



銀娛 GEG

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

Stock Code: 27

2016

ANNUAL REPORT



OUR VISION

Galaxy's vision is to be:

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

GALAXY'S BUSINESS PHILOSOPHY

LOCAL MARKET INSIGHTS

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

PROVEN EXPERTISE

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

WELL POSITIONED

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

DEMAND DRIVEN STRATEGY

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





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CORPORATE INFORMATION

CHAIRMAN

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

DEPUTY CHAIRMAN

Mr. Francis Lui Yiu Tung

EXECUTIVE DIRECTORS

Mr. Joseph Chee Ying Keung

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*

NON-EXECUTIVE DIRECTOR

Dr. Charles Cheung Wai Bun, *JP*

INDEPENDENT

NON-EXECUTIVE DIRECTORS

Mr. James Ross Ansell

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 Ansell (*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 INFORMATION

CORPORATE GOVERNANCE COMMITTEE

Mr. Francis Lui Yiu Tung (*Chairman*)

Mr. James Ross Ancell

Professor Patrick Wong Lung Tak, *BBS, JP*

COMPANY SECRETARY

Mrs. Jenifer Sin Li Mei Wah

INDEPENDENT AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

Room 1606, 16th Floor

Hutchison House

10 Harcourt Road

Central, Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

PRINCIPAL BANKERS[#]

Banco Nacional Ultramarino, S.A.

Bank of China Limited, Macau Branch

DBS Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Macau) Limited

The Hongkong and Shanghai Banking Corporation Limited

[#] listed in alphabetical order

SOLICITORS*

Jorge Neto Valente, Escritório de Advogados e Notários

Linklaters

* listed in alphabetical order

SHARE LISTING

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

STOCK CODE

SEHK : 27

Bloomberg : 27 HK

Reuters : 0027.HK

INVESTOR RELATIONS CONTACT

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WEBSITE ADDRESS

<http://www.galaxyentertainment.com>



CORPORATE PROFILE

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

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

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

GALAXY MACAU™

- Opened in May 2011; significantly expanded in May 2015 with the opening of Phase 2
- Footprint of 1 million square meters
- Comprises five world-class hotels with approximately 3,600 rooms, suites and villas, including:
 - The Ritz-Carlton, Macau
 - Banyan Tree Macau
 - JW Marriott Hotel Macau
 - Hotel Okura Macau
 - Galaxy Hotel™
- Features an unprecedented range of retail, food & beverage, entertainment and leisure options, including:
 - Over 100,000 square meters retail space with approximately 160 luxury and lifestyle retail brands
 - From award winning signature restaurants, authentic Chinese and international favorites, to the best selection of casual outlets from all around Asia, Galaxy Macau™ features over 120 restaurants for the widest range of pan-Asian and international cuisines under one roof
 - The Grand Resort Deck of over 75,000 square meters with the world’s longest skytop river ride “Skytop Adventure Rapids” at 575 meters and the world’s largest “Skytop Wave Pool”, plus additional leisure amenities and Asian themed tropical gardens
 - Macau’s most luxurious 10 screen 3D Cineplex – UA Galaxy Cinemas



CORPORATE PROFILE

STARWORLD MACAU

- Opened in 2006 as the Group's first 5-star hotel
- Located in the heart of the Macau Peninsula
- Multi award winning high end property
- Offers over 500 guestrooms and suites
- Offers sophisticated Chinese and International cuisine



BROADWAY MACAU™

- Opened in May 2015; Broadway Macau™ represents a new concept in Macau, providing visitors with a vibrant food street and entertainment district showcasing the best of Macanese and Asian culture
- Broadway Hotel with approximately 320 rooms and suites, well priced and complementing the luxury properties at Galaxy Macau™
- 3,000 seat Broadway Theatre featuring the best in up-close-and-personal entertainment
- Over 40 popular dining options including authentic local dishes and Asian favorites served in restaurants and roadside hawker stalls
- Approximately 10 retail outlets

The Group has the largest development pipeline of any casino operators in Macau. It plans to expand its Cotai footprint by a further one million square meters in the coming years with the addition of Cotai Phases 3 & 4.

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

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



FINANCIAL & OPERATIONAL HIGHLIGHTS

Group

- Revenue of HK\$52.8 billion, increased 4% year-on-year
- Adjusted EBITDA of HK\$10.3 billion, increased 18% year-on-year
- Net profit attributable to shareholders of HK\$6.3 billion, increased 51% year-on-year
- Adjusted net profit attributable to shareholders of HK\$6.8 billion, increased 17% year-on-year after adjusting for non-recurring charges
- Played lucky in gaming operations which increased Adjusted EBITDA by approximately HK\$480 million in the year
- Normalized 2016 Adjusted EBITDA grew 10% year-on-year to HK\$9.9 billion
- Mass, slots and non-gaming revenue mix was approximately 50% in 2016
- As of 31 December 2016, balance sheet remains healthy with cash and liquid investments of HK\$22.6 billion and a net cash position (including liquid investments) of HK\$16.7 billion
- Paid two special dividends of HK\$0.15 and HK\$0.18 per share in 2016
- Subsequently announced another special dividend of HK\$0.26 per share payable on or about 28 April 2017, a 73% increase compared to April 2016



Galaxy Macau™

- Revenue of HK\$38 billion, increased 7% year-on-year
- Adjusted EBITDA of HK\$8.5 billion, increased 22% year-on-year
- Normalized 2016 Adjusted EBITDA grew 12% year-on-year to HK\$8.0 billion
- Hotel occupancy for 2016 across the five hotels was 98%
- Non-gaming revenue of HK\$2.8 billion, increased 21% year-on-year



StarWorld Macau

- Revenue of HK\$11.8 billion, decreased 9% year-on-year
- Adjusted EBITDA of HK\$2.2 billion, decreased 2% year-on-year
- Normalized 2016 Adjusted EBITDA remained virtually unchanged at approximately HK\$2.1 billion
- Hotel occupancy for 2016 was 98%



Broadway Macau™

- Broadway Macau™ is connected to Galaxy Macau™ and offers an entertainment district showcasing the best of Macanese and Asian culture
- Revenue of HK\$676 million, increased 59% year-on-year
- Adjusted EBITDA of HK\$30 million (2015: HK\$(7) million)
- There was no material luck impact on Adjusted EBITDA in 2016
- Hotel occupancy for 2016 was virtually 100%



FINANCIAL & OPERATIONAL HIGHLIGHTS

Development Update

- Cotai Phases 3 & 4 – Continue to move forward with Phases 3 & 4 with the potential to commence construction in late Q1 or early Q2 2017, with substantial floor area allocated to non-gaming and primarily targeting Meetings Incentives Conference and Events (MICE), entertainment and family facilities
- Hengqin – Plans moving forward to develop a low-density integrated resort to complement our high energy entertainment resorts in Macau, anticipated to disclose further details later in the year
- International – Continue to actively explore opportunities in overseas markets, including Japan



FINANCIAL & OPERATIONAL HIGHLIGHTS

GROUP

Revenue

(HK\$'m)	2015	2016	% change
Gaming and Entertainment	49,073	50,685	3%
Construction Materials	1,918	2,141	12%
Group Total	50,991	52,826	4%

Adjusted EBITDA

(HK\$'m)	2015	2016	% change
Gaming and Entertainment	8,572	10,057	17%
Construction Materials	318	434	36%
Corporate	(154)	(143)	7%
Group Total	8,736	10,348	18%

Key Financial Metrics

	2015	2016	% change
Net Profit Attributable To Shareholders (HK\$'m)	4,161	6,283	51%
Earnings Per Share (HK cents)	97.80	147.30	51%
Total Assets (HK\$'m)	55,354	66,261	20%
Cash On Hand (HK\$'m)	7,718	19,897	158%
Debt (HK\$'m)	1,390	6,135	341%
Share Price on 31 December (HK\$)	24.45	33.80	38%
Market Capitalisation (HK\$'m)	104,175	144,383	39%



FINANCIAL & OPERATIONAL HIGHLIGHTS

GALAXY MACAU™

Financial Highlights

(HK\$'m)	2015	2016	% change
Revenue	35,502	38,075	7%
Adjusted EBITDA	6,946	8,508	22%
Adjusted EBITDA Margin (HKFRS)	20%	22%	n/a
Adjusted EBITDA Margin (US GAAP)	25%	28%	n/a



2016 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	490,694	19,540	4.0%
Mass Gaming	32,046	13,969	43.6%
Electronic Gaming	46,531	1,730	3.7%

2015 Selected Gaming Statistics

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

FINANCIAL & OPERATIONAL HIGHLIGHTS

STARWORLD MACAU

Financial Highlights

(HK\$'m)	2015	2016	% change
Revenue	13,039	11,827	(9%)
Adjusted EBITDA	2,185	2,150	(2%)
Adjusted EBITDA Margin (HKFRS)	17%	18%	n/a
Adjusted EBITDA Margin (US GAAP)	24%	25%	n/a



2016 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	215,040	6,637	3.1%
Mass Gaming	12,538	4,871	38.8%
Electronic Gaming	2,878	105	3.7%

2015 Selected Gaming Statistics

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

BROADWAY MACAU™

Financial Highlights

(HK\$'m)	2015	2016	% change
Revenue	425	676	59%
Adjusted EBITDA	(7)	30	n/a



2016 Selected Gaming Statistics

(HK\$'m)	Table Drop/ Slots Handle	Net Win	Hold %
Mass Gaming	1,970	449	22.8%
Electronic Gaming	522	30	5.7%

2015 Selected Gaming Statistics

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

FINANCIAL CALENDAR FOR SPECIAL DIVIDEND AND 2017 AGM

Book close dates for Special Dividend	:	29 March 2017 (Wednesday) to 31 March 2017 (Friday) (both days inclusive)
Record date for Special Dividend	:	31 March 2017 (Friday)
Ex-dividend date	:	27 March 2017 (Monday)
Expected payment date	:	28 April 2017 (Friday)
Latest time to lodge transfer documents with the Company's share registrar to entitle Special Dividend	:	4:30 p.m. on 28 March 2017 (Tuesday)
Book close dates for 2017 AGM	:	28 April 2017 (Friday) to 4 May 2017 (Thursday) (both days inclusive)
Record date for 2017 AGM	:	4 May 2017 (Thursday)
Date and time of 2017 AGM	:	2:30 p.m. on 4 May 2017 (Thursday)
Latest time to lodge transfer documents with the Company's share registrar to attend and vote at 2017 AGM	:	4:30 p.m. on 27 April 2017 (Thursday)
Latest time to lodge proxy forms with the Company's registered office at Room 1606, 16th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong	:	2:30 p.m. on 2 May 2017 (Tuesday)
Name and address of the Company's share registrar	:	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

CHAIRMAN'S STATEMENT



Chairman

Dr. Lui Che Woo

GBM, MBE, JP,

LLD, DSSc, DBA

DEAR SHAREHOLDERS,

It is with great pleasure that I write to update you on the performance of our Company in 2016.

I am pleased to announce that despite the challenging market conditions, GEG delivered solid financial results for the full year.

MACAU MARKET REVIEW

The Macau gaming market stabilized in 2016 and finished the year on a positive note where from August onwards, Gross Gaming Revenue ("GGR") reported positive growth. In addition to the growth of GGR in the later part of 2016, the market also experienced a shift in the mix of gaming revenue from the VIP to the Mass market.

Visitation in 2016 grew modestly to just under 31 million. However with the addition of new hotel capacity during the year, overnight visitation has increased for seven consecutive months since June 2016 and was up 10% year-on-year to 15.7 million for the full year. This is a particularly encouraging sign as new capacity has driven increased overnight visitation and it is estimated that overnight visitors spend more than day trippers.

CHAIRMAN'S STATEMENT

GGR for 2016 was HK\$216.7 billion, down 3% over 2015, however GGR did experienced growth in the later part of 2016 and this growth in GGR has continued into 2017.

In 2016 infrastructure designed to enable easier access to Macau and movement within Macau continued to progress and we look forward to the completion of these infrastructure projects. These projects will further enhance the appeal and easy of travel to and from Macau and travel within Macau for both Chinese and International visitors.

GEG PERFORMANCE

Despite the challenging market conditions, the Group's revenues maintained a stable growth at 4% year-on-year to HK\$52.8 billion. This reflects the Group's endeavour to shift its earnings to the Mass segment and non-gaming amenities and demonstrates the Group's commitment to support the Macau Government's effort to diversify the economy and grow non-gaming revenue.

Adjusted EBITDA of the Group reached HK\$10.3 billion, up 18% year-on-year in 2016. Net profit attributable to shareholders was HK\$6.3 billion and the Group's hotels were virtually fully occupied.

GEG maintained a strong, well-capitalized and liquid balance sheet. As of 31 December 2016, net cash was HK\$16.7 billion, while cash and liquid investments were HK\$22.6 billion. The debt of HK\$5.9 billion reflects the Group's ongoing yield management initiative.

Two special dividends were paid in the year: HK\$0.15 per share on 29 April 2016 and HK\$0.18 per share on 28 October 2016. We are pleased to announce another special dividend of HK\$0.26 per share to be paid on or about 28 April 2017, a 73% increase compared to April 2016.

In the medium to longer term, the Group remains optimistic in Macau as the Government is firmly committed to economic diversification and the support of the gaming and tourism industries. Macau has been transformed into one of the world's leading entertainment cities, and a World Center of Tourism and Leisure. GEG's strong reputation for delivering "World Class, Asian Heart" services and products, unmatched development pipeline and strong balance sheet, position it well for future growth opportunities. The Group has a strong belief that China's economy will continue to grow. Rising domestic consumption and wealth will increase domestic and international tourism.

DEVELOPMENT PIPELINE

With the largest contiguous land bank in Cotai, GEG is uniquely positioned for the medium and longer term growth in tourism and leisure throughout Asia in general and China specifically. Cotai Phases 3 & 4 will provide GEG with the opportunity to expand its non-gaming footprint even further. GEG continues to move forward with Phases 3 & 4 with the potential to commence construction in late Q1 or early Q2 2017, with virtually all floor areas allocated to non-gaming and primarily targeting MICE, entertainment and family facilities. GEG's concept plans for our proposed Hengqin project continued to progress. Hengqin will allow GEG to develop a low rise, low-density integrated resort that will complement our high energy resorts in Cotai. We anticipate being able to provide further details later in the year. GEG is continuously exploring opportunities in the overseas markets, including Japan.

CHAIRMAN'S STATEMENT

MACAU MARKET OUTLOOK

The Group is positive on the longer term outlook for Macau and we are hopeful that the recent signs of stabilization will successful transition into a sustainable recovery. Our confidence is supported by the city's growth momentum and underpinned by sound government policies, unchanged economic fundamentals, and improving infrastructure.

On the policy front, in its Interim Review, Five Year Plan and the forth coming Tourism Industry Plan, the Macau Government's proactive measures reinforced its commitment to economic diversification and its support of the gaming and tourism industries. The Central Government also reiterated its support towards Macau to develop in the direction of "One Centre, One Platform", i.e. the World Center of Tourism and Leisure and the Commercial and Trading Services Platform for China and Portuguese-speaking Countries, which will benefit all of Macau.

On the economic front, China's gross domestic product (GDP) is expected to continue to grow in 2017. We believe the current penetration of Macau visitors from China still remains low, this combined with an increase in the number of the middle class will drive mainland visitors' spending in Macau. The completion of infrastructure projects will also make Macau more accessible and drive increased visitation.

However with that said, we do acknowledge that in the shorter term we face increased regional competition and a tightening regulatory environment. In addition, there are a number of macro-economic and global geo-political events occurring in 2017 that may impact consumer sentiment.

CLOSING REMARKS

It has been a year of further progress – financially, operationally and strategically. Although 2016 was a challenging year for Macau and the gaming industry, GEG delivered solid financial results.

Moving forward, GEG will continue to focus on the Mass Market and the development of its non-gaming business. The positive momentum that occurred in the later part of 2016 has carried over into the beginning of 2017. With a robust development pipeline, GEG is well-positioned for long-term success and remains fully committed to support the Macau Government's efforts in transforming Macau into a World leading tourism and leisure destination.

Dr. Lui Che Woo

GBM, MBE, JP, LLD, DSSc, DBA

Chairman

Hong Kong, 28 February 2017



SELECTED MAJOR AWARDS

CORPORATE AND PROPERTIES:

Award	Presenter
GEG	
Best Managed Company in Asia – Gaming	Euromoney
Gaming and Lodging – Most Honored Company	Institutional Investor Magazine
Best Investor Relations Program – First Place – Nominated by the Buy Side	– 2016 All-Asia Executive Team Survey
Best Analyst Days – First Place	
The Most Generous Chinese of “Hurun Non-Mainland Chinese Philanthropy List 2016”	Hurun Report
Socially Responsible Operator	International Gaming Awards
Certificate of Excellence in Investor Relations	Hong Kong Investor Relations Association
Top 100 HK Listed Companies Award – Comprehensive Strength	QQ.com x Finet
GALAXY MACAU™	
Asia’s Leading Casino Resort 2016	23rd Annual World Travel Awards
Best Integrated Resort	Asia Gaming Awards
Macau Elite Service Award 2015 – The Best Integrated Resort and Hotel Service and Brand	Exmoo
The Supreme Award for the Most Favored Integrated Resort by Parent-Child in Asia	Golden Horse Awards of China Hotel
Grand Luxury Hotel of the Year – Macau – Galaxy Hotel™	Luxury Travel Guide Asia & Australasia Awards 2016
Platinum Award of Asia’s Most Charming Integrated Resort	The 11th International Hotel Platinum Awards
2016 Forbes Travel Guide Four Stars Hotel	Forbes Travel Guide
2015 Macao Green Hotel Award – Gold (Hotel Okura Macau) – Silver (Galaxy Hotel™)	Macao Environmental Protection Bureau (DSPA)
Luxury Hotel – The Ritz-Carlton, Macau	Michelin Guide Hong Kong and Macau 2017
Luxury Hotel – Banyan Tree Macau	Michelin Guide Hong Kong and Macau 2017
Top Class Comfort Hotel – Hotel Okura Macau	Michelin Guide Hong Kong and Macau 2017
Top Class Comfort Hotel – Galaxy Hotel™	Michelin Guide Hong Kong and Macau 2017
Top Class Comfort Hotel – JW Marriott Hotel Macau	Michelin Guide Hong Kong and Macau 2017

SELECTED MAJOR AWARDS

Award	Presenter
STARWORLD MACAU	
Top Ten Charm City Hotels	The 11th International Hotel Platinum Awards
Top Class Comfort Hotel	Michelin Guide Hong Kong and Macau 2017
Top 10 Glamorous Hotels of China	China Hotel Starlight Awards
The Supreme Award for the Most Glamorous Hotel of Asia	Golden Horse Awards of China Hotel
2016 Asia's Top Leisure Hotel	Now Travel Asia Awards
BROADWAY MACAU™	
Best Resort Hotel for Gourmet Experience	The 11th International Hotel Platinum Awards
The Supreme Award for the Most Local Experience Resort in Asia	Golden Horse Awards of China Hotel
2016 Asia's Top Family Hotel	Now Travel Asia Awards
CONSTRUCTION MATERIALS DIVISION	
22nd Considerate Contractors Site Award Scheme	Development Bureau/Construction Industry Council
– Outstanding Environmental Management & Performances Award	
– Bronze Award	
– Considerate Contractors Site Awards (Public Works – New Works) – Bronze Award	
Caring Company Scheme – 10 Years Plus Caring Company Logo	The Hong Kong Council of Social Service
Hong Kong Green Organization Certificate – Wastewi\$e Certificate	Environmental Campaign Committee
– Excellent Level	
HSBC Living Business Awards 2016	Business Environmental Council
– Green Achievement Award	
– Long Term Participation Award	
15th Hong Kong Occupational Safety and Health Award	Labour Department/Occupational Safety and Health Council
– Safety Performance Award – Other Industries	
CEDD Construction Site Safety Award 2015	The Civil Engineering and Development Department (CEDD)
– Gold Award – The Rehabilitation of Andersen Road Quarry	

SELECTED MAJOR AWARDS

A FOOD LOVERS PARADISE

*Across GEG's portfolios of resorts,
we offer the largest selection of pan-Asian food in Macau,
with in excess of 120 food and beverage outlets.*



SELECTED MAJOR AWARDS

Below is a selection of food accolades that were awarded in 2016:

F&B Outlet	Award and Presenter
GALAXY MACAU™	
Lai Heen	Michelin 1-Star Restaurant – Michelin Guide Hong Kong and Macau 2017 Delicious Travel – Asian Restaurant Award – Most Luxurious Chinese Restaurant – Urbanspace Macau Fine Dining Restaurant – Gold – Restaurant & Bar Hong Kong – Hong Kong Restaurant Interior Design Awards
8 1/2 Otto e Mezzo BOMBANA	Michelin 1-Star Restaurant – Michelin Guide Hong Kong and Macau 2017 Michelin Restaurant with Interesting Wine Lists – Michelin Guide Hong Kong and Macau 2017 2016 Wine Spectator’s Restaurant Awards – 2016 Best of Award of Excellence – Wine Spectator’s Restaurant Awards
Terrazza Italian Restaurant	Michelin 1-Star Restaurant – Michelin Guide Hong Kong and Macau 2017 Macau’s Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017 2016 Wine Spectator’s Restaurant Awards – 2016 Best of Award of Excellence – Wine Spectator’s Restaurant Awards
Fook Lam Moon	Michelin Recommended Restaurant – Michelin Guide Hong Kong and Macau 2017 Macau’s Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017 2016 Wine Spectator’s Restaurant Awards – 2016 Best of Award of Excellence – Wine Spectator’s Restaurant Awards
The Ritz-Carlton Café	Michelin Recommended Restaurant – Michelin Guide Hong Kong and Macau 2017 Macau’s Best Café – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
Yamazato	Michelin Recommended Restaurant – Michelin Guide Hong Kong and Macau 2017 Macau’s Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
Myung Ga	Michelin Recommended Restaurant – Michelin Guide Hong Kong and Macau 2017 Star Merchant Award – First Class Restaurant – MGTO Quality Tourism Services Accreditation Scheme
Belon	Macau’s Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017 2016 Forbes Travel Guide Five Stars Restaurant – Forbes Travel Guide
Saffron	Macau’s Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
Gosto	Macau’s Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
Urban Kitchen	Macau’s Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
Man Ho Chinese Restaurant	Macau’s Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017

SELECTED MAJOR AWARDS

F&B Outlet	Award and Presenter
Pak Loh Chiu Chow Restaurant	Macau's Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
Jin Yue Xuan Seafood Restaurant	Macau's Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
Laurel	Macau's Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
Festiva	Macau's Best Café – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
The Macallan Whisky Bar & Lounge	Macau's Best Bar – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
The Ritz-Carlton Bar & Lounge	Macau's Best Bar – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
Banyan Lounge	Macau's Best Bar – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
The Ritz-Carlton Pool Bar	Macau's Best Bar – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
The Noodle Kitchen	Travelers' Choice of Northern Noodle Brand 2016-2017 – CMN Awards
Lugang Cafe	Star Merchant Award – First Class Restaurant – MGTO Quality Tourism Services Accreditation Scheme
The Spaghetti House	Star Merchant Award – First Class Restaurant – MGTO Quality Tourism Services Accreditation Scheme
China Rouge	The World's Finest Clubs Award – The World's Finest Clubs

STARWORLD MACAU

Feng Wei Ju	Michelin 2-Star Restaurant – Michelin Guide Hong Kong and Macau 2017 Macau's Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
Temptations	Michelin Recommended Restaurant – Michelin Guide Hong Kong and Macau 2017 Travelers' Choice of International European Cuisine Brand 2016-2017 – CMN Awards
Hip Seng Seafood Hotpot	Macau's Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
Jade de Jardin	Macau's Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
Laurel	Macau's Best Restaurant – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017
Whisky Bar	Macau's Best Bar – Hong Kong Tatler Best Restaurants Hong Kong and Macau Edition 2017

SELECTED MAJOR AWARDS

F&B Outlet	Award and Presenter
BROADWAY MACAU™	
Dragon Portuguese Cuisine	Michelin Recommended Restaurant – Michelin Guide Hong Kong and Macau 2017
Du Hsiao Yueh	Michelin Recommended Restaurant – Michelin Guide Hong Kong and Macau 2017
Wong Kun Sio Kung	Michelin Recommended Restaurant – Michelin Guide Hong Kong and Macau 2017 Smilin by Ctrip Awards – Smilin Local Favorite List – Ctrip
Katong Corner	Michelin Recommended Restaurant – Michelin Guide Hong Kong and Macau 2017
Lei Ka Choi	Michelin Street Food – Michelin Guide Hong Kong and Macau 2017
Fong Seng Lai Kei Restaurant	Travelers' Choice of Macanese Cuisine Brand 2016-2017 – CMN Awards



MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW

Overall the Macau gaming market has stabilized and hopefully will successfully transition into a sustainable recovery. Despite the challenging environment, GEG has successfully transitioned its business to the Mass Market and non-gaming, driving profitable volumes, optimizing operating efficiency and exercising cost control, the Group achieved solid results for 2016.

