-house areas
- Placing stickers with responsible gaming messages and helpline details on every slot machine, and providing pamphlets explaining the rules of games on the casino floor
- Including messages of responsible gaming in all promotional pamphlets
- Providing responsible gaming telephone counseling, individual face-to-face counseling, on-site counseling and online counseling options for team members

GEG organises activities to enhance team members' knowledge on responsible gaming

SMOKE-FREE AREAS

Supporting the new era of a smoke-free Macau, GEG complies fully with the Regime of Tobacco Prevention and Control. Since 1 January 2012, GEG has adopted the following practices and remains committed to them:

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

ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

Promoting conservation and environmental sustainability is a key priority for GEG. Key activities and accreditations in 2013 are listed below:

- GEG renewed its Pearl Membership to WWF-Hong Kong's 2013/2014 Corporate Membership Programme, and took part in "WWF's Earth Hour Event" for the fifth consecutive year
- Galaxy Macau™ was accredited with a ISO 14001 certificate on Environmental Management System from the British Standards Institution
- Galaxy Macau™ was First Runner-up and StarWorld Macau won an Excellence Award in the "Hotels – Group C" category in the "Macao Energy Saving Contest 2013", organised by Companhia de Electricidade de Macau and the Office for the Development of the Energy Sector of the Macau SAR Government
- Galaxy Macau™ and StarWorld Macau joined a number of Macau's hotel and resort properties in the monthly "Lights Out" activity on the first Tuesday of every month, since March and May 2013 respectively

In 2013, significant efforts were made to reduce the Group's energy and water consumption, recycle and reduce waste, and improve indoor air quality across the Group's properties.

Energy

Galaxy Macau™

- Saved approximately 5.1 million kWh of energy in 2013 through implementing various energy saving initiatives. 60% of savings were achieved from Central Chiller Plant optimisation, and using LED lights in the mass gaming hall and hotel towers

- Saved approximately 21,000 liters of diesel in 2013 from the Boiler Plant operation

StarWorld Macau

- Saved approximately 120,000 kWh of energy per month through replacing a total of 3,000 pieces of 50w Tungsten Halogen lamps from the guest rooms and lift lobby areas and 1,050 pieces of 35w Tungsten Halogen lamps from the chandeliers with 5w LED lamps

- Reduced electricity consumption by 3.4% or 1,831,320 kWh from 2012

- Adopted the following energy saving devices:

    - Variable speed drive to secondary chilled water pumps – the pump output will closely match the load without wasting energy

    - Frequency inverter to escalators – the escalators will assume a redundant mode when no one or few people ride on them

    - Automation System to control the central air-conditioning system to achieve a best energy efficiency status

    - CO_2 sensors to monitor and operate ventilation system of parking area through its Building Management System

Water

Galaxy Macau™

- Installed a total of 500 pieces of water restrictors to faucets to save approximately 1.05 million litres of water in 2013

- Recycled condensed water from air-conditioning systems for cleaning and irrigation purposes

StarWorld Macau

- Extended the use of water saving faucets, showerheads and dual flush water closets to its guest rooms and facilities, reducing water usage in the period by approximately 30%

- Recycled condensed water from air-conditioning systems for cleaning and irrigation purposes

Waste

Galaxy Macau™

- Collected approximately 53% and 40% more paper and plastic waste for recycling than in 2012
- Collected a total of 16,000 pieces of reusable wooden pallets from suppliers and vendors, almost 70% higher than in 2012
- Collected non-used guest room consumables such as shower gels for re-use
- A food waste decomposer was introduced on a trial basis in October, resulting in an average collection of 700-kg of compost for landscape planting per month

StarWorld Macau

- Collected approximately 136.1 tons of cardboard and paper materials, 9 tons of plastic and approximately 0.85 ton of metal for recycling

Air Quality

Galaxy Macau™

- Received the "Indoor Environmental Quality" Certificate for its gaming halls and guest common areas from SGS Hong Kong Limited, the leading certification company in Hong Kong
- Met all parameters for Indoor Air Quality for the smoking areas in gaming halls in accordance with the "Regime of Tobacco Prevention and Control"
- Conducted an annual Indoor Environment Quality Audit for Team Member Facilities to ensure that air quality and water safety met established standards

StarWorld Macau

- Used water recycling hoods and electronic precipitators to remove the grease content in the kitchen exhaust and reduce the temperature of the kitchen exhaust, before discharging outside to minimise pollution
- Installed CO & CO_2 sensors in gaming areas in order to continuously monitor levels of concentration. The sensor signal regulates the fresh air intake into the casino halls in order to ensure that the indoor air quality can be improved without wasting energy to cool unnecessary fresh air
- Installed air purifiers in some of the hotel guest rooms to effectively remove smoke residue, odours and other pollutants
- Assigns non-smoking guest rooms to non-smoking guests

On-going Initiatives

Galaxy Macau™

- Continue to introduce LED lights throughout the property to reduce energy consumption
- Regularly conduct energy audits to achieve efficient energy management and target greater energy conservation
- Participate in conservation to achieve the Macau Green Hotel accreditation
- Identifying additional locations for placement of recycling bins at both front and back of house areas
- Launching guest room e-registrations to reduce paper use

StarWorld Macau

- Improving noise control by monitoring the sound intensity emitted from the chiller plants and restricting construction work to designated timeslots for the benefits of guests
- Reducing light pollution and conserving energy by installing timers and solar sensors on external lights
- Placing information cards inside guest rooms to encourage long staying guests to reduce the frequency of changing towels and bed linens
- Placing reminders at back-of-house areas to encourage team members to save water
- Using environmental friendly chemicals for laundry and cleaning purposes
- Providing toilet paper rolls certified by “Forest Stewardship Council” and paper hand towels endorsed with “Green Mark”

COMMUNITY ACTIVITIES

GEG is attentive to the needs of its community and committed to sharing its success. The Group’s “Asian Heart” culture and service philosophy not only permeates its business operations, but also shapes the way in which it engages with the Macau community. In 2013, GEG implemented a high number of diverse community and volunteering activities.

- Through the GEG Volunteer Team, GEG organised a total of 20 volunteering activities for over 20 different charitable associations and contributed a total of 1,940 hours of services to the Macau community in 2013
- Promoted social inclusion by inviting GEG team members and members of Macau Holy House of Mercy’s Rehabilitation Centre for the Blind to perform at the “2013 Galaxy Got Talent Grand Finals”
- Received the “Excellence Award in Corporate Social Responsibility” at the “2013 Business Awards of the Year” organised by the De Ficção Multimedia Projects and Charity Association of Macau Business Readers

- Received the Champion Award for "Organisation with Most Number of Blood Donors" at the "Annual Blood Donors Award Ceremony" organised by the Macau Blood Transfusion Center

- Recognised the achievements of 10 GEG team members who received a "Best Volunteer Award" from the Youth Volunteers Association of Macao for their proactive contributions to the Macau community; among the 10 award recipients, 2 team members also received a "Top 10 Best Rainbow Life Volunteer Award" for putting in hundreds of hours of voluntary services

- Received a Certificate of Appreciation at the "5th Award Scheme for Employers Hiring People with Disabilities" organised by the Labour Affairs Bureau of the Macau SAR Government and the Social Welfare Bureau of Macau SAR Government. As at year ending 2013, 4 persons with disabilities were employed at StarWorld Macau and 10 were employed at Galaxy Macau™

GEG invited 400 youngsters to Galaxy Macau™ to watch the 3D "Smurf 2" movie and tour around the "Smurf Village 2"

CHARITABLE ACTIVITIES

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

- Against Child Abuse (Macau) Association
- Association of Rehabilitation of Drug Abusers of Macau
- Association of Volunteer Social Service Macao
- Associação dos Familiares Encarregados dos Deficientes Mentais de Macau
- Caritas Macau
- Charity Fund from the Readers of Macao Daily News
- Fuhong Society of Macau
- General Union of Neighbourhood Associations of Macau
- Good Shepherd Center
- Macau Deaf Association
- Macau Holy House of Mercy
- Macau People with Visually Impaired Right Promotion Association
- Macau Special Olympics
- Macau Tung Sin Tong Charitable Society
- Richmond Fellowship of Macau
- Sheng Kung Hui Macau Social Service Coordination Office
- Society for the Protection of Animals Macau

SPORTS DEVELOPMENT

GEG is committed to making Macau a more culturally diverse and attractive international tourism destination. The Group contributes significantly towards enhancing the attractiveness, scale and quality of Macau's various sports and community initiatives including:

- Title sponsored the "FIVB Volleyball World Grand Prix™ Macau 2013 presented by Galaxy Entertainment Group" for the ninth consecutive year
- Title sponsored the "Macau Galaxy Entertainment International Marathon 2013" for the tenth consecutive year and with a record-breaking 664 GEG team members running in the event. GEG was awarded the Group Trophy for the ninth consecutive year
- Title sponsored the "2013 Galaxy Entertainment Special Olympics Table Tennis Competition" for the third consecutive year
- Sponsored the Associação de Vela de Macau in sending their youth sailors to compete in the "Hebe Haven Yacht Club 24 hour Dinghy Charity Regatta 2013" in Hong Kong for the fifth consecutive year
- Sponsored the Macau Football Veterans Association in organising the "13th Sovereignty Tournament"
- Sponsored Macau driver Henry Ho to race in the "60th Macau Grand Prix"

(From left to right) Mr. Francis Lui, Deputy Chairman of GEG, Mr. Cheong U, Secretary for Social Affairs and Culture of Macau SAR Government, and Mr. Ma Iao Hang, President of Macau Athletic Association, presented awards to the first 10 male athletes of "Macau Galaxy Entertainment International Marathon 2013" Full Marathon

EDUCATION & CULTURE

GEG believes that developing the skills and expertise of young people is vital to enhancing the overall competitiveness of Macau. GEG collaborated with various educational and professional training institutes to develop different programs that can help young people explore their career opportunities and build a more solid foundation for their future careers. Highlights in 2013:

- A total of 78 students, including 4 students from special education institutes successfully completed the GEG Internship Program 2013 and among these, 7 were offered full-time employment. Since its launch in 2008, 330 interns have graduated from the Program

- Organised a five-day Cambodia Study Tour for 6 exceptional young winners of the "GEG Youth Achievement Program 2012–2013" in July and launched the "GEG Youth Achievement Program 2013-2014 Launch Event" in October 2013. Established by GEG and the Macau Management Association in 2011, the past two annual programs organised over 30 workshops that helped more than 900 young men and women maximise their full potential

- Sponsored the "Global Tourism Economy Forum Macau 2013", hosted by the Macau SAR Government and coordinated by the Global Tourism Economy Research Center

EMPLOYEE ENGAGEMENT

Recognising that our team members are our most valuable assets, GEG offers the highest quality professional and personal development training to enable them to reach their full potential. GEG also develops and organises numerous activities to promote a healthy work-life balance through its "GEG Staff Social Club" and "GEG Volunteer Team" programs. Some of the activities organised for team members' enjoyment in 2013 include:

- Close to 30 monthly sports and recreational activities that attracted the participation of approximately 1,800 team members and their family members

- Trained 96.3% of GEG team members in different aspects, including management skills, guest service, information technology, language and occupational health & safety, among others

- Sponsored 9 team members to participate in a 7½ months "University of Macau Advanced Diploma in Gaming Management" program and 16 team members to participate in the "University of Macau Diploma in Casino Management" program

- Continued to offer the GEG Leaders Program to team members at senior manager positions and above. In 2013, a total of 213 participants graduated from "GEG Leaders Program I" and 94 participants graduated from the "GEG Leaders Program II". Overall, 85% of the Group's senior managers and above level team members have been trained in the GEG Leaders Program

- Renewed GEG's cooperation agreement with Macau Productivity and Technology Transfer Center (CPTTM) to offer professional training for GEG team members. In 2013, GEG and CPTTM jointly offered 47 courses on computer, language, professional development and occupational skills to assist 862 team members with their professional development

- Sponsored a total of 142 team members for participation in the "Macau Occupational Skills Recognition System Intensive Course and Assessment" and "Train-the-Trainer Course" organised by the Institute for Tourism Studies

- Garnered 8 Gold Pins in 11 classifications at the "Macau Occupational Skills Recognition System Gold Pin Competition 2013" organised by the Institute for Tourism Studies

- Won over 50 awards in various industry and sporting competitions due to the exceptional skills, team work and sportsmanship of GEG team members

Garnered 8 Gold Pins in 11 classifications at the "Macau Occupational Skills Recognition System Gold Pin Competition 2013" organised by the Institute for Tourism Studies

CONSTRUCTION MATERIAL DIVISION

CMD continues to fully commit to support a wide range of community and charity activities, as well as to put an emphasis on promoting health, safety and environmental responsibility. CMD received the “Caring Company Logo” from the Hong Kong Council of Social Service for the 11th consecutive year, in recognition of its longstanding commitment to contribute to the community of Hong Kong.

Charity: CMD participated in a number of charity events in 2013 including HSBC Cycle for Millions, MSF Orienteering Competition, Sowers Action Challenging 12 hours Charity Marathon, as well as Blood Donation Day co-organised by the Hong Kong Red Cross, among others.

Employee Care: We are committed to promote health of our employees by providing a safe and comfortable working environment. We regularly organise social, recreational and sports activities including soccer and bowling games, movie premier events, special interest classes and theme park tours to encourage a healthy work-life balance and team spirit.

