



銀娛GEG

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

Stock Code: 27

2017

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 Ancell

Dr. William Yip Shue Lam, *LLD*

Professor Patrick Wong Lung Tak, *BBS, JP*

EXECUTIVE BOARD

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

Mr. Francis Lui Yiu Tung

Mr. Joseph Chee Ying Keung

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

AUDIT COMMITTEE

Mr. James Ross Ancell (*Chairman*)

Dr. William Yip Shue Lam, *LLD*

Professor Patrick Wong Lung Tak, *BBS, JP*

REMUNERATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*

Mr. Francis Lui Yiu Tung

Professor Patrick Wong Lung Tak, *BBS, JP*

NOMINATION COMMITTEE

Dr. William Yip Shue Lam, *LLD (Chairman)*

Mr. Francis Lui Yiu Tung

Professor Patrick Wong Lung Tak, *BBS, JP*

CORPORATE GOVERNANCE COMMITTEE

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



CORPORATE INFORMATION

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

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CORPORATE PROFILE

Galaxy Entertainment Group (“GEG”, “the Company” or “the Group”) is one of the world’s leading resorts, hospitality and gaming companies. The Group primarily develops and operates a large portfolio of integrated resort, retail, dining, hotel and gaming facilities in Macau. The Group is listed on the Hong Kong Stock Exchange and is a constituent stock of the Hang Seng Index.

GEG is one of the three original concessionaires in Macau with a successful track record of delivering innovative, spectacular and award-winning properties, products and services, underpinned by a “World Class, Asian Heart” service philosophy, that has enabled it to consistently outperform and lead the market in Macau.

GEG operates three flagship destinations in Macau: on Cotai, Galaxy Macau™, one of the world’s largest integrated destination resorts, and the adjoining Broadway Macau™, a unique landmark entertainment and food street destination; and on the Peninsula, StarWorld Macau, an award-winning premium property.

GALAXY MACAU™

- Opened in May 2011; significantly expanded in May 2015 with the opening of Phase 2
- Footprint of one 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 150 luxury and lifestyle retail brands
 - From award-winning restaurants, authentic Chinese and international favorites, to the best selection of 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 premium property
- Offers over 500 guestrooms and suites
- Offers sophisticated Chinese and international cuisine



BROADWAY MACAU™

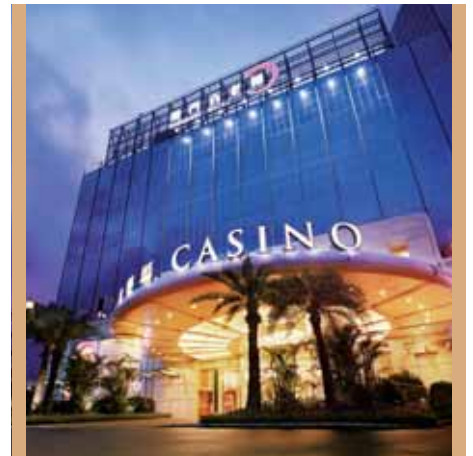
- Opened in May 2015; Broadway Macau™ represents a new concept in Macau, providing visitors with a vibrant food street and entertainment district showcasing the best of Macanese and Asian culture
- Broadway Hotel with approximately 320 rooms and suites, well priced and complementing the luxury properties 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

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 in Macau.

In July 2015, GEG made a strategic investment in Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("Monte-Carlo SBM"), a world renowned owner and operator of iconic luxury hotels and resorts in the Principality of Monaco. GEG continues to explore a range of international development opportunities including in Japan and the Philippines.

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\$62.5 billion, increased 18% year-on-year
- Adjusted EBITDA of HK\$14.1 billion, increased 37% year-on-year
- Net profit attributable to shareholders of HK\$10.5 billion, increased 67% year-on-year
- Adjusted net profit attributable to shareholders of HK\$11.0 billion, increased 61% year-on-year after adjusting for non-recurring charges
- Played unlucky in gaming operations which decreased Adjusted EBITDA by approximately HK\$37 million in the year. Normalized 2017 Adjusted EBITDA grew 44% year-on-year to HK\$14.2 billion
- Mass, slots and non-gaming revenue mix was approximately 50% in 2017
- As of 31 December 2017, balance sheet remains healthy and liquid with cash and liquid investments of HK\$41.4 billion and net cash position (including liquid investments) of HK\$31.7 billion
- Paid two special dividends of HK\$0.26 and HK\$0.33 per share in 2017
- Subsequently announced another special dividend of HK\$0.41 per share payable on or about 27 April 2018, a 58% increase compared to April 2017



Galaxy Macau™

- Revenue of HK\$44.6 billion, increased 17% year-on-year
- Adjusted EBITDA of HK\$11.1 billion, increased 31% year-on-year
- Normalized 2017 Adjusted EBITDA grew 39% year-on-year to HK\$11.2 billion
- Hotel occupancy for 2017 across five hotels was 98%
- Non-gaming revenue of HK\$3.0 billion, increased 6% year-on-year



StarWorld Macau

- Revenue of HK\$14.2 billion, increased 20% year-on-year
- Adjusted EBITDA of HK\$3.0 billion, increased 38% year-on-year
- There was no material luck impact for StarWorld Macau's Adjusted EBITDA in 2017
- Hotel occupancy for 2017 was 99%
- Non-gaming revenue of HK\$212 million, increased 2% year-on-year



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\$514 million in 2017, compared with HK\$676 million in 2016
- Adjusted EBITDA of HK\$10 million in 2017, compared with HK\$30 million in 2016
- Normalized Adjusted EBITDA for 2017 was HK\$12 million, compared with HK\$24 million for 2016
- Hotel occupancy for 2017 was virtually 100%



FINANCIAL & OPERATIONAL HIGHLIGHTS

Development Update

- Cotai Phases 3 & 4 – Continue to move forward with Phases 3 & 4, with a strong focus on non-gaming, primarily targeting Meetings Incentives Conferences and Events (MICE), entertainment, family facilities and also including gaming
- 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 – Continuously exploring opportunities in overseas markets, including Japan
- Philippines – Exploring to develop a premium quality eco-friendly beach resort on Boracay Island



FINANCIAL & OPERATIONAL HIGHLIGHTS

GROUP

Revenue

(HK\$'m)	2016	2017	% change
Gaming and Entertainment	50,685	59,383	17%
Construction Materials	2,141	3,067	43%
Group Total	52,826	62,450	18%



Adjusted EBITDA

(HK\$'m)	2016	2017	% change
Gaming and Entertainment	10,057	13,554	35%
Construction Materials	434	744	71%
Corporate	(143)	(151)	(6%)
Group Total	10,348	14,147	37%

Key Financial Metrics

	2016	2017	% change
Net Profit Attributable To Shareholders (HK\$'m)	6,283	10,504	67%
Earnings Per Share (HK cents)	147.30	245.10	66%
Total Assets (HK\$'m)	66,261	83,815	26%
Cash On Hand (HK\$'m)	19,897	17,565	(12%)
Debt (HK\$'m)	6,135	9,944	62%
Share Price on 31 December (HK\$)	33.80	62.70	86%
Market Capitalisation (HK\$'m)	144,383	270,120	87%

FINANCIAL & OPERATIONAL HIGHLIGHTS

GALAXY MACAU™

Financial Highlights

(HK\$m)	2016	2017	% change
Revenue	38,075	44,578	17%
Adjusted EBITDA	8,508	11,130	31%
Adjusted EBITDA Margin (HKFRS)	22%	25%	n/a
Adjusted EBITDA Margin (US GAAP)	28%	32%	n/a



2017 Selected Gaming Statistics

(HK\$m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	621,525	23,060	3.7%
Mass Gaming	37,509	16,664	44.4%
Electronic Gaming	46,062	1,842	4.0%

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%

FINANCIAL & OPERATIONAL HIGHLIGHTS

STARWORLD MACAU

Financial Highlights

(HK\$'m)	2016	2017	% change
Revenue	11,827	14,184	20%
Adjusted EBITDA	2,150	2,966	38%
Adjusted EBITDA Margin (HKFRS)	18%	21%	n/a
Adjusted EBITDA Margin (US GAAP)	25%	29%	n/a



2017 Selected Gaming Statistics

(HK\$'m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	278,575	8,213	2.9%
Mass Gaming	14,206	5,609	39.5%
Electronic Gaming	6,472	146	2.3%

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%

BROADWAY MACAU™

Financial Highlights

(HK\$'m)	2016	2017	% change
Revenue	676	514	(24%)
Adjusted EBITDA	30	10	(67%)



2017 Selected Gaming Statistics

(HK\$'m)	Table Drop/ Slots Handle	Net Win	Win/Hold %
Mass Gaming	1,062	262	24.6%
Electronic Gaming	1,019	31	3.0%

2016 Selected Gaming Statistics

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

FINANCIAL CALENDAR FOR SPECIAL DIVIDEND AND 2018 AGM

Book close dates for Special Dividend	:	27 March 2018 (Tuesday) to 29 March 2018 (Thursday) (both days inclusive)
Record date for Special Dividend	:	29 March 2018 (Thursday)
Ex-dividend date	:	23 March 2018 (Friday)
Expected payment date	:	27 April 2018 (Friday)
Latest time to lodge transfer documents with the Company's share registrar to entitle Special Dividend	:	4:30 p.m. on 26 March 2018 (Monday)
Book close dates for 2018 AGM	:	27 April 2018 (Friday) to 3 May 2018 (Thursday) (both days inclusive)
Record date for 2018 AGM	:	3 May 2018 (Thursday)
Date and time of 2018 AGM	:	2:30 p.m. on 3 May 2018 (Thursday)
Latest time to lodge transfer documents with the Company's share registrar to attend and vote at 2018 AGM	:	4:30 p.m. on 26 April 2018 (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 1 May 2018 (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 2017. 2017 was a year of sustainable and growing revenues with a continued commitment to delivering memorable customer experiences across our resorts. Our focus on operational execution in general and growing our mass and premium mass business specifically has been rewarded with the Group reporting full year revenue of HK\$62.5 billion, up 18% year-on-year and record full year Adjusted EBITDA of HK\$14.1 billion, up 37% year-on-year. Net profit attributable to shareholders was HK\$10.5 billion, up 67% year-on-year. The solid results reflect the Group's success in optimizing the profitability of its businesses.

On 23 August 2017, Macau experienced Typhoon Hato, the most devastating typhoon in more than 50 years and I am very proud of the fact that the GEG Foundation and the Lui Che Woo Foundation contributed a total of MOP60 million in support of individuals and organizations in need as a result of the typhoon. Additionally, many GEG team members contributed significant hours and effort to help support the community. Macau demonstrated its resilience with the entire community working together to rebuild the city.

CHAIRMAN'S STATEMENT

During 2017, Macau experienced the first annual revenue growth in recent years. Gross gaming revenue grew 19% year-on-year to HK\$258 billion. Total visitations were 32.6 million, up 5% year-on-year. More importantly, overnight visitors grew at a faster rate of 10% year-on-year. We view this trend as very positive as overnight visitors have a higher spend per customer than day trippers. Infrastructure continued to progress in 2017, with the opening of the new Taipa Ferry Terminal and the additional train lines to Zhuhai added to the high speed train network help make it easier to visit Macau.

During 2017, the Group paid two special dividends of HK\$0.26 and HK\$0.33 per share. Subsequently we announced another special dividend of HK\$0.41 per share to be paid on or about 27 April 2018, a 58% increase compared to April 2017. This confirms our commitment to return capital to shareholders, whilst maintaining an exceptionally strong and liquid balance sheet to fund our growth development pipeline and international expansion ambitions.

Our balance sheet remains one of the strongest in global gaming with cash and liquid investments of HK\$41.4 billion and net cash of HK\$31.7 billion. Our stable cash flows combined with a strong balance sheet provides us with great flexibility in funding our development pipeline and international expansion opportunities. These include Cotai Phases 3 & 4, Hengqin, Japan and Boracay in the Philippines.

During the year, the Macau Government set new standards for financial reporting. We welcome these higher levels of reporting which will bring greater transparency and understanding to the Macau gaming market. Regionally, the Central Government's policy of the Belt and Road initiative and the Greater Bay Area integration plan will drive the macro economy and further increase visitation to Macau.

I am confident in the medium to longer term outlook for Macau and this confidence is based upon the continued solid economic performance of Mainland China and the significantly underpenetrated tourist markets in China and Asia. Additionally, the opening of new properties in Macau in 2018 and the launch of the Hong Kong-Zhuhai-Macau Bridge should stimulate growth in the shorter term period.

We are committed to continue to support the Macau Government's vision to develop Macau into a World Centre of Tourism and Leisure as demonstrated by GEG's Cotai Phases 3 & 4 and our planned development in Hengqin. Further we fully support the Central Government's Belt & Road initiative as evidenced by our proposed beach front resort development in Boracay, Philippines.

Last but not least, I would like to extend my sincere appreciation to all of our committed team members who continue to deliver exceptional customer experiences and 'World Class, Asian Heart' service every day and contribute to GEG's success.

Dr. Lui Che Woo

*GBM, MBE, JP, LLD, DSSc, DBA
Chairman*

Hong Kong, 28 February 2018

SELECTED MAJOR AWARDS

CORPORATE AND PROPERTIES:

Award	Presenter
GEG	
Best Gaming Operator	Asia Gaming Awards 2017
Best IR Company – Large Cap	Hong Kong Investor Relations Association
Best IR Presentation Collaterals – Large Cap	
Most Honoured Company	Institutional Investor Magazine
Best Investor Relations Program – Overall Second Place	– 2017 All Asia Executive Team Survey
Best Analyst Days – Overall First Place	
Best Website – Overall Second Place	
Top 100 Hong Kong Listed Companies Award – Comprehensive Strength	QQ.com x Finet
Silver Award for Organization Safety Performance Excellent Safety Performance Management Staff – Silver Award (Local and Non-Local) – Bronze Award (Local and Non-Local)	DSAL Catering Industry Occupational Safety and Health Program
IR Magazine Awards Greater China 2017 – Best in Sector – Consumer Discretionary – 2nd Place – Certificate for Excellence in Investor Relations	IR Magazine
Family-Friendly Employers Award Scheme – Family-Friendly Employer Award	The Women's General Association of Macau
GALAXY MACAU™	
Integrated Resort of the Year	International Gaming Awards
Best Integrated Resort	Asia Gaming Awards 2017
Luxury Hotel – The Ritz-Carlton, Macau – Banyan Tree Macau	The Michelin Guide Hong Kong Macau 2018
Top Class Comfort Hotel – Galaxy Hotel™ – JW Marriott Hotel Macau – Hotel Okura Macau	
Five Star Hotel – The Ritz-Carlton, Macau – Banyan Tree Macau	2017 Forbes Travel Guide
Five Star Spa – Banyan Tree Spa Macau – ESPA	

SELECTED MAJOR AWARDS

Award	Presenter
The Supreme Award of Asia's Most Favored Tourism Integrated Resort by Parent-Child	The 17th Golden Horse Awards of China Hotel
Asia's Most Excellent Integrated Hotel	Asia Awards of Excellence 2017
5th Business Awards of Macau – Environmental Performance Gold Award	De Ficção Multimedia Projects & Charity Association of Macau Business Readers
Energy-Saving Concept Award Excellence Award – Hotel Group C	CEM & GDSE – Macau Energy Saving Contest 2016
My Favourite Hotel and Resort	U Magazine Travel Awards 2017
2017 Asia's Top Entertainment Complex	Now Travel Asia Awards

STARWORLD MACAU

Top Class Comfort Hotel	The Michelin Guide Hong Kong Macau 2018
Best Gaming Property	Asia Gaming Awards 2017
Top 10 Glamourous Hotels of China	The 12th China Hotel Starlight Awards
Excellence Award – Hotel Group C	CEM & GDSE – Macau Energy Saving Contest 2016
The Supreme Award of Asia's Best F&B Service Hotel	The 17th Golden Horse Awards of China Hotel
2017 Asia's Top Leisure Hotel	Now Travel Asia Awards

BROADWAY MACAU™

Energy-Saving Concept Award – Hotel Group Champion – Hotel Group B	CEM & GDSE – Macau Energy Saving Contest 2017
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CONSTRUCTION MATERIALS DIVISION

Caring Company Scheme – 15 Years Plus Caring Company Logo	The Hong Kong Council of Social Service
Occupational Health Award 2016-17 – Joyful@Healthy Workplace Best Practices Award – Enterprise/Organization Category – Merit Award	Labour Department/Occupational Safety and Health Council
Hong Kong Green Organization Certification – Wastewi\$e Certificate – Excellence Level	Environmental Campaign Committee
HKCMA Directors' Awards for Health and Safety & Environmental Excellence 2016-2017 – Environmental Performance Award – Certificate of Merit	Hong Kong Construction Materials Association Limited
Green Office Awards Labelling Scheme (GOALS) – Green Office Label	World Green Organisation
Sustainable Consumption Enterprise – Certificate of Recognition	Business Environment Council Limited
Sustainable Business Partner 2017	The Hongkong and Shanghai Banking Corporation Limited
2017 Corporate Partnership Award Presentation ceremony – 2017 Corporate Partnership Award	Evangelical Lutheran Church Social Service – Hong Kong

SELECTED MAJOR AWARDS

A FOOD LOVERS PARADISE

Across GEG's portfolio of resorts, we offer the largest selection of pan-Asian and international 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 2017:

F&B Outlet	Award and Presenter
GALAXY MACAU™	
8½ Otto e Mezzo BOMBANA	Michelin 1-Star Restaurant and Michelin Restaurants with Interesting Wine Lists – The Michelin Guide Hong Kong Macau 2018 2017 Best of Award of Excellence – 2017 Wine Spectator’s Restaurant Awards 3 Glasses – Excellent – 2017 China’s Wine List of the Year Awards Best Macau Restaurant – OpenRice Best Restaurant Awards 2017 Macau’s Best Restaurants (Italian) – T. Dining 2018 Awards HK Tatler Restaurant of the Year – Target Magazine – The Best Restaurants Target Taste 2017 100 Top Tables 2017 – South China Morning Post Ctrip Gourmet List Two-star Restaurant – Ctrip
Belon	Five-Star Restaurant – 2017 Forbes Travel Guide 2017 Award of Excellence – 2017 Wine Spectator’s Restaurant Awards Macau’s Best Restaurants (European) – T. Dining 2018 Awards HK Tatler 3 Glasses – Excellent – 2017 China’s Wine List of the Year Awards Ctrip Gourmet List Selected Restaurant – Ctrip
CHA BEI	Macau’s Best Restaurants (International) – T. Dining 2018 Awards HK Tatler Best of the Year Recommended – Target Magazine – The Best Restaurants Target Taste 2017
China Rouge	Macau’s Best Bars – T. Dining 2018 Awards HK Tatler
Festiva	Ctrip Gourmet List Selected Restaurant – Ctrip
Fook Lam Moon	Michelin Plate and Michelin Restaurants with Interesting Wine Lists – The Michelin Guide Hong Kong Macau 2018 2017 Best of Award of Excellence – 2017 Wine Spectator’s Restaurant Awards Macau’s Best Restaurants (Cantonese) – T. Dining 2018 Awards HK Tatler
Gosto	2017 Portuguese Cuisine (Continent Winner: Asia) – 2017 World Luxury Restaurant Awards 3 Glasses – Excellent – 2017 China’s Wine List of the Year Awards Star Merchant Award – 2017 Quality Tourism Services Accreditation Scheme Ctrip Gourmet List Selected Restaurant – Ctrip
JW Marriott, Macau – The Lounge	2 Glasses – Outstanding – 2017 China’s Wine List of the Year Awards
Lai Heen	Michelin 1-Star Restaurant – The Michelin Guide Hong Kong Macau 2018 2017 Best of Award of Excellence – 2017 Wine Spectator’s Restaurant Awards Macau’s Best Restaurants (Cantonese) – T. Dining 2018 Awards HK Tatler 100 Top Tables 2017 – South China Morning Post Ctrip Gourmet List Selected Restaurant – Ctrip