Group revenue and Adjusted EBITDA was \$52.8 billion and \$10.3 billion, respectively, for the year. Net profit attributable to shareholders was \$6.3 billion. GEG paid two special dividends to shareholders of \$0.15 and \$0.18 per share.

GEG is committed to supporting the Macau Government's initiative in economic diversification and developing into a World Center of Tourism and Leisure.

Visitation in 2016 grew modestly to just under 31 million. With the addition of new hotel capacity, Macau's overnight visitation has increased for seven consecutive months since June 2016 and was up 10% year-on-year to 15.7 million for the full year.

Galaxy Macau™ as one of the world's largest destination resorts is the primary profit contributor to the Group and generated revenue of \$38 billion and Adjusted EBITDA of \$8.5 billion.

StarWorld Macau, the Group's award-winning hotel has successfully transitioned to a Mass Market property and achieved revenue of \$11.8 billion and Adjusted EBITDA of \$2.2 billion in 2016.

Broadway Macau™, a unique family-friendly, street entertainment and food resort delivered revenue of \$676 million and Adjusted EBITDA of \$30 million.

With Macau largest development pipeline, GEG is uniquely positioned for medium and longer term growth as the demand for tourism and leisure continues to grow throughout Asia. The planning of Cotai Phases 3 and 4 and Hengqin are progressing well and will enable the Group to expand its non-gaming footprint even further.

Looking forward to 2017, the Group remains optimistic about the medium to long term growth outlook for Macau in general and for the Group specifically. Along with the continued support of the Central and Macau Governments and the completion of major infrastructure projects, such as the Hong Kong-Zhuhai-Macau Bridge, Macau is on track to become a World Center of Tourism and Leisure. GEG is confident in the long term future of Macau.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Overview of the Macau Gaming Market

The Macau gaming market finished the year on a positive note where from August onwards, Gross Gaming Revenue (“GGR”) reported positive growth. In addition to the growth of GGR in the later part of 2016, the market also experienced a shift in the mix of gaming revenue from VIP to the Mass market.

Visitation to Macau in 2016 was 30.95 million compared to 30.71 million in 2015. However with the addition of new hotel capacity during the year overnight visitation has increased for seven consecutive months since June 2016 and was up 10% year-on-year to 15.7 million for the full year. For the first time in the last ten years, overnight-stay visitor arrivals exceeded same-day visitor arrivals. In 2016, the average length of stay of overnight visitors stood at 2.1 days. This is a particularly encouraging sign as new capacity has driven increased overnight visitation and it is estimated that overnight visitors spend more than day trippers.

In 2016 infrastructure designed to enable easier access to Macau and movement within Macau continued to progress and we look forward to the completion of these infrastructure projects. These projects will further enhance the appeal and easy of travel to and from Macau and travel within Macau for both Chinese and International visitors.



MANAGEMENT DISCUSSION AND ANALYSIS

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

REVIEW OF OPERATIONS

Group Financial Results

The Group posted revenue of \$52.8 billion, up 4% year-on-year, and generating Adjusted EBITDA of \$10.3 billion, up 18% year-on-year in 2016. Net profit attributable to shareholders was \$6.3 billion. Galaxy Macau™'s Adjusted EBITDA was \$8.5 billion, up 22% year-on-year. StarWorld Macau's Adjusted EBITDA was \$2.2 billion, down 2% year-on-year. Broadway Macau™'s Adjusted EBITDA was \$30 million versus \$(7) million in 2015¹.

GEG experienced good luck in its gaming operations during 2016, which increased its Adjusted EBITDA by approximately \$480 million. Normalized 2016 Adjusted EBITDA grew 10% year-on-year to \$9.9 billion.

The Group's total gaming revenue on a management basis² in 2016 was \$49.5 billion, up 2% year-on-year, total mass table games revenue was \$21.0 billion, up 19% year-on-year and total VIP revenue was \$26.5 billion, down 8% year-on-year.

Group Gaming 2016 (HK\$'b)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	716.3	26.5	3.7%
Mass Gaming	52.5	21.0	40.0%
Electronic Gaming	56.3	2.0	3.5%

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

We reported non-gaming revenue of \$3.2 billion, an increase of 18% year-on-year; this demonstrates our commitment to support the Macau Government's efforts to diversify the economy and grow non-gaming revenue.

¹ Broadway Macau™ operated for seven and a half months in 2015.

² The primary difference between statutory revenue and management basis revenue is the treatment of City Clubs revenue where fee income is reported on a statutory basis and gaming revenue is reported on a management basis.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Balance Sheet, Treasury Management and Special Dividends

The Group's balance sheet remains healthy and liquid. As of 31 December 2016, cash and liquid investments were \$22.6 billion (2015: \$7.7 billion) and net cash was \$16.7 billion. Total debt increased from \$1.2 billion at 31 December 2015 to \$5.9 billion at 31 December 2016 due solely to a treasury management exercise where interest income on cash holdings exceeds corresponding borrowing costs. Our strong balance sheet combined with substantial cash flow from operations allows us to return capital to shareholders via dividends and to fund our development pipeline and international expansion ambitions.

In 2016, GEG returned capital to shareholders by paying two special dividends of \$0.15 per share and \$0.18 per share on 29 April 2016 and 28 October 2016 respectively. Subsequently GEG announced another special dividend of \$0.26 per share to be paid on or about 28 April 2017, a 73% increase compared to April 2016.

Set out below is the segmental analysis of the Group's operating results for 2016.

2016 (HK\$'m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	50,685	2,141	–	52,826
Adjusted EBITDA	10,057	434	(143)	10,348

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

GAMING AND ENTERTAINMENT DIVISION**Galaxy Macau™****Financial and Operational Performance**

Galaxy Macau™ is the primary contributor to Group revenue and earnings. Revenue in the year was up 7% year-on-year to \$38.0 billion. Adjusted EBITDA was up 22% year-on-year to \$8.5 billion.

Galaxy Macau™ experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$460 million in 2016. Normalized 2016 Adjusted EBITDA grew 12% year-on-year to \$8.0 billion.

Adjusted EBITDA margin for 2016 calculated under HKFRS was 22% (2015: 20%), or 28% under US GAAP (2015: 25%).

MANAGEMENT DISCUSSION AND ANALYSIS

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

VIP Gaming Performance

VIP rolling chip volume for 2016 was \$491 billion, down 12% year-on-year. This translated to revenue of \$20 billion, down 2% year-on-year.

VIP Gaming							
HK\$'m	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2015	FY 2016	YoY%
Turnover	130,536	115,296	117,048	127,814	555,142	490,694	(12%)
Net Win	5,458	4,408	4,617	5,057	19,940	19,540	(2%)
Win %	4.2%	3.8%	3.9%	4.0%	3.6%	4.0%	n/a

Mass Gaming Performance

Mass gaming revenue for 2016 was \$14 billion, up 20% year-on-year.

Mass Gaming							
HK\$'m	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2015	FY 2016	YoY%
Table Drop	7,734	7,834	8,103	8,375	26,984	32,046	19%
Net Win	3,284	3,253	3,572	3,860	11,605	13,969	20%
Hold %	42.5%	41.5%	44.1%	46.1%	43.0%	43.6%	n/a

Electronic Gaming Performance

Electronic gaming revenue for 2016 was \$1,730 million, up 8% year-on-year.

Electronic Gaming							
HK\$'m	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2015	FY 2016	YoY%
Slots Handle	11,542	11,661	11,681	11,647	40,945	46,531	14%
Net Win	381	447	461	441	1,604	1,730	8%
Hold %	3.3%	3.8%	3.9%	3.8%	3.9%	3.7%	n/a

Non-Gaming Performance

Non-gaming revenue for 2016 was \$2.8 billion, up 21% year-on-year. The combined five hotels registered strong occupancy of 98% in 2016. Net rental revenue for the Promenade was \$782 million for 2016, up 18% year-on-year.

Non-Gaming							
HK\$'m	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2015	FY 2016	YoY%
Net Rental Revenue	196	161	200	225	661	782	18%
Hotel Revenue/F&B/Others	470	478	561	532	1,676	2,041	22%
Total	666	639	761	757	2,337	2,823	21%

MANAGEMENT DISCUSSION AND ANALYSIS

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

StarWorld Macau**Financial and Operational Performance**

StarWorld Macau's revenue for the year was down 9% year-on-year to \$11.8 billion. Adjusted EBITDA was down 2% year-on-year to \$2.2 billion.

StarWorld Macau experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$10 million in 2016. Normalized 2016 Adjusted EBITDA remained virtually unchanged at approximately \$2.1 billion.

Adjusted EBITDA margin for 2016 calculated under HKFRS was 18% (2015: 17%), or 25% under US GAAP (2015: 24%).

VIP Gaming Performance

VIP rolling chip volume for 2016 was \$215 billion, down 23% year-on-year. This translated to revenue of \$6.6 billion, down 22% year-on-year.

VIP Gaming							
HK\$m	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2015	FY 2016	YoY%
Turnover	59,200	46,090	49,601	60,149	280,463	215,040	(23%)
Net Win	1,659	1,472	1,419	2,087	8,504	6,637	(22%)
Win %	2.8%	3.2%	2.9%	3.5%	3.0%	3.1%	n/a

Mass Gaming Performance

Mass gaming revenue for 2016 was \$4.9 billion, up 18% year-on-year.

Mass Gaming							
HK\$m	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2015	FY 2016	YoY%
Table Drop	3,019	3,062	3,154	3,303	10,324	12,538	21%
Net Win	1,178	1,141	1,301	1,251	4,140	4,871	18%
Hold %	39.0%	37.3%	41.2%	37.9%	40.1%	38.8%	n/a

Electronic Gaming Performance

Electronic gaming revenue for 2016 was \$105 million, down 10% year-on-year.

Electronic Gaming							
HK\$m	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2015	FY 2016	YoY%
Slots Handle	409	386	684	1,399	2,002	2,878	44%
Net Win	24	18	25	38	117	105	(10%)
Hold %	5.9%	4.7%	3.6%	2.7%	5.9%	3.7%	n/a

MANAGEMENT DISCUSSION AND ANALYSIS

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

Non-Gaming Performance

Non-gaming revenue for 2016 was \$208 million, down 24% year-on-year. Hotel room occupancy was 98% for 2016.

Non-Gaming							
HK\$m	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2015	FY 2016	YoY%
Net Rental Revenue	9	9	9	10	33	37	12%
Hotel Revenue/F&B/Others	47	39	40	45	242	171	(29%)
Total	56	48	49	55	275	208	(24%)

Broadway Macau™**Financial and Operational Performance**

Broadway Macau™ is a unique family friendly, street entertainment and food resort supported by Macau SMEs, it does not have a VIP gaming component. The property's revenue in 2016 was \$676 million. Adjusted EBITDA was \$30 million for 2016 versus \$(7) million in 2015.

There was no material luck impact for Broadway Macau™'s Adjusted EBITDA in 2016.

Mass Gaming Performance

Mass gaming revenue for 2016 was \$449 million.

Mass Gaming							
HK\$m	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2015	FY 2016	YoY%
Table Drop	600	503	474	393	1,220	1,970	61%
Net Win	131	115	103	100	285	449	58%
Hold %	21.9%	22.9%	21.7%	25.5%	23.4%	22.8%	n/a

Electronic Gaming Performance

Electronic gaming revenue for 2016 was \$30 million.

Electronic Gaming							
HK\$m	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2015	FY 2016	YoY%
Slots Handle	143	137	139	103	311	522	68%
Net Win	7	9	8	6	20	30	50%
Hold %	5.1%	6.2%	5.8%	5.9%	6.4%	5.7%	n/a

Non-Gaming Performance

Non-gaming revenue for 2016 was \$197 million. Hotel room occupancy was virtually 100% for 2016.

Non-Gaming							
HK\$m	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2015	FY 2016	YoY%
Net Rental Revenue	14	14	16	13	26	57	119%
Hotel Revenue/F&B/Others	29	31	40	40	94	140	49%
Total	43	45	56	53	120	197	64%

City Clubs

City Clubs contributed \$107 million of Adjusted EBITDA to the Group's earnings for 2016 (2015: \$107 million).

MANAGEMENT DISCUSSION AND ANALYSIS

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

CONSTRUCTION MATERIALS DIVISION

Construction Materials Division posted a solid set of results, achieving year-on-year revenue growth of 12% to \$2.1 billion and Adjusted EBITDA growth of 36% to \$434 million.

Hong Kong and Macau

Although the demand for construction materials in Hong Kong was generally good throughout 2016, certain major infrastructure projects have been slowing down. In response to the weakening backdrop, the division proactively implemented a number of significant cost saving measures across the business, and this emphasis on operational efficiency and commercial delivery provided a satisfactory base for profit contribution.

In Macau, after a good start, construction projects driven by expansion in the entertainment, infrastructure and property sectors have seen reduced activity, leading to a decrease in demand for construction materials.

Mainland China

Although the Central Government continues to implement proactive fiscal and monetary policies to boost the weakening economy, the construction materials market remains challenging as it adjusts to the effects from the over-capacity situation, particularly in the market of ground granulated blast-furnace slag in Northern China.

The Central Government's policy to develop its Western Region continues to support growth in infrastructure and rural development, and the strong market demand for cement in Yunnan Province resulted in good profit contribution from our joint venture operations. Furthermore, our new cement plant in Zhenyuan, with annual production capacity of two million tonnes commenced operation during the year, further enhanced the division's capability to capture growth in the developing and dynamic South West Yunnan market.



Cement production plant of Puer Kungang & K. Wah Cement Construction Materials Co. Ltd. in Zhenyuan, Yunnan



Production facility of K. Wah Construction Products Limited at EcoPark in Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

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

DEVELOPMENT UPDATE

Cotai Phases 3 & 4

With the largest contiguous landbank in Cotai, GEG is uniquely positioned for the medium and longer term growth in tourism and leisure visitors throughout Asia and specifically Mainland China. Cotai Phases 3 & 4 will provide GEG with the opportunity to expand its non-gaming footprint even further. We continue to move forward with the potential to commence construction in late Q1 or early Q2 of 2017. The development will have a significant focus on non-gaming, primarily targeting MICE, entertainment and family facilities.

Hengqin

GEG's concept plans for the proposed Hengqin project continues to progress. Hengqin will allow GEG to develop a low rise, low-density integrated resort that will complement our high energy resorts in Cotai. We anticipate to be able to provide further details later in the year.

International

GEG is continuously exploring opportunities in the overseas markets, including Japan.

SUBSEQUENT EVENT

GEG announced a special dividend of \$0.26 per share payable on or about 28 April 2017, a 73% increase compared to April 2016.

GROUP OUTLOOK

We continue with our focus to drive profitable volumes and actively control costs which contributed to delivering solid results in 2016, even with new capacity entering the market. We were encouraged by the last five months of 2016 where Macau experienced modest growth in GGR. We hope that this will develop into a definitive trend over the course of 2017 and beyond. Our cautiousness is reflective of the fact that we face increased regional competition and a tightening regulatory environment. In addition, there are a number of macro-economic and global geo-political events occurring in 2017 that may have an impact on consumer sentiment.

With that said, we are confident in the medium to longer term outlook for Macau in general and GEG specifically. We believe the demand for leisure, tourism and travel from both Asia and Mainland China is significant and the market is still under-penetrated. To capitalize on this demand we will potentially commence construction of Phases 3 & 4 in late Q1 or early Q2 2017 and we also continue our planning for the development of Hengqin which will complement our high energy resorts in Macau.

The continued support of the Macau and Central Governments is greatly appreciated with their ongoing build out of infrastructure to both access Macau and to travel more easily within Macau. We look forward to the completion of these infrastructure projects that will further enhance the attractiveness of Macau. We look forward to working with the Macau Government to support their ongoing efforts to develop Macau into a World Center of Tourism and Leisure.

LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 31 December 2016 was \$46,345 million, an increase of approximately 13% over that as at 31 December 2015 of \$41,101 million, while the Group's total assets employed increased to \$66,261 million as at 31 December 2016 as compared to \$55,354 million as at 31 December 2015.

The Group continues to maintain a strong cash position. As at 31 December 2016, total cash and bank balances were \$19,897 million, as compared to \$7,718 million as at 31 December 2015. The Group's total borrowings were \$6,135 million as at 31 December 2016 as compared to \$1,390 million as at 31 December 2015. The Group was in a net cash position as at 31 December 2016 and 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The total borrowings of the Group mainly comprised bank loans and other obligations which were largely denominated in Hong Kong dollar, Renminbi and Euro. The Group's borrowings are closely monitored to ensure a smooth repayment schedule to maturity.

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

TREASURY POLICY

The Group continues to adopt a conservative treasury policy in liquidity and financial management. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollar, U.S. dollar, Renminbi or in the local currencies of the operating subsidiaries. Forward foreign exchange contracts are utilized and borrowings in foreign currencies are arranged when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposure, which are considered necessary for the Group's treasury management activities.

The Group's borrowings were largely denominated in Hong Kong dollar, Renminbi and Euro. Euro bank loan was utilized to fund and hedge the foreign exchange risk on the Euro-denominated Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco investment in August 2015.

CHARGES ON GROUP ASSETS

Property, plant and equipment with net book value of \$1,023 million (2015: \$764 million) and bank deposits of \$315 million (2015: \$462 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 \$590 million (2015: \$58 million). At 31 December 2016, facilities utilized amounted to \$300 million (2015: nil).

The Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures and an associated company amounting to \$297 million (2015: \$290 million). At 31 December 2016, facilities utilized amounted to \$255 million (2015: \$266 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group, excluding associated companies and joint ventures, employed approximately 20,500 employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$6,816 million.

Remuneration Policy

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

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

Share Option and Share Award Schemes

The Group operates a share option scheme and a share award scheme for its employees. It serves to attract, motivate and retain employees to work for the Group long term and to better align the interests of the employees with the shareholders' interests. The number of share options/shares granted to the eligible employees is determined with reference to the value of share options/shares, market positioning, job seniority and the individual contribution to the Group.

CORPORATE SOCIAL RESPONSIBILITY

As a leader in the gaming and entertainment industry, Galaxy Entertainment Group (“GEG” or “the Group”) operates as a fully sustainable business by supporting the communities in which it operates and fostering the goodwill of society. Fully committed to sharing its success with the resident communities and its many visitors, GEG invests in the future development of Macau and supports the social programs of the local government.

Driven by its “World Class, Asian Heart” service philosophy, GEG devotes significant resources to areas of social cooperation, talent development, environmental protection, and resource and supply chain management each year.

This report outlines some of the social responsibility initiatives corresponding to the gaming and entertainment segment of Galaxy Macau™, Broadway Macau™ and StarWorld Macau, and finishes with a brief overview of the Group’s construction materials segment.

COMPLIANCE WITH LAWS AND REGULATIONS

GEG fully complies with the rules and regulations set out by the Macau Special Administrative Region (“SAR”) Government as well as the Hong Kong SAR Government. Specifically, GEG advocates its values, philosophies, responsibilities and procedures by implementing its own Code of Business Conduct and other internal documents in order to ensure the conduct of an ethical, honest and fully compliant business.

As part of its commitment to anti-corruption and high ethical standards, GEG obliges its employees and independent third parties who work on GEG’s behalf to undertake due diligence on business partners working with GEG, to ensure compliance with its Anti-Money Laundering and Combating Finance of Terrorism Policy which was approved by the Macau Gaming Inspection and Coordination Bureau.

All the relevant internal rules, regulations, policies and procedures are effectively disseminated to all GEG team members through internal channels, interfaces and employee agreements.

GEG makes every effort to educate and keep its team members aware of the applicable rules, regulations and procedures by regularly conducting compulsory training and workshops. In addition, all team members are encouraged to report any non-compliance with anti-corruption and anti-money laundering activities, including suspicious financial activities and transactions to the Human Resources & Administration or other relevant departments according to standard operating procedures.

GEG also upholds intellectual property rights and protects personal data. GEG uses different contractual vehicles such as confidentiality agreements and non-disclosure agreements to protect intellectual property rights, personal data, and/or other confidential information.

No court proceeding concerning corruption, money laundering or infringement of intellectual property or personal privacy was brought against GEG or any of its team members during the reporting period.

TEAM MEMBERS ENGAGEMENT

Diversity

In the recruitment process, the Group takes great care in ensuring that diversity in gender, age, qualifications and experiences are met. GEG has almost equal distributions of female and male workers, while majority of the team members aged from 30 years old or above who are skillful and experienced.

CORPORATE SOCIAL RESPONSIBILITY

Working environment

GEG is strongly committed in promoting work-life balance and providing a comfortable environment for its team members. Initiatives in 2016 include:

- o Working with local associations to provide services to promote healthier work practices;
- o Organizing a Family Hiking Day; and
- o Organizing the third GEG Staff Social Club “Annual GEG Soccer Fun Day” to foster camaraderie between teams whilst bringing families and friends together.