Society: CMD recognises its responsibility to contribute to the community. In 2013, we organised a social community program with The Evangelical Lutheran Church of Hong Kong, which is named “1314 Stand By You”, which invited twenty subsidised families to experience a four-month organic farm process to deliver the message of Protection of Natural Ecosystems.

Health, Safety & Environment: CMD strictly complies with all safety procedural requirements on factory sites and is one of the most committed employers in health, safety and environment.

We also focus on energy efficiency and conservation through the implementation of the ‘Green Building Approach’ leaded by the Hong Kong Construction Institution Council.

CMD organised a “Health, Safety & Environment” Promotion Day in the Huidong Quarry in March 2013

CMD supports the education development in China by participating in the “Sowers Action Challenging 12 Hours Charity Marathon”

FIVE-YEAR SUMMARY

	Year ended 31 December 2009 HK$'000	Year ended 31 December 2010 HK$'000	Year ended 31 December 2011 HK$'000	Year ended 31 December 2012 HK$'000	**Year ended 31 December 2013 HK$'000**
CONSOLIDATED INCOME STATEMENT					
Revenue	12,232,679	19,262,133	41,186,446	56,746,423	**66,032,501**
Profit attributable to equity holders of the Company	1,149,113	898,455	3,003,908	7,377,839	**10,051,764**
Dividends	–	–	–	–	**–**
Earnings per share (cents)	29.2	22.8	72.8	176.2	**238.7**
Dividend per share (cents)	–	–	–	–	**–**
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment, investment properties and leasehold land and land use rights	11,589,392	16,801,790	21,990,582	22,736,878	**28,421,703**
Intangible assets	1,391,322	1,320,129	1,270,424	1,103,508	**1,715,360**
Joint ventures and associated companies	1,003,918	1,042,147	1,169,613	1,351,792	**1,373,882**
Long-term pledged bank deposits	–	–	1,702,230	–	**–**
Other non-current assets	352,660	486,307	348,179	373,340	**515,823**
Net current assets/(liabilities)	(939,749)	(2,471,963)	(710,166)	3,489,100	**2,355,647**
Employment of capital	13,397,543	17,178,410	25,770,862	29,054,618	**34,382,415**
Represented by:					
Share capital	394,159	395,440	417,421	419,958	**421,971**
Reserves	7,774,378	8,801,497	13,804,605	21,433,430	**32,019,490**
Shareholders' funds	8,168,537	9,196,937	14,222,026	21,853,388	**32,441,461**
Non-controlling interests	266,597	377,614	421,201	440,992	**612,827**
Long term borrowings	4,459,703	7,143,507	10,530,722	6,291,171	**236,973**
Other non-current liabilities	372,928	345,202	495,679	390,280	**1,050,172**
Provisions	129,778	115,150	101,234	78,787	**40,982**
Capital employed	13,397,543	17,178,410	25,770,862	29,054,618	**34,382,415**
Net assets per share (dollars)	2.07	2.33	3.41	5.20	**7.69**

FURTHER CORPORATE INFORMATION

BIOGRAPHICAL INFORMATION OF DIRECTORS

Executive Directors

Dr. Lui Che Woo, *GBM, MBE, JP, LLD, DSSc, DBA*, aged 84, the founder of the Group, has been a Director of the Company since August 1991 and is the Chairman and a member of the Executive Board of the Company. Dr. Lui is also the Chairman and the Managing Director of K. Wah International Holdings Limited. He has over 50 years' experience in quarrying, construction materials and property development. He was the Founding Chairman of the Institute of Quarrying in the UK (Hong Kong Branch) and the Chairman of the Tung Wah Group of Hospitals. Dr. Lui is also the Founding Chairman of The Federation of Hong Kong Hotel Owners, the President of Tsim Sha Tsui East Property Developers Association, the Founding President of Hong Kong – Guangdong Economic Development Association and an Honorary President of Hong Kong – Shanghai Economic Development Association. Dr. Lui has been appointed as a Member of Steering Committee on MICE (Meetings, Incentives, Conventions and Exhibitions) since 2007. Further, Dr. Lui was a Committee Member of the 9th Chinese People's Political Consultative Conference, a member of the Selection Committee for the First Government of the HKSAR and a member of the Election Committee of the HKSAR. In 1995, an asteroid discovered by the Purple Mountain Observatory in Nanjing was named "Lui Che Woo Star". Dr. Lui was presented the Outstanding Contribution Award in Guangzhou in 1996. Dr. Lui was awarded the Gold Bauhinia Star by the Government of the HKSAR in July 2005. Dr. Lui was also awarded the Grand Bauhinia Medal by the Government of the HKSAR in 2012. Dr. Lui has been again elected as a member of the Election Committee of the HKSAR in December 2006. Dr. Lui was awarded Business Person of the Year 2007 by DHL/SCMP Hong Kong Business Awards and the Lifetime Achievement Award by American Academy of Hospitality Sciences of 2007 respectively. Dr. Lui was presented the Diamond Award by Macau Tatler and the Lifetime Achievement Award by All Leaders Publication Group Limited, both in 2011. Dr. Lui was awarded Asia Pacific Entrepreneurship Awards 2012 – Lifetime Achievement Award by Enterprise Asia in 2012 and Lifetime Achievement Award by Golden Horse Award of China Hotel in 2013. Dr. Lui is the father of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

Mr. Francis Lui Yiu Tung, aged 58, joined the Group in 1979. He has been an executive Director of the Company since June 1987 and is the Deputy Chairman and a member of each of the Executive Board, Nomination Committee and Remuneration Committee as well as the Chairman of Corporate Governance Committee of the Company. Mr. Lui is also an executive director of K. Wah International Holdings Limited. He holds a bachelor of science degree in civil engineering and a master of science degree in structural engineering from the University of California at Berkeley, USA. Mr. Lui is a member of the National Committee of the Chinese People's Political Consultative Conference 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. In 2012, Mr. Lui was awarded the Medal of Merit – Tourism by Macau SAR. Mr. Lui is a son of Dr. Lui Che Woo and a younger brother of Ms. Paddy Tang Lui Wai Yu.

Mr. Joseph Chee Ying Keung, aged 56, 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 Pneumoconiosis Compensation Fund Board. He served as a member of the Working Group on Construction Waste of the Provisional Construction Industry Co-ordination Board from 2004 to 2006. He was also the Chairman of The Institute of Quarrying in the UK (Hong Kong Branch) from 1998 to 2000 and the Chairman of Hong Kong Contract Quarry Association from 2002 to 2008. He was re-elected as the Chairman of Hong Kong Contract Quarry Association in 2011. Mr. Chee was elected as a member of the 11th Yunnan Provincial Committee of the Chinese People's Political Consultative Conference in December 2012.

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*, aged 60, 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. She has been re-appointed as a non-executive director of the Mandatory Provident Fund Schemes Authority from 17 March 2013 for two years. She is also a member of various public and social service organisations, including the General Committee of The Chamber of Hong Kong Listed Companies. Ms. Lui was 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 Shanghai Committee of the Chinese People's Political Consultative Conference in December 2012 and is a member of the Election Committee of the HKSAR since 1998. Ms. Lui is a daughter of Dr. Lui Che Woo and the elder sister of Mr. Francis Lui Yiu Tung.

Non-executive Director

Mr. Anthony Thomas Christopher Carter, aged 68, joined the Group in 2003 and has been a non-executive Director of the Company since April 2007. Mr. Carter holds a LLB (Hons) from the University of Leeds in England. He has extensive experience in strategic planning and business management as well as in corporate finance and development. Prior to his retirement from the Group in March 2007, he was the Chief Executive Officer of Galaxy Casino, S.A.

Independent Non-executive Directors

Mr. James Ross Ancell, aged 60, has been an independent non-executive Director of the Company since April 2004. Mr. Ancell is the Chairman of the Audit Committee and a member of the Corporate Governance Committee of the Company. He holds a Bachelor's degree in Management Studies from University of Waikato in New Zealand. He is a member of the Institute of Chartered Accountants of New Zealand and has over 30 years of broad experience in building materials and construction sectors, waste management and recycling business gained from multinational corporations. He is currently the Chairman of Churngold Construction Holdings Limited in the UK, a leading specialist groundworks subcontractor carrying out groundworks and road surfacing, with a separate remediation business, cleaning up sites contaminated by previous industrial activity. He is also a non-executive director of MJ Gleeson Group PLC, a housebuilder and regeneration company listed on the London Stock Exchange.

Dr. William Yip Shue Lam, *LLD*, aged 76, has been an independent non-executive Director of the Company since December 2004. Dr. Yip is a member of the Audit Committee as well as the Chairman of the Nomination Committee and the Remuneration Committee of the Company. Dr. Yip holds a Bachelor of Arts degree and an honorary Doctor of Laws degree from the Concordia University, Canada. He is the founder and the Chairman of Canada Land Limited ("Canada Land") since 1972. Canada Land engaged in real estate development and tourist attraction business, listed in 1994 on the Australian Stock Exchange and was privatized in May 2013. Dr. Yip remains as the Chairman of the company. Dr. Yip is also an independent non-executive director of K. Wah International Holdings Limited. Save as disclosed herein, he has no previous directorships in other public listed companies in the last 3 years. Dr. Yip was also the chairman of Cantravel Limited, Guangzhou since 1996 and became a director in October 2013. Dr. Yip has been active in public services and has been appointed as an Honorary Standing Committee Member of The Chinese General Chamber of Commerce (November 2012 – October 2022) and the President of Concordia University Hong Kong Foundation Limited and Chairman of Board of Governors, Canadian University Association in Hong Kong. He had been the President (1998–2000) and currently the member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong, and the fellow member of The Hong Kong Institute of Directors. In addition, Dr. Yip has been elected a Guangzhou Municipal Honorable Citizen.

Professor Patrick Wong Lung Tak, *BBS, JP*, aged 65, has been an independent non-executive Director of the Company since August 2008. Professor Wong is a member of each of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Company. He is a Certified Public Accountant (Practising) in Hong Kong and the Managing Practising Director of Patrick Wong CPA Limited. He has over 30 years experience in the accountancy profession. Professor Wong holds a Doctor of Philosophy in Business degree, was awarded a Badge of Honour by the Queen of England in 1993 and was appointed a Justice of the Peace in 1998. He was also awarded a Bronze Bauhinia Star by the Government of the HKSAR in 2010. He was appointed Adjunct Professor, School of Accounting and Finance of the Hong Kong Polytechnic University from 2002 to 2013. Professor Wong is an independent non-executive director of C C Land Holdings Limited, China Precious Metal Resources Holdings Co., Ltd., Excel Development (Holdings) Limited, Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, National Arts Entertainment and Culture Group Limited, Real Nutriceutical Group Limited, Sino Oil and Gas Holdings Limited, Water Oasis Group Limited and Winox Holdings Limited, all are listed in the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

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

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 2013.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement on page 66 of this annual report.

No interim dividend (2012: nil) was paid during the year. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: nil).

Arrangements have been made for Galaxy Casino, S.A. ("GCSA"), the Company's principal subsidiary, to declare and pay a dividend upon approval of GCSA's annual accounts, of which approximately HK$3,398 million will ultimately be received, through dividends of wholly-owned subsidiaries (the "Subsidiary Dividend") by the Company. On declaration of the Subsidiary Dividend, the Company will have distributable reserves of approximately HK$3,086 million, which will be reflected in a special purpose financial statement to be prepared by the Company and delivered to the Registrar of Companies in Hong Kong for registration, in compliance with the Companies Ordinance.

As a result of the above, the Board of Directors is pleased to announce that it has declared the payment of a special cash dividend of HK$0.7 per share ("Special Dividend") for the year ending 31 December 2014, subject to and conditional upon the Subsidiary Dividend receivable by the Company being declared (which is expected to occur on or about 30 April 2014), payable to shareholders whose names appear on the register of members of the Company on 30 May 2014. This Special Dividend is expected to be paid on or about 31 July 2014.

Based on the number of 4,230,492,560 issued shares as at the date of this report, the Special Dividend, if paid, will amount to an aggregate sum of approximately HK$2,961 million.

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, 20,121,840 new shares of HK$0.10 each were issued pursuant to the share option schemes of the Company as a result of the exercise of share options by option holders.

DEBT SECURITIES

The fixed rate senior unsecured bonds in the aggregate principal amount of RMB1.38 billion (HK$1.7 billion) with fixed rate of 4.625% per year due in December 2013, which were listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), were fully repaid on 16 December 2013.

DEALINGS IN LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2013.

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. Lui Che Woo, *Chairman*
Mr. Francis Lui Yiu Tung, *Deputy Chairman*
Mr. Joseph Chee Ying Keung, *executive Director*
Ms. Paddy Tang Lui Wai Yu, *executive Director*
Mr. Anthony Thomas Christopher Carter, *non-executive Director*
Mr. James Ross Ancell, *Independent non-executive Director*
Dr. William Yip Shue Lam, *Independent non-executive Director*
Professor Patrick Wong Lung Tak, *Independent non-executive Director*

The biographical details of the Directors are set out on pages 52 to 54 of this annual report.

