



銀娛GEG

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

Stock Code: 27

2019

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 DIRECTORS

Dr. Charles Cheung Wai Bun, *JP*

Mr. Michael Victor Mecca

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*

Dr. Charles Cheung Wai Bun, *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*

Dr. Charles Cheung Wai Bun, *JP*

COMPANY SECRETARY

Mrs. Jenifer Sin Li Mei Wah



CORPORATE INFORMATION

INDEPENDENT AUDITOR

PricewaterhouseCoopers
 Certified Public Accountant and Registered Public Interest
 Entity Auditor

REGISTERED OFFICE

22nd Floor
 Wing On Centre
 111 Connaught Road Central
 Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716
 17th Floor, Hopewell Centre
 183 Queen's Road East
 Wanchai, Hong Kong

PRINCIPAL BANKERS[#]

Banco Nacional Ultramarino, S.A.
 Bank of China Limited, Macau Branch
 DBS Bank (Hong Kong) Limited
 Industrial and Commercial Bank of China (Macau) Limited
 The Hongkong and Shanghai Banking Corporation Limited

[#] listed in alphabetical order

SOLICITORS*

Jorge Neto Valente, Escritório de Advogados e Notários
 Linklaters

* listed in alphabetical order

SHARE LISTING

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

STOCK CODE

SEHK : 27
 Bloomberg : 27 HK
 Reuters : 0027.HK

INVESTOR RELATIONS CONTACT

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WEBSITE ADDRESS

<http://www.galaxyentertainment.com>



CORPORATE PROFILE

Galaxy Entertainment Group (“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 of retail space with approximately 200 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 approximately 120 dining options 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 cuisines

BROADWAY MACAU™

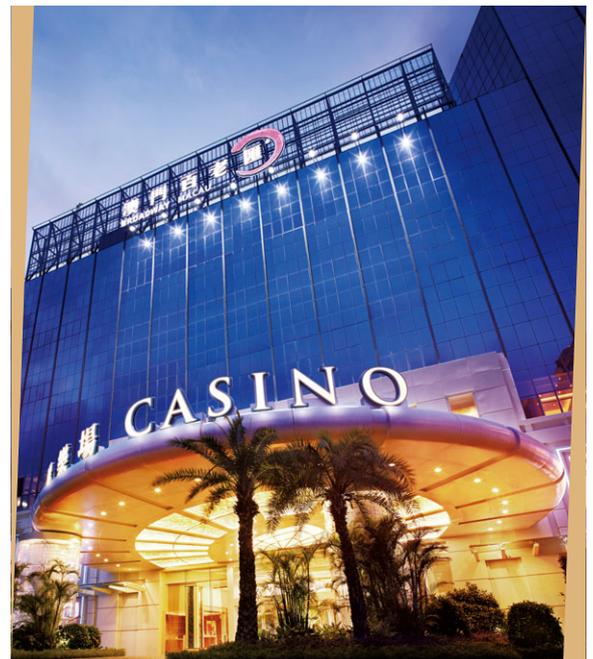
- Opened in May 2015; Broadway Macau™ represents a new concept in Macau, providing visitors with a vibrant food street and entertainment district showcasing the best of Macanese and Asian culture
- Broadway Hotel with approximately 320 rooms and suites, well priced and complementing the luxury properties at Galaxy Macau™
- Approximately 2,500 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.

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

- Net Revenue of HK\$51.9 billion, decreased 6% year-on-year
- Adjusted EBITDA of HK\$16.5 billion, decreased 2% year-on-year
- Net profit attributable to shareholders (“NPAS”) of HK\$13.0 billion, down 3% year-on-year
- Adjusted NPAS of HK\$14.0 billion, flat year-on-year after adjusting for non-recurring and other charges
- Played lucky in gaming operations which increased Adjusted EBITDA by approximately HK\$824 million in 2019. Normalized Adjusted EBITDA down 10% year-on-year to HK\$15.7 billion
- As of 31 December 2019, balance sheet remains healthy with cash and liquid investments of HK\$52.3 billion and net cash (including bank deposits and liquid investments) of HK\$51.7 billion
- Paid two special dividends of HK\$0.45 per share on 26 April 2019 and HK\$0.46 per share on 25 October 2019. Subsequently announced another special dividend of HK\$0.45 per share payable on or about 24 April 2020



Galaxy Macau™

- Net Revenue of HK\$37.4 billion, down 5% year-on-year
- Adjusted EBITDA of HK\$12.6 billion, down 2% year-on-year
- Played lucky in gaming operations which increased Adjusted EBITDA by approximately HK\$665 million in 2019. Normalized Adjusted EBITDA down 10% year-on-year to HK\$12.0 billion
- Hotel occupancy for 2019 across the five hotels was virtually 100%
- Non-gaming revenue of HK\$4.7 billion, increased 3% year-on-year



Starworld Macau

- Net Revenue of HK\$10.9 billion, down 10% year-on-year
- Adjusted EBITDA of HK\$3.5 billion, down 8% year-on-year
- Played lucky in gaming operations which increased Adjusted EBITDA by approximately HK\$154 million in 2019. Normalized Adjusted EBITDA down 13% year-on-year to HK\$3.3 billion
- Hotel occupancy for 2019 was virtually 100%
- Non-gaming revenue of HK\$514 million, increased 3% year-on-year



Broadway Macau™

- Net Revenue of HK\$593 million versus HK\$562 million in 2018
- Adjusted EBITDA of HK\$39 million versus HK\$32 million in 2018
- Played lucky in gaming operations which increased Adjusted EBITDA by approximately HK\$5 million in 2019. Normalized Adjusted EBITDA was HK\$34 million versus HK\$34 million in 2018
- Hotel occupancy for 2019 was virtually 100%
- Non-gaming revenue of HK\$311 million, increased 7% year-on-year



FINANCIAL & OPERATIONAL HIGHLIGHTS

Development Update

- Property Enhancement Program – Almost completed the previously announced HK\$1.5 billion property enhancement program in both Galaxy Macau™ and StarWorld Macau, we have identified and are reviewing additional enhancement opportunities
- Cotai Phases 3 & 4 – Continue with development works for 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
- GICC & Galaxy Arena – In August 2019 introduced Galaxy International Convention Center (GICC) and Galaxy Arena and are pleased to welcome Hyatt Hotels Corporation's first Andaz Hotel to Macau and the Galaxy Integrated Resorts precinct
- Hengqin – Refining plans for a lifestyle resort to complement our high-energy entertainment resorts in Macau
- International – Continuously exploring opportunities in overseas markets, including Japan



FINANCIAL & OPERATIONAL HIGHLIGHTS

GROUP

Key Financial Data

(HK\$'m)	2018	2019
Revenues:		
Net Gaming	47,025	43,582
Non-gaming	5,298	5,486
Construction Materials	2,888	2,834
Total Net Revenue	55,211	51,902
Adjusted EBITDA	16,857	16,479

Gaming Statistics¹

(HK\$'m)	2018	2019
Rolling Chip Volume ²	1,103,107	715,988
Win Rate%	3.4%	3.9%
Win	37,250	27,583
Mass Table Drop ³	119,657	121,879
Win Rate%	23.0%	24.0%
Win	27,487	29,260
Electronic Gaming Volume	72,461	67,942
Win Rate%	3.4%	3.7%
Win	2,476	2,513
Total GGR Win ⁴	67,213	59,356

Key Financial Metrics

	2018	2019
Net Profit Attributable To Shareholders (HK\$'m)	13,507	13,042
Earnings Per Share (HK cents)	312.8	301.1
Total Assets (HK\$'m)	87,384	95,696
Cash and Liquid Investments (HK\$'m)	45,837	52,252
Debt (HK\$'m)	9,055	553
Share Price on 31 December (HK\$)	49.8	57.4
Market Capitalization (HK\$'m)	215,385	248,761

¹ Gaming statistics are presented before deducting commission and incentives.

² Reflects junket rolling chip volume only.

³ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

⁴ Total GGR win includes gaming win from City Clubs.

FINANCIAL & OPERATIONAL HIGHLIGHTS

GALAXY MACAU™

Key Financial Data

(HK\$'m)	2018	2019
Revenues:		
Net Gaming	34,983	32,780
Hotel/F&B/Others	3,385	3,430
Mall	1,123	1,231
Total Net Revenue	39,491	37,441
Adjusted EBITDA	12,871	12,641
Adjusted EBITDA Margin	33%	34%

Gaming Statistics⁵

(HK\$'m)	2018	2019
Rolling Chip Volume ⁶	775,429	485,343
Win Rate%	3.5%	4.2%
Win	27,423	20,171
Mass Table Drop ⁷	70,286	72,786
Win Rate%	26.7%	28.0%
Win	18,746	20,411
Electronic Gaming Volume	52,778	45,572
Win Rate%	3.9%	4.6%
Win	2,082	2,076
Total GGR Win	48,251	42,658

⁵ Gaming statistics are presented before deducting commission and incentives.

⁶ Reflects junket rolling chip volume only.

⁷ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

FINANCIAL & OPERATIONAL HIGHLIGHTS

STARWORLD MACAU

Key Financial Data

(HK\$'m)	2018	2019
Revenues:		
Net Gaming	11,659	10,403
Hotel/F&B/Others	449	461
Mall	51	53
Total Net Revenue	12,159	10,917
Adjusted EBITDA	3,810	3,502
Adjusted EBITDA Margin	31%	32%

Gaming Statistics⁸

(HK\$'m)	2018	2019
Rolling Chip Volume ⁹	323,063	222,014
Win Rate%	3.0%	3.2%
Win	9,654	7,118
Mass Table Drop ¹⁰	36,375	36,274
Win Rate%	18.5%	18.7%
Win	6,723	6,787
Electronic Gaming Volume	7,585	8,632
Win Rate%	2.3%	2.3%
Win	172	196
Total GGR Win	16,549	14,101

⁸ Gaming statistics are presented before deducting commission and incentives.

⁹ Reflects junket rolling chip volume only.

¹⁰ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

FINANCIAL & OPERATIONAL HIGHLIGHTS

BROADWAY MACAU™

Key Financial Data

(HK\$m)	2018	2019
Revenues:		
Net Gaming	272	282
Hotel/F&B/Others	246	267
Mall	44	44
Total Net Revenue	562	593
Adjusted EBITDA	32	39
Adjusted EBITDA Margin	6%	7%

Gaming Statistics¹¹

(HK\$m)	2018	2019
Mass Table Drop ¹²	1,404	1,334
Win Rate%	18.4%	20.0%
Win	259	267
Electronic Gaming Volume	2,008	1,923
Win Rate%	2.3%	2.4%
Win	46	47
Total GGR Win	305	314

¹¹ Gaming statistics are presented before deducting commission and incentives.

¹² Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

CHAIRMAN'S STATEMENT



Chairman

Dr. Lui Che Woo

GBM, MBE, JP, LLD, DSSc, DBA

DEAR SHAREHOLDERS,

Thank you for allowing me to update you on the performance of our Company in 2019.

But first, let me comment on the pneumonia outbreak caused by the novel coronavirus that has created global concern with Macau being no exception. We are committed to the well-being and safety of all our guests and team members. We have been working closely with the Macau Government and the relevant departments, and adopted and supported all protective measures laid out by the Macau SAR Government. All gaming premises suspended casino operations for 15 days starting from midnight on 5 February 2020 in line with the government's instruction. Subsequently, this suspension was lifted on Thursday, 20th February. In addition, we also reaccelerated work on our construction projects in Cotai. Despite the challenges brought to the industry and Macau's economy, we fully support the government's decision and believe that the most important thing is for society to unite and work together to contain and prevent the spread of the virus. We will continue to execute and strengthen our preventive measures and other efforts in full accordance with the guidelines of the authorities.

GEG has donated MOP20 million through the Galaxy Entertainment Group Foundation to Hubei Province in order to help the region fight against the pneumonia outbreak and assist in relief efforts. The donation was made under the coordination of the Liaison Office of the Central People's Government in the Macau SAR. We also made a donation of MOP5 million to support the prevention initiatives in the Macau community. GEG also donated one million protective face masks to the Macau Government, Zhuhai City Government and Hengqin New Area Government in support of their prevention efforts.

In 2019, Macau faced numerous headwinds that impacted consumer sentiment and spending, I am pleased to announce that GEG delivered solid financial results in 2019. These solid results were due to our continuous effort in driving every segment of the business with a particular focus on the mass business by allocating our resources to the most efficient use.

CHAIRMAN'S STATEMENT

We have almost completed the previously announced HK\$1.5 billion property enhancement program in both Galaxy Macau™ and StarWorld Macau, and we have identified and are reviewing additional enhancement opportunities.

Our balance sheet remains strong with cash and liquid investments of HK\$52.3 billion and net cash of HK\$51.7 billion. This allows us to return capital to shareholders through dividends, fund our development pipeline and pursue our international expansion ambitions. Last year, we paid two special dividends of HK\$0.45 and HK\$0.46 per share. Subsequently, we announced another special dividend of HK\$0.45 per share payable on or about 24 April 2020. These dividends demonstrate our continued confidence in the longer-term outlook for Macau and the Company.

Additionally, GEG continues to focus on its growth development pipeline and international expansion ambitions. In August 2019, we introduced Galaxy International Convention Center (GICC) and Galaxy Arena and we are pleased to welcome Hyatt Hotels Corporation's first Andaz Hotel to Macau and the Galaxy Integrated Resort precinct. Our planning of Phase 4 and our lifestyle resort in Hengqin are progressing. We also continue to work on our Japan expansion plans. We have submitted 'Requests for Information' and 'Requests for Concept' to numerous Japanese cities and prefectures and we continue to work closely with the relevant government departments.

In 2019, investor sentiment experienced periods of fluctuation. Macau's total gross gaming revenue dropped 3% year-on-year to HK\$283.9 billion.

The highlight of the year was undoubtedly the visit by President Xi Jinping to Macau in December. During his visit, he made a number of positive remarks, saying that Macau achieved historical success in economic and social development since the territory returned to China 20 years ago. He also acknowledged the success of Macau in achieving the "one country, two systems" principle and added that China will continue to firmly support Macau to leverage on the opportunities arising from the Belt and Road policy and the Greater Bay Area plan.

At this point in time, it is premature to forecast when the coronavirus will be controlled and therefore we are not yet able to quantify the impact on our operations and construction timeline. However, we remain confident in the outlook for Macau in general and GEG in particular. This confidence is supported by recent positive steps in the Sino-US trade tensions, and improved infrastructure both within and outside Macau, which will improve access to Macau and its integration into the Greater Bay Area. With the largest contiguous landbank in Cotai, GEG is well positioned for future opportunities that arise from the medium to longer-term growth in tourism and leisure throughout Asia in general and China specifically.

Mr. Ho Iat Seng was sworn in as the next Chief Executive of Macau on 20 December 2019. We look forward to continuing to work closely with him and are committed to supporting the Macau Government's vision to continue to develop Macau into a World Centre of Tourism and Leisure.

Finally, I would like to thank all our team members who deliver 'World Class, Asian Heart' service each and every day and contribute to the success of the Group.

Dr. Lui Che Woo

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

Hong Kong, 27 February 2020

FINANCIAL CALENDAR FOR SPECIAL DIVIDEND

Book close dates for Special Dividend	:	27 March 2020 (Friday) to 31 March 2020 (Tuesday) (both days inclusive)
Record date for Special Dividend	:	31 March 2020 (Tuesday)
Ex-dividend date	:	25 March 2020 (Wednesday)
Expected payment date	:	24 April 2020 (Friday)
Latest time to lodge transfer documents with the Company's share registrar to entitle Special Dividend	:	4:30 p.m. on 26 March 2020 (Thursday)
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



SELECTED MAJOR AWARDS

CORPORATE AND PROPERTIES:

Award	Presenter
GEG	
Gaming Operator of the Year Australia & Asia	12th International Gaming Awards
Overall Most Outstanding Company in Hong Kong	Asiamoney
Most Outstanding Company in Hong Kong – Casinos & Gaming Sector	
3 Years IR Awards Winning Company Certificate of Excellence	Hong Kong Investor Relations Association
Business Awards of Macau 2019 – Gold Award in Corporate Social Responsibility	Business Awards of Macau
10th Guangdong, Hong Kong and Macau Safety Knowledge Competition – Macau Leg – Champion in Corporation Category	Labour Affairs Bureau (DSAL)
Outstanding Disabled Employees and Talent Recognizing Employers Award Program 2019 – Talent Recognizing Employer Award	Social Welfare Bureau (IAS)/ Labour Affairs Bureau (DSAL)
2019 Macau Outstanding Corporate Volunteer Award	Association of Volunteers Social Service Macao
GALAXY MACAU™	
Integrated Resort of the Year	12th International Gaming Awards
Best Integrated Resort Award	G2E Asia Awards 2019
Best Gaming Floor Award	
Asia's Most Popular Parent-Child Travel Resort City Supreme Award	The 19th Golden Horse Awards of China
Best Wedding Venue	20th New Express Fashion Awards
Particularly Pleasant Luxury Hotel – Banyan Tree Macau – The Ritz-Carlton, Macau	The Michelin Guide Hong Kong Macau 2020
Particularly Pleasant Top Class Comfort Hotel – Hotel Okura Macau	
Top Class Comfort Hotel – Galaxy Hotel™	

SELECTED MAJOR AWARDS

Award	Presenter
Five-Star Spa – Banyan Tree Spa Macau – The Ritz-Carlton Spa, Macau	2019 Forbes Travel Guide
Five-Star Hotel – Banyan Tree Macau – The Ritz-Carlton, Macau	
Four-Star Hotel – Galaxy Hotel™ – Hotel Okura Macau – JW Marriott Macau	
The Best Shopping Experience Award	Robb Report – Best of the Best 2019
My Favorite Hotel and Resort	U Magazine Travel Awards 2019
2018 Macau Green Hotel Award – Gold Award – Hotel Okura Macau	Environmental Protection Bureau
2019 Certificate of Excellence – Banyan Tree Macau	TripAdvisor
2019 Luxury Wedding Destination Country Winner: Macau	World Luxury Hotel Awards
Romantic Wedding Venue – Integrated Resort of the Year	All About Wedding Awards 2018
MICE China Best Marketing Award	MICE China Forum & Awards
2018 Platinum International Aquatic Safety Award – Grand Resort Deck	Jeff Ellis & Associates (E&A)
Macau's Best Resort Spa 2019 – Banyan Tree Spa Macau	World Spa Awards
STARWORLD MACAU	
Asia's Best Catering Service Hotel Supreme Award	The 19th Golden Horse Awards of China
TOP 10 City-Nova Hotels of China	The 14th China Hotel Starlight Awards
2019 Luxury Casino Hotel Global Winner	World Luxury Hotel Awards
Top Class Comfort Hotel	The Michelin Guide Hong Kong Macau 2020
2019 Macao Smart Hotel Awards – Excellent Communication Service Hotel Award	Macao Post and Telecommunications Bureau (CTT)
BROADWAY MACAU™	
2018 Macau Green Hotel Award – Silver Award	Environmental Protection Bureau
2019 Macao Smart Hotel Awards – Excellent Communication Service Hotel Award	Macao Post and Telecommunications Bureau (CTT)

SELECTED MAJOR AWARDS

Award	Presenter
CONSTRUCTION MATERIALS DIVISION	
Occupational Health Award 2018-19 – Joyful@Healthy Workplace Best Practices Award – Excellence Award	Occupational Safety and Health Council
Caring Company Scheme – 15 Years Plus Caring Company Logo	The Hong Kong Council of Social Service
Hong Kong Awards for Environmental Excellence Hong Kong Green Organisation Certification – Wastewi\$e – Certificate – Excellence Level – Carbon Reduction – Certificate	Environmental Campaign Committee
Corporate Environmental Leadership Awards 2018 – EcoPartner	Federation of Hong Kong Industries/ Bank of China (Hong Kong)
Green Office and Eco-Healthy Workplace Awards Labelling Scheme – Eco-Healthy Workplace Award Autumn 2019 Green Office Award Labelling Scheme (GOALS) – Certificate of Recognition	World Green Organisation
The 18th Hong Kong Occupational Safety & Health Award – Safety Management System Award – Other Industries – Bronze Award – Safety Performance Award – Other Industries	Labour Department/Occupational Safety and Health Council
Good MPF Employer Award Logo	Mandatory Provident Fund Schemes Authority

SELECTED MAJOR AWARDS

MICHELIN-STARRED RESTAURANTS

2-MICHELIN-STARRED:

- Feng Wei Ju (StarWorld Macau)

1-MICHELIN-STARRED:

- Lai Heen (The Ritz-Carlton, Macau)
- 8½ Otto e Mezzo BOMBANA (Galaxy Macau™)

MICHELIN PLATE:

- Fook Lam Moon (Galaxy Macau™)
- Terrazza Italian Restaurant (Galaxy Macau™)
- The Ritz-Carlton Café (The Ritz-Carlton, Macau)
 - Yamazato (Hotel Okura Macau)
- Wong Kun Sio Kung (Broadway Macau™)



Lai Heen (The Ritz-Carlton, Macau)



8½ Otto e Mezzo BOMBANA (Galaxy Macau™)



Fook Lam Moon (Galaxy Macau™)



The Ritz-Carlton Café (The Ritz-Carlton, Macau)

SELECTED MAJOR AWARDS

RESTAURANTS WITH INTERESTING WINE LISTS:

- 8½ Otto e Mezzo BOMBANA (Galaxy Macau™)
- Terrazza Italian Restaurant (Galaxy Macau™)
- Fook Lam Moon (Galaxy Macau™)

MICHELIN PARTICULARLY PLEASANT LUXURY HOTEL:

- The Ritz-Carlton, Macau
- Banyan Tree Macau

MICHELIN PARTICULARLY PLEASANT TOP CLASS COMFORT HOTEL:

- Hotel Okura Macau

MICHELIN TOP CLASS COMFORT HOTEL:

- StarWorld Macau
- Galaxy Hotel™



Wong Kun Sio Kung (Broadway Macau™)



Yamazato (Hotel Okura Macau)



Terrazza Italian Restaurant (Galaxy Macau™)

SELECTED MAJOR AWARDS

Below is a selection of food accolades that were awarded in 2019:

F&B Outlet	Award and Presenter
GALAXY MACAU™ 8½ Otto e Mezzo BOMBANA	100 Top Tables 2019 – South China Morning Post 2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO 2019 Italian Cuisine Continent Winner: Asia – World Luxury Restaurant Awards Ctrip Gourmet List Two-star Restaurant – Ctrip Gourmet List Dazhong Dianping Customer Review Awards – Dazhong Dianping Gambero Rosso 3 Forks – Gambero Rosso Top Italian Restaurants Special Awards 2020 Macau's Best Restaurants (Italian) – Hong Kong Tatler Best Restaurant 2020 Michelin One-Star Restaurant – The Michelin Guide Hong Kong Macau 2020 Michelin Restaurants with Interesting Wine Lists – The Michelin Guide Hong Kong Macau 2020 Star Wine List – Star Wine List 2019
Belon	2019 Forbes Travel Guide Five-Star Restaurant – Forbes Travel Guide 2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO 2019 TripAdvisor Certificate of Excellence – TripAdvisor Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List Macau's Best Restaurants (French) – Hong Kong Tatler Best Restaurant 2020
Butao Ramen	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
Café de Paris Monte-Carlo	Macau's Best Restaurants (French) – Hong Kong Tatler Best Restaurant 2020
CHA BEI	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List Macau's Best Restaurants (International) – Hong Kong Tatler Best Restaurant 2020
Festiva	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
Fook Lam Moon	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Best Fine Dining Restaurant in Macau – The Menu 2018 Macau's Best Restaurants (Cantonese) – Hong Kong Tatler Best Restaurant 2020 Michelin Plate – The Michelin Guide Hong Kong Macau 2020 Michelin Restaurants with Interesting Wine Lists – The Michelin Guide Hong Kong Macau 2020 My Favorite Hotel Restaurant in Macau – U Favorite Food Awards 2019