SELECTED MAJOR AWARDS

F&B Outlet	Award and Presenter
Man Ho Chinese Restaurant	Macau's Best Restaurants (Cantonese) – T. Dining 2018 Awards HK Tatler Star Merchant Award – 2017 Quality Tourism Services Accreditation Scheme 2 Glasses – Outstanding – 2017 China's Wine List of the Year Awards
Myung Ga	Michelin Plate – The Michelin Guide Hong Kong Macau 2018
Pak Loh Chiu Chow Restaurant	Macau's Best Restaurants (Cantonese) – T. Dining 2018 Awards HK Tatler Star Merchant Award – 2017 Quality Tourism Services Accreditation Scheme 3 Glasses – Excellent – 2017 China's Wine List of the Year Awards
Saffron	Macau's Best Restaurants (South East Asian) – T. Dining 2018 Awards HK Tatler
Terrazza Italian Restaurant	Michelin Plate and Michelin Restaurants with Interesting Wine Lists – The Michelin Guide Hong Kong Macau 2018 Macau's Best Restaurants (Italian) – T. Dining 2018 Awards HK Tatler 2017 Best of Award of Excellence – 2017 Wine Spectator's Restaurant Awards 2017 Best Wine Selection (Continent Winner: Asia) – 2017 World Luxury Restaurant Awards 2017 Italian Cuisine (Regional Winner: Central Asia) – 2017 World Luxury Restaurant Awards Four-Star Restaurant – 2017 Forbes Travel Guide My Favourite Restaurant 2017 – U Magazine Ctrip Gourmet List Selected Restaurant – Ctrip 3 Glasses – Excellent – 2017 China's Wine List of the Year Awards
The Apron Oyster Bar & Grill	Macau's Best Restaurants (Steakhouse) – T. Dining 2018 Awards HK Tatler 2 Glasses – Outstanding – 2017 China's Wine List of the Year Awards Best Small Wine List – Award Winner – 2017 China's Wine List of the Year Awards
The Macallan Whisky Bar & Lounge	Macau's Best Bars – T. Dining 2018 Awards HK Tatler
The Noodle Kitchen	Star Merchant Award – 2017 Quality Tourism Services Accreditation Scheme
The Ritz-Carlton Bar & Lounge	Macau's Best Bars – T. Dining 2018 Awards HK Tatler
The Ritz-Carlton Café	Michelin Plate – The Michelin Guide Hong Kong Macau 2018 Macau's Best Restaurants (French) – T. Dining 2018 Awards HK Tatler Ctrip Gourmet List Selected Restaurant – Ctrip
Urban Kitchen	Macau's Best Restaurants (International) – T. Dining 2018 Awards HK Tatler Star Merchant Award – 2017 Quality Tourism Services Accreditation Scheme Ctrip Gourmet List Selected Restaurant – Ctrip 2 Glasses – Outstanding – 2017 China's Wine List of the Year Awards
Yamazato	Michelin Plate – The Michelin Guide Hong Kong Macau 2018 Macau's Best Restaurants (Japanese) – T. Dining 2018 Awards HK Tatler Recommended Restaurant – 2017 Forbes Travel Guide 100 Top Tables 2017 – South China Morning Post

SELECTED MAJOR AWARDS

F&B Outlet	Award and Presenter
STARWORLD MACAU	
Feng Wei Ju	Michelin 2-Star Restaurant – The Michelin Guide Hong Kong Macau 2018 Macau's Best Restaurants (Regional Chinese) – T. Dining 2018 Awards HK Tatler 100 Top Tables 2017 – South China Morning Post My Favourite Restaurant 2017 – U Magazine Ctrip Gourmet List Selected Restaurant – Ctrip
Hip Seng Seafood Hotpot	Macau's Best Restaurants (Regional Chinese) – T. Dining 2018 Awards HK Tatler
Jade de Jardin	Macau's Best Restaurants (Regional Chinese) – T. Dining 2018 Awards HK Tatler
Temptations	Michelin Plate – The Michelin Guide Hong Kong Macau 2018 Macau's Best Restaurants (European) – T. Dining 2018 Awards HK Tatler
Whisky Bar	Macau's Best Bars – T. Dining 2018 Awards HK Tatler
BROADWAY MACAU™	
Ba Shan Spicy Noodles	Star Merchant Award – 2017 Quality Tourism Services Accreditation Scheme
Dragon Portuguese Cuisine	Michelin Plate – The Michelin Guide Hong Kong Macau 2018
Du Hsiao Yueh	Michelin Plate – The Michelin Guide Hong Kong Macau 2018 Star Merchant Award – 2017 Quality Tourism Services Accreditation Scheme
Fong Seng Lai Kei Restaurant	Ctrip Gourmet List Selected Restaurant – Ctrip
Hung's Delicacies	Star Merchant Award – 2017 Quality Tourism Services Accreditation Scheme
Katong Corner	Michelin Plate – The Michelin Guide Hong Kong Macau 2018 Star Merchant Award – 2017 Quality Tourism Services Accreditation Scheme
Lei Ka Choi	Michelin Recommended Street Food – The Michelin Guide Hong Kong Macau 2018 Ctrip Gourmet List Local Snacks – Ctrip
Nan Xiang Steamed Bun Restaurant	Star Merchant Award – 2017 Quality Tourism Services Accreditation Scheme
Pepper Lunch	Star Merchant Award – 2017 Quality Tourism Services Accreditation Scheme
Ving Kei Tao Fu Min Sek	Star Merchant Award – 2017 Quality Tourism Services Accreditation Scheme
Wong Kung Sio Kung	Michelin Plate – The Michelin Guide Hong Kong Macau 2018 Star Merchant Award – 2017 Quality Tourism Services Accreditation Scheme Ctrip Gourmet List Local Snacks – Ctrip

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW OF MACAU GAMING MARKET

Despite increased competition both in Macau and regionally, combined with a number of geo-political events occurring globally during 2017, we are encouraged to see that Macau is experiencing a continued market recovery. Gross gaming revenue for 2017 was \$258 billion, up 19% year-on-year.

During 2017, visitation to Macau was 32.6 million, up 5% year-on-year. Visitors from Mainland were 22 million, up 9% compared to 2016. In particular, overnight visitors grew at a faster rate of 10% year-on-year. New hotel capacity has successfully grown overnight visitation. We view this trend as very positive as overnight visitors have a higher spend per customer than day trippers. The average length of stay of overnight visitors was 2.1 days in 2017.

Infrastructure continued to progress in 2017. The opening of the new Taipa Ferry Terminal and the additional train lines to Zhuhai added to the high speed train network help make it easier to visit Macau. We look forward to the opening of the Hong Kong-Zhuhai-Macau Bridge which will further enhance the appeal and accessibility to Macau for both Chinese and International visitors.

On the regulatory side, the Macau Government set new standards for financial reporting which helps to bring greater transparency. The revised smoking bill was passed in 2017 and operators will enhance standards of their smoking lounges on the main gaming floor and install smoking lounges into VIP rooms no later than 1 January 2019, thereby enhancing the work place environment.

REVIEW OF OPERATIONS

Group Financial Results

The Group posted revenue of \$62.5 billion, up 18% year-on-year, and generating Adjusted EBITDA of \$14.1 billion, up 37% year-on-year in 2017. Net profit attributable to shareholders was \$10.5 billion. Galaxy Macau™'s Adjusted EBITDA was \$11.1 billion, up 31% year-on-year. StarWorld Macau's Adjusted EBITDA was \$3.0 billion, up 38% year-on-year. Broadway Macau™'s Adjusted EBITDA was \$10 million versus \$30 million in 2016.



MANAGEMENT DISCUSSION AND ANALYSIS

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

GEG experienced bad luck in its gaming operations during 2017, which decreased its Adjusted EBITDA by approximately \$37 million. Normalized 2017 Adjusted EBITDA grew 44% year-on-year to \$14.2 billion.

The Group's total gaming revenue on a management basis¹ in 2017 was \$58.0 billion, up 17% year-on-year, total mass gaming revenue was \$24.2 billion, up 15% year-on-year and total VIP gaming revenue was \$31.6 billion, up 19% year-on-year.

At GEG, we continuously search to identify opportunities to make our resorts more attractive and competitive. During 2017, we undertook a number of activities to achieve this continuous improvement. This included relaying parts of the gaming floor, adding new F&B offerings and retail outlets where appropriate. We believe this approach helps to ensure that our resorts remain attractive and competitive to our customers, but in particular to our repeat visitors who can enjoy new experiences each visit.



¹ 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. At the group level the gaming statistics include Company owned resorts plus City Clubs.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Group Gaming in 2017 (HK\$m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	912,147	31,600	3.5%
Mass Gaming	58,786	24,208	41.2%
Electronic Gaming	61,847	2,161	3.5%

Group Gaming in 2016 (HK\$m)	Turnover/ Table Drop/ Slots Handle	Net Win	Win/Hold %
VIP Gaming	716,279	26,553	3.7%
Mass Gaming	52,451	20,977	40.0%
Electronic Gaming	56,342	1,966	3.5%

Balance Sheet, Treasury Management and Special Dividends

The Group's balance sheet remains healthy and liquid. As of 31 December 2017, cash and liquid investments were \$41.4 billion (2016: \$22.6 billion) and net cash was \$31.7 billion. Total debt increased from \$5.9 billion at 31 December 2016 to \$9.7 billion at 31 December 2017. This increase in debt is 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 2017, GEG returned capital to shareholders by paying two special dividends of \$0.26 per share and \$0.33 per share on 28 April 2017 and 27 October 2017 respectively. Subsequently GEG announced another special dividend of \$0.41 per share to be paid on or about 27 April 2018, a 58% increase compared to April 2017.

Set out below is the segmental analysis of the Group's operating results for 2017.

2017 (HK\$m)	Gaming and Entertainment	Construction Materials	Corporate	Total
Revenue	59,383	3,067	–	62,450
Adjusted EBITDA	13,554	744	(151)	14,147

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

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 17% year-on-year to \$44.6 billion. Adjusted EBITDA was up 31% year-on-year to \$11.1 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Galaxy Macau™ experienced bad luck in its gaming operations which decreased its Adjusted EBITDA by approximately \$35 million in 2017. Normalized 2017 Adjusted EBITDA grew 39% year-on-year to \$11.2 billion.

Adjusted EBITDA margin for 2017 calculated under HKFRS was 25% (2016: 22%), or 32% under US GAAP (2016: 28%).

VIP Gaming Performance

VIP rolling chip volume for 2017 was \$621.5 billion, up 27% year-on-year. This translated to revenue of \$23.1 billion, up 18% year-on-year.

VIP Gaming							
HK\$m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2016	FY 2017	YoY%
Turnover	131,755	132,899	164,876	191,995	490,694	621,525	27%
Net Win	5,113	4,830	5,854	7,263	19,540	23,060	18%
Win %	3.9%	3.6%	3.6%	3.8%	4.0%	3.7%	n/a

Mass Gaming Performance

Mass gaming revenue for 2017 was \$16.7 billion, up 19% year-on-year.

Mass Gaming							
HK\$m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2016	FY 2017	YoY%
Table Drop	8,839	8,930	9,619	10,121	32,046	37,509	17%
Net Win	3,968	3,845	4,169	4,682	13,969	16,664	19%
Hold %	44.9%	43.1%	43.3%	46.3%	43.6%	44.4%	n/a

Electronic Gaming Performance

Electronic gaming revenue for 2017 was \$1.8 billion, up 6% year-on-year.

Electronic Gaming							
HK\$m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2016	FY 2017	YoY%
Slots Handle	11,385	11,187	11,708	11,782	46,531	46,062	(1%)
Net Win	454	439	482	467	1,730	1,842	6%
Hold %	4.0%	3.9%	4.1%	4.0%	3.7%	4.0%	n/a

Non-Gaming Performance

Non-gaming revenue for 2017 was \$3.0 billion, up 6% year-on-year. The combined five hotels registered strong occupancy of 98% in 2017. Net rental revenue for the Promenade was \$906 million for 2017, up 16% year-on-year.

Non-Gaming							
HK\$m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2016	FY 2017	YoY%
Net Rental Revenue	222	212	222	250	782	906	16%
Hotel Revenue/F&B/Others	485	501	551	561	2,041	2,098	3%
Total	707	713	773	811	2,823	3,004	6%

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 up 20% year-on-year to \$14.2 billion. Adjusted EBITDA was up 38% year-on-year to \$3.0 billion.

There was no material luck impact for StarWorld Macau's Adjusted EBITDA in 2017.

Adjusted EBITDA margin for 2017 calculated under HKFRS was 21% (2016: 18%), or 29% under US GAAP (2016: 25%).

VIP Gaming Performance

VIP rolling chip volume for 2017 was \$278.6 billion, up 30% year-on-year. This translated to revenue of \$8.2 billion, up 24% year-on-year.

VIP Gaming							
HK\$m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2016	FY 2017	YoY%
Turnover	63,066	62,698	66,891	85,920	215,040	278,575	30%
Net Win	1,703	2,102	2,292	2,116	6,637	8,213	24%
Win %	2.7%	3.4%	3.4%	2.5%	3.1%	2.9%	n/a

Mass Gaming Performance

Mass gaming revenue for 2017 was \$5.6 billion, up 15% year-on-year.

Mass Gaming							
HK\$m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2016	FY 2017	YoY%
Table Drop	3,442	3,501	3,569	3,694	12,538	14,206	13%
Net Win	1,291	1,426	1,425	1,467	4,871	5,609	15%
Hold %	37.5%	40.7%	39.9%	39.7%	38.8%	39.5%	n/a

Electronic Gaming Performance

Electronic gaming revenue for 2017 was \$146 million, up 39% year-on-year.

Electronic Gaming							
HK\$m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2016	FY 2017	YoY%
Slots Handle	1,594	1,668	1,570	1,640	2,878	6,472	125%
Net Win	34	36	41	35	105	146	39%
Hold %	2.1%	2.2%	2.6%	2.1%	3.7%	2.3%	n/a

Non-Gaming Performance

Non-gaming revenue in 2017 was \$212 million, up 2% year-on-year. Hotel room occupancy was 99% for 2017.

Non-Gaming							
HK\$m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2016	FY 2017	YoY%
Net Rental Revenue	12	11	12	13	37	48	30%
Hotel Revenue/F&B/Others	39	39	39	47	171	164	(4%)
Total	51	50	51	60	208	212	2%

MANAGEMENT DISCUSSION AND ANALYSIS

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

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 2017 was down 24% year-on-year to \$514 million. Adjusted EBITDA was \$10 million for 2017 versus \$30 million in 2016.

Broadway Macau™ experienced bad luck in its gaming operations which decreased its Adjusted EBITDA by approximately \$2 million in 2017. Normalized 2017 Adjusted EBITDA was \$12 million versus \$24 million in 2016.

Mass Gaming Performance

Mass gaming revenue for 2017 was \$262 million, down 42% year-on-year.

Mass Gaming							
HK\$m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2016	FY 2017	YoY%
Table Drop	325	291	184	262	1,970	1,062	(46%)
Net Win	75	64	48	75	449	262	(42%)
Hold %	23.1%	22.0%	26.1%	28.5%	22.8%	24.6%	n/a

Electronic Gaming Performance

Electronic gaming revenue for 2017 was \$31 million, up 3% year-on-year.

Electronic Gaming							
HK\$m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2016	FY 2017	YoY%
Slots Handle	201	308	183	327	522	1,019	95%
Net Win	8	8	6	9	30	31	3%
Hold %	4.0%	2.6%	3.1%	2.7%	5.7%	3.0%	n/a

Non-Gaming Performance

Non-gaming revenue in 2017 was \$221 million, up 12% year-on-year. Hotel room occupancy was virtually 100% for 2017.

Non-Gaming							
HK\$m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2016	FY 2017	YoY%
Net Rental Revenue	10	10	9	11	57	40	(30%)
Hotel Revenue/F&B/Others	42	45	42	52	140	181	29%
Total	52	55	51	63	197	221	12%

City Clubs

City Clubs contributed \$107 million of Adjusted EBITDA to the Group's earnings for 2017 versus \$107 million in 2016.

CONSTRUCTION MATERIALS DIVISION

Construction Materials Division ("CMD") delivered strong results during the year, achieving year-on-year revenue growth of 43% to \$3.1 billion and Adjusted EBITDA growth of 71% to \$744 million. The good results primarily came from rapid improvement of the construction market in China and stable performance in Hong Kong despite challenging market environment.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Hong Kong and Macau

Construction materials businesses in Hong Kong delivered a solid performance despite intensifying market competition and deteriorating market environment.

In July 2017, CMD officially handed over Anderson Road Quarry to the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") after satisfactory completion of its Rehabilitation Contract. The HKSAR Government will develop this site into massive private and subsidized housing projects to benefit the society and the people of Hong Kong. With a strong aggregate reserve in Huidong of Guangdong Province, CMD continues to supply aggregates to Hong Kong to satisfy its increasing demand for aggregates and downstream business needs.

In Macau, the economy showed signs of recovery. Demand for construction materials is gradually picking up for construction projects driven by expansion in the entertainment, infrastructure and property sectors.



Dr. Lui Che Woo, Chairman of GEG delivered a speech at Anderson Road Quarry Handover Ceremony

Mainland China

In Yunnan, as a result of growth in infrastructure projects, both cement market price and sales volume improved, leading to a significant increase in profit contribution from our cement operations.

Ground Granulated Blast-furnace Slag ("GGBS") selling price also improved, in line with the improvement in cement selling price across the Mainland. Most of our GGBS operations recorded significant improvement in profit contributions. However, GGBS market in Northern China is still challenging due to significant overcapacity situation in the region.

As a one-stop integrated construction materials supplier offering ecologically friendly products and value-added solutions, CMD looks forward to participating further in infrastructure projects arising from the Belt and Road initiative and development of the Guangdong-Hong Kong-Macau Greater Bay Area in future.

DEVELOPMENT UPDATE

Cotai – The Next Chapter

GEG is uniquely positioned for long term growth. We continue to move forward with our plans for Phases 3 and 4, and we look forward to formally announcing our development plans in the future.

Hengqin

We continue to make progress with our concept plan for our Hengqin project. Hengqin will allow GEG to develop a leisure destination resort that will complement our high energy resorts in Macau.

International

We are exploring opportunities in the Philippines to develop a premium quality eco-friendly beach resort on Boracay Island. We look forward to updating you on our progress as we move forward.

In July 2015, GEG made a strategic investment in Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("Monte-Carlo SBM"), a world renowned owner and operator of iconic luxury hotels and resorts in the Principality of Monaco. GEG continues to explore a range of international development opportunities including in Japan. GEG was recently chosen for inclusion in the Nikkei Asia300 Investable Index – a newly created index of Asia's biggest and fastest-growing companies. GEG is the only Macau gaming company to be included in the Nikkei Asia300.

MANAGEMENT DISCUSSION AND ANALYSIS

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

SUBSEQUENT EVENT

GEG announced a special dividend of \$0.41 per share payable on or about 27 April 2018, a 58% increase compared to April 2017.