In accordance with Article 106(A) of the Articles of Association of the Company, Ms. Paddy Tang Lui Wai Yu and Dr. William Yip Shue Lam 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 2013 will be payable to the Directors:

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

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 2013 or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES AND SHARE OPTIONS

At 31 December 2013, 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
Lui Che Woo	31,555,632	2,181,518	23,121,401(1)	1,697,536,231(2)	1,754,394,782	41.57
Francis Lui Yiu Tung	43,694,896	–	396,150,099(3)	1,697,536,231(2)	2,137,381,226	50.65
Joseph Chee Ying Keung	2,268,000	–	–	–	2,268,000	0.05
Paddy Tang Lui Wai Yu	15,449,722	–	–	1,697,536,231(2)	1,712,985,953	40.59
James Ross Ancell	250,000	–	–	–	250,000	0.00
William Yip Shue Lam	250,000	–	–	–	250,000	0.00
Anthony Thomas Christopher Carter	1,000,000	–	–	–	1,000,000	0.02
Patrick Wong Lung Tak	–	–	–	–	–	–

Notes:

(1) 305,401 shares and 22,816,000 shares of the Company were held by Po Kay Securities & Shares Company Limited and a charitable organisation, Lui Che Woo Foundation Limited, respectively, both are controlled by Dr. Lui Che Woo.

(2) A discretionary family trust established by Dr. Lui Che Woo as founder was interested in 1,697,536,231 shares of the Company. Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as either direct or indirect discretionary beneficiaries of the discretionary family trust, are deemed to have an interest in those shares in which the trust has an interest.

(3) 103,096,039 shares of the Company were held by Recurrent Profits Limited which is controlled by Mr. Francis Lui Yiu Tung. Top Notch Opportunities Limited ("Top Notch") was interested in 171,916,021 underlying shares of the Company. Kentlake International Investments Limited ("Kentlake") was interested in 60,000,000 shares of the Company and 61,138,039 underlying shares of the Company. Both Top Notch and Kentlake are controlled by Mr. Francis Lui Yiu Tung. The aforesaid underlying shares had not been delivered to Top Notch and Kentlake and are still counted towards the public float.

(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 2013, 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 2013, the interests of every person (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Number of shares (Long Position)	Percentage of Issued Share Capital
City Lion Profits Corp.	1,313,887,206	31.13
CWL Assets (PTC) Limited	1,697,536,231	40.22
HSBC International Trustee Limited	1,709,062,231(1)	40.50
Super Focus Company Limited	269,200,154	6.37
Waddell & Reed Financial, Inc.	312,289,000	7.40

Notes:

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

There was duplication of interests of:

(i) 1,697,536,231 shares of the Company between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, CWL Assets (PTC) Limited and HSBC International Trustee Limited;

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

(iii) 269,200,154 shares of the Company between CWL Assets (PTC) Limited and Super Focus Company Limited.

Save as disclosed above, as at 31 December 2013, 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

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

(1) Purpose

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

(2) Participants

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

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

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

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

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

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

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

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

(3) Total number of shares available for issue

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

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

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 362,623,361 shares, which represented approximately 8.57% 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. (i.e. HK$0.10)

(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 2013 were as follows:

		Number of Options							
Name	Date of grant	Held at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified during the year	Held at 31 December 2013	Exercise price (HK$)	Exercise period
Lui Che Woo	28 Feb 2003	2,000,000	–	2,000,000[(a)]	–	–	–	0.514	1 Mar 2004 – 28 Feb 2013
	17 Jan 2008	3,450,000	–	–	–	–	3,450,000	6.972	17 Jan 2010 – 16 Jan 2014
	8 May 2009	3,450,000	–	–	–	–	3,450,000	2.160	8 May 2010 – 7 May 2015
	11 Oct 2010	3,450,000	–	–	–	–	3,450,000	6.810	11 Oct 2011 – 10 Oct 2016
	16 Mar 2012	2,700,000	–	–	–	–	2,700,000	20.100	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	–	1,150,000	–	–	–	1,150,000	32.500	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	–	168,000	–	–	–	168,000	37.450	5 Jul 2014 – 4 Jul 2019
Francis Lui Yiu Tung	17 Jan 2008	5,000,000	–	–	–	–	5,000,000	6.972	17 Jan 2010 – 16 Jan 2014
	8 May 2009	1,666,668	–	–	–	–	1,666,668	2.160	8 May 2010 – 7 May 2015
	11 Oct 2010	5,000,000	–	–	–	–	5,000,000	6.810	11 Oct 2011 – 10 Oct 2016
	16 Mar 2012	3,900,000	–	–	–	–	3,900,000	20.100	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	–	1,650,000	–	–	–	1,650,000	32.500	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	–	238,000	–	–	–	238,000	37.450	5 Jul 2014 – 4 Jul 2019
Joseph Chee Ying Keung	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
	17 Jan 2013	–	180,000	–	–	–	180,000	32.500	17 Jan 2014 – 16 Jan 2019
Paddy Tang Lui Wai Yu	17 Jan 2008	2,000,000	–	–	–	–	2,000,000	6.972	17 Jan 2010 – 16 Jan 2014
	8 May 2009	2,000,000	–	–	–	–	2,000,000	2.160	8 May 2010 – 7 May 2015
	11 Oct 2010	2,000,000	–	666,000[(b)]	–	–	1,334,000	6.810	11 Oct 2011 – 10 Oct 2016
	16 Mar 2012	730,000	–	–	–	–	730,000	20.100	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	–	400,000	–	–	–	400,000	32.500	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	–	80,000	–	–	–	80,000	37.450	5 Jul 2014 – 4 Jul 2019
James Ross Ancell	–	–	–	–	–	–	–	–	–
William Yip Shue Lam	–	–	–	–	–	–	–	–	–
Anthony Thomas Christopher Carter	–	–	–	–	–	–	–	–	–
Patrick Wong Lung Tak	–	–	–	–	–	–	–	–	–

Name	Date of grant	Number of Options: Held at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified during the year	Held at 31 December 2013	Exercise price (HK$)	Exercise period
Employees (in aggregate)	17 Jan 2008	2,500,000	–	–	–	–	2,500,000	6.972	17 Jan 2010 – 16 Jan 2014
	18 Aug 2008	263,000	–	25,000[c]	–	–	238,000	3.320	18 Aug 2009 – 17 Aug 2014
	8 May 2009	5,466,667	–	2,166,667[c]	–	–	3,300,000	2.160	8 May 2010 – 7 May 2015
	21 Oct 2009	397,000	–	93,000[c]	–	–	304,000	3.600	21 Oct 2010 – 20 Oct 2015
	11 Feb 2010	1,483,738	–	1,483,738[c]	–	–	–	2.910	11 Feb 2011 – 10 Feb 2016
	23 Jul 2010	18,768,341	–	7,706,338[c]	–	–	11,062,003	4.670	23 Jul 2011 – 22 Jul 2016
	11 Oct 2010	2,000,000	–	–	–	2,000,000[e]	–	6.810	11 Oct 2011 – 10 Oct 2016
	20 Apr 2011	4,719,335	–	2,381,329[c]	–	–	2,338,006	13.820	20 Apr 2012 – 19 Apr 2017
	9 Jan 2012	14,421,000	–	3,276,925[c]	680,396	–	10,463,679	14.220	9 Jan 2013 – 8 Jan 2018
	16 Mar 2012	4,533,000	–	–	–	–	4,533,000	20.100	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	–	13,228,000	11,843[c]	592,157	–	12,624,000	32.500	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	–	1,790,000	–	–	–	1,790,000	37.450	5 Jul 2014 – 4 Jul 2019
Others	8 May 2009	333,334	–	–	–	–	333,334	2.160	8 May 2010 – 7 May 2015
	11 Oct 2010	–	–	–	–	2,000,000[e]	2,000,000	6.810	11 Oct 2011 – 10 Oct 2016
	20 Apr 2011	500,000	–	300,000[d]	200,000	–	–	13.820	20 Apr 2012 – 19 Apr 2017
	9 Jan 2012	33,000	–	11,000[d]	22,000	–	–	14.220	9 Jan 2013 – 8 Jan 2018
	5 Jul 2013	–	160,000	–	–	–	160,000	37.450	5 Jul 2014 – 4 Jul 2019

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$30.00.

b. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$60.70.

c. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$39.78.

d. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$34.78.

e. 2,000,000 options were re-classified during the year from Employees to Others.

The vesting period for options granted on 17 January 2008 is 25% vesting on each of the second and third anniversary of the date of grant and 50% vesting on the fourth anniversary of the date of grant.

The vesting period for options granted on 28 February 2003 is 100% vesting on 1 March 2004.

The vesting period for options granted on 18 August 2008 and 21 October 2009 and for 4,002,000 options granted on 20 April 2011 is 100% vesting on the first anniversary of the date of grant.

Save as disclosed above, the vesting period for all options is 1/3 vesting on each of the first, second and third anniversary of the date of grant.

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

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

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

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

	Fair value per option (HK$)	Share price at date of grant (HK$)	Exercise price (HK$)	Standard deviation of expected share price return	Expected life of options	Expected dividend paid out rate	Annual risk-free interest rate
Granted on 17 January 2013 – 16,004,000 options outstanding as at 31 December 2013	$12.96	$32.50	$32.50	55% to 65%	3.5 to 4.5 years	2%	0.208% to 0.315%
Granted on 5 July 2013 – 2,436,000 options outstanding as at 31 December 2013	$14.01	$37.40	$37.45	50% to 60%	3.5 to 4.5 years	2%	0.855% to 1.196%

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

The closing price of the Company's shares immediately before the date on which the share options were granted on 17 January 2013 and 5 July 2013 were HK$32.15 and HK$36.80 respectively.

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

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 51 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, 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.

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$11,554,000 (2012: HK$32,400,000).

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 2013 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Dr. Lui Che Woo
Chairman

Hong Kong, 19 March 2014

REPORT OF INDEPENDENT AUDITOR

羅兵咸永道

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

We have audited the consolidated financial statements of Galaxy Entertainment Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 66 to 144, which comprise the consolidated and company balance sheets as at 31 December 2013, 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.

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 2013 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2014

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	6	**66,032,501**	56,746,423
Other income/gains, net	8(a)	**355,468**	246,471
Special gaming tax and other related taxes to the Macau Government		**(24,211,993)**	(20,702,234)
Commission and allowances to gaming counterparties		**(20,403,565)**	(18,431,589)
Raw materials and consumables used		**(1,222,545)**	(1,016,874)
Amortisation and depreciation		**(1,949,610)**	(1,835,355)
Employee benefit expenses		**(4,467,089)**	(4,071,959)
Other operating expenses		**(3,639,306)**	(3,105,763)
Finance costs	10	**(598,477)**	(512,699)
Share of profits less losses of :			
Joint ventures	20(a)	**141,208**	109,100
Associated companies	21(a)	**230**	173
Profit before taxation	8(b)	**10,036,822**	7,425,694
Taxation credit/(charge)	11	**18,072**	(45,268)
Profit for the year		**10,054,894**	7,380,426
Attributable to:			
Equity holders of the Company	31	**10,051,764**	7,377,839
Non-controlling interests		**3,130**	2,587
		10,054,894	7,380,426
		HK cents	HK cents
Earnings per share	13		
Basic		**238.7**	176.2
Diluted		**234.8**	173.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**10,054,894**	7,380,426
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of non-current investments	**76,987**	44,262
Currency translation differences	**47,307**	(20,191)
Change in fair value of cash flow hedges	**23,672**	(17,236)
Discontinuance of hedge accounting – settlement of interest rate swap	**57,039**	–
Other comprehensive income for the year, net of tax	**205,005**	6,835
Total comprehensive income for the year	**10,259,899**	7,387,261
Total comprehensive income attributable to:		
Equity holders of the Company	**10,248,012**	7,385,048
Non-controlling interests	**11,887**	2,213
	10,259,899	7,387,261

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**23,226,216**	18,263,567
Investment properties	16	**88,500**	82,000
Leasehold land and land use rights	17	**5,106,987**	4,391,311
Intangible assets	18	**1,715,360**	1,103,508
Joint ventures	20	**1,373,021**	1,351,161
Associated companies	21	**861**	631
Other non-current assets	23	**515,823**	373,340
		32,026,768	25,565,518
Current assets			
Inventories	24	**133,596**	138,611
Debtors and prepayments	25	**1,975,443**	1,971,183
Amounts due from joint ventures	26	**350,500**	399,219
Taxation recoverable		**10,534**	6,146
Other investments	27	**8,149**	8,149
Other cash equivalents	28	**1,391,640**	691,136
Cash and bank balances	28	**10,360,208**	15,608,604
		14,230,070	18,823,048
Total assets		**46,256,838**	44,388,566

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
EQUITY			
Share capital	29	**421,971**	419,958
Reserves	31	**32,019,490**	21,433,430
Shareholders' funds		**32,441,461**	21,853,388
Non-controlling interests		**612,827**	440,992
Total equity		**33,054,288**	22,294,380
LIABILITIES			
Non-current liabilities			
Borrowings	32	**236,973**	6,291,171
Deferred taxation liabilities	33	**245,165**	279,059
Derivative financial instruments	22	**–**	80,711
Provisions	34	**40,982**	78,787
Retention payable		**155,007**	30,510
Other non-current payable	37	**650,000**	–
		1,328,127	6,760,238
Current liabilities			
Creditors and accruals	35	**11,412,055**	10,326,519
Amounts due to joint ventures	26	**36,769**	21,259
Current portion of borrowings and short-term bank loans	32	**406,004**	4,966,279
Provision for tax		**19,595**	19,891
		11,874,423	15,333,948
Total liabilities		**13,202,550**	22,094,186
Total equity and liabilities		**46,256,838**	44,388,566
Net current assets		**2,355,647**	3,489,100
Total assets less current liabilities		**34,382,415**	29,054,618