SELECTED MAJOR AWARDS

F&B Outlet	Award and Presenter
Gosto	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
	Macau's Best Restaurants (Portuguese) – Hong Kong Tatler Best Restaurant 2020
	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
	Dazhong Dianping Customer Review Awards – Dazhong Dianping
Hong Kong Gold Medal Seafood Hot Pot	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
Jin Yue Xuan	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
Lai Heen	100 Top Tables 2019 – South China Morning Post
	2019 Forbes Travel Guide Four-star Restaurant – Forbes Travel Guide
	Forest of Eden's Cup – Best Restaurant of the Year – The 1st Grand Hotels Golden Spoon Award
	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
	Ctrip Gourmet List One-star Restaurant – Ctrip Gourmet List
	Macau's Best Restaurants (Cantonese) – Hong Kong Tatler Best Restaurant 2020
	Michelin One-Star Restaurant – The Michelin Guide Hong Kong Macau 2020
My Favorite Hotel Restaurant in Macau – U Favorite Food Awards 2019	
Laurel	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
Lugang Cafe	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
Man Ho Chinese Restaurant	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
Pak Loh Chiu Chow Restaurant	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
	Macau's Best Restaurants (Cantonese) – Hong Kong Tatler Best Restaurant 2020
Passion. by Gérard Dubois	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
	Dazhong Dianping Customer Review Awards – Dazhong Dianping
Saffron	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
	2019 TripAdvisor Certificate of Excellence – TripAdvisor
	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List

SELECTED MAJOR AWARDS

F&B Outlet	Award and Presenter
Senkizen Japanese Restaurant	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Dazhong Dianping Customer Review Awards – Dazhong Dianping
Tastes of Asia	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
Terrazza Italian Restaurant	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Best Fine Dining Restaurant in Macau – The Menu 2018 Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List Macau's Best Restaurants (Italian) – Hong Kong Tatler Best Restaurant 2020 Michelin Plate – The Michelin Guide Hong Kong Macau 2020 Michelin Restaurants with Interesting Wine Lists – The Michelin Guide Hong Kong Macau 2020 Star Wine List – Star Wine List 2019
The Apron Oyster Bar & Grill	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List Macau's Best Restaurants (Steakhouse) – Hong Kong Tatler Best Restaurant 2020
The Macallan Whisky Bar & Lounge	Accredited Venue from Whisky Ambassador Program – Whisky Ambassador Best Whisky Bar Hong Kong & Macau – Gold – Hong Kong Best Spirits Awards Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List Macau's Best Bar – Hong Kong Tatler Best Restaurant 2020
The Noodle Kitchen	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
The Ritz-Carlton Bar & Lounge	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List Macau's Best Bar – Hong Kong Tatler Best Restaurant 2020 Verified List for the World's Best Hotel Bars – Forbes Travel Guide
The Ritz-Carlton Café	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List Macau's Best Restaurants (French) – Hong Kong Tatler Best Restaurant 2020 Michelin Plate – The Michelin Guide Hong Kong Macau 2020
Tsui Wah Restaurant	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO

SELECTED MAJOR AWARDS

F&B Outlet	Award and Presenter
Urban Kitchen	Forest of Eden's Cup – High-End Buffet Restaurant of the Year – The 1st Grand Hotels Media Golden Spoon Award
	2019 My Favourite Restaurant: The Most Popular Buffet – i Food Award
	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
	2019 Travelers' Choice Restaurants – TripAdvisor
	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
Wing's Chicken	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
Yamazato	100 Top Tables 2019 – South China Morning Post
	2019 Forbes Travel Guide Recommended Restaurant – Forbes Travel Guide
	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
	Macau's Best Restaurants (Japanese) – Hong Kong Tatler Best Restaurant 2020 Michelin Plate – The Michelin Guide Hong Kong Macau 2020

STARWORLD MACAU

Feng Wei Ju	100 Top Tables 2019 – South China Morning Post
	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
	Michelin Two-Star Restaurant – The Michelin Guide Hong Kong Macau 2020
	My Favorite Hotel Restaurant in Macau – U Favorite Food Awards 2019
Jade de Jardin	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
Laurel	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
Passion. by Gérard Dubois	Dazhong Dianping Customer Review Awards – Dazhong Dianping
Temptations	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
Tsui Wah Restaurant	Dazhong Dianping Customer Review Awards – Dazhong Dianping

SELECTED MAJOR AWARDS

F&B Outlet	Award and Presenter
BROADWAY MACAU™	
Ba Shan Spicy Noodles	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
Broadway Kitchen	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Dazhong Dianping Customer Review Awards – Dazhong Dianping
Chi Kei Ngao Chap	Dazhong Dianping Customer Review Awards – Dazhong Dianping
Chi Sasa Japanese Cuisine	Dazhong Dianping Customer Review Awards – Dazhong Dianping
Du Hsiao Yueh	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List Dazhong Dianping Customer Review Awards – Dazhong Dianping
Dragon Portuguese Cuisine	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Dazhong Dianping Customer Review Awards – Dazhong Dianping
Fong Seng Lai Kei Restaurant	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Dazhong Dianping Customer Review Awards – Dazhong Dianping
Hang Heong Un	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Dazhong Dianping Customer Review Awards – Dazhong Dianping
Hou Choi Seafood & Chinese Fondue Restaurant	Dazhong Dianping Customer Review Awards – Dazhong Dianping
Huo Gong Dian	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
I Son	Dazhong Dianping Customer Review Awards – Dazhong Dianping
Katong Corner	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
Lei Ka Choi	Dazhong Dianping Customer Review Awards – Dazhong Dianping
Pepper Lunch	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
San Ma Lo Seng Kei Congee	Dazhong Dianping Customer Review Awards – Dazhong Dianping
San Zhan Deng Fung Kei	Dazhong Dianping Customer Review Awards – Dazhong Dianping
Songhuahu Dumplings	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO

SELECTED MAJOR AWARDS

F&B Outlet	Award and Presenter
Tim Ho Wan, The Dim-Sum Specialists	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List Dazhong Dianping Customer Review Awards – Dazhong Dianping
Thai Chiu	Dazhong Dianping Customer Review Awards – Dazhong Dianping
The Roadhouse Macau	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List
Tsui Wah Restaurant	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List Dazhong Dianping Customer Review Awards – Dazhong Dianping
Veng Kei Tao Fu Min Sek	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO
Wa Sang Hong	Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List Dazhong Dianping Customer Review Awards – Dazhong Dianping
Wong Kun Sio Kung	2019 Quality Tourism Services Accreditation Scheme (QTSAS) Star Merchant Award – MGTO Ctrip Gourmet List Selected Restaurant – Ctrip Gourmet List Dazhong Dianping Customer Review Awards – Dazhong Dianping Michelin Plate – The Michelin Guide Hong Kong Macau 2020

MANAGEMENT DISCUSSION AND ANALYSIS

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



OVERVIEW OF MACAU GAMING MARKET

Investor sentiment throughout 2019 experienced periods of fluctuation. This was a result of a number of geo-political and economic issues such as Sino-US trade tensions, a slowing world economy, introduction of the VIP smoking ban, RMB fluctuations, continuing competition from regional markets and disruption in Hong Kong. Gross gaming revenue (“GGR”) for the full year 2019 was \$283.9 billion, down 3% year-on-year. GGR in Q4 2019 was \$70.1 billion, down 8% year-on-year and up 2% quarter-on-quarter.

In 2019, visitor arrivals to Macau were 39.4 million, up 10% year-on-year, in which visitors from Mainland China accounted for 71% of all visitor arrivals. Visitors from Greater Bay Area grew 26% year-on-year. Overnight visitors accounted for 47% of total visitation. The average length of stay for overnight visitors remained at 2.2 days. Thanks to the further diversification of tourism product offerings in Macau, we also noticed a trend of changing visitor mix from Mainland China to Macau with more family oriented and younger visitors, according to data released by Ctrip.

REVIEW OF OPERATIONS

Group Financial Results

The Group posted net revenue of \$51.9 billion, down 6% year-on-year. Adjusted EBITDA was \$16.5 billion, down 2% year-on-year. Net profit attributable to shareholders was \$13.0 billion, down 3% year-on-year. Galaxy Macau™’s Adjusted EBITDA was \$12.6 billion, down 2% year-on-year. StarWorld Macau’s Adjusted EBITDA was \$3.5 billion, down 8% year-on-year. Broadway Macau™’s Adjusted EBITDA was \$39 million versus \$32 million in 2018.

GEG experienced good luck in its gaming operation during 2019, which increased its Adjusted EBITDA by approximately \$824 million. Normalized 2019 Adjusted EBITDA was \$15.7 billion, down 10% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group's total GGR on a management basis¹ in 2019 was \$59.4 billion, down 12% year-on-year. Mass GGR was \$29.3 billion, up 6% year-on-year. VIP GGR was \$27.6 billion, down 26% year-on-year. Electronic GGR was \$2.5 billion, up 2% year-on-year.

One of GEG's business philosophies is to continuously search for products and offerings that will enhance our resorts and increase the appeal to customers. With this in mind, starting in 2018, we introduced a \$1.5 billion property enhancement program to refurbish the main gaming floor, hotel rooms, non-gaming facilities, and introduced some new F&B and retail concepts. We have almost completed the previously announced property enhancement program in both Galaxy Macau™ and StarWorld Macau, and we have identified and are reviewing additional enhancement opportunities. We believe this approach keeps the property fresh and appealing, particularly to our repeat customers. This also demonstrates our continued commitment to invest in Macau.

Balance Sheet and Special Dividends

The Group's balance sheet remains liquid and healthy. Our balance sheet combined with cash flow from operations allows us to return capital to shareholders via dividends and to fund both our Macau development pipeline and our international expansion ambitions.

As of 31 December 2019, cash and liquid investments were \$52.3 billion and net cash was \$51.7 billion. Total debt was \$0.6 billion.

During 2019, GEG returned capital to shareholders by paying two special dividends of \$0.45 per share and \$0.46 per share on 26 April 2019 and 25 October 2019 respectively. GEG announced another special dividend of \$0.45 per share to be paid on or about 24 April 2020.



¹ The primary difference between statutory gross revenue and management basis gross revenue is the treatment of City Clubs revenue where fee income is reported on a statutory basis and gross 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)

Set out below is the segmental analysis of the Group's operating results for 2019:

(HK\$m)	2018	2019
Revenues:		
Net Gaming	47,025	43,582
Non-gaming	5,298	5,486
Construction Materials	2,888	2,834
Total Net Revenue	55,211	51,902
Adjusted EBITDA	16,857	16,479

Gaming Statistics² (HK\$m)	2018	2019
Rolling Chip Volume ³	1,103,107	715,988
Win Rate %	3.4%	3.9%
Win	37,250	27,583
Mass Table Drop ⁴	119,657	121,879
Win Rate %	23.0%	24.0%
Win	27,487	29,260
Electronic Gaming Volume	72,461	67,942
Win Rate %	3.4%	3.7%
Win	2,476	2,513
Total GGR Win ⁵	67,213	59,356



² Gaming statistics are presented before deducting commission and incentives.

³ Reflects junket rolling chip volume only.

⁴ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

⁵ Total GGR win includes gaming win from City Clubs.

MANAGEMENT DISCUSSION AND ANALYSIS

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

GAMING AND ENTERTAINMENT DIVISION

Galaxy Macau™**Financial and Operational Performance**

Galaxy Macau™ is the primary contributor to Group revenue and earnings. In 2019, net revenue was down 5% year-on-year to \$37.4 billion. Adjusted EBITDA was down 2% year-on-year to \$12.6 billion. Adjusted EBITDA margin under HKFRS was 34% (2018: 33%).

Galaxy Macau™ experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$665 million. Normalized 2019 Adjusted EBITDA decreased 10% year-on-year to \$12.0 billion.

The combined five hotels registered strong occupancy at virtually 100% for 2019.

Galaxy Macau™ Key Financial Data

(HK\$m)	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Revenues:					
Net Gaming	9,201	8,108	8,137	34,983	32,780
Hotel/F&B/Others	858	897	872	3,385	3,430
Mall	302	310	327	1,123	1,231
Total Net Revenue	10,361	9,315	9,336	39,491	37,441
Adjusted EBITDA	3,433	3,172	3,211	12,871	12,641
Adjusted EBITDA Margin	33%	34%	34%	33%	34%

Gaming Statistics⁶					
(HK\$m)	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Rolling Chip Volume ⁷	172,378	110,279	114,669	775,429	485,343
Win Rate %	3.8%	4.4%	4.0%	3.5%	4.2%
Win	6,612	4,805	4,612	27,423	20,171
Mass Table Drop ⁸	18,593	18,403	18,359	70,286	72,786
Win Rate %	27.8%	27.9%	28.4%	26.7%	28.0%
Win	5,178	5,129	5,221	18,746	20,411
Electronic Gaming Volume	12,851	11,359	11,872	52,778	45,572
Win Rate %	4.5%	4.6%	4.5%	3.9%	4.6%
Win	573	523	539	2,082	2,076
Total GGR Win	12,363	10,457	10,372	48,251	42,658

⁶ Gaming statistics are presented before deducting commission and incentives.

⁷ Reflects junket rolling chip volume only.

⁸ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

MANAGEMENT DISCUSSION AND ANALYSIS

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

StarWorld Macau**Financial and Operational Performance**

In 2019, StarWorld Macau's net revenue was down 10% year-on-year to \$10.9 billion. Adjusted EBITDA was down 8% year-on-year to \$3.5 billion. Adjusted EBITDA margin under HKFRS was 32% (2018: 31%).

StarWorld Macau experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$154 million. Normalized 2019 Adjusted EBITDA decreased 13% year-on-year to \$3.3 billion.

Hotel occupancy was virtually 100% for 2019.

StarWorld Macau Key Financial Data

(HK\$m)	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Revenues:					
Net Gaming	2,839	2,397	2,515	11,659	10,403
Hotel/F&B/Others	121	111	125	449	461
Mall	13	13	13	51	53
Total Net Revenue	2,973	2,521	2,653	12,159	10,917
Adjusted EBITDA	893	828	782	3,810	3,502
Adjusted EBITDA Margin	30%	33%	29%	31%	32%

Gaming Statistics⁹					
(HK\$m)	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Rolling Chip Volume ¹⁰	87,317	49,990	50,539	323,063	222,014
Win Rate %	2.7%	2.8%	3.5%	3.0%	3.2%
Win	2,386	1,394	1,770	9,654	7,118
Mass Table Drop ¹¹	9,620	8,915	9,217	36,375	36,274
Win Rate %	16.9%	19.0%	17.5%	18.5%	18.7%
Win	1,630	1,694	1,614	6,723	6,787
Electronic Gaming Volume	2,010	2,226	2,421	7,585	8,632
Win Rate %	2.1%	2.5%	2.2%	2.3%	2.3%
Win	42	55	55	172	196
Total GGR Win	4,058	3,143	3,439	16,549	14,101

⁹ Gaming statistics are presented before deducting commission and incentives.

¹⁰ Reflects junket rolling chip volume only.

¹¹ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

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. In 2019, Broadway Macau™'s net revenue was \$593 million, versus \$562 million in 2018. Adjusted EBITDA was \$39 million versus \$32 million in 2018. Adjusted EBITDA margin under HKFRS was 7% (2018: 6%).

Broadway Macau™ experienced good luck in its gaming operations which increased its Adjusted EBITDA by approximately \$5 million. Normalized 2019 Adjusted EBITDA was \$34 million versus \$34 million in 2018.

Hotel occupancy was virtually 100% for 2019.

Broadway Macau™ Key Financial Data

(HK\$'m)	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Revenues:					
Net Gaming	69	65	65	272	282
Hotel/F&B/Others	63	66	78	246	267
Mall	12	10	11	44	44
Total Net Revenue	144	141	154	562	593
Adjusted EBITDA	8	2	16	32	39
Adjusted EBITDA Margin	6%	1%	10%	6%	7%

Gaming Statistics¹²					
(HK\$'m)	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Mass Table Drop ¹³	346	329	320	1,404	1,334
Win Rate %	18.9%	19.2%	19.1%	18.4%	20.0%
Win	65	63	61	259	267
Electronic Gaming Volume	574	454	471	2,008	1,923
Win Rate %	2.3%	2.3%	2.3%	2.3%	2.4%
Win	13	10	11	46	47
Total GGR Win	78	73	72	305	314

¹² Gaming statistics are presented before deducting commission and incentives.

¹³ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

MANAGEMENT DISCUSSION AND ANALYSIS

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

City Clubs

City Clubs contributed \$117 million of Adjusted EBITDA to the Group's earnings for 2019 versus \$111 million in 2018.

City Clubs Key Financial Data

(HK\$m)	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Adjusted EBITDA	29	33	28	111	117

Gaming Statistics¹⁴					
(HK\$m)	Q4 2018	Q3 2019	Q4 2019	FY2018	FY2019
Rolling Chip Volume ¹⁵	810	3,510	3,767	4,615	8,631
Win Rate %	4.4%	4.9%	2.1%	3.7%	3.4%
Win	36	170	78	173	294
Mass Table Drop ¹⁶	3,012	2,777	2,705	11,592	11,485
Win Rate %	15.1%	15.6%	16.1%	15.2%	15.6%
Win	455	433	434	1,759	1,795
Electronic Gaming Volume	2,756	3,094	3,220	10,090	11,815
Win Rate %	1.9%	1.7%	1.7%	1.7%	1.6%
Win	53	53	54	176	194
Total GGR Win	544	656	566	2,108	2,283

CONSTRUCTION MATERIALS DIVISION

Construction Materials Division ("CMD") has, once again, delivered solid results. CMD's revenue and Adjusted EBITDA for the year were \$2.8 billion and \$1.2 billion, respectively. Adjusted EBITDA rose 24% year-on-year to \$1.2 billion. The results were mainly driven by strong market demand for cement and Ground Granulated Blast-furnace Slag ("GGBS") in Mainland China.

In Hong Kong, CMD has been facing keen competition and severe price pressure in the construction market after completion of the Hong Kong-Zhuhai-Macau Bridge. CMD has secured a license to operate a ready mixed concrete site-plant in Hong Kong International Airport's three-runway system ("3RS") project and expects to commence operation in the second half of 2020. Going forward, CMD will continue to look for demand opportunities in 3RS and the Greater Bay Area.

In Yunnan China, increasing infrastructure projects contributed to a rise in demand for cement. All of our cement operations benefited from this positive market force in 2019.

¹⁴ Gaming statistics are presented before deducting commission and incentives.

¹⁵ Reflects junket rolling chip volume only.

¹⁶ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Continuing rise in demand for cement also supports the demand and market price for GGBS. Most of our GGBS operations achieved better than expected results. However, GGBS market in Northern China is still facing challenges due to Central Government's new environmental policy to maintain blue sky which have reduced production capacity of GGBS.



Production facility of K. Wah Asphalt Limited at Sheung Shui in Hong Kong



GGBS production plant of Nanjing Nangang K. Wah High Tech Materials Co. Ltd. in Nanjing of Jiang Su Province

DEVELOPMENT UPDATE

Galaxy Macau™ and StarWorld Macau

We have almost completed the previously announced \$1.5 billion property enhancement program in both Galaxy Macau™ and StarWorld Macau, and we have identified and are reviewing additional enhancement opportunities.

Cotai – The Next Chapter

GEG is uniquely positioned for long term growth. Our development works for Phases 3 & 4 include approximately 4,000 hotel rooms and villas, including family and premium high end rooms, 400,000 square feet of MICE space, a 500,000 square feet 16,000-seat multi-purpose arena, F&B, retail and casinos, among others. In August 2019, we introduced Galaxy International Convention Center (GICC) and Galaxy Arena and we are pleased to welcome Hyatt Hotel Corporation's first Andaz Hotel to Macau and the Galaxy Integrated Resorts precinct.

Hengqin

We continue to make progress with our concept plan for a lifestyle resort on Hengqin that will complement our high energy resorts in Macau.

International

Our Japan based team continues with our Japan development efforts. We view Japan as a great long term growth opportunity that will complement our Macau operations and our other international expansion ambitions. GEG, together with Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("Monte-Carlo SBM") from the Principality of Monaco and our Japanese partners, look forward to bringing our brand of World Class Integrated Resorts to Japan. We continue to strengthen our Japan Development team and build our resources as we move forward in the Integrated Resorts process.

MANAGEMENT DISCUSSION AND ANALYSIS

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

SUBSEQUENT EVENT

GEG announced a special dividend of \$0.45 per share payable on or about 24 April 2020.

GROUP OUTLOOK

In December 2019, the coronavirus was discovered in Wuhan China. The Central Government has dedicated significant resources to combat the virus. All the concessionaires are working diligently with the Macau government to minimize the impact of the virus. GEG is committed to providing a safe and healthy environment for all our guests and staff and we will continue to remain alert for the incident.

Consumer spending in 2019 was impacted by a range of geo-political and economic issues such as Sino-US trade tensions and a slowing Chinese economy. In mid-January 2020, China and the United States signed a trade agreement, this has resulted in a more positive consumer outlook. Additionally, infrastructure continues to improve, in particular, the targeted early-2020 opening of the train line which extends from Zhuhai to Hengqin and the associated new immigration centre, as well as the already commenced Macau Light Rail Transport (LRT) in Taipa which increases the ease of travel to and within Macau. Having said that, we expect Macau may continue to experience geo-political and economic challenges that may have an impact on consumer confidence in 2020.

At this point in time we cannot determine the duration of the coronavirus and therefore we are not yet able to quantify the full financial impact. We wish to highlight that a prolonged coronavirus crisis may have a material effect on our 2020 financial results and our development projects in Macau.

It is premature to forecast when the coronavirus will be controlled. However we remain confident in the longer term outlook for Macau in general, and GEG specifically. We are working closely with the new Macau SAR Government led by Chief Executive Mr. Ho Iat Seng. GEG is committed to invest in Macau's economic diversification and support Macau to develop into a World Centre of Tourism and Leisure. Furthermore, we will continue to support the Central Government's Greater Bay Area integration plan which will further facilitate the flow of people, logistics and capital within Macau, Hong Kong and the nine cities of southern Guangdong. GEG will continue to leverage on the plan by enhancing the competitiveness of our resort portfolio, including our development plan on Hengqin.

GEG will continue to focus on driving every segment of our business by allocating resources to their highest and best use. Mainland China has significant demand for leisure, tourism and travel and GEG is uniquely positioned to capitalize on this future growth potential having the largest development pipeline in Macau with Phases 3 & 4.

Our strong and healthy balance sheet allows us to return capital to shareholders through special dividends and fund both our Macau development pipeline and international expansion opportunities. These include Cotai Phases 3 & 4, Hengqin and Japan.

Finally, we are working diligently to ensure the health and safety of our staff and guests.

MANAGEMENT DISCUSSION AND ANALYSIS

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

LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 31 December 2019 increased to \$73,587 million, an increase of approximately 18% over that as at 31 December 2018 of \$62,280 million while the Group's total assets employed increased to \$95,696 million as at 31 December 2019 as compared to \$87,384 million as at 31 December 2018.

The Group continues to maintain a strong financial position. To preserve funds for future capital expenditure and new business opportunities, we continue to invest surplus cash in low risk fixed deposits as well as high quality debt securities issued by large financial institutions and corporations to generate low risk interest income for the Group. As at 31 December 2019, the debt securities were denominated in U.S. dollar with weighted average tenor of approximately 3 years and significant majority in investment grade rating. Debt securities investments are closely monitored by designated team with the help of international leading banks. The debt securities were classified as financial assets at amortized cost and their carrying amounts as at 31 December 2019 approximated their fair values. No provision for impairment loss was made at 31 December 2019 as these debt securities were considered to be of low credit risk and the expected credit loss was minimal. As at 31 December 2019, none of the debt securities in any individual investee company held by the Group equaled or exceeded 5 per cent of the Group's total assets.

As at 31 December 2019, the Group invested \$27,510 million (\$27,323 million as at 31 December 2018) in debt securities and \$5,625 million in listed investment of Wynn Resorts, Limited ("Wynn Resorts") (\$4,028 million as at 31 December 2018). As at 31 December 2019, the Group held 5.2 million shares of Wynn Resorts, which represented approximately 4.8% of the issued share capital of Wynn Resorts. Investment cost was \$7,142 million. Principal businesses of Wynn Resorts are to develop and operate high end hotels and casinos and its shares are listed on the Nasdaq Stock Exchange (stock code: WYNN). This listed investment is denominated in U.S. dollar. The directors of the Group considered that the closing price as at 31 December 2019 was the fair value of this listed investment. As of 31 December 2019, fair value of our investment in Wynn Resorts was \$5,625 million, representing 5.9% (2018: 4.6%) of the Group's total asset of \$95,696 million. The market value of Wynn Resorts as of 31 December 2019 and 31 December 2018, and the performance of the investment during the year ended 31 December 2019 and 2018 are as follows:

(HK\$m)	2019	2018
Market value	5,625	4,028
Unrealised gain/(loss) for the year ended 31 December	1,597	(3,114)
Dividend income for the year ended 31 December	107	65

The Group considers this investment a long term asset and will continue to closely monitor the performance of our passive minority equity investment in Wynn Resorts, which is a globally recognized entertainment corporation with exceptionally high quality assets and significant development pipeline.