GROUP OUTLOOK

We remain confident in our outlook for Macau. In the short term, the Mainland Chinese economy has been performing solidly while new Macau property openings in 2018 should further stimulate tourism demand. In addition, the opening of the Hong Kong-Zhuhai-Macau Bridge will significantly improve accessibility for international travellers who arrive by air via Hong Kong. In the medium to longer term, tourist markets in Mainland China and Asia remain dramatically underpenetrated, offering opportunities for significant growth in tourism, leisure and travel.

GEG is uniquely positioned to capitalize on this growth trend thanks to having the largest landbank and development pipeline in Macau with Phases 3 and 4. Additionally, GEG is the only concessionaire with plans for development on Hengqin. We also look forward to international opportunities, such as Boracay Island in the Philippines and an integrated resort in Japan. We will continue to offer guests a “World Class, Asian Heart” experience with a focus to drive profitable volumes, yield results, and attract higher spending customers.

The Macau Government’s initiative of building Macau into a World Centre of Tourism and Leisure continues to progress. New hotel capacity has increased overnight visitation to Macau who have a higher spend per customer than day trippers. Meanwhile, the Central Government’s Belt and Road initiative and the Greater Bay Area integration plan will further increase visitation to Macau and drive the macro economy. On the regulatory side, the Macau Government has set new standards for financial reporting that will help bring greater transparency and international understanding of the Macau gaming market. We are committed to invest in Macau’s economic diversification and support the Macau Government’s vision. We also support the Central Government’s Belt & Road initiative as demonstrated by our proposed development in Boracay, Philippines.

LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 31 December 2017 increased to \$55,482 million, an increase of approximately 20% over that as at 31 December 2016 of \$46,345 million while the Group’s total assets employed increased to \$83,815 million as at 31 December 2017 as compared to \$66,261 million as at 31 December 2016.

The Group continues to maintain a strong financial position. We continue to invest surplus cash in low risk short term fixed deposits as well as high quality debt securities issued by large financial institutions and corporations with weighted average tenor of approximately 4 years to generate low risk interest income for the Group. As at 31 December 2017, the Group invested \$23,828 million (\$2,752 million as at 31 December 2016) in debt securities; while cash and bank balances were \$17,565 million as compared to \$19,897 million as at 31 December 2016.

The Group’s total borrowings were \$9,944 million as at 31 December 2017 as compared to \$6,135 million as at 31 December 2016. The Group was in a net cash position as at 31 December 2017 and 31 December 2016.

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. The Company has no gearing ratio.

MANAGEMENT DISCUSSION AND ANALYSIS

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

TREASURY POLICY

The Group continues to adopt a conservative treasury policy in liquidity and financial management. Surplus cash is generally placed in short-term deposits and high-quality debt securities 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, leasehold land and land use rights with net book value of \$1,053 million (2016: \$1,023 million) and bank deposits of \$628 million (2016: \$315 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 \$790 million (2016: \$590 million). At 31 December 2017, facilities utilized amounted to \$300 million (2016: \$300 million).

The Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures and an associated company amounting to \$163 million (2016: \$297 million). At 31 December 2017, facilities utilized amounted to \$84 million (2016: \$255 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, 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 \$7,229 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As a frontrunner in the gaming and entertainment industry, Galaxy Entertainment Group (“GEG” or “the Group”) is proud of its record of achieving sustainable business growth and sustained value for its customers, employees, and the society in which it operates. Recognizing the importance of giving back to the community, GEG continues to be a proud supporter of the Macau Special Administrative Region (“SAR”) Government’s social programs and initiatives.

Following its vision to becoming Asia’s leading gaming and entertainment corporation, GEG continues to invest wisely in social development, talent management, environmental conservation and resource and supply chain management.

This report is prepared in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide under Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited and has complied with the “comply or explain” provisions set out in the ESG Reporting Guide for the year ended 31 December 2017. It provides an annual update on the sustainability performance of GEG’s gaming and entertainment segment, namely Galaxy Macau™, Broadway Macau™, and StarWorld Macau for the year ended 31 December 2017. The report also includes a brief overview of K. Wah Construction Materials Limited which is the Group’s construction materials segment.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

GEG engages stakeholders through a variety of channels on an ongoing basis to hear their views on ESG issues which are important to them and how they would like to see them addressed.

To achieve an unbiased and fair stakeholder engagement process, GEG engaged an independent third party consultant to facilitate the engagement exercise. The stakeholder engagement covered employees, and business partners (including suppliers, contractors and service providers), industry associations, non-governmental organizations, media and charitable organizations. These stakeholders were invited to complete an online survey to rate the importance of sustainability issues to themselves.

Over 500 responses were collected. The results were analyzed based on a quantitative method for materiality assessment. The results indicated that, in general, stakeholders were satisfied with GEG’s sustainability initiatives and performance. The ESG issues deemed key by stakeholders included anti-corruption and internal controls on money laundering, customer privacy, and customer health and safety. These topics are explained in more details in the relevant sections of this report.

SOCIAL RESPONSIBILITY

Contribution to Community

As an accountable and proactive member of the Macau community, GEG is fully committed to making positive contributions to help the underprivileged and those in need.

True to its philosophy of “*what is taken from the community is to be used for the good of the community,*” during 2017, more than 800 GEG volunteers participated in over 40 activities and contributed to over 2,240 hours to community services. GEG has organized more than 160 activities that have benefited over 120 charitable organizations, with over 9,450 hours of community service incurred since the launch of the GEG Volunteer Team in 2011.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



GEG volunteers participated in “Action for Sight 2017” organized by Orbis Macau. Through a simple act of “Looking Further”, the volunteers helped raise public awareness on eye health and encouraged donations from citizens to support Orbis’ sight-saving work in developing countries



Organized by Macau Deaf Association and sponsored by GEG, the “International Week of the Deaf” was successfully held at Broadway Macau™. During the event, GEG volunteers joined the association’s Sign Language Ambassadors for an open-top bus tour of Macau to promote the message of “Full Inclusion with Sign Language”

GEG’s advocacy to support and care for the community is further accentuated by the Group’s immense relief efforts to contribute to the recovery of Macau from natural disasters.

On 23 August 2017, Typhoon Hato, the most powerful and destructive typhoon in the past half century struck Macau. A typhoon of this magnitude had a major economic and social impact to Macau. The storm forced many businesses to close parts of their business and left city streets littered with debris and smashed windows from homes and buildings. Moreover, thousands of residents were without electricity and running water, which also included many GEG’s very own team members. Four days later on 27 August 2017, Typhoon Pakhar also hit Macau in the midst of its recovery from Typhoon Hato. While Pakhar’s impact was much less, it severely hindered local recovery efforts.

In response to this calamity, GEG promptly responded through launching a series of initiatives to assist the local community, some of which are listed below:

- Directed a team of GEG volunteers to visit the worst-affected areas in an effort to aid and distribute food and bottled water as well as to support the immediate needs of the community on the first day after Typhoon Hato had struck;
- Pledged a MOP60 million contribution, including MOP30 million from Galaxy Entertainment Group Foundation and a MOP30 million matching contribution from the Lui Che Woo Foundation to support the relief efforts of the Macau community and GEG team members during this stressful and catastrophic period; and
- Contributed to the local relief efforts by deploying trucks to assist with debris removal, and continually sending out GEG volunteers to help restore the Macau community through various clean-up efforts, delivery and distribution of food, water and other immediate needs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Since these typhoon incidents, Galaxy Entertainment Group Foundation has provided funding assistance to over 20 non-profit organizations and social service groups in Macau, including the Macau Red Cross, the Macau Special Olympics, Caritas de Macau, the Fuhong Society of Macau, the General Union of Neighborhood Association of Macao, the Macau Federation of Trade Unions, the Women's General Association of Macau, etc., and other non-profit organizations and schools referred respectively by the Social Welfare Bureau and Education and Youth Affairs Bureau. In addition, close to 2,000 Typhoon Financial Assistance applications from team members were also received and approved.



Over 400 GEG volunteers joined the Typhoon Hato relief efforts in severely affected area where they delivered food and water to the elderly and citizens in need; cleared trash, branches and broken debris; assisted households with clean-ups; and distributed information on post-typhoon support to residents



GEG supports typhoon recovery and visits Macau Red Cross to discuss disaster preparedness efforts

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Responsible Gaming

GEG remains devoted to support the Macau SAR Government's responsible gaming measures. By making responsible gaming a key part of its daily operation, GEG ensures that relevant laws and regulations are properly implemented to enable more informed and sensible gambling choices to help patrons maximize their enjoyment.

The Group provides team members with ongoing training courses and workshops to deepen their understanding of the nature of responsible gaming and empower them to:

- Identify behaviors in relation with gambling disorders;
- Enforce measures for preventing underage individuals who are below 21 years old from gambling; and
- 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.

In support for responsible gaming, GEG works closely with external parties to raise awareness amongst team members and guests. Examples of activities arranged in 2017 include:

- Cooperated with Associação de Juventude Voluntária de Macau to organize a responsible gaming promotion featuring "Gambling with Borrowed Money is Harmful" where 900 participants joined;
- Organized a "Responsible Gaming Online Refresher Training 2017" for 9,890 frontline gaming team members;
- Hosted a "Responsible Gaming Knowledge Quiz" participated by over 500 team members; and
- Organized the "5th Responsible Gaming Awareness Week" to emphasize the importance of setting time limit and budget in gambling. The event attracted over 2,000 team members to participate this year.



GEG collaborated with Sheng Kung Hui Gambling Counseling and Family Wellness Centre on launching seven roadshows on "Love Your Family, Gamble Responsibly"

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 (“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 in their communities.

In 2017, the Foundation approved the GEG Sign Bilingualism Co-enrolment Pilot Scheme to be trialed at one creche and one kindergarten in Macau. The Scheme will, in 2018, co-enroll hearing-impaired children in inclusive classrooms co-taught by a teacher and a deaf teaching assistant, enabling deaf and hearing children to learn together with both spoken and sign languages. Under co-enrolment, hearing-impaired children will be able to build up a solid language foundation through using sign language, which in turn will enhance their overall literacy and language ability. Hearing children in the class are also expected to benefit as their early language development will be enhanced through learning sign language, while developing increased empathy for the less fortunate.

Launched in 2016, The “GEG Chinese Literacy Development Pilot Scheme” is now in its second year. Assessments for almost 1,000 children from K1-3 at the Scheme’s two seed schools were conducted in 2017 to develop a language corpus for the schools and identify students who are at risk of having language and literacy problems. Teachers at the two seed schools who had undergone advanced training had begun group intervention for at-risk K3 students. A series of age-specific Parent Seminars focused on helping parents understand how they can play a role in building their child’s language skills outside of the classroom are also being conducted.

Education and Culture

GEG continued to support Macau SAR Government’s programs and policies on youth and talent development by working with various parties to empower through learning and education. Key initiatives taken by GEG during 2017 include:

- Sponsored a seven-day Asian City Study Tour to Seoul, South Korea for winners of the “6th GEG Youth Achievement Program” Final Competition;
- Organized a GEG Internship Program Appreciation Gathering to commemorate the achievements of interns who completed their internships in the first half of 2017;
- Cooperated with the Labor Affairs Bureau on conducting workplace tours at Galaxy Macau™ for participants of the Labor Affairs Bureau’s “Facilities Maintenance Techniques Training Plan”;
- Organized seminars on “Strategic Management” and “Data Analysis and Business Problem Solving” for Hotel and Housekeeping students of the University of Macau; and
- Assisted students from the Institute for Tourism Studies in organizing a fundraising dinner for ANIMA, during which a number of the institutes’ Culinary Arts Management students got the opportunity to work with Galaxy Macau™ Chefs in preparing the event’s dishes for guests and donors.

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GEG sponsored the Asian City Study Tour for YAP members to South Korea. They visited Seoul Global Startup Center and exchanged their ideas and experiences with the experts and entrepreneurs there

Charitable Activities

Driven by its corporate citizenship goal, GEG continues to maintain partnership with Macau's various organizations as a means of community involvement. In 2017, GEG offered support to various charity groups, including but not limited to the following (in alphabetical order):



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

Mr. Francis Lui, Deputy Chairman of GEG; Mr. William Yiu, Executive Director of the Galaxy Entertainment Group Foundation; and Ms. Catherine Lu, Assistant Vice President of Corporate and Community Relations in the Public Relations Department of GEG (fifth to seventh from left), presented a cheque for MOP2.3 million to Tung Sin Tong's President, Mr. Chui Sai Cheong; Vice President, Mr. Chui Sai Peng; and Directors, Ms. Fok Lai Si and Mr. Mok Chi Wai (fourth to seventh from right)

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Sports Development

In advocating a healthier and better quality of life, GEG has been working closely with the Macau SAR Government and the local community on a number of initiatives. These initiatives are focused on enhancing cultural diversity, tourism, sports development as well as social harmony within the city.

GEG has supported Macau's various sports and community events during 2017, including:

- Title sponsored the "FIVB Volleyball World Grand Prix™ Macau" for the 12th year;
- Title sponsored the "Macau Galaxy Entertainment International Marathon" for the 14th consecutive year with over 900 GEG team members taking part;
- Celebrated the 7th consecutive year as title sponsor for the "2017 Galaxy Entertainment Special Olympics Table Tennis Competition" for intellectually handicapped persons to strengthen their physical fitness, skills and relationships through sport; and
- Sponsored the "Macau Special Olympics Golf Masters", which is the world's largest golf tournament for special needs athletes and which promotes and encourages social acceptance of persons with disabilities.



The "2017 Galaxy Entertainment Special Olympics Table Tennis Competition" promotes social inclusion and public awareness on persons with disabilities by creating a platform for GEG Table Tennis team members to engage in friendly matches with Macau Special Olympics athletes

COMPLIANCE WITH LAWS AND REGULATIONS

GEG operates in strict compliance with the rules and regulations of the Macau SAR Government and the Hong Kong SAR Government. Policies and procedures including a Code of Conduct have been put in place to ensure that GEG operates with high integrity and business ethics.

Anti-Money Laundering & Corruption

GEG applies a high ethical standard in conducting its business and has adopted industry good practices in anti-money laundering ("AML"), combating finance of terrorism ("CFT"), anti-bribery and anti-corruption. An Anti-Bribery and Anti-Corruption Policy is in place and provides team members with guidance on how to handle business dealings with government officials and other individuals and entities. Any form of payment, gift or offer in the form of a bribe or corrupt act under respective laws and regulations are strictly prohibited.

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GEG's policies and procedures are conveyed to all team members through various internal channels. Our commitment in acting with high integrity and honesty are extended to our business partners. GEG obliges team members and independent third parties who work on its behalf to undertake due diligence investigation on its business partners, to ensure full compliance with the AML and CFT Policy approved by the Macau Gaming Inspection and Coordination Bureau.

In addition, GEG conducts training and workshops regularly to team members in an effort to educate and keep them updated with the latest regulatory developments. Such training is mandatory for all team members who are encouraged to report identified or suspected non-compliance and misconduct, including suspicious financial activities and transactions, to relevant departments, in accordance with standard operating procedures. Examples of the training courses arranged by GEG during 2017 include:

- AML and CFT Compliance Program workshops for new hires and targeted team members as an annual refresher and ad-hoc training; and
- Courses focusing on Know Your Customer (KYC), due diligence, transaction reporting, Junket Risk Assessment and National Risk Assessment to strengthen risk management.



GEG became the first gaming operator in Macau to invite the Gaming-related Crimes Division of the Judiciary Police to conduct a "Gaming Crime Prevention Workshop" for its front-line team members

Protecting Customer Privacy

GEG safeguards intellectual property rights and personal data. In full compliance with the Personal Data (Privacy) Ordinance of the Hong Kong SAR and the Personal Data Protection Act of Macau SAR, GEG utilizes different contractual vehicles such as confidentiality agreements and mutual non-disclosure agreements to protect intellectual property rights and confidential information from loss, leakage and misuse.

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

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TEAM MEMBERS ENGAGEMENT

Diversity

As an employer that embraces inclusivity and equal opportunity, GEG places great importance in ensuring that diversity in gender, age, qualifications and experiences is met throughout the recruitment process. GEG boasts a balanced and dynamic team, a majority of which are 30 years old or above and who are both skilled and experienced.

Working Environment

GEG endeavors to promote a healthy work-life balance and create a supportive and comfortable workplace for all team members. Positioning itself as a family-friendly employer, GEG offers a flexible work plan that enables team members to reduce their working hours so that they work and develop their careers while reserving more time to spend with their family. In addition, the Group has also set up breastfeeding facilities at Galaxy Macau™, Broadway Macau™ and StarWorld Macau that provides a private, safe, comfortable and hygienic area for nursing mothers who have returned to work, to fulfill their aim of supporting their child and family. Other highlights of GEG's initiatives in 2017 include:

- Receiving a "Family-Friendly" Employer Award from the Women's General Association of Macau;
- Hosting a "GEG Professional Development Recognition Ceremony" to celebrate the achievements of over 1,500 team members who participated in the 2016/2017 GEG Leaders Program, GEG Management Skills Program and GEG Sales Program;
- Hosting and organizing "Galaxy Got Talent 2017" to showcase team members' talents, promote teamwork, and foster a sense of belonging; and
- Organizing the fourth GEG Staff Social Club "Annual CNY Soccer Fun Day" to cultivate camaraderie between teams and to bring families and friends together.



GEG hosted the "GEG Professional Development Recognition Ceremony" for team members who participated in the "2016/2017 GEG Leaders Program", "GEG Management Skills Program" and "GEG Sales Program". The three programs attracted over 1,500 participants, of which over 80% are Macau local residents. Around 200 participants had received at least one promotion opportunity

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Labor Standards

GEG recognizes people as its most important assets. With robust policies and procedures in place, GEG requires strict compliance with relevant rules and regulations as set out in the “Labor Relations Law” and “Labor Legislation” of the Labor Affairs Bureau of the Macau SAR Government and the Labor Department of the Hong Kong SAR Government, respectively. In addition, GEG aims to go beyond minimum government requirements to build a positive and supportive workplace for its team members, by providing benefits and support such as early leave options, training allowance and bereavement leave.

Examples of ongoing/new arrangements and initiatives in 2017 are:

- Employee Assistance Program for supporting the team members for work or personal problems that impact their job performance, health, emotional and mental well-being;
- Medical Benefits coverage;
- Grievance Policy and Process;
- Promotions and Transfer Policy;
- Flexible work plans and other employment arrangements to suit the work and family commitment of the team member and business; and
- Breastfeeding facilities in workplace.

Additionally, GEG celebrates the success of team members who exhibit outstanding performance beyond their call of duty, through “Star of the Month”, “Star of the Quarter” and “Star of the Year” programs.

Team Member Health and Safety

Occupational health and safety is a top priority of the Group. Safety procedures and controls at GEG have been established based on an operational risk-based assessment and are in full compliance with relevant laws and regulations. In particular, the safety management system in one of the Group’s properties, Galaxy Macau™, has been established in accordance with Factories and Industrial Undertakings (Safety Management) Regulation and has achieved the OHSAS 18001 Certification by British Standards Institution (BSI) since 2015.

Furthermore, work-related safety performance including accidents, injuries and near-misses are monitored and reported by GEG to drive continuous improvement in health and safety practices.



GEG received the Silver Award for Organization Safety Performance in the “2nd DSAL Catering Industry Occupational Safety and Health (OSH) Program” operated by the Labor Affairs Bureau of the Macau SAR Government. GEG is the only corporation being recognized with the Award for two consecutive years

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Talent Management

The Group provides training and development opportunities that support team members to achieve both vertical and lateral career paths. Our talent development focuses 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 its properties.