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

COMPANY BALANCE SHEET

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	19	**3,830,001**	3,830,001
Amounts due from subsidiaries	19	**16,611,144**	15,842,396
		20,441,145	19,672,397
Current assets			
Debtors and prepayments	25	**16,711**	5,948
Cash and bank balances	28	**3,029,169**	2,765,487
		3,045,880	2,771,435
Total assets		**23,487,025**	22,443,832
EQUITY			
Share capital	29	**421,971**	419,958
Reserves	31	**19,295,855**	19,009,990
Shareholders' funds		**19,717,826**	19,429,948
LIABILITIES			
Current liabilities			
Creditors and accruals	35	**21,547**	24,903
Amount due to a subsidiary	19	**3,747,652**	1,104,214
Current portion of borrowings and short-term bank loans	32	**–**	1,884,767
		3,769,199	3,013,884
Total liabilities		**3,769,199**	3,013,884
Total equity and liabilities		**23,487,025**	22,443,832
Net current liabilities		**(723,319)**	(242,449)
Total assets less current liabilities		**19,717,826**	19,429,948

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from operations	36	**13,766,440**	10,508,063
Hong Kong profits tax paid		**(37,779)**	(17,411)
Mainland China income tax and Macau complementary tax paid		**(19,427)**	(10,162)
Interest paid		**(387,464)**	(424,065)
Net cash from operating activities		**13,321,770**	10,056,425
Cash flows from investing activities			
Acquisition of business	37	**(2,600,000)**	–
Purchase of property, plant and equipment		**(4,971,743)**	(2,224,505)
Purchase of intangible assets		**(23,919)**	(21,088)
Proceeds from sale of property, plant and equipment		**13,838**	398
Investments in joint ventures		**(39,069)**	(151,856)
Decrease/(increase) in advances to joint ventures		**75,546**	(125,467)
Proceeds from sale of non-current investments		**–**	12,279
Proceeds from disposal of subsidiaries		**21,940**	–
Deferred expenditure		**(36)**	(73)
Decrease/(increase) in deferred receivable		**33,199**	(5,984)
Decrease in finance lease receivable		**26,146**	11,892
(Increase)/decrease in non-current investments		**(548)**	4,964
Increase in deposits paid for purchase of property, plant and equipment		**(151,079)**	(2,504)
Interest received		**238,972**	115,849
Decrease/(increase) in short-term pledged deposits and short-term bank deposits with maturity over three months		**4,668,870**	(5,231,988)
Dividends received from joint ventures		**188,735**	74,054
Dividends received from unlisted investments		**38,380**	28,000
Net cash used in investing activities		**(2,480,768)**	(7,516,029)
Cash flows from financing activities			
Issue of new shares		**135,164**	104,459
New bank loans		**68,560**	509,058
Repayment of bank loans		**(8,961,192)**	(648,934)
Repayment of fixed rate bonds		**(1,744,596)**	–
Capital element of finance lease payments		**(415,333)**	(415,128)
Increase in loan from non-controlling interests		**12,985**	7,422
Dividends paid to non-controlling interests		**(25,967)**	(5,843)
Injection of capital from non-controlling interests		**194,541**	23,421
Net cash used in financing activities		**(10,735,838)**	(425,545)
Net increase in cash and cash equivalents		**105,164**	2,114,851
Cash and cash equivalents at beginning of year		**8,907,342**	6,793,088
Changes in exchange rates		**15,814**	(597)
Cash and cash equivalents at end of year	28	**9,028,320**	8,907,342

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital HK$'000	Reserves HK$'000	Shareholders' funds HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	417,421	13,804,605	14,222,026	421,201	14,643,227
Comprehensive income					
Profit for the year	–	7,377,839	7,377,839	2,587	7,380,426
Other comprehensive income					
Change in fair value of non-current investments	–	44,262	44,262	–	44,262
Currency translation differences	–	(19,817)	(19,817)	(374)	(20,191)
Change in fair value of cash flow hedges	–	(17,236)	(17,236)	–	(17,236)
Total other comprehensive income, net of tax	–	7,209	7,209	(374)	6,835
Total comprehensive income for the year	–	7,385,048	7,385,048	2,213	7,387,261
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	23,421	23,421
Dividend paid to non-controlling interests	–	–	–	(5,843)	(5,843)
Issue of shares upon exercise of share options	2,537	101,922	104,459	–	104,459
Fair value of share options granted	–	141,855	141,855	–	141,855
At 31 December 2012	419,958	21,433,430	21,853,388	440,992	22,294,380
Comprehensive income					
Profit for the year	–	10,051,764	10,051,764	3,130	10,054,894
Other comprehensive income					
Change in fair value of non-current investments	–	76,987	76,987	–	76,987
Currency translation differences	–	38,550	38,550	8,757	47,307
Change in fair value of cash flow hedges	–	23,672	23,672	–	23,672
Discontinuance of hedge accounting – settlement of interest rate swap	–	57,039	57,039	–	57,039
Total other comprehensive income, net of tax	–	196,248	196,248	8,757	205,005
Total comprehensive income for the year	–	10,248,012	10,248,012	11,887	10,259,899
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	194,541	194,541
Disposals of subsidiaries	–	–	–	(8,626)	(8,626)
Dividend paid to non-controlling interests	–	–	–	(25,967)	(25,967)
Issue of shares upon exercise of share options	2,013	133,151	135,164	–	135,164
Fair value of share options granted	–	204,897	204,897	–	204,897
At 31 December 2013	**421,971**	**32,019,490**	**32,441,461**	**612,827**	**33,054,288**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 19 March 2014.

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.

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

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

In 2013, the Group adopted the following new/amended standards and interpretations which are relevant to its operations.

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 19 (Amendment)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Associates and Joint Ventures
HKAS 32 (Amendment)	Financial Instruments: Presentation
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the adoption of HKAS 1 (Amendment), HKFRS 12 and HKFRS 13 which affected the Group's presentation and required additional disclosures, the Group has assessed the impact of the adoption of these new/amended HKFRS and considered that there was no significant impact on the Group's results and financial position.

2. BASIS OF PREPARATION (Continued)

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

New standards, interpretations and amendments		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives	1 January 2014
HKFRS 10, 12, and HKAS 27 (Amendments)	Investment Entities	1 January 2014
HK(IFRIC) – Int 21	Levies	1 January 2014
HKFRS 9	Financial Instruments	To be determined
Annual Improvements to HKFRSs 2010–2012 Cycle		1 July 2014
Annual Improvements to HKFRSs 2011–2013 Cycle		1 July 2014

The Group has not early adopted the above standards, interpretations 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 joint ventures and associated companies attributable to the Group.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries

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

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

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

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

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

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)

3.3 Non-controlling interests

Change in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

3.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements as of 1 January 2013. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

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

3. 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 no control is exercised in its management, generally accompanying a shareholding of between 20% to 50% of the voting rights.

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

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

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

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

3.6 Goodwill

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

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

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 10 years
Other assets	2 to 20 years

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

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

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 and reacquired right

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

3.10 Computer software

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Deferred expenditure

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

Pre-operating costs are expensed as they are incurred.

3.13 Financial assets

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

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

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

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets (Continued)

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

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Derivative financial instruments and hedging activities

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

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

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

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

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

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

3.15 Debtors

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Inventories

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

3.17 Cash and cash equivalents

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

3.18 Share capital

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

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

3.19 Borrowings

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Leases

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

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

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

3.21 Creditors and accruals

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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.

3.22 Provisions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Current and deferred taxation

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 Commission and allowances to gaming counterparties

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

3.26 Contributions from the operations of the City Club Casinos

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

3.27 Employee benefits

(a) Employees entitlement, benefits and bonus

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

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

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

(b) Share-based compensation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.28 Borrowing costs

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

3.29 Revenue recognition

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

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

(a) Gaming operations

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

(b) Hotel operations

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

(c) Construction materials

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

(d) Rental income

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

(e) Administrative fee

Administrative fee is recognised when the services have been rendered.

(f) Interest income

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

(g) Dividend income

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.30 Foreign currency translation

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

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

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

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

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

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

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

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

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

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

3.31 Segment reporting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.32 Dividend distribution

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

3.33 Offsetting financial instruments

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

3.34 Financial guarantee contract

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

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

4. FINANCIAL RISK MANAGEMENT

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

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

4.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

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

There is no forward foreign exchange contract as at 31 December 2013.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The foreign exchange risk arises on the fixed deposits which are denominated in Renminbi. As at 31 December 2013, if Renminbi weakened/strengthened by 2%, profit after tax for the year would have been HK$57,916,000 lower/higher as a result of foreign exchange gain on translation of that balance.

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

(ii) Price risk

The Group is exposed to equity price changes arising from equity investments held by the Group classified on the consolidated balance sheet either as other investments (note 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.

(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.

At 31 December 2013, 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$2,252,000 (2012: HK$44,883,000) lower or higher, mainly as a result of higher or lower interest expense on floating rate borrowings.

At 31 December 2013, if interest rates on deposits and cash at banks at that date had been 0.5% higher or lower with all other variables held constant, profit after tax for the year would have been HK$28,505,000 (2012: HK$41,046,000) higher or lower.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

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

The Group has policies and guidelines in place to assess the credit worthiness of customers and gaming counterparties to ensure that credits are made to parties with an appropriate credit history and a good history of performance records. As at 31 December 2013, approximately 69% (2012: 76%) of the other debtors and deposits paid represent advances to customers and gaming counterparties. The Group monitors the issuance of credit on an ongoing basis to minimise the exposure to credit risk. There is a concentration of credit risk relating to advances to certain gaming counterparties. The activities of individual credit account are monitored regularly for management to decide if the credit facility should be continued, changed or cancelled. Management regularly evaluates the allowance for doubtful receivables by reviewing the collectability of each balance based upon the age of the balance, the customer's financial condition, collection history and any other known information. See note 25 for details of debtors and further disclosure on credit risks.

The maximum exposure to credit risk at 31 December 2013 is the unimpaired carrying amounts of respective financial assets.

(c) Liquidity risk

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

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

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

Group

	Within one year HK$'000	Between one to two years HK$'000	Between two to five years HK$'000	Over five years HK$'000	Total HK$'000
At 31 December 2013					
Bank loans	**416,345**	**50,042**	**–**	**–**	**466,387**
Obligations under finance leases	**6,714**	**192**	**15,201**	**589,259**	**611,366**
Provisions	**41,262**	**17,059**	**23,923**	**–**	**82,244**
Creditors and accruals (including non-current retention payable and other non-current payable)	**11,370,793**	**718,737**	**86,270**	**–**	**12,175,800**
Amounts due to joint ventures	**36,769**	**–**	**–**	**–**	**36,769**
At 31 December 2012					
Bank loans	3,199,206	1,525,366	5,194,327	–	9,918,899
Fixed rate bonds	1,780,669	–	–	–	1,780,669
Obligations under finance leases	465,539	7,295	192	591,234	1,064,260
Derivative financial instruments	24,518	24,518	36,777	–	85,813
Provisions	34,252	34,445	44,342	–	113,039
Creditors and accruals (including non-current retention payable)	10,292,267	–	30,510	–	10,322,777
Amounts due to joint ventures	21,259	–	–	–	21,259

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Company

	Within one year HK$'000	Total HK$'000
At 31 December 2013		
Creditors and accruals	**21,547**	**21,547**
Amount due to a subsidiary	**3,747,652**	**3,747,652**
At 31 December 2012		
Bank loans	200,237	200,237
Fixed rate bonds	1,780,669	1,780,669
Creditors and accruals	24,903	24,903
Amount due to a subsidiary	1,104,214	1,104,214

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 2013 and 2012 were as follows.

	2013 HK$'000	2012 HK$'000
Total borrowings (note 32)	**(642,977)**	(11,257,450)
Less: cash and bank balances (note 28)	**10,360,208**	15,608,604
Net cash	**9,717,231**	4,351,154
Total assets less cash and bank balances	**35,896,630**	28,779,962
Gearing ratio (note)	**n/a**	n/a

Note: The Group was in a net cash position as at 31 December 2013 and 2012.

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 2013 and 2012.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2013				
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	**8,149**	**–**	**–**	**8,149**
Available-for-sale financial assets				
– Equity securities	**40**	**–**	**194,555**	**194,595**
Total	**8,189**	**–**	**194,555**	**202,744**
At 31 December 2012				
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	8,149	–	–	8,149
Available-for-sale financial assets				
– Equity securities	27	–	117,033	117,060
Total	8,176	–	117,033	125,209
Liabilities				
Derivative financial instruments	–	80,711	–	80,711
Total	–	80,711	–	80,711

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 price within the bid-ask spread which is the most representative of the fair value in the given circumstances. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as other investments.

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.

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2013 and 2012.