The Group's total cash and bank balances (including fixed deposits) were \$19,117 million as at 31 December 2019 compared to \$14,486 million as at 31 December 2018 while total borrowings were \$553 million as at 31 December 2019 as compared to \$9,055 million as at 31 December 2018. The Group was in a net cash position as at 31 December 2019 and 31 December 2018.

The total borrowings of the Group mainly comprised bank loans which were largely denominated in 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 Group 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 fixed 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 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

No property, plant and equipment, leasehold land and land use rights was pledged to secure banking facilities (2018: nil). Bank deposits of \$430 million (2018: \$727 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 \$5,470 million (2018: \$4,790 million). At 31 December 2019, no facility has been utilised by the subsidiaries (2018: \$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 \$145 million (2018: \$148 million). At 31 December 2019, facilities utilized amounted to \$3 million (2018: \$39 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group, excluding associated companies and joint ventures, employed approximately 22,000¹⁷ employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$7,775 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.

¹⁷ Total number of employees of the Group includes City Clubs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL & GOVERNANCE

As a frontrunner in the gaming and entertainment industry, GEG is proud of our achievement in becoming a sustainable business and creating social value for the community in which we operate. We support the social programs and initiatives of the Macau Special Administrative Region (“SAR”) Government and surpasses expectations in promoting community welfare by being heavily involved in Corporate Social Responsibility (“CSR”) and developing a sustainable and formidable business strategy for the long-term success of Macau. Holding true to our Mission to be the world’s leading gaming company to provide exceptional experiences to our guests, instil pride in our employees, and delight our stakeholders, we hold a profound respect for every resident, visitor, customer, employee, shareholder, investor, supplier, non-governmental organization and the wider communities that connects with us.

Reporting Approach and Scope

The Group is aware of the importance of integrating Environmental, Social and Governance (“ESG”) systems in key business decisions and the significance of effective ESG practices. The Group handles ESG issues both at the Group and business levels. While the Board oversees the direction for the Group’s ESG practices, the Group’s business units set up individual ESG programs and regularly measure their performances to identify opportunities for improvement and create sustainable values for the Group’s stakeholders.

This report is published in line with the ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited. The report has complied with the “comply or explain” provisions as set out in the ESG Reporting Guide for the year ended 31 December 2019. It provides an annual update on the sustainability performance of GEG’s gaming and entertainment segment, namely Galaxy Macau™, Broadway Macau™, StarWorld Macau and the Group’s construction materials business, K. Wah Construction Materials Limited (“KWCM”).

ESG Governance

The Board has delegated ESG-related responsibilities to the Corporate Governance (“CG”) Committee, who will report to the Board on the findings and issues that it has identified. The CG Committee reviews corporate governance matters based on risk assessments to account for the potential impact on the Group’s reputation, business activities and financial losses. The Audit Committee and Internal Auditor review a range of risk management and internal control systems and bring up issues to the CG Committee for follow up. The CG Committee also monitors the integrity of the Group’s ESG information in annual reports and ensures that it is in compliance with the ESG reporting guide of the Listing Rules.

STAKEHOLDER ENGAGEMENT

Honouring our “World-Class, Asian Heart” philosophy, GEG engages stakeholders through a variety of channels on an ongoing basis. Believing that stakeholder input is important to our strategic decision-making, GEG engages a full range of internal and external stakeholders, including our team members, industry associations, governmental organizations, charitable organizations, suppliers and business partners as indicated in the following table.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Groups	Engagement Objective	Engagement Method
Team Members	GEG considers its employees to be its greatest asset. To attract and retain talents, GEG engages its employees in an attempt to understand their needs and create a healthy, supportive, rewarding, diverse and inclusive workplace environment for them.	<ul style="list-style-type: none"> • Focus Groups • Employee Feedback Forms • GEG Buzz • Employee Assistance Program • Training & Development • Staff Social Club activities • Reward and recognition programs • “Asian Heart” Moments of Truth
Customers	Taking pride in our success to anticipate customer needs and create “World Class, Asian Heart” products and services to guests, GEG continually engages our customers to understand their evolving needs and preferences.	<ul style="list-style-type: none"> • Guest and Tele-Services • Membership Programs • Guest Feedback Forms • Mystery Shopping
Investors	GEG engages with investors and shareholders to better understand their financial and non-financial expectations as well as to share with them the Group’s financial performance and results.	<ul style="list-style-type: none"> • Financial announcements • HKEx filings • Investor Calls & Briefings • Annual General Meetings
Government Organizations	GEG values our relationship with the Macau SAR Government. Thus, the Group engages with different government organizations on a regular basis for the purpose of understanding their policies, priorities and expectations, as well as exploring ways in which we can offer our support.	<ul style="list-style-type: none"> • Meetings • Briefings • Public events • Regulatory filings
Suppliers & Business Partners	GEG engages with suppliers and business partners regularly to ensure the integrity of our business operations and procurement procedures, explore opportunities to further reduce the environmental impact of the Group’s operations and purchases, and provide support to Macau’s development of local SMEs.	<ul style="list-style-type: none"> • SME Partnership Program • SME Seminars and Workshops • Business Matching Sessions
Industry Associations	To maintain the healthy and sustainable growth of Macau’s gaming and tourism industry, GEG engages with different industry associations regularly on exploring opportunities to support Macau’s economic diversification and promote the city as a “World Centre of Tourism and Leisure”.	<ul style="list-style-type: none"> • Meetings • Industry briefings • Events
Charitable Organizations	Committed to its philosophy of “what is taken from the community is to be used for the community”, GEG maintains good relationships with various charitable organizations for the purpose of identifying how we can further contribute to the betterment of the community via our volunteering and philanthropic efforts.	<ul style="list-style-type: none"> • Meetings • Briefings • Media communication channels • Public and private events • Volunteering activities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To effectively engage stakeholders in our ESG journey, GEG conducted a fair and unbiased stakeholder engagement exercise that involved employees, business partners (including suppliers, contractors and service providers), industry associations, non-governmental organizations, media and charitable organizations.

A third-party consultant was engaged to assist our management to review and update the list of material issues to GEG. In the reporting year, we have identified anti-corruption and internal controls on money laundering, customer privacy and customer health and safety as the most significant ESG aspects of GEG's business. GEG pursues to address these material aspects in the sections of the report below, detailing its performance against the sustainability targets and initiatives to ensure and demonstrate the adoption of a robust and well-defined sustainability framework.

PROTECTING THE ENVIRONMENT

GEG envisions to strengthen the environmental performance across all our operations. The Group is in compliance with existing environmental laws and has policies in place to effectively reduce greenhouse gas emissions. The Group efficiently utilizes resources such as energy and water to preserve the environment for the future generation. Some of GEG's management actions for environmental performance included:

- Established an "Environmental Committee" & "Energy Management Committee" at Galaxy Macau™ and Broadway Macau™ to govern the system policy and guidelines and to drive system implementation;
- Developed an Environmental Protection Statement to ensure environmental sustainability will be part of our business strategy and that the business is conducted in an environmentally responsible manner;
- Implemented the Environmental Policy and the Environmental Protection and Energy Conservation Policy;
- Established a Corporate Procurement Policy that streamlines criteria and specifications, and assists suppliers and internal stakeholders in selecting products and services that do not have adverse impacts on the environment;
- Employed ISO 14001 Environmental Management System ("EMS") to our operations for a structured and effective way to manage resources; and
- Organized the 4th annual Energy and Environmental Conservation Week ("EEC Week") where a representative from the United Nations University was invited to introduce the 17 Sustainable Development Goals to over 200 of our team members. The flagship event covered "Sustainable Food Day", "Donation Day for Toys and Books", "Green Shopping Experience" and "Green Workshop".

To ensure the goals are met, an environmental program is implemented to encompass all our team members, customers, suppliers and business partners. As well, GEG also developed an Environmental Protection Statement, which lists GEG's commitment and actions to reduce our environmental impact as follows:

- Develop a culture to be an environmentally responsible company;
- Comply with all applicable legislation and strive to make it beyond the required standards;
- Provide sufficient resources to ensure that environmental objectives and targets are met;
- Adopt 'Replace, Reuse, Reduce and Recycle' as far as commercially practicable to minimize waste or adverse impacts;
- Adopt efficient management practices and invest in energy saving technologies where possible; and
- Avoid and control environmental pollution.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recently, GEG obtained the ISO 50001 Energy Management System Certification for Galaxy Macau™ while our hotel partner, Banyan Tree Macau obtained the Earth Check Gold Certification. Our target this year is to obtain the ISO 50001 Energy Management System Certification for Broadway Macau™. Going forward, GEG targets to obtain internationally recognized green certifications, including LEED for Building Operations and Maintenance (“LEED O+M”) Certification for Galaxy Hotel™ and Green Key and Earth Check for Galaxy Macau™.

At KWCM, an Integrated Management System (“IMS”) Management Committee was established to manage the risks of health, safety and environmental protection (“HSE”), energy consumption and product quality. This year, KWCM targets to obtain the ISO 50001 Energy Management System Certification for its Head Office.

Emissions and Energy

GEG recognizes the importance of energy conservation and has implemented various initiatives across different properties to reduce our impact to the environment, reduce our cost and improve performance. At the beginning of 2019, the Group set a 3% energy saving target for Galaxy Macau™ and Broadway Macau™ against a 2016 baseline level. We are thrilled to report that we have exceeded this target by achieving a 9.1% energy reduction against 2016 baseline levels. To do this, GEG implemented the following key programs in 2019:

- Reduced diesel consumption in hot water production by installing electric heating device in the hot water system;
- Conducted energy audit for Galaxy Macau™ to understand overall room for improvement;
- Enhanced the chiller plant system performance by improving the Condenser Water System of Chiller Plant in Phase 2;
- Adjusted lighting levels of pylon display panels at midnight to reduce energy consumption and light pollution;
- Lowered the use of energy for central air conditioning system with variable speed devices in the retail areas;
- Achieved approximately 26% Compressed Natural Gas (“CNG”) and electric model-buses, minimizing air pollutants and carbon footprint;
- Adopted Internet of Things for more convenient online and mobile phone scheduling of our office lighting system and to avoid costlier option by building management system points;
- Designed a smart car park system to detect human or vehicle traffic, which can effectively reduce the ventilation requirement and use of lights, thus reducing energy consumption;
- Continued the ongoing retrofitting project to replace fluorescent lamps with LED lightings in both public area and guest rooms, and implementation of chiller plant monitoring device;
- Participated in WWF’s “Earth Hour” event for the 11th consecutive year; and
- Joined the monthly “Lights Out” activity on the first Tuesday of every month to demonstrate our corporate citizenship.

In the upcoming future, we have a list of plans to further enhance our energy performance. Key initiatives under planning include:

- Act on identified findings of external energy audit and the Energy Assessment conducted by our Energy and Sustainability team;
- Systematically control and monitor energy performance with a new Energy Management System;
- Strengthen our System Life Cycle analysis and process to facilitate adopting new technology regarding energy consumption; and
- Stop using low lighting-efficiency products including T5, T8 and halogen lamps.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In our construction materials business, KWCM strives to 'raise the bar' of its environmental performance through participating in various industry recognised schemes, such as Green Mine Scheme, Green Factory Scheme, Construction Product Carbon Labelling Scheme, Carbon Reduction Scheme and Waste Reduction Labelling Scheme.

In Mainland China, KWCM has invested substantially in retrofitting pollution control equipment to its cement plants in Yunnan to reduce air emissions in line with China's "Three-year Action Plan for Winning the Blue Sky War" strategy. The selective non-catalytic reduction ("SNCR") denitrification technology has been implemented to reduce nitrogen oxides ("NOx") emissions. In Guangdong, our Huidong quarry has installed a dust collection and containment system in the screening and crushing plant to collect and recycle airborne granite particulates, avoiding emission to the surrounding environment. In Hong Kong, our asphalt plant is equipped with a high efficient UV-degradation and oxidation device, to mitigate odour impact.

Water and Waste

Paying high attention to the need to reduce waste at source, in 2019, the Macau SAR Government launched the "Plastic Bag Charge" to encourage consumers to develop the habit of using their own shopping bags. Believing that the new measure helps reduce consumers' reliance on single-use plastic bags, which have detrimental impacts on the environment, GEG began to charge customers for all plastic bags requested upon their purchase at our food and beverage and retail outlets following the effective date of the "Plastic Bag Charge" on 18 November 2019. In addition, we also put forward biodegradable containers and utensils to replace single-use plastics in the front-of-house food and beverage outlets and expanded the plastic reduction campaign by replacing single-use plastics with washable items in staff canteens.

In January 2020, GEG signed a memorandum of understanding with Macau Coca-Cola Beverage Co., Ltd to launch a circular system for all GEG and GEG property branded bottles. As the first integrated resort operator to create such a system, GEG aims to further raise recycling rates and minimize environmental impact while continuing to provide "World Class, Asian Heart" service to our guests.

Under the program, all GEG-branded plastic bottles will be collected for transport to a Taiwanese supplier approved by Coca-Cola® for process into food-grade plastic pellets that comply with the standards of the United States Food and Drug Administration and the European Food Safety Authority. The recycled PET ("rPET") pellets will then be used by Macau Coca-Cola to produce new light-weight 350 ml water bottles for all GEG hotels and branded partner hotels, so that together, we can reduce the total amount of plastic used, raise recycling rates and minimize our impact on the environment.

When it comes to water, GEG strives to secure our source of water and consumes water responsibly. We improve the use of water with various initiatives across our business operations. In the reporting year and onwards, we strive for more efficient water management by incorporating improvements in our hotel guest rooms such as replacing water fixtures and enhancing the domestic hot water system. We have effectively reduced the water flow rate of water fixtures in the hotel guest rooms by including a water restrictor. The water from our swimming pools are also being reused for the cooling tower, and recycled for cleaning of carparks and garbage areas before its final disposal.

To efficiently utilize natural resources, the Group has in place stringent hazardous and non-hazardous waste collection and recycling guidelines across all our properties in Hong Kong and Macau. Through the "Environmental Committee" which is led by our senior management, Galaxy Macau™ focuses on key waste issues covering food, gaming cards and cooking oil. Currently, we reuse toner, cartridge and textile while we recycle glass bottles, hand soap, disposable batteries, cooking oil, paper and fluorescent lamps. Our committee aims to develop green practices endorsed by our leadership while staying compliant with relevant environmental policies. They will also align corresponding waste objectives with the Group's strategic direction.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

At KWCM, reclaimed asphalt pavement (“RAP”), raw granulated slag, waste glass bottles, and construction and demolition (“C&D”) wastes are recycled and reused in our production processes to increase recycling rates. In Hong Kong, our asphalt operation incorporates up to 20% RAP into the newly laid asphalt pavement, conserving valuable natural resources and reducing energy consumption. Our eco-friendly concrete block and paver production plant in Eco-Park, recycles up to 6% of Hong Kong’s waste glass bottles into paving blocks which are laid as pedestrian pavements in leisure and recreational areas.

To further achieve a circular economy and green lifestyle, we promote sustainable food choices to our team members by providing a Sustainable Food Menu in the staff canteen during the EEC Week. Besides, we also partner with the non-profit organization Green Monday, on hosting the “Let’s Go Green” vegetarian and plant-based dining activities at our team member canteens every Monday so that our team members can experience and learn more about green lifestyle.



GEG installed “smart” bottle recycling machines at Galaxy Macau™ and StarWorld Macau in December 2019 to empower team members to proactively contribute to waste classification and recycling.



KWCM extended its support to community programs in various areas in which it operates. The Shorelines Clean-up Day was an outstanding environmental impact event held in conjunction with the Environmental Protection Department of Hong Kong SAR and Tai Po District Council where KWCM staff joined representatives from other parties for a beach clean in Ting Kok, Tai Po.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Green Procurement

The Group upholds business ethics across all our operations. We strictly comply with all laws and regulations associated with processing transactions and conducting engagements with suppliers for the procurement of goods and services. We ensure that expectations on the relevant social and environmental topics are clearly communicated to suppliers in order to effectively select suppliers with high ethical standards and similar values.

GEG Procurement introduced initiatives for an eco-friendly supply chain that adheres to the Green Procurement Statement and the 4R Principles (Reduce, Reuse, Recycle, Recovery), some of which includes the following:

- Sustainable ingredients and plant-based meat substitutes for our team member dining;
- Introduction of bio-degradable straws, cutleries, cups and food containers;
- Sourcing of bulk pack bathroom amenities and replacing single use items;
- Engagement of local recycling vendors on recycling of waste materials (e.g. paper, plastic and metals); and
- Consumption of certified sustainable shrimp products in all GEG culinary operations.

GEG values the environmental performance of our vendors. We have developed some factors for consideration in the vendor selection process:

- Declaration in upholding environmental values;
- Certification and Awards on environmental measures and enforcement programs;
- Performance of vendor's environmental management system or quality management system;
- Compliance with applicable environmental regulations and legislation;
- Dedication in improving specifications that would achieve environmental benefits; and
- Commitment to meeting GEG's environmental specifications.

As part of the supplier selection process, GEG has explicitly indicated preference on the following requirements:

- Established EMS such as ISO 14001 or any equivalent system;
- Commitment to vendor's principles in selecting green products and services with minimum to zero environmental impacts;
- Adoption of the environmental purchase specifications as recommended by the Environmental Protection Bureau of the Macau SAR Government where applicable;
- Adherence to GEG's Green Procurement Statement; and
- Compliance with all applicable environmental laws and regulations related to GEG's business activities as well as requirements set out by the Group.

KWCM also upholds a high standard of green procurement through the Green Purchasing Specifications initiatives which has been implemented to provide guidance for our staff in purchasing environmentally friendly equipment and materials. It not only helps to engage staff in the green purchasing process but also drives their environmental awareness.

Furthermore, we also engage with the tenants of our properties continually on various environmental aspects and provide a Green Retailer Guideline to explain to them our different retail conservation practices. As well, briefing sessions are held to communicate with tenants our expectations on their operations and the direction of our development on conservation standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental performance data for GEG and KWCM for the year ended 31 December 2019:

Environmental KPIs	Unit	GEG ¹		KWCM		GEG and KWCM Total	
		2019	2018	2019 ^{2,4}	2018 ²	2019	2018
Emissions							
Nitrogen oxides "NOx" emissions	tonne	0.685	0.533	848	1,347	849	1,348
Sulphur oxides "SOx" emissions	tonne	0.009	0.008	54	81	54	81
Particulate matter "PM" emissions	tonne	0.013	0.012	94	87	94	87
Total greenhouse gas emissions	tonne CO ₂ e	344,386	301,446	614,478	574,567	958,864	876,013
Greenhouse gas emissions (Scope 1)	tonne CO ₂ e	21,955	18,827	499,770	474,351	521,725	493,178
Greenhouse gas emissions (Scope 2)	tonne CO ₂ e	322,431	282,619	114,708	100,216	437,139	382,835
Waste							
Total hazardous waste produced	tonne	19	10	15	11	34	21
Total non-hazardous waste produced	tonne	24,433	24,284	23,419	20,449	47,852	44,733
Energy							
Total energy consumption	GJ	1,590,962	1,455,818	6,504,046	5,842,017	8,095,008	7,297,835
Total energy consumption intensity	GEG: GJ/m ² KWCM: GJ/tonne of product	1.29	1.17	0.98	0.97	-	-
Total direct energy consumption	GJ	276,513	241,703	5,687,848	5,158,160	5,964,361	5,399,863
Coal	GJ	-	-	5,508,561	4,965,995	5,508,561	4,965,995
Liquefied Petroleum Gas (LPG)	GJ	125,744	93,045	-	-	125,744	93,045
Natural gas	GJ	-	-	42,860 ³	0	42,860	0
Diesel	GJ	135,347	135,483	134,011	189,769	269,358	325,252
Petrol	GJ	15,422	13,175	2,416	2,396	17,838	15,571
Total indirect energy consumption	GJ	1,314,448	1,214,115	816,198	683,857	2,130,646	1,897,972
Purchased electricity	GJ	1,314,448	1,214,115	816,198	683,857	2,130,646	1,897,972
Water							
Water consumption	m ³	4,082,419	4,079,589	5,077	5,080	4,087,496	4,084,669
Water consumption intensity	m ³ /m ²	3.31	3.27	2.52	2.52	-	-

1. GEG includes GEG gaming and entertainment segment, namely Galaxy Macau™ and StarWorld Macau.
2. For 2018 and 2019, KWCM has updated the ESG reporting boundary to cover its subsidiaries in accordance with financial reporting requirements. The water consumption data of KWCM covers its Head Office and four regional offices.
3. In accordance to China's "Three-year Action Plan for Winning the Blue Sky War" strategy, KWCM has significantly increased the use of natural gas to replace coal/blast furnace gas in our slag and cement plants.
4. All KWCM ESG data is independently verified by a certified body and the data is available in KWCM Sustainability Report. This report can be accessed at http://www.kwcm.com/en/co_sustainability08.php.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL RESPONSIBILITY

As an accountable and proactive member of the Macau community, GEG is fully committed to making positive contributions to our community. To share our successes with the community and aid those that are underprivileged, GEG supports the Macau SAR Government on Responsible Gaming promotion, youth and talent nurturing, sports and cultural development, environmental protection, national education and Macau's transformation to become a "World Centre of Tourism and Leisure".

Responsible Gaming

GEG remains devoted to support the Macau SAR Government's responsible gaming measures. By making responsible gaming a key part of our daily operation, GEG ensures that relevant laws and regulations are properly implemented so that patrons are able to make more informed and sensible gambling choices while maximizing their enjoyment. To support the government's policy direction, in the first half of 2019, GEG's responsible gaming promotion focused on assisting our team members "Learn More About Exclusion Measures". To prepare for the implementation of the newly revised Responsible Gaming Instructions and Casino Entry Law that came into effect on 27 December 2019, GEG took proactive measures in the second half in year 2019 by launching a number of related trainings and promotions on "Learn More About New Entry Law".

Pledge to Our Team Members

GEG believes that responsible gaming practices starts from our team members. Since creating the first Responsible Gaming Manager position in Macau in 2008, GEG has been strengthening team members' knowledge on responsible gaming and helping them identify gambling-related behavioural disorders. Believing that it is our duty to protect the health and wellbeing of our team members, GEG makes responsible gaming training mandatory and part of the Orientation Program for all new team members and provides a Responsible Gaming Support and Counselling Hotline Program, which includes hotline, face-to-face and online counselling support for our team members who may wish to seek support.

To raise responsible gaming awareness and knowledge among GEG team members, GEG launched the first Responsible Gaming Promotion in 2009. Comprising of various activities such as trainings, workshops, roadshows, visits and other promotional activities, to date, the annual Responsible Gaming Promotions have accumulated over 65,000 of our team members' participation. In 2019, over 18,000 of our team members took part in GEG's responsible gaming trainings and activities, including the following:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Pledge to Our Customers

GEG believes in creating a comfortable and enjoyable entertainment experience for our customers. Through various responsible gaming measures and promotions, GEG hopes to help our customers make appropriate and informed gambling decisions.

GEG is in strict compliance with local responsible gaming laws and regulations and has implemented the following measures:

- A designated sign is placed at every casino entry to prevent underage patrons and enacted gaming employees from entering into casino premises;
- Pamphlets stating gambling rules are displayed inside gaming floors, with the inclusion of responsible gaming messages;
- A Responsible Gambling Information Station or Kiosk is available at every GEG gaming property to assist and provide advice to our customers on the casino floor; and
- Responsible gaming message is displayed on the screensaver of every ATM inside the gaming floors and videos regarding responsible gaming habits are displayed in all the smoking rooms inside the gaming floors.

GEG will continue to collaborate with the government on the implementation of responsible gaming policies and measures, and to promote responsible gaming with a diversified approach. Responsible gaming is critical to Macau's healthy development and will remain a key priority of GEG's social responsibility efforts.