Our Organizational Development & Training strategy focuses on:

- **Stakeholder Engagement** – continuous partnership and engagement with customers, leaders, team members and the community to ensure the achievement of mutually beneficial outcomes for all.
- **Capability Development** – building the capabilities of our team members 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 team member development and business outcomes.
- **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 developed a substantial training curriculum designed to be delivered through a range of learning methods and in 2017 provided the following development initiatives:

- **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 their careers to become highly competent Supervisors, Managers and Leaders. These programs develop GEG core leadership competencies and shape the company culture.
- **Governance Programs** that support the social development of Macau and corporate governance of GEG. These are compulsory for all targeted team members and include Responsible Gaming Program, Anti-Money Laundering, Combating the Finance of Terrorism, Information Management Awareness Program, Payment Card Data Security & Health & Safety.

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- **Gaming & Hospitality Operations and Job Skills Programs** that are conducted through internal & external training events including guest service and sales programs to enable team members to obtain the essential knowledge, skills and competencies required for their role.
- **Talent Management Programs** that focus on the vertical and horizontal progression of local team members. They support team members to transit careers from Gaming to Non-Gaming operations and support the development of upward movement of local team members into management and leadership positions.



Galaxy Macau™ Food & Beverage Department and Organization Development & Training Department specially designed and held a Culinary Foundation Program to help Junior Chefs, Chefs de Partie and Sous Chefs enhance their culinary skills and professional knowledge of kitchen management

GUEST ENGAGEMENT

Aspiring to be a leader in the gaming and entertainment industry, GEG operates by its “World Class, Asian Heart” service philosophy. Acting with a deep personal respect for every individual that connects with the Company, GEG has consistently outperformed and led the market in Macau by anticipating customer needs, committing itself to doing its best, delivering exceptional experiences to guests, and acting with prudence, efficiency, integrity and a sense of urgency.

GEG follows closely its internal policies and relevant rules and regulations particularly those related to customer health and safety. In addition, GEG adopts a variety of channels to proactively seek feedback and collect suggestions from its guests to enhance service quality. Examples include:

- Encouraging customer feedback and rating through various channels such as comment cards, e-mails and various social media platforms;
- Implementing mystery shopping as a tactic to evaluate service quality and gauge customer satisfactory, and to assess compliance with laws and procedures and the overall consumer experience at all GEG properties; and
- Setting up hotlines and appointing quality assurance managers to monitor and address possible guest enquires and complaints in a timely manner.

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Customer Health and Safety

To protect the health and safety of customers and uphold the quality of its products and services, GEG has implemented a robust quality mechanism including policies, procedures and standards, specifically relating to quality management. These requirements are communicated to and followed by all team members and all independent third parties who work on GEG's behalf.

In light of the gunman attack in Resort World Manila which happened in June 2017 and the shooter incident at Las Vegas in October 2017, GEG partnered with the Macau SAR Government in planning and conducting Macau's first large-scale, joint contingency drill at Galaxy Macau™ in the early hours on 23 January 2018. Code-named "Wolf Hunting", the exercise was conducted as part of the Macau SAR Government's efforts to strengthen the coordination between public departments and the city's gaming operators, as well as to optimize the response measures in case of unexpected incidents in casinos such to guarantee the safety of residents, tourists and their respective property. A total of 350 personnel (including over 100 GEG team members), participated in the exercise, which simulated an armed robbery in a Galaxy Macau™ public area, with four criminals who attacked a passer-by before escaping into a crowded hotel lobby where they held people hostage, issued a bomb treat, and simulated multiple injuries.

SUPPLIER MANAGEMENT

One of GEG's key goals is to deliver sustainable value to its stakeholders. To achieve this, GEG has put in place robust protocols and procedures to ensure that it sources goods and services responsibly and in compliance with relevant laws and regulations, including those on bribery prevention. All team members are encouraged and tasked to report any possible corruption offences to Macau's Commission Against Corruption ("CCAC"). Suppliers are requested to declare any conflicts of interest.

To work collectively with the suppliers in driving sustainable growth, GEG prefers to work with suppliers that:

- Control and mitigate adverse environmental impacts;
- Improve resource utilization efficiency while preventing pollution and reducing waste production; and
- Achieve or exceed all relevant legal obligations and codes of practice.

GEG reviews the performance of its suppliers on a regular basis and requires its suppliers and service providers to adhere to Macau's laws and regulations including those related to occupational health and safety when entering GEG's properties. Additionally, to protect their customer's well-being, the Group undertakes meticulous measures to ensure the safety of the products and services at source. Recently, GEG added a new criterion to measure the safety performance rating and environmental performance rating of individual vendors, and include it as part of the vendor performance appraisal process for food and beverage, products and services vendors.

To support local economic growth and the Macau SAR Government's policy on nurturing the development of local small and medium-sized enterprises ("SMEs"), GEG prioritizes local SMEs in its procurement process. Under the approach of "large businesses leading small businesses for sharing of economic success", GEG has been operating a Local SME Partnership Program since last year. The program aims to provide opportunities for local SMEs to upscale their business through collaboration with GEG. Other achievements during 2017 include:

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- Over 280 SMEs, Made in Macau, and Young Entrepreneurs suppliers have become registered vendors with GEG and the number keeps increasing;
- Implementation of “ChoicePro”, a mobile application developed by the Macau Productivity and Technology Transfer Center (“CPTTM”) for tendering management to allow SMEs to explore business opportunities;
- Development and provision of the SME Promotion Scheme to GEG team members where over 40 SMEs participated with discount promotions extended to over 20,000 team members; and
- Launch of the Supplier Development Program, which is currently in progress in helping the Group’s SME partners improve their supply chain strategy and network design, demand management, quality assurance, product range, product competitiveness, and performance management, etc.

PROTECTING THE ENVIRONMENT

In addition to complying with the local environmental laws and regulation, GEG also established and enforced numerous internal polices to institute GEG’s environmental protection objective across all of its properties. Examples of GEG’s progress in strengthening environmental performance include:

- Continued to implement the Environmental Policy, as well as the Environmental Protection and Energy Conservation Policy across all GEG properties;
- The “Environmental Committee” and “Energy Management Committee” at Galaxy Macau™ continued to implement sustainability programs to drive continuous performance improvement. This helped Galaxy Macau™ maintain its ISO14001 Certification by BSI;
- StarWorld Macau developed an Environmental Protection Statement in line with the Group’s environmental program in recognition of environmental sustainability as an integral part of the Group’s business strategy;
- StarWorld Macau obtained the ISO14001:2015 Certification by SGS and established an “Environmental, Health & Safety Committee” to govern the system policy and guidelines, as well as to drive the system implementation;
- GEG continued to:
 - o Comply with applicable environmental requirements and legislations while striving to develop conservation processes beyond the required standards; and
 - o Conduct the business in a manner which sustainably utilizes natural resources to reduce the Group’s carbon footprint.

In support of the environmental policies of the Macau SAR Government and the objective of turning Macau into a green city, GEG joined the city’s gaming operators in launching new energy/electric shuttle bus services, for which the trial run began on 19 September 2017 with the Cotai Connection route.

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Galaxy Macau™ launched its first Sustainability Award Program to encourage team members' adoption of water and energy saving initiatives in their daily work, to improve their environmental health and safety awareness and establish appropriate workplace conditions and standards, as well as to give recognition to those who help improve the workplace and demonstrate exemplary conservationist behavior

Emissions and Energy

Committed to enhancing its energy efficiency, GEG has implemented various initiatives across its properties. These include:

- De-lamping, retrofitting with more environmentally-friendly and highly efficient LED lights;
- Using automated lighting and temperature controls; and
- Optimizing air systems and chiller plants.

Specifically, the optimization of the chiller plants has reduced the overall operating hours and refrigerant utilization. During the reporting period, GEG achieved a total of 15,816,720 kWh of energy savings.

Water

GEG has adopted water efficiency measures to reduce consumption at its properties. These include installing highly efficient water fixtures and fittings in the hotel rooms, improving the water systems to stream hot water, and enhancing the overall cover water management. The installation of the new water fixtures and fittings decreased the water flow rate by 40%, which significantly reduced GEG's overall water consumption by 151,654 m³.



To support the United Nations' Sustainable Development Goals and the World Water Day, GEG held its first World Water Day Photo Contest to raise awareness of water-related issues and promote good water-conservation habits among its team members

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Waste

GEG is committed to managing waste responsibly by encouraging waste reduction and recycling. The Group monitors and reviews its properties' waste production on a continuous basis to identify opportunities for waste reduction. During the year, Galaxy Macau™ established a "4R" (Reuse, Recycle, Renew and Rethink) Management Committee, presided by the senior management. The purpose of this committee is to set a tone from the top on waste reduction, reuse and recycling, particularly for general and food waste.

To practice sustainable food waste management, the Group has installed a new processing machine at StarWorld Macau. The machine reduces waste volume by 80% by storing and recovering food waste, which the property donates to an external vendor for further processing into fish feed.

Environmental performance data for GEG for the year ended 31 December 2017:

Environmental KPIs	Unit	GEG*
NOx emissions	tonne	0.377
SOx emissions	tonne	0.002
Total greenhouse gas emissions	tonne CO ₂ e	320,919
Greenhouse gas emissions (Scope 1)	tonne CO ₂ e	16,253
Greenhouse gas emissions (Scope 2)	tonne CO ₂ e	304,666
Total hazardous waste produced	tonne	6
Total non-hazardous waste produced	tonne	24,295
Total energy consumption	GJ	1,436,890
Total energy consumption intensity	GJ/m ²	1.15
Total direct energy consumption	GJ	224,959
Liquefied Petroleum Gas (LPG)	GJ	93,839
Diesel	GJ	131,120
Total indirect energy consumption	GJ	1,211,931
Purchased electricity	GJ	1,211,931
Water consumption	m ³	3,921,084
Water consumption intensity	m ³ /m ²	3.15

* Includes GEG gaming and entertainment segment, namely Galaxy Macau™, Broadway Macau™ and StarWorld Macau.

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Selected Major CSR Awards of GEG Group

Awardee	Award	Event	Organizer
GEG	Family-Friendly Employer Award	Family-Friendly Employers Award Scheme	The Women's General Association of Macau
GEG	2nd Runner-up	9th Guangdong, Hong Kong & Macau Safety Knowledge Competition – Macau Leg	Labour Affairs Bureau
GEG	Silver Award for Organization Safety Performance	DSAL Catering Industry Occupational Safety and Health Program	Labour Affairs Bureau
Galaxy Macau™	Environmental Performance Gold Award	5th Business Awards of Macau	De Ficção Multimedia Projects & Charity Association of Macau Business Readers
Broadway Macau™	Champion (Hotel Group B)	Macau Energy Saving Contest 2017	CEM & GDSE
Broadway Macau™	Energy Saving Concept Award (Hotel Group)	Macau Energy Saving Contest 2017	CEM & GDSE
StarWorld Macau	Excellence Award (Hotel Group B)	Macau Energy Saving Contest 2017	CEM & GDSE
StarWorld Macau	Continuous Energy Saving Award (Hotel Group)	Macau Energy Saving Contest 2017	CEM & GDSE

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CONSTRUCTION MATERIALS DIVISION

Sustainability Strategy

As GEG's construction materials division and one of the main contributors to GEG's sustainability journey, K. Wah Construction Materials Limited ("KWCM") adopts a sustainability strategy that aligns with GEG's clear vision for corporate social responsibility. KWCM ingrains corporate sustainability in its day-to-day business operations to create long-term value for its stakeholders. KWCM aims beyond compliance by incorporating economic, environmental and social considerations in business decision making and strives to meet and exceed the expectations of stakeholders.

KWCM's corporate social responsibility efforts are built upon a value creation model, which is underpinned by four core sustainability drivers, namely safety and environment, business economics, our people and CSR. The sustainability approach is reinforced through KWCM's close interaction and ongoing engagement with key stakeholders. KWCM utilizes the feedback received to improve its performance and to preserve high standards of sustainability.

During the reporting period, KWCM continues to drive momentum in strengthening its CSR awareness and culture, and making progress in each core area of sustainability. It also strives to improve efficiency along its value chain while delivering effective and innovative solutions with greater considerations on sustainability.

As a key consideration in driving sustainability, KWCM works to create a healthy, safe, and environmentally friendly workplace for its team members. This is demonstrated by KWCM's supply chain management processes wherein the relevant health, safety and environmental ("HSE") requirements are embedded within its production process. As such, only hazard-free products are considered in the procurement process.

KWCM's commitment to HSE protection is further exhibited by its nomination in the "Best Practice Competition" as part of the Annual HSE Forum where 12 HSE best practices were shortlisted and evaluated. Three awards namely "Excellence", "Enthusiasm" and "Innovation" were set up to acknowledge outstanding health and safety practices. In addition, the forum offered a new platform which enabled GEG and KWCM to share their knowledge and experience on how to approach sustainability in line with their companies' goals and visions.

In 2017, KWCM continued the implementation of the "work-life balance week" which attracted 30 volunteers from the company to visit 15 disadvantaged elderly couples in Kwai Chung, Hong Kong.

Following GEG's vision and initiatives to be a responsible corporate citizen, KWCM continues to support and participate in social investment initiatives with various non-governmental organizations, including Cycle for Millions and Hong Kong Mine Challenge 2017. In the same year, KWCM won the "Caring Company Award" for the 15th consecutive year in recognition of its proactive and continuous efforts in giving back to the community.

For further details regarding KWCM's sustainability performance, please refer to the sustainability report on KWCM's corporate website.

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Environmental performance data for KWCM for the year ended 31 December 2017:

Environmental KPIs	Unit	KWCM*
NOx emissions	tonne	2,804
SOx emissions	tonne	123
Total greenhouse gas emissions	tonne CO ₂ e	515,291
Greenhouse gas emissions (Scope 1)	tonne CO ₂ e	253,658
Greenhouse gas emissions (Scope 2)	tonne CO ₂ e	261,634
Total hazardous waste produced	tonne	25
Total non-hazardous waste produced	tonne	28,740
Total energy consumption	GJ	4,476,166
Total direct energy consumption	GJ	3,430,931
Coal	GJ	2,272,423
Blast furnace gas	GJ	977,853
Liquefied Petroleum Gas (LPG)	GJ	159
Natural gas	GJ	173
Diesel	GJ	175,891
Petrol	GJ	4,433
Total indirect energy consumption	GJ	1,045,235
Purchased electricity	GJ	1,045,235
Water consumption (Head office)	m ³	214
Water consumption intensity (Head office)	m ³ /m ²	0.002

- * Air emission (NOx and SOx) data cover the actual performance data of all operations under KWCM direct management control.
- * Waste data covered the actual performance data of KWCM Head Office, all regional offices and all operations under KWCM direct management control. Hazardous waste included chemical waste collected by licensed chemical waste collector for disposal in accordance with statutory procedures.
- * Energy and greenhouse gas emission data covered the actual performance data of KWCM Head Office and all operations under KWCM direct management control; data from two cement operations in Yunnan Region which are not under KWCM's direct management control are also included given their significant contribution to greenhouse gas emissions and in accordance with statutory procedures in China.
- * Please refer to KWCM's Sustainability Report 2017 for more information on KWCM's environmental performance.



KWCM Social Club formed a volunteer team to visit the elderly at Kwai Chung Neighbourhood Elderly Centre and enjoy Dim Sum and play games with them at a Chinese restaurant.



Enhancing the connection between regions, the 4th HSE Annual Conference 2017 was successfully held in Qinhuangdao.

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Selected Major CSR Awards of KWCM

Awardee	Award	Event	Organizer
K. Wah Construction Materials (Hong Kong) Limited	15 Years Plus Caring Company Logo	Caring Company Scheme	The Hong Kong Council of Social Service
K. Wah Construction Materials (Hong Kong) Limited	SE 2017 Supporter	2017 Tithe Ethical Consumption	Fullness Social Enterprises Society/ Tithe Ethical Consumption
K. Wah Construction Materials (Hong Kong) Limited	Wastewi\$e Certificate – Excellence Level	Hong Kong Green Organisation Certification	Environmental Campaign Committee
K. Wah Construction Materials (Hong Kong) Limited	Joyful@Healthy Workplace Best Practices Award – Enterprise/ Organization Category – Merit Award	Occupational Health Award 2016-17	Labour Department/ Occupational Safety and Health Council
K. Wah Construction Materials (Hong Kong) Limited	Certificate of Recognition	Sustainable Consumption Enterprise	Business Environment Council Limited
K. Wah Construction Materials	Sustainable Business Partner 2017	HSBC Living Business	The Hongkong and Shanghai Banking Corporation Limited
K. Wah Construction Materials (Hong Kong) Limited	Green Office Label	Green Office Awards Labelling Scheme (GOALS)	World Green Organisation
K. Wah Construction Materials (Hong Kong) Limited	2017 Corporate Partnership Award	2017 Corporate Partnership Award Presentation Ceremony	Evangelical Lutheran Church Social Service – Hong Kong
KWP Quarry Co. Limited	Platinum Award	Charter on External Lighting	The Environment Bureau
K. Wah Quarry Company Limited	Safety Performance Award – Small and Medium Enterprises	16th Hong Kong OSH Award	Occupational Safety and Health Council
K. Wah Construction Materials (Hong Kong) Limited	Environmental Performance Award – Certificate of Merit	HKCMA Director's Awards for Health and Safety & Environmental Excellence 2016-2017	Hong Kong Construction Materials Association Limited

BIOGRAPHICAL INFORMATION OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Lui Che Woo, *GBM, MBE, JP, LLD, DSSc, DBA*, aged 88, 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. Furthermore, Dr. Lui is Honourary Trustee of Peking University, Founding Honorary Patron of The University of Hong Kong Foundation for Educational Development and Research, Member of the Board of Trustees of United College of the Chinese University of Hong Kong, Honorary Member of the Court of Hong Kong University of Science and Technology, Honorary Life Chairman of the Hong Kong Polytechnic University Foundation and Member of the Court of the Hong Kong Polytechnic University, Member of the Board of Directors of Fudan University and Life Honorary Chairman of Wuyi University Board of Trustees. Dr. Lui is the father of Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu.

Mr. Francis Lui Yiu Tung, aged 62, 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.

BIOGRAPHICAL INFORMATION OF DIRECTORS

Mr. Joseph Chee Ying Keung, aged 60, 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. Mr. Chee was the member of the 11th Yunnan Provincial Committee of the Chinese People's Political Consultative Conference. He has been elected as a member of the Standing Committee of the 12th Yunnan Provincial Committee of the Chinese People's Political Consultative Conference in January 2018. He is currently an advisor of the board and served as a board member (from 2010 to 2017) of Pneumoconiosis Compensation Fund Board. He is the Chairman of Hong Kong Construction Materials Association and the Honorary President of Hong Kong (Asia) Youth Association. Mr. Chee is also the Chairman of Hong Kong Contract Quarry Association since 2011 where he also served as the Chairman from 2002 to 2008. 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.

Ms. Paddy Tang Lui Wai Yu, *BBS, JP*, aged 63, 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. 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 and a non-executive director of the Mandatory Provident Fund Schemes Authority. 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 81, 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, China Taifeng Beddings Holdings Limited (appointed on 20 April 2017), Jiayuan International Group Limited, Modern Dental Group Limited, Pioneer Global Group Limited, Universal Technologies Holdings Limited and Fullsun International Holdings Group Co., Limited (formerly known as U-RIGHT International Holdings Limited) (appointed on 14 December 2017), 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 Grand T G Gold Holdings Limited from July 2009 to March 2016 and an executive director of Roma Group Limited from June 2017 to December 2017, both of which are listed on the growth enterprise market of the Stock Exchange.