Labor Standards

GEG is certain that its workforce is one of the most important assets of the Group. As such, apart from the internal policies that have been established and complied within the Group, GEG has robust policies and processes in place to ensure compliance with the rules and regulations in employment and labor standards that are laid out in both the “*Labor Relations Law*” and “*Labor Legislation*” of the Labor Affairs Bureau of the Macau SAR Government and Labor Department of the Hong Kong SAR Government, respectively. Furthermore, GEG offers additional provisions beyond the minimum government requirements to encourage a positive work environment for its team members including:

- o Bereavement leave;
- o Financial allowance for external training as well as examination leave in order to allow eligible team members to pursue continuous learning; and
- o Options for team members to apply for an early-out leave so that they can attend to their personal matters.

Health and Safety

GEG believes that the health and safety of its team members is of paramount importance. Using an operational risk based approach, GEG continues to build its safety procedures and control measures to align with this belief. This includes: the safety management system of Galaxy Macau™ as established in 2011, is in accordance with Factories and Industrial Undertakings (Safety Management) Regulation, and achieving the British Standards Institution (BSI) OHSAS 18001 Certification for Galaxy Macau™ in 2015.

GEG further warrants its health and safety team to conduct regular monitoring activities of work-related injury and/or accidents.

Talent Management

The Group provides training and development opportunities that support team members to achieve both vertical and lateral career paths. Our talent development focus on diversifying local team members’ skills and knowledge to support a diversified business, Macau economy and community.

Organization Development and Training initiatives engage and support the promotion and delivery of the Group’s Mission, Vision and core values. Our team members’ success in delivering service that stands out from the rest provides the very foundation of our achievements for all of our businesses.

Our Organizational Development & Training strategy focuses on:

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

CORPORATE SOCIAL RESPONSIBILITY

- **Capability Development** – building the capabilities of our employees in a structured, pragmatic and timely manner through a blend of world class on and off the job learning experiences and activities;
- **Training & Learning Innovation** – investing in the right technologies and leveraging the appropriate delivery channels including blended and e-learning to ensure broadened access and maximum learning impact on employee development and business outcomes; and
- **Workforce Agility** – preparing our workforce to support existing and future business needs and growth by development programs that respond to employee and business requirements and promoting progressive career development and growth opportunities for local team members.

Organization Development and Training has created and delivered the following key learning & development initiatives including:

- **Core Foundation Programs** that are anchored in the Group's Mission, Vision and Values to ensure complete alignment of knowledge and skills GEG wide;
- **Supervisory, Manager & Leadership Programs** that assist team members in progressing their careers as future Supervisors, Managers and Leaders and develop GEG core leadership competencies. This program and initiative was recognized as a finalist and award winner for Leadership Development at the Human Resource and Innovation awards covering the Asian region;
- **Governance Programs** such as Compliance Programs, compulsory for all targeted team members on Responsible Gaming Program, Anti-Money Laundering, Combating the Finance of Terrorism, Information Management Awareness Program, Payment Card Data Security & Health & Safety;
- **Gaming & Hospitality Operations and Job Skills Programs** conducted through internal & external training events to enable team members to obtain the essential, knowledge skills and competencies required for their role; and
- **Talent Management programs** focus on and are targeted to the vertical and horizontal progression of local team members supporting the development of upward movement and skills diversification of the local Macau population allowing for the upward movement of local team members into management and leadership positions.

In 2016, GEG and our team members set a new Guinness World Record for the largest human clover symbolizing and energizing our World Class Asian Heart Service Culture.

GUEST ENGAGEMENT

To ensure that the best possible service is delivered to its guests, GEG not only complies with the internal policies and all consumer rules and regulations, it also provides a wide variety of channels for client feedback. These are supported by:

- Implementing mystery shopping as a tool to investigate and evaluate the quality of services offered, compliance with laws and procedures and the overall consumer experience at all GEG properties;
- Encouraging customer feedback and rating through comment cards, e-mails and various social media platforms; and
- Setting up of hotlines and appointing quality assurance managers to monitor and resolve possible guest complaints in a timely manner.

GEG implements strict policies and standards for protecting the health and safety of its customers and upholding the quality of its products and services. These standards are enforced by its team members and all independent third parties who work on the Group's behalf.

CORPORATE SOCIAL RESPONSIBILITY

SUPPLIER MANAGEMENT

GEG ensures that it conducts its business ethically and honestly by strictly complying with all laws and regulations associated with executing orders for the supply of goods and services. It strictly adheres to the requirements of the law which relate to bribery prevention. GEG also encourages team members to report any possible corruption offences to Macau's Commission Against Corruption (CCAC) whilst also requiring suppliers to declare any conflicts of interest. GEG continues to work with selected suppliers who offer products and services which:

- o Control and mitigate adverse environmental impact;
- o Prevent pollution, reduce waste production and improve efficiency in relation to resource utilization; and
- o Meet or exceed all relevant legal obligations and codes of practice.

GEG conducts periodic reviews and performance evaluation of its suppliers, requires all suppliers, vendors, and contractors to comply with Macau's industrial safety laws and observe the Group's health and safety guidelines prior to entering its properties. GEG considers the following when selecting suppliers:

- o The vendor's environmental values and commitments, stewardship such as certification & membership;
- o The vendor's compliance with international labor standards as well as environmental laws and regulations;
- o The vendor's commitment to adopt the environmental purchase specifications as recommended by the Environmental Protection Bureau of the Macau SAR Government; and
- o The vendor's commitment to meeting GEG's environmental specifications.

Aligned with the Macau SAR Government's policy on supporting the development of local SMEs, GEG has been prioritizing local SMEs when sourcing in all its areas of spend. Adopting the "large businesses leading small businesses for sharing of economic success" approach, GEG launched a Local SME Partnership Program in 2016 to provide extensive opportunities for local SMEs to further develop and grow their business with GEG.



(from left to right) Mr. Choi Tat Meng, Standing Committee of Directors of Macau Chamber of Commerce ("MCC"), Mr. Michael Mecca, President of GEG, Mr. U Kin Cho, Vice President of Board of Directors of MCC, Mr. Scott Walker, Senior Vice President of Procurement of GEG and Mr. Buddy Lam, Assistant Senior Vice President of Public Relations of GEG

CORPORATE SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY

Responsible Gaming

Committed to creating an entertaining and safe environment for its patrons, GEG ensures that a set of Responsible Gaming rules and regulations are well implemented, resulting in more informed gambling choices that helps patrons maximize their enjoyment.

GEG also provides team members with ongoing training courses that helps them better understand the real nature of Responsible Gaming, identify behaviors connected with gambling disorders, enforce measures for preventing individuals under the age of 21 from gambling, and to acquire up-to-date information on the types of responsible gaming services offered by the Macau SAR Government, GEG and other local associations which would protect the potentially at-risk customers.

The Group continuously supports and collaborates with various authorities to develop a wide range of initiatives in 2016, including:

- o Organized a “Responsible Gaming Committee (RGC) Training 2016” session;
- o Organized a “Responsible Gaming Roadshow: Helpful Tips for a Healthy Life” of which 1,100 team members attended; and
- o Supported the “4th GEG Responsible Gaming Awareness Week” where Workshops, a Matching Game, and Roadshows were organized for 1,520 team members to take part.



The annual “Responsible Gaming Awareness Week” encourages team members to develop an optimistic attitude through responsible gaming and healthy lifestyles

Galaxy Entertainment Group Foundation

Through its Corporate Social Responsibilities initiatives, GEG believes in tackling emerging social issues in helping our next generation to build a brighter future. In April 2015, GEG established the Galaxy Entertainment Group Foundation to give back to Macau and the Greater China Region. The Foundation focuses on philanthropic activities which nurture young people, enabling them to become responsible citizens of their communities.

The Foundation has launched four projects:

- o “GEG Young Entrepreneurs Scheme”, in collaboration with the Macao Young Entrepreneur Incubation Centre and the University of Macau, to provide pro-bono business consulting service to young entrepreneurs;
- o “GEG Venture Philanthropy Fund” enables the Foundation to invest in startups incubated under the Macau New Technologies Incubation Centre;
- o The “GEG Community Nursing Scheme” aims to encourage nursing students, through scholarships, to join the community nursing profession, and supports community nurses working in non-governmental organizations in enhancing the quality of care through continuing education; and

CORPORATE SOCIAL RESPONSIBILITY

- o The “GEG Chinese Literacy Development Pilot Scheme” hopes to impress parents, teachers and social workers the importance of Chinese language development even at a young age. The “School-based” component provides teacher training and classroom intervention at two local kindergartens, and the Community-based component focuses on promoting to parents the importance of reading and language skills development at a young age. The Scheme also hopes to sensitise parents to issues involving difficulties in learning to read and write.

Education and Culture

Supporting the Macau SAR Government’s programs and policies on youth and talent development, GEG works with different educational, arts and cultural associations and institutes on helping young people build a strong educational foundation for their chosen future careers. Key initiatives taken by GEG in 2016 include:

- o Co-organizing with Macau Management Association on organizing the “6th GEG Youth Achievement Program”. Introduced in 2011, the previous editions attracted over 1,800 participants; and
- o Title sponsoring the National Conditions Education (Macau) Association on organizing the “8th GEG Macau Cup – Youth National Education Competition”. With the theme “One Belt, One Road”, this year’s competition attracted close to 8,000 students from 20 different secondary and tertiary schools to take part.



Mr. Francis Lui, Deputy Chairman of GEG (first from left) and Mr. Tommy Lau, Council Chairman of Macau Management Association (first from right) presented the awards to the champion group of the “5th GEG Youth Achievement Program”

Contribution to Community

As an accountable and proactive member of the Macau community, GEG is committed to deliver beneficial contributions by providing full support to the Macau SAR Government’s policies on youth and talent nurturing, sports and cultural development, environmental protection, promotion of social harmony, national education as well as supporting Macau in its initiatives and advances to become a World Center for Tourism and Leisure.

CORPORATE SOCIAL RESPONSIBILITY

Abiding by the philosophy of “what is taken from the community is to be used for the good of the community”, in 2016, GEG organized a total of 21 volunteering activities that attracted 309 GEG volunteers who reached out to 28 charitable associations and incurred almost 880 hours to community services. Since the launch of the GEG Volunteer Team in year 2011, GEG has organized more than 120 volunteering activities that reached out to over 120 different charity groups and contributed over 7,200 hours in community services.

Charitable Activities

One of GEG’s major goals is to achieve community involvement by offering support to Macau’s different charity groups. In 2016, the key beneficiaries include (in alphabetical order):

- o ANIMA
- o Caritas Macau
- o Charity Fund from the Readers of Macao Daily News
- o General Union of Neighborhood Associations of Macau
- o Macau Holy House of Mercy
- o Macau Special Olympics
- o Macau Tung Sin Tong Charitable Society
- o Orbis Macau
- o World Wide Fund for Nature Hong Kong

Sports Development

GEG works hand-in-hand with Macau SAR Government to upscale Macau’s sports and cultural development and achieve social harmony. Major initiatives during 2016 include:

- o Sponsored the “Macau Galaxy Entertainment International Marathon” for the 13th consecutive year. As one of Macau’s four major annual, international sports events, the event attracts amateur and professional runners from different countries and regions. Over 800 GEG team members took part in the activity, with GEG receiving the Marathon’s Group Award for the 12th consecutive year;



Mr. Francis Lui, Deputy Chairman of GEG, senior executives and GEG team members celebrate their win of the Marathon’s Group Trophy for the 12th consecutive year

CORPORATE SOCIAL RESPONSIBILITY

- o Sponsored the “2016 Galaxy Entertainment Special Olympics Table Tennis Competition” for the 6th consecutive year, which Macau Special Olympic organized to enable persons with learning difficulties to strengthen their physical fitness, skills and friendships through sports; and
- o In 2016, GEG’s Dragon Boat, Basketball, Soccer, Table Tennis, Bowling and Running Team obtained a total of 36 awards through participating in different sporting competitions organized by Gaming Employees Home and other charity and community associations.

PROTECTING THE ENVIRONMENT

GEG complies with existing environmental laws across its properties and also put policies in place to effectively reduce and manage greenhouse gas emissions as well as efficiently utilize resources such as energy and water. Examples of GEG’s conservation initiatives include:

- o Developed the Environmental Policy as well as the Environmental Protection and Energy Conservation Policy;
- o Galaxy Macau™ established its “Environmental Committee” and “Energy Management Committee” to govern and implement the system guidelines. Consequently, Galaxy Macau™ obtained the ISO14001 Certification by BSI; and
- o GEG continued to:
 - Comply with all necessary environmental requirements and legislations whilst striving to develop conservation processes beyond the required standards; and
 - Conduct business in a manner which sustainably utilizes natural resources to reduce the Group’s carbon footprint.

Energy

GEG’s initiatives across different properties in relation to conserving energy includes de-lamping, retrofitting the properties with more environmentally-friendly LED lights, using automated lighting and temperature controls, optimizing air systems and chiller plants, etc. Through these and other energy saving efforts, the Group achieved over 17,392,160 kWh of energy savings in 2016.

Water

GEG also sought to use water more sustainably. As such, GEG developed business operations improvements including implementing highly efficient water fittings in Hotel Okura Macau, improving the water fountain systems and irrigation systems in Galaxy Macau™, and installing efficient water fittings in Broadway Macau™. Through these initiatives, in 2016, GEG reduced water consumption by 161,115 m³.

Waste

GEG encourages responsible waste handling across its properties. Monitoring and reviewing its properties’ waste production on a continuous basis, GEG has strict waste collection and recycling guidelines for its properties. In 2016, GEG generated 23,261 kg of composites for landscape planting from food waste recycling, collected 1,138 tons of cardboard and paper materials, 141 tons of plastic, 38 tons of metals, 104 tons of glass bottles, and 48,700 liters of waste oil for recycling via the recycling programs at all its properties.

CORPORATE SOCIAL RESPONSIBILITY

CONSTRUCTION MATERIALS DIVISION

Sustainability Strategy

K. Wah Construction Materials Limited (“KWCM”) is GEG’s group construction materials division. KWCM regards corporate sustainability as a fundamental tool to its business approach for creating long-term value for its shareholders, which can be achieved through integrating economic, environmental and social concerns. When conducting activities, KWCM ensures that it does not only fulfil corporate expectations but also goes beyond compliance.

KWCM developed a value creation model that drives the company’s vision to be the leader in the industry and to provide shareholders with the greatest return. Its four core sustainability drivers, i.e. safety and environment, business economics, its people and CSR, underpin the basic framework of KWCM’s sustainability approach, which is strengthened by the regular engagement activities it conducts with its stakeholders. KWCM utilizes the feedback it gained to improve its performance and preserve high standards of sustainability.

As a result, sustainability has now become embedded in its operations both internally, through employee engagement, and externally, through recent initiatives including mentorship programs for the next generation of sustainability practitioners in local universities.

Currently, KWCM continues to drive momentum in reinforcing its culture of sustainability by developing improvements in each core area of sustainability. It also aims to improve efficiency in its value chain whilst making sure that it delivers innovative new products and processes with greater consideration on each sustainability driver.

KWCM launched the Hong Kong University of Science and Technology (“HKUST”) project in 2016 where the group collaborated with HKUST’s Environmental Studies Division to develop and optimize dust collections processes and control systems in order to effectively alleviate environmental emissions for a cleaner operation. Following GEG’s initiatives relating to employee care, KWCM further implemented a “work-life balance week” that featured daily activities with the goal of promoting healthy lifestyle and balanced work life for the employees.

In 2016, KWCM issued its second sustainability report which introduced the value chain concept and disclosed its performance across the markets despite the challenging macro environment in Mainland China, for example, more disclosures in the carbon related performance were made in response to the growing trend and the new low-carbon policy introduced by the China government. Further details can be obtained from the sustainability reports, which are available on KWCM’s official website.



A group of HKUST students visiting our concrete plant at Tai Po for their team project on environmental emission management



Staff enjoying healthy drinks and snacks at office as one of activities during work-life balance week

BIOGRAPHICAL INFORMATION OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Lui Che Woo, *GBM, MBE, JP, LLD, DSSc, DBA*, aged 87, 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 Member of the 9th National Committee of the Chinese People's Political Consultative Conference, a member of the Selection Committee for the First Government of the HKSAR and a member of the Election Committee of the HKSAR. Dr. Lui has been again elected as a member of the Election Committee of the HKSAR in December 2006. In 1995, an asteroid discovered by the Purple Mountain Observatory in Nanjing was named "Lui Che Woo Star". Dr. Lui was presented the Outstanding Contribution Award in Guangzhou in 1996. Dr. Lui was awarded the Gold Bauhinia Star by the Government of the HKSAR in July 2005. Dr. Lui was also awarded the Grand Bauhinia Medal by the Government of the HKSAR in 2012. Dr. Lui was awarded Business Person of the Year 2007 by DHL/SCMP Hong Kong Business Awards and the Lifetime Achievement Award by American Academy of Hospitality Sciences of 2007 respectively. Dr. Lui was presented the Diamond Award by Macau Tatler and the Lifetime Achievement Award by All Leaders Publication Group Limited, both in 2011. Dr. Lui was awarded Asia Pacific Entrepreneurship Awards 2012 – Lifetime Achievement Award by Enterprise Asia in 2012 and Lifetime Achievement Award by Golden Horse Award of China Hotel in 2013. Dr. Lui was presented the Outstanding Contribution Award at the International Gaming Awards, as well as Entrepreneur of the Year at the Asian Awards in 2014. Dr. Lui was awarded the Lifetime Achievement Award by the World Travel Awards in 2015. Dr. Lui is the founder of the Lui Che Woo Prize – Prize for World Civilisation established in Hong Kong in 2015 for sustainable development of the world, welfare of mankind and promotion of positive life attitude. Dr. Lui is the father of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

Mr. Francis Lui Yiu Tung, aged 61, joined the Group in 1979. He has been an executive Director of the Company since June 1987 and is the Deputy Chairman and a member of each of the Executive Board, Nomination Committee and Remuneration Committee as well as the Chairman of Corporate Governance Committee of the Company. Mr. Lui is also an executive director of K. Wah International Holdings Limited. He holds a bachelor of science degree in civil engineering and a master of science degree in structural engineering from the University of California at Berkeley, USA. Mr. Lui is a member of the National Committee of the Chinese People's Political Consultative Conference, a member of the Election Committee of the HKSAR and a member of the Chief Executive Election Committee of Macau SAR. He is also a director of the 68th Term of Macao Chamber of Commerce and an Honorary Chairman of the 18th Term of Kiang Wu Hospital Charitable Association. Mr. Lui was awarded the Medal of Merit – Tourism by Macau SAR in 2012 and Asia Pacific Entrepreneurship Awards 2014 – Entrepreneur of the Year by Enterprise Asia in 2014. Mr. Lui is a son of Dr. Lui Che Woo and a younger brother of Ms. Paddy Tang Lui Wai Yu.

Mr. Joseph Chee Ying Keung, aged 59, joined the Group in 1982. He has been an executive Director of the Company since April 2004 and is the Managing Director of the Construction Materials Division as well as a member of the Executive Board of the Company. Mr. Chee holds a Master degree in Business Administration from the University of South Australia and a Bachelor degree in Mechanical Engineering from the University of Western Ontario in Canada. He is a fellow member of The Institute of Quarrying in the UK and has over 30 years of broad experience in the construction materials industry including operations and management, technical and quality assurance, environmental protection, commercial and strategic planning. He is currently a member of Pneumoconiosis Compensation Fund Board. He served as a member of the Working Group on Construction Waste of the Provisional Construction Industry Co-ordination Board from 2004 to 2006. He was also the Chairman of The Institute of Quarrying in the UK (Hong Kong Branch) from 1998 to 2000 and the Chairman of Hong 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.

BIOGRAPHICAL INFORMATION OF DIRECTORS

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*, aged 62, joined the Group in 1980 and has been an executive Director of the Company since August 1991 as well as a member of the Executive Board of the Company. She is also an executive director of K. Wah International Holdings Limited. She holds a bachelor of commerce degree from McGill University, Canada and is a member of The Institute of Chartered Accountants in England and Wales. Ms. Lui has been elected as a member of the Shanghai Committee of the Chinese People's Political Consultative Conference in December 2012. Ms. Lui has been re-appointed as a non-executive director of the Mandatory Provident Fund Schemes Authority from 17 March 2015 for two years. She was appointed as a member of board of trustees of Shanghai Jiao Tong University on 30 October 2014. Ms. Lui was formerly a member of the Standing Committee on Company Law Reform, the Tourism Strategy Group, the Statistic Advisory Board, the Hong Kong Arts Development Council and the Board of Ocean Park Corporation. Ms. Lui has been elected as a member of the Election Committee of the HKSAR since 1998. Ms. Lui is a daughter of Dr. Lui Che Woo and the elder sister of Mr. Francis Lui Yiu Tung.

NON-EXECUTIVE DIRECTOR

Dr. Charles Cheung Wai Bun, *JP*, aged 80, has been a non-executive Director of the Company since October 2015. Dr. Cheung holds an honorary doctor's degree from John Dewey University, U.S.A., a master degree in business administration and a bachelor of science degree in accounts and finance from New York University, U.S.A.. He was awarded the Directors of the Year Awards 2002 of Listed Company Non-Executive Director by The Hong Kong Institute of Directors. In December 2010, Dr. Cheung received three awards, namely (1) Outstanding Management Award of The Chartered Management Association; (2) Outstanding Director Award of The Chartered Association of Directors; and (3) Outstanding CEO Award of The Asia Pacific CEO Association.

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

Dr. Cheung is an independent non-executive director of China Financial International Investments Limited, Jiayuan International Group Limited (appointed on 12 February 2016), Modern Dental Group Limited, Pioneer Global Group Limited and Universal Technologies Holdings Limited, all are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is an independent non-executive director of Yin He Holdings Limited (formerly known as Zebra Strategic Holdings Limited), a company listed on the growth enterprise market of the Stock Exchange. Dr. Cheung is also a director and the vice chairman of executive committee of the Metropolitan Bank (China) Ltd.. He was formerly an independent non-executive director of Shanghai Electric Group Company Limited from November 2004 to February 2014, a company listed on the main board of the Stock Exchange and the Shanghai Stock Exchange. He was an independent non-executive director of Grand T G Gold Holdings Limited from July 2009 to March 2016, a company listed on the growth enterprise market of the Stock Exchange.

BIOGRAPHICAL INFORMATION OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. James Ross Ancell, aged 63, 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 a non-executive director of MJ Gleeson PLC, a housebuilder and regeneration company listed on the London Stock Exchange and is the holding company of M J Gleeson Group PLC, of which Mr. Ancell was a non-executive director from October 2006 up to December 2014.