Community Contribution

Upholding the corporate philosophy of "what is taken from the community is to be used for the good of the community," GEG established the GEG Volunteer Team in year 2011. With our team members coming from different departments across GEG, they are incentivized to make a difference in the community. To date, the GEG Volunteer Team has organized more than 200 activities and contributed over 12,400 hours in community services.

In line with GEG's mission statement in community contribution, senior management has focused on five strategic pillars that are essential to creating positive impact for GEG's communities. In Macau, GEG pledges:

- To contribute to the development of Macau as a "World Centre of Tourism and Leisure" through providing diversified non-gaming leisure offerings and promoting arts and sports tourism;
- To foster the sustainable development of the community through supporting youth development, community care, education, and environmental protection;
- To support the diversification of Macau's economy through providing opportunities for SMEs and youth entrepreneurs to thrive, and offering adequate support to their development;
- To cultivate the growth of our team members and supporting the upward and horizontal mobility of local team members; and
- To comply consistently with the law, and encourage responsible gaming.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In Hong Kong, KWCM has partnered with the Evangelical Lutheran Church of Hong Kong (“ELCHK”) for more than 10 years. In November 2018, to raise funds for a 2-year community charity program supporting underprivileged families in Tai Po district, KWCM organized a 5.8km charity walk from its concrete customer service centre, to ELCHK’s study playground. With the support of more than 400 KWCM staff and family members, over HK\$0.25 million was raised for this event. In addition, KWCM’s volunteer group of 60 staff working with ELCHK provided English lessons to children from 30 underprivileged families providing them learning opportunities to speak and write English. In a further initiative, KWCM collaborated with ELCHK to launch a series of comprehensive activities including STEM (“Science, Technology, Engineering and Mathematics”) workshops for children, family outings and “Buddy Scheme” counselling services.



Charitable activities

When it comes to community giving, GEG employs a diversified approach. Apart from donations and cash sponsorships, GEG takes advantages of its properties to sponsor social service institutions by offering its facilities for hosting events. By providing complimentary venues, hardware and technical support for local charities, NGOs and community groups, GEG aids them to engage more stakeholders and bring about a higher degree of social bonding. The Group will continue to support Macau’s social services industry and Macau’s overall development into a more inclusive and welcoming community.

In 2019, GEG supported a number of charities, NGOs and community groups in organizing over 20 events at Broadway Macau™, including workshops, concerts, art exhibitions, carnivals, fashion shows, dance performances, singing competitions, dramas and plays, thematic exhibitions and talent shows.

Similarly, KWCM continues to participate and support various charitable fundraising events, such as The Community Chest Skip Lunch Day, Dress Casual Day, Love Teeth Day, Green Day, Pok Oi Cycle for Millions, Hong Kong Mine Challenge and Lifewire Run.

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 (“the Foundation”) to contribute 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.

The GEG Arts Exhibition Pilot Scheme officially launched “GRACE KELLY: From Hollywood to Monaco – Artists’ Tributes” on 15 May 2019, in collaboration with Grimaldi Forum Monaco and as part of Art Macao 2019. A special purpose gallery was erected at Galaxy Macau™ Crystal Lobby for this exhibition, featuring the collections and archives of the Prince’s Palace of Monaco and an array of art pieces. The exhibition ran for 3 months through 28 August 2019 at Galaxy Macau™, with guided tours for the public on Saturdays and Sundays during the event period. The Foundation also invited local schools to join a docent-led exhibition tour, followed by various arts-related workshops.

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The 3-year GEG Japan-Macau Mentorship Scheme was launched in August 2019. The Scheme aims to provide university students from Japan with exposure and first-hand experience of integrated resort management at Galaxy Macau™, and allows the GEG, and the city of Macau, to showcase its successes by sharing its expertise and experience with Japan. In August 2019, six Japanese students from three universities in Japan, together with two junior executives from the Okura Nikko Management Co. of Japan participated in the Scheme. Lectures on select topics in Integrated Resort Management were presented by faculty members from the University of Macau's Department of Integrated Resort and Tourism Management and mentoring sessions were conducted by senior executives from various departments at GEG. It is hoped that this Scheme will encourage young people from Japan to aspire to join the Integrated Resorts profession as the industry begins to evolve in Japan in the coming years.

The GEG Parenting Education Scheme was launched in January 2019, targeting shift-working parents in Macau with young children ages 2-7, and trialed with a pilot group of parents – our team members at Galaxy Macau™ – under a randomized control trial conducted on its properties. The Scheme pioneered a multi-session parenting education programme, specifically catered to address issues faced by shift-working parents in Macau. Over 150 of our team members enrolled in the programme, and attended on-site training for 2 hours each week over 8 consecutive weeks. Data collection was completed in August 2019 and the findings indicated that there was a significant reduction in child behavioural problems, parenting stress and dysfunctional parenting practices for those parents who had attended the training.

Education and Culture

GEG proactively supports the Macau SAR Government's programs and policies on youth and talent development, and works with different educational, arts and cultural associations and institutes on promoting cultural development. Through different initiatives such as funding training programs, offering internships, hosting site visits and providing career coaching and exchange tours, GEG works on helping young people build a strong educational foundation for their future prospective careers.

GEG Youth Achievement Program

Since 2011, GEG has been collaborating with the Macau Management Association ("MMA") on organizing the GEG Youth Achievement Program ("YAP"). Intended for local young people between the ages of 18 and 29, the YAP equips young people with the skills and knowledge for their future career development. To date, the YAP has provided training opportunities to nearly 3,000 participants. In 2019, in celebration of the 20th anniversary of the establishment of the Macau SAR, GEG invited Ms. Maria Helena de Senna Fernandes, Director of the Macao Government Tourism Office ("MGTO") and Ms. Irene Lau Kuan Va, President of the Macao Trade and Investment Promotion Institute ("IPIM") to share their personal experiences and views on the development of Macau's tourism and Meetings, Incentives, Conferences and Exhibitions ("MICE") industry with 200 past and current YAP participants.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GEG Macau Cup – Youth National Education Competition

Acknowledging the importance of a citywide promotion of national education, GEG was Macau's first integrated resort operator to launch and title sponsor a youth national education activity. Over the years, GEG has organized numerous national development themed seminars, visits and exchanges for Macau's youth and GEG team members to join. For the 11th consecutive year, GEG title sponsored the GEG Macau Cup – Youth National Education Competition. As always, winning students were taken to Mainland China to augment their knowledge about the infrastructure, development and opportunities within the region. The latest edition of the competition had attracted the participation of over 9,000 students from 20 Macau secondary schools and five universities to join. Since the event was introduced in 2008, a total of more than 80,000 participants have taken part in the event.

**KWCM Zhaotong City Dagan County Education Assistance Foundation**

In Zhao Tong, Yunnan Province, KWCM has established a 5-year education fund which makes yearly RMB0.2 million donation to the Communist Party of China Youth League of Dagan County Committee to facilitate, support, and improve the learning environment for underprivileged undergraduates and secondary school students.

**Universities Youth Career Development Programme**

To support youth career development in Hong Kong, KWCM continues its partnerships with the Hong Kong University of Science and Technology ("HKUST") and Hong Kong Polytechnic University ("HK PolyU").

These partnerships enable final-year undergraduates to gain hands-on experience in the construction materials industry's occupational health and safety, environmental protection and carbon management.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Legend of Mulan

KWCM also sponsors a range of cultural programmes to promote arts and culture, most recently a Chinese Opera in Xiqu Centre, namely “The Legend of Mulan” in 2019.

**Sports development**

GEG, as a key contributor, works hand-in-hand with the Macau SAR Government to support Macau’s sports development, hosting major international sports and cultural events. In 2019, GEG took part in several sports and community events, such as:

- Signed a two-year title sponsorship for the “Galaxy Entertainment Group EuroJapan Cup”, an event held in Japan that features the match-up between a top European league soccer team and a J-League squad;
- Sponsored the Macau Squash Open 2019 with aims to strengthen the visibility of the sport among the public;
- Title sponsored the “FIVB Women’s Volleyball Nations League – Macau 2019” for the 14th year;
- Title sponsored the “Macau Galaxy Entertainment International Marathon” for the 16th consecutive year. As a world-class competition, the event attracts a lot of marathon lovers from overseas. In conjunction with the event, we hosted the Galaxy Entertainment Macao International Marathon Festival, the GEG Handover Cup and the Drone Light Show with the Macau Sports Bureau to celebrate the 20th anniversary of the establishment of the Macau SAR;
- Title sponsored and volunteered in the “Galaxy Entertainment Special Olympics Table Tennis Competition 2019” to enable intellectually handicapped persons to strengthen their physical fitness, skills and friendships through sports;

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- Sponsored the “Wushu Masters Challenge” for the 4th consecutive year to promote traditional Chinese culture and martial arts. Featuring lion dances, Taolu and Sanda, the event included performances and demonstrations by the world’s best Wushu masters; and
- To connect with local communities, KWCM sponsored and participated in Dragon Boat Races in various districts in 2019. In Tai Po District, KWCM staff competed in and won the Dragon Boat Race 2019 Factory Association Cup.



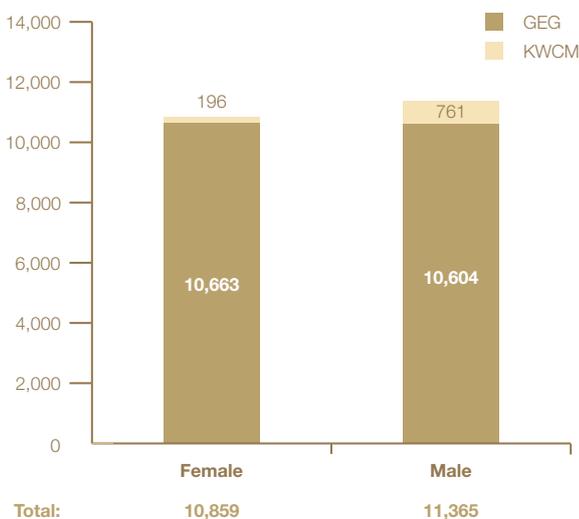
GEG TEAM MEMBERS ENGAGEMENT

Diversity

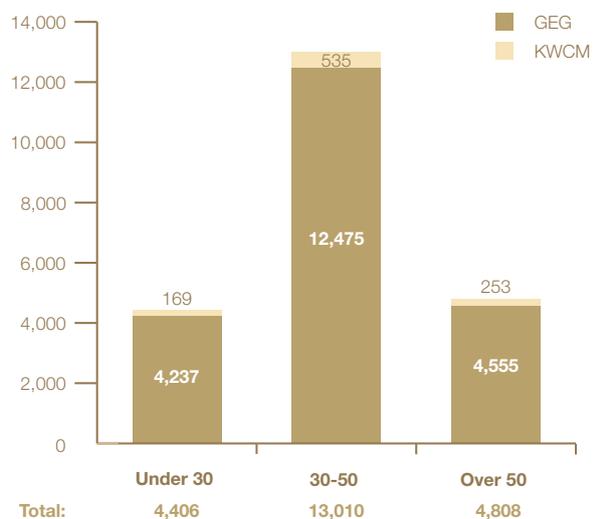
Diversity is a vital part of GEG’s values and is seen as a major factor in harnessing creativity, innovation and delivery of outstanding services. Currently, GEG’s workforce covers a wide range of ethnicities, socio-economic backgrounds, perspectives and experiences. GEG’s diversity strategy strives to ensure that diversity in age, gender, qualifications and experiences are properly accounted for during the recruitment process. GEG maintains an almost equal distribution of female and male workers.

GEG prohibits any form of discrimination and harassment in the work place. This is observed in initiatives such as diversity trainings for all our team members.

Total Workforce by Gender



Total Workforce by Age Group



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Working Environment

GEG holds regular meetings and collaborates with the Labour Affairs Bureau of the Macau SAR Government (“DSAL”) to ensure good communication and working environment. In addition, GEG has been consistent in showing strong commitment in helping our team members attain work-life balance and in providing a comfortable work place. With the goal of fostering teamwork and companionship, GEG’s Staff Social Club and Team Member Services organize a variety of social events and networking activities such as the “GEG CNY Soccer Fun Day”, “GEG Inter-departmental Bowling Challenge”, “GEG Inter-departmental Badminton Competition”, “GEG Kickboxing Workshop”, and festive games corner for our team members and their friends and families.

To create an engaging and inclusive working environment, the following initiatives were implemented:

- **Communication.** GEG developed an internal mobile app, “GEG Buzz” for sending team member communications in a dual language feature in Chinese and English. Our team member service counters, facilitated by Human Resources, cater to our team members for enquiries, medical expense claims, pension funding processing and complaints, grievance or suggestions.
- **Compensation and benefits.** The Group’s compensation schemes are designed to attract and retain talented team members. Competitive benefits such as provident fund, early leave options, training allowances, bereavement, maternity leave, paternity leave, medical benefits and discounts on F&B consumption are provided.
- **Work convenience and wellness.** GEG ensures that break rooms, on-site parking, shuttle buses, on-site medical clinic, breastfeeding rooms, shower and locker facilities are provided for the use of team members. In addition, GEG provides support and counselling services for team members as part of a dedicated Employee Assistance Program.
- **Flexible Work Plan.** GEG offers team members a range of employment options from full time, part time and flexible work plan to suit team members and business needs. The employment plans provide fair work-life balance for team members and their family needs.
- **Staff Recognition.** GEG recognizes exceptional team member performance through its employee recognition programs “Star of the Month”, “Star of the Quarter”, and “Star of the Year” at Galaxy Macau™, Broadway Macau™, StarWorld Macau and GEG’s Corporate Office.

KWCM CSR Committee and Social Club continues to foster a caring culture. Various initiatives were added into signature programs. For instance, workplace massage sessions were arranged in the Work-life Balance Week with over 250 staff enjoying a relaxing 15-min break during working hours. Other initiatives included Green Monday and Happy Friday.

In Nanjing, KWCM has converted a parcel of vacant land within our plant into a green park for staff recreation and other purposes. A variety of landscaping features have been incorporated into this project, providing an open and relaxing environment for our employees.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2019, employee turnover rate for the Group was 12.0% as shown in the below diagram.



Family Tour 2019

In August 2019, GEG organized four Family Tours for team members' families to visit the heart-of-house and obtain a better understanding of team members' work environment. The Family Tours were well-received by team members, who brought along their spouse and children. As a warm welcome, GEG executives presented each participant with a welcome giftset, and to arouse the interests of young children, Mascots and stamp collection cards were placed at various checkpoints along the route. With the support of different back-of-house departments, this year's participants were able to obtain an inside look at the world-class integrated resort experience at Galaxy Macau™ as well as the operations of the Wardrobe and Floral Departments.



Labour Standards

GEG ensures compliance with the guidelines of the DSAL and the rules and regulations of the Labour Department of the Hong Kong SAR Government. GEG strives to go beyond meeting the minimum requirements to provide a protective working environment. The Group strictly prohibits the use of child and forced labour and continues to maintain mechanisms for monitoring, preventing and reporting such practices. Copies of GEG's Team Member Handbook and the Group's policies are kept on site and specialist Human Resources professionals are located in each property/office to assist managers and our team members.

Team Member Health and Safety

Committed to building an accident-free workplace, GEG established a Corporate Workplace Health & Safety Team in 2019 to oversee the workplace health and safety measures across all GEG properties; ensure compliance with applicable health and safety legal requirements and implement health and safety best practices and management standards across our properties. Leading the industry in Macau with our achievement of the OHSAS 18001 Occupational Health and Safety Management Certification for both Galaxy Macau™ and Broadway Macau™, GEG works closely with DSAL to maintain a safe working environment. In addition to providing our team members with adequate personal protective equipment required for their job, GEG also ensures that health and safety initiatives and requirements are continuously met.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

With a health and safety performance measurement based on the number of work injuries, GEG sets KPIs for its business units and tracks their performance on a monthly basis. In 2019, work injury reduction improved by 30% compared to 2018, due to GEG’s allocation of resources and senior management support aimed at promoting a safe working culture and team member awareness.

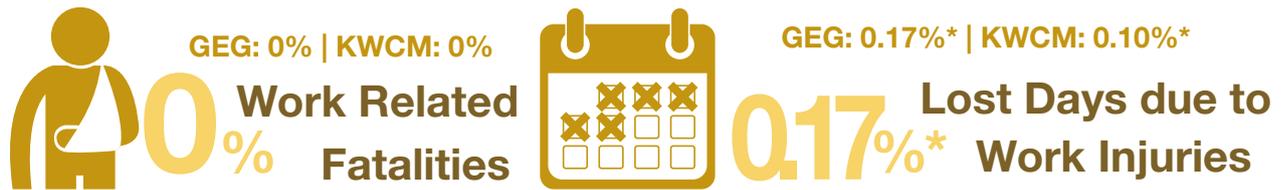
In KWCM, the number of serious work injuries has been significantly reduced compared to 2018, due to the implementation of stringent risk control measures:

- Carried out a series of certified Occupational Health and Safety external audits according to ISO 45001 and China national Occupational Safety and Health Management Systems;
- Centralized internal audits to control the risk of air pollutant emissions and energy isolation;
- Launched KWCM Safety App to enhance communication between frontline workers and supervisory staff allowing them to report near-miss incidents and safety hazards; and
- Introduced web-based safety platform to manage accident and incident reporting.

During the year, no legal non-compliance records or work-related fatalities were noted.

Safety Indicators Rates

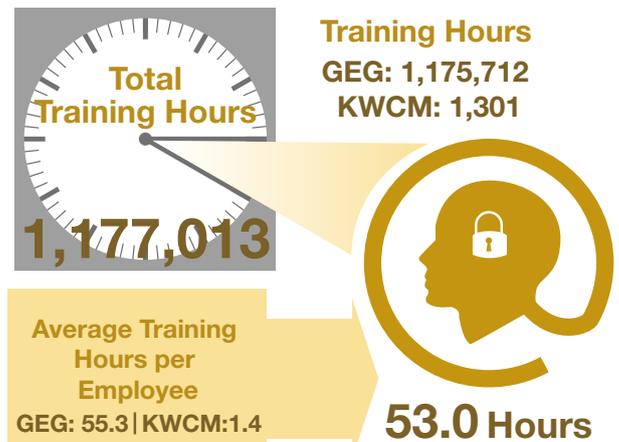
* Lost days rate was calculated as total number of lost days / total days worked



Talent Management

GEG supports its workforce through structured training and development programs to help our team members achieve both vertical and lateral career paths. GEG has long since introduced a talent development strategy that trains our team members to be versatile to support GEG’s diversified business and Macau’s expansive community.

GEG’s mission, vision and core values remain the main driver of GEG’s organizational development and training initiatives. GEG believes that if full support is provided to our team members, their full potential could be realized, allowing them to deliver exceptional services to customers. This differentiating factor provides the very foundation of GEG’s achievements. During the year, most of GEG’s staff received the relevant training according to their job duty.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Organization Development and Training has designed a robust training curriculum delivered through a range of learning methodologies. The initiatives are as follows:

- **Core Foundation Programs** intend to anchor on GEG's mission, vision, values, and service culture to equip our team members with required skills to perform the role.
- **Governance Programs supporting the government policies and regulations** include Compliance Programs, such as the Responsible Gaming Program which is compulsory for all our targeted team members and Minimum Internal Control Requirement ("MICR") Programs including Anti-Money Laundering, Combating the Finance of Terrorism, Information Management Awareness Program, and Payment Card Data Security and Health & Safety.
- **Supervisory Manager & Leadership Programs** include GEG Management Skills Program and Leaders Programs which aim at helping our team members progress in their careers as future Supervisors, Managers and Leaders, and develop GEG core leadership competencies.
- **Guest Service Programs** are centered on providing excellent customer experiences and customer experience management practices, underpinned by our Asian Heart service philosophy.
- **Gaming & Hospitality Operations and Job Skills Programs** are organized through internal and external training events such as the "GEG-Macao Polytechnic Institute ("MPI") Gaming Position Certification" and the "Macao Occupational Skills Recognition System ("MORS") Gold Pin Competition" to enable frontline team members to obtain the necessary skills and competencies.
- **Sales & Business Development Programs** provide a backbone on the development of the sales teams in Gaming, Hospitality & Leisure through enabling retention and acquisition of customers and target markets. Internal sales are targeted by the programs through upselling and cross selling across a variety of departments.
- **Business Processes** supports the running of corporate and operations departments and ensures a consistent approach to business execution and related activities.
- **Talent Management Programs** focus on the management and development of GEG talent including personal development plans, goal setting, coaching and mentoring. They aim to underpin the vertical and horizontal progression of our local team members involved in the development of upward movement and skill diversification of the local population.
- **Potential Hazard & Near-miss Reporting Program** was launched to enhance our team members' safety alertness and to minimise exposure to hazardous environments before accidents may occur.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment and labour practices performance table for GEG and KWCM for the year ended 31 December 2019:

	2019		
	GEG	KWCM	GEG and KWCM Total
Total workforce by gender, employment type, age group and by geographical region			
By Geographical Region			
Hong Kong	57	355	412
Macau	21,190	59	21,249
Mainland China	–	543	543
Overseas Office	20	–	20
By Employment Type			
Regular (Full time)	20,213	957	21,170
Regular (Part time)	211	–	211
Contractual (Full time/Part time)	843	–	843
By Gender			
Female	10,663	196	10,859
Male	10,604	761	11,365
By Age Group			
Under 30	4,237	169	4,406
30-50	12,475	535	13,010
Over 50	4,555	253	4,808
Total	21,267	957	22,224
Employee turnover rate by gender and age group			
By Gender			
Female	11.9%	6.6%	11.8%
Male	12.5%	7.0%	12.1%
By Age Group			
Under 30	23.1%	11.8%	22.7%
30-50	10.7%	6.2%	10.5%
Over 50	6.1%	5.1%	6.0%
Total	12.2%	6.9%	12.0%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	2019		
	GEG	KWCM	GEG and KWCM Total
Percentage of employees trained by gender and employee category			
By Gender			
Female	99.0%	59.7%	98.3%
Male	98.5%	20.8%	93.3%
By Employee Category			
Top Management Level	91.9%	47.9%	84.4%
Middle Management Level	96.1%	100.0%	96.2%
Junior Management Level	99.0%	29.0%	98.6%
General Staff	99.2%	21.2%	94.6%
Total	98.7%	28.7%	95.7%
Average Training hours completed per employee by gender and employee category			
By Gender			
Female	54.6	2.3	53.5
Male	56.0	1.1	52.3
By Employee Category			
Top Management Level	29.4	4.9	25.3
Middle Management Level	42.7	5.2	41.2
Junior Management Level	52.3	1.3	51.7
General Staff	59.5	0.8	56.1
Total Average Training Hours	55.3	1.4	53.0
Total Training Hours	1,175,712	1,301	1,177,013
Safety Indicators			
Work related fatalities	0	0	0
Lost Days due to work injuries	10,232	315	10,547
Lost Day rate due to work injuries rate *	0.17%	0.10%	0.17%

* Lost days rate was calculated as total number of lost days/total days worked

GUEST ENGAGEMENT

It is of paramount importance to the Group to create the perfect experience for our customers. Apart from complying to our internal policies, rules and regulations regarding customer engagement, we strive to create various platforms to collect customer feedback for improving our business operations. Our team members and all independent third-party partners working on behalf of the Group will enforce such standards.

GEG has applied the following initiatives as ways to achieve our mission to provide the best experience to guests:

- Assessing the service quality and customer satisfaction through mystery shopping, while ensuring compliance with laws and procedures and positive consumer experience in all GEG properties;
- Collecting direct feedback and rating from customers through comment cards, e-mails and various social media platforms; and
- Solving potential guest complaints in due time by providing hotlines and appointing quality assurance managers for monitoring.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Health & Safety

Customer health and safety is at the forefront of our business operations and GEG has a set of policies in place to manage it effectively. Our team members and independent third-party partners on behalf of the Group are employed to enforce these standards. GEG has complied with relevant laws and regulations in the reporting year.

In addition to establishing plans and health and safety management systems to help monitor relevant risks and handle any potential incidents, respective awareness trainings are also provided to help our team members get better prepared for such incidents when they occur.

In particular, we pay attention to the amended smoking law – Regime of Tobacco Prevention and Control (Regime de prevenção e controlo do tabagismo), which aims to further prohibit public smoking behaviour and reduce harm to our citizens. In the reporting year, the following measures were strengthened to protect the health of our guests:

- Inspected smoking rooms to comply with the license requirement for our operations;
- Installation of smoking rooms and ventilation systems in all gaming halls with real-time monitoring systems that monitor the Mechanical Ventilation System;
- Designated indoor smoking rooms and outdoor areas to limit smoking areas for customers; and
- Enhanced Indoor Air Quality Program to ensure effectiveness of ventilation systems.