BIOGRAPHICAL INFORMATION OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. James Ross Ancell, aged 64, 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 Fellow of Chartered Accountants Australia and 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.

Dr. William Yip Shue Lam, LLD, aged 80, 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 69, 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, Li Bao Ge Group Limited, National Arts Entertainment and Culture 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, Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Ltd.) from June 2004 to October 2016, Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited from June 2010 to June 2017 and Real Nutraceutical Group Limited from March 2008 to October 2017, all are listed on the Hong Kong Stock Exchange.

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 31 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 31 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 33 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 U.K., South-East Asia and Australia.

Richard Longhurst, Director – Operations, Galaxy Macau™ and Director – Gaming Development and Optimization Services. He has over 28 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 37 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 26 years of experience in gaming. Previously, he held senior management positions with a number of resort and gaming companies in the USA.

Elmen Lee, Senior Vice President – Business Development. He has over 25 years of experience in international marketing, casino marketing and hotel operations management gained from the gaming and hospitality industries. Previously, he held senior management position with a gaming and entertainment company in Australia prior to rejoining us.

Jason Barry, Senior Vice President – Table Games, Galaxy Macau™. He has over 26 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 21 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 33 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, emphasizing on effective risk management and internal control to safeguard the interests of shareholders, 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”) except the deviation is disclosed and explained in this report.

THE BOARD

The Company’s vision is to be “Globally recognized as Asia’s leading gaming and entertainment corporation”. This vision will be achieved through the business philosophy stated in the inside front cover of this annual report.

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 which is accountable to the shareholders, 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 49 to 51 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, all key issues are discussed and addressed to in a timely manner and information is provided timely, adequately and accurately. The Deputy Chairman supports and assists the Chairman in performing the above tasks and, together with the Managing Director of the Construction Materials Division, to develop strategic operational plans to implement the Company’s strategies and priorities. The Deputy Chairman leads and oversees the day-to-day management of the Group’s gaming and hospitality 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. The Company believes that the current Board composition is well-balanced and of a diverse mix appropriate for the business of the Company.

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 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, exercise independent judgment and devote sufficient time and attention to the Company's affairs are also criteria for selecting non-executive directors. The responsibility in nominating new Directors to the Board, reviewing the size, structure and composition of the Board and proposing 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, Professor Patrick Wong Lung Tak and Dr. Charles Cheung Wai Bun 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, Professor Patrick Wong Lung Tak, 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 3 May 2018. During his tenure of service, Professor Wong has demonstrated his ability to provide independent views to the Company's matters. Professor Wong had made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is satisfied that Professor Wong 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 3 May 2018, Mr. Francis Lui Yiu Tung and Professor Patrick Wong Lung Tak 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. Having considered that (i) the Company has received from each of them an annual written confirmation of his independence; (ii) they were not involved in the daily management of the business; and (iii) there is no indication of relationship or circumstances that will impact their independent judgment, the Board considers each of independent non-executive directors 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 in 2017 to keep them abreast of the Group's recent development and operations. In addition, monthly updates on the market trend and information on the Company's development, finance and operations 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 offices and/or positions he holds in other public companies and organizations, 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 ("CPD") 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. In addition, attendance at external forum or briefing sessions (including delivery of speeches) on relevant topics also counts towards CPD training. 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, summarized 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 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 review of interim and annual consolidated financial statements including the accounting policies and practices adopted by the Company, key audit matters to be disclosed in the Independent Auditor's report, review of audit engagement letter, audit fee, audit strategy, significant accounting matters, internal audit annual plan with its resource requirements, reports from internal auditor on effectiveness of internal control systems and risk management and adequacy of resources, independence of external auditor, other financial and internal control matters and recommendation of the re-appointment of the Company's auditor.

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 with 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 HKEx.

The Remuneration Committee met once in 2017 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.

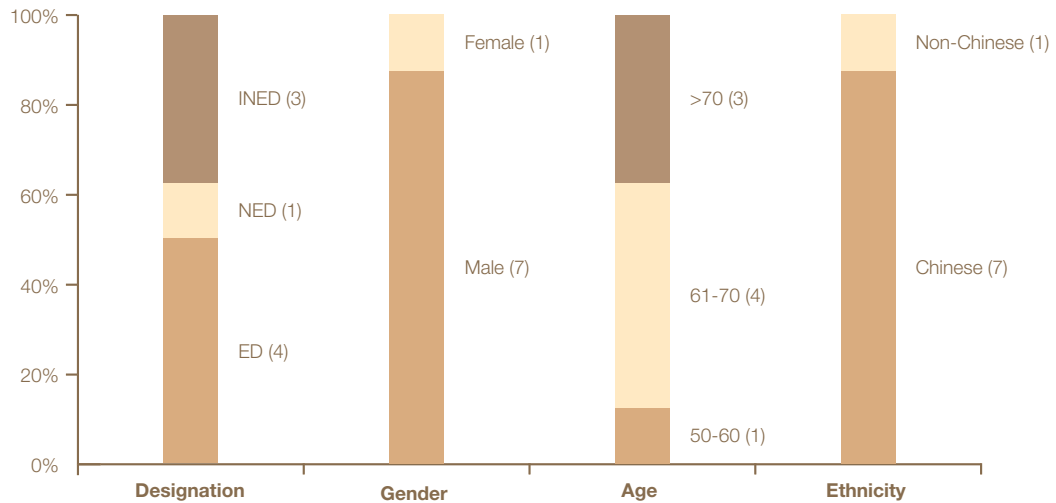
The principal work performed by the Remuneration Committee during the year included recommendation of Directors' fees by reference to the market data and participation in board committees, subject to approval of members at the annual general meeting; review and approval of remuneration policy, structure, 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 and qualifications, skills, knowledge and other qualities of Directors that the Nomination Committee may consider relevant and applicable from time to time towards achieving a diversified Board.

CORPORATE GOVERNANCE REPORT

The following chart shows the diversity profile of the Board as at 31 December 2017:



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 HKEx.

The Nomination Committee met once in 2017 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 nomination policy to ensure its effectiveness and application, structure, size and composition of the Board to ensure a balanced composition, skills and experience appropriate for the requirements of the businesses by the Company, assessing the independence of Independent non-executive Directors according to the relevant rules and requirements under the Listing Rules, and recommending the re-appointment of retiring directors. No Director will vote in respect of recommending his own re-appointment as director.

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.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Committee met once in 2017 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, shareholders communication policy, 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 Environmental, Social and Governance Report.

BOARD, BOARD COMMITTEES AND GENERAL MEETINGS

The Board schedules regular Board meetings in advance to give Directors the opportunity to participate actively. Directors are consulted for matters to be included in the agenda for regular Board meetings. Directors receive written notice of the meeting generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. Throughout the year, Directors also participate in the consideration and approval of any matter requiring the attention of the Board by way of circulation of written resolutions. Special Board meetings are convened as and when needed. 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.

All Directors have attended the Board, Board Committees and General Meetings held in the year under review, their attendance are set out in the following table:

	Board (4)	Audit Committee (2)	Remuneration Committee (1)	Nomination Committee (1)	Corporate Governance Committee (1)	Annual General Meeting (1)
Number of Meetings						
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

CORPORATE GOVERNANCE REPORT

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. All directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable rules and regulations are followed.

All draft and final minutes of Board meetings and Board Committees meetings with records in sufficient details the matters considered and decisions made, are sent to Directors and Board Committees members for comments and approval. 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.

The Company Secretary sends updates on legislative, regulatory and corporate governance developments relevant 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 2017, 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 2017. Accordingly, the Directors have prepared the consolidated financial statements for the year ended 31 December 2017 on a going concern basis.

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

Independent Auditor's Responsibility

The external Auditor of the Company is PricewaterhouseCoopers, Certified Public Accountants. A statement by the Independent Auditor about their reporting responsibilities is included in the Independent Auditor's Report on the Company's financial statements on pages 81 to 85.

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 2017 are included in note 8 to the consolidated financial statements.

Fees for non-auditing services include HK\$1,707,000 for the services provided in respect of taxation and advisory services.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for maintaining a sound and effective risk management and internal control systems, and for reviewing their design, operational adequacy and effectiveness on a going 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 of internal for 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. 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.

Risk assessment exercise is performed annually through questionnaires and interview with senior executives and function heads to identify and evaluate significant risks of the Group. Appropriate risk mitigation actions are being taken to manage and control individual risks. Using a risk based methodology audit approach and with the result of the risk assessments, Internal Audit prepares the annual internal audit plan that is approved by 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 who takes immediate actions for rectification of deficiencies. 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.

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 employers, 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 2017, 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, considers that (i) the risk management and internal control systems of the Group are effective and adequate 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.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTMENT COMMUNITY

The Company places a great deal of emphasis 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 ensures 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 are 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 2017.

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 2017.

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 43 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement on page 86 of this annual report.

DIVIDENDS

Special dividends of HK\$0.26 and HK\$0.33 per share for the year ended 31 December 2017 were paid to the shareholders of the Company on 28 April 2017 and 27 October 2017 respectively.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

Total dividends paid to shareholders of the Company for the year ended 31 December 2017 were HK\$0.59 per share (2016: HK\$0.33 per share).

On 28 February 2018, the Board of Directors has resolved to declare special dividend of HK\$0.41 per share totaling approximately HK\$1,780 million, payable to shareholders whose names appear on the register of members of the Company on 29 March 2018. This special dividend is expected to be paid on or about 27 April 2018.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2017, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK\$3,843,347,000 (2016: HK\$2,404,570,000).

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 and 13 and Management Discussion and Analysis on pages 20 to 28 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 2017 are provided in note 40 to the consolidated financial statements.

REPORT OF THE DIRECTORS

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.

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 "Environmental, Social and Governance Report" on pages 29 to 48 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, 15,048,046 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, and 21,420,047 new ordinary shares were allotted for the purpose of satisfying the share awards granted under the share award scheme as mentioned in the section headed "Share Award Scheme" below.

DEALINGS IN LISTED SECURITIES

During the year 2017, the trustee of the Share Award Scheme, pursuant to the terms of the Trust Deed, purchased on the Stock Exchange of Hong Kong Limited ("the Stock Exchange") a total of 320,844 shares of the Company for a total consideration of approximately HK\$18.41 million for satisfying the share awards granted to the connected persons (as defined under the Rules Governing the Listing of Securities on the Stock Exchange), who are also employees of the Company. All 320,844 shares were subsequently transferred to those connected persons on the respective vesting dates of the share awards.

Save as disclosed, 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 2017.

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 49 to 51 of this annual report.

REPORT OF THE DIRECTORS

In accordance with Article 106(A) of the Articles of Association of the Company, Mr. Francis Lui Yiu Tung and Professor Patrick Wong Lung Tak 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).

Subject to the approval of shareholders at the forthcoming annual general meeting, the following directors' fees in respect of the year ended 31 December 2017 will be payable to the Directors:

	Chairman (HK\$)	Member (HK\$)
The Board	280,000	240,000
Audit Committee	200,000	160,000
Corporate Governance Committee	90,000	70,000
Nomination Committee	90,000	70,000
Remuneration Committee	100,000	80,000

A list of directors who have served on the boards of the subsidiaries of the Company included in the annual consolidated financial statements for the financial year ended 31 December 2017 during the year and up to the date of this report is available on the Company's website at www.galaxyentertainment.com.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed, no transactions, arrangements and contracts of significance in relation to the Group's business, to which the Company or its subsidiaries was a party and in which a Director or his or her connected entity has or had a material beneficial interest, whether directly or indirectly, subsisted at 31 December 2017 or at any time during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SECURITIES AND UNDERLYING SHARES

As at 31 December 2017, the interests or short positions of each Director in the shares, underlying shares and debentures of the Company, and the details of any right to subscribe for shares of the Company and of the exercise of such rights, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Shares (including underlying shares)

Name	Number of shares (including underlying shares)				Total	Percentage of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Lui Che Woo	33,735,744	2,181,518	363,726,401 ⁽¹⁾	1,362,225,231 ⁽²⁾	1,761,868,894	40.90
Francis Lui Yiu Tung	44,741,379	–	396,150,099 ⁽³⁾	1,362,225,231 ⁽²⁾	1,803,116,709	41.85
Joseph Chee Ying Keung	1,992,321	–	–	–	1,992,321	0.05
Paddy Tang Lui Wai Yu	13,881,607	–	–	1,362,225,231 ⁽²⁾	1,376,106,838	31.94
James Ross Ancell	250,000	–	–	50,000 ⁽⁴⁾	300,000	0.01
William Yip Shue Lam	250,000	–	–	–	250,000	0.01
Patrick Wong Lung Tak	–	–	–	–	–	–
Charles Cheung Wai Bun	–	–	–	–	–	–

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 settlor 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 discretionary beneficiaries of the discretionary family trust, are deemed to have an interest in those shares in which the trust has an interest.
- (3) 103,096,039 shares of the Company 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 directly and indirectly interested in a total of 121,138,039 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 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.

REPORT OF THE DIRECTORS

(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 2017, 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’ AND OTHER SHAREHOLDERS’ INTERESTS

As at 31 December 2017, the interests or short positions 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	22.59
CWL Assets (PTC) Limited	1,362,225,231	31.62
HSBC International Trustee Limited	1,363,000,491 ⁽¹⁾	31.64
Super Focus Company Limited	274,494,154	6.37
Lui Che Woo Foundation Limited	295,421,000	6.86
The Capital Group Companies, Inc.	258,163,000	5.99

Note:

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

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;
- (iii) 274,494,154 shares of the Company between CWL Assets (PTC) Limited and Super Focus Company Limited; and
- (iv) 295,421,000 shares of the Company between Lui Che Woo Foundation and Dr. Lui Che Woo.

Save as disclosed above, as at 31 December 2017, 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.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

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

(1) Purpose

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

(2) Participants

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

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

(3) Total number of shares available for issue

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

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

REPORT OF THE DIRECTORS

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme, is 305,078,727 shares, representing approximately 7.07% 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 2017	Exercise price (HK\$)	Exercise period
		Held at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified during the year ^(a)			
Employees ^(a) (in aggregate)	20 Apr 2011	424,668	-	424,668 ^(b)	-	-	-	13.82	20 Apr 2012 - 19 Apr 2017
	9 Jan 2012	2,411,340	-	2,214,339 ^(b)	-	33,668	163,333	14.22	9 Jan 2013 - 8 Jan 2018
	16 Mar 2012	1,403,000	-	103,000 ^(b)	-	-	1,300,000	20.10	16 Mar 2013 - 15 Mar 2018
	17 Jan 2013	6,853,924	-	2,999,011 ^(b)	-	55,333	3,799,580	32.50	17 Jan 2014 - 16 Jan 2019
	5 Jul 2013	60,000	-	-	-	60,000	-	37.45	5 Jul 2014 - 4 Jul 2019
	15 Jan 2014	125,000	-	-	56,000	-	69,000	77.75	15 Jan 2015 - 14 Jan 2020
	16 Jul 2014	66,000	-	-	-	-	66,000	62.75	16 Jul 2015 - 15 Jul 2020
	16 Jan 2015	356,333	-	81,330 ^(b)	99,335	-	175,668	39.86	16 Jan 2016 - 15 Jan 2021
	24 Dec 2015	19,005,667	-	3,447,115 ^(b)	1,445,512	254,000	13,859,040	24.80	24 Dec 2016 - 23 Dec 2021
	12 Sep 2016	5,085,441	-	15,249 ^(b)	324,167	74,147	4,671,878	28.35	12 Mar 2018 - 11 Sep 2022
	28 Dec 2016	7,153,000	-	127,665 ^(b)	605,000	36,000	6,384,335	33.49	28 Dec 2017 - 27 Dec 2022
	26 Jul 2017	-	1,314,000	-	32,000	-	1,282,000	46.95	26 Jul 2018 - 25 Jul 2023
	27 Dec 2017	-	4,698,000	-	-	-	4,698,000	62.36	27 Dec 2018 - 26 Dec 2023
Others (in aggregate)	9 Jan 2012	-	-	33,668 ^(a)	-	33,668	-	14.22	9 Jan 2013 - 8 Jan 2018
	17 Jan 2013	272,002	-	308,669 ^(a)	-	55,333	18,666	32.50	17 Jan 2014 - 16 Jan 2019
	5 Jul 2013	80,000	-	60,000 ^(a)	-	60,000	80,000	37.45	5 Jul 2014 - 4 Jul 2019
	24 Dec 2015	653,446	-	361,332 ^(a)	-	254,000	546,114	24.80	24 Dec 2016 - 23 Dec 2021
	12 Sep 2016	311,176	-	-	-	74,147	385,323	28.35	12 Mar 2018 - 11 Sep 2022
	28 Dec 2016	-	-	-	-	36,000	36,000	33.49	28 Dec 2017 - 27 Dec 2022
	27 Dec 2017	-	23,000	-	-	-	23,000	62.36	27 Dec 2018 - 26 Dec 2023
Total		65,175,398	7,701,000	15,048,046	2,562,014	0	55,266,338		

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\$45.51.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$43.85.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$56.00.

REPORT OF THE DIRECTORS

- e. Employees include associates of directors and the movements in the options held by each of the associates of directors during the year with exercise price and period shown above were as follows:

Name	Date of grant	Number of Options			
		Held at 1 January 2017	Granted during the year	Exercised during the year	Held at 31 December 2017
Eileen Lui Wai Ling	9 Jan 2012	1,000,000	–	1,000,000	–
	17 Jan 2013	400,000	–	–	400,000
	24 Dec 2015	594,000	–	–	594,000
	12 Sep 2016	224,540	–	–	224,540
	28 Dec 2016	204,000	–	–	204,000
	27 Dec 2017	–	130,000	–	130,000
Joanna Claudia Lui	27 Dec 2017	–	3,000	–	3,000

The weighted average closing price of the shares immediately before the date on which 1,000,000 options granted to Ms. Eileen Lui Wai Ling on 9 January 2012 and exercised during the year was HK\$45.48.

- f. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$47.35.
- g. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$46.44.

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 484,000 options granted on 20 April 2011 and exercised during the year 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.

REPORT OF THE DIRECTORS

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

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

	Fair value per option (HK\$)	Share price at date of grant (HK\$)	Exercise price (HK\$)	Standard deviation of expected share price return	Expected life of options	Expected dividend paid out rate	Annual risk-free interest rate
Granted on 26 July 2017							
– 1,412,000 options outstanding as at 31 December 2017	14.66	46.95	46.95	46%	3.5 to 4.5 years	2%	1.001% to 1.134%
Granted on 27 December 2017							
– 6,257,000 options outstanding as at 31 December 2017	17.03	61.65	62.36	39.5% to 40.1%	3.5 to 4.5 years	2%	1.550% to 1.657%

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

The closing prices of the Company's shares immediately before the date on which the share options were granted on 26 July 2017 and 27 December 2017 were HK\$47.90 and HK\$61.95 respectively.

SHARE AWARD SCHEME

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

(1) Purpose and Participants

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.

REPORT OF THE DIRECTORS

(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.

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, 379,100, 45,400 and 1,576,500 share awards were granted to the Directors of the Company, associates of Directors and employees respectively.