Dr. William Yip Shue Lam, LLD, aged 79, 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. 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 68, has been an independent non-executive Director of the Company since August 2008. Professor Wong is a member of each of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Company. He is a Certified Public Accountant (Practising) in Hong Kong and the Managing Practising Director of Patrick Wong CPA Limited. He has over 40 years experience in the accountancy profession. Professor Wong holds a Doctor of Philosophy in Business degree, was awarded a Badge of Honour by the Queen of England in 1993 and was appointed a Justice of the Peace in 1998. He was also awarded a Bronze Bauhinia Star by the Government of the HKSAR in 2010. Professor Wong is an independent non-executive director of BAIC Motor Corporation Limited, C C Land Holdings Limited, Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, Li Bao Ge Group Limited (appointed on 16 June 2016), National Arts Entertainment and Culture Group Limited, Real Nutraceutical Group Limited, Sino Oil and Gas Holdings Limited, Water Oasis Group Limited and Winox Holdings Limited, all are listed on the Hong Kong Stock Exchange. Professor Wong was formerly an independent non-executive director of Excel Development (Holdings) Limited (now known as Bisu Technology Group International Limited) from November 2013 to August 2015 and Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Ltd.) from June 2004 to October 2016, both companies are listed on the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

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

GAMING AND HOSPITALITY EXPERTISE

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

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

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

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

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

Raymond Yap, Senior Director – International Premium & Mass Market Development. He has more than 30 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.

Mohamed Newera, Director – Project Development. He has more than 30 years of experience in design, construction and contract management of large and complex projects including theme parks, hotels, resorts, entertainment centers, residential buildings, office buildings, museums and shopping malls, particularly in Asia, USA, South America, Africa, Middle East and Europe. Previously, he held senior executive positions with a number of prestigious companies in the USA, France, U.K., Middle East, Egypt and Asia.

Kevin Clayton, Chief Marketing Officer. He has over 32 years of corporate and consulting experience in strategic marketing, brand building, business development and new product innovation. Previously, he held senior executive positions with a number of casinos and prestigious companies in UK, South-East Asia and Australia.

Richard Longhurst, Director – Operations, Galaxy Macau™ and Director – Gaming Development and Optimization Services. He has over 27 years of extensive leadership experience at senior levels gained from the gaming industry. Previously, he held senior executive position with a gaming company in Australia.

Charles So, Director – Operations, StarWorld Macau. He has over 36 years of experience in hotel operations and food and beverage services. Previously, he held various senior management positions with a number of prestigious hotels across Beijing, Hong Kong, the Philippines, Vietnam and Australia.

GAMING AND HOSPITALITY EXPERTISE

Scott Kreeger, Director – Operations Development, New Resort. He has over 25 years of experience in gaming. Previously, he held senior management positions with a number of resort and gaming companies in the USA.

Jason Barry, Senior Vice President – Table Games, Galaxy Macau™. He has over 25 years of experience in table games. Previously, he held senior management position with a gaming company in Australia.

Michael Palmieri, Senior Vice President – Electronic Games, Galaxy Macau™. He has over 20 years of experience in slots and cage operations. Previously, he held senior management position with a gaming company in the USA.

Roger Lienhard, Senior Vice President – Hospitality, Galaxy Macau™. He has over 32 years of operations management and project development experience gained from the hospitality industry. Previously, he held senior management positions with a number of prestigious hotels and resorts in Macau, Singapore, Australia, Japan, India and Indonesia.

This list is by no means exhaustive. With the continued development of our management competence resulting in highly efficient casino and entertainment operations, we believe that it will drive the growth and success of GEG for the years to come.

CORPORATE GOVERNANCE REPORT

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

THE BOARD

The Company is headed by the Board, which is responsible to lead and control the Company and its subsidiaries (“Group”) and promote the success of the Group by directing and supervising the Group’s affairs in an effective manner. The Board sets strategies and priorities for the Company, approves annual budgets and performance targets, determines the appropriate management structure, and monitors the performance of the management. The names and biographical details of the Directors and their relationships are set out on pages 41 to 43 as well as the Company’s website at www.galaxyentertainment.com. The list of Directors and their roles and function is also disclosed in the websites of the Company and The Hong Kong Exchanges and Clearing Limited (“HKEx”).

Chairman, Deputy Chairman and Managing Director of Business Division

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

The Chairman provides leadership for the Board and ensures that the Board works effectively in discharging its responsibilities, and that all key issues are discussed and addressed to in a timely manner. The Deputy Chairman supports and assists the Chairman in performing the above works and, together with the Managing Director of the Construction Materials Division, develop strategic operation plans to implement the Company’s set strategies and priorities. The Deputy Chairman leads and oversees the day-to-day management of the Group’s gaming related business, while the Managing Director of the Construction Materials Division leads and oversees the day-to-day management of the business of the Construction Materials Division.

Board Composition

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

CORPORATE GOVERNANCE REPORT

Appointment and Re-election of Directors

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

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

Pursuant to the Code A.4.3 of Appendix 14 of the Listing Rules, any re-appointment of independent non-executive director who served more than 9 years shall be subject to a separate resolution to be approved by the shareholders. During the year, 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 4 May 2017. During his tenure of service, Dr. Yip has demonstrated his ability to provide an independence 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.

At the forthcoming annual general meeting to be held on 4 May 2017, Ms. Paddy Tang Lui Wai Yu and Dr. William Yip Shue Lam will retire and are eligible for re-election. Both of them will seek for re-election.

Confirmation of Independence

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

Responsibilities of Directors

Each Director has a duty to act in good faith in the interests of the Company. The Company believes that it is essential to keep our Directors updated on their duties and responsibilities as well as the conduct, business activities and development of the Group to enable them to provide their maximum contributions. 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 independent non-executive Directors had visited the Company's properties in Macau especially the new facilities in 2016 to keep them abreast of the Group's recent development and operations. In addition, monthly updates on the market trend and the Company's development, financial and operational information were provided to Directors as soon as practicable.

CORPORATE GOVERNANCE REPORT

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

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 including seminars provided by the Company and/or external qualified professionals on corporate governance, updates on laws, rules, regulations and management 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. Newly appointed director will receive a comprehensive induction package covering the statutory and regulatory obligations of directors, policies, procedures and codes of the Company applicable to the Directors. 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		
Dr. Charles Cheung Wai Bun	✓	✓
Independent Non-Executive Directors		
Mr. James Ross Ancell	✓	✓
Dr. William Yip Shue Lam	✓	✓
Professor Patrick Wong Lung Tak	✓	✓

Code of Conduct for Securities Transactions

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

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

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD AND BOARD COMMITTEES

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

Executive Board

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

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

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

Audit Committee

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

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

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

CORPORATE GOVERNANCE REPORT

The principal work performed by the Audit Committee during the year included a general understanding of the Group's corporate structure and business operations, risk management, internal control system and disclosure in the new Auditor's report format to facilitate review of interim and annual consolidated financial statements, review of audit engagement letter, audit fee, audit strategy, significant accounting matters, internal audit annual plan and reports with its resource requirements, independence of external auditors, other financial and internal control matters.

Remuneration Committee

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

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

The Remuneration Committee met once in 2016 with all its members present and with the attendance of representatives from the human resources department and the Company Secretary. The Remuneration Committee submitted its written report and/or recommendation to the Board after the Remuneration Committee meeting. In addition, written resolutions were circulated to the members for approval as and when needed.

The principal work performed by the Remuneration Committee during the year included recommendation of Directors' fees subject to approval of members at the annual general meeting, review and approval of remuneration policy, structure, packages (including discretionary bonus) to executive Directors based on market data, and by reference to the Director's duties and responsibilities with the Company, the Company's performance and profitability, and grant of share options and share awards to executive Directors. No Director or any of his associates was involved in deciding his own remuneration at the Remuneration Committee meeting.

Nomination Committee

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

CORPORATE GOVERNANCE REPORT

The Nomination Committee met once in 2016 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, recommending the re-appointment of retiring directors.

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 and to achieve high level of transparency, integrity and accountability.

The Corporate Governance Committee met once in 2016 with all its members present. The Corporate Governance Committee submitted its written report and/or recommendation to the Board after the Corporate Governance Committee meeting.

The principal work performed by the Corporate Governance Committee included review of the Company's policies and practices on corporate governance, compliance with the Companies Ordinance (Chapter 622) ("Companies Ordinance") and Listing Rules requirements, code of conduct on securities transactions by Directors and employees, training and continuous professional development of Directors and senior management, compliance of the Code, Corporate Governance Report and the Corporate Social Responsibility Report.

BOARD, BOARD COMMITTEES AND GENERAL MEETINGS

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

CORPORATE GOVERNANCE REPORT

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

Number of Meetings	Board (4)	Audit Committee (2)	Remuneration Committee (1)	Nomination Committee (1)	Corporate Governance Committee (1)	Annual General Meeting (1)
Executive Directors						
Dr. Lui Che Woo	4/4	-	-	-	-	1/1
Mr. Francis Lui Yiu Tung	4/4	-	1/1	1/1	1/1	1/1
Mr. Joseph Chee Ying Keung	4/4	-	-	-	-	1/1
Ms. Paddy Tang Lui Wai Yu	4/4	-	-	-	-	1/1
Non-executive Director						
Dr. Charles Cheung Wai Bun	4/4	-	-	-	-	1/1
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	1/1	1/1	-	1/1
Professor Patrick Wong Lung Tak	4/4	2/2	1/1	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 2016, 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 2016. Accordingly, the Directors have prepared the consolidated financial statements for the year ended 31 December 2016 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.

CORPORATE GOVERNANCE REPORT

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 Independent Auditor's Report on the Company's financial statements on pages 69 to 74.

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 2016 are included in note 8 to the consolidated financial statements.

Fees for non-auditing services include HK\$1,196,000 for the services provided in respect of taxation and advisory services.

INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective risk management and internal control systems, and for reviewing their design, operational adequacy and effectiveness on an ongoing basis. The systems, aiming at managing rather eliminating the risk of failure to achieve business objectives and providing reasonable assurance of no material misstatement or loss, are designed to:

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

The key procedures that the Group established to provide effective risk management and internal controls include a well-defined management structure with limits of authority, clear and written policies, standard operation procedures, risk control self-assessment conducted and a good reporting system for all major operating units of the Group.

Department heads are responsible for daily operations and manage the day-to-day operational and business risks. Procedures and processes including those relating to internal control, are formally documented to provide a consistent approach of managing risks. The Group's Internal Audit Department provides independent assurance to the Board and executive management as to the adequacy and effectiveness of risk management and internal controls systems for the Group on an on-going basis through the monitoring of the Group's internal governance, evaluating the quality of the risk management and internal control systems.

Using a risk based methodology audit approach, Internal Audit prepares the annual internal audit plan in consultation with, but independent of management. The plan is approved by the Audit Committee before execution. During the year, Internal Audit performed reviews with objectives to ensure that all material controls, including financial, operational and compliance controls are in place and functioning effectively. Significant risk management and internal control weaknesses are brought to the attention of senior management. Internal Audit reports to the Audit Committee on a semi-annual basis whether the risk management and sound internal control systems are maintained and operated by management in compliance with policies and procedures of the Group and the requirements that are laid down by external regulators.

CORPORATE GOVERNANCE REPORT

Policies and procedures including pre-clearance on dealing the Company's securities by notification of regular blackout period and securities dealing restrictions to Directors and relevant employees, and handling and dissemination of inside information have been implemented by the Group to guide against possible mishandling of inside information within the Group.

For the financial year ended 31 December 2016, Internal Audit Department was not aware of any significant internal control issues that would have been an adverse impact on the financial position or operations of the Group. The Board, through the review of the Audit Committee, considered that (i) the risk management and internal control systems of the Group are effective and the Group had complied with the provisions on risk management and internal control as set forth in the Code; and that (ii) the resources, qualifications, experience, training programs, budget of the accounting & financial reporting and the internal audit functions of the Group are 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 voluntarily releases unaudited key financial information on a quarterly basis to enable stakeholders to better assess the performance of the Group.

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

The Company establishes different communication channels with shareholders and investors. Shareholders are given the option of electing to receive corporate communication (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) by electronic means. The Company's website www.galaxyentertainment.com is also a valuable platform for investors and contains a dedicated investor relations section offering timely and direct access to our financial reports, corporate announcements, press releases and other business information.

SHAREHOLDERS' RIGHTS

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

Convening General Meetings

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

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

CORPORATE GOVERNANCE REPORT

Putting Forward Proposals at General Meetings

Pursuant to Section 580 of the Companies Ordinance, shareholders of the Company representing at least 2.5% of the total voting rights of all shareholders of the Company who have a relevant right to vote, or at least 50 shareholders who have a relevant right to vote, may request the Company to circulate, to shareholders of the Company entitled to receive notice of a general meeting, a statement of not more than 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 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 2016.

COMPLIANCE WITH THE CODE

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

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

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to the shareholders their annual report together with the audited consolidated financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal subsidiaries, joint ventures and associated companies of the Company are primarily engaged in operation in casino games of chance or games of other forms, provision of hospitality and related services in Macau, and the manufacture, sale and distribution of construction materials in Hong Kong, Macau and Mainland China, and their principal activities and other particulars are set out in note 44 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement on page 75 of this annual report.

DIVIDENDS

Special dividends of HK\$0.15 and HK\$0.18 per share for the year ended 31 December 2016 were paid to the shareholders of the Company on 29 April 2016 and 28 October 2016 respectively.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

Total dividends paid to shareholders of the Company for the year ended 31 December 2016 were HK\$0.33 per share (2015: HK\$0.42 per share).

On 28 February 2017, the Board of Directors has resolved to declare special dividend of HK\$0.26 per share totaling approximately HK\$1,120 million, payable to shareholders whose names appear on the register of members of the Company on 31 March 2017. This special dividend is expected to be paid on or about 28 April 2017.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2016, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK\$2,404,570,000 (2015: HK\$1,912,499,000).

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and principal risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 12 to 14 and Management Discussion and Analysis on pages 22 to 31 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 4 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2016 are provided in note 41 to the consolidated financial statements.

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

REPORT OF THE DIRECTORS

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

SHARES ISSUED

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

During the year, 10,936,477 new ordinary shares were issued pursuant to the share option schemes of the Company as a result of the exercise of share options by option holders.

DEALINGS IN LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2016.

DIRECTORS

The Directors of the Company who served during the year and up to date of this report were:

Dr. Lui Che Woo, *Chairman*
Mr. Francis Lui Yiu Tung, *Deputy Chairman*
Mr. Joseph Chee Ying Keung, *executive Director*
Ms. Paddy Tang Lui Wai Yu, *executive Director*
Dr. Charles Cheung Wai Bun, *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 41 to 43 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, being eligible, and 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).

REPORT OF THE DIRECTORS

Notes:

- (1) 305,401 shares, 295,421,000 shares and 68,000,000 shares of the Company were held by Po Kay Securities & Shares Company Limited, Lui Che Woo Foundation Limited (“Lui Che Woo Foundation”) and LUI Che Woo Prize Limited (“LUI Che Woo Prize”) respectively, all of which are controlled by Dr. Lui Che Woo. Lui Che Woo Foundation and LUI Che Woo Prize are charitable organizations.
- (2) A discretionary family trust established by Dr. Lui Che Woo as founder was interested in 1,362,225,231 shares of the Company. Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu, as beneficiaries of the discretionary family trust, are deemed to have an interest in those shares in which the trust has an interest.
- (3) 103,096,039 shares of the Company held by Recurrent Profits Limited, is controlled by Mr. Francis Lui Yiu Tung. Top Notch Opportunities Limited (“Top Notch”) was interested in 171,916,021 underlying shares of the Company. Kentlake International Investments Limited (“Kentlake”) was interested in 65,000,000 shares of the Company and 56,138,039 underlying shares of the Company. Both Top Notch and Kentlake are controlled by Mr. Francis Lui Yiu Tung. The aforesaid underlying shares had not been delivered to Top Notch and Kentlake and are still counted towards the public float.
- (4) Mr. James Ross Ancell was interested in 50,000 shares of the Company as being one of the trustees and a major beneficiary of a pension scheme.

(b) Underlying shares – Share Options and Share Awards

Details are set out in the sections headed “Share Option Scheme” and “Share Award Scheme” below.

All the interests stated above represent long positions.

Save as disclosed above, as at 31 December 2016, none of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its specified undertakings or its other associated corporations (within the meaning of Part XV of the SFO and the Hong Kong Companies Ordinance (Cap. 622)).

SUBSTANTIAL SHAREHOLDERS’ INTERESTS

At 31 December 2016, the interests of every person (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Number of shares (Long Position)	Percentage of Issued Share Capital
City Lion Profits Corp.	973,282,206	22.78
CWL Assets (PTC) Limited	1,362,225,231	31.89
HSBC International Trustee Limited	1,363,000,491 ⁽¹⁾	31.91
Super Focus Company Limited	274,494,154	6.43
Lui Che Woo Foundation Limited	295,421,000	6.92
The Capital Group Companies, Inc.	257,912,000	6.04

Note:

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

REPORT OF THE DIRECTORS

There was duplication of interests of:

- (i) 1,362,225,231 shares of the Company between Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung, Ms. Paddy Tang Lui Wai Yu, CWL Assets (PTC) Limited and HSBC International Trustee Limited;
- (ii) 973,282,206 shares of the Company between City Lion Profits Corp. and CWL Assets (PTC) Limited; and
- (iii) 274,494,154 shares of the Company between CWL Assets (PTC) Limited and Super Focus Company Limited.

Save as disclosed above, as at 31 December 2016, the Company had not been notified by any person who had interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

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

(1) Purpose

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

(2) Participants

- (i) any employee of the Company or any affiliate and any senior executive or director of the Company or any affiliate; or
- (ii) any consultant, agent, representative or adviser of the Company or any affiliate; or
- (iii) any person who provides goods or services to the Company or any affiliate; or
- (iv) any customer or contractor of the Company or any affiliate; or
- (v) any business ally or joint venture partner of the Company or any affiliate; or
- (vi) any trustee of any trust established for the benefit of employees; or
- (vii) in relation to any of the above qualifying grantee who is an individual, a trust solely for the benefit of the qualifying grantee or his immediate family members, and companies controlled solely by the qualifying grantee or his immediate family members.

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

REPORT OF THE DIRECTORS

(3) Total number of shares available for issue

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

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

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme, is 310,717,064 shares, representing approximately 7.27% of the issued share capital of the Company on that date, and is further reduced by the number of share awards granted pursuant to the Share Award Scheme mentioned below.

(4) Maximum entitlement of each participant

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

Subject to separate approval by the shareholders in general meeting with the relevant participant and his close associates (as defined in the Listing Rules) or his associates if the participant is a connected person (as defined in the Listing Rules) abstaining from voting and provided the Company shall issue a circular to shareholders before such approval is sought, the Company may grant options to a participant which would exceed this limit.

(5) Option period

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

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

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

(7) Payment on acceptance of the option

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

(8) Basis of determining the subscription price

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

- (i) the closing price of the shares on the date of grant;
- (ii) the average closing prices of the shares for the five business days immediately preceding the date of grant;
and
- (iii) the nominal value of a share (not applicable as the share has no nominal value).

REPORT OF THE DIRECTORS

Name	Date of grant	Number of Options						Held at 31 December 2016	Exercise price (HK\$)	Exercise period
		Held at 1 January 2016	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Re-classified during the year ^(a)			
Employees ^(d) (in aggregate)	23 Jul 2010	3,998,669	-	3,998,669 ^(e)	-	-	-	-	4.67	23 Jul 2011 – 22 Jul 2016
	20 Apr 2011	629,668	-	205,000 ^(e)	-	-	-	424,668	13.82	20 Apr 2012 – 19 Apr 2017
	9 Jan 2012	3,171,015	-	573,005 ^(e)	-	2	186,668	2,411,340	14.22	9 Jan 2013 – 8 Jan 2018
	16 Mar 2012	3,283,000	-	1,880,000 ^(e)	-	-	-	1,403,000	20.10	16 Mar 2013 – 15 Mar 2018
	17 Jan 2013	8,484,867	-	127,001 ^(e)	-	1,322,608	181,334	6,853,924	32.50	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	1,242,668	-	-	822,668	280,000	80,000	60,000	37.45	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	4,639,000	-	-	3,750,000	638,000	126,000	125,000	77.75	15 Jan 2015 – 14 Jan 2020
	16 Jul 2014	1,249,999	-	-	1,011,000	172,999	-	66,000	62.75	16 Jul 2015 – 15 Jul 2020
	16 Jan 2015	10,307,000	-	-	7,991,000	1,681,667	278,000	356,333	39.86	16 Jan 2016 – 15 Jan 2021
	24 Dec 2015	23,093,000	-	309,580 ^(e)	-	3,287,753	490,000	19,005,667	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	-	5,340,176	-	-	62,475	192,260	5,085,441	28.35	12 Mar 2018 – 11 Sep 2022
28 Dec 2016	-	7,153,000	-	-	-	-	7,153,000	33.49	28 Dec 2017 – 27 Dec 2022	
Others (in aggregate)	9 Jan 2012	-	-	186,668 ^(f)	-	-	186,668	-	14.22	9 Jan 2013 – 8 Jan 2018
	17 Jan 2013	109,001	-	-	-	18,333	181,334	272,002	32.50	17 Jan 2014 – 16 Jan 2019
	5 Jul 2013	186,668	-	-	186,668	-	80,000	80,000	37.45	5 Jul 2014 – 4 Jul 2019
	15 Jan 2014	133,000	-	-	252,000	7,000	126,000	-	77.75	15 Jan 2015 – 14 Jan 2020
	16 Jan 2015	125,000	-	-	403,000	-	278,000	-	39.86	16 Jan 2016 – 15 Jan 2021
	24 Dec 2015	220,000	-	56,554 ^(f)	-	-	490,000	653,446	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	-	118,916	-	-	-	192,260	311,176	28.35	12 Mar 2018 – 11 Sep 2022
Total		86,789,555	17,712,493	10,936,477	20,919,336	7,470,837	0	65,175,398		

Notes:

- Options were re-classified during the year from Employees to Others.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$28.00.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$25.50.
- Include associate of director, Ms. Eileen Lui Wai Ling who held 1,000,000, 400,000, 594,000, 224,540 and 204,000 options granted on 9 January 2012, 17 January 2013, 24 December 2015, 12 September 2016 and 28 December 2016 respectively at an exercise price and exercise period shown above as at 1 January 2016 and 31 December 2016. 80,000, 126,000 and 337,000 options granted on 5 July 2013, 15 January 2014 and 16 January 2015 respectively at an exercise price and exercise period shown above were cancelled on 12 September 2016. No options were exercised by Ms. Lui during the year.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$26.88.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$32.14.

REPORT OF THE DIRECTORS

The vesting period for all options is 1/3 vesting on each of the first, second and third anniversary of the date of grant except the following options:

- The vesting period for the balance of 484,000 options granted on 20 April 2011 is 100% vesting on the first anniversary of the date of grant; and
- The vesting period for options granted on 12 September 2016 is 100% vesting on 18 months after 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, cancelled or lapsed during the year are set out above.

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 12 September 2016							
– 7,999,018 options outstanding as at 31 December 2016	8.85	28.35	28.35	48%	3.7 years	2%	0.589%
Granted on 28 December 2016							
– 9,651,000 options outstanding as at 31 December 2016	10.82	33.25	33.49	47%	3.5 to 4.5 years	2%	1.444% to 1.589%

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 12 September 2016 and 28 December 2016 were HK\$29.45 and HK\$33.10 respectively.