Customer Privacy

We comply with the Personal Data (Privacy) Ordinance of the Hong Kong SAR and the Personal Data Protection Law of Macau SAR. Personal data of employees and customers are only accessible by authorized personnel on a need-to know and need-to use basis. GEG employs stringent measures such as the use of confidentiality agreements and non-disclosure agreements to prevent any confidential information from leakage and misuse.

Intellectual Property

The Group highly values its intellectual property rights as crucial business assets that are vital to our future growth. In the meantime, the Group also respects the intellectual property rights of its stakeholders and abides by the relevant laws and regulations regarding intellectual property. The Group has made use of its trademarks, brand name, trade secrets and other intellectual property rights it has to enhance its brand recognition and to further develop its brand. The Group has employed formal trademark registration, contractual provisions and confidentiality procedures to protect and strengthen its intellectual property rights to the extent legally and practically possible.

SUPPLIER MANAGEMENT

The 'Best in Class' principle is central to our GEG Procurement operations in the Group. To achieve the principle with integrity, GEG Procurement serves our internal customers with innovation and efficiency, and provides our guests with quality products and services. By continuously adhering to our internal policies, GEG Procurement has maintained a high standard in processing transactions and engaging suppliers on respective procurements. The department maintains the Vendor Information Kits as a useful guideline of our procurement procedures and policies to external vendors and our team members, as well as a way to enhance our engagement process and help create business opportunities for local SMEs.

The Group has set in place annual supplier performance appraisals for suppliers based on responsible business units, procurement evaluations and system data. The appraisal system consolidates all information and generate numerical ratings in a comprehensive scorecard. GEG Procurement is in compliance with all related requirements and applicable laws regarding the prevention of bribery. Any corruption offences will be reported to the Commission Against Corruption of Macao. Conflicts of interests with any suppliers will be declared as well.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GEG takes pride in being a leader in adopting the 'Large-Businesses-Leading-Small-Businesses' business model, and we embrace the ongoing growth of local enterprises and SMEs. GEG Procurement continuously strives to maintain and grow GEG's business relationship with local enterprises and SMEs by conducting periodic reviews and extending support services to assist their business development with GEG where appropriate. Since local enterprises and SMEs are an important driving force for stimulating Macau's economy, GEG Procurement ensures suppliers from Macau are provided opportunities for bid participation where appropriate. Currently, local enterprises and SMEs account for more than 50% of GEG's suppliers.

Supporting "Made in Macau" Manufacturing Sector

In 2019, GEG invited Agencia Comercial Carmen Lda ("Carmen"), a local clothing manufacturer with over 30 years' experience, to produce 5,000 windbreakers for our team members, a pragmatic initiative to support the development of the local manufacturing industry. In active collaboration with Carmen, GEG helped the manufacturer obtain product certification for the windbreakers under the Macau Product Quality Certification Scheme and the Hong Kong Q-Mark Product Scheme. The windbreakers were successfully certified under the Macau and Hong Kong schemes in April and September 2019 respectively, making Carmen the first Macau manufacturer to attain these certifications.



The Success of Broadway Food Street

Broadway Food Street is Macau's first outdoor hawker-style food street. Opened in 2015, the Food Street marks the milestone of the cooperation between large-scale integrated resorts and local SMEs via a "large enterprises leading small enterprises" cooperation model. Nearly 60% of the merchants at the Food Street are renowned local and traditional F&B brands. Through support in the areas of management, food safety, finance and training, GEG facilitates the sustainable development of local brands and advances the economic diversification of Macau, thus creating a three-way win for all parties. During the month-long Macau Gourmet Festival @ Broadway in 2019, GEG not only exempted all participating merchants from rental fees but also provided them with subsidies and marketing assistance to help broaden their customer base. Supported by the Macao Government Tourism Office, the Macau Gourmet Festival @ Broadway cultivates the development of Macau's cultural and gastronomic landscape by featuring hundreds of different local and worldwide treats, a variety of wines and specialty drinks and live entertainment.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sharing from our business partners:

We are very appreciative of GEG's management model and procurement procedures, which are systematic and meets international standards. Cooperating with GEG has allowed SMEs like us to learn from them and apply their best practices to further improve our business.



*Mr. Jackie Lei
Managing Director of local dried seafood supplier Marisco Secos
Long Cheong Hong*

We're impressed that GEG adopted the works of our local designers, which is a testament to local brands. Over the years, Carmen strictly adheres to the "Made in Macau" philosophy, in which the three major manufacturing procedures – cutting, sewing and ironing – are completed locally. Although these increase the production cost, we have been committed to this and we're glad that GEG is willing to join forces with us in safeguarding the "Made in Macau" practice.



*Mr. Jose Tang
Managing Director of CARMEN*

CORPORATE GOVERNANCE

We highly value corporate governance in our Group. Through our Code of Business Conduct, amongst other internal documents, GEG embodies its values, philosophies and procedures to ensure that it operates as an ethical and compliant business.

With regards to whistleblowing, all employees are expressly and actively encouraged to report any non-compliance with anti-corruption and anti-money laundering obligations and/or standards to the Human Resources & Administration Department or other relevant Department according to standard operating procedures.

The details of the principal work performed by the Corporate Governance Committee is contained in the Corporate Governance Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Risk Management and Internal Controls

GEG acknowledges that our business faces different financial and non-financial risks, which must be mitigated on a continuous basis for assuring the overall growth and prosperity of our business. Thus, in-line with our objective to be a leading gaming and entertainment company, the Group establishes a company-wide culture for risk awareness and provides a comprehensive framework for risk management and internal controls.

To cultivate a culture for risk awareness and a sense of risk ownership throughout the organization, GEG establishes a risk management team to help identify, analyze, prioritize and address risks, develop risk management strategies, and monitor, review and communicate risk management results.

More details are contained on pages 82 and 83 in the Corporate Governance Report.

Anti-Bribery and Anti-Corruption

GEG has introduced the Anti-Bribery and Anti-Corruption Policy to all of its affiliates and subsidiaries to conduct business ethically, to prohibit bribery of government officials and other individuals and entities in connection with the conduct of its business throughout the world, and to ensure that all of its business practices are fully consistent with applicable record keeping and anti-corruption laws. GEG has a zero-tolerance for bribery and corruption and our Board pays high attention to the topic and makes sure all our employees work in an ethical manner. We ensure all GEG Employees and Associated Persons, including agents, consultants, contractors, representatives, intermediaries, advisors, vendors and any other person or entity acting on GEG's behalf, understands and complies with applicable laws and the Group's policy against corruption. The Internal Audit Department monitors compliance with this Policy, which provides guidelines for handling situations with dedicated approval personnel, criteria, internal declaration of interest and any other related matters when involving potential corruption. Such guidelines include but is not limited to:

- Prohibited payments and offers (i.e. bribes, facilitation payments, kickbacks or inappropriate payments to relevant individual, etc.);
- Gifts, meals, travels and entertainment;
- Charitable payments;
- Political contributions;
- Internships and employment;
- Emergency payments; and
- Retention of third parties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-Money Laundering & Combating the Financing of Terrorism

GEG's Anti-Money Laundering ("AML") and Combating the Financing of Terrorism ("CFT") Policy is designed to cover the gaming-related transactions under the Group and maintain a high degree of ethical standards. Anti-money laundering standards are strictly implemented and followed by all our team members and all independent third parties who work on the Group's behalf. GEG prohibits all team members from offering or accepting any kind of bribes, facilitating payments and kickbacks. The Group carries out due diligence reviews on business partners before engagement and continually monitors bribery and corruption activities to ensure zero tolerance across the entire Group and its stakeholders.

GEG has set up a Compliance Committee and designated a Compliance Officer to supervise the Group's AML and CFT compliance and to ensure that their objectives are achieved. Additionally, GEG offers ongoing training and education to our team members, and introduced the Know Your Customer ("KYC") and Enhanced Due Diligence ("EDD") controls to help identify and assess risky transactions or behaviours. We generally attend 2 to 3 seminars a year and meet with regulators at least once every quarter to stay abreast of industry trends. At the same time, we continuously assess our Junket Promoters and maintain close relationships with regulatory authorities. Moreover, GEG's internal auditors undertake independent, periodic reviews of the Group's AML and CFT initiatives in relation to Macau SAR laws and regulations. Our AML and CFT policy, and associated guidelines and procedures, are continuously review by our internal auditors to ensure their effectiveness.

REGULATORY COMPLIANCE

Compliance with laws and regulations is a high priority for the Group, which has established policies and accountability mechanisms in place to ensure regulatory compliance in various aspects of our business and operations. The management is committed to staying abreast of latest regulatory developments and to provide trainings for the relevant personnel. In addition to preventive measures, the Group also dedicates extensive effort to ensure there are effective monitoring and detection measures, to ensure regulatory compliance. With these mechanisms, the Group is not aware of any material non-compliance with relevant local laws and regulations relating to areas such as environmental protection, employment and labour practices and operating practices during the reporting period.

As explained in the previous sections, the Group recognizes the importance of regulatory compliance and has established respective preventive, monitoring and detection measures to ensure compliance with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering in the respective business operations. The Group is not aware of any material breach of laws and regulations that have had a significant impact on the Group and concluded legal cases regarding corrupt practices brought against us or our employees during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SELECTED MAJOR CSR AWARDS

Awardee	Award	Event	Organizer
GEG	The Most Influential Social Responsibility Award	The 2nd Greater China Most Influential Brand & Entrepreneur Awards Ceremony	Phoenix Economic and Cultural and Creative Association
GEG	Gold Award in Corporate Social Responsibility	Business Awards of Macau 2019	De Ficção Multimedia Projects & Charity Association of Macau Business Readers
GEG	Champion in Corporation Category	10th Guangdong, Hong Kong and Macau Safety Knowledge Competition – Macau Leg	Labour Affairs Bureau of Macau SAR Government
GEG	Talent Recognizing Employer Award	Outstanding Disabled Employees and Talent Recognizing Employers Award Program 2019	Social Welfare Bureau of Macau SAR Government & Labour Affairs Bureau of Macau SAR Government
GEG	2019 Macau Outstanding Corporate Volunteer Award	11th International Volunteer Recognition Ceremony	Association of Volunteers Social Service Macao
GEG	Excellent Corporate Volunteer Team in Macau	2019 International Volunteer Day and Outstanding Volunteer Award Ceremony	Association of Volunteers Social Service Macao
GEG Team Member – Cheong Kin Tong	Outstanding Disabled Employee Award	Outstanding Disabled Employees and Talent Recognizing Employers Award Program 2019	Social Welfare Bureau of Macau SAR Government & Labour Affairs Bureau of Macau SAR Government
Galaxy Macau™	Excellence Award	Macau Energy Saving Activity 2019	Companhia de Electricidade de Macau – CEM, S.A. & Office for the Development of Energy Sector of Macau SAR Government
Galaxy Macau™ Hotel Partner – Hotel Okura Macau	Environmental Performance Gold Award	2018 Macau Green Hotel Award	Environmental Protection Bureau of Macau SAR Government
Broadway Hotel	Environmental Performance Silver Award	2018 Macau Green Hotel Award	Environmental Protection Bureau of Macau SAR Government
Broadway Hotel	Excellent Communication Service Hotel Award	2019 Macao Smart Hotel Awards	Macao Post and Telecommunications Bureau
StarWorld Hotel	Excellent Communication Service Hotel Award	2019 Macao Smart Hotel Awards	Macao Post and Telecommunications Bureau
K. Wah Construction Materials (HK) Ltd.	Excellence Award	Occupational Health Award 2018-19 – Joyful@Healthy Workplace Best Practices Award	Hong Kong Labour Department/Occupational Safety and Health Council
K. Wah Construction Materials (HK) Ltd.	Bronze Award	18th Hong Kong Occupational Safety & Health Award – Safety Management System Award	Hong Kong Labour Department/Occupational Safety and Health Council
K. Wah Construction Materials (HK) Ltd.	15 Years Plus Caring Company Logo	Caring Company Scheme	The Hong Kong Council of Social Service
K. Wah Asphalt Ltd.	Best Safety Supervisor	Airport Safety Recognition Scheme 2018/19	Airport Authority Hong Kong
K. Wah Asphalt Ltd.	Role Model Safety Behaviour	Airport Safety Recognition Scheme 2018/19	Airport Authority Hong Kong
K. Wah Asphalt Ltd.	Extraordinary Contribution and Efforts on Airport Safety	Airport Safety Recognition Scheme 2018/19	Airport Authority Hong Kong

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENT INDEX

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

General Disclosures and KPIs	Description	Reference and Remarks
A. ENVIRONMENTAL		
ASPECT A1: EMISSIONS		
	<i>General disclosure</i>	<i>Protecting the Environment</i>
KPI A1.1	The types of emissions and respective emissions data	Environmental Performance Table
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity	Environmental Performance Table
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Environmental Performance Table
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	Environmental Performance Table
KPI A1.5	Description of measures to mitigate emissions and results achieved	Emissions and Energy
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Water and Waste
ASPECT A2: USE OF RESOURCES		
	<i>General disclosure</i>	<i>Protecting the Environment</i>
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity	Environmental Performance Table
KPI A2.2	Water consumption in total and intensity	Environmental Performance Table
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Emissions and Energy
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Water and Waste
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not applicable to GEG as a service-based business
ASPECT A3: THE ENVIRONMENT AND NATURAL RESOURCES		
	<i>General disclosure</i>	<i>Protecting the Environment</i>
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Protecting the Environment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General Disclosures and KPIs	Description	Reference and Remarks
B. SOCIAL		
EMPLOYMENT AND LABOUR PRACTICES		
ASPECT B1: EMPLOYMENT		
General disclosure		Team Member Engagement
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment and Labour Practices Performance Table
KPI B1.2	Employee turnover rate by gender and age group	Employment and Labour Practices Performance Table
ASPECT B2: HEALTH AND SAFETY		
General disclosure		Team Members Engagement
KPI B2.1	Number and rate of work-related fatalities	Employment and Labour Practices Performance Table
KPI B2.2	Lost days due to work injury	Employment and Labour Practices Performance Table
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Team Member Health and Safety
ASPECT B3: DEVELOPMENT AND TRAINING		
General disclosure		Team Members Engagement
KPI B3.1	The percentage of employees trained by gender and employee category	Employment and Labour Practices Performance Table
KPI B3.2	The average training hours completed per employee by gender and employee category	Employment and Labour Practices Performance Table
ASPECT B4: LABOUR STANDARDS		
General disclosure		Team Members Engagement
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Labour Standards
OPERATING PRACTICES		
ASPECT B5: SUPPLY CHAIN MANAGEMENT		
General disclosure		Supplier Management
KPI B5.1	Number of suppliers by geographical region	Supplier Management – Local enterprises and SMEs account for more than 50% of GEG's suppliers.
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supplier Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General Disclosures and KPIs	Description	Reference and Remarks
ASPECT B6: PRODUCT RESPONSIBILITY		
<i>General disclosure</i>		<i>Guest Engagement</i>
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable to GEG as a service-based business
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Guest Engagement – During the reporting year, GEG is not aware of any significant complaints related to services or of any issues related to material non-compliance with relevant standards, rules and regulations.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Customer Privacy and Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures	Guest Engagement
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Customer Privacy and Intellectual Property
ASPECT B7: ANTI-CORRUPTION		
<i>General disclosure</i>		<i>Corporate Governance</i>
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case	Regulatory Compliance
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Corporate Governance
COMMUNITY		
ASPECT B8: COMMUNITY INVESTMENT		
<i>General disclosure</i>		<i>Social Responsibility</i>
KPI B8.1	Focus areas of contribution	Social Responsibility
KPI B8.2	Resources contributed to the focus area	Social Responsibility

BIOGRAPHICAL INFORMATION OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Lui Che Woo, *GBM, MBE, JP, LLD, DSSc, DBA*, aged 90, 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 elected as a member of the Election Committee of the HKSAR in 2001, 2006 and 2011. 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 and the Outstanding Leadership in Social Responsibility Award by the World Travel Awards in 2015 and 2018 respectively. In 2019, Dr. Lui was awarded as one of the 20 Persons in 20 Years: the Most Valuable Persons of Macao's Tourism and Leisure Industry from 1999 to 2019 by the Macau University of Science and Technology. 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, betterment of the welfare of mankind and promotion of positive life attitude and enhancement of positive energy. 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.

BIOGRAPHICAL INFORMATION OF DIRECTORS

Mr. Francis Lui Yiu Tung, aged 64, 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 13th 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, Tourism Development Committee and Cultural Consultative Committee of Macau SAR. He is also a director of the 70th Term of Macao Chamber of Commerce, an Honorary Chairman of the 20th Term of Kiang Wu Hospital Charitable Association, a member of the 10th Standing Committee of the All-China Federation of Returned Overseas Chinese, an executive director of the Chamber of Tourism of the All-China Federation of Industry and Commerce, a Forever Honorary Chairman of the Association of Macau Travel Industry Professionals and Counsellor of Our Hong Kong Foundation. 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. In 2019, Mr. Lui was honored as the most influential person in Asia's gaming industry at the 12th Inside Asian Gaming Power 50 Gala Dinner. Furthermore, Mr. Lui is the Honorary Citizen of each of Guangzhou Municipal, Shenzhen Municipal and Jiangmen Municipal. Mr. Lui is a son of Dr. Lui Che Woo and a younger brother of Ms. Paddy Tang Lui Wai Yu.

Mr. Joseph Chee Ying Keung, aged 62, 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 was 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. In April 2018 he was appointed as the Council Member of Hong Kong CPPCC (Provincial) Members Association. In August 2018 he was elected as Executive Vice Chairman of Association of Hong Kong and Macau Members of CPPCC in Yunnan Province. 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 Vice President of Macau Ready-Mix Concrete Commerce Association. In addition, he is the Honorary President of Hong Kong (Asia) Youth Association and Yunnan Provincial Federation of Industry and Commerce of Macau. Mr. Chee has been 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 65, 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.

BIOGRAPHICAL INFORMATION OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Dr. Charles Cheung Wai Bun, JP, aged 83, has been a non-executive Director of the Company since October 2015. Dr. Cheung is a member of each of the Audit Committee and Corporate Governance Committee of the Company. 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 Fullsun International Holdings Group Co., Limited, Jiayuan International Group Limited, Modern Dental Group Limited, Pioneer Global Group Limited and Universal Technologies Holdings Limited, all are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is an independent non-executive director of Yin He Holdings Limited, a company listed on GEM 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 China Taifeng Beddings Holdings Limited (listing status: delisted in February 2019) from April 2017 to July 2018 and China Financial International Investments Limited, a company which is listed on the main board of the Stock Exchange, from March 2001 to September 2018. He was also formerly an executive director and chairman of Roma Group Limited, a company listed on GEM of the Stock Exchange, from June 2017 to December 2017.

Mr. Michael Victor Mecca, aged 71, joined the Group in 2009 as President and Chief Operating Officer and was the President of the Company since September 2015. After serving nine years' tenure, he retired in April 2018. He has been a non-executive Director of the Company since May 2018. Mr. Mecca holds a Bachelor degree in Foreign Affairs from the University of Oklahoma in the USA. As well as the Company, he has held senior executive roles with a number of globally-recognized gaming and hospitality brands in Las Vegas and Melbourne. Mr. Mecca is a member of the board of directors of Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("SBM"), a company whose shares are publicly traded on Euronext Paris and in which the Company holds an indirect interest of approximately 5%. Mr. Mecca has been licensed by the Gaming Commissions in both Nevada and Michigan in the United States, Victoria in Australia and Macau. Mr. Mecca is also Honorary President of The Macau Gaming Management Association ("MGMA"), Advisory Board Member of Macau University Institute for the Study of Commercial Gaming ("ISCG"), Member of G2E Asia Executive Non-Gaming Advisory Board, Honorary Advisor of International Film Festival & Awards Macao ("IFFAM") and Honorary President of Macau Responsible Gaming Association.

BIOGRAPHICAL INFORMATION OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. James Ross Ancell, aged 66, 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 35 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 82, 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, became a director in October 2013 and elected the chairman in December 2019 again. 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 71, 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, 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 Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited from June 2010 to June 2017, Real Nutraceutical Group Limited from March 2008 to October 2017 and National Arts Entertainment and Culture Group Limited from February 2010 to December 2018, all are listed on the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

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

GAMING AND HOSPITALITY EXPERTISE

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

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

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 a gaming company 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 33 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.

Edmond Ting, Director – Project Development. He has over 36 years of project management experience in property development and architectural consultancy firms developing large-scale commercial, luxury hotels, residential and service apartment projects. Previously, he held a senior executive position with a property development firm in Hong Kong.

Richard Longhurst, Director – Operations, Galaxy Macau™ and Director – Gaming Development and Optimization Services. He has over 30 years of extensive leadership experience at senior levels gained from the gaming industry. Previously, he held a senior executive position with a gaming company in Australia.

Scott Kreeger, Director – Operations Development, New Resort. He has over 28 years of experience in gaming. Previously, he held senior management positions with a number of resort and gaming companies in the USA.

Andy Lee, Deputy Director – Operations, StarWorld Macau. He has over 23 years of experience in mass marketing, mass and premium gaming hosting and hospitality operations. Previously, he held a senior management position with a resort and gaming company in Singapore.

Roger Lienhard, Executive Vice President – Hospitality, Galaxy Macau™. He has over 35 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.

GAMING AND HOSPITALITY EXPERTISE

James Koratzopoulos, Executive Vice President – Hospitality, New Resort. He has over 28 years of experience in hotel operations and food and beverage services. Previously, he held senior management positions with a number of international hotel companies in Australia, Mainland China and the Middle East.

Elmen Lee, Senior Vice President – Business Development. He has over 27 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 28 years of experience in table games. Previously, he held a senior management position with a gaming company in Australia.

Thomas Borman, Senior Vice President – Electronic Games, Galaxy Macau™. He has over 29 years of experience in electronic gaming operations. Previously, he held several senior management positions with gaming companies in the USA.

Nelson Chan, Senior Vice President – Casino Customer Services and Supports. He has over 19 years of experience in premium marketing and gaming operations. Previously, he held senior management positions with integrated resorts in Singapore and Vietnam.

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 of the Company (“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 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 68 to 71 as well as the Company’s website at www.galaxyentertainment.com. The list of Directors and their roles and functions 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, two 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 Group’s business, our Directors have brought in a mix of experience and qualifications in corporate management and strategic planning, investment, finance, treasury management, 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 conflicts of interest. The Company believes that the current Board composition is well-balanced and of a diverse mix appropriate for the businesses of the Group.

CORPORATE GOVERNANCE REPORT

Appointment and Re-election of 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, Dr. Charles Cheung Wai Bun and Mr. Michael Victor Mecca 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.

At the forthcoming annual general meeting, Ms. Paddy Tang Lui Wai Yu, Dr. William Yip Shue Lam and Professor Patrick Wong Lung Tak will retire and are eligible for re-election. All of them have offered themselves for re-election.

Pursuant to the Code A.4.3 of Appendix 14 of the Listing Rules, the re-appointment of Dr. William Yip Shue Lam and Professor Patrick Wong Lung Tak as independent non-executive Directors who served more than nine years shall be proposed by a separate resolution to be approved by Shareholders.

Independence of Independent Non-executive Directors

Dr. William Yip Shue Lam holds cross-directorship with other directors where Dr. Yip, Dr. Lui Che Woo, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu serve on the boards of the Company and K. Wah International Holdings Limited. Given that Dr. Yip plays an independent non-executive director role and holds less than 1% of the number of issued shares in each of these 2 companies, the Company considers that such cross-directorship would not undermine his independence with respect to his directorship with the Company.

In addition, 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 independent non-executive Director 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. Company Secretary will collect the requested information and distribute to the Directors. 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. In addition, monthly updates on the market trend and information on the Company's development, finance and operations are provided to Directors as soon as practicable.

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.

CORPORATE GOVERNANCE REPORT

Directors' Time and Directorship Commitments

Each Director will ensure that he/she has sufficient time and attention is allocated to the Company to discharge his/her responsibilities effectively and, where possible, attends all Board/Committee meetings and general meetings, and that his/her other commitments do not affect the effectiveness of their contribution or the time available to the Company. The major commitments of non-executive Directors are detailed in their biographies.