21,420,047 shares of the Company ("Shares") were allotted to the trustee of the Share Award Scheme at a price of HK\$0.01 each and 320,844 Shares were purchased by the trustee on the Stock Exchange for a total consideration of approximately HK\$18.41 million, of which 21,040,096 shares were transferred to the award holders upon vesting of the awarded shares. As at 31 December 2017, the trustee held 700,795 Shares for the Share Award Scheme.

REPORT OF THE DIRECTORS

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 2017 were as follows:

Name	Date of grant	Number of Awards					Held at 31 December 2017	Vesting Date	Closing price at date of grant (HK\$)
		Held at 1 January 2017	Granted during the year	Vested during the year	Lapsed during the year	Re-classified during the year ^(a)			
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
	27 Dec 2017	-	70,766	-	-	-	70,766	27 Dec 2018	61.65
	27 Dec 2017	-	70,766	-	-	-	70,766	27 Dec 2019	61.65
	27 Dec 2017	-	70,768	-	-	-	70,768	27 Dec 2020	61.65
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
	27 Dec 2017	-	50,066	-	-	-	50,066	27 Dec 2018	61.65
	27 Dec 2017	-	50,066	-	-	-	50,066	27 Dec 2019	61.65
	27 Dec 2017	-	50,068	-	-	-	50,068	27 Dec 2020	61.65
Paddy Tang Lui Wai Yu	28 Dec 2016	9,000	-	9,000	-	-	-	28 Dec 2017	33.25
	28 Dec 2016	9,000	-	-	-	-	9,000	28 Dec 2018	33.25
	28 Dec 2016	9,000	-	-	-	-	9,000	28 Dec 2019	33.25
	27 Dec 2017	-	5,533	-	-	-	5,533	27 Dec 2018	61.65
	27 Dec 2017	-	5,533	-	-	-	5,533	27 Dec 2019	61.65
	27 Dec 2017	-	5,534	-	-	-	5,534	27 Dec 2020	61.65
Employees (in aggregate)	28 Oct 2014	16,460,690	-	15,648,462	812,228	-	-	31 Dec 2017	47.70
	16 Jan 2015	1,129,820	-	1,040,559	89,261	-	-	31 Dec 2017	38.35
	7 May 2015	876,660	-	744,392	129,788	2,480	-	31 Dec 2017	37.10
	13 Jul 2015	2,692,680	-	2,321,066	371,614	-	-	31 Dec 2017	35.45
	24 Nov 2015	444,490	-	332,343	112,147	-	-	31 Dec 2017	23.45
	24 Dec 2015	101,790	-	-	-	-	101,790	30 Jun 2018	24.80
	28 Dec 2016	692,623	-	640,329	52,294	-	-	28 Dec 2017	33.25
	28 Dec 2016	692,623	-	-	52,294	-	640,329	28 Dec 2018	33.25
	28 Dec 2016	692,854	-	-	52,312	-	640,542	28 Dec 2019	33.25
	26 Jul 2017	-	6,432	-	-	-	6,432	26 Jul 2018	46.95
	26 Jul 2017	-	6,432	-	-	-	6,432	26 Jul 2019	46.95
	26 Jul 2017	-	6,436	-	-	-	6,436	26 Jul 2020	46.95
	27 Dec 2017	-	468,781	-	-	-	468,781	27 Dec 2018	61.65
	27 Dec 2017	-	468,781	-	-	-	468,781	27 Dec 2019	61.65
	27 Dec 2017	-	619,638	-	-	-	619,638	27 Dec 2020	61.65
Associates of Directors ^(b)	7 May 2015	2,480	-	2,480	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
	27 Dec 2017	-	15,132	-	-	-	15,132	27 Dec 2018	61.65
	27 Dec 2017	-	15,132	-	-	-	15,132	27 Dec 2019	61.65
	27 Dec 2017	-	15,136	-	-	-	15,136	27 Dec 2020	61.65
Total		24,718,110	2,001,000	21,040,096	1,674,418	-	4,004,596		

Notes:

- Share awards were re-classified during the year from Employees to Associates of Directors.
- Except share awards granted to Ms. Joanna Claudia Lui on 7 May 2015 and 266, 266 and 268 share awards (with the vesting dates on 27 December 2018, 27 December 2019 and 27 December 2020 respectively) granted on 27 December 2017, all share awards were granted to Ms. Eileen Lui Wai Ling.

REPORT OF THE DIRECTORS

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.

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 2017 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 80 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, 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.

REPORT OF THE DIRECTORS

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$6,342,000 (2016: HK\$8,057,000).

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 2017 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 2018

FIVE-YEAR SUMMARY

	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	Year ended 31 December 2017 HK\$'000
CONSOLIDATED INCOME STATEMENT					
Revenue	66,032,501	71,752,470	50,990,813	52,826,115	62,450,453
Profit attributable to equity holders of the Company	10,051,764	10,339,810	4,161,050	6,283,397	10,504,361
Dividends	–	4,878,981	1,787,611	1,408,298	2,525,589
Earnings per share (cents)	238.7	243.9	97.8	147.3	245.1
Dividend per share (cents)	–	115.0	42.0	33.0	59.0
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment, investment properties and leasehold land and land use rights	28,421,703	35,661,629	40,854,372	38,599,717	36,815,154
Intangible assets	1,715,360	1,516,326	1,341,213	1,138,488	921,019
Joint ventures and associated companies	1,373,882	1,451,471	1,322,153	1,255,767	1,520,584
Other non-current assets	515,823	382,481	637,388	3,235,300	24,456,514
Net current assets/(liabilities)	2,355,647	1,243,598	(1,045,599)	3,710,385	(6,934,042)
Employment of capital	34,382,415	40,255,505	43,109,527	47,939,657	56,779,229
Represented by:					
Share capital and shares held for share award scheme	421,971	19,774,917	19,952,107	20,106,376	21,468,693
Reserves	32,019,490	18,594,220	21,149,332	26,238,974	34,013,004
Equity attributable to owners of the Company	32,441,461	38,369,137	41,101,439	46,345,350	55,481,697
Non-controlling interests	612,827	619,945	611,898	517,663	533,896
Long term borrowings	236,973	576,430	671,461	525,978	259,392
Other non-current liabilities	1,050,172	663,964	724,729	550,666	504,244
Provisions	40,982	26,029	–	–	–
Capital employed	34,382,415	40,255,505	43,109,527	47,939,657	56,779,229
Net assets per share (dollars)	7.69	9.04	9.65	10.85	12.88

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 86 to 168, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement 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 2017, 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.

A key audit matter identified in our audit is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of recoverable amounts of hotel properties, gaming licence and reacquired right</p> <p>Refer to notes 3.9, 5(a), 14, 16 and 17 to the consolidated financial statements.</p> <p>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.</p> <p>As at 31 December 2017, 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\$43.2 billion.</p> <p>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.</p> <p>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 of 31 December 2017.</p>	<p>We obtained the valuation model (fair value model under the income approach) used by management to determine the recoverable amounts of the relevant assets.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Qualitative factors comprised ongoing compliance with legal requirements, timely completion of development projects and retention of the gaming licence between 2018 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, rules and regulations and market information.</p>

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 2018 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 judgments 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 judgments.

For the timely completion of development projects, we discussed with management to understand the time management in complying the land development deadlines with the current project status. 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 judgments 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 is 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 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 HK'000	2016 HK\$'000
Revenue	6	62,450,453	52,826,115
Other income/gains, net	8(a)	597,646	209,316
Special gaming tax and other related taxes to the Macau Government		(21,999,205)	(18,688,155)
Commission and allowances to gaming counterparties		(13,810,711)	(11,272,674)
Raw materials and consumables used		(1,261,578)	(877,399)
Amortisation and depreciation		(3,348,665)	(3,572,577)
Employee benefit expenses		(7,368,542)	(6,903,204)
Other operating expenses		(4,811,282)	(5,401,947)
Finance costs	10	(63,914)	(43,673)
Share of profits less losses of:			
Joint ventures	18(a)	244,275	71,015
Associated companies	19(a)	(100)	1,245
Profit before taxation	8(b)	10,628,377	6,348,062
Taxation charge	11	(112,775)	(76,656)
Profit for the year		10,515,602	6,271,406
Attributable to:			
Equity holders of the Company	29	10,504,361	6,283,397
Non-controlling interests		11,241	(11,991)
		10,515,602	6,271,406
Earnings per share	12	HK cents	HK cents
Basic		245.1	147.3
Diluted		243.7	146.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK\$'000	2016 HK\$'000
Profit for the year	10,515,602	6,271,406
Other comprehensive income/(loss)		
Items that may be subsequently reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	276,092	(42,376)
Translation differences of subsidiaries	79,399	(72,552)
Share of translation differences of joint ventures	91,912	(90,275)
Other comprehensive income/(loss) for the year, net of tax	447,403	(205,203)
Total comprehensive income for the year	10,963,005	6,066,203
Total comprehensive income attributable to:		
Equity holders of the Company	10,924,023	6,105,346
Non-controlling interests	38,982	(39,143)
	10,963,005	6,066,203

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	31,801,690	33,502,151
Investment properties	15	–	42,000
Leasehold land and land use rights	16	5,013,464	5,055,566
Intangible assets	17	921,019	1,138,488
Joint ventures	18	1,518,367	1,253,450
Associated companies	19	2,217	2,317
Held-to-maturity financial assets	20	23,688,142	2,339,965
Other non-current assets	21	768,372	895,335
		63,713,271	44,229,272
Current assets			
Inventories	22	171,443	158,367
Debtors and prepayments	23	1,961,509	1,583,156
Amounts due from joint ventures	24	204,642	302,783
Taxation recoverable		23,456	20,382
Current portion of held-to-maturity financial assets	20	140,012	11,178
Other cash equivalents	26	35,324	59,290
Cash and bank balances	26	17,565,025	19,896,602
		20,101,411	22,031,758
Total assets		83,814,682	66,261,030

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
EQUITY			
Share capital and shares held for share award scheme	27	21,468,693	20,106,376
Reserves	29	34,013,004	26,238,974
Equity attributable to owners of the Company		55,481,697	46,345,350
Non-controlling interests		533,896	517,663
Total equity		56,015,593	46,863,013
LIABILITIES			
Non-current liabilities			
Borrowings	30	259,392	525,978
Deferred taxation liabilities	31	268,120	256,783
Retention payable		14,816	–
Non-current deposits	34	221,308	293,883
		763,636	1,076,644
Current liabilities			
Creditors and accruals	32	17,237,224	12,659,706
Amounts due to joint ventures	24	66,092	15,729
Derivative financial instruments	25	–	121
Current portion of borrowings and short-term bank loans	30	9,684,884	5,608,695
Provision for tax		47,253	37,122
		27,035,453	18,321,373
Total liabilities		27,799,089	19,398,017
Total equity and liabilities		83,814,682	66,261,030
Net current (liabilities)/assets		(6,934,042)	3,710,385
Total assets less current liabilities		56,779,229	47,939,657

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
Cash flows from operating activities			
Cash generated from operations	33(a)	18,737,538	12,865,401
Hong Kong profits tax paid		(35,121)	(41,559)
Mainland China tax and Macau complementary tax paid		(59,259)	(46,750)
Interest paid		(123,438)	(45,187)
Net cash from operating activities		18,519,720	12,731,905
Cash flows from investing activities			
Purchase of property, plant and equipment	33(b)	(2,008,270)	(2,075,014)
Addition to leasehold land		(221)	(24,463)
Purchase of intangible assets		(13,506)	(28,362)
Proceeds from disposal of property, plant and equipment		9,668	21,903
Decrease in advances to joint ventures		40,662	86,752
Proceeds from disposal of other investments		–	2,529
Decrease in non-current investments		–	4,085
Decrease in deferred receivable		18,675	16,029
Decrease/(increase) in finance lease receivable		7,888	(166)
Purchase of debt securities		(23,481,720)	(2,761,638)
Proceeds from redemption/disposal of debt securities		2,409,078	–
Interest received		532,610	81,177
Decrease/(increase) in short-term pledged deposits and short-term bank deposits with maturity over three months		11,276,573	(12,710,461)
Dividends received from joint ventures		89,392	48,371
Dividends received from unlisted investments		2,650	2,100
Net cash used in investing activities		(11,116,521)	(17,337,158)
Cash flows from financing activities			
Issue of new shares		348,459	108,872
Shares repurchased by the trustee		(18,408)	–
New bank loans	33(c)	8,327,254	4,844,717
Repayment of bank loans	33(c)	(4,612,571)	(45,134)
Capital element of finance lease payments	33(c)	(16,002)	–
Increase in loan from non-controlling interests		–	4,856
Dividends paid to non-controlling interests		(22,749)	(38,612)
Return of capital to non-controlling interests		–	(16,480)
Dividends paid to shareholders	13	(2,525,589)	(1,408,298)
Net cash from financing activities		1,480,394	3,449,921
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year		6,803,466	7,979,218
Translation differences		15,371	(20,420)
Cash and cash equivalents at end of year	26	15,702,430	6,803,466

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital HK\$'000	Shares held for share award scheme 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 2016	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
Comprehensive income						
Profit for the year	–	–	10,504,361	10,504,361	11,241	10,515,602
Other comprehensive income						
Change in fair value of available-for-sale financial assets	–	–	276,092	276,092	–	276,092
Translation differences of subsidiaries	–	–	63,942	63,942	15,457	79,399
Share of translation differences of joint ventures	–	–	79,628	79,628	12,284	91,912
Total other comprehensive income, net of tax	–	–	419,662	419,662	27,741	447,403
Total comprehensive income for the year	–	–	10,924,023	10,924,023	38,982	10,963,005
Transactions with equity holders						
Dividends paid to non-controlling interests	–	–	–	–	(22,749)	(22,749)
Share award scheme – shares issued to the trustee	214	(214)	–	–	–	–
Share award scheme – shares repurchased by the trustee	–	(18,408)	–	(18,408)	–	(18,408)
Issue of shares pursuant to share award scheme	876,940	18,615	(895,555)	–	–	–
Issue of shares upon exercise of share options	485,170	–	(136,711)	348,459	–	348,459
Fair value of share award granted	–	–	284,085	284,085	–	284,085
Fair value of share options granted	–	–	123,777	123,777	–	123,777
Special dividends (note 13)	–	–	(2,525,589)	(2,525,589)	–	(2,525,589)
At 31 December 2017	21,468,700	(7)	34,013,004	55,481,697	533,896	56,015,593

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, 2018.

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 non-current investments, financial assets and financial liabilities, which are carried at fair values.

At 31 December 2017, the Group’s current liabilities exceeded its current assets by HK\$6,934 million. Taking into account the cash flows from operations and unutilised banking facilities, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments (principally relating to the development of Galaxy Macau™ resort at Cotai) as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its 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 2017, the Group adopted the following amended standards which are relevant to its operations.

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014–2016 Cycle	
HKFRS 12 (Amendment)	Disclosure of Interests in Other Entities

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, interpretations and amendments to existing standards that are not yet effective

New standards, interpretations and amendments		Effective for accounting periods beginning on or after
HKAS 28 (Amendment)	Long-term Interests in an Associate or Joint Venture	1 January 2019
HKAS 40 (Amendment)	Transfers of Investment Property	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment	1 January 2019
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 15 and HKFRS 15 (Amendment)	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements to HKFRSs 2014–2016 Cycle		
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures	
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards	
Annual Improvements to HKFRSs 2015–2017 Cycle		
HKAS 12 (Amendment)	Income Taxes	
HKAS 23 (Amendment)	Borrowing Costs	
HKFRS 3 (Amendment)	Business Combinations	
HKFRS 11 (Amendment)	Joint Arrangements	

Further information about those new standards, interpretations and amendments that are not yet effective but are expected to be applicable to the Group is set out below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**(b) Standards, interpretations and amendments to existing standards that are not yet effective (Continued)*****HKFRS 9, 'Financial instruments'***

The new standard addresses and introduces new requirements for the classification, measurement and derecognition of financial instruments, hedge accounting, and a new impairment model for financial assets.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group has assessed that its financial assets currently measured at amortised cost or fair value through profit or loss will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The Group has also assessed on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment provision is determined based on the 12-month expected credit losses which is not material to the Group.

HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has assessed the effects of the applying the new standard on the consolidated financial statements and has not identified any material impact to the Group.

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases.

At 31 December 2017, the Group had operating lease commitments of HK\$160 million (note 36). Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognised in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use asset will be depreciated on a straight-line basis during the lease term.

The Group has not early adopted the above standards, interpretations and amendments on the Group's accounting policies and financial statements.

NOTES TO THE CONSOLIDATED 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.2 Subsidiaries (Continued)**

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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:

Buildings	20 to 50 years
Leasehold improvements	2 to 20 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.8 Investment properties**

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

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

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

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

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

3.9 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.11 Impairment of investments in subsidiaries, associated companies, joint ventures and non-financial assets (Continued)**

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.13 Financial assets (Continued)****(c) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in the balance sheet under non-current 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

3.14 Derivative financial instruments and hedging activities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.15 Debtors**

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

3.16 Inventories

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

3.17 Cash and cash equivalents

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

3.18 Share capital

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

3.21 Creditors and accruals

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred 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 United States dollar, 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.

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 debt securities denominated in United States dollar and cash and bank balances denominated in United States dollar and Renminbi. As at 31 December 2017, if United States dollar weakened/strengthened against Hong Kong dollar by 0.5%, profit after tax for the year would have been HK\$119,257,000 (2016:HK\$19,106,000) lower/higher as a result of foreign exchange loss/gain on translation of that balance. As at 31 December 2017, if Renminbi weakened/strengthened against Hong Kong dollar by 2%, profit after tax for the year would have been HK\$16,475,000 (2016: HK\$11,245,000) lower/higher as a result of foreign exchange loss/gain on translation of that balance. As at 31 December 2017, 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 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 held-to-maturity financial assets (note 20) or available-for-sale financial assets (see note 21(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 2017, 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\$64,919,000 (2016: HK\$73,242,000) 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 assets and liabilities. 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)

The Group's interest bearing assets include bank deposits, debt securities and loan receivables while the Group's interest bearing liabilities were mainly borrowings. 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.

At 31 December 2017, 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\$48,655,000 (2016: HK\$29,592,000) lower or higher, mainly as a result of higher or lower interest expense on floating rate borrowings.

At 31 December 2017, if interest rates on bank deposits and debt securities which bear interest at floating rate 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\$100,110,000 (2016: HK\$29,084,000) 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 2017, approximately 39% (2016: 49%) of the other debtors and deposits paid, net of provision (note 23(b)) 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 23 for details of debtors and further disclosure on credit risks.

The maximum exposure to credit risk at 31 December 2017 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 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 bank deposits and high quality debt securities, 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 2017					
Bank loans	9,718,734	19,064	29,653	-	9,767,451
Obligations under finance leases	-	-	-	591,661	591,661
Creditors and accruals (including non-current retention payable and non-current deposits received)	17,237,224	63,501	172,623	-	17,473,348
Amounts due to joint ventures	66,092	-	-	-	66,092
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
Creditors and accruals (including non-current retention payable and non-current deposits received)	12,626,585	143,673	174,954	8,377	12,953,589
Amounts due to joint ventures	15,729	-	-	-	15,729

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 2017 and 2016 were as follows.

	2017 HK\$'000	2016 HK\$'000
Total borrowings (note 30)	(9,944,276)	(6,134,673)
Less: cash and bank balances (note 26)	17,565,025	19,896,602
Net cash	7,620,749	13,761,929
Total assets less cash and bank balances	66,249,657	46,364,428
Gearing ratio (note)	n/a	n/a

Note: The Group was in a net cash position as at 31 December 2017 and 2016.