	Available-for-sale financial assets	
	2013 HK$'000	2012 HK$'000
At beginning of the year	**117,033**	84,477
Gains recognised in profit or loss	**–**	5,542
Gains recognised in other comprehensive income	**76,974**	44,257
Additions	**1,942**	–
Return of capital	**(1,394)**	(17,243)
At end of the year	**194,555**	117,033
Total gains for the year included in profit or loss for assets held at the end of the year	**–**	5,542

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

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

(c) Fair value of other non-current investments

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

(d) Provisions

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

(e) Share-based payments

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(f) Taxation

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

(g) Provision for doubtful debts

The policy of provision for doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts receivable and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each counterparty. The amount of provision made as at 31 December 2013 was HK$74,816,000 (2012: HK$79,505,000). If the financial conditions of counterparty were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(h) Other cash equivalents

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

(i) Business combination

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

6. REVENUE

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

	2013 **HK$'000**	2012 HK$'000
Gaming operations		
Net gaming wins	**61,615,190**	52,647,123
Contributions from City Club Casinos (note)	**169,917**	151,142
Tips received	**13,471**	18,862
Hotel operations	**1,810,589**	1,866,910
Administrative fees from gaming operations	**11,210**	12,300
Sales of construction materials	**2,412,124**	2,050,086
	66,032,501	56,746,423

6. REVENUE (Continued)

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

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

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

During the year ended 31 December 2013, the Group is entitled to HK$169,917,000 (2012: HK$151,142,000), which is calculated by reference to various rates on the net gaming wins. Special gaming tax and other related taxes to the Macau Government, and all relevant operating and administrative expenses relating to the operations of the City Club Casinos are not recognised as expenses of the Group in the consolidated financial statements.

7. SEGMENT INFORMATION

The Board of Directors is responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, based on a measurement of adjusted earnings before interest, tax, depreciation, amortisation and certain items (the "Adjusted EBITDA"). This measurement basis of Adjusted EBITDA excludes the effects of non-recurring income and expenditure from the operating segments, such as pre-opening expenses, sponsorship, gain on disposal of subsidiaries, reversal of provision and impairment charge when the impairment is the result of an isolated, non-recurring event. The Adjusted EBITDA also excludes the effects of share option expenses, donation expenses, and unrealised 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 2013				
Reportable segment revenue	67,165,485	2,412,124	–	69,577,609
Adjusted for:				
City Club Casinos arrangement set out in note 6				
Revenue not recognised	(3,726,235)	–	–	(3,726,235)
Contributions	169,917	–	–	169,917
Others	11,210	–	–	11,210
Revenue recognised under HKFRS	63,620,377	2,412,124	–	66,032,501
Adjusted EBITDA	12,279,155	487,532	(191,376)	12,575,311
Interest income and gross earnings on finance lease				215,113
Amortisation and depreciation				(1,949,610)
Finance costs				(598,477)
Taxation credit				18,072
Taxation of joint ventures				(40,590)
Adjusted items:				
Pre-opening expenses of Galaxy Macau™ Phase 2 at Cotai				(27,920)
Other pre-opening expenses				(13,843)
Share option expenses				(204,897)
Donation and sponsorship				(11,554)
Loss on disposal/written off of certain property, plant and equipment				(19,071)
Impairment of property, plant and equipment				(8,664)
Gain on disposal of subsidiaries				14,093
Reversal of provision				48,529
Other gains				58,402
Profit for the year				10,054,894

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 2012				
Reportable segment revenue	58,204,763	2,050,086	–	60,254,849
Adjusted for:				
City Club Casinos arrangement set out in note 6				
Revenue not recognised	(3,671,868)	–	–	(3,671,868)
Contributions	151,142	–	–	151,142
Others	12,300	–	–	12,300
Revenue recognised under HKFRS	54,696,337	2,050,086	–	56,746,423
Adjusted EBITDA	9,534,878	458,641	(146,191)	9,847,328
Interest income and gross earnings on finance lease				153,962
Amortisation and depreciation				(1,835,355)
Finance costs				(512,699)
Taxation charge				(45,268)
Taxation of joint ventures				(28,738)
Adjusted items:				
Pre-opening expenses of Galaxy Macau™ Phase 2 at Cotai				(14,401)
Unrealised loss on listed investments				(181)
Share option expenses				(141,855)
Donation and sponsorship				(32,400)
Loss on disposal/written off of certain property, plant and equipment				(14,849)
Impairment of goodwill				(33,014)
Gain on unlisted investment and related income				45,487
Other losses				(7,591)
Profit for the year				7,380,426

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 2013				
Total assets	**38,212,082**	**4,979,395**	**3,065,361**	**46,256,838**
Total assets include:				
Joint ventures	**51,722**	**1,321,299**	**–**	**1,373,021**
Associated companies	**–**	**861**	**–**	**861**
Total liabilities	**11,871,368**	**1,250,582**	**80,600**	**13,202,550**
As at 31 December 2012				
Total assets	37,141,474	4,456,697	2,790,395	44,388,566
Total assets include:				
Joint ventures	31,116	1,320,045	–	1,351,161
Associated companies	–	631	–	631
Total liabilities	17,049,263	1,542,133	3,502,790	22,094,186
Year ended 31 December 2013				
Additions to non-current assets	**8,166,243**	**295,499**	**1,044**	**8,462,786**
Year ended 31 December 2012				
Additions to non-current assets	2,268,793	214,916	29	2,483,738

7. SEGMENT INFORMATION (Continued)

Geographical analysis

Year ended 31 December	2013 HK$'000	2012 HK$'000
Revenue		
Macau	**64,192,080**	54,997,845
Hong Kong	**1,391,617**	1,189,162
Mainland China	**448,804**	559,416
	66,032,501	56,746,423

Non-current assets, other than financial instruments	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000
Macau	**29,333,957**	23,044,941
Hong Kong	**515,620**	480,537
Mainland China	**2,177,191**	2,040,040
	32,026,768	25,565,518

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

	2013 HK$'000	2012 HK$'000
(a) Other income/gains, net		
Rental income from investment properties	5,740	5,210
Interest income		
Bank deposits	199,213	138,423
Loans to joint ventures (note 26(a))	13,499	12,829
Deferred receivables (note 23(c))	1,592	1,528
Dividend income from unlisted investments	38,380	28,000
Gross earnings on finance lease	809	1,182
Reversal of provision for other liabilities	–	2,674
Gain on disposal of subsidiaries	14,093	–
Unrealised loss on listed investments	–	(181)
Change in fair value of investment properties	6,500	5,000
Loss on disposal/written off of property, plant and equipment	(43,579)	(29,051)
Loss on write-off of intangible assets	(3)	–
Impairment of property, plant and equipment	(8,664)	–
Impairment of goodwill	–	(33,014)
Foreign exchange gain	72,380	27,391
Gain on unlisted investment and related income	–	45,487
Others	55,508	40,993
	355,468	246,471
(b) Profit before taxation is stated after charging		
Depreciation	1,655,726	1,602,529
Amortisation		
Gaming licence	106,337	106,629
Computer software	53,092	48,361
Quarry site improvements	16,216	16,216
Overburden removal costs	8,385	8,385
Quarry site development	387	316
Leasehold land and land use rights	70,132	52,919
Reacquired right	39,335	–
Operating lease rental		
Land and buildings	31,384	28,978
Royalty	16,118	12,840
Staff costs, including Directors' remuneration (note)	4,467,089	4,071,959
Outgoing in respect of investment properties	555	492
Auditor's remuneration		
Audit services		
Provision for the year	14,574	13,417
Over-provision in prior year	(3,198)	–
Non-audit services		
Provision for the year	1,024	805
Under-provision in prior year	71	55

Note: Staff costs is stated after amount capitalised in assets under construction in the aggregate of HK$160,938,000 (2012: HK$123,205,000), and include share option expenses of HK$204,897,000 (2012: HK$141,855,000).

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$'000	2013 Total HK$'000	2012 Total HK$'000
Executive Directors							
Dr. Lui Che Woo	210	9,630	–	482	18,919	**29,241**	35,230
Mr. Francis Lui Yiu Tung	380	13,625	–	681	27,224	**41,910**	50,275
Mr. Joseph Chee Ying Keung	180	3,630	260	327	1,425	**5,822**	6,154
Ms. Paddy Tang Lui Wai Yu	180	2,217	–	111	6,227	**8,735**	6,623
	950	29,102	260	1,601	53,795	**85,708**	98,282
Non-executive Directors							
Mr. James Ross Ancell	400	–	–	–	–	**400**	300
Dr. William Yip Shue Lam	470	–	–	–	–	**470**	330
Mr. Anthony Thomas Christopher Carter	180	–	–	–	–	**180**	160
Professor Patrick Wong Lung Tak	490	–	–	–	–	**490**	330
	1,540	–	–	–	–	**1,540**	1,120
Total 2013	**2,490**	**29,102**	**260**	**1,601**	**53,795**	**87,248**	
Total 2012	1,870	24,170	34,829	1,346	37,187		99,402

(i) The directors' fees paid in 2013 were in relation to performance and services for 2012.

(ii) The discretionary bonuses paid in 2013 were in relation to performance and services for 2012.

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 (2012: two) Directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three individuals (2012: three) are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other emoluments	**18,395**	15,169
Discretionary bonuses	**16,478**	9,941
Retirement benefits	**508**	401
Share options (note d)	**30,945**	20,163
	66,326	45,674

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2013	2012
HK$11,500,001–HK$12,000,000	**–**	1
HK$12,000,001–HK$12,500,000	**–**	1
HK$13,500,001–HK$14,000,000	**1**	–
HK$20,500,001–HK$21,000,000	**1**	–
HK$21,500,001–HK$22,000,000	**–**	1
HK$31,500,001–HK$32,000,000	**1**	–
	3	3

9. MANAGEMENT REMUNERATION (Continued)

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

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

The costs of the retirement benefit schemes charged to the consolidated income statement during the year comprise contributions to the schemes of HK$121,823,000 (2012: HK$110,589,000), after deducting forfeitures of HK$25,108,000 (2012: HK$22,076,000), leaving HK$105,000 (2012: HK$95,093) 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

	2013 HK$'000	2012 HK$'000
Interest expenses		
Fixed rate bonds wholly repayable within five years	**93,638**	95,775
Bank loans and overdrafts wholly repayable within five years	**259,648**	405,555
Unamortised transaction costs written-off due to early repayment of borrowings	**272,861**	–
Obligations under finance leases	**56,854**	57,483
Losses on financial instruments		
Interest rate swaps – cash flow hedges	**22,451**	12,274
Discontinuance of hedge accounting – settlement of interest rate swap	**57,039**	–
Other borrowing costs	**3,160**	3,705
	765,651	574,792
Amounts capitalised in assets under construction	**(167,174)**	(62,093)
	598,477	512,699

11. TAXATION (CREDIT)/CHARGE

	2013 HK$'000	2012 HK$'000
Current taxation		
Hong Kong profits tax	**29,226**	29,828
Mainland China income tax	**17,691**	12,845
Macau complementary tax	**6,613**	637
Net over-provision in prior years	**(1,008)**	(881)
Deferred taxation (note 33)	**(70,594)**	2,839
Taxation (credit)/charge	**(18,072)**	45,268

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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% (2012: 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:

	2013 HK$'000	2012 HK$'000
Profit before taxation	**10,036,822**	7,425,694
Share of profits less losses of		
Joint ventures	**(141,208)**	(109,100)
Associated companies	**(230)**	(173)
	9,895,384	7,316,421
Tax calculated at applicable tax rate	**1,177,322**	870,987
Income not subject to tax	**(34,244)**	(18,041)
Profit exempted from Macau Complementary Tax (note)	**(1,490,135)**	(1,138,021)
Expenses not deductible for tax purpose	**87,323**	63,597
Utilisation of previously unrecognised tax losses	**(6,603)**	(4,315)
Tax losses not recognised	**301,419**	264,632
Net over-provision in prior years	**(1,008)**	(881)
Mainland China withholding tax on undistributed profit	**11,691**	7,310
Reversal of previously recognised deferred tax liabilities (note)	**(63,837)**	–
Taxation (credit)/charge	**(18,072)**	45,268

The weighted average applicable tax rate was 12% (2012: 12%).

Note: 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. Further pursuant to the Despatch No. 420/2013 issued by the Chief Executive of the Macau Government on 30 December 2013, the Group is exempted from Macau Complementary Tax on its gaming activities for five years effective from the 2014 year of assessment till year 2018.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company includes the Company's loss of HK$52,183,000 (2012: loss of HK$124,874,000).

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 one (2012: one) category of dilutive potential ordinary shares: share options. 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:

	2013 **HK$'000**	2012 HK$'000
Profit attributable to equity holders of the Company	**10,051,764**	7,377,839

	Number of shares	
	2013	2012
Weighted average number of shares for calculating basic earnings per share	**4,211,650,943**	4,187,301,189
Effect of dilutive potential ordinary shares		
Share options	**69,464,607**	67,245,243
Weighted average number of shares for calculating diluted earnings per share	**4,281,115,550**	4,254,546,432

14. DIVIDENDS

The Board of Directors does not declare any dividend for the year ended 31 December 2013 (2012: nil).