REPORT OF THE DIRECTORS

SHARE AWARD SCHEME

The share award scheme was adopted by the Board of Directors on 4 August 2014 ("Share Award Scheme"). Details of which have been announced in the Company's announcement dated 4 August 2014.

(1) Purpose

The purpose of the Share Award Scheme is to attract and retain the best quality personnel for the development of the Company's businesses, to provide incentives to (i) any employee or any eligible employee, any senior executive or director of the Company or any affiliate or any consultant, agent, representative or adviser of the Company or any affiliate; or (ii) any person who provides goods or services to the Company or any affiliate; or (iii) any customer or contractor of the Company or any affiliate; or (iv) any business ally or joint venture partners of the Company or any affiliate; or (v) any trustee of any trust established for the benefit of employees, and to promote the long term financial success of the Company by aligning the interests of award holders to shareholders.

(2) Duration

Subject to early termination by the Board, the Share Award Scheme will be valid and effective from 4 August 2014 until 21 June 2021.

(3) Maximum Limit

The aggregate of (a) the total number of awarded shares underlying the awards which have been granted but yet to be vested under the Share Award Scheme; and (b) the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme(s) of the Company (including the Share Option Scheme) must not exceed 30% of the shares in issue from time to time.

The aggregate of (a) the total number of awarded shares underlying the awards to be granted under the Share Award Scheme; and (b) the total number of shares which may be issued upon exercise of all options granted and to be granted under any share option scheme(s) of the Company (including the Share Option Scheme) after the adoption of the Share Option Scheme must not in aggregate exceed the mandate limit under the Share Option Scheme, being 413,678,806 shares or must not exceed the limit as refreshed under the Share Option Scheme.

The aggregate of the maximum number of awarded shares underlying all awards (whether the awards are vested or not) and the total number of shares issued and to be issued upon exercise of options under the Share Option Scheme (whether exercised or outstanding) in any 12-month period granted to each award holder must not exceed 1% of the shares in issue.

The Board may, from time to time, at their absolute discretion select any qualifying grantee for participation in the Share Award Scheme and determine the terms and conditions of the awards and the number of shares to be awarded. HK\$1.00 is payable by the grantee to the Company on acceptance of the offer. The Board may (i) pay to the trustee the purchase price and related purchase expenses from the Company's resources in respect of the awarded shares to be purchased on the market, and/or (ii) allot and issue shares to the trustee to be held by the trustee for the relevant award holders until the awards are vested in accordance with the rules of Share Award Scheme.

When an award holder has satisfied all vesting criteria and conditions specified by the Board and become entitled to the awarded shares, the Board will inform the relevant award holder of the vesting of the awarded shares and the means of effecting the vesting which shall be determined by the Board at its sole discretion.

REPORT OF THE DIRECTORS

No award holder shall enjoy any of the right of a shareholder unless and until such awarded shares are actually transferred to the award holder by the trustee after the vesting of the award granted. Unless otherwise specified by the Board in the share award agreement, the award holders do not have any right to the income derived from the awarded shares underlying the award. The trustee shall not exercise the voting rights in respect of any shares held for the Share Award Scheme (including but not limited to the awarded shares, the returned shares, any bonus shares and scrip shares).

During the year, 861,300, 70,100 and 2,078,100 share awards were granted to the Directors of the Company, an associate of Directors and employees respectively.

The particulars of the movements in the share awards held by the Directors of the Company and their associates, and the employees of the Company in aggregate granted under the Share Award Scheme during the year ended 31 December 2016 were as follows:

Name	Date of grant	Number of Awards				Vesting Date	Closing price at date of grant (HK\$)
		Held at 1 January 2016	Granted during the year	Lapsed during the year	Held at 31 December 2016		
Lui Che Woo	28 Dec 2016	–	115,166	–	115,166	28 Dec 2017	33.25
	28 Dec 2016	–	115,166	–	115,166	28 Dec 2018	33.25
	28 Dec 2016	–	115,168	–	115,168	28 Dec 2019	33.25
Francis Lui Yiu Tung	28 Dec 2016	–	162,933	–	162,933	28 Dec 2017	33.25
	28 Dec 2016	–	162,933	–	162,933	28 Dec 2018	33.25
	28 Dec 2016	–	162,934	–	162,934	28 Dec 2019	33.25
Paddy Tang	28 Dec 2016	–	9,000	–	9,000	28 Dec 2017	33.25
Lui Wai Yu	28 Dec 2016	–	9,000	–	9,000	28 Dec 2018	33.25
	28 Dec 2016	–	9,000	–	9,000	28 Dec 2019	33.25
Employees (in aggregate)	28 Oct 2014	17,830,430	–	1,369,740	16,460,690	31 Dec 2017	47.70
	16 Jan 2015	1,270,170	–	140,350	1,129,820	31 Dec 2017	38.35
	7 May 2015	1,197,590	–	320,930	876,660	31 Dec 2017	37.10
	13 Jul 2015	3,243,330	–	550,650	2,692,680	31 Dec 2017	35.45
	24 Nov 2015	637,570	–	193,080	444,490	31 Dec 2017	23.45
	24 Dec 2015	101,790	–	–	101,790	30 Jun 2018	24.80
	28 Dec 2016	–	692,623	–	692,623	28 Dec 2017	33.25
	28 Dec 2016	–	692,623	–	692,623	28 Dec 2018	33.25
	28 Dec 2016	–	692,854	–	692,854	28 Dec 2019	33.25
Associates of Directors ^(Note)	7 May 2015	2,480	–	–	2,480	31 Dec 2017	37.10
	28 Dec 2016	–	23,366	–	23,366	28 Dec 2017	33.25
	28 Dec 2016	–	23,366	–	23,366	28 Dec 2018	33.25
	28 Dec 2016	–	23,368	–	23,368	28 Dec 2019	33.25
Total		24,283,360	3,009,500	2,574,750	24,718,110		

Note: Except share awards granted on 7 May 2015, all share awards were granted to Ms. Eileen Lui Wai Ling.

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

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

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

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme and Share Award Scheme as disclosed above, no equity-linked agreement that will or may result in the Company issuing shares or no agreement that requires the Company to enter into an agreement that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2016 or subsisted at the end of the financial year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and adjusted as appropriate, is shown on page 68 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover; and the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$8,057,000 (2015: HK\$5,191,000).

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 2016 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, 28 February 2017

FIVE-YEAR SUMMARY

	Year ended 31 December 2012 HK\$'000	Year ended 31 December 2013 HK\$'000	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000	Year ended 31 December 2016 HK\$'000
CONSOLIDATED INCOME STATEMENT					
Revenue	56,746,423	66,032,501	71,752,470	50,990,813	52,826,115
Profit attributable to equity holders of the Company	7,377,839	10,051,764	10,339,810	4,161,050	6,283,397
Dividends	–	–	4,878,981	1,787,611	1,408,298
Earnings per share (cents)	176.2	238.7	243.9	97.8	147.3
Dividend per share (cents)	–	–	115.0	42.0	33.0
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment, investment properties and leasehold land and land use rights	22,736,878	28,421,703	35,661,629	40,854,372	38,599,717
Intangible assets	1,103,508	1,715,360	1,516,326	1,341,213	1,138,488
Joint ventures and associated companies	1,351,792	1,373,882	1,451,471	1,322,153	1,255,767
Other non-current assets	373,340	515,823	382,481	637,388	3,235,300
Net current assets/(liabilities)	3,489,100	2,355,647	1,243,598	(1,045,599)	3,710,385
Employment of capital	29,054,618	34,382,415	40,255,505	43,109,527	47,939,657
Represented by:					
Share capital	419,958	421,971	19,774,917	19,952,107	20,106,376
Reserves	21,433,430	32,019,490	18,594,220	21,149,332	26,238,974
Equity attributable to owners of the Company	21,853,388	32,441,461	38,369,137	41,101,439	46,345,350
Non-controlling interests	440,992	612,827	619,945	611,898	517,663
Long term borrowings	6,291,171	236,973	576,430	671,461	525,978
Other non-current liabilities	390,280	1,050,172	663,964	724,729	550,666
Provisions	78,787	40,982	26,029	–	–
Capital employed	29,054,618	34,382,415	40,255,505	43,109,527	47,939,657
Net assets per share (dollars)	5.20	7.69	9.04	9.65	10.85

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Members of Galaxy Entertainment Group Limited

(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Galaxy Entertainment Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 75 to 160, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recoverability of advances to gaming counterparties; and
- Assessment of recoverable amounts of hotel properties, gaming licence and reacquired right.

Key Audit Matter**How our audit addressed the Key Audit Matter****Recoverability of advances to gaming counterparties**

Refer to notes 4.1(b), 5(g) and 22(b) to the consolidated financial statements.

As at 31 December 2016, other debtors and deposit paid balance included advances to gaming counterparties which management's assessment on their recoverability is subject to significant judgment.

Due to the credit driven nature of the VIP business in the gaming industry accompanied by the recent trend of market consolidation resulting from the decline in overall Macao VIP gaming market, the Group is exposed to heightened risk in respect of the recoverability of the credits granted to the gaming counterparties, as well as concentration risk arising from the reducing numbers of VIP gaming operators.

We focused on this area due to the size of the balances and the significant estimates and judgment involved by management, including current creditworthiness and past collection flow of each counterparty, in assessing the necessity/adequacy of provisions made.

We understood and evaluated the Group's credit control procedures regarding to credits granted to gaming counterparties.

We confirmed the balances due from gaming counterparties by requesting and receiving confirmations directly from the gaming counterparties.

We obtained management's assessment on the recoverability of advances to gaming counterparties and assessed its reasonableness by reviewing the ageing profile of the advances and discussed with management to understand the operations status, financial stability of the gaming counterparties and management's actions taken against the gaming counterparties to recover the doubtful balances. We corroborated management's explanation to underlying documentation and correspondence with the gaming counterparties, including the rolling volume, repayment records, the notices from the Gaming Inspection and Coordination Bureau of Macao SAR regarding any closure of VIP rooms, as well as market information by focusing on any adverse news on those gaming counterparties.

We also assessed the recoverability of the balances by comparing and sample testing the outstanding amounts as at year end against settlements received subsequent to year end.

Based on the audit procedures performed, we found the Group's judgment and assumptions used in the recoverability assessment to be supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter**How our audit addressed the Key Audit Matter****Assessment of recoverable amounts of hotel properties, gaming licence and reacquired right**

Refer to notes 3.9, 5(a), 14, 16 and 17 to the consolidated financial statements.

The Group's revenue inflow is highly dependent on its gaming operations which are complemented by its hotel and entertainment operations. The gaming operations are operated under the gaming licence together with the reacquired right, which will be subject to renewal in June 2022. Beginning on 27 June 2017, the Macao Government may redeem the gaming licence by providing the Group at least one year's prior notice. Any renewal and early redemption of the licence is subject to Macao Government's decision.

As at 31 December 2016, the aggregate carrying amount of all hotel properties together with the gaming licence, the reacquired right and other net working capital relating to the gaming and hotel operations was HK\$33.1 billion.

As regards assets and intangible assets with definite useful lives, the Group is required to review for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, and at least annually, review whether there is any change in their expected useful lives.

The Group performs an assessment of the recoverable amounts for all hotel properties together with the gaming licence, the reacquired right and other net working capital. For the purpose of performing the recoverability assessment, management identifies the gaming and entertainment division as a single Cash Generating Unit ("CGU"). The recoverable amount of the underlying CGU is determined based on the higher of the fair value less cost of disposal or the value in use. Management concluded that the assets and intangible assets were not impaired as at 31 December 2016.

We obtained the valuation model (fair value model under the income approach) used by management to determine the recoverable amounts of the relevant assets.

We tested the mathematical accuracy of the underlying calculations in the valuation model and agreed them to the approved one-year financial budget and future forecasts. We compared historical actual results to those budgeted to assess the quality of management's forecast.

We also assessed the key quantitative and qualitative assumptions made by management in the valuation model. Quantitative factors comprised forecasted revenue and operating costs, future business growth rates, VIP to mass gaming ratio and discount rate used. When assessing these key assumptions, we discussed with management to understand and evaluate their basis for selecting the assumptions, and compared them to various sources including independent research reports, future economic growth forecasts and historical data for both the Group and industry performance. We assessed the reasonableness of the discount rate used by checking it to the discount rates of comparable companies within the same industry.

We obtained and tested management's sensitivity analysis around the quantitative key assumptions, to ascertain that the selected adverse changes to the key assumptions, both individually and in aggregate, would not cause the carrying amount of the CGU to exceed the recoverable amount.

Qualitative factors comprised ongoing compliance with legal requirements, timely completion of development projects and retention of the gaming licence between 2017 and 2022 and subsequent renewal in 2022. We discussed with management to understand their assessment on each of the qualitative factors and corroborated management's explanation to the underlying documentation and market information.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter**How our audit addressed the Key Audit Matter**

The assessment contains a number of significant assumptions, both quantitative and qualitative, including revenue growth rate, cost structure, VIP to Mass gaming ratio, discount rate, timely completion of development projects and retention of the gaming licence between 2017 and 2022 and subsequent renewal in 2022. Changes in these assumptions may lead to potential impairment charges on the carrying value of the hotel properties, gaming licence and the reacquired right. The use of assumptions in the assessment also requires estimates and judgment which may be affected by unexpected future market, economic or political conditions.

We focused on this area as these assets are significant to the Group's operations and the assessment performed by management involved significant estimates and judgment.

We also understood and evaluated the procedures performed by management to identify any instances of non-compliance with the rules and regulations of the Gaming Inspection and Coordination Bureau of Macau SAR which may have an adverse impact on the Group's operations.

We further evaluated management's assessment on the expected useful lives of relevant assets which concluded that they remained appropriate as of the balance sheet date by referencing with the Group's historical experience of using those assets and our understanding in the industry.

Based on the audit procedures performed, we found the Group's estimates and judgment used in the recoverability assessment and review of useful lives of the assets to be supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ho Chi Keung.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 February 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	6	52,826,115	50,990,813
Other income/gains/(losses), net	8(a)	209,316	(55,873)
Special gaming tax and other related taxes to the Macau Government		(18,688,155)	(18,233,209)
Commission and allowances to gaming counterparties		(11,272,674)	(12,540,402)
Raw materials and consumables used		(877,399)	(836,814)
Amortisation and depreciation		(3,572,577)	(3,086,292)
Employee benefit expenses		(6,903,204)	(7,052,410)
Other operating expenses		(5,401,947)	(5,005,241)
Finance costs	10	(43,673)	(32,772)
Share of profits less losses of:			
Joint ventures	18(a)	71,015	60,719
Associated companies	19(a)	1,245	211
Profit before taxation	8(b)	6,348,062	4,208,730
Taxation charge	11	(76,656)	(82,441)
Profit for the year		6,271,406	4,126,289
Attributable to:			
Equity holders of the Company	29	6,283,397	4,161,050
Non-controlling interests		(11,991)	(34,761)
		6,271,406	4,126,289
Earnings per share	12	HK cents	HK cents
Basic		147.3	97.8
Diluted		146.2	96.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 HK\$'000	2015 HK\$'000
Profit for the year	6,271,406	4,126,289
Other comprehensive loss		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	(42,376)	(94,639)
Translation differences of subsidiaries	(72,552)	(89,616)
Share of translation differences of joint ventures	(90,275)	(80,436)
Other comprehensive loss for the year, net of tax	(205,203)	(264,691)
Total comprehensive income for the year	6,066,203	3,861,598
Total comprehensive income attributable to:		
Equity holders of the Company	6,105,346	3,924,909
Non-controlling interests	(39,143)	(63,311)
	6,066,203	3,861,598

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	33,502,151	35,690,673
Investment properties	15	42,000	42,000
Leasehold land and land use rights	16	5,055,566	5,121,699
Intangible assets	17	1,138,488	1,341,213
Joint ventures	18	1,253,450	1,321,081
Associated companies	19	2,317	1,072
Other non-current assets	20	3,235,300	637,388
		44,229,272	44,155,126
Current assets			
Inventories	21	158,367	150,789
Debtors and prepayments	22	1,583,156	2,183,880
Amounts due from joint ventures	23	302,783	404,441
Taxation recoverable		20,382	6,148
Derivative financial instruments	24	–	9,103
Other current assets	25	11,178	3,425
Other cash equivalents	26	59,290	723,748
Cash and bank balances	26	19,896,602	7,717,681
		22,031,758	11,199,215
Total assets		66,261,030	55,354,341

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
EQUITY			
Share capital	27	20,106,376	19,952,107
Reserves	29	26,238,974	21,149,332
Equity attributable to owners of the Company		46,345,350	41,101,439
Non-controlling interests		517,663	611,898
Total equity		46,863,013	41,713,337
LIABILITIES			
Non-current liabilities			
Borrowings	30	525,978	671,461
Deferred taxation liabilities	31	256,783	250,280
Retention payable		–	150,477
Non-current deposits	35	293,883	323,972
		1,076,644	1,396,190
Current liabilities			
Creditors and accruals	33	12,659,706	11,457,586
Amounts due to joint ventures	23	15,729	27,306
Derivative financial instruments	24	121	–
Current portion of borrowings and short-term bank loans	30	5,608,695	718,879
Provision for tax		37,122	41,043
		18,321,373	12,244,814
Total liabilities		19,398,017	13,641,004
Total equity and liabilities		66,261,030	55,354,341
Net current assets/(liabilities)		3,710,385	(1,045,599)
Total assets less current liabilities		47,939,657	43,109,527

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	12,865,401	6,753,375
Hong Kong profits tax paid		(41,559)	(22,784)
Mainland China tax and Macau complementary tax paid		(46,750)	(44,465)
Interest paid		(45,187)	(60,569)
Net cash from operating activities		12,731,905	6,625,557
Cash flows from investing activities			
Purchase of property, plant and equipment	34(b)	(2,075,014)	(6,541,429)
Acquisition of business		-	(650,000)
Addition to leasehold land		(24,463)	-
Purchase of intangible assets		(28,362)	(52,709)
Proceeds from disposal of investment property		-	74,670
Proceeds from disposal of property, plant and equipment		21,903	5,568
Investments in joint ventures		-	(39)
Decrease in advances to joint ventures		86,752	37,117
Proceeds from disposal of other investments		2,529	2,684
Decrease in non-current investments		4,085	-
Decrease in deferred receivable		16,029	9,987
Increase in finance lease receivable		(166)	(58,923)
Purchase of held-to-maturity financial assets		(2,351,144)	-
Purchase of available-for-sale financial assets		(410,494)	(365,793)
Interest received		81,177	133,157
(Increase)/decrease in short-term pledged deposits and short-term bank deposits with maturity over three months		(12,710,461)	1,543,587
Dividends received from joint ventures		48,371	105,095
Dividends received from unlisted investments		2,100	4,730
Net cash used in investing activities		(17,337,158)	(5,752,298)
Cash flows from financing activities			
Issue of new shares		108,872	124,694
New bank loans		4,844,717	6,986,349
Repayment of bank loans		(45,134)	(6,553,625)
Capital element of finance lease payments		-	(164)
Increase/(decrease) in loan from non-controlling interests		4,856	(21,937)
Dividends paid to non-controlling interests		(38,612)	(9,663)
Injection of capital from non-controlling interests		-	64,927
Return of capital to non-controlling interests		(16,480)	-
Dividends paid to shareholders	13	(1,408,298)	(1,787,611)
Net cash from/(used in) financing activities		3,449,921	(1,197,030)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year		7,979,218	8,330,951
Translation differences		(20,420)	(27,962)
Cash and cash equivalents at end of year	26	6,803,466	7,979,218

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital HK\$'000	Reserves HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2015	19,774,917	18,594,220	38,369,137	619,945	38,989,082
Comprehensive income					
Profit for the year	–	4,161,050	4,161,050	(34,761)	4,126,289
Other comprehensive loss					
Change in fair value of available-for-sale financial assets	–	(94,639)	(94,639)	–	(94,639)
Translation differences of subsidiaries	–	(71,562)	(71,562)	(18,054)	(89,616)
Share of translation differences of joint ventures	–	(69,940)	(69,940)	(10,496)	(80,436)
Total other comprehensive loss, net of tax	–	(236,141)	(236,141)	(28,550)	(264,691)
Total comprehensive income for the year	–	3,924,909	3,924,909	(63,311)	3,861,598
Transactions with equity holders					
Injection of capital from non-controlling interests	–	–	–	64,927	64,927
Dividends paid to non-controlling interests	–	–	–	(9,663)	(9,663)
Issue of shares upon exercise of share options	177,190	(52,496)	124,694	–	124,694
Fair value of share options granted	–	201,457	201,457	–	201,457
Fair value of share award granted	–	268,853	268,853	–	268,853
Special dividends (note 13)	–	(1,787,611)	(1,787,611)	–	(1,787,611)
At 31 December 2015	19,952,107	21,149,332	41,101,439	611,898	41,713,337
Comprehensive income					
Profit for the year	–	6,283,397	6,283,397	(11,991)	6,271,406
Other comprehensive loss					
Change in fair value of available-for-sale financial assets	–	(42,376)	(42,376)	–	(42,376)
Translation differences of subsidiaries	–	(56,253)	(56,253)	(16,299)	(72,552)
Share of translation differences of joint ventures	–	(79,422)	(79,422)	(10,853)	(90,275)
Total other comprehensive loss, net of tax	–	(178,051)	(178,051)	(27,152)	(205,203)
Total comprehensive income for the year	–	6,105,346	6,105,346	(39,143)	6,066,203
Transactions with equity holders					
Return of capital to non-controlling interests	–	–	–	(16,480)	(16,480)
Dividends paid to non-controlling interests	–	–	–	(38,612)	(38,612)
Issue of shares upon exercise of share options	154,269	(45,397)	108,872	–	108,872
Fair value of share options granted	–	185,009	185,009	–	185,009
Fair value of share award granted	–	252,982	252,982	–	252,982
Special dividends (note 13)	–	(1,408,298)	(1,408,298)	–	(1,408,298)
At 31 December 2016	20,106,376	26,238,974	46,345,350	517,663	46,863,013

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 28 February 2017.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) under the historical cost convention as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities (including derivative financial instruments), which are carried at fair values.

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 amended standards

In 2016, the Group adopted the following amended standards which are relevant to its operations.