Each Director will disclose to the Company at the time of his/her appointment, and in a timely manner for any change, the number, identity and nature of offices held in Hong Kong and overseas listed public companies or organizations and other significant commitments. The Company will provide the updates in respect of their biographies and disclosed such in the annual and interim reports as appropriate. An indication of the time to be involved by Directors on their directorships and other commitments will be disclosed to the Company on an annual basis.

The independent non-executive Directors have made disclosures about the time spent on the affairs of the Company and also confirm that they are able to give sufficient time and attention to the affairs of the Company. All of them attended the Board/Committee meetings and annual general meeting held by the Company during the year.

The Nomination Committee regularly reviews the time commitments required from a Director to perform his/her responsibilities to ensure that the Board's effectiveness is not compromised. The Board believes, in principle, that Directors' external commitments will benefit the Company by providing them with a diversity of skills, experience, knowledge and perspectives and are relevant to their role in the Company.

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. 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 timely and regular basis. A 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 received 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 Directors		
Dr. Charles Cheung Wai Bun	✓	✓
Mr. Michael Victor Mecca	✓	✓
Independent Non-executive Directors		
Mr. James Ross Ancell	✓	✓
Dr. William Yip Shue Lam	✓	✓
Professor Patrick Wong Lung Tak	✓	✓

CORPORATE GOVERNANCE REPORT

Code of Conduct for Securities Transactions

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

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

DELEGATION BY THE BOARD AND BOARD COMMITTEES

The Board has proper delegation of its powers and has established appropriate Board Committees, with specific written terms of reference which deal clearly with their authority and duties, to oversee particular aspects of the Group’s affairs. Board Committees are provided with sufficient resources, including the advice of the external Auditor and independent professional advisers 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, the management, pursuant to the levels of authority formally approved by the Executive Board, submits written proposals with detailed analysis 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 four members with a majority of independent non-executive Directors. Mr. James Ross Ancell is the Chairman of the Audit Committee and Dr. William Yip Shue Lam, Professor Patrick Wong Lung Tak and Dr. Charles Cheung Wai Bun are the members thereof.

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.

CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings in 2019 with all the members present, 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 as invited by the members of the Audit Committee. The Audit Committee submitted its written report to the Board drawing the Board's attention to important issues that the Board should be made aware of, identifying any matters which it considered action or improvement was needed and making appropriate recommendations.

The principal work performed by the Audit Committee during the year included a review of interim and annual consolidated financial statements with 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 allocation and requirements, compliance with rules and laws, reports from Internal Auditor on effectiveness of internal control systems and risk management, adequacy of resources, staff qualifications and experience as well as training programmes, independence of external Auditor, other financial and internal control matters and recommendation of the re-appointment of the Company's external 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 of the Remuneration Committee and Mr. Francis Lui Yiu Tung and Professor Patrick Wong Lung Tak are the members thereof.

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 2019 with all its members present and with the attendance of representative 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 during the year.

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 Shareholders 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.

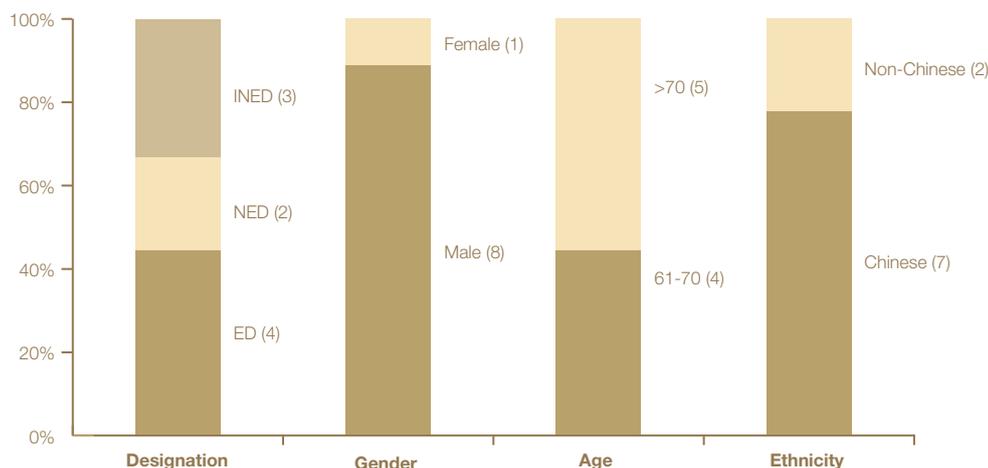
Nomination Committee

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 thereof. Its major responsibilities are to formulate and implement the policy for nominating candidates for election to the Board, assess the independence of independent non-executive Directors and propose re-election of retiring Directors. The terms of reference of the Nomination Committee are posted on the websites of the Company and HKEX.

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 and December 2018 respectively to take into consideration of Board diversity from a number of aspects, including but not limited to gender, age, ethnicity, reputation for integrity, cultural and educational background, professional experience and qualifications, industry and business-related experience, skills, knowledge, length of service and other qualities relevant to the duties 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 2019:



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 the role of a director of listed companies. In addition, the abilities 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.

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 Nomination Committee met once in 2019 with all the members present and with the attendance of the Company Secretary. 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, reviewing structure, size and composition of the Board and Board Committees to ensure a balanced composition, skills, experience and diversity of perspectives appropriate for the requirements of the businesses of the Group, evaluating Directors' time commitment, assessing the independence of independent non-executive Directors according to the relevant rules and requirements under the Listing Rules, considering independent non-executive Directors are able to devote sufficient time to perform their duties and recommending the re-appointment of retiring Directors. No Director will vote in respect of recommending his own re-appointment as Director.

CORPORATE GOVERNANCE REPORT

Corporate Governance Committee

The Corporate Governance Committee of the Company was set up in 2012. It comprises four members of which half of them are independent non-executive Directors. Mr. Francis Lui Yiu Tung is the Chairman of the Corporate Governance Committee and Mr. James Ross Ancell, Professor Patrick Wong Lung Tak and Dr. Charles Cheung Wai Bun are the members thereof. Its main responsibilities are to review the Company's policies and practices on corporate governance, training and CPD of Directors and senior management, and compliance with the Code and disclosure in the Corporate Governance Report. A policy on corporate governance was adopted with the aim to enhance Shareholders' value and to achieve high level of transparency, integrity and accountability.

The Corporate Governance Committee met once in 2019 with all its members present and with the attendance of the Company Secretary. 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 CPD of Directors and senior management, compliance with the Code, Corporate Governance Report and Environmental, Social and Governance Report.

BOARD, BOARD COMMITTEES AND GENERAL MEETINGS

The Board schedules four 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 participated in the consideration and approval of any matter requiring the attention of the Board by way of circulation of written resolutions. Supporting written materials were provided in the circulation and verbal briefings were given by the management or the Company Secretary when required. Where necessary, special Board meeting will be convened. 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.

In addition to Board meetings, the Chairman also has regular gatherings with other Directors, occasionally with independent non-executive Directors and without the presence of other Directors, to consider issues in an informal setting. The independent non-executive Directors freely provide their independent views to the Board.

CORPORATE GOVERNANCE REPORT

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

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Annual General Meeting
Number of meetings	(5)	(2)	(1)	(1)	(1)	(1)
Executive Directors						
Dr. Lui Che Woo	5/5	-	-	-	-	1/1
Mr. Francis Lui Yiu Tung	5/5	-	1/1	1/1	1/1	1/1
Mr. Joseph Chee Ying Keung	5/5	-	-	-	-	1/1
Ms. Paddy Tang Lui Wai Yu	5/5	-	-	-	-	1/1
Non-executive Directors						
Dr. Charles Cheung Wai Bun	5/5	2/2	-	-	1/1	1/1
Mr. Michael Victor Mecca	5/5	-	-	-	-	1/1
Independent non-executive Directors						
Mr. James Ross Ancell	5/5	2/2	-	-	1/1	1/1
Dr. William Yip Shue Lam	5/5	2/2	1/1	1/1	-	1/1
Professor Patrick Wong Lung Tak	5/5	2/2	1/1	1/1	1/1	1/1

COMPANY SECRETARY

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

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

The Board is accountable to Shareholders and is committed to presenting comprehensive and timely information to 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 2019, 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 2019. Accordingly, the Directors have prepared the consolidated financial statements for the year ended 31 December 2019 on a going concern basis.

Throughout the year, the Company 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 101 to 105.

In arriving at their opinion, the external Auditor conducted a full scope audit without any restrictions and had 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 2019 are included in note 9 to the consolidated financial statements.

Fees for non-auditing services include HK\$2,998,000 for the services provided in respect of taxation and advisory services.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining 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 operations by allowing them 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 and external reporting, and;
- Help ensure compliance with relevant legislations and regulations, and also with internal policies with respect to the conduct of business.

CORPORATE GOVERNANCE REPORT

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 control 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 reviewed with objectives to ensure that all material controls, including financial, operational and compliance controls were in place and functioning effectively. Significant risk management and internal control weaknesses were brought to the attention of senior management who took 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 employees, and handling and dissemination of inside information have been implemented by the Group to guide against possible mishandling of inside information within the Group.

For the financial year ended 31 December 2019, Internal Audit Department was not aware of any significant internal control issues that would have been an adverse impact on the financial position or operations of the Group. The Board, through the review of the Audit Committee, considered that (i) the risk management and internal control systems of the Group were 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 were adequate.

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.

CORPORATE GOVERNANCE REPORT

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 representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings may request the Directors 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 22nd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for the attention of the Company Secretary in hard copy form, and be authenticated by the person or persons making it (including the way of signing by such person(s)).

Putting Forward Proposals at General Meetings

Pursuant to Section 580 of the Companies Ordinance, Shareholders representing at least 2.5% of the total voting rights of all Shareholders 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 entitled to receive notice of a general meeting, a statement of not more than 1,000 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 representing at least 2.5% of the total voting rights of all Shareholders 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 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 person(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 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 was no changes during the year ended 31 December 2019.

COMPLIANCE WITH THE CODE

Throughout the year under review, the Company had 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 businesses of the Group is an asset of the Company.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to the shareholders the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement on page 106 of this annual report.

DIVIDEND POLICY

The Company will evaluate its distribution policy and distributions made in any particular year in light of its financial position, the prevailing economic climate and expectations about the future macroeconomic environment and business performance. The determination to make distributions will be made at the sole discretion of the Board of Directors after consideration of the Company’s operations and earnings, development pipeline, cash flow, financial position, capital and other reserve requirements and surplus and any other conditions or factors which the Board of Directors deems relevant.

DIVIDENDS

Special dividends of HK\$0.45 and HK\$0.46 per share for the year ended 31 December 2019 were paid to the shareholders of the Company on 26 April 2019 and 25 October 2019 respectively.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

Total dividends paid to shareholders of the Company for the year ended 31 December 2019 were HK\$0.91 per share (2018: HK\$0.91 per share).

On 27 February 2020, the Board of Directors has resolved to declare special dividend of HK\$0.45 per share totaling approximately HK\$1,960 million, payable to shareholders whose names appear on the register of members of the Company on 31 March 2020. This special dividend is expected to be paid on or about 24 April 2020.

DISTRIBUTABLE RESERVES

The Company’s reserves available for distribution to shareholders as at 31 December 2019, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK\$2,469,029,000 (2018: HK\$2,738,912,000).

REPORT OF THE DIRECTORS

BUSINESS REVIEW

A review of the businesses of the Group during the year, a discussion on the Group's future business developments and principal risks and uncertainties that the Group may be facing, is provided in the Chairman's Statement on pages 12 and 13 and Management Discussion and Analysis on pages 27 to 37 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 5 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 2019 are provided in note 41 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial & Operational Highlights on pages 6 to 11 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 38 to 67 of this annual report.

SHARES ISSUED

Details of the shares issued by the Company during the year are set out in note 28 to the consolidated financial statements.

During the year, 8,821,906 new ordinary shares were issued pursuant to the share option scheme of the Company as a result of the exercise of share options by option holders.

DEALINGS IN LISTED SECURITIES

During the year 2019, 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 741,802 shares of the Company for a total consideration of approximately HK\$39.59 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 Group. All 741,802 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 2019.

REPORT OF THE DIRECTORS

DIRECTORS

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

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. Michael Victor Mecca, *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 68 to 71 of this annual report.

In accordance with Article 106(A) of the Articles of Association of the Company, Ms. Paddy Tang Lui Wai Yu, Dr. William Yip Shue Lam and Professor Patrick Wong Lung Tak will retire from office by rotation, being eligible, and have offered 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 2019 will be payable to the Directors:

	Chairman (HK\$)	Member (HK\$)
The Board	430,000	390,000
Audit Committee	210,000	170,000
Corporate Governance Committee	110,000	85,000
Nomination Committee	110,000	85,000
Remuneration Committee	110,000	85,000

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 2019 during the year and up to the date of this report is kept at the Company's registered office and made available for inspection by the shareholders of the Company free of charge during business hours.

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 as at 31 December 2019 or at any time during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Group holds minority equity interest in Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco ("SBM") in which the Group is entitled to appoint and has appointed Mr. Michael Victor Mecca to the board of SBM to represent the interests of the Group. SBM may compete directly or indirectly, with certain aspects of the Group's businesses.

Save as disclosed, none of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

DIRECTORS' INTERESTS IN SECURITIES AND UNDERLYING SHARES

As at 31 December 2019, 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)					Percentage of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	
Lui Che Woo	38,772,544	2,181,518	363,726,401 ⁽¹⁾	1,362,225,231 ⁽²⁾	1,766,905,694	40.77
Francis Lui Yiu Tung	49,864,579	–	398,150,099 ⁽³⁾	1,362,225,231 ⁽²⁾	1,810,239,909	41.77
Joseph Chee Ying Keung	1,932,321	–	–	–	1,932,321	0.04
Paddy Tang Lui Wai Yu	14,123,207	–	–	1,362,225,231 ⁽²⁾	1,376,348,438	31.76
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	–	–	–	–	–	–
Michael Victor Mecca	1,318,280	–	–	–	1,318,280	0.03

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 and 2,000,000 shares of the Company were held by Recurrent Profits Limited ("Recurrent Profits") and Sincere Concept Holdings Limited ("Sincere Concept") respectively. Top Notch Opportunities Limited ("Top Notch") was indirectly interested in 171,916,021 shares of the Company. Kentlake International Investments Limited ("Kentlake") was directly and indirectly interested in 121,138,039 shares of the Company. Recurrent Profits, Sincere Concept, Top Notch and Kentlake are companies controlled by Mr. Francis Lui Yiu Tung.
- (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 2019, 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 2019, 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	22.46
CWL Assets (PTC) Limited	1,362,225,231	31.43
HSBC International Trustee Limited	1,363,000,491 ⁽¹⁾	31.45
Super Focus Company Limited	274,494,154	6.33
Lui Che Woo Foundation Limited	295,421,000	6.82
The Capital Group Companies, Inc.	388,349,542	8.96

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 2019, the Company was not notified by any person who had interests or short positions in the shares or underlying shares of the Company which were 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”). 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 adopting the scheme.

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

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme, is 278,889,912 shares, representing approximately 6.43% 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.

REPORT OF THE DIRECTORS

(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).

(9) The remaining life of the Share Option Scheme

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

REPORT OF THE DIRECTORS

The particulars of the movements in the options held by each of the Directors of the Company and their associates, the employees of the Group in aggregate and other participants granted under the Share Option Scheme during the year ended 31 December 2019 were as follows:

Name	Date of grant	Number of Options					Held at 31 December 2019	Exercise price (HK\$)	Exercise period
		Held at 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified during the year ^(a)			
Lui Che Woo	17 Jan 2013	1,150,000	-	1,150,000 ^(b)	-	-	-	32.50	17 Jan 2014 – 16 Jan 2019
	24 Dec 2015	2,601,000	-	-	-	-	2,601,000	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	1,021,312	-	-	-	-	1,021,312	28.35	12 Mar 2018 – 11 Sep 2022
	28 Dec 2016	1,002,000	-	-	-	-	1,002,000	33.49	28 Dec 2017 – 27 Dec 2022
	27 Dec 2017	616,000	-	-	-	-	616,000	62.36	27 Dec 2018 – 26 Dec 2023
	28 Dec 2018	2,651,000	-	-	-	-	2,651,000	48.65	28 Dec 2019 – 27 Dec 2024
	30 Dec 2019	-	1,900,000	-	-	-	1,900,000	57.70	30 Dec 2020 – 29 Dec 2025
Francis Lui Yiu Tung	17 Jan 2013	1,650,000	-	1,650,000 ^(b)	-	-	-	32.50	17 Jan 2014 – 16 Jan 2019
	24 Dec 2015	1,912,000	-	-	-	-	1,912,000	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	1,445,483	-	-	-	-	1,445,483	28.35	12 Mar 2018 – 11 Sep 2022
	28 Dec 2016	1,417,000	-	-	-	-	1,417,000	33.49	28 Dec 2017 – 27 Dec 2022
	27 Dec 2017	871,000	-	-	-	-	871,000	62.36	27 Dec 2018 – 26 Dec 2023
	28 Dec 2018	3,749,000	-	-	-	-	3,749,000	48.65	28 Dec 2019 – 27 Dec 2024
	30 Dec 2019	-	2,687,000	-	-	-	2,687,000	57.70	30 Dec 2020 – 29 Dec 2025
Joseph Chee Ying Keung	24 Dec 2015	120,000	-	60,000 ^(c)	-	-	60,000	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	24,321	-	-	-	-	24,321	28.35	12 Mar 2018 – 11 Sep 2022
	26 Jul 2017	130,000	-	-	-	-	130,000	46.95	26 Jul 2018 – 25 Jul 2023
	28 Dec 2018	140,000	-	-	-	-	140,000	48.65	28 Dec 2019 – 27 Dec 2024
Paddy Tang Lui Wai Yu	24 Dec 2015	229,000	-	-	-	-	229,000	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	111,285	-	-	-	-	111,285	28.35	12 Mar 2018 – 11 Sep 2022
	28 Dec 2016	79,000	-	-	-	-	79,000	33.49	28 Dec 2017 – 27 Dec 2022
	27 Dec 2017	49,000	-	-	-	-	49,000	62.36	27 Dec 2018 – 26 Dec 2023
	28 Dec 2018	116,000	-	-	-	-	116,000	48.65	28 Dec 2019 – 27 Dec 2024
	30 Dec 2019	-	100,000	-	-	-	100,000	57.70	30 Dec 2020 – 29 Dec 2025
James Ross Ancell	-	-	-	-	-	-	-	-	
William Yip Shue Lam	-	-	-	-	-	-	-	-	
Patrick Wong Lung Tak	-	-	-	-	-	-	-	-	
Charles Cheung Wai Bun	-	-	-	-	-	-	-	-	
Michael Victor Mecca	24 Dec 2015	523,334	-	100,000 ^(d)	-	-	423,334	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	481,278	-	-	-	-	481,278	28.35	12 Mar 2018 – 11 Sep 2022
	28 Dec 2016	371,000	-	-	-	-	371,000	33.49	28 Dec 2017 – 27 Dec 2022

REPORT OF THE DIRECTORS

Name	Date of grant	Number of Options					Held at 31 December 2019	Exercise price (HK\$)	Exercise period
		Held at 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified during the year ^(a)			
Employees ^(b) (in aggregate)	17 Jan 2013	763,717	-	763,717 ^(f)	-	-	-	32.50	17 Jan 2014 - 16 Jan 2019
	15 Jan 2014	69,000	-	-	9,000	-	60,000	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	108,668	-	76,000 ^(f)	-	-	32,668	39.86	16 Jan 2016 - 15 Jan 2021
	24 Dec 2015	9,854,416	-	2,544,551 ^(f)	-	573,334	6,736,531	24.80	24 Dec 2016 - 23 Dec 2021
	12 Sep 2016	2,375,873	-	349,850 ^(f)	-	172,622	1,853,401	28.35	12 Mar 2018 - 11 Sep 2022
	28 Dec 2016	4,697,562	-	799,024 ^(f)	107,292	294,030	3,497,216	33.49	28 Dec 2017 - 27 Dec 2022
	26 Jul 2017	1,182,002	-	80,374 ^(f)	35,624	-	1,066,004	46.95	26 Jul 2018 - 25 Jul 2023
	27 Dec 2017	4,116,000	-	-	286,668	226,000	3,603,332	62.36	27 Dec 2018 - 26 Dec 2023
	21 Nov 2018	7,975,000	-	170,589 ^(f)	550,404	308,000	6,946,007	46.75	21 Nov 2019 - 20 Nov 2024
28 Dec 2018	2,162,000	-	2,165 ^(f)	146,835	-	2,013,000	48.65	28 Dec 2019 - 27 Dec 2024	
30 Dec 2019	-	7,623,000	-	-	-	7,623,000	57.70	30 Dec 2020 - 29 Dec 2025	
Others (in aggregate)	5 Jul 2013	80,000	-	40,000 ^(g)	40,000	-	-	37.45	5 Jul 2014 - 4 Jul 2019
	24 Dec 2015	84,000	-	624,000 ^(g)	-	573,334	33,334	24.80	24 Dec 2016 - 23 Dec 2021
	12 Sep 2016	48,016	-	220,638 ^(g)	-	172,622	-	28.35	12 Mar 2018 - 11 Sep 2022
	28 Dec 2016	27,334	-	190,998 ^(g)	-	294,030	130,366	33.49	28 Dec 2017 - 27 Dec 2022
	27 Dec 2017	26,000	-	-	-	226,000	252,000	62.36	27 Dec 2018 - 26 Dec 2023
21 Nov 2018	-	-	-	-	308,000	308,000	46.75	21 Nov 2019 - 20 Nov 2024	
Total		56,095,601	12,310,000	8,821,906	1,175,823	-	58,407,872		

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\$48.05.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$47.05.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$56.18.

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 2019	Granted during the year	Exercised during the year	Held at 31 December 2019
Eileen Lui Wai Ling	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
	28 Dec 2018	426,000	–	–	426,000
	30 Dec 2019	–	351,000	–	351,000
Joanna Claudia Lui	27 Dec 2017	3,000	–	–	3,000
	28 Dec 2018	6,000	–	–	6,000
	30 Dec 2019	–	5,000	–	5,000
Andrew Nicholas Lui	30 Dec 2019	–	5,000	–	5,000

- f. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$53.04.
- g. The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$54.35.

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 options granted on 12 September 2016 is 100% vesting on 18 months after the date of grant and 130,000 options granted on 30 December 2019 is 100% vesting on 36 months after the date of grant.

Vesting period may accelerate if triggered by certain events stated in the Share Option Scheme. The consideration paid by each grantee for each grant of options was HK\$1.00.

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

REPORT OF THE DIRECTORS

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 30 December 2019							
-12,310,000 options outstanding					3.5 to		1.654% to
as at 31 December 2019	15.96	57.70	57.70	39.2%	4.5 years	2%	1.659%

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 30 December 2019 was HK\$57.65.

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 partner 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.

"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.

(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.

In addition to the limit stated above, 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, 564,300, 43,100 and 2,083,800 share awards were granted to the Directors of the Company and their associates and the employees of the Group respectively.

741,802 shares of the Company were purchased by the trustee of the Share Award Scheme on the Stock Exchange for a total consideration of approximately HK\$39.59 million. During the year, 2,298,430 shares of the Company vested under the Share Award Scheme. As at 31 December 2019, the trustee held 557,182 shares for the Share Award Scheme.