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

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 2012	10,249,897	245,643	4,238,158	6,162,798	1,762,436	22,658,932
Exchange differences	2,697	13	15,562	5,513	4,006	27,791
Acquisition of business (note 37)	1,719,056	–	–	–	–	1,719,056
Additions	154,907	60,094	55,313	770,553	3,931,542	4,972,409
Transfer	322,283	–	(199,360)	(3,964)	(118,959)	–
Disposals/Written off	(4,031)	(750)	(12,951)	(159,445)	–	(177,177)
Disposal of subsidiaries	(4,490)	–	(30,602)	(56,044)	–	(91,136)
At 31 December 2013	12,440,319	305,000	4,066,120	6,719,411	5,579,025	29,109,875
Accumulated depreciation and impairment						
At 31 December 2012	667,739	141,705	1,405,522	2,180,399	–	4,395,365
Exchange differences	567	8	3,945	4,672	–	9,192
Charge for the year	392,647	40,198	353,394	869,487	–	1,655,726
Transfer	178,715	–	(178,409)	(306)	–	–
Disposals/Written off	(2,623)	(678)	(10,381)	(106,078)	–	(119,760)
Disposal of subsidiaries	(1,150)	–	(17,597)	(46,781)	–	(65,528)
Impairment charge	–	–	–	8,664	–	8,664
At 31 December 2013	1,235,895	181,233	1,556,474	2,910,057	–	5,883,659
Net book value						
At 31 December 2013	**11,204,424**	**123,767**	**2,509,646**	**3,809,354**	**5,579,025**	**23,226,216**
Cost						
At 31 December 2011	9,910,661	229,762	3,996,841	5,718,531	444,205	20,300,000
Exchange differences	(4)	–	(125)	–	–	(129)
Additions	300,727	15,881	70,025	435,361	1,604,222	2,426,216
Transfer	56,212	–	190,538	39,241	(285,991)	–
Disposals/Written off	(17,699)	–	(19,121)	(30,335)	–	(67,155)
At 31 December 2012	10,249,897	245,643	4,238,158	6,162,798	1,762,436	22,658,932
Accumulated depreciation and impairment						
At 31 December 2011	340,162	104,739	1,083,297	1,302,473	–	2,830,671
Exchange differences	(4)	–	(125)	–	–	(129)
Charge for the year	330,202	36,966	343,680	891,681	–	1,602,529
Transfer	(56)	–	(2,379)	2,435	–	–
Disposals/Written off	(2,565)	–	(18,951)	(16,190)	–	(37,706)
At 31 December 2012	667,739	141,705	1,405,522	2,180,399	–	4,395,365
Net book value						
At 31 December 2012	9,582,158	103,938	2,832,636	3,982,399	1,762,436	18,263,567

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$167,174,000 (2012: HK$62,093,000) were capitalised and included in assets under construction. A capitalisation rate of 4.21% (2012: 4.65%) 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$160,938,000 (2012: HK$123,205,000) were capitalised and included in assets under construction.

16. INVESTMENT PROPERTIES

	Group	
	2013	2012
	HK$'000	HK$'000
Fair value		
At beginning of the year	**82,000**	77,000
Change in fair value	**6,500**	5,000
At end of the year	**88,500**	82,000

The Group measures its investment properties at fair value. The investment properties were revalued by Vigers Appraisal & Consulting Limited, independent qualified valuer not related to the Group, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 31 December 2013. For all investment properties, their current use equates to the highest and best use.

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

At each financial year end the finance department:

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

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

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

17. LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2013	2012
	HK$'000	HK$'000
Net book value at beginning of the year	**4,391,311**	4,444,253
Exchange differences	**843**	(23)
Acquisition of business (note 37)	**780,944**	–
Additions	**4,021**	–
Amortisation	**(70,132)**	(52,919)
Net book value at end of the year	**5,106,987**	4,391,311
Cost	**5,598,276**	4,812,402
Accumulated amortisation	**(491,289)**	(421,091)
Net book value	**5,106,987**	4,391,311
Represented by		
Finance lease of between 10 to 50 years		
Macau	**4,881,904**	4,160,197
Hong Kong	**197,906**	203,838
	5,079,810	4,364,035
Operating lease of between 10 to 50 years		
Mainland China	**27,177**	27,276
	5,106,987	4,391,311

The Group received land concessions from Macau Government which have initial terms of 25 years and are renewable at the Group's option, in accordance with Macau law, grants the Group exclusive use of the land. Leasehold land held under finance lease in Macau included a piece of land in Cotai, Macau amounting to HK$2,934 million (2012: HK$2,952 million), for which net book value of HK$748 million (2012: HK$766 million) is developed, HK$942 million (2012: HK$756 million) is under development and HK$1,244 million (2012: HK$1,430 million) is held for development for specific uses.

18. INTANGIBLE ASSETS

Group

	Goodwill HK$'000	Gaming licence (note a) HK$'000	Reacquired right (note b) HK$'000	Computer software HK$'000	Total HK$'000
Cost					
At 31 December 2011	33,014	16,887,329	–	193,757	17,114,100
Additions	–	–	–	21,088	21,088
At 31 December 2012	33,014	16,887,329	–	214,845	17,135,188
Additions	–	–	–	23,919	23,919
Acquisition of business (note 37)	–	–	786,700	–	786,700
Write-off	–	–	–	(1,075)	(1,075)
At 31 December 2013	33,014	16,887,329	786,700	237,689	17,944,732
Accumulated amortisation and impairment					
At 31 December 2011	–	15,771,514	–	72,162	15,843,676
Charge for the year	–	106,629	–	48,361	154,990
Impairment charge	33,014	–	–	–	33,014
At 31 December 2012	33,014	15,878,143	–	120,523	16,031,680
Charge for the year	–	106,337	39,335	53,092	198,764
Write-off	–	–	–	(1,072)	(1,072)
At 31 December 2013	33,014	15,984,480	39,335	172,543	16,229,372
Net book value					
At 31 December 2013	**–**	**902,849**	**747,365**	**65,146**	**1,715,360**
At 31 December 2012	–	1,009,186	–	94,322	1,103,508

(a) Gaming licence represents the fair value of licence acquired on the acquisition of Galaxy Casino, S.A. in 2005 and has been amortised on a straight line basis over the remaining term of the gaming licence which will expire in June 2022.

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

19. SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'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	**16,611,144**	15,842,396
	20,441,145	19,672,397
Amount due to a subsidiary	**3,747,652**	1,104,214

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

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

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

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

20. JOINT VENTURES

	Group	
	2013	2012
	HK$'000	HK$'000
Share of net assets	**1,373,021**	1,351,161

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

	2013	2012
	HK$'000	HK$'000
Non-current assets	**1,675,265**	1,396,848
Current assets	**898,185**	766,705
Current liabilities	**(701,064)**	(581,019)
Non-current liabilities	**(499,365)**	(231,373)
	1,373,021	1,351,161
Income	**1,561,316**	1,322,909
Expenses	**(1,420,108)**	(1,213,809)
Share of results for the year	**141,208**	109,100

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

21. ASSOCIATED COMPANIES

	Group	
	2013 **HK$'000**	2012 HK$'000
Share of net assets	**861**	631

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

	2013 **HK$'000**	2012 HK$'000
Non-current assets	**10,315**	22,198
Current assets	**35,750**	32,467
Current liabilities	**(27,998)**	(25,182)
Non-current liabilities	**(17,206)**	(28,852)
	861	631
Income	**34,383**	36,636
Expenses	**(34,153)**	(36,463)
Share of results for the year	**230**	173

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

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2013 **HK$'000**	2012 HK$'000
Non-current liabilities		
Interest rate swap contracts (note a)	**–**	(80,711)

(a) The notional principal amount of the outstanding interest rate swap contracts was nil as at 31 December 2013 (2012: HK$1 billion). Losses recognised in the hedging reserve in equity (note 31) released to the consolidated income statement upon discontinuance of hedge accounting on interest rate swap contract. There was no ineffective portion during the year.

23. OTHER NON-CURRENT ASSETS

	Group 2013 HK$'000	Group 2012 HK$'000
Non-current investments (note a)	**194,595**	117,060
Finance lease receivable (note b)	**4,612**	23,725
Deferred expenditure		
Overburden removal costs	**4,189**	12,574
Quarry site development	**195**	546
Quarry site improvements	**8,070**	24,112
Deferred receivable (note c)	**71,829**	89,297
Deposits paid for property, plant and equipment	**220,886**	92,646
Other	**11,447**	13,380
	515,823	373,340

(a) Non-current investments

	Group 2013 HK$'000	Group 2012 HK$'000
Unlisted investments in overseas, at fair value (note 4.3)	**194,555**	117,033
Listed investments in Hong Kong, at fair value	**40**	27
Advances to investee companies	**23,010**	23,010
Less: Provision for impairment	**(23,010)**	(23,010)
	194,595	117,060

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.

23. OTHER NON-CURRENT ASSETS (Continued)

(b) Finance lease receivable

	Group	
	2013 **HK$'000**	2012 HK$'000
Gross receivable	**10,733**	38,089
Unearned finance income	**(311)**	(1,521)
	10,422	36,568
Current portion included in current assets (note 25)	**(5,810)**	(12,843)
	4,612	23,725

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

The finance lease is receivable in the following years:

	Minimum receipts		Present value	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Within one year	**6,017**	13,681	**5,810**	12,843
Between two to five years	**4,716**	24,408	**4,612**	23,725
	10,733	38,089	**10,422**	36,568

(c) Deferred receivable includes consideration receivable in respect of the partial disposal of a subsidiary in 2009 amounting to HK$60,771,000 (2012: HK$75,986,000) and advances to various contractors amounting to HK$11,058,000 (2012: HK$13,311,000).

The consideration receivable is unsecured, interest free, payable in five (2012: seven) annual instalments and the current portion of this receivable of HK$15,715,000 (2012: HK$31,430,000) is included in other debtors.

The advances to various contractors are secured by assets provided by the contractors, carry interest at prevailing market rate and are repayable by monthly instalments up to 2019 (2012: up to 2018). The current portion of the receivable is included under other debtors.

24. INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Gaming and entertainment		
Playing cards	**3,234**	7,835
Food and beverages	**34,567**	32,114
Consumables	**24,930**	21,808
	62,731	61,757
Construction materials		
Aggregates and sand	**15,973**	26,341
Concrete pipes and blocks	**14,551**	14,597
Slag	**8,352**	6,716
Cement	**11,754**	7,410
Spare parts	**12,909**	13,653
Consumables	**7,326**	8,137
	70,865	76,854
	133,596	138,611

25. DEBTORS AND PREPAYMENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors, net of provision (note a)	**642,012**	628,983	**–**	–
Other debtors and deposit paid, net of provision (note b)	**1,234,583**	1,253,587	**16,082**	5,282
Prepayments	**81,745**	63,596	**629**	666
Amounts due from associated companies (note c)	**11,293**	12,174	**–**	–
Current portion of finance lease receivable (note 23(b))	**5,810**	12,843	**–**	–
	1,975,443	1,971,183	**16,711**	5,948

25. DEBTORS AND PREPAYMENTS (Continued)

(a) Trade debtors mainly arise from the sales of construction materials. The Group has established credit policies which follow local industry standards. The Group normally allows an approved credit period ranging from 30 to 60 days (2012: 30 to 60 days) for customers in Hong Kong and Macau and 120 to 210 days (2012: 120 to 210 days) for customers in Mainland China. These are subject to periodic reviews by management. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

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

	2013 HK$'000	2012 HK$'000
Within one month	249,290	229,972
Two to three months	238,784	206,051
Four to six months	67,488	97,227
Over six months	86,450	95,733
	642,012	628,983

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

	2013 HK$'000	2012 HK$'000
Hong Kong dollar	328,840	229,538
Macau Patacas	92,164	115,500
Renminbi	221,008	283,945
	642,012	628,983

Included in the Group's trade debtors were debtors with a carrying amount of HK$481,550,000 (2012: HK$491,143,000) which were not yet due. Debtors with a carrying amount of HK$160,462,000 (2012: HK$137,840,000) 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:

	2013 HK$'000	2012 HK$'000
Overdue:		
Within one month	59,250	52,712
Two to three months	36,316	37,939
Four to six months	35,150	36,554
Over six months	29,746	10,635
	160,462	137,840

25. DEBTORS AND PREPAYMENTS (Continued)

(a) (Continued)

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

As at 31 December 2013, trade debtors of the Group amounting to HK$36,669,000 (2012: HK$35,515,000) were impaired and fully provided for. The factors the Group considered in determining whether the trade debtors were impaired are disclosed in note 3.15.

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

	2013 HK$'000	2012 HK$'000
Balance at 1 January	**35,515**	40,494
Receivables written off during the year as uncollectible	**(564)**	(4,983)
Exchange differences	**1,718**	4
Balance at 31 December	**36,669**	35,515

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

As of 31 December 2013, other debtors of the Group amounting to HK$38,147,000 (2012: HK$43,990,000) were impaired and fully provided for.