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 2017 and 2016.

At 31 December 2017	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale financial assets				
– Equity securities	621,111	–	22,078	643,189
– Unlisted investments in Hong Kong	–	–	6,000	6,000
Total	621,111	–	28,078	649,189

At 31 December 2016

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

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 21) for the year ended 31 December 2017 and 2016.

	Available-for-sale financial assets	
	2017 HK\$'000	2016 HK\$'000
At beginning of the year	30,412	26,381
Addition	-	6,000
(Loss)/gain recognised in other comprehensive income	(2,334)	2,116
Return of capital	-	(4,085)
At end of the year	28,078	30,412
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\$43.2 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 2018 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 relevant development of Phase 3 by December 2018 and December 2019 while Phase 4 by 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) 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.

(e) 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.

(f) 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 2017 was HK\$1,114,192,000 (2016: HK\$1,209,128,000). If the financial conditions of counterparty were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(g) 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.

	2017 HK\$'000	2016 HK\$'000
Gaming operations		
Net gaming wins	55,826,912	47,331,691
Contributions from City Club Casinos (note)	97,435	97,351
Tips received	11,698	9,987
Hotel and mall operations	3,436,205	3,227,582
Administrative fees from gaming operations	10,825	18,570
Sales of construction materials	3,067,378	2,140,934
	62,450,453	52,826,115

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 2017, the Group is entitled to HK\$97,435,000 (2016: HK\$97,351,000), 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, donation and sponsorship, loss on disposal/write off of certain property, plant and equipment, 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 and share award expenses.

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 2017				
Reportable segment revenue	61,416,779	3,067,378	-	64,484,157
Adjusted for:				
City Club Casinos arrangement set out in note 6				
Revenue not recognised	(2,141,964)	-	-	(2,141,964)
Contributions	97,435	-	-	97,435
Others	10,825	-	-	10,825
Revenue recognised under HKFRS	59,383,075	3,067,378	-	62,450,453
Adjusted EBITDA including share of results of joint ventures and associated companies	13,554,409	744,494	(151,494)	14,147,409
Interest income and gross earnings on finance lease				627,017
Amortisation and depreciation				(3,348,665)
Finance costs				(63,914)
Taxation charge				(112,775)
Adjusted items:				
Taxation of joint ventures and associated companies				(75,494)
Pre-opening expenses				(51,469)
Loss on disposal/write-off of certain property, plant and equipment				(122,630)
Share option expenses				(123,777)
Share award expenses				(257,272)
Donation and sponsorship				(6,342)
Others				(96,486)
Profit for the year				10,515,602
Share of results of joint ventures and associated companies	46,330	197,845	-	244,175

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 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
As at 31 December 2017				
Total assets	77,768,177	5,972,591	73,914	83,814,682
Total assets include:				
Joint ventures	94,066	1,424,301	-	1,518,367
Associated companies	-	2,217	-	2,217
Total liabilities	16,662,555	2,330,355	8,806,179	27,799,089
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
Year ended 31 December 2017				
Additions to non-current assets	1,304,144	82,369	349	1,386,862
Year ended 31 December 2016				
Additions to non-current assets	787,282	433,799	-	1,221,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION (Continued)

Geographical analysis

Year ended 31 December	2017 HK\$'000	2016 HK\$'000
Revenue		
Macau	59,694,127	50,866,815
Hong Kong	1,857,173	1,560,383
Mainland China	899,153	398,917
	62,450,453	52,826,115
Non-current assets	As at 31 December 2017 HK\$'000	As at 31 December 2016 HK\$'000
Macau	60,289,982	40,999,658
Hong Kong	535,271	576,608
Mainland China	2,888,018	2,653,006
	63,713,271	44,229,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2017 HK\$'000	2016 HK\$'000
(a) Other income/gains, net		
Rental income from investment properties	-	4,304
Interest income		
Bank deposits	281,188	121,385
Available for sale financial assets (note 21(a))	-	2,317
Held-to-maturity financial assets (note 20)	342,287	19,552
Loans to joint ventures (note 24(a))	695	4,691
Deferred receivables (note 21(c))	1,453	1,528
Dividend income from unlisted investments	2,650	2,100
Gross earnings on finance lease	1,394	1,552
Loss on disposal of other investments	-	(896)
Loss on disposal/write-off of property, plant and equipment	(121,652)	(4,929)
Loss on/write-off of intangible assets	(111)	(184)
Fair value change/realised loss on financial derivative instruments	(1,605)	(9,224)
Foreign exchange gain	65,195	33,480
Others	26,152	33,640
	597,646	209,316
(b) Profit before taxation is stated after charging		
Depreciation	3,028,726	3,252,445
Amortisation		
Gaming licence	106,337	106,629
Computer software	36,602	36,349
Leasehold land and land use rights	89,075	89,229
Reacquired right	87,925	87,925
Operating lease rental		
Land and buildings	27,430	72,461
Staff costs, including Directors' remuneration (note i)	7,368,542	6,903,204
Outgoing in respect of investment properties	-	602
Auditor's remuneration		
Audit services		
Provision for the year	11,957	11,560
Over-provision in prior years	(1,074)	(347)
Non-audit services		
Provision for the year	1,707	1,196
Over-provision in prior year	(69)	(111)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER INCOME/GAINS, 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\$170,427,000 (2016: HK\$148,760,000), and include share option expenses and share award expenses of HK\$123,777,000 (2016: HK\$185,009,000) and HK\$257,272,000 (2016: HK\$225,256,000) 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. This 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\$222,866,000 (2016: HK\$216,777,000), after deducting forfeitures of HK\$34,272,000 (2016: HK\$37,888,000), leaving HK\$1,762,000 (2016: HK\$1,353,000) 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)					2017 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	250	10,785	18,149	540	22,144	51,868
Mr. Francis Lui Yiu Tung	430	15,260	30,477	763	27,176	74,106
Mr. Joseph Chee Ying Keung	220	4,204	1,982	384	980	7,770
Ms. Paddy Tang Lui Wai Yu	220	2,328	-	116	1,797	4,461
	1,120	32,577	50,608	1,803	52,097	138,205
Non-executive Directors						
Mr. James Ross Ancell	450	-	-	-	-	450
Dr. William Yip Shue Lam	530	-	-	-	-	530
Professor Patrick Wong Lung Tak	550	-	-	-	-	550
Dr. Charles Cheung Wai Bun	220	-	-	-	-	220
	1,750	-	-	-	-	1,750
Total 2017	2,870	32,577	50,608	1,803	52,097	139,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Directors' emoluments (Continued)

	(note iii)					2016 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	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
Professor Patrick Wong Lung Tak	540	–	–	–	–	540
Dr. Charles Cheung Wai Bun	47	–	–	–	–	47
Mr. Anthony Thomas Christopher Carter	132	–	–	–	–	132
	1,679	–	–	–	–	1,679
Total 2016	2,759	32,447	3,552	1,790	47,029	87,577

- (i) The amounts represented emoluments paid or receivable in respect of a person's services as a director of the Company undertaking for 2016.
- (ii) Other benefits represent share options and share awards. The value of the share options and share awards granted to the Directors under the share option scheme and share award scheme of the Company represents the fair value of these options and awards 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 2017 were in relation to performance and services for 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS
(Continued)**(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 (2016: two) Directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three individuals (2016: three) are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and other emoluments	27,584	25,155
Discretionary bonuses	16,007	2,381
Retirement benefits	373	338
Share options and share awards (note 28)	23,473	26,053
	67,437	53,927

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2017	2016
HK\$15,000,001 – HK\$15,500,000	–	1
HK\$16,000,001 – HK\$16,500,000	–	1
HK\$19,000,001 – HK\$19,500,000	1	–
HK\$22,000,001 – HK\$22,500,000	–	1
HK\$22,500,001 – HK\$23,000,000	1	–
HK\$25,000,001 – HK\$25,500,000	1	–
	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest expenses		
Bank loans and overdrafts	123,213	44,881
Obligations under finance leases	12,696	11,850
Other borrowing costs	223	307
	136,132	57,038
Amount capitalised in assets under construction	(72,218)	(13,365)
	63,914	43,673

11. TAXATION CHARGE

	2017 HK\$'000	2016 HK\$'000
Current taxation		
Hong Kong profits tax	37,810	33,683
Mainland China income tax and withholding tax	24,973	2,575
Macau complementary tax	3,756	2,272
Net over provision in prior years	(635)	(3,911)
Lump sum in lieu of Macau complementary tax on dividend	35,534	35,534
Deferred taxation (note 31)	11,337	6,503
Taxation charge	112,775	76,656

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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% (2016: 12% to 25%). The weighted average applicable tax rate was 12% (2016: 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:

	2017	2016
	HK\$'000	HK\$'000
Profit before taxation	10,628,377	6,348,062
Share of profits less losses of		
Joint ventures	(244,275)	(71,015)
Associated companies	100	(1,245)
	10,384,202	6,275,802
Tax calculated at applicable tax rate	1,246,524	736,241
Income not subject to tax	(17,776)	(4,324)
Profit exempted from Macau Complementary Tax (note a)	(1,572,377)	(1,167,301)
Expenses not deductible for tax purpose	96,345	84,071
Utilisation of previously unrecognised tax losses	(3,945)	(2,401)
Tax losses not recognised	309,017	392,502
Net over provision in prior years	(635)	(3,911)
Mainland China withholding tax	20,088	6,245
Lump sum in lieu of Macau complementary tax on dividend (note b)	35,534	35,534
Taxation charge	112,775	76,656

(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 (2016: 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:

	2017	2016
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	10,504,361	6,283,397
Number of shares		
	2017	2016
Weighted average number of shares for calculating basic earnings per share	4,285,220,145	4,266,230,997
Effect of dilutive potential ordinary shares		
Share options	23,880,906	10,129,141
Share award	2,039,150	21,741,501
Weighted average number of shares for calculating diluted earnings per share	4,311,140,201	4,298,101,639

13. DIVIDENDS

	2017	2016
	HK\$'000	HK\$'000
First special dividend paid of HK\$0.26 (2016: HK\$0.15) per ordinary share	1,111,839	639,639
Second special dividend paid of HK\$0.33 (2016: HK\$0.18) per ordinary share	1,413,750	768,659
	2,525,589	1,408,298

The Board of Directors does not declare any final dividend for the year ended 31 December 2017 (2016: nil).

Details of the special dividend declared subsequent to the year-end are given in note 40.

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 2016	23,246,214	625,077	9,316,373	11,537,179	1,667,934	46,392,777
Exchange differences	26,181	118	85,433	1,144	154	113,030
Additions	1,410	14,651	74,294	142,868	1,129,558	1,362,781
Transfer	–	8,937	44,461	(1,073)	(52,325)	–
Disposals/write-off	(76,627)	(3,136)	(83,300)	(126,741)	–	(289,804)
At 31 December 2017	23,197,178	645,647	9,437,261	11,553,377	2,745,321	47,578,784
Accumulated depreciation and impairment						
At 31 December 2016	2,963,288	397,662	3,442,010	6,087,666	–	12,890,626
Exchange differences	2,738	51	12,575	862	–	16,226
Charge for the year	731,908	74,650	811,921	1,410,247	–	3,028,726
Disposals/write-off	(15,728)	(3,057)	(70,933)	(68,766)	–	(158,484)
At 31 December 2017	3,682,206	469,306	4,195,573	7,430,009	–	15,777,094
Net book value At 31 December 2017	19,514,972	176,341	5,241,688	4,123,368	2,745,321	31,801,690
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

- (a) Other assets comprise barges, furniture and equipment, operating equipment, vessel, aircrafts, and motor vehicles.
- (b) During the year, borrowing costs of HK\$72,218,000 (2016: HK\$13,365,000) were capitalised and included in assets under construction. A capitalisation rate of 1.36% (2016: 3.24%) 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\$170,427,000 (2016: HK\$148,760,000) were capitalised and included in assets under construction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. INVESTMENT PROPERTIES

	2017 HK\$'000	2016 HK\$'000
Fair value		
At beginning of the year	42,000	42,000
Transfer to leasehold land and land use rights (note 16)	(42,000)	–
At end of the year	–	42,000

During the year, there was a transfer of an investment property to leasehold land and land use rights (note 16) at HK\$42,000,000.

16. LEASEHOLD LAND AND LAND USE RIGHTS

	2017 HK\$'000	2016 HK\$'000
Net book value at beginning of the year	5,055,566	5,121,699
Exchange differences	2,973	(1,367)
Additions	2,000	24,463
Transfer from investment properties (note 15)	42,000	–
Amortisation	(89,075)	(89,229)
Net book value at end of the year	5,013,464	5,055,566
Cost	5,834,256	5,786,983
Accumulated amortisation	(820,792)	(731,417)
Net book value	5,013,464	5,055,566

The Group received land concessions from Macau Government which have initial terms of 25 years and are renewable at the Group's option, in accordance with Macau law, grants the Group exclusive use of the land. Leasehold land held under finance lease in Macau included a piece of land in Cotai, Macau amounting to HK\$2,984 million (2016: HK\$3,020 million), for which net book value of HK\$1,380 million (2016: HK\$1,395 million) is developed, HK\$1,604 million (2016: HK\$483 million) is under development and nil (2016: 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 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
Additions	–	–	13,506	13,506
Write-off	–	–	(237)	(237)
At 31 December 2017	16,887,329	786,700	359,792	18,033,821
Accumulated amortisation and impairment				
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
Charge for the year	106,337	87,925	36,602	230,864
Write-off	–	–	(126)	(126)
At 31 December 2017	16,410,120	391,036	311,646	17,112,802
Net book value				
At 31 December 2017	477,209	395,664	48,146	921,019
At 31 December 2016	583,546	483,589	71,353	1,138,488

(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

	2017 HK\$'000	2016 HK\$'000
Share of net assets	1,518,367	1,253,450

- (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:

	2017 HK\$'000	2016 HK\$'000
Non-current assets	1,609,550	1,608,490
Current assets	906,666	651,712
Current liabilities	(775,045)	(650,692)
Non-current liabilities	(222,804)	(356,060)
	1,518,367	1,253,450
Income	2,109,420	1,492,871
Expenses	(1,865,145)	(1,421,856)
Share of results for the year	244,275	71,015

- (b) Details of the joint ventures are given in note 43(b).

19. ASSOCIATED COMPANIES

	2017 HK\$'000	2016 HK\$'000
Share of net assets	2,217	2,317

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:

	2017 HK\$'000	2016 HK\$'000
Current assets	2,217	2,456
Current liabilities	-	(139)
	2,217	2,317
Income	-	1,590
Expenses	(100)	(345)
Share of results for the year	(100)	1,245

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

20. HELD-TO-MATURITY FINANCIAL ASSETS

	2017 HK\$'000	2016 HK\$'000
Listed debt securities in Hong Kong, at amortised cost (note a)	13,827,059	1,642,480
Listed debt securities in overseas, at amortised cost (note a)	9,288,390	708,663
Unlisted debt securities, at amortised cost (note a)	712,705	-
	23,828,154	2,351,143
Less: current portion of held-to-maturity financial assets – listed debt securities in Hong Kong, at amortised cost (note a)	(140,012)	(11,178)
	23,688,142	2,339,965

- (a) The listed/unlisted debt securities are denominated in US dollar.
- (b) As at 31 December 2017, the carrying amounts of these listed/unlisted debt securities approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. OTHER NON-CURRENT ASSETS

	2017 HK\$'000	2016 HK\$'000
Available-for-sale financial assets (note a)	649,189	732,422
Finance lease receivable (note b)	46,334	58,215
Deferred receivable (note c)	10,304	27,333
Deposits paid for property, plant and equipment	53,453	68,478
Other	9,092	8,887
	768,372	895,335

(a) Available-for-sale financial assets

	2017 HK\$'000	2016 HK\$'000
Unlisted investments in Hong Kong, at fair value (note 4.3) (note i)	6,000	6,000
Unlisted investments in overseas, at fair value (note 4.3) (note i)	22,078	24,412
Listed investment in overseas, at fair value (note 4.3) (note ii)	620,420	300,604
Listed investments in Hong Kong, at fair value (note 4.3)	691	584
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)
	649,189	732,422

- (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

21. OTHER NON-CURRENT ASSETS (Continued)

(b) Finance lease receivable

	2017 HK\$'000	2016 HK\$'000
Gross receivable	75,825	84,600
Unearned finance income	(1,925)	(2,813)
	73,900	81,787
Current portion included in current assets (note 23)	(27,566)	(23,572)
	46,334	58,215

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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Within one year	28,643	24,902	27,566	23,572
Between two to five years	47,182	59,698	46,334	58,215
	75,825	84,600	73,900	81,787

- (c)** Deferred receivable includes consideration receivable in respect of the partial disposal of a subsidiary in 2009 amounting to nil (2016: HK\$15,127,000) and advances to various contractors amounting to HK\$10,304,000 (2016: HK\$12,206,000).