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
Annual Improvements to HKFRSs 2012–2014 Cycle	
HKFRS 5 (Amendment)	Non-current Assets Held For Sale and Discontinued Operations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKAS 19 (Amendment)	Employee Benefits
HKAS 34 (Amendment)	Interim Financial Reporting

The Group has assessed the impact of the adoption of these amended HKFRS and considered that there was no significant impact on the Group’s results and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

New standards and amendments		Effective for accounting periods beginning on or after
HKAS 7 (Amendment)	Disclosure Initiative	1 January 2017
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Lease	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

In the balance sheet of the Company, investments in subsidiaries are accounted for at cost less impairment losses. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 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

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

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

3.5 Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence but no control is exercised in its management, generally accompanying a shareholding of between 20% to 50% of the voting rights.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.5 Associated companies (Continued)**

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 fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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

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

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

3.7 Property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.7 Property, plant and equipment (Continued)**

No depreciation is provided on assets under construction until it is completed and is ready for use. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Leasehold improvement	2 to 20 years
Buildings	20 to 50 years
Plant and machinery	3 to 20 years
Gaming equipment	3 to 10 years
Other assets	2 to 20 years

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

Gains and losses on disposal 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. Beginning on 27 June 2017, the Macao Government may redeem the gaming licence by providing the Group at least one year's prior notice. The renewal and early redemption depends on Macao Government's decision.

3.10 Computer software

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

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

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

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

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

3.12 Deferred expenditure

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

Pre-operating costs are expensed as they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.13 Financial assets**

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

(d) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than twelve months after the balance sheet date, which are classified as current assets.

Held-to-maturity investments are carried at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 of the available-for-sale financial assets are recognised in other comprehensive income. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investments. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale financial assets, 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 financial assets, 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 financial assets are not reversed through the consolidated income statement.

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

3.14 Derivative financial instruments and hedging activities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.14 Derivative financial instruments and hedging activities (Continued)**

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

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

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

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

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

3.15 Debtors

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.16 Inventories**

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

3.17 Cash and cash equivalents

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

3.18 Share capital

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

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

3.19 Borrowings

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

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

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

3.20 Leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.20 Leases (Continued)**

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

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

3.21 Creditors and accruals

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

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

3.22 Provisions

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.23 Current and deferred taxation (Continued)**

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

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

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

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

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

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

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

3.25 Commission and allowances to gaming counterparties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.26 Contributions from the operations of the City Club Casinos**

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

3.27 Employee benefits**(a) Employees entitlement, benefits and bonus**

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

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

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

(b) Share-based compensation**(i) Share options**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.27 Employee benefits (Continued)****(b) Share-based compensation (Continued)***(ii) Share award*

The Group also grants shares of the Company to employees under its share award scheme, under which the awarded shares are either newly issued or are purchased from the open market. The cost of share purchased from the open market is recognised in equity as treasury stock. The fair value of the employee services received in exchange for the grant of shares under the scheme is recognised as staff costs in the income statement with a corresponding increase in a share award reserve under equity. The fair value of the awarded shares is measured by the quoted market price of the shares at grant date and is charged to the income statement over the respective vesting period. During the vesting period, the number of awarded shares that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged or credited in the income statement for the year of the review, unless the original staff costs qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as staff costs is adjusted to reflect the actual number of awarded shares that vest (with a corresponding adjustment to the employee share-based compensation reserve) and the cost of awarded shares recognised in equity as treasury stock is transferred to the employee share-based compensation reserve.

3.28 Borrowing costs

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

3.29 Revenue recognition

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

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

(a) Gaming operations

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

(b) Hotel operations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.29 Revenue recognition (Continued)****(c) Construction materials**

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

(d) Rental income

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

(e) Administrative fee

Administrative fee is recognised when the services have been rendered.

(f) Interest income

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

(g) Dividend income

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

3.30 Foreign currency translation

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

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

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

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

- (i) assets and liabilities for each balance sheet presented are translated at the exchange rate ruling at the date of that balance sheet;
- (ii) income and expenses for each consolidated income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

3.31 Segment reporting

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

3.32 Dividend distribution

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

3.33 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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 risks by using derivative financial instruments to manage the risk exposures. It does not enter into or trade derivative financial instruments for speculative purpose. The management of the Group identifies, evaluates and manages significant financial risks in the individual operating units of the Group.

4.1 Financial risk factors**(a) Market risk***(i) Foreign exchange risk*

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

Foreign currency exposures are covered by forward foreign exchange contracts and arrangement of foreign currency borrowings whenever considered appropriate.

Forward foreign exchange contracts with notional principal amount of HK\$136 million were outstanding as at 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The foreign exchange risk mainly arises on the cash and bank balances which are denominated in Renminbi. As at 31 December 2016, if Renminbi weakened/strengthened by 2%, profit after tax for the year would have been HK\$1,000 (2015: HK\$3,000) lower/higher as a result of foreign exchange loss/gain on translation of that balance. As at 31 December 2016, the majority of Renminbi cash and bank balances are held by group companies operating in Mainland China with Renminbi as their functional currency.

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

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

(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 current assets (note 25) or available-for-sale financial assets (see note 20(a)). Other than unquoted securities held for strategic purposes, all of these investments are listed. The Group is not exposed to commodity price risk.

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

At 31 December 2016, if the market values of the Group's available-for-sale financial assets at that date had been 10% higher or lower with all other variables held constant, total comprehensive income for the year would have been HK\$73,242,000 (2015: HK\$37,760,000) higher or lower.

(iii) Interest rate risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk (Continued)

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

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

At 31 December 2016, 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\$29,592,000 (2015: HK\$5,922,000) lower or higher, mainly as a result of higher or lower interest expense on floating rate borrowings.

At 31 December 2016, 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\$28,639,000 (2015: HK\$28,404,000) higher or lower.

(b) Credit risk

Credit risk arises from derivative financial instruments and deposits with banks and financial institutions, debt securities, 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. For derivative financial instruments and bank deposits, only banks and financial institutions with sound credit ratings are selected to mitigate the risk. Investment in debt securities are limited to financial institutions and corporations with high quality, and are regularly monitored. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)**4.1 Financial risk factors (Continued)****(b) Credit risk (Continued)**

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 2016, approximately 49% (2015: 74%) of the other debtors and deposits paid, net of provision (note 22b) represent advances to customers and gaming counterparties. Due to the credit driven nature of the VIP business in the gaming industry accompanied by the recent trend of market consolidation resulting from the decline in overall Macao VIP gaming market, the Group is exposed to heightened risk in respect of the recoverability of the credits granted to the gaming counterparties, as well as concentration risk arising from the reducing numbers of VIP gaming operators. The Group monitors the issuance of credit on an ongoing basis to minimise the exposure to credit risk. The activities of individual credit account are monitored regularly for management to decide if the credit facility should be continued, changed or cancelled. Management regularly evaluates the allowance for doubtful receivables by reviewing the collectability of each balance based upon the age of the balance, the customer's financial condition, collection history and any other known information. See note 22 for details of debtors and further disclosure on credit risks.

The maximum exposure to credit risk at 31 December 2016 is the unimpaired carrying amounts of respective financial assets.

(c) Liquidity risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	Within one year HK\$'000	Between one to two years HK\$'000	Between two to five years HK\$'000	Over five years HK\$'000	Total HK\$'000
At 31 December 2016					
Bank loans	5,620,321	343,009	12,244	-	5,975,574
Obligations under finance leases	15,201	-	-	589,259	604,460
Provisions	22,503	-	-	-	22,503
Creditors and accruals (including non-current retention payable and non-current deposits received)	12,604,082	143,673	174,954	8,377	12,931,086
Amounts due to joint ventures	15,729	-	-	-	15,729
At 31 December 2015					
Bank loans	742,647	138,169	358,388	-	1,239,204
Obligations under finance leases	-	15,201	-	589,259	604,460
Provisions	22,503	-	-	-	22,503
Creditors and accruals (including non-current retention payable and non-current deposits received)	11,435,083	185,481	202,974	85,994	11,909,532
Amounts due to joint ventures	27,306	-	-	-	27,306

4.2 Capital risk management

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management (Continued)

The gearing ratios at 31 December 2016 and 2015 were as follows.

	2016 HK\$'000	2015 HK\$'000
Total borrowings (note 30)	(6,134,673)	(1,390,340)
Less: cash and bank balances (note 26)	19,896,602	7,717,681
Net cash	13,761,929	6,327,341
Total assets less cash and bank balances	46,364,428	47,636,660
Gearing ratio (note)	n/a	n/a

Note: The Group was in a net cash position as at 31 December 2016 and 2015.

4.3 Fair value estimation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016 and 2015.

At 31 December 2016	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale financial assets				
– Equity securities	301,188	–	24,412	325,600
– Unlisted investments in Hong Kong	–	–	6,000	6,000
– Debt securities	400,822	–	–	400,822
Total	702,010	–	30,412	732,422
Liability				
Derivative financial instruments	–	121	–	121

At 31 December 2015

Assets

Financial assets at fair value through
profit or loss

– Equity securities	3,425	–	–	3,425
Derivative financial instruments	–	9,103	–	9,103
Available-for-sale financial assets				
– Equity securities	351,217	–	26,381	377,598

Total	354,642	9,103	26,381	390,126
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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 and debt securities classified as other investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are 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 (note 20) for the year ended 31 December 2016 and 2015.

	Available-for-sale financial assets	
	2016 HK\$'000	2015 HK\$'000
At beginning of the year	26,381	106,407
Addition	6,000	–
Gain/(loss) recognised in other comprehensive income	2,116	(78,098)
Return of capital	(4,085)	(1,928)
At end of the year	30,412	26,381
Total gains for the year included in profit or loss for assets held at the end of the year	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

The Group tests for possible impairment or reversal of impairment for non-financial assets other than goodwill. The Group performs an assessment of the recoverable amounts of all hotel properties together with the gaming licence, the reacquired right and other net working capital with a total carrying amount of HK\$33.1 billion as included in notes 14, 16 and 17 to the financial statements, respectively. The Group considers these assets are grouped together as one cash-generating unit as it is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount has been determined based on the higher of fair value less cost of disposal and value-in-use. The methodologies are based upon number of significant assumptions, both quantitative and qualitative, including revenue growth, cost structure, VIP to Mass gaming ratio, discount rate, timely completion of development projects and retention of the gaming licence between 2017 and 2022 and subsequent renewal in 2022. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in impairment charge or reversal of impairment in future periods. In addition, a reversal of an impairment loss is only recognised where there is an increase in the estimated service potential of an asset since the date when an entity last recognised an impairment loss for that asset. The determination of whether there is an increase/decrease in services potential of an asset requires significant judgment.

Under the land concession for Galaxy Macau™ Phase 3 and Phase 4, the Group is required to complete the development by December 2018 and October 2020 respectively. The Group will apply to Macao Government for development deadline extension when deemed necessary. If the Group is unable to meet the current deadlines and the deadlines for either development are not extended, the Group could lose its land concessions for Galaxy Macau™ Phase 3 or Phase 4, which would prohibit the Group from operating those facilities developed under the respective land concessions.

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

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

(c) Fair value of available-for-sale financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(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 or share award at the date of granting.

(f) Taxation

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

(g) Provision for doubtful debts

The policy of provision for doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and other receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each counterparty. The amount of provision made as at 31 December 2016 was HK\$1,209,128,000 (2015: HK\$353,616,000). If the financial conditions of counterparty were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(h) Other cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE

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

	2016 HK\$'000	2015 HK\$'000
Gaming operations		
Net gaming wins	47,331,691	46,215,018
Contributions from City Club Casinos (note)	97,351	97,449
Tips received	9,987	9,480
Hotel and mall operations	3,227,582	2,731,027
Administrative fees from gaming operations	18,570	19,919
Sales of construction materials	2,140,934	1,917,920
	52,826,115	50,990,813

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 2016, the Group is entitled to HK\$97,351,000 (2015: HK\$97,449,000), 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 and impairment charge when the impairment is the result of an isolated, non-recurring event. The Adjusted EBITDA also excludes taxation of joint ventures and associated companies, the effects of share option expenses, share award expenses, donation expenses, and unrealised loss on other investments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION (Continued)

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

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

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Year ended 31 December 2016				
Reportable segment revenue	52,734,008	2,140,934	-	54,874,942
Adjusted for:				
City Club Casinos arrangement set out in note 6				
Revenue not recognised	(2,164,748)	-	-	(2,164,748)
Contributions	97,351	-	-	97,351
Others	18,570	-	-	18,570
Revenue recognised under HKFRS	50,685,181	2,140,934	-	52,826,115
Adjusted EBITDA including share of results of joint ventures and associated companies	10,057,041	434,445	(143,039)	10,348,447
Interest income and gross earnings on finance lease				151,025
Amortisation and depreciation				(3,572,577)
Finance costs				(43,673)
Taxation charge				(76,656)
Adjusted items:				
Taxation of joint ventures and associated companies				(32,959)
Pre-opening expenses				(44,441)
Share option expenses				(185,009)
Share award expenses				(225,256)
Donation and sponsorship				(8,057)
Others				(39,438)
Profit for the year				6,271,406
Share of results of joint ventures and associated companies	17,048	55,212	-	72,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
As at 31 December 2016				
Total assets	60,513,416	5,696,510	51,104	66,261,030
Total assets include:				
Joint ventures	58,684	1,194,766	-	1,253,450
Associated companies	-	2,317	-	2,317
Total liabilities	12,291,216	2,125,796	4,981,005	19,398,017
As at 31 December 2015				
Total assets	49,864,096	5,386,459	103,786	55,354,341
Total assets include:				
Joint ventures	66,824	1,254,257	-	1,321,081
Associated companies	-	1,072	-	1,072
Total liabilities	11,673,031	1,494,956	473,017	13,641,004
Year ended 31 December 2016				
Additions to non-current assets	787,282	433,799	-	1,221,081
Year ended 31 December 2015				
Additions to non-current assets	7,665,670	492,083	1,992	8,159,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION (Continued)

Geographical analysis

Year ended 31 December	2016 HK\$'000	2015 HK\$'000
Revenue		
Macau	50,866,815	49,387,041
Hong Kong	1,560,383	1,456,179
Mainland China	398,917	147,593
	52,826,115	50,990,813
Non-current assets		
Macau	40,999,658	41,033,337
Hong Kong	576,608	575,197
Mainland China	2,653,006	2,546,592
	44,229,272	44,155,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2016 HK\$'000	2015 HK\$'000
(a) Other income/gains/(losses), net		
Rental income from investment properties	4,304	3,765
Interest income		
Bank deposits	121,385	109,622
Available for sale financial assets (note 20(a))	2,317	–
Held-to-maturity financial assets (note 20(b))	19,552	–
Loans to joint ventures (note 23(a))	4,691	5,961
Deferred receivables (note 20(d))	1,528	1,312
Dividend income from unlisted investments	2,100	4,730
Gross earnings on finance lease	1,552	689
(Loss)/gain on disposal of other investments	(896)	597
Unrealised loss on other investments	–	(917)
Change in fair value of investment properties	–	7,000
Write-off/loss on disposal of property, plant and equipment	(4,929)	(17,988)
Loss on/write-off of intangible assets	(184)	(113)
Fair value change on financial derivative instruments	(9,224)	9,103
Foreign exchange gain/(loss)	33,480	(202,193)
Others	33,640	22,559
	209,316	(55,873)
(b) Profit before taxation is stated after charging		
Depreciation	3,252,445	2,765,733
Amortisation		
Gaming licence	106,629	106,337
Computer software	36,349	33,446
Quarry site improvements	–	8,804
Overburden removal costs	–	2,092
Quarry site development	–	98
Leasehold land and land use rights	89,229	81,856
Reacquired right	87,925	87,926
Operating lease rental		
Land and buildings	72,461	55,039
Staff costs, including Directors' remuneration (note i)	6,903,204	7,052,410
Outgoing in respect of investment properties	602	556
Auditor's remuneration		
Audit services		
Provision for the year	11,560	10,898
Over-provision in prior year	(347)	(1,008)
Non-audit services		
Provision for the year	1,196	4,355
Over-provision in prior year	(111)	(221)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER INCOME/GAINS/(LOSSES), NET AND PROFIT BEFORE TAXATION (Continued)**(i) Staff costs, including Directors' remuneration**

Staff costs is stated after amount capitalised in assets under construction in the aggregate of HK\$148,760,000 (2015: HK\$271,182,000), and include share option expenses and share award expenses of HK\$185,009,000 (2015: HK\$201,457,000) and HK\$225,256,000 (2015: HK\$238,389,000) respectively.

(ii) Retirement benefit schemes

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

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

Employees in Mainland China participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 13% to 20%, 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\$216,777,000 (2015: HK\$201,294,000), after deducting forfeitures of HK\$37,888,000 (2015: HK\$28,351,000), leaving HK\$1,353,000 (2015: HK\$6,103,000) available to reduce future contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Directors' emoluments

	(note iii)					2016 Total HK\$'000
	Directors' fees (note i) HK\$'000	Salary, allowance and benefit in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Estimated money value of other benefits (note ii) HK\$'000	
Executive Directors						
Dr. Lui Che Woo	240	10,786	1,348	539	21,888	34,801
Mr. Francis Lui Yiu Tung	420	15,260	1,908	763	21,839	40,190
Mr. Joseph Chee Ying Keung	210	4,073	296	372	1,187	6,138
Ms. Paddy Tang Lui Wai Yu	210	2,328	-	116	2,115	4,769
	1,080	32,447	3,552	1,790	47,029	85,898
Non-executive Directors						
Mr. James Ross Ancell	440	-	-	-	-	440
Dr. William Yip Shue Lam	520	-	-	-	-	520
Mr. Anthony Thomas Christopher Carter (note iv)	132	-	-	-	-	132
Professor Patrick Wong Lung Tak	540	-	-	-	-	540
Dr. Charles Cheung Wai Bun (note v)	47	-	-	-	-	47
	1,679	-	-	-	-	1,679
Total 2016	2,759	32,447	3,552	1,790	47,029	87,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Directors' emoluments (Continued)

Certain of the comparative information of directors' emoluments for the year ended 31 December 2015 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

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

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director of the Company undertaking for 2015.

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

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

The discretionary bonuses paid in 2016 were in relation to performance and services for 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Directors' emoluments (Continued)

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

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

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

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

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2015: two) Directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three individuals (2015: three) are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other emoluments	25,155	22,020
Discretionary bonuses	2,381	13,328
Retirement benefits	338	627
Share options (note 28)	26,053	28,428
	53,927	64,403

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2016	2015
HK\$14,000,001 – HK\$14,500,000	–	1
HK\$15,000,001 – HK\$15,500,000	1	–
HK\$16,000,001 – HK\$16,500,000	1	–
HK\$17,000,001 – HK\$17,500,000	–	1
HK\$22,000,001 – HK\$22,500,000	1	–
HK\$33,000,001 – HK\$33,500,000	–	1
	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest expenses		
Bank loans and overdrafts	44,881	60,076
Obligations under finance leases	11,850	10,496
Other borrowing costs	307	1,916
	57,038	72,488
Amount capitalised in assets under construction	(13,365)	(39,716)
	43,673	32,772

11. TAXATION CHARGE

	2016 HK\$'000	2015 HK\$'000
Current taxation		
Hong Kong profits tax	33,683	28,053
Mainland China income tax and withholding tax	2,575	5,961
Macau complementary tax	2,272	8,563
Net (over)/under provision in prior years	(3,911)	3,163
Lump sum in lieu of Macau complementary tax on dividend	35,534	35,534
Deferred taxation (note 31)	6,503	1,167
Taxation charge	76,656	82,441

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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% (2015: 12% to 25%). The weighted average applicable tax rate was 12% (2015: 12%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. TAXATION CHARGE (Continued)

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

	2016 HK\$'000	2015 HK\$'000
Profit before taxation	6,348,062	4,208,730
Share of profits less losses of		
Joint ventures	(71,015)	(60,719)
Associated companies	(1,245)	(211)
	6,275,802	4,147,800
Tax calculated at applicable tax rate	736,241	473,885
Income not subject to tax	(4,324)	(16,306)
Profit exempted from Macau Complementary Tax (note a)	(1,167,301)	(1,066,138)
Expenses not deductible for tax purpose	84,071	114,001
Utilisation of previously unrecognised tax losses	(2,401)	(1,066)
Tax losses not recognised	392,502	534,248
Net (over)/under provision in prior years	(3,911)	3,163
Mainland China withholding tax	6,245	5,120
Lump sum in lieu of Macau complementary tax on dividend (note b)	35,534	35,534
Taxation charge	76,656	82,441

- (a) Pursuant to the Despatch No. 420/2013 issued by the Chief Executive of the Macau Government on 30 December 2013, the Group is exempted from Macau Complementary Tax on its gaming activities for five years effective from the 2014 year of assessment till year 2018.
- (b) During the year ended 31 December 2015, Galaxy Casino, S.A. ("GCSA"), the Company's principal subsidiary, entered into a Shareholder Dividend Tax Agreement with the Macau Government. The agreement provided for an annual payment in lieu of Macau Complementary Tax otherwise due by the GCSA's shareholders on dividend distributions to them from gaming profits, effective through the end of 2018 to correspond to the Macau Complementary Tax exemption on its gaming activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two (2015: two) categories of dilutive potential ordinary shares: share options and share award. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued from the share options and the share award, the dilutive effect of the share award scheme is assumed if the award shares are issued by new shares, which is yet to be determined.

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

	2016 HK\$'000	2015 HK\$'000
Profit attributable to equity holders of the Company	6,283,397	4,161,050
Number of shares		
	2016	2015
Weighted average number of shares for calculating basic earnings per share	4,266,230,997	4,255,528,729
Effect of dilutive potential ordinary shares		
Share options	10,129,141	16,179,334
Share award	21,741,501	21,432,884
Weighted average number of shares for calculating diluted earnings per share	4,298,101,639	4,293,140,947

13. DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
First special dividend paid of HK\$0.15 (2015: HK\$0.28) per ordinary share	639,639	1,191,466
Second special dividend paid of HK\$0.18 (2015: HK\$0.14) per ordinary share	768,659	596,145
	1,408,298	1,787,611

The Board of Directors does not declare any final dividend for the year ended 31 December 2016 (2015: nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Gaming equipment and other assets (note (a)) HK\$'000	Assets under construction HK\$'000	Total HK\$'000
Cost						
At 31 December 2015	22,966,830	600,424	8,498,098	11,366,989	2,074,647	45,506,988
Exchange differences	(7,118)	(25)	(33,676)	(1,035)	(48,336)	(90,190)
Additions	20,094	27,597	243,041	213,534	663,990	1,168,256
Transfer	266,748	(329)	756,998	(1,050)	(1,022,367)	-
Disposals/write-off	(340)	(2,590)	(148,088)	(41,259)	-	(192,277)
At 31 December 2016	23,246,214	625,077	9,316,373	11,537,179	1,667,934	46,392,777
Accumulated depreciation and impairment						
At 31 December 2015	2,214,094	318,453	2,773,873	4,509,895	-	9,816,315
Exchange differences	(1,805)	(25)	(10,121)	(738)	-	(12,689)
Charge for the year	751,035	81,804	815,451	1,604,155	-	3,252,445
Disposals/write-off	(36)	(2,570)	(137,193)	(25,646)	-	(165,445)
At 31 December 2016	2,963,288	397,662	3,442,010	6,087,666	-	12,890,626
Net book value						
At 31 December 2016	20,282,926	227,415	5,874,363	5,449,513	1,667,934	33,502,151
Cost						
At 31 December 2014	12,072,948	383,601	4,785,468	6,664,023	13,762,903	37,668,943
Exchange differences	(7,011)	(24)	(32,133)	(954)	(20,977)	(61,099)
Additions	1,963,795	30,400	1,084,435	1,453,072	3,578,393	8,110,095
Transfer	8,938,262	190,959	2,770,672	3,345,779	(15,245,672)	-
Disposals/write-off	(1,164)	(4,512)	(110,344)	(94,931)	-	(210,951)
At 31 December 2015	22,966,830	600,424	8,498,098	11,366,989	2,074,647	45,506,988
Accumulated depreciation and impairment						
At 31 December 2014	1,591,118	249,122	2,193,683	3,213,249	-	7,247,172
Exchange differences	(1,551)	(23)	(6,965)	(656)	-	(9,195)
Charge for the year	624,861	73,863	695,150	1,371,859	-	2,765,733
Disposals/write-off	(334)	(4,509)	(107,995)	(74,557)	-	(187,395)
At 31 December 2015	2,214,094	318,453	2,773,873	4,509,895	-	9,816,315
Net book value						
At 31 December 2015	20,752,736	281,971	5,724,225	6,857,094	2,074,647	35,690,673

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

(b) During the year, borrowing costs of HK\$13,365,000 (2015: HK\$39,716,000) were capitalised and included in assets under construction. A capitalisation rate of 3.24% (2015: 2.03%) 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\$148,760,000 (2015: HK\$271,182,000) were capitalised and included in assets under construction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. INVESTMENT PROPERTIES

	2016 HK\$'000	2015 HK\$'000
Fair value		
At beginning of the year	42,000	35,000
Change in fair value	-	7,000
At end of the year	42,000	42,000

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 2016. For all investment properties, their current use equates to the highest and best use.