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

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

26. AMOUNTS DUE FROM/(TO) JOINT VENTURES

	Group 2013 HK$'000	2012 HK$'000
Amounts due from joint ventures (note a)	**350,500**	399,219
Amounts due to joint ventures (note b)	**(36,769)**	(21,259)

(a) Amounts receivable of HK$91,975,000 (2012: HK$174,173,000), carry interest at prevailing market rate and are repayable within one year, all of which are unsecured. Amounts receivable of HK$40,410,000 (2012: HK$40,410,000) carry interest at prevailing market rate, unsecured and are repayable in November 2015. The Directors intend to demand repayment of this loan within the next twelve months, accordingly, the receivable was classified as current. The remaining amounts receivable of HK$218,115,000 (2012: HK$184,636,000) 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 2013 HK$'000	2012 HK$'000
Equity securities listed in Hong Kong, at fair value	**8,149**	8,149

28. CASH AND CASH EQUIVALENTS AND OTHER BANK DEPOSITS

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Cash and bank balances	**10,360,208**	15,608,604	**3,029,169**	2,765,487
Less: short-term bank deposits	**(2,723,528)**	(7,392,398)	**(2,461,570)**	(1,701,954)
Other cash equivalents – cash chips of other casinos	**1,391,640**	691,136	**–**	–
Cash and cash equivalents	**9,028,320**	8,907,342	**567,599**	1,063,533
Short-term pledged bank deposits	**261,958**	1,891,954	**–**	1,701,954
Short-term bank deposits with maturity over three months	**2,461,570**	5,500,444	**2,461,570**	–
Cash and cash equivalents and other bank deposits	**11,751,848**	16,299,740	**3,029,169**	2,765,487

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

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong dollar	**7,729,431**	13,086,421	**133,355**	122,739
Macau Patacas	**496,602**	270,736	**–**	–
Renminbi	**3,443,171**	2,917,358	**2,895,812**	2,642,746
US dollar	**14,307**	22,365	**2**	2
UK pound and others	**68,337**	2,860	**–**	–
	11,751,848	16,299,740	**3,029,169**	2,765,487

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

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

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

	2013 HK$'000	2012 HK$'000
Counterparties with external credit rating (Standard & Poor's or Moody's)		
AA- to AA+	**14,362**	20,307
A- to A+	**8,509,109**	13,770,583
BBB	**334,811**	74,047
Unrated and cash on hand	**1,501,926**	1,743,667
Other cash equivalents – cash chips of other casinos (note)	**1,391,640**	691,136
	11,751,848	16,299,740

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 2012 and at 31 December 2013	**9,000,000,000**	**900,000**
Issued and fully paid:		
At 31 December 2011	4,174,208,722	417,421
Issue of shares upon exercise of share options	25,375,968	2,537
At 31 December 2012	4,199,584,690	419,958
Issue of shares upon exercise of share options	20,121,840	2,013
At 31 December 2013	**4,219,706,530**	**421,971**

30. SHARE OPTION SCHEME

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

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

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

	2013		2012	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
At beginning of year	**8.78**	**94,049,083**	5.24	93,774,721
Granted	**33.13**	**19,044,000**	16.81	26,889,000
Exercised	**6.72**	**(20,121,840)**	4.11	(25,375,968)
Lapsed	**21.41**	**(1,494,553)**	11.31	(1,238,670)
At end of year	**14.10**	**91,476,690**	8.78	94,049,083
Vested at end of year	**6.83**	**55,042,328**	5.34	50,256,724

The weighted average share price at the date of exercise for share options exercised during the year was HK$39.51 (2012: HK$21.74).

The options outstanding at 31 December 2013 have exercise prices ranging from HK$2.16 to HK$37.45 (2012: HK$0.514 to HK$20.10) with weighted average remaining contractual life of 3 years (2012: 3.46 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 2013	2012
Directors			
1 March 2004 to 28 February 2013	0.514	**–**	2,000,000
17 January 2010 to 16 January 2014	6.972	**10,450,000**	10,450,000
8 May 2010 to 7 May 2015	2.160	**7,116,668**	7,116,668
21 October 2010 to 20 October 2015	3.600	**642,000**	642,000
11 October 2011 to 10 October 2016	6.810	**9,784,000**	10,450,000
20 April 2012 to 19 April 2017	13.820	**642,000**	642,000
16 March 2013 to 15 March 2018	20.100	**7,330,000**	7,330,000
17 January 2014 to 16 January 2019	32.500	**3,380,000**	–
5 July 2014 to 4 July 2019	37.450	**486,000**	–
Employees and others			
18 August 2009 to 17 August 2014	3.320	**238,000**	263,000
17 January 2010 to 16 January 2014	6.972	**2,500,000**	2,500,000
8 May 2010 to 7 May 2015	2.160	**3,633,334**	5,800,001
21 October 2010 to 20 October 2015	3.600	**304,000**	397,000
11 February 2011 to 10 February 2016	2.910	**–**	1,483,738
23 July 2011 to 22 July 2016	4.670	**11,062,003**	18,768,341
11 October 2011 to 10 October 2016	6.810	**2,000,000**	2,000,000
20 April 2012 to 19 April 2017	13.820	**2,338,006**	5,219,335
9 January 2013 to 8 January 2018	14.220	**10,463,679**	14,454,000
16 March 2013 to 15 March 2018	20.100	**4,533,000**	4,533,000
17 January 2014 to 16 January 2019	32.500	**12,624,000**	–
5 July 2014 to 4 July 2019	37.450	**1,950,000**	–
		91,476,690	94,049,083

The fair values of the options granted on 17 January 2013 and 5 July 2013 are estimated at HK$12.96 and HK$14.01 per option respectively based on the Black-Scholes valuation model. The significant inputs into the model were share prices of HK$32.50 and HK$37.40 at the respective dates of grant, respective exercise prices of HK$32.50 and HK$37.45, standard deviation of expected share price returns of 50% to 65%, expected life of options of 3.5 to 4.5 years, expected dividend paid out rate of 2% and annual risk-free interest rate of 0.208% to 1.196%. The volatility measured at the standard deviation of expected share price returns is based on the historical share price movement of the Company in the relevant periods matching expected time to exercise prior to the dates of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

31. RESERVES

Group

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Hedging reserve HK$'000	Legal reserve (note) HK$'000	Investment reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2013	**18,798,090**	**4,395**	**70**	**(80,711)**	**231,044**	**111,404**	**236,687**	**196,134**	**1,936,317**	**21,433,430**
Profit for the year	–	–	–	–	–	–	–	–	10,051,764	10,051,764
Other comprehensive income										
Change in fair value of non current investments	–	–	–	–	–	76,987	–	–	–	76,987
Currency translation differences	–	–	–	–	–	–	–	38,550	–	38,550
Change in fair value of cash flow hedges	–	–	–	23,672	–	–	–	–	–	23,672
Discontinuance of hedge accounting – settlement of interest rate swap	–	–	–	57,039	–	–	–	–	–	57,039
Other comprehensive income for the year, net of tax	–	–	–	80,711	–	76,987	–	38,550	–	196,248
Total comprehensive income for the year	–	–	–	80,711	–	76,987	–	38,550	10,051,764	10,248,012
Transactions with equity holders										
Issue of shares upon exercise of share options	190,976	–	–	–	–	–	(57,825)	–	–	133,151
Fair value of share options granted	–	–	–	–	–	–	204,897	–	–	204,897
At 31 December 2013	**18,989,066**	**4,395**	**70**	**–**	**231,044**	**188,391**	**383,759**	**234,684**	**11,988,081**	**32,019,490**
At 1 January 2012	18,652,921	4,395	70	(63,475)	231,044	67,142	138,079	215,951	(5,441,522)	13,804,605
Profit for the year	–	–	–	–	–	–	–	–	7,377,839	7,377,839
Other comprehensive income										
Change in fair value of non current investments	–	–	–	–	–	44,262	–	–	–	44,262
Currency translation differences	–	–	–	–	–	–	–	(19,817)	–	(19,817)
Change in fair value of cash flow hedges	–	–	–	(17,236)	–	–	–	–	–	(17,236)
Other comprehensive income for the year, net of tax	–	–	–	(17,236)	–	44,262	–	(19,817)	–	7,209
Total comprehensive income for the year	–	–	–	(17,236)	–	44,262	–	(19,817)	7,377,839	7,385,048
Transactions with equity holders										
Issue of shares upon exercise of share options	145,169	–	–	–	–	–	(43,247)	–	–	101,922
Fair value of share options granted	–	–	–	–	–	–	141,855	–	–	141,855
At 31 December 2012	18,798,090	4,395	70	(80,711)	231,044	111,404	236,687	196,134	1,936,317	21,433,430

Note: A subsidiary of the Group, incorporated in Macau and limited by shares, is required under the Macau Commercial Code No. 432 to set aside a minimum of 10% of this subsidiary's profit after taxation to the legal reserve until the balance of the reserve reaches a level equivalent to 25% of the subsidiary's capital. At 31 December 2013 and 2012, the legal reserve reached 25% of the subsidiary's share capital. Legal reserve is not distributable.

31. RESERVES (Continued)

Company

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2013	**18,798,090**	**235,239**	**70**	**236,687**	**(260,096)**	**19,009,990**
Loss for the year	**–**	**–**	**–**	**–**	**(52,183)**	**(52,183)**
Transactions with equity holders						
Issue of shares upon exercise of share options	**190,976**	**–**	**–**	**(57,825)**	**–**	**133,151**
Fair value of share options granted	**–**	**–**	**–**	**204,897**	**–**	**204,897**
At 31 December 2013	**18,989,066**	**235,239**	**70**	**383,759**	**(312,279)**	**19,295,855**
At 1 January 2012	18,652,921	235,239	70	138,079	(135,222)	18,891,087
Loss for the year	–	–	–	–	(124,874)	(124,874)
Transactions with equity holders						
Issue of shares upon exercise of share options	145,169	–	–	(43,247)	–	101,922
Fair value of share options granted	–	–	–	141,855	–	141,855
At 31 December 2012	18,798,090	235,239	70	236,687	(260,096)	19,009,990

As at 31 December 2013, no reserves of the Company were available for distribution to shareholders (2012: nil).

32. BORROWINGS

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Bank loans				
Secured (note a)	**359,791**	8,392,808	**–**	–
Unsecured	**90,649**	583,811	**–**	200,000
	450,440	8,976,619	**–**	200,000
Other borrowings				
Fixed rate bonds – unsecured (note b)	**–**	1,684,767	**–**	1,684,767
Bank loans and other borrowings	**450,440**	10,661,386	**–**	1,884,767
Obligations under finance leases (note c)	**192,537**	596,064	**–**	–
Total borrowings	**642,977**	11,257,450	**–**	1,884,767
Current portion included in current liabilities	**(137,316)**	(4,572,098)	**–**	(1,684,767)
Short-term bank loans	**(268,688)**	(394,181)	**–**	(200,000)
	(406,004)	(4,966,279)	**–**	(1,884,767)
	236,973	6,291,171	**–**	–

(a) The bank loans of HK$360 million (2012: HK$8,203 million) are secured by:

(i) property, plant and equipment with net book value of HK$239 million (2012: HK$15,377 million);

(ii) leasehold land and land use rights with net book value of HK$24 million (2012: HK$2,584 million);

(iii) other assets with net book value of HK$51 million (2012: HK$300 million);

(iv) bank deposits of HK$262 million (2012: HK$1,892 million) (note 28); and

(v) shares of certain subsidiaries of the Group in 2012 (2013: nil).

In addition, no cash and bank balances of the Group (2012: HK$9,626 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 Macau and other specified purposes in accordance with the loan agreements.

(b) 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 were fully repaid in December 2013. The fixed rate bonds were listed on the SEHK.

32. BORROWINGS (Continued)

(c) Obligations under finance leases

The finance lease obligations are payable in the following years:

	Minimum payments		Present value	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Within one year	**6,714**	465,538	**5,564**	415,813
Between one to two years	**192**	7,295	**164**	6,003
Between two to five years	**15,201**	192	**10,803**	164
Over five years	**589,259**	591,234	**176,006**	174,084
	611,366	1,064,259	**192,537**	596,064

The future finance charges on finance lease liabilities amounted to HK$419 million (2012: HK$468 million).

(d) The borrowings are repayable as follows:

	Group			
	Bank loans		Fixed rate bonds	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Within one year	**400,440**	2,865,699	**–**	1,684,767
Between one to two years	**50,000**	1,252,770	**–**	–
Between two to five years	**–**	4,858,150	**–**	–
	450,440	8,976,619	**–**	1,684,767

	Company			
	Bank loans		Fixed rate bonds	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Within one year	**–**	200,000	**–**	1,684,767

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

	2013				2012			
	HK$	**RMB**	**US$**	**MOP**	HK$	RMB	US$	MOP
Bank loans	**4.1%**	**6.5%**	**1.5%**	**–**	4.1%	6.7%	1.4%	–
Fixed rate bonds	**–**	**–**	**–**	**–**	–	5.7%	–	–
Obligations under finance leases	**–**	**–**	**5%**	**5%**	–	–	5%	5%

32. BORROWINGS (Continued)

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

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Six months or less	**201,200**	8,786,619	**–**	200,000

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

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Bank loans	**450,440**	8,976,619	**450,440**	8,976,619	**–**	200,000	**–**	200,000
Fixed rate bonds	**–**	1,684,767	**–**	1,712,869	**–**	1,684,767	**–**	1,712,869
Obligations under finance leases	**192,537**	596,064	**224,081**	631,017	**–**	–	**–**	–
	642,977	11,257,450	**674,521**	11,320,505	**–**	1,884,767	**–**	1,912,869

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 and are within level 2 of the fair value hierarchy.