The consideration receivable is unsecured, interest free, payable in one (2016: two) annual instalments and the current portion of this receivable of HK\$15,627,000 (2016: 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 2023 (2016: up to 2022). The current portion of the receivable is included under other debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. INVENTORIES

	2017	2016
	HK\$'000	HK\$'000
Gaming and entertainment		
Playing cards	3,514	1,914
Food and beverages	49,479	40,889
Consumables	20,010	21,949
	73,003	64,752
Construction materials		
Aggregates	4,959	733
Concrete pipes and piles	6,416	11,219
Slag	6,855	3,904
Cement	25,288	32,481
Spare parts	14,521	11,812
Consumables	40,401	33,466
	98,440	93,615
	171,443	158,367

23. DEBTORS AND PREPAYMENTS

	2017	2016
	HK\$'000	HK\$'000
Trade debtors, net of provision (note a)	627,360	486,408
Other debtors and deposit paid, net of provision (note b)	1,166,988	947,829
Prepayments	139,595	125,347
Current portion of finance lease receivable (note 21(b))	27,566	23,572
	1,961,509	1,583,156

- (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 (2016: 30 to 60 days) for customers in Hong Kong and Macau and 60 to 180 days (2016: 60 to 180 days) for customers in Mainland China. These are subject to periodic reviews by management. There is no concentration of credit risk with respect to trade debtors as the Group has a large number of customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. 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:

	2017 HK\$'000	2016 HK\$'000
Within one month	363,959	320,527
Two to three months	234,065	145,690
Four to six months	16,877	13,993
Over six months	12,459	6,198
	627,360	486,408

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

	2017 HK\$'000	2016 HK\$'000
Hong Kong dollar	428,111	378,306
Macau Patacas	183,235	86,498
Renminbi	16,014	21,604
	627,360	486,408

Included in the Group's trade debtors were debtors with a carrying amount of HK\$530,078,000 (2016: HK\$383,538,000) which were not yet due. Debtors with a carrying amount of HK\$97,282,000 (2016: HK\$102,870,000) 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 are as follows:

	2017 HK\$'000	2016 HK\$'000
Overdue:		
Within one month	67,596	72,538
Two to three months	13,902	21,364
Four to six months	7,064	5,414
Over six months	8,720	3,554
	97,282	102,870

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. 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 2017, trade debtors of the Group amounting to HK\$26,009,000 (2016: HK\$35,845,000) 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:

	2017	2016
	HK\$'000	HK\$'000
Balance at 1 January	35,845	17,279
(Reversal)/provision for impairment	(10,139)	21,151
Receivables written off during the year as uncollectible	(264)	(1,580)
Exchange differences	567	(1,005)
Balance at 31 December	26,009	35,845

- (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 2017, other debtors of the Group amounting to HK\$1,088,183,000 (2016: HK\$1,173,283,000) were impaired and fully provided for.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. AMOUNTS DUE FROM/(TO) JOINT VENTURES

	2017 HK\$'000	2016 HK\$'000
Amounts due from joint ventures (note a)	204,642	302,783
Amounts due to joint ventures (note b)	(66,092)	(15,729)

- (a) The amounts receivable of HK\$161,564,000 (2016: HK\$158,679,000) 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.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 HK\$'000	2016 HK\$'000
Current liabilities		
Forward foreign exchange contracts (note a)	-	121

- (a) The notional principal amount of the outstanding forward foreign exchange contracts was nil as at 31 December 2017 (2016: HK\$136 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. CASH AND CASH EQUIVALENTS AND OTHER BANK DEPOSITS

	2017 HK\$'000	2016 HK\$'000
Cash and bank balances	17,565,025	19,896,602
Less: short-term bank deposits	(1,897,919)	(13,152,426)
Other cash equivalents – cash chips of other casinos	35,324	59,290
Cash and cash equivalents	15,702,430	6,803,466
Short-term pledged bank deposits	711,822	314,753
Short-term bank deposits with maturity over three months	1,186,097	12,837,673
Cash and cash equivalents and other bank deposits	17,600,349	19,955,892

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

	2017 HK\$'000	2016 HK\$'000
Hong Kong dollar	16,658,869	17,893,830
Macau Patacas	89,133	294,004
Renminbi	823,759	562,229
US dollars	23,279	1,069,248
Others	5,309	136,581
	17,600,349	19,955,892

Cash and short-term deposits of HK\$619 million (2016: HK\$562 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:

	2017 HK\$'000	2016 HK\$'000
Counterparties with external credit rating (Standard & Poor's or Moody's)		
AA – to AA+	107,473	164,239
A – to A+	10,922,054	14,448,451
BBB	5,380,674	2,001,446
Unrated and cash on hand	1,154,824	3,282,466
Other cash equivalents – cash chips of other casinos (note)	35,324	59,290
	17,600,349	19,955,892

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 AND SHARES HELD FOR SHARE AWARD SCHEME

	Number of ordinary shares	Ordinary shares capital HK\$'000	Shares held for share award scheme HK\$'000	Total HK\$'000
Ordinary shares, issued and fully paid:				
At 31 December 2015 and 1 January 2016	4,260,737,025	19,952,107	–	19,952,107
Issue of shares upon exercise of share options	10,936,477	154,269	–	154,269
At 31 December 2016 and 1 January 2017	4,271,673,502	20,106,376	–	20,106,376
Share award scheme – shares issued to the trustee (note a)	21,420,047	214	(214)	–
Share award scheme – shares repurchased by the trustee (note b)	–	–	(18,408)	(18,408)
Issue of shares pursuant to share award scheme	–	876,940	18,615	895,555
Issue of shares upon exercise of share options	15,048,046	485,170	–	485,170
At 31 December 2017	4,308,141,595	21,468,700	(7)	21,468,693

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. SHARE CAPITAL AND SHARES HELD FOR SHARE AWARD SCHEME (Continued)

- (a) During the year ended 31 December 2017, 21,420,047 shares of the Company were allotted to the trustee of the share award scheme of HK\$214,000.
- (b) During the year ended 31 December 2017, the trustee purchased on SEHK a total of 320,844 shares of the Company for a total consideration of HK\$18.4 million.
- (c) As at 31 December 2017, the total number of issued shares included 700,795 shares held under the share award scheme.

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 until 19 April 2017, the expiry date of the options granted on 20 April 2011 under the previous scheme.

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

	2017		2016	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
At beginning of year	26.88	65,175,398	30.52	86,789,555
Granted	59.47	7,701,000	31.15	17,712,493
Exercised	23.16	(15,048,046)	9.95	(10,936,477)
Replaced	–	–	51.35	(20,919,336)
Lapsed	29.32	(2,562,014)	35.53	(7,470,837)
At end of year	32.32	55,266,338	26.88	65,175,398
Vested at end of year	27.42	26,279,794	25.36	30,733,602

The weighted average share price at the date of exercise for share options exercised during the year was HK\$47.12 (2016: HK\$26.94).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)

(a) Share option scheme (Continued)

The options outstanding at 31 December 2017 have exercise prices ranging from HK\$14.22 to HK\$77.75 (2016: HK\$13.82 to HK\$77.75) with weighted average remaining contractual life of 3.83 years (2016: 4.03 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	
		2017	2016
Directors			
20 April 2012 to 19 April 2017	13.82	–	242,000
16 March 2013 to 15 March 2018	20.10	2,700,000	7,330,000
17 January 2014 to 16 January 2019	32.50	3,380,000	3,380,000
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	2,498,000
12 March 2018 to 11 September 2022	28.35	2,602,401	2,602,401
26 July 2018 to 25 July 2023	46.95	130,000	–
27 December 2018 to 26 December 2023	62.36	1,536,000	–
Employees and others			
20 April 2012 to 19 April 2017	13.82	–	424,668
9 January 2013 to 8 January 2018	14.22	163,333	2,411,340
16 March 2013 to 15 March 2018	20.10	1,300,000	1,403,000
17 January 2014 to 16 January 2019	32.50	3,818,246	7,125,926
5 July 2014 to 4 July 2019	37.45	80,000	140,000
15 January 2015 to 14 January 2020	77.75	69,000	125,000
16 July 2015 to 15 July 2020	62.75	66,000	66,000
16 January 2016 to 15 January 2021	39.86	175,668	356,333
24 December 2016 to 23 December 2021	24.80	14,405,154	19,659,113
28 December 2017 to 27 December 2022	33.49	6,420,335	7,153,000
12 March 2018 to 11 September 2022	28.35	5,057,201	5,396,617
26 July 2018 to 25 July 2023	46.95	1,282,000	–
27 December 2018 to 26 December 2023	62.36	4,721,000	–
		55,266,338	65,175,398

The fair values of the options granted on 26 July 2017 and 27 December 2017 are estimated at HK\$14.66 and HK\$17.03 per option respectively based on the Black-Scholes valuation model. The significant inputs into the model were share prices of HK\$46.95 and HK\$61.65 at the respective dates of grant, respective exercise prices of HK\$46.95 and HK\$62.36, standard deviation of expected share price returns of 39.5% to 46%, 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 1.001% to 1.657%. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)

(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 2017, 700,795 shares were held by the Trustee for the share award 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 qualifying grantee must not exceed 1% of the shares in issue.

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

	2017		2016	
	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	41.48	24,718,110	42.39	24,283,360
Granted (Note)	60.46	2,001,000	32.58	3,009,500
Vested	42.56	(21,040,096)	–	–
Lapsed	39.02	(1,674,418)	39.64	(2,574,750)
At end of year	46.30	4,004,596	41.48	24,718,110
Vested at end of year	–	–	–	–

Note:

During the year ended 31 December 2017, 379,100 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 2017	231,056	(36,775)	714,013	639,485	(73,047)	24,764,242	26,238,974
Profit for the year	-	-	-	-	-	10,504,361	10,504,361
Other comprehensive income							
Change in fair value of available-for-sale financial assets	-	276,092	-	-	-	-	276,092
Translation differences of subsidiaries	-	-	-	-	63,942	-	63,942
Share of translation differences of joint ventures	-	-	-	-	79,628	-	79,628
Total other comprehensive income, net of tax	-	276,092	-	-	143,570	-	419,662
Total comprehensive income for the year	-	276,092	-	-	143,570	10,504,361	10,924,023
Transactions with equity holders							
Issue of shares pursuant to share award scheme	-	-	-	(895,555)	-	-	(895,555)
Issue of shares upon exercise of share options	-	-	(136,711)	-	-	-	(136,711)
Fair value of share award granted	-	-	-	284,085	-	-	284,085
Fair value of share options granted	-	-	123,777	-	-	-	123,777
Share options lapsed	-	-	(4,447)	-	-	4,447	-
Transfer of reserve from retained earnings	61	-	-	-	-	(61)	-
Special dividends (note 13)	-	-	-	-	-	(2,525,589)	(2,525,589)
At 31 December 2017	231,117	239,317	696,632	28,015	70,523	32,747,400	34,013,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. RESERVES (Continued)

	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

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 2017 and 2016, the legal reserve reached 25% of the subsidiary's share capital. Legal reserve is not distributable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. BORROWINGS

	2017 HK\$'000	2016 HK\$'000
Secured (note a)	702,886	768,633
Unsecured	9,028,056	5,149,785
	9,730,942	5,918,418
Obligations under finance leases (note b)	213,334	216,255
Total borrowings	9,944,276	6,134,673
Current portion included in current liabilities	(348,123)	(126,270)
Short-term bank loans	(9,336,761)	(5,482,425)
	(9,684,884)	(5,608,695)
Non-current portion of borrowings	259,392	525,978

(a) The bank loans of HK\$703 million (2016: HK\$769 million) are secured by:

- (i) property, plant and equipment, leasehold land and land use rights with net book value of HK\$1,053 million (2016: HK\$1,023 million);
- (ii) bank deposits of HK\$337 million (2016: HK\$315 million) (note 26).

(b) Obligations under finance leases

The finance lease obligations are payable in the following years:

	Minimum payments		Present value	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Within one year	–	15,201	–	14,477
Over five years	591,661	589,259	213,334	201,778
	591,661	604,460	213,334	216,255

The future finance charges on finance lease liabilities amounted to HK\$378 million (2016: HK\$389 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. BORROWINGS (Continued)

(c) The bank loans are repayable as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	9,684,884	5,594,218
Between one to two years	17,347	324,200
Between two to five years	28,711	–
	9,730,942	5,918,418

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

	2017					2016				
	HKD	EUR	RMB	US\$	MOP	HKD	EUR	RMB	US\$	MOP
Bank loans	1.7%	0.6%	4.7%	2.8%	–	1.3%	0.7%	4.3%	1.9%	–
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:

	2017 HK\$'000	2016 HK\$'000
Six months or less	9,371,636	5,581,653

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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Bank loans	9,730,942	5,918,418	9,730,942	5,918,418
Obligations under finance leases	213,334	216,255	404,977	401,977
	9,944,276	6,134,673	10,135,919	6,320,395

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:

	2017 HK\$'000	2016 HK\$'000
Hong Kong dollar	8,580,000	4,800,000
Macau Patacas	213,334	216,255
Renminbi	750,140	768,633
Euro	397,455	345,660
US dollar	3,347	4,125
	9,944,276	6,134,673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. DEFERRED TAXATION LIABILITIES

	2017 HK\$'000	2016 HK\$'000
At beginning of the year	256,783	250,280
Charged to income statement	11,337	6,503
At end of the year	268,120	256,783

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 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
(Credited)/charged to income statement	(2,838)	17,651	(3,476)	11,337
At 31 December 2017	37,806	39,681	190,633	268,120

Deferred taxation assets of HK\$1,243,926,000 (2016: HK\$1,235,748,000) arising from unused tax losses and other temporary differences totalling of HK\$10,002,381,000 (2016: HK\$9,954,568,000) have not been recognised in the consolidated financial statements. Unused tax losses of HK\$90,862,000 (2016: HK\$91,782,000) have no expiry date and the remaining balance will expire at various dates up to and including 2022 (2016: 2021). 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. CREDITORS AND ACCRUALS

	2017 HK\$'000	2016 HK\$'000
Trade creditors (note a)	4,330,338	2,251,461
Other creditors (note b)	4,373,944	4,974,565
Chips issued	6,245,684	3,258,253
Loans from non-controlling interests (note c)	26,509	26,505
Accruals and provision	2,223,640	2,127,876
Deposits received	37,109	21,046
	17,237,224	12,659,706

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

	2017 HK\$'000	2016 HK\$'000
Within one month	3,865,907	1,882,003
Two to three months	137,366	91,372
Four to six months	133,962	95,134
Over six months	193,103	182,952
	4,330,338	2,251,461

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

	2017 HK\$'000	2016 HK\$'000
Hong Kong dollar	3,583,523	1,546,145
Macau Patacas	396,931	434,437
Renminbi	335,904	234,934
Other	13,980	35,945
	4,330,338	2,251,461

(b) Other creditors mainly represented gaming tax payable to the Macau Government and construction payable to contractors.

(c) The loans payable of HK\$5,742,000 (2016: HK\$5,366,000) 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

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2017 HK\$'000	2016 HK\$'000
Profit before taxation	10,628,377	6,348,062
Finance costs	63,914	43,673
Share of profits less losses of joint ventures and associated companies	(244,175)	(72,260)
Depreciation and amortisation	3,348,665	3,572,577
Loss on disposal/write-off of property, plant and equipment	121,652	4,929
Loss on/write-off of intangible assets	111	184
Loss on disposal of other investments	-	896
Interest income	(625,623)	(149,473)
Gross earnings on finance lease	(1,394)	(1,552)
Dividend income from unlisted investments	(2,650)	(2,100)
Fair value change on financial derivative instruments	1,605	9,224
Fair value of share options granted	123,777	185,009
Fair value of share award granted	257,272	225,256
Operating profit before working capital changes	13,671,531	10,164,425
Increase in inventories	(9,807)	(7,578)
(Increase)/decrease in debtors and prepayments	(325,885)	648,963
Increase in creditors and accruals	5,305,941	2,051,965
Decrease in amounts due to joint ventures	(417)	(11,577)
Decrease in amounts due from joint ventures	96,175	14,907
Decrease in amounts due from associated companies	-	4,296
Cash generated from operations	18,737,538	12,865,401

(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

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings (Current)	Borrowings (Non-Current)	Total
	HK\$'000	HK\$'000	HK\$'000
As of 31 December 2016	5,608,695	525,978	6,134,673
Cash flows			
– new bank loans	8,281,196	46,058	8,327,254
– repayment of bank loans	(4,612,571)	–	(4,612,571)
– capital element of finance lease payments	(16,002)	–	(16,002)
Non-cash changes			
– translation differences	75,915	23,705	99,620
– finance costs	724	10,578	11,302
– reclassification	346,927	(346,927)	–
As of 31 December 2017	9,684,884	259,392	9,944,276

34. NON-CURRENT DEPOSITS

	2017 HK\$'000	2016 HK\$'000
Non-current deposits received	221,308	293,883

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

35. CAPITAL COMMITMENTS

	2017 HK\$'000	2016 HK\$'000
Contracted but not provided for	3,592,661	1,065,850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. 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:

	2017 HK\$'000	2016 HK\$'000
First year	62,397	63,595
Second to fifth years inclusive	48,490	42,173
After the fifth year	48,719	68,570
	159,606	174,338

37. 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:

	2017 HK\$'000	2016 HK\$'000
First year	714,130	993,282
Second to fifth years inclusive	1,421,753	1,921,535
After the fifth year	59,407	93,869
	2,195,290	3,008,686

38. 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\$695,000 (2016: HK\$4,691,000) are charged at prevailing market rate (note 24(a)).
- (b) Management fee received from joint ventures and an associated company amounted to HK\$7,585,000 (2016: HK\$5,630,000) are charged at terms agreed among the parties.
- (c) Rental expenses of HK\$1,411,000 (2016: HK\$1,410,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. RELATED PARTY TRANSACTIONS (Continued)

- (d) Sales to joint ventures amounted to nil (2016: HK\$538,000) at terms agreed among the parties.
- (e) Purchases from joint ventures and non-controlling interests amounted to HK\$96,341,000 (2016: HK\$176,811,000) at terms agreed among the parties.
- (f) The balances with joint ventures are disclosed in note 24.
- (g) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. Key management compensation amounted to HK\$138,205,000 for the year ended 31 December 2017 (2016: HK\$85,898,000).

39. GUARANTEES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK\$790 million (2016: HK\$590 million). In 2017, facilities of HK\$300 million had been utilised (2016: HK\$300 million).

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\$163 million (2016: HK\$297 million). At 31 December 2017, facilities utilised amounted to HK\$84 million (2016: HK\$255 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 until 180 days after (i) 26 June 2022 or (ii) the expiry of the Concession Agreement following an extraordinary extension thereof is granted by the Macau Government, pursuant to article 13, paragraph 3 of Law 16/2001, whichever the later, which is in favour of the Macau Government against the legal and contractual liabilities of the subsidiary of the Group under the Concession Agreement.

40. POST BALANCE SHEET EVENT

On 28 February 2018, the Board of Directors declared a special dividend of HK\$0.41 per share, payable to shareholders of the Company whose names appear on the register of members of the Company on 29 March 2018. The total amount of the special dividend to be distributed is estimated to be approximately HK\$1,780 million and will be paid on or about 27 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	2017 HK\$'000	2016 HK\$'000
Assets		
Non-current assets		
Subsidiaries	3,830,001	3,830,001
Amounts due from subsidiaries	22,849,790	20,630,566
	26,679,791	24,460,567
Current assets		
Debtors and prepayments	115	567
Amount due from a subsidiary	8,280,000	4,500,000
Cash and bank balances	27,137	15,495
	8,307,252	4,516,062
Total assets	34,987,043	28,976,629
Equity		
Share capital and shares held for share award scheme	21,468,693	20,106,376
Reserves (note a)	4,803,233	3,993,307
Equity attributable to owners of the Company	26,271,926	24,099,683
Liabilities		
Current liabilities		
Creditors and accruals	37,662	31,165
Derivative financial instruments	-	121
Short-term bank loan	8,677,455	4,845,660
	8,715,117	4,876,946
Total liabilities	8,715,117	4,876,946
Total equity and liabilities	34,987,043	28,976,629

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. 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 2017	235,239	714,013	639,485	2,404,570	3,993,307
Profit for the year	-	-	-	3,959,919	3,959,919
Transactions with equity holders					
Issue of shares pursuant to share award scheme	-	-	(895,555)	-	(895,555)
Issue of shares upon exercise of share options	-	(136,711)	-	-	(136,711)
Fair value of share award granted	-	-	284,085	-	284,085
Fair value of share options granted	-	123,777	-	-	123,777
Share options lapsed	-	(4,447)	-	4,447	-
Special dividends (note 13)	-	-	-	(2,525,589)	(2,525,589)
At 31 December 2017	235,239	696,632	28,015	3,843,347	4,803,233
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

As at 31 December 2017, reserves of the Company of HK\$3,843,347,000 were available for distribution to shareholders (2016: HK\$2,404,570,000).

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 28 February 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. 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
Earnmark 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

43. 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
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

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

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
Wholly-owned foreign enterprise				
Doran Construction Products (Shenzhen) Co., Ltd.	Shenzhen	HK\$10,000,000	100	Manufacture, sale and distribution of concrete pipes
K. Wah Consultancy (Guangzhou) Co., Ltd.	Guangzhou	HK\$1,560,000	100	Provision of management services
嘉華諮詢(上海)有限公司 (K. Wah Consultancy (Shanghai) Co., Ltd.)	Shanghai	US\$350,000	100	Provision of management services
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
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
Equity joint venture				
六盤水首嘉博宏建材有限公司 (Liupanshui Shougang K. Wah Bohong Construction Materials Company Limited)	Liupanshui	RMB22,600,000	27.5 [^]	Manufacture, sale and distribution of slag
Puer Kungang & K. Wah Cement Construction Materials Co., Ltd.	Puer	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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. 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

43. 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

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

(b) Joint ventures

Name of company	Principal place of operation	Number of issued ordinary shares	Par value per share	Percentage of equity held by the Group	Principal activities
Incorporated in 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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. 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				
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



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