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The particulars of the movements in the share awards held by the Directors of the Company and their associates, and the employees of the Group in aggregate and other participants granted under the Share Award Scheme during the year ended 31 December 2019 were as follows:

Name	Date of grant	Number of Awards					Held at 31 December 2019	Vesting Date	Closing price at date of grant (HK\$)
		Held at 1 January 2019	Granted during the year	Vested during the year	Lapsed during the year	Re-classified during the year ^(a)			
Lui Che Woo	28 Dec 2016	115,168	-	115,168	-	-	-	28 Dec 2019	33.25
	27 Dec 2017	70,766	-	70,766	-	-	-	27 Dec 2019	61.65
	27 Dec 2017	70,768	-	-	-	-	70,768	27 Dec 2020	61.65
	28 Dec 2018	85,700	-	85,700	-	-	-	28 Dec 2019	48.55
	28 Dec 2018	85,700	-	-	-	-	85,700	28 Dec 2020	48.55
	28 Dec 2018	85,700	-	-	-	-	85,700	28 Dec 2021	48.55
	30 Dec 2019	-	76,233	-	-	-	76,233	30 Dec 2020	57.70
	30 Dec 2019	-	76,233	-	-	-	76,233	30 Dec 2021	57.70
	30 Dec 2019	-	76,234	-	-	-	76,234	30 Dec 2022	57.70
Francis Lui Yiu Tung	28 Dec 2016	162,934	-	162,934	-	-	-	28 Dec 2019	33.25
	27 Dec 2017	50,066	-	50,066	-	-	-	27 Dec 2019	61.65
	27 Dec 2017	50,068	-	-	-	-	50,068	27 Dec 2020	61.65
	28 Dec 2018	121,200	-	121,200	-	-	-	28 Dec 2019	48.55
	28 Dec 2018	121,200	-	-	-	-	121,200	28 Dec 2020	48.55
	28 Dec 2018	121,200	-	-	-	-	121,200	28 Dec 2021	48.55
	30 Dec 2019	-	107,866	-	-	-	107,866	30 Dec 2020	57.70
	30 Dec 2019	-	107,866	-	-	-	107,866	30 Dec 2021	57.70
	30 Dec 2019	-	107,868	-	-	-	107,868	30 Dec 2022	57.70
	Paddy Tang Lui Wai Yu	28 Dec 2016	9,000	-	9,000	-	-	-	28 Dec 2019
27 Dec 2017		5,533	-	5,533	-	-	-	27 Dec 2019	61.65
27 Dec 2017		5,534	-	-	-	-	5,534	27 Dec 2020	61.65
28 Dec 2018		4,533	-	4,533	-	-	-	28 Dec 2019	48.55
28 Dec 2018		4,533	-	-	-	-	4,533	28 Dec 2020	48.55
28 Dec 2018		4,534	-	-	-	-	4,534	28 Dec 2021	48.55
30 Dec 2019		-	4,000	-	-	-	4,000	30 Dec 2020	57.70
30 Dec 2019		-	4,000	-	-	-	4,000	30 Dec 2021	57.70
30 Dec 2019		-	4,000	-	-	-	4,000	30 Dec 2022	57.70
Michael Victor Mecca		28 Dec 2016	42,668	-	42,668	-	-	-	28 Dec 2019
Employees ^(b) (in aggregate)	28 Dec 2016	579,498	-	504,528	33,934	41,036	-	28 Dec 2019	33.25
	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	428,255	-	374,559	27,864	25,832	-	27 Dec 2019	61.65
	27 Dec 2017	579,090	-	-	29,948	25,836	523,306	27 Dec 2020	61.65
	21 Nov 2018	667,879	-	601,181	38,532	28,166	-	21 Nov 2019	46.75
	21 Nov 2018	667,879	-	-	51,324	28,166	588,389	21 Nov 2020	46.75
	21 Nov 2018	668,142	-	-	51,352	28,168	588,622	21 Nov 2021	46.75
	28 Dec 2018	49,792	-	41,561	8,231	-	-	28 Dec 2019	48.55
	28 Dec 2018	49,792	-	-	8,231	-	41,561	28 Dec 2020	48.55
	28 Dec 2018	49,816	-	-	8,238	-	41,578	28 Dec 2021	48.55
	30 Dec 2019	-	615,442	-	-	-	615,442	30 Dec 2020	57.70
	30 Dec 2019	-	615,442	-	-	-	615,442	30 Dec 2021	57.70
	30 Dec 2019	-	896,016	-	-	-	896,016	30 Dec 2022	57.70
Others (in aggregate)	28 Dec 2016	4,634	-	45,670	-	41,036	-	28 Dec 2019	33.25
	27 Dec 2017	2,933	-	28,765	-	25,832	-	27 Dec 2019	61.65
	27 Dec 2017	2,934	-	-	-	25,836	28,770	27 Dec 2020	61.65
	21 Nov 2018	-	-	28,166	-	28,166	-	21 Nov 2019	46.75
	21 Nov 2018	-	-	-	-	28,166	28,166	21 Nov 2020	46.75
	21 Nov 2018	-	-	-	-	28,168	28,168	21 Nov 2021	46.75
Total		4,980,317	2,691,200	2,298,430	257,654	-	5,115,433		

REPORT OF THE DIRECTORS

Notes:

- a. Share awards were re-classified during the year from “Employees” to “Others”.
- b. Employees include associates of Directors and the movements in the share awards held by each of the associates of Directors during the year with closing price at date of grant shown above were as follows:

Name	Date of grant	Number of Awards				Vesting Date
		Held at 1 January 2019	Granted during the year	Vested during the year	Held at 31 December 2019	
Eileen Lui Wai Ling	28 Dec 2016	23,368	–	23,368	–	28 Dec 2019
	27 Dec 2017	14,866	–	14,866	–	27 Dec 2019
	27 Dec 2017	14,868	–	–	14,868	27 Dec 2020
	28 Dec 2018	16,733	–	16,733	–	28 Dec 2019
	28 Dec 2018	16,733	–	–	16,733	28 Dec 2020
	28 Dec 2018	16,734	–	–	16,734	28 Dec 2021
	30 Dec 2019	–	14,033	–	14,033	30 Dec 2020
	30 Dec 2019	–	14,033	–	14,033	30 Dec 2021
	30 Dec 2019	–	14,034	–	14,034	30 Dec 2022
Joanna Claudia Lui	27 Dec 2017	266	–	266	–	27 Dec 2019
	27 Dec 2017	268	–	–	268	27 Dec 2020
	28 Dec 2018	233	–	233	–	28 Dec 2019
	28 Dec 2018	233	–	–	233	28 Dec 2020
	28 Dec 2018	234	–	–	234	28 Dec 2021
	30 Dec 2019	–	166	–	166	30 Dec 2020
	30 Dec 2019	–	166	–	166	30 Dec 2021
	30 Dec 2019	–	168	–	168	30 Dec 2022
Andrew Nicholas Lui	30 Dec 2019	–	166	–	166	30 Dec 2020
	30 Dec 2019	–	166	–	166	30 Dec 2021
	30 Dec 2019	–	168	–	168	30 Dec 2022

Details of the share awards granted, vested or lapsed during the year are set out above. No share awards were cancelled during the year.

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.

REPORT OF THE DIRECTORS

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 2019 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 100 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover; and the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$11,812,000 (2018: HK\$7,278,000).

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 Group for the year ended 31 December 2019 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, 27 February 2020

FIVE-YEAR SUMMARY

	Year ended 31 December 2015 HK\$'000	Year ended 31 December 2016 HK\$'000	Year ended 31 December 2017 HK\$'000	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2019 HK\$'000
CONSOLIDATED INCOME STATEMENT					
Revenue	38,450,411	41,553,441	48,639,742	55,210,901	51,901,991
Profit attributable to equity holders of the Company	4,161,050	6,283,397	10,504,361	13,507,389	13,041,545
Dividends	1,787,611	1,408,298	2,525,589	3,929,932	3,940,159
Earnings per share (cents)	97.8	147.3	245.1	312.8	301.1
Dividend per share (cents)	42.0	33.0	59.0	91.0	91.0
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment, investment properties and leasehold land and land use rights	40,854,372	38,599,717	36,815,154	36,280,381	37,686,648
Intangible assets	1,341,213	1,138,488	921,019	722,371	554,524
Joint ventures and associated companies	1,322,153	1,255,767	1,520,584	1,633,211	1,838,274
Other non-current assets	637,388	3,235,300	24,456,514	30,434,832	36,100,275
Net current assets/(liabilities)	(1,045,599)	3,710,385	(6,934,042)	(5,425,495)	(1,151,139)
Employment of capital	43,109,527	47,939,657	56,779,229	63,645,300	75,028,582
Represented by:					
Share capital and shares held for share award scheme	19,952,107	20,106,376	21,468,693	22,016,854	22,433,668
Reserves	21,149,332	26,238,974	34,013,004	40,263,405	51,153,725
Equity attributable to owners of the Company	41,101,439	46,345,350	55,481,697	62,280,259	73,587,393
Non-controlling interests	611,898	517,663	533,896	550,941	567,486
Long term borrowings	671,461	525,978	259,392	251,392	8,931
Other non-current liabilities	724,729	550,666	504,244	562,708	864,772
Capital employed	43,109,527	47,939,657	56,779,229	63,645,300	75,028,582
Net assets per share (dollars)	9.65	10.85	12.88	14.40	16.98

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 106 to 192, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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 4.9, 6(a), 15, 16 and 18 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 2019, the aggregate carrying amounts 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\$62.3 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 at 31 December 2019.</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 2020 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

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 2020 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.

How our audit addressed the Key Audit Matter

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 noncompliance with the rules and regulations of the Gaming Inspection and Coordination Bureau of Macau SAR which may have an adverse impact on the Group's operations.

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

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

OTHER INFORMATION

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

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

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

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

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

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

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

The audit committee 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 Ms. Wan Sau Mei.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 February 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue (Note)	7	51,901,991	55,210,901
Other income/gains, net	9(a)	1,113,294	1,146,210
Special gaming tax and other related taxes to the Macau Government		(22,487,289)	(25,619,522)
Raw materials and consumables used		(1,087,023)	(1,199,209)
Amortisation and depreciation	9(b)	(3,456,596)	(3,315,913)
Employee benefit expenses	9(b)	(7,981,133)	(7,784,742)
Other operating expenses	9(c)	(5,122,254)	(5,072,801)
Finance costs	11	(129,326)	(138,775)
Share of profits less losses of:			
Joint ventures	19(a)	532,173	387,585
Associated companies	20(a)	(18)	35
Profit before taxation	9(b)	13,283,819	13,613,769
Taxation charge	12	(155,964)	(43,485)
Profit for the year		13,127,855	13,570,284
Attributable to:			
Equity holders of the Company	30	13,041,545	13,507,389
Non-controlling interests		86,310	62,895
		13,127,855	13,570,284
		HK cents	HK cents
Earnings per share	13		
Basic		301.1	312.8
Diluted		300.0	311.3
		HK\$'000	HK\$'000
Note: Analysis of revenue			
Gross revenue from gaming operations		57,205,198	65,230,209
Commission and incentives		(13,623,781)	(18,205,467)
Net revenue from gaming operations		43,581,417	47,024,742
Revenue from hotel, mall operations and others		5,486,582	5,297,977
Sales of construction materials		2,833,992	2,888,182
		51,901,991	55,210,901

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
Profit for the year	13,127,855	13,570,284
Other comprehensive income/(loss)		
Items that will not be subsequently reclassified to profit or loss		
Change in fair value of financial assets at fair value through other comprehensive income	1,768,354	(3,215,569)
Items that may be subsequently reclassified to profit or loss		
Translation differences of subsidiaries	(40,905)	(77,848)
Share of translation differences of joint ventures	(28,575)	(72,590)
Other comprehensive income/(loss) for the year, net of tax	1,698,874	(3,366,007)
Total comprehensive income for the year	14,826,729	10,204,277
Total comprehensive income attributable to:		
Equity holders of the Company	14,747,381	10,160,807
Non-controlling interests	79,348	43,470
	14,826,729	10,204,277

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	32,736,635	31,359,096
Right-of-use assets	16	4,950,013	–
Leasehold land and land use rights	17	–	4,921,285
Intangible assets	18	554,524	722,371
Joint ventures	19	1,836,036	1,630,959
Associated companies	20	2,238	2,252
Financial assets at amortised cost	21	25,164,997	25,778,612
Financial assets at fair value through other comprehensive income	22	6,262,099	4,530,411
Long-term bank deposits	27	4,470,886	–
Other non-current assets	23	202,293	125,809
		76,179,721	69,070,795
Current assets			
Inventories	24	177,834	189,799
Debtors and prepayments	25	2,145,046	1,860,409
Amounts due from joint ventures	26	161,946	178,727
Taxation recoverable		40,093	35,373
Current portion of financial assets at amortised cost	21	2,345,444	1,543,905
Cash and cash equivalents and other bank deposits	27	14,646,088	14,504,823
		19,516,451	18,313,036
Total assets		95,696,172	87,383,831

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
EQUITY			
Share capital and shares held for share award scheme	28	22,433,668	22,016,854
Reserves	30	51,153,725	40,263,405
Equity attributable to owners of the Company		73,587,393	62,280,259
Non-controlling interests		567,486	550,941
Total equity		74,154,879	62,831,200
LIABILITIES			
Non-current liabilities			
Borrowings	31	8,931	251,392
Deferred taxation liabilities	32	201,218	194,695
Lease liabilities	16	310,647	–
Retention payable		112,843	55,160
Non-current deposits	35	240,064	312,853
		873,703	814,100
Current liabilities			
Creditors and accruals	33	19,973,302	14,827,617
Amounts due to joint ventures	26	41,725	59,463
Current portion of lease liabilities	16	49,387	–
Current portion of borrowings and short-term bank loans	31	544,183	8,803,558
Provision for tax		58,993	47,893
		20,667,590	23,738,531
Total liabilities		21,541,293	24,552,631
Total equity and liabilities		95,696,172	87,383,831
Net current liabilities		(1,151,139)	(5,425,495)
Total assets less current liabilities		75,028,582	63,645,300

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities			
Cash generated from operations	34(a)	19,702,265	14,051,765
Hong Kong profits tax paid		(25,058)	(55,565)
Mainland China tax and Macau complementary tax paid		(115,646)	(72,575)
Interest paid		(119,292)	(139,910)
Net cash from operating activities		19,442,269	13,783,715
Cash flows from investing activities			
Purchase of property, plant and equipment	34(b)	(4,118,390)	(3,008,737)
Purchase of intangible assets		(53,268)	(24,309)
Proceeds from disposal of property, plant and equipment		2,483	50,902
(Increase)/decrease in advances to joint ventures		(24,497)	15,848
Decrease/(increase) in deferred receivable		2,492	(4,400)
Decrease/(increase) in finance lease receivable		25,099	(4,081)
Purchase of financial assets		(2,951,404)	(11,001,458)
Proceeds from redemption/disposal of financial assets		2,766,000	362,030
Interest received		1,189,168	964,551
(Increase)/decrease in short-term pledged deposits and bank deposits with maturity over three months		(12,142,102)	1,155,709
Dividends received from joint ventures		300,711	186,438
Dividends received from listed and unlisted investments		119,053	69,130
Net cash used in investing activities		(14,884,655)	(11,238,377)
Cash flows from financing activities			
Issue of new shares		264,110	381,552
Shares repurchased by the trustee		(39,589)	(23,118)
New bank loans	34(c)	1,500,000	7,764,377
Repayment of bank loans	34(c)	(9,764,082)	(8,628,123)
Principal elements of lease payments	34(c)	(42,511)	–
Injection of capital from non-controlling interests		3,350	–
Dividends paid to non-controlling interests		(66,153)	(26,425)
Dividends paid to shareholders	14	(3,940,159)	(3,929,932)
Net cash used in financing activities		(12,085,034)	(4,461,669)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year		13,778,102	15,702,430
Translation differences		(2,531)	(7,997)
Cash and cash equivalents at end of year	27	6,248,151	13,778,102

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 2018	21,468,700	(7)	34,013,004	55,481,697	533,896	56,015,593
Comprehensive income						
Profit for the year	-	-	13,507,389	13,507,389	62,895	13,570,284
Other comprehensive loss						
Change in fair value of financial assets at fair value through other comprehensive income	-	-	(3,215,569)	(3,215,569)	-	(3,215,569)
Translation differences of subsidiaries	-	-	(67,952)	(67,952)	(9,896)	(77,848)
Share of translation differences of joint ventures	-	-	(63,061)	(63,061)	(9,529)	(72,590)
Total other comprehensive loss, net of tax	-	-	(3,346,582)	(3,346,582)	(19,425)	(3,366,007)
Total comprehensive income for the year	-	-	10,160,807	10,160,807	43,470	10,204,277
Transactions with equity holders						
Dividends paid to non-controlling interests	-	-	-	-	(26,425)	(26,425)
Share award scheme – shares issued to the trustee	25	(25)	-	-	-	-
Share award scheme – shares repurchased by the trustee	-	(23,118)	-	(23,118)	-	(23,118)
Shares vested pursuant to share award scheme	43,934	23,129	(67,063)	-	-	-
Issue of shares upon exercise of share options	504,216	-	(122,664)	381,552	-	381,552
Fair value of share awards granted	-	-	94,796	94,796	-	94,796
Fair value of share options granted	-	-	114,457	114,457	-	114,457
Special dividends (note 14)	-	-	(3,929,932)	(3,929,932)	-	(3,929,932)
At 31 December 2018	22,016,875	(21)	40,263,405	62,280,259	550,941	62,831,200
Comprehensive income						
Profit for the year	-	-	13,041,545	13,041,545	86,310	13,127,855
Other comprehensive income/(loss)						
Change in fair value of financial assets at fair value through other comprehensive income	-	-	1,768,354	1,768,354	-	1,768,354
Translation differences of subsidiaries	-	-	(37,329)	(37,329)	(3,576)	(40,905)
Share of translation differences of joint ventures	-	-	(25,189)	(25,189)	(3,386)	(28,575)
Total other comprehensive income/(loss), net of tax	-	-	1,705,836	1,705,836	(6,962)	1,698,874
Total comprehensive income for the year	-	-	14,747,381	14,747,381	79,348	14,826,729
Transactions with equity holders						
Injection of capital from non-controlling interests	-	-	-	-	3,350	3,350
Dividends paid to non-controlling interests	-	-	-	-	(66,153)	(66,153)
Share award scheme – shares repurchased by the trustee	-	(39,589)	-	(39,589)	-	(39,589)
Shares vested pursuant to share award scheme	62,479	39,604	(102,083)	-	-	-
Issue of shares upon exercise of share options	354,320	-	(90,210)	264,110	-	264,110
Fair value of share awards granted	-	-	109,077	109,077	-	109,077
Fair value of share options granted	-	-	166,314	166,314	-	166,314
Special dividends (note 14)	-	-	(3,940,159)	(3,940,159)	-	(3,940,159)
At 31 December 2019	22,433,674	(6)	51,153,725	73,587,393	567,486	74,154,879

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 22nd floor, Wing On Centre, 111 Connaught 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 27 February, 2020.

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 certain financial assets and financial liabilities, which are carried at fair values.

At 31 December 2019, the Group’s current liabilities exceeded its current assets by HK\$1,151 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 6 below.

(a) The adoption of new and amended standards and interpretation

In 2019, the Group adopted the following new and amended standards and interpretation which are relevant to its operations.

HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendment)	Long-term Interests in Associates or Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKFRS 16	Leases

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

The impact of adoption of HKFRS 16 is disclosed in note 3 below. The other amended standards and interpretation did not have significant impact on the Group’s accounting policies and did not require retrospective adjustments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

New standard and amendments		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendment)	Definition of Material	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendment)	Hedge Accounting	1 January 2020
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
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

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

3. CHANGES IN ACCOUNTING POLICIES

HKFRS 16 'Leases'

This note explains the impact of the adoption of HKFRS 16 'Leases' on the Group's consolidated financial statements and accounting policy that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019 and summarised as follows:

	As at 31 December 2018 HK\$'000	Adjustments under HKFRS 16 HK\$'000	As at 1 January 2019 HK\$'000
Obligations under finance leases			
– non-current (included in borrowings)	(224,001)	224,001	–
Lease liabilities – current	–	(43,610)	(43,610)
Lease liabilities – non-current	–	(318,196)	(318,196)
Leasehold land and land use rights	4,921,285	(4,921,285)	–
Right-of-use assets	–	5,059,090	5,059,090

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES (Continued)**HKFRS 16 'Leases' (Continued)**

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

Lease payments include fixed payments, less any lease incentives receivable. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.34%.

As a result, the obligations under finance leases of HK\$224 million recognised and the operating lease commitments of HK\$172 million disclosed at 31 December 2018, adjusted by the effect of discounting and exclusion of short-term leases and low-value asset leases, resulted as HK\$138 million, are combined as lease liabilities of HK\$362 million and recognised on 1 January 2019. The amount was split into current portion and non-current portion of HK\$44 million and HK\$318 million respectively.

As of 1 January 2019, leasehold land and land use rights arising from land concessions from Macau Government amounted to HK\$4,921 million while other right-of-use assets arising from other property, plant and equipment amounted to HK\$138 million. The other right-of-use assets are measured at the amount equal to the corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018. These are presented together in the consolidated balance sheet as right-of-use assets with the total amount of HK\$5,059 million as of 1 January 2019. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In applying HKFRS 16 for the first time, the Group has considered the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application
- using past experience in determining the lease term where the contract contains options to extend or terminate the lease

There is no material impact to the Group's financial performance due to the adoption of this new accounting standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Consolidation

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

4.2 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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.2 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 HKFRS 9 in profit or loss. 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.

4.3 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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.4 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.

4.5 Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence but 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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.6 Goodwill**

Goodwill arises on the acquisition of subsidiaries, 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.

4.7 Property, plant and equipment

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.8 Leases**

As explained in note 3, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 3.

Until 31 December 2018, 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.

From 1 January 2019, leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.8 Leases (Continued)**

The lease payments are discounted using the Group's incremental borrowing rate. Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date, less any lease incentive received.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

4.9 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.

4.10 Computer software

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

4.11 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 balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.11 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.

4.12 Financial assets**(i) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial assets (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.12 Financial assets (Continued)****(iii) Measurement (Continued)***Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

4.13 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.13 Derivative financial instruments and hedging activities (Continued)**

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

4.14 Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less expected credit loss. The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debtors and contract assets. To measure the expected credit losses, trade debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the debtors for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets. The carrying amount of debtors is reduced through the use of an allowance account and the amount of the loss allowance 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.

4.15 Inventories

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

4.16 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.

4.17 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.18 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.

4.19 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.

4.20 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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.21 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.

4.22 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.

4.23 Commission and incentives

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.24 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.

4.25 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.

On lapse of share options according to the plan, corresponding amount recognised in employee's share-based compensation reserve is transferred to retained profits.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.25 Employee benefits (Continued)****(b) Share-based compensation (Continued)***(ii) Share awards*

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.

4.26 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.

4.27 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 after deduction of commission and incentives, including the allocation of revenue from gaming operations to revenue from hotel operations for services provided on a complimentary basis. Contributions from the operations of the City Club Casinos are recognised in the consolidated income statement as set out in note 4.24 above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.27 Revenue recognition (Continued)

(b) Hotel operations

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

(c) Construction materials

Revenue from sales of construction materials is recognised when or as the control of the goods are transferred to the customer. The timing of revenue recognition for sale of certain construction materials is recognised at a point in time when the underlying construction materials is legally or physically transferred to the customer.

(d) Rental income

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

(e) Administrative fee

Administrative fee is recognised when the services have been rendered.

(f) Interest income

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

(g) Dividend income

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

4.28 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 differences on non-monetary financial assets held at fair value through other comprehensive income are included in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.28 Foreign currency translation (Continued)**

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

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

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

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

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

4.29 Segment reporting

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

4.30 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**4.31 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.

4.32 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.

5. FINANCIAL RISK MANAGEMENT

The major financial instruments of the Group include trade and other receivables, amounts due from related parties, cash and bank balances, restricted bank deposits, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (Continued)**5.1 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.

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 2019, if United States dollar weakened/strengthened against Hong Kong dollar by 0.5%, profit after tax for the year would have been HK\$192,243,000 (2018: HK\$137,831,000) lower/higher as a result of foreign exchange loss/gain on translation of that balance. As at 31 December 2019, if Renminbi weakened/strengthened against Hong Kong dollar by 2%, profit after tax for the year would have been HK\$4,903,000 (2018: HK\$11,897,000) lower/higher as a result of foreign exchange loss/gain on translation of that balance. As at 31 December 2019, 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 financial asset at amortised cost (note 21) or financial asset at fair value through other comprehensive income (see note 22). 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 2019, if the market values of the Group's financial asset at fair value through other comprehensive income 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\$626,210,000 (2018: HK\$453,041,000) higher or lower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (Continued)**5.1 Financial risk factors (Continued)****(a) Market risk (Continued)***(iii) Interest rate risk*

The Group is exposed to interest rate risk through the impact of changes in the rates on interest bearing 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.