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

At each financial year end the finance department:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. LEASEHOLD LAND AND LAND USE RIGHTS

	2016	2015
	HK\$'000	HK\$'000
Net book value at beginning of the year	5,121,699	5,204,858
Exchange differences	(1,367)	(1,303)
Additions	24,463	–
Amortisation	(89,229)	(81,856)
Net book value at end of the year	5,055,566	5,121,699
Cost	5,786,983	5,764,140
Accumulated amortisation	(731,417)	(642,441)
Net book value	5,055,566	5,121,699

The Group received land concessions from Macau Government which have initial terms of 25 years and are renewable at the Group's option, in accordance with Macau law, grants the Group exclusive use of the land. Leasehold land held under finance lease in Macau included a piece of land in Cotai, Macau amounting to HK\$3,020 million (2015: HK\$3,057 million), for which net book value of HK\$1,395 million (2015: HK\$1,432 million) is developed, HK\$483 million (2015: HK\$483 million) is under development and HK\$1,142 million (2015: HK\$1,142 million) is held for development for specific uses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INTANGIBLE ASSETS

	Gaming licence (note a)	Reacquired right (note b)	Computer software	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 31 December 2014	16,887,329	786,700	267,174	17,941,203
Additions	–	–	52,709	52,709
Write-off	–	–	(407)	(407)
At 31 December 2015	16,887,329	786,700	319,476	17,993,505
Additions	–	–	28,362	28,362
Write-off	–	–	(1,315)	(1,315)
At 31 December 2016	16,887,329	786,700	346,523	18,020,552
Accumulated amortisation and impairment				
At 31 December 2014	16,090,817	127,260	206,800	16,424,877
Charge for the year	106,337	87,926	33,446	227,709
Write-off	–	–	(294)	(294)
At 31 December 2015	16,197,154	215,186	239,952	16,652,292
Charge for the year	106,629	87,925	36,349	230,903
Write-off	–	–	(1,131)	(1,131)
At 31 December 2016	16,303,783	303,111	275,170	16,882,064
Net book value				
At 31 December 2016	583,546	483,589	71,353	1,138,488
At 31 December 2015	690,175	571,514	79,524	1,341,213

(a) Gaming licence represents the fair value of licence acquired on the acquisition of Galaxy Casino, S.A. in 2005 and has been amortised on a straight line basis over the remaining term of the gaming licence which will expire in June 2022. Accumulated amortisation and impairment included an impairment charge made in 2008 amounted to HK\$12,330,305,000.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. JOINT VENTURES

	2016 HK\$'000	2015 HK\$'000
Share of net assets	1,253,450	1,321,081

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

	2016 HK\$'000	2015 HK\$'000
Non-current assets	1,608,490	1,759,691
Current assets	651,712	721,428
Current liabilities	(650,692)	(742,886)
Non-current liabilities	(356,060)	(417,152)
	1,253,450	1,321,081
Income	1,492,871	1,344,476
Expenses	(1,421,856)	(1,283,757)
Share of results for the year	71,015	60,719

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

19. ASSOCIATED COMPANIES

	2016 HK\$'000	2015 HK\$'000
Share of net assets	2,317	1,072

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. ASSOCIATED COMPANIES (Continued)

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

	2016 HK\$'000	2015 HK\$'000
Non-current assets	–	47
Current assets	2,456	12,809
Current liabilities	(139)	(2,246)
Non-current liabilities	–	(9,538)
	2,317	1,072
Income	1,590	7,129
Expenses	(345)	(6,918)
Share of results for the year	1,245	211

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

20. OTHER NON-CURRENT ASSETS

	2016 HK\$'000	2015 HK\$'000
Available-for-sale financial assets (note a)	732,422	377,598
Held-to-maturity financial assets (note b)	2,339,965	–
Finance lease receivable (note c)	58,215	58,976
Deferred receivable (note d)	27,333	43,226
Deposits paid for property, plant and equipment	68,478	147,681
Other	8,887	9,907
	3,235,300	637,388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. OTHER NON-CURRENT ASSETS (Continued)

(a) Available-for-sale financial assets

	2016 HK\$'000	2015 HK\$'000
Unlisted investments in Hong Kong, at fair value (note 4.3) (note i)	6,000	–
Unlisted investments in overseas, at fair value (note 4.3) (note i)	24,412	26,381
Listed investment in overseas, at fair value (note 4.3) (note ii)	300,604	351,188
Listed investments in Hong Kong, at fair value	584	29
Listed debt securities in Hong Kong, at fair value (note 4.3) (note iii)	287,986	–
Listed debt securities in overseas, at fair value (note 4.3) (note iii)	112,836	–
Advances to investee companies (note iv)	23,010	23,010
Less: Provision for impairment	(23,010)	(23,010)
	732,422	377,598

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. OTHER NON-CURRENT ASSETS (Continued)

(b) Held-to-maturity financial assets

	2016 HK\$'000	2015 HK\$'000
Listed debt securities in Hong Kong, at amortised cost (note i)	1,642,480	–
Listed debt securities in overseas, at amortised cost (note i)	708,663	–
	2,351,143	–
Current portion included in other current assets (note 25)	(11,178)	–
	2,339,965	–

(i) The listed debt securities are denominated in US dollar.

(ii) As at 31 December 2016, the carrying amounts of these listed debt securities approximate their fair values.

(c) Finance lease receivable

	2016 HK\$'000	2015 HK\$'000
Gross receivable	84,600	83,748
Unearned finance income	(2,813)	(2,126)
	81,787	81,622
Current portion included in current assets (note 22)	(23,572)	(22,646)
	58,215	58,976

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. OTHER NON-CURRENT ASSETS (Continued)

(c) Finance lease receivable (Continued)

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

The finance lease is receivable in the following years:

	Minimum receipts		Present value	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Within one year	24,902	23,574	23,572	22,646
Between two to five years	59,698	60,174	58,215	58,976
	84,600	83,748	81,787	81,622

- (d) Deferred receivable includes consideration receivable in respect of the partial disposal of a subsidiary in 2009 amounting to HK\$15,127,000 (2015: HK\$30,341,000) and advances to various contractors amounting to HK\$12,206,000 (2015: HK\$12,884,000).

The consideration receivable is unsecured, interest free, payable in two (2015: three) annual instalments and the current portion of this receivable of HK\$15,715,000 (2015: HK\$15,715,000) is included in other debtors.

The advances to various contractors are secured by assets provided by the contractors, carry interest at prevailing market rate and are repayable by monthly instalments up to 2022 (2015: up to 2021). The current portion of the receivable is included under other debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Gaming and entertainment		
Playing cards	1,914	1,503
Food and beverages	40,889	43,939
Consumables	21,949	20,998
	64,752	66,440
Construction materials		
Aggregates and sand	733	14,286
Concrete pipes and piles	11,219	15,010
Slag	3,904	7,236
Cement	32,481	21,384
Spare parts	11,812	10,996
Consumables	33,466	15,437
	93,615	84,349
	158,367	150,789

22. DEBTORS AND PREPAYMENTS

	2016 HK\$'000	2015 HK\$'000
Trade debtors, net of provision (note a)	486,408	447,451
Other debtors and deposit paid, net of provision (note b)	947,829	1,555,905
Prepayments	125,347	153,582
Amounts due from associated companies (note c)	–	4,296
Current portion of finance lease receivable (note 20(c))	23,572	22,646
	1,583,156	2,183,880

- (a) Trade debtors mainly arise from the sales of construction materials and mall operations. The Group has established credit policies which follow local industry standards. The Group normally allows an approved credit period ranging from 30 to 60 days (2015: 30 to 60 days) for customers in Hong Kong and Macau and 60 to 180 days (2015: 60 to 120 days) for customers in Mainland China. These are subject to periodic reviews by management. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. DEBTORS AND PREPAYMENTS (Continued)

(a) (Continued)

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

	2016 HK\$'000	2015 HK\$'000
Within one month	320,527	268,507
Two to three months	145,690	133,924
Four to six months	13,993	21,720
Over six months	6,198	23,300
	486,408	447,451

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

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollar	378,306	316,240
Macau Patacas	86,498	114,016
Renminbi	21,604	17,195
	486,408	447,451

Included in the Group's trade debtors were debtors with a carrying amount of HK\$383,538,000 (2015: HK\$345,910,000) which were not yet due. Debtors with a carrying amount of HK\$102,870,000 (2015: HK\$101,541,000) 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:

	2016 HK\$'000	2015 HK\$'000
Overdue:		
Within one month	72,538	50,482
Two to three months	21,364	13,363
Four to six months	5,414	14,427
Over six months	3,554	23,269
	102,870	101,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. DEBTORS AND PREPAYMENTS (Continued)

(a) (Continued)

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

As at 31 December 2016, trade debtors of the Group amounting to HK\$35,845,000 (2015: HK\$17,279,000) 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:

	2016 HK\$'000	2015 HK\$'000
Balance at 1 January	17,279	21,059
Provision for impairment	21,151	–
Receivables written off during the year as uncollectible	(1,580)	(2,551)
Exchange differences	(1,005)	(1,229)
Balance at 31 December	35,845	17,279

- (b) Other debtors and deposit paid, net of provision include advances to gaming counterparties, which are denominated in Hong Kong dollar, and 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 2016, other debtors of the Group amounting to HK\$1,173,283,000 (2015: HK\$336,337,000) were impaired and fully provided for.

- (c) Amounts receivable were unsecured, interest free and repayable in accordance with agreed terms. The amounts were denominated in Hong Kong dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. AMOUNTS DUE FROM/(TO) JOINT VENTURES

	2016 HK\$'000	2015 HK\$'000
Amounts due from joint ventures (note a)	302,783	404,441
Amounts due to joint ventures (note b)	(15,729)	(27,306)

- (a) The amounts receivable of HK\$158,679,000 (2015: HK\$313,820,000) are unsecured, interest free and have no fixed terms of repayment. The remaining amounts receivable carry interest at prevailing market rate and are repayable within one year, all of which are unsecured. The amounts receivable are mainly denominated in Hong Kong dollar, Renminbi and Macau Patacas.

With respect to credit risk arising on amounts due from joint ventures, management regularly assess credit risk for these amounts and reviewing financial information of the joint ventures on a regular basis to minimise credit risk. In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to joint ventures through exercising joint control over the relevant activities and reviewing their financial positions on regular basis. The Group exposure to credit risk arising from default of the counterparty is limited as the counterparty has good history of repayment and the Group does not expect to incur a significant loss for uncollected advances to these parties.

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

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 HK\$'000	2015 HK\$'000
Current assets		
Forward foreign exchange contracts	–	9,103
Current liabilities		
Forward foreign exchange contracts (note a)	121	–

- (a) The notional principal amount of the outstanding forward foreign exchange contracts was HK\$136 million as at 31 December 2016 (2015: HK\$456 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. OTHER CURRENT ASSETS

	2016 HK\$'000	2015 HK\$'000
Current portion of held-to maturity financial assets		
– Listed debt securities in Hong Kong, at amortised cost (note 20(b))	11,178	–
Equity securities listed in Hong Kong, at fair value through profit or loss	–	3,425
	11,178	3,425

26. CASH AND CASH EQUIVALENTS AND OTHER BANK DEPOSITS

	2016 HK\$'000	2015 HK\$'000
Cash and bank balances	19,896,602	7,717,681
Less: short-term bank deposits	(13,152,426)	(462,211)
Other cash equivalents – cash chips of other casinos	59,290	723,748
Cash and cash equivalents	6,803,466	7,979,218
Short-term pledged bank deposits	314,753	462,211
Short-term bank deposits with maturity over three months	12,837,673	–
Cash and cash equivalents and other bank deposits	19,955,892	8,441,429

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

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollar	17,893,830	7,034,132
Macau Patacas	294,004	188,694
Renminbi	562,229	718,785
US dollars	1,069,248	7,677
Others	136,581	492,141
	19,955,892	8,441,429

Cash and short-term deposits of HK\$562 million (2015: HK\$719 million) are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on expatriating capital from the country, other than through normal dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2016 HK\$'000	2015 HK\$'000
Counterparties with external credit rating (Standard & Poor's or Moody's)		
AA – to AA+	164,239	168,546
A – to A+	14,448,451	5,385,601
BBB	2,001,446	697,175
Unrated and cash on hand	3,282,466	1,466,359
Other cash equivalents – cash chips of other casinos (note)	59,290	723,748
	19,955,892	8,441,429

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

27. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares, issued and fully paid:		
At 31 December 2014 and 1 January 2015	4,244,889,689	19,774,917
Issue of shares upon exercise of share options	15,847,336	177,190
At 31 December 2015 and 1 January 2016	4,260,737,025	19,952,107
Issue of shares upon exercise of share options	10,936,477	154,269
At 31 December 2016	4,271,673,502	20,106,376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. EMPLOYEE SHARE-BASED ARRANGEMENTS

(a) Share option scheme

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

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

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

	2016		2015	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
At beginning of year	30.52	86,789,555	25.43	60,874,233
Granted	31.15	17,712,493	30.15	43,689,000
Exercised	9.95	(10,936,477)	7.87	(15,847,336)
Replaced	51.35	(20,919,336)	–	–
Lapsed	35.53	(7,470,837)	47.75	(1,926,342)
At end of year	26.88	65,175,398	30.52	86,789,555
Vested at end of year	25.36	30,733,602	23.83	33,363,723

The weighted average share price at the date of exercise for share options exercised during the year was HK\$26.94 (2015: HK\$35.08).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)

(a) Share option scheme (Continued)

The options outstanding at 31 December 2016 have exercise prices ranging from HK\$13.82 to HK\$77.75 (2015: HK\$4.67 to HK\$77.75) with weighted average remaining contractual life of 4.03 years (2015: 4.08 years). 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	
		2016	2015
Directors			
11 October 2011 to 10 October 2016	6.81	-	3,450,000
20 April 2012 to 19 April 2017	13.82	242,000	392,000
16 March 2013 to 15 March 2018	20.10	7,330,000	7,330,000
17 January 2014 to 16 January 2019	32.50	3,380,000	3,380,000
5 July 2014 to 4 July 2019	37.45	-	486,000
15 January 2015 to 14 January 2020	77.75	-	1,748,000
16 July 2015 to 15 July 2020	62.75	-	132,000
16 January 2016 to 15 January 2021	39.86	-	4,137,000
24 December 2016 to 23 December 2021	24.80	4,862,000	4,862,000
28 December 2017 to 27 December 2022	33.49	2,498,000	-
12 March 2018 to 11 September 2022	28.35	2,602,401	-
Employees and others			
23 July 2011 to 22 July 2016	4.67	-	3,998,669
20 April 2012 to 19 April 2017	13.82	424,668	629,668
9 January 2013 to 8 January 2018	14.22	2,411,340	3,171,015
16 March 2013 to 15 March 2018	20.10	1,403,000	3,283,000
17 January 2014 to 16 January 2019	32.50	7,125,926	8,593,868
5 July 2014 to 4 July 2019	37.45	140,000	1,429,336
15 January 2015 to 14 January 2020	77.75	125,000	4,772,000
16 July 2015 to 15 July 2020	62.75	66,000	1,249,999
16 January 2016 to 15 January 2021	39.86	356,333	10,432,000
24 December 2016 to 23 December 2021	24.80	19,659,113	23,313,000
28 December 2017 to 27 December 2022	33.49	7,153,000	-
12 March 2018 to 11 September 2022	28.35	5,396,617	-
		65,175,398	86,789,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)

(a) Share option scheme (Continued)

The fair values of the options granted on 12 September 2016 and 28 December 2016 are estimated at HK\$8.85 and HK\$10.82 per option respectively based on the Black-Scholes valuation model. The significant inputs into the model were share prices of HK\$28.35 and HK\$33.25 at the respective dates of grant, respective exercise prices of HK\$28.35 and HK\$33.49, respective standard deviation of expected share price returns of 48% and 47%, 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 0.589% to 1.589%. 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.

Replacement of previously granted share option

On 12 September 2016, the Company replaced the share options which granted on 5 July 2013, 15 January 2014, 16 July 2014 and 16 January 2015 (together as "2013-2015 Share Options") with the exercise price repricing from HK\$37.45, HK\$77.75, HK\$62.75 and HK\$39.86 respectively to the current market price of HK\$28.35, with an extended vesting period (the "2016 Replacement Options"). The details of these share options are summarised as follows:

	2013 to 2015 Share Options				2016 Replacement Options
Grant date/replacement date	5 July 2013	15 January 2014	16 July 2014	16 January 2015	12 September 2016
Exercise price (HK\$)	37.45	77.75	62.75	39.86	28.35
Number of outstanding share options granted to executive directors of the Company	486,000	1,748,000	132,000	4,137,000	2,602,401
Number of outstanding share options granted to employees of the Company	1,009,336	4,002,000	1,011,000	8,394,000	5,459,092
Total number of share options outstanding	1,495,336	5,750,000	1,143,000	12,531,000	8,061,493
Fair value on grant date (HK\$'000)	36,491	238,278	33,790	213,318	N/A
Fair value on replacement date (HK\$'000)	2,293	1,514	1,146	48,454	71,344
Share price at the date of grant (HK\$)	37.40	77.75	62.75	38.35	28.35
Exercises price (HK\$)	37.45	77.75	62.75	39.86	28.35
Expected volatility (%)	50% to 60%	50%	50%	54.5%	47.5%
Risk-free interest rate (%)	0.855% to 1.196%	0.942% to 1.266%	1.024% to 1.302%	0.753% to 0.848%	0.589%
Expected dividend yield (%)	2%	2%	2%	2%	2%
Expected time to exercise	3.5 to 4.5 years	3.5 to 4.5 years	3.5 to 4.5 years	3.5 to 4.5 years	
Vesting date	5 July 2014 to 5 July 2016	15 January 2015 to 15 January 2017	16 July 2015 to 16 July 2017	16 January 2016 to 16 January 2018	12 March 2018
Expiry date	4 July 2019	14 January 2020	15 July 2020	15 January 2021	11 September 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)

(a) Share option scheme (Continued)***Replacement of previously granted share option (Continued)***

The following table lists the inputs to the fair value as at 12 September 2016 of 2013 to 2015 Share Options and 2016 Replacement Options:

	2013 to 2015 Share Options				2016 Replacement Options
	5 July 2013	15 January 2014	16 July 2014	16 January 2015	12 September 2016
Grant date	5 July 2013	15 January 2014	16 July 2014	16 January 2015	12 September 2016
Share price at the date of replacement (HK\$)	N/A	N/A	N/A	N/A	28.35
Exercise price (HK\$)	37.45	77.75	62.75	39.86	28.35
Expected volatility (%)	36% to 47%	40% to 47%	44% to 47%	44% to 46%	47.5%
Risk-free interest rate (%)	0.328% to 0.415%	0.401% to 0.504%	0.415% to 0.504%	0.502% to 0.607%	0.589%
Expected dividend yield (%)	2%	2%	2%	2%	2%

The incremental fair value upon replacement of approximately HK\$18 million was calculated as the difference between the fair value of the 2016 Replacement Options and that of the 2013-2015 Share Options, estimated as at 12 September 2016, being the date of the replacement.

(b) Share award scheme

On 4 August 2014, the Group has adopted a share award scheme as part of a long term incentive arrangement to attract and retain the best quality personnel for the benefits of the Group and its subsidiaries. The Group may, from time to time, at their absolute discretion select any quality personnel for participation in the share award scheme and determine the terms and conditions of the awards and the number of shares to be awarded.

The share award scheme will be valid and effective for a period commencing from the adoption of the share award scheme until the expiry of the share option scheme, being 21 June 2021.

Pursuant to the share award scheme, existing shares may be acquired by an independent trustee (the "Trustee") at the cost of the Company and/or new shares may be allotted and issued to the Trustee under general mandates granted by the shareholders. Such shares will be held in trust for the award holders until the vesting criteria and conditions have been satisfied. As of 31 December 2016, there is no shares held by the Trustee.

The aggregate of the maximum number of awarded shares underlying all awards (whether the awards are vested or not) and the total number of shares issued and to be issued upon exercise of options under the share option scheme (whether exercised or outstanding) in any 12-month period granted to each qualifying grantee must not exceed 1% of the shares in issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)

(b) Share award scheme (Continued)

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

	2016		2015	
	Weighted average fair value per share HK\$	Number of share award	Weighted average fair value per share HK\$	Number of share award
At beginning of year	42.39	24,283,360	45.60	19,794,760
Granted (Note)	32.58	3,009,500	33.71	7,603,990
Lapsed	39.64	(2,574,750)	41.62	(3,115,390)
At end of year	41.48	24,718,110	42.39	24,283,360
Vested at end of year	-	-	-	-

Note:

During the year ended 31 December 2016, 861,300 awarded shares were granted to directors of the Company.