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

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong dollar	**85,957**	8,634,443	**–**	200,000
Macau Patacas	**186,809**	578,395	**–**	–
Renminbi	**359,791**	2,022,763	**–**	1,684,767
US dollar	**10,420**	21,849	**–**	–
	642,977	11,257,450	**–**	1,884,767

33. DEFERRED TAXATION LIABILITIES

	Group 2013 HK$'000	Group 2012 HK$'000
At beginning of the year	**279,059**	276,220
(Credited)/charged to income statement	**(70,594)**	2,839
Acquisition of business (note 37)	**36,700**	–
At end of the year	**245,165**	279,059

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

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

	Depreciation allowance HK$'000	Withholding tax on undistributed profit and others HK$'000	Fair value adjustments HK$'000	Total HK$'000
At 31 December 2011	21,281	16,311	238,628	276,220
Charged/(credited) to income statement	2,399	3,916	(3,476)	2,839
At 31 December 2012	23,680	20,227	235,152	279,059
Acquisition of business (note 37)	–	–	36,700	36,700
Charged/(credited) to income statement	1,424	(4,703)	(67,315)	(70,594)
At 31 December 2013	**25,104**	**15,524**	**204,537**	**245,165**

Deferred taxation assets of HK$850,339,000 (2012: HK$595,303,000) arising from unused tax losses and other temporary differences totalling of HK$6,880,833,000 (2012: HK$4,816,904,000) have not been recognised in the consolidated financial statements. Unused tax losses of HK$115,266,000 (2012: HK$108,855,000) have no expiry date and the remaining balance will expire at various dates up to and including 2018 (2012: 2017).

34. PROVISIONS

Group	Environment restoration HK$'000	Quarrying right HK$'000	Total HK$'000
At 31 December 2011	82,139	53,440	135,579
Reversal of provision	(36)	–	(36)
Charged to the income statement	985	10,058	11,043
Applied during the year	(11,747)	(21,800)	(33,547)
At 31 December 2012	71,341	41,698	113,039
Additions	174	–	174
Charged to the income statement	856	8,835	9,691
Applied during the year	(14,443)	(26,217)	(40,660)
At 31 December 2013	**57,928**	**24,316**	**82,244**

	Group	
	2013 HK$'000	2012 HK$'000
Current portion	**41,262**	34,252
Non-current portion	**40,982**	78,787
	82,244	113,039

The current portion of the provisions amounting to HK$41,262,000 (2012: HK$34,252,000) is included under other creditors.

35. CREDITORS AND ACCRUALS

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Trade creditors (note a)	**1,872,761**	1,499,732	**–**	–
Other creditors	**4,974,158**	5,041,421	**–**	–
Chips issued	**3,018,755**	2,300,394	**–**	–
Loans from non-controlling interests (note b)	**62,653**	75,638	**–**	–
Accruals and provision	**1,451,360**	1,390,923	**21,547**	24,903
Deposits received	**32,368**	18,411	**–**	–
	11,412,055	10,326,519	**21,547**	24,903

35. CREDITORS AND ACCRUALS (Continued)

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

	2013 HK$'000	2012 HK$'000
Within one month	**1,490,260**	1,122,119
Two to three months	**168,386**	256,401
Four to six months	**99,863**	64,974
Over six months	**114,252**	56,238
	1,872,761	1,499,732

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

	2013 HK$'000	2012 HK$'000
Hong Kong dollar	**1,338,166**	1,028,009
Macau Patacas	**283,753**	249,591
Renminbi	**220,233**	207,233
Other	**30,609**	14,899
	1,872,761	1,499,732

(b) The loans payable of HK$47,118,000 (2012: HK$38,384,000) 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

	2013 HK$'000	2012 HK$'000
Profit before taxation	**10,036,822**	7,425,694
Finance costs	**598,477**	512,699
Share of profits less losses of joint ventures and associated companies	**(141,438)**	(109,273)
Depreciation and amortisation	**1,949,610**	1,835,355
Change in fair value of investment properties	**(6,500)**	(5,000)
Loss on disposal/written off of property, plant and equipment	**43,579**	29,051
Loss on write-off of intangible assets	**3**	–
Unrealised loss on listed investments	**–**	181
Gain on disposal of unlisted investment	**–**	(5,542)
Gain on disposal of subsidiaries	**(14,093)**	–
Impairment of goodwill	**–**	33,014
Impairment of property, plant and equipment	**8,664**	–
Interest income	**(214,304)**	(152,780)
Gross earnings on finance lease	**(809)**	(1,182)
Dividend income from unlisted investments	**(38,380)**	(28,000)
Fair value of share options granted	**204,897**	141,855
Reversal of provision for other liabilities	**–**	(2,674)
Operating profit before working capital changes	**12,426,528**	9,673,398
Decrease/(increase) in inventories	**4,735**	(140)
Increase in debtors and prepayments	**(45,696)**	(343,473)
Increase in creditors and accruals	**1,391,309**	1,139,293
Increase in amounts due to joint ventures	**15,510**	6,384
(Increase)/decrease in amounts due from joint ventures	**(26,827)**	27,355
Decrease in amounts due from associated companies	**881**	5,246
Cash generated from operations	**13,766,440**	10,508,063

37. ACQUISITION OF BUSINESS

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

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

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

	HK$'000
Purchase consideration	
– cash paid	**2,600,000**
– cash payable in January 2015 (included in non-current liabilities)	**650,000**
	3,250,000
Acquisition-related costs	**7,644**

Recognised amounts of identifiable assets acquired and liabilities assumed

	Fair value HK$'000
Building (note 15)	**1,719,056**
Land (note 17)	**780,944**
Intangible asset (note 18(b))	**786,700**
Deferred taxation liabilities relating to the intangible asset (note 33)	**(36,700)**
Total identifiable net assets	**3,250,000**

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

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

38. CAPITAL COMMITMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for	**10,935,570**	11,971,291
Authorised but not contracted for	**6,855,777**	6,096,906

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

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for	**55,985**	62,404
Authorised but not contracted for	**–**	–

39. OPERATING LEASE COMMITMENTS

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

	Group	
	2013	2012
	HK$'000	HK$'000
First year	**41,840**	54,863
Second to fifth years inclusive	**53,369**	56,722
After the fifth year	**96,013**	99,404
	191,222	210,989

40. OPERATING LEASE RENTAL RECEIVABLES

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

	Group	
	2013	2012
	HK$'000	HK$'000
First year	**75,605**	61,882
Second to fifth years inclusive	**172,538**	154,191
After the fifth year	**53,618**	46,841
	301,761	262,914

41. RELATED PARTY TRANSACTIONS

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

(a) Interest income from joint ventures amounting to HK$13,499,000 (2012: HK$12,829,000) are charged at prevailing market rate (note 26(a)).

(b) Management fee received from joint ventures and an associated company amounted to HK$9,519,000 (2012: HK$5,188,000) and HK$120,000 (2012: HK$120,000) respectively are charged at terms agreed among the parties.

(c) Rental expenses of HK$1,208,000 (2012: HK$1,435,000) were paid to a subsidiary of K. Wah International Holdings Limited, a shareholder of the Company, based on the terms of the rental agreement between the parties. This is a continuing connected transaction which is fully exempted from reporting and disclosure requirements under rule 14A.33(3) of the Rules Governing the Listing of Securities on SEHK.

(d) The balances with joint ventures 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$85,708,000 for the year ended 31 December 2013 (2012: HK$98,282,000).

42. GUARANTEES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK$369 million (2012: HK$7,552 million), of which HK$178 million (2012: HK$7,314 million) have been utilised.

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

A subsidiary of the Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures and an associated company amounting to HK$258 million (2012: HK$9 million). At 31 December 2013, facilities utilised amounted to HK$186 million (2012: HK$9 million).

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

43. POST BALANCE SHEET EVENT

Arrangements have been made for Galaxy Casino, S.A. (“GCSA”), GEG’s principal subsidiary, to declare and pay a dividend upon approval of GCSA’s annual accounts, of which approximately HK$3,398 million will ultimately be received, through dividends of wholly-owned subsidiaries (the “Subsidiary Dividend”) by GEG. On declaration of the Subsidiary Dividend, GEG will have distributable reserves of approximately HK$3,086 million, which will be reflected in a special purpose financial statement to be prepared by GEG and delivered to the Registrar of Companies in Hong Kong for registration, in compliance with the Companies Ordinance.

As a result of the above, the Board of Directors is pleased to announce that it has declared the payment of a special cash dividend of HK$0.7 per share (“Special Dividend”) for the year ending 31 December 2014, subject to and conditional upon the Subsidiary Dividend receivable by GEG being declared (which is expected to occur on or about 30 April 2014), payable to shareholders whose names appear on the register of members of GEG on 30 May 2014. This Special Dividend is expected to be paid on or about 31 July 2014.

44. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 19 March 2014.

45. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

(a) Subsidiaries

		Issued share capital				
Name of company	Principal place of operation	Number of issued ordinary shares	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
Fast Vision Limited	Hong Kong	1	–	HK$1	100	Investment holding
Forcecharm (Hong Kong) Enterprises Limited	Hong Kong	10,000	–	HK$1	80	Provision of management services and investment holding
Forcecharm (Yunnan) 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	Provision of management services and 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	Trading of construction materials products, provision of management services and 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	Provision of management services and investment holding
Supreme World Investments Limited	Hong Kong	1	–	HK$1	100	Provision of management services and investment holding
View Faith Limited	Hong Kong	10	–	HK$1	100	Investment holding
Wealth Build Limited	Hong Kong	10	–	HK$1	100	Investment holding

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

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
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
嘉華諮詢(上海)有限公司 (K. Wah Consultancy (Shanghai) Co., Ltd.)	Shanghai	US$350,000	100	Provision of management services
上海嘉華青松混凝土有限公司 (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 (Jing Gang K. Wah Consultancy (Beijing) Co., Limited)	Beijing	HK$1,500,000	100	Provision of management services
雲南嘉華亮訊諮詢有限公司	Anning	RMB2,000,000	100	Provision of management services
Cooperative joint venture				
Nanjing K. Wah Concrete Co., Ltd.	Nanjing	US$2,800,000	100	Manufacture, sale and distribution of ready-mixed concrete
Shanghai K. Wah Concrete Co., Ltd.	Shanghai	RMB10,000,000	100	Provision of quality assurance service
Equity joint venture				
六盤水首嘉博宏建材有限公司 (Liupanshui Shougang K. Wah Bohong Construction Materials Company Limited)	Liupanshui	RMB22,600,000	27.5^	Manufacture, sale and distribution of slag
Puer Kungang & K. Wah Cement Construction Materials Co., Ltd.	Puer	RMB283,400,000	48^	Manufacture, sales and distribution of cement
遷安首嘉建材有限公司 (Qianan Shougang K. Wah Construction Materials Company Limited)	Qianan	RMB152,442,500	55	Manufacture, sale and distribution of slag
三河首嘉建材有限公司 (Sanhe Shougang K. Wah Construction Materials Company Limited)	Sanhe	RMB92,190,000	41.25^	Manufacture, sale and distribution of slag
Shanghai Ganghui Concrete Co., Ltd.	Shanghai	US$4,000,000	60	Manufacture, sale and distribution of ready-mixed concrete

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

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

(a) Subsidiaries (Continued)

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

* Wholly owned and directly held by the Company

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

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Number of quota	Registered share capital	Percentage of equity held by the Group	Principal activities
Incorporated in Macau					
Fast Concrete Limited	Macau	3	MOP200,000	75	Manufacture, sale and distribution of ready-mixed concrete
Galaxy 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) Company 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
Perfect Assets Real Estate Limited	Macau	2	MOP25,000	Equity: 90 Profit Sharing: 100	Property holding
Perfect Contract Management Services Limited	Macau	2	MOP25,000	100	Investment holding
StarWorld Hotel Company Limited	Macau	2	MOP100,000	Equity: 90 Profit Sharing: 100	Property holding and hospitality

45. Principal Subsidiaries, Joint Ventures and Associated Companies (Continued)

(b) Joint ventures

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 and road marking services

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
Anhui Masteel K. Wah New Building Materials Co., Ltd.	Maanshan	US$8,389,000	30	Manufacture, sale and distribution of slag
Baoshan Kungang & K. Wah Cement Construction Materials Co., Ltd.	Baoshan	RMB412,580,000	25.6	Manufacture, sale and distribution of cement
Beijing Shougang K. Wah Construction Materials Co., Ltd	Beijing	RMB50,000,000	40	Manufacture, sale and distribution of slag
廣東韶鋼嘉羊新型材料有限公司 (Guangdong Shaogang Jia Yang New Materials Co., Ltd.)	Shaoguan	US$6,000,000	35	Manufacture, sale and distribution of slag
湖北鄂鋼嘉華新型建材有限公司 (Hubei Egang K. Wah New Materials Company Limited)	Hubei	RMB48,000,000	49	Manufacture, sale and distribution of slag
K. Wah Materials (Huidong) Limited	Huidong	US$12,000,000	50	Quarrying
Maanshan Masteel K. Wah Concrete Co., Ltd.	Maanshan	US$2,450,000	30	Manufacture, sale and distribution of ready-mixed concrete
Nanjing Nangang K. Wah High Tech Materials Co., Ltd.	Nanjing	RMB176,000,000	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 Baojia Concrete Co., Ltd.	Shanghai	US$4,000,000	50	Manufacture, sale and distribution of ready-mixed concrete

45. Principal Subsidiaries, Joint Ventures and Associated Companies (Continued)

(b) Joint ventures (Continued)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
韶關市新韶鋼嘉羊新型材料有限公司 (Shaoguan City New Shaogang Jia Yang New Materials Co., Ltd.)	Shaoguan	US$5,000,000	35	Manufacture, sale and distribution of slag
雲南昆鋼嘉華水泥建材有限公司 (Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.)	Kunming	RMB825,000,000	25.6	Manufacture, sale and distribution of cement
昭通昆鋼嘉華水泥建材有限公司 (Zhaotong Kungang & K. Wah Cement Construction Materials Co., Ltd.)	Zhaotong	RMB250,000,000	32	Manufacture, sale and distribution of cement

(c) Associated 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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