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have taken into account when assessing the fair value of these awarded shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. RESERVES

	Legal reserve (note) HK\$'000	Investment reserve HK\$'000	Share option reserve HK\$'000	Share award reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2016	231,080	5,601	612,595	386,503	62,628	19,850,925	21,149,332
Profit for the year	-	-	-	-	-	6,283,397	6,283,397
Other comprehensive loss							
Change in fair value of available-for-sale financial assets	-	(42,376)	-	-	-	-	(42,376)
Translation differences of subsidiaries	-	-	-	-	(56,253)	-	(56,253)
Share of translation differences of joint ventures	-	-	-	-	(79,422)	-	(79,422)
Total other comprehensive loss, net of tax	-	(42,376)	-	-	(135,675)	-	(178,051)
Total comprehensive income for the year	-	(42,376)	-	-	(135,675)	6,283,397	6,105,346
Transactions with equity holders							
Issue of shares upon exercise of share options	-	-	(45,397)	-	-	-	(45,397)
Fair value of share options granted	-	-	185,009	-	-	-	185,009
Fair value of share award granted	-	-	-	252,982	-	-	252,982
Share options lapsed	-	-	(38,194)	-	-	38,194	-
Transfer of reserve to retained earnings	(24)	-	-	-	-	24	-
Special dividends (note 13)	-	-	-	-	-	(1,408,298)	(1,408,298)
At 31 December 2016	231,056	(36,775)	714,013	639,485	(73,047)	24,764,242	26,238,974
At 1 January 2015	231,044	100,240	463,634	117,650	204,130	17,477,522	18,594,220
Profit for the year	-	-	-	-	-	4,161,050	4,161,050
Other comprehensive loss							
Change in fair value of available-for-sale financial assets	-	(94,639)	-	-	-	-	(94,639)
Translation differences of subsidiaries	-	-	-	-	(71,562)	-	(71,562)
Share of translation differences of joint ventures	-	-	-	-	(69,940)	-	(69,940)
Total other comprehensive loss, net of tax	-	(94,639)	-	-	(141,502)	-	(236,141)
Total comprehensive income for the year	-	(94,639)	-	-	(141,502)	4,161,050	3,924,909
Transactions with equity holders							
Issue of shares upon exercise of share options	-	-	(52,496)	-	-	-	(52,496)
Fair value of share options granted	-	-	201,457	-	-	-	201,457
Fair value of share award granted	-	-	-	268,853	-	-	268,853
Transfer to legal reserve	36	-	-	-	-	(36)	-
Special dividends (note 13)	-	-	-	-	-	(1,787,611)	(1,787,611)
At 31 December 2015	231,080	5,601	612,595	386,503	62,628	19,850,925	21,149,332

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 2016 and 2015, the legal reserve reached 25% of the subsidiary's share capital. Legal reserve is not distributable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Secured (note a)	768,633	820,660
Unsecured	5,149,785	363,723
	5,918,418	1,184,383
Obligations under finance leases (note b)	216,255	205,957
Total borrowings	6,134,673	1,390,340
Current portion included in current liabilities	(126,270)	(47,744)
Short-term bank loans	(5,482,425)	(671,135)
	(5,608,695)	(718,879)
Non-current portion of borrowings	525,978	671,461

(a) The bank loans of HK\$769 million (2015: HK\$821 million) are secured by:

- (i) property, plant and equipment with net book value of HK\$1,023 million (2015: HK\$764 million); and
- (ii) bank deposits of HK\$315 million (2015: HK\$462 million) (note 26).

(b) Obligations under finance leases

The finance lease obligations are payable in the following years:

	Minimum payments		Present value	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Within one year	15,201	–	14,477	–
Between one to two years	–	15,201	–	13,788
Over five years	589,259	589,259	201,778	192,169
	604,460	604,460	216,255	205,957

The future finance charges on finance lease liabilities amounted to HK\$389 million (2015: HK\$399 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. BORROWINGS (Continued)

(c) The bank loans are repayable as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	5,594,218	718,879
Between one to two years	324,200	119,360
Between two to five years	-	346,144
	5,918,418	1,184,383

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

	2016					2015			
	HKD	EUR	RMB	US\$	MOP	EUR	RMB	US\$	MOP
Bank loans	1.3%	0.7%	4.3%	1.9%	-	1.0%	4.5%	1.8%	-
Obligations under finance leases	-	-	-	-	5.0%	-	-	-	5.0%

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

	2016 HK\$'000	2015 HK\$'000
Six months or less	5,581,653	876,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. BORROWINGS (Continued)

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

	Carrying amount		Fair value	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Bank loans	5,918,418	1,184,383	5,918,418	1,184,383
Obligations under finance leases	216,255	205,957	401,977	447,172
	6,134,673	1,390,340	6,320,395	1,631,555

The fair value of the borrowings is calculated using cash flows discounted at prevailing borrowing rates or based on quoted market price. The carrying amounts of other current borrowings approximate their fair value. All borrowings are within level 2 of the fair value hierarchy.

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

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollar	4,800,000	–
Macau Patacas	216,255	205,957
Renminbi	768,633	820,660
Euro	345,660	359,181
US dollar	4,125	4,542
	6,134,673	1,390,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. DEFERRED TAXATION LIABILITIES

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	250,280	249,113
Charged to income statement	6,503	1,167
At end of the year	256,783	250,280

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

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates. Movements on the deferred taxation liabilities 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 2014	30,776	17,276	201,061	249,113
Charged/(credited) to income statement	5,773	(1,130)	(3,476)	1,167
At 31 December 2015	36,549	16,146	197,585	250,280
Charged/(credited) to income statement	4,095	5,884	(3,476)	6,503
At 31 December 2016	40,644	22,030	194,109	256,783

Deferred taxation assets of HK\$1,235,748,000 (2015: HK\$1,135,959,000) arising from unused tax losses and other temporary differences totalling of HK\$9,954,568,000 (2015: HK\$9,191,859,000) have not been recognised in the consolidated financial statements. Unused tax losses of HK\$91,782,000 (2015: HK\$92,558,000) have no expiry date and the remaining balance will expire at various dates up to and including 2021 (2015: 2020). The majority of unused tax losses arise from hotel operations which is regarded as a supporting function of the Group's gaming activities. These tax losses can be carried forward for 3 years before expiry. No significant taxable profit is expected to be generated from the hotel operations within this period, hence no deferred taxation asset is recognised in the consolidated financial statements. Majority of deferred income tax liabilities are to be recovered after twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. PROVISIONS

	Environment restoration HK\$'000	Quarrying right HK\$'000	Total HK\$'000
At 31 December 2014	45,647	6,707	52,354
Reversal of provision	(207)	–	(207)
Charged to the income statement	1,438	2,128	3,566
Applied during the year	(24,375)	(8,835)	(33,210)
At 31 December 2015 and at 31 December 2016	22,503	–	22,503
		2016 HK\$'000	2015 HK\$'000
Current portion		22,503	22,503

The current portion of the provisions amounting to HK\$22,503,000 (2015: HK\$22,503,000) is included under other creditors.

33. CREDITORS AND ACCRUALS

	2016 HK\$'000	2015 HK\$'000
Trade creditors (note a)	2,251,461	1,667,062
Other creditors (note b)	4,973,179	5,428,925
Chips issued	3,258,253	2,023,774
Loans from non-controlling interests (note c)	26,505	21,649
Accruals and provision	2,127,876	2,297,178
Deposits received	21,046	17,884
Dividend payable	1,386	1,114
	12,659,706	11,457,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. CREDITORS AND ACCRUALS (Continued)

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

	2016 HK\$'000	2015 HK\$'000
Within one month	1,882,003	1,249,164
Two to three months	91,372	83,123
Four to six months	95,134	35,428
Over six months	182,952	299,347
	2,251,461	1,667,062

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

	2016 HK\$'000	2015 HK\$'000
Hong Kong dollar	1,546,145	985,626
Macau Patacas	434,437	391,872
Renminbi	234,934	187,714
Other	35,945	101,850
	2,251,461	1,667,062

- (b) Other creditors mainly represented gaming tax payable to the Macau Government and construction payable to contractors.
- (c) The loans payable of HK\$5,366,000 (2015: HK\$8,082,000) are unsecured, bear 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2016 HK\$'000	2015 HK\$'000
Profit before taxation	6,348,062	4,208,730
Finance costs	43,673	32,772
Share of profits less losses of joint ventures and associated companies	(72,260)	(60,930)
Depreciation and amortisation	3,572,577	3,086,292
Change in fair value of investment properties	–	(7,000)
Write-off/loss on disposal of property, plant and equipment	4,929	17,988
Loss on/write-off of intangible assets	184	113
Unrealised loss on other investments	–	917
Loss/(gain) on disposal of other investments	896	(597)
Interest income	(149,473)	(116,895)
Gross earnings on finance lease	(1,552)	(689)
Dividend income from unlisted investments	(2,100)	(4,730)
Fair value change on financial derivative instruments	9,224	(9,103)
Fair value of share options granted	185,009	201,457
Fair value of share award granted	225,256	238,389
Operating profit before working capital changes	10,164,425	7,586,714
Increase in inventories	(7,578)	(7,328)
Decrease/(increase) in debtors and prepayments	648,963	(333,907)
Increase/(decrease) in creditors and accruals	2,051,965	(388,782)
(Decrease)/increase in amounts due to joint ventures	(11,577)	2,337
Decrease/(increase) in amounts due from joint ventures	14,907	(110,988)
Decrease in amounts due from associated companies	4,296	5,329
Cash generated from operations	12,865,401	6,753,375

(b) Purchase of property, plant and equipment

In the consolidated cash flow statement, purchase of property, plant and equipment comprise additions of the year and settlement of related payables in prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. NON-CURRENT DEPOSITS

	2016 HK\$'000	2015 HK\$'000
Non-current deposits received	293,883	323,972

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

36. CAPITAL COMMITMENTS

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for	1,065,850	1,147,547

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

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for	-	41,854

37. OPERATING LEASE COMMITMENTS

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

	2016 HK\$'000	2015 HK\$'000
First year	63,595	81,400
Second to fifth years inclusive	42,173	43,736
After the fifth year	68,570	79,524
	174,338	204,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. OPERATING LEASE RENTAL RECEIVABLES

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

	2016 HK\$'000	2015 HK\$'000
First year	993,282	990,659
Second to fifth years inclusive	1,921,535	2,727,334
After the fifth year	93,869	250,198
	3,008,686	3,968,191

39. RELATED PARTY TRANSACTIONS

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

- (a) Interest income from joint ventures amounting to HK\$4,691,000 (2015: HK\$5,961,000) are charged at prevailing market rate (note 23(a)).
- (b) Management fee received from joint ventures and an associated company amounted to HK\$5,630,000 (2015: HK\$5,842,000) are charged at terms agreed among the parties.
- (c) Rental expenses of HK\$1,410,000 (2015: HK\$1,380,000) were paid to a subsidiary of K. Wah International Holdings Limited, a shareholder of the Company, based on the terms of the rental agreement between the parties. This is a continuing connected transaction which is fully exempted from reporting and disclosure requirements under rule 14A.76(1) of the Rules Governing the Listing of Securities on SEHK.
- (d) Sales to joint ventures amounted to HK\$538,000 (2015: HK\$471,000) at terms agreed among the parties.
- (e) Purchases from joint ventures and its partner and an associated company amounted to HK\$176,811,000 (2015: HK\$184,779,000) at terms agreed among the parties.
- (f) The balances with joint ventures and associated companies are disclosed in notes 23 and 22(c).
- (g) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. Key management compensation amounted to HK\$85,898,000 for the year ended 31 December 2016 (2015: HK\$131,396,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. GUARANTEES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK\$590 million (2015: HK\$58 million). In 2016, facilities of HK\$300 million had been utilised. (2015: No facility has 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\$297 million (2015: HK\$290 million). At 31 December 2016, facilities utilised amounted to HK\$255 million (2015: HK\$266 million).

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

41. POST BALANCE SHEET EVENT

On 28 February 2017, the Board of Directors declared a special dividend of HK\$0.26 per share, payable to shareholders of the Company whose names appear on the register of members of the Company on 31 March 2017. The total amount of the special dividend to be distributed is estimated to be approximately HK\$1,120 million and will be paid on or about 28 April 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	2016 HK\$'000	2015 HK\$'000
Assets		
Non-current assets		
Subsidiaries	3,830,001	3,830,001
Amounts due from subsidiaries	20,630,566	19,577,735
	24,460,567	23,407,736
Current assets		
Debtors and prepayments	567	621
Derivative financial instruments	–	9,103
Amount due from a subsidiary	4,500,000	–
Cash and bank balances	15,495	65,710
	4,516,062	75,434
Total assets	28,976,629	23,483,170
Equity		
Share capital	20,106,376	19,952,107
Reserves (note a)	3,993,307	3,146,836
Equity attributable to owners of the Company	24,099,683	23,098,943
Liabilities		
Current liabilities		
Creditors and accruals	31,165	25,046
Derivative financial instruments	121	–
Short-term bank loan	4,845,660	359,181
	4,876,946	384,227
Total liabilities	4,876,946	384,227
Total equity and liabilities	28,976,629	23,483,170

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Reserve movement of the Company

	Capital reserve HK\$'000	Share option reserve HK\$'000	Share award reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2016	235,239	612,595	386,503	1,912,499	3,146,836
Profit for the year	-	-	-	1,862,175	1,862,175
Transactions with equity holders					
Issue of shares upon exercise of share options	-	(45,397)	-	-	(45,397)
Fair value of share options granted	-	185,009	-	-	185,009
Fair value of share award granted	-	-	252,982	-	252,982
Share options lapsed	-	(38,194)	-	38,194	-
Special dividends (note 13)	-	-	-	(1,408,298)	(1,408,298)
At 31 December 2016	235,239	714,013	639,485	2,404,570	3,993,307
At 1 January 2015	235,239	463,634	117,650	1,474,912	2,291,435
Profit for the year	-	-	-	2,225,198	2,225,198
Transactions with equity holders					
Issue of shares upon exercise of share options	-	(52,496)	-	-	(52,496)
Fair value of share options granted	-	201,457	-	-	201,457
Fair value of share award granted	-	-	268,853	-	268,853
Special dividends (note 13)	-	-	-	(1,787,611)	(1,787,611)
At 31 December 2015	235,239	612,595	386,503	1,912,499	3,146,836

As at 31 December 2016, reserves of the Company of HK\$2,404,570,000 were available for distribution to shareholders (2015: HK\$1,912,499,000).

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 28 February 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of company	Principal place of operation	Issued share capital		Percentage of equity held by the Group	Principal activities
		Number of issued ordinary shares	Number of non-voting deferred shares		
Incorporated in Hong Kong					
Bright Advice Limited	Hong Kong	10,000	–	100	Investment holding
Delight Man Limited	Hong Kong	10,000	–	100	Investment holding
Doran (Hong Kong) Limited	Hong Kong	1,000	–	100	Sale and distribution of concrete pipes
Earmark Limited	Hong Kong	1	–	100	Investment holding
Extent Sun Limited	Hong Kong	10,000	–	100	Investment holding
Fast Vision Limited	Hong Kong	1	–	100	Provision of management services and investment holding
Forcecharm (Hong Kong) Enterprises Limited	Hong Kong	10,000	–	80	Provision of management services and investment holding
Forcecharm (Yunnan) Enterprises Limited	Hong Kong	10,000	–	80	Investment holding
Galaxy Entertainment Management Services Limited	Hong Kong	1	–	100	Provision of management services
Galaxy Entertainment Management Services (International) Limited	Hong Kong	1	–	100	Provision of management services
K. Wah Asphalt Limited	Hong Kong	1,100,000	–	100	Manufacture, sale, distribution and laying of asphalt
K. Wah Concrete Company Limited	Hong Kong	2	1,000	100	Manufacture, sale and distribution of ready-mixed concrete
K. Wah Construction Materials (Changzhou) Limited	Hong Kong	10,000	–	100	Provision of management services and investment holding
K. Wah Construction Materials (Hong Kong) Limited	Hong Kong	2	2	100	Provision of management services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Issued share capital		Percentage of equity held by the Group	Principal activities
		Number of issued ordinary shares	Number of non-voting deferred shares		
Incorporated in Hong Kong					
K. Wah Construction Materials (Hong Kong Region) Limited	Hong Kong	1	–	100	Provision of management services and investment holding
K. Wah Construction Materials (Shaoguan) Investment Company Limited	Hong Kong	2	–	100	Trading of construction materials products, provision of management services and investment holding
K. Wah Construction Products Limited	Hong Kong	2	1,000	100	Manufacture, sale and distribution of concrete products
K. Wah Materials Limited	Hong Kong	28,080,002	–	100	Trading
K. Wah Quarry Company Limited	Hong Kong	200,002	100,000	100	Sale of aggregates
K. Wah Trading and Development Limited	Hong Kong	2	2	100	Investment holding
KH Concrete Limited	Hong Kong	10,000	–	60	Manufacture, sale and distribution of ready-mixed concrete
KWP Quarry Co. Limited	Hong Kong	9,000,000	–	63.5	Quarrying
Lightway Limited	Hong Kong	2	2	100	Property investment
Million Cloud Limited	Hong Kong	10,000	–	100	Provision of management services and investment holding
Profit Link Asia Group Limited	Hong Kong	2	–	100	Investment holding
Quantum Limited	Hong Kong	2	–	100	Equipment leasing
Rainbow Country Limited	Hong Kong	2	–	100	Investment holding
Starflow Enterprises Limited	Hong Kong	1	–	100	Provision of management services and investment holding
Supreme World Investments Limited	Hong Kong	1	–	100	Provision of management services and investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
Doran Construction Products (Shenzhen) Co., Ltd.	Shenzhen	HK\$10,000,000	100	Manufacture, sale and distribution of concrete pipes
K. Wah Consultancy (Guangzhou) Co., Ltd.	Guangzhou	HK\$1,560,000	100	Provision of management services
嘉華諮詢(上海)有限公司 (K. Wah Consultancy (Shanghai) Co., Ltd.)	Shanghai	US\$350,000	100	Provision of management services
深圳嘉華混凝土管樁有限公司	Shenzhen	US\$2,100,000	100	Manufacture, sale and distribution of concrete piles
京港嘉華諮詢(北京)有限公司 (Jing Gang K. Wah Consultancy (Beijing) Co., Limited)	Beijing	HK\$1,500,000	100	Provision of management services
雲南嘉華亮訊諮詢有限公司	Anning	RMB2,000,000	100	Provision of management services
Shanghai K. Wah Concrete Co., Ltd.	Shanghai	RMB10,000,000	100	Provision of quality assurance service
六盤水首嘉博宏建材有限公司 (Liupanshui Shougang K. Wah Bohong Construction Materials Company Limited)	Liupanshui	RMB22,600,000	27.5 [^]	Manufacture, sale and distribution of slag
Puer Kungang & K. Wah Cement Construction Materials Co., Ltd.	Puer	RMB383,400,000	48 [^]	Manufacture, sale and distribution of cement
遷安首嘉建材有限公司 (Qianan Shougang K. Wah Construction Materials Company Limited)	Qianan	RMB152,442,500	55	Manufacture, sale and distribution of slag
三河首嘉建材有限公司 (Sanhe Shougang K. Wah Construction Materials Company Limited)	Sanhe	RMB92,190,000	41.25 [^]	Manufacture, sale and distribution of slag
珠海橫琴銀娛體育度假發展有限公司 (Zhuhai Hengqin GEG Sports Resort Development Company Limited)	Zhuhai	RMB12,000,000	100	Investment holding

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Subsidiaries (continued)

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

* Wholly owned and directly held by the Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Subsidiaries (continued)

Name of company	Principal place of operation	Number of quota	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Macau					
Fast Concrete Limited	Macau	3	MOP200,000	75	Manufacture, sale and distribution of ready-mixed concrete
Galaxy Cotai Project Management Limited	Macau	2	MOP25,000	Equity: 90 Profit sharing: 100	Provision of project management services
GC Security Services Limited	Macau	2	MOP1,000,000	Equity: 90 Profit sharing: 100	Provision of security services
K. Wah Construction Materials (Macau) Limited	Macau	3	MOP30,000	100	Trading
K. Wah (Macao Commercial Offshore) Company Limited	Macau	1	MOP100,000	100	Trading
Macau Hengqin Sports and Resort Development Limited	Macau	2	MOP25,000	100	Investment holding
New Galaxy Entertainment Company Limited	Macau	2	MOP1,000,000	Equity: 90 Profit sharing: 100	Property holding and hospitality
Perfect Assets Real Estate Limited	Macau	2	MOP25,000	Equity: 90 Profit sharing: 100	Property holding and hospitality
Perfect Contract Management Services Limited	Macau	2	MOP25,000	100	Investment holding
San Fok Va (International) Import & Export Company Limited	Macau	2	MOP50,000	75	Import and export trading, transportation of construction materials
StarWorld Hotel Company Limited	Macau	2	MOP100,000	Equity: 90 Profit sharing: 100	Property holding and hospitality

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Joint ventures

Name of company	Principal place of operation	Number of issued ordinary shares	Percentage of equity held by the Group	Principal activities
Incorporated in Hong Kong				
AHK Concrete Limited	Hong Kong	1,000,000	50	Manufacture, sale and distribution of ready-mixed concrete
AK Asphalt Limited	Hong Kong	1,000	30	Manufacture, sale and laying of asphalt and road marking services

Name of company	Principal place of operation	Number of issued ordinary shares	Par value per share	Percentage of equity held by the Group	Principal activities
Incorporated in the British Virgin Islands					
K. Wah Materials and Development (Huidong) Company Limited	Hong Kong	10	US\$1	50	Sale of aggregates and investment holding

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
Anhui 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
廣東韶鋼嘉羊新型材料有限公司 (Guangdong Shaogang Jia Yang New Materials Co., Ltd.)	Shaoguan	US\$14,349,200	28.97	Manufacture, sale and distribution of slag
湖北鄂鋼嘉華新型建材有限公司 (Hubei Egang K. Wah New Materials Company Limited)	Hubei	RMB48,000,000	49	Manufacture, sale and distribution of slag
K. Wah Materials (Huidong) Limited	Huidong	US\$14,500,000	50	Quarrying

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Joint ventures (Continued)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
Maanshan Masteel K. Wah Concrete Co., Ltd.	Maanshan	US\$2,450,000	30	Manufacture, sale and distribution of ready-mixed concrete
Nanjing Nangang K. Wah High Tech Materials Co., Ltd.	Nanjing	RMB176,000,000	50	Manufacture, sale and distribution of slag
Qinhuangdao Shouqin K. Wah Construction Materials Co., Ltd.	Qinhuangdao	RMB60,000,000	50	Manufacture, sale and distribution of slag
Qujin Kungang & K. Wah Cement Construction Materials Co., Ltd.	Qujin	RMB374,520,000	32	Manufacture, sale and distribution of cement
惠東協孚港口綜合開發有限公司 (Huidong Server Port Integrated Development Company Limited)	Huidong	RMB8,620,000	30	Property holding
雲南昆鋼嘉華水泥建材有限公司 (Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.)	Kunming	RMB825,000,000	25.6	Manufacture, sale and distribution of cement
昭通昆鋼嘉華水泥建材有限公司 (Zhaotong Kungang & K. Wah Cement Construction Materials Co., Ltd.)	Zhaotong	RMB250,000,000	32	Manufacture, sale and distribution of cement

(c) Associated Company

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



銀娛 GEG

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