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

At 31 December 2019, if interest rates on borrowings at variable rates at that date had been 0.5% higher or lower with all other variables held constant, profit after tax for the year would have been HK\$2,766,000 (2018: HK\$44,155,000) lower or higher, mainly as a result of higher or lower interest expense on floating rate borrowings.

At 31 December 2019, 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\$45,816,000 (2018: HK\$69,168,000) higher or lower.

(b) Credit risk

Credit risk arises from contractual cash flow of debt instruments carried at amortised cost, FVOCI, 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 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

5. FINANCIAL RISK MANAGEMENT (Continued)**5.1 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 2019, approximately 41% (2018: 47%) of the other debtors and deposits paid, net of provision (note 25(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 in overall Macao VIP gaming market, the Group is exposed to heightened risk in respect of the recoverability of 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 expected credit losses, trade debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due. See note 25 for details of debtors and further disclosure on credit risks.

The maximum exposure to credit risk at 31 December 2019 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	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 2019					
Bank loans	552,545	9,024	-	-	561,569
Creditors and accruals (including non-current retention payable and non-current deposits received)	19,924,185	202,951	165,584	-	20,292,720
Lease liabilities	53,286	39,259	14,691	633,636	740,872
Amounts due to joint ventures	41,796	-	-	-	41,796
At 31 December 2018					
Bank loans	8,822,263	19,148	9,225	-	8,850,636
Obligations under finance leases	-	-	-	591,661	591,661
Creditors and accruals (including non-current retention payable and non-current deposits received)	14,830,811	149,133	218,880	-	15,198,824
Amounts due to joint ventures	60,319	-	-	-	60,319

5.2 Capital risk management

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (Continued)

5.2 Capital risk management (Continued)

The gearing ratios at 31 December 2019 and 2018 were as follows.

	2019 HK\$'000	2018 HK\$'000
Total borrowings (note 31)	(553,114)	(9,054,950)
Less: cash and bank balances (note 27)	14,645,852	14,486,252
Net cash	14,092,738	5,431,302
Total assets less cash and bank balances	81,050,320	72,897,579
Gearing ratio (note)	n/a	n/a

Note: The Group was in a net cash position as at 31 December 2019 and 2018.

5.3 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

5. FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019 and 2018.

At 31 December 2019	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through other comprehensive income				
– Equity securities	6,238,784	–	23,315	6,262,099
Total	6,238,784	–	23,315	6,262,099

At 31 December 2018

Assets

Financial assets at fair value through other comprehensive income

– Equity securities	4,511,356	–	19,055	4,530,411
Total	4,511,356	–	19,055	4,530,411

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 financial assets at fair value through other comprehensive income.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation (Continued)

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 22) for the year ended 31 December 2019 and 2018.

	Financial assets at fair value through other comprehensive income	
	2019 HK\$'000	2018 HK\$'000
At beginning of the year	19,055	22,078
Gain/(loss) recognised in other comprehensive income	6,780	(3,023)
Return on capital	(2,520)	–
At end of the year	23,315	19,055
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

6. 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\$62.3 billion. 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 2020 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 and Phase 4 by required deadlines. The Group has continuously communicated with the Macao Government and will apply for extension when deemed necessary. If the Group is unable to meet the required 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)**(c) Fair value of financial assets at fair value through other comprehensive income**

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

(d) 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 awards 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) Loss allowance for debtors

The policy of loss allowance of the Group is based on the evaluation of collectability and ageing analysis of trade and other debtors and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the risk of default and expected loss rates. The cumulative loss allowance as at 31 December 2019 was HK\$1,063,545,000 (2018: HK\$1,073,510,000). If the financial conditions of counterparties were to deteriorate, resulting in an impairment of their ability to make payments, additional loss allowance might be required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. REVENUE

Revenue recognised during the year are as follows:

	2019 HK\$'000	2018 HK\$'000
Gaming operations		
Net gaming wins	57,072,885	65,104,572
Contributions from City Club Casinos (note a)	107,332	100,849
Tips received and administrative fees	24,981	24,788
Gross revenue from gaming operations	57,205,198	65,230,209
Less: Commission and incentives	(13,623,781)	(18,205,467)
Net revenue from gaming operations	43,581,417	47,024,742
Revenue from hotel, mall operations and others (note b)	5,486,582	5,297,977
Sales of construction materials	2,833,992	2,888,182
	51,901,991	55,210,901

Notes:

- (a) 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 2019, the Group is entitled to HK\$107,332,000 (2018: HK\$100,849,000), 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.

- (b) Revenue from hotel, mall operations and others includes rental income amounted to approximately HK\$1,328 million (2018: HK\$1,218 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. SEGMENT INFORMATION

The Board of Directors is responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, based on a measurement of adjusted earnings before interest, tax, depreciation, amortisation and certain items (the “Adjusted EBITDA”). This measurement basis of Adjusted EBITDA excludes the effects of non-recurring income and expenditure from the operating segments, such as pre-opening expenses, donation and sponsorship, gain/loss on disposal and 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Year ended 31 December 2019				
Reportable segment revenue	51,099,351	2,833,992	–	53,933,343
Adjusted for:				
City Club Casinos arrangement set out in note 7				
Revenue not recognised	(2,149,634)	–	–	(2,149,634)
Contributions	107,332	–	–	107,332
Others	10,950	–	–	10,950
Revenue recognised under HKFRS	49,067,999	2,833,992	–	51,901,991
Adjusted EBITDA including share of results of joint ventures and associated companies	15,497,211	1,161,843	(179,910)	16,479,144
Interest income, dividend income from listed investments and gross earnings on finance lease				1,403,226
Amortisation and depreciation				(3,456,596)
Finance costs				(129,326)
Taxation charge				(155,964)
Adjusted items:				
Taxation of joint ventures and associated companies				(147,682)
Pre-opening expenses				(240,991)
Loss on disposal and write-off of certain property, plant and equipment				(106,177)
Share option expenses				(166,314)
Share award expenses				(109,077)
Donation and sponsorship				(11,812)
Foreign exchange loss				(227,025)
Others				(3,551)
Profit for the year				13,127,855
Share of results of joint ventures and associated companies	50,078	482,077	–	532,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Year ended 31 December 2018				
Reportable segment revenue	54,238,964	2,888,182	–	57,127,146
Adjusted for:				
City Club Casinos arrangement set out in note 7				
Revenue not recognised	(2,027,294)	–	–	(2,027,294)
Contributions	100,849	–	–	100,849
Others	10,200	–	–	10,200
Revenue recognised under HKFRS	52,322,719	2,888,182	–	55,210,901
Adjusted EBITDA including share of results of joint ventures and associated companies	16,110,608	939,697	(193,080)	16,857,225
Interest income, dividend income from listed investments and gross earnings on finance lease				1,061,690
Amortisation and depreciation				(3,315,913)
Finance costs				(138,775)
Taxation charge				(43,485)
Adjusted items:				
Taxation of joint ventures and associated companies				(117,928)
Pre-opening expenses				(168,591)
Gain on disposal and loss on write-off of certain property, plant and equipment				5,857
Share option expenses				(114,457)
Share award expenses				(94,796)
Donation and sponsorship				(7,278)
Non-recurring employee benefit expenses				(343,265)
Others				(10,000)
Profit for the year				13,570,284
Share of results of joint ventures and associated companies	56,481	331,139	–	387,620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
As at 31 December 2019				
Total assets	90,612,484	5,007,568	76,120	95,696,172
Total assets include:				
Joint ventures	104,879	1,731,157	–	1,836,036
Associated companies	–	2,238	–	2,238
Total liabilities	19,705,940	1,295,256	540,097	21,541,293

As at 31 December 2018

Total assets	82,214,960	5,097,793	71,078	87,383,831
Total assets include:				
Joint ventures	82,614	1,548,345	–	1,630,959
Associated companies	–	2,252	–	2,252
Total liabilities	14,514,834	1,863,483	8,174,314	24,552,631

Year ended 31 December 2019

Additions to non-current assets	4,615,329	75,082	19,072	4,709,483
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Year ended 31 December 2018

Additions to non-current assets	2,660,080	44,914	48	2,705,042
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. SEGMENT INFORMATION (Continued)

Geographical analysis

Year ended 31 December	2019 HK\$'000	2018 HK\$'000
Revenue		
Macau	49,386,330	52,737,338
Hong Kong	1,459,115	1,641,447
Mainland China	1,056,546	832,116
	51,901,991	55,210,901
	As at 31 December 2019 HK\$'000	As at 31 December 2018 HK\$'000
Non-current assets		
Macau	72,780,810	65,716,471
Hong Kong	522,308	536,306
Mainland China	2,876,603	2,818,018
	76,179,721	69,070,795

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2019 HK\$'000	2018 HK\$'000
(a) Other income/gains, net		
Interest income		
Bank deposits	355,393	146,126
Financial assets at amortised cost (note 21)	937,087	846,656
Loans to joint ventures (note 26(a))	293	546
Deferred receivables	1,177	1,173
Dividend income from unlisted investments	12,045	4,100
Dividend income from listed investments	107,008	65,030
Gross earnings on finance lease	2,268	2,159
(Loss)/gain on disposal and loss on write-off of property, plant and equipment	(120,173)	3,562
Foreign exchange (loss)/gain	(227,025)	37,270
Others	45,221	39,588
	1,113,294	1,146,210
(b) Profit before taxation is stated after charging		
Depreciation		
Property, plant and equipment	3,097,873	3,002,816
Right-of-use assets	137,615	–
Amortisation		
Gaming licence	106,337	106,337
Computer software	26,846	28,679
Leasehold land and land use rights	–	90,156
Reacquired right	87,925	87,925
Operating lease rental		
Land and buildings	14,971	59,792
Staff costs, including Directors' remuneration (notes i & ii)	7,981,133	7,784,742
Auditor's remuneration		
Audit services		
Provision for the year	12,668	12,376
Over-provision in prior years	(1,501)	(1,384)
Non-audit services		
Provision for the year	2,998	2,771
Under-provision in prior year	96	30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Staff costs are stated after amount capitalised in assets under construction in the aggregate of HK\$271,304,000 (2018: HK\$257,365,000), and include share option expenses and share award expenses of HK\$166,314,000 (2018: HK\$114,457,000) and HK\$109,077,000 (2018: HK\$94,796,000) respectively.

(b) (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 19%, 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\$255,031,000 (2018: HK\$231,880,000), after deducting forfeitures of HK\$31,458,000 (2018: HK\$39,469,000), leaving HK\$129,000 (2018: HK\$307,000) available to reduce future contributions.

(c) Other operating expenses

Other operating expenses of the Group mainly comprises utilities and fuel, repairs and maintenance, advertising and promotions, operating supplies, food and beverage costs, gaming and hotel consumables and other miscellaneous expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Directors' emoluments

	(note iii)					2019 Total HK\$'000
	Directors' fees (note i) HK\$'000	Salary, allowance and benefit in kind HK\$'000	Discretionary bonuses (note iv) HK\$'000	Retirement benefit scheme contributions HK\$'000	Estimated money value of other benefits (note ii) HK\$'000	
Executive Directors						
Dr. Lui Che Woo	350	12,227	24,346	611	38,795	76,329
Mr. Francis Lui Yiu Tung	590	17,299	41,638	865	52,335	112,727
Mr. Joseph Chee Ying Keung	310	4,470	2,104	411	1,576	8,871
Ms. Paddy Tang Lui Wai Yu	310	2,566	-	128	2,079	5,083
	1,560	36,562	68,088	2,015	94,785	203,010
Non-executive Directors						
Mr. James Ross Ansell	605	-	-	-	-	605
Dr. William Yip Shue Lam	700	-	-	-	-	700
Professor Patrick Wong Lung Tak	735	-	-	-	-	735
Dr. Charles Cheung Wai Bun	450	-	-	-	-	450
Mr. Michael Victor Mecca	206	-	-	-	-	206
	2,696	-	-	-	-	2,696
Total 2019	4,256	36,562	68,088	2,015	94,785	205,706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Directors' emoluments (Continued)

	(note iii)					2018 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	280	11,649	24,168	583	22,863	59,543
Mr. Francis Lui Yiu Tung	480	16,481	38,992	824	25,111	81,888
Mr. Joseph Chee Ying Keung	240	4,338	2,046	398	1,026	8,048
Ms. Paddy Tang Lui Wai Yu	240	2,468	–	123	1,822	4,653
	1,240	34,936	65,206	1,928	50,822	154,132
Non-executive Directors						
Mr. James Ross Ancell	510	–	–	–	–	510
Dr. William Yip Shue Lam	590	–	–	–	–	590
Professor Patrick Wong Lung Tak	620	–	–	–	–	620
Dr. Charles Cheung Wai Bun	240	–	–	–	–	240
Mr. Michael Victor Mecca	–	–	–	–	–	–
	1,960	–	–	–	–	1,960
Total 2018	3,200	34,936	65,206	1,928	50,822	156,092

Notes:

- (i) The amounts represented emoluments paid or payable in respect of a person's services as a director of the Company undertaking for 2018.
- (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 payable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.
- (iv) The discretionary bonuses paid in 2019 were in relation to performance and services for 2018.

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

10. 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 (2018: two) Directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three individuals (2018: three) are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other emoluments	27,321	25,964
Discretionary bonuses	16,916	15,163
Retirement benefits	762	740
Share options and share awards (note 29)	27,190	22,888
	72,189	64,755

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2019	2018
HK\$18,500,001 – HK\$19,000,000	–	1
HK\$20,500,001 – HK\$21,000,000	–	1
HK\$21,000,001 – HK\$21,500,000	1	–
HK\$21,500,001 – HK\$22,000,000	1	–
HK\$24,500,001 – HK\$25,000,000	–	1
HK\$29,500,001 – HK\$30,000,000	1	–
	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest expenses		
Bank loans and overdrafts	104,982	137,105
Obligation under finance lease	–	12,827
Lease liabilities	15,954	–
Other borrowing costs	8,390	2,805
	129,326	152,737
Amount capitalised in assets under construction	–	(13,962)
	129,326	138,775

12. TAXATION CHARGE

	2019 HK\$'000	2018 HK\$'000
Current taxation		
Hong Kong profits tax	22,557	28,719
Mainland China income tax and withholding tax	77,963	39,858
Macau complementary tax	7,836	7,623
Net under provision in prior years	4,677	5,176
Lump sum in lieu of Macau complementary tax on dividend	36,408	35,534
Deferred taxation (note 32)	6,523	(73,425)
Taxation charge	155,964	43,485

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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% (2018: 12% to 25%). The weighted average applicable tax rate was 12% (2018: 12%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. 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:

	2019 HK\$'000	2018 HK\$'000
Profit before taxation	13,283,819	13,613,769
Share of profits less losses of		
Joint ventures	(532,173)	(387,585)
Associated companies	18	(35)
	12,751,664	13,226,149
Tax calculated at applicable tax rate	1,529,051	1,580,234
Income not subject to tax	(41,141)	(21,521)
Profit exempted from Macau Complementary Tax (note a)	(1,809,473)	(1,843,375)
Expenses not deductible for tax purpose	87,759	78,898
Reversal of previously recognised deferred tax liabilities	–	(81,204)
Utilisation of previously unrecognised tax losses	(929)	(5,878)
Tax losses not recognised	311,984	273,496
Net under provision in prior years	4,677	5,176
Mainland China withholding tax	37,628	22,125
Lump sum in lieu of Macau complementary tax on dividend (note b)	36,408	35,534
Taxation charge	155,964	43,485

Notes:

- (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. Further pursuant to the Despatch No. 193/2018 issued by the Chief Executive of the Macau Government on 20 August 2018, the Group is exempted from Macau Complementary Tax on its gaming activities effective from the 2019 year of assessment till June 2022.
- (b) In August 2019, 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 from 1 January 2019 through 26 June 2022 to correspond to the Macau Complementary Tax exemption on its gaming activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two (2018: two) categories of dilutive potential ordinary shares: share options and share awards. 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 awards, 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:

	2019	2018
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	13,041,545	13,507,389

	Number of shares	
	2019	2018
Weighted average number of shares for calculating basic earnings per share	4,331,681,470	4,318,166,938
Effect of dilutive potential ordinary shares		
Share options	13,744,855	19,803,705
Share awards	1,264,296	601,906
Weighted average number of shares for calculating diluted earnings per share	4,346,690,621	4,338,572,549

14. DIVIDENDS

	2019	2018
	HK\$'000	HK\$'000
First special dividend paid of HK\$0.45 (2018: HK\$0.41) per ordinary share	1,947,991	1,769,884
Second special dividend paid of HK\$0.46 (2018: HK\$0.50) per ordinary share	1,992,168	2,160,048
	3,940,159	3,929,932

The Board of Directors does not declare any final dividend for the year ended 31 December 2019 (2018: nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. 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 2018	22,931,559	716,100	9,642,390	11,663,275	4,840,643	49,793,967
Exchange differences	(8,382)	(13)	(27,983)	(384)	(126)	(36,888)
Additions	32,309	21,835	167,430	659,443	3,742,542	4,623,559
Transfer	4,117	271	117,204	398,840	(520,432)	-
Disposals/write-off	(77,160)	(60,207)	(79,094)	(375,044)	-	(591,505)
At 31 December 2019	22,882,443	677,986	9,819,947	12,346,130	8,062,627	53,789,133
Accumulated depreciation and impairment						
At 31 December 2018	4,401,313	528,969	4,824,264	8,680,325	-	18,434,871
Exchange differences	(1,586)	(7)	(9,555)	(249)	-	(11,397)
Charge for the year (note d)	716,920	78,213	896,388	1,406,352	-	3,097,873
Disposals/write-off	(30,282)	(58,905)	(59,173)	(320,489)	-	(468,849)
At 31 December 2019	5,086,365	548,270	5,651,924	9,765,939	-	21,052,498
Net book value At 31 December 2019	17,796,078	129,716	4,168,023	2,580,191	8,062,627	32,736,635
Cost						
At 31 December 2017	23,197,178	645,647	9,437,261	11,553,377	2,745,321	47,578,784
Exchange differences	(18,377)	(82)	(60,663)	(813)	(776)	(80,711)
Additions	16,885	7,171	151,579	245,768	2,248,744	2,670,147
Transfer/reclassification	(263,604)	80,210	315,189	20,851	(152,646)	-
Disposals/write-off	(523)	(16,846)	(200,976)	(155,908)	-	(374,253)
At 31 December 2018	22,931,559	716,100	9,642,390	11,663,275	4,840,643	49,793,967
Accumulated depreciation and impairment						
At 31 December 2017	3,682,206	469,306	4,195,573	7,430,009	-	15,777,094
Exchange differences	(2,536)	(69)	(14,914)	(607)	-	(18,126)
Charge for the year (note d)	721,790	76,369	837,770	1,366,887	-	3,002,816
Disposals/write-off	(147)	(16,637)	(194,165)	(115,964)	-	(326,913)
At 31 December 2018	4,401,313	528,969	4,824,264	8,680,325	-	18,434,871
Net book value At 31 December 2018	18,530,246	187,131	4,818,126	2,982,950	4,840,643	31,359,096

Notes:

- (a) Other assets comprise barges, furniture and equipment, operating equipment, vessel, aircrafts, and motor vehicles.
- (b) During the year, no borrowing costs were capitalised and included in assets under construction (2018: HK\$13,962,000). In 2018, a capitalisation rate of 1.70% 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\$271,304,000 (2018: HK\$257,365,000) were capitalised and included in assets under construction.
- (d) During the year, charge for the year included provision for impairment of HK\$123,280,000 (2018: HK\$41,086,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2019 HK\$'000	1 January 2019 HK\$'000
Right-of-use assets		
Leasehold land and land use rights (note)	4,871,459	4,971,320
Other property, plant and equipment	78,554	87,770
	4,950,013	5,059,090
Lease liabilities		
Current	49,387	43,610
Non-current	310,647	318,196
	360,034	361,806

The Group leases various land, properties and equipment. Rental contracts are typically made for fixed periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Additions to the right-of-use assets during the 2019 financial year were HK\$31,995,000.

Note: In the previous years, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under HKAS 17 'Leases'. The assets were presented in leasehold land and land use rights and the liabilities as part of the Group's borrowings. As at 1 January 2019, HK\$4,971,320,000 has been recognised as right-of-use assets. Included in the balance, HK\$4,921,285,000 was reclassified from leasehold land and land use rights (note 17), while HK\$50,035,000 of operating lease has been recognised upon the adoption of HKFRS16. For details, please refer to note 3.

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. Rights-of-use assets for leasehold land and land use right in Macau included a piece of land in Cotai, Macau amounting to HK\$2,909 million (2018: HK\$2,947 million), for which net book value of HK\$1,305 million (2018: HK\$1,343 million) is developed, HK\$1,604 million (2018: HK\$1,604 million) is under development and no land is held for development for specific uses (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(b) Amounts recognised in the consolidated income statement

During the year ended 31 December 2019, the depreciation charges of right-of-use assets for leasehold land and land use rights are HK\$96,798,000 and the depreciation charges of right-of-use assets for other property, plant and equipment are HK\$40,817,000 (note 9(b)).

During the year ended 31 December 2019, the interest expense of lease liabilities are HK\$15,954,000 (note 11).

During the year ended 31 December 2019, the total expenses relating to short term leases are HK\$13,406,000 and the expenses in relation to low-value asset leases are not material.

During the year ended 31 December 2019, the total cash outflow for leases was HK\$60,509,000.

17. LEASEHOLD LAND AND LAND USE RIGHTS

	2019	2018
	HK\$'000	HK\$'000
Net book value at beginning of the year, as reported	4,921,285	5,013,464
Reclassification to right-of-use assets (note 16)	(4,921,285)	–
Net book value at beginning of the year upon adoption of HKFRS 16 (2018: Net book value at beginning of the year)	–	5,013,464
Exchange differences	–	(2,023)
Amortisation	–	(90,156)
Net book value at end of the year	–	4,921,285
Cost	–	5,831,958
Accumulated amortisation	–	(910,673)
Net book value	–	4,921,285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INTANGIBLE ASSETS

	Gaming licence (note a) HK\$'000	Reacquired right (note b) HK\$'000	Computer software HK\$'000	Total HK\$'000
Cost				
At 31 December 2017	16,887,329	786,700	359,792	18,033,821
Exchange differences	–	–	(20)	(20)
Additions	–	–	24,309	24,309
Write-off	–	–	(645)	(645)
At 31 December 2018	16,887,329	786,700	383,436	18,057,465
Additions	–	–	53,268	53,268
Write-off	–	–	(1,211)	(1,211)
At 31 December 2019	16,887,329	786,700	435,493	18,109,522
Accumulated amortisation and impairment				
At 31 December 2017	16,410,120	391,036	311,646	17,112,802
Exchange differences	–	–	(4)	(4)
Charge for the year	106,337	87,925	28,679	222,941
Write-off	–	–	(645)	(645)
At 31 December 2018	16,516,457	478,961	339,676	17,335,094
Exchange differences	–	–	7	7
Charge for the year	106,337	87,925	26,846	221,108
Write-off	–	–	(1,211)	(1,211)
At 31 December 2019	16,622,794	566,886	365,318	17,554,998
Net book value				
At 31 December 2019	264,535	219,814	70,175	554,524
At 31 December 2018	370,872	307,739	43,760	722,371

Notes:

- (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

19. JOINT VENTURES

	2019 HK\$'000	2018 HK\$'000
Share of net assets	1,836,036	1,630,959

- (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:

	2019 HK\$'000	2018 HK\$'000
Non-current assets	1,545,794	1,556,222
Current assets	1,257,432	1,014,947
Current liabilities	(789,981)	(719,212)
Non-current liabilities	(177,209)	(220,998)
	1,836,036	1,630,959
Income	2,830,504	2,584,297
Expenses	(2,298,331)	(2,196,712)
Share of results for the year	532,173	387,585

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

20. ASSOCIATED COMPANIES

	2019 HK\$'000	2018 HK\$'000
Share of net assets	2,238	2,252

- (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:

	2019 HK\$'000	2018 HK\$'000
Current assets	2,282	2,327
Current liabilities	(44)	(75)
	2,238	2,252
Income	-	35
Expenses	(18)	-
Share of results for the year	(18)	35

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL ASSETS AT AMORTISED COST

	2019 HK\$'000	2018 HK\$'000
Listed debt securities in Hong Kong, at amortised cost (note b)	13,924,825	15,424,286
Listed debt securities in overseas, at amortised cost (note b)	13,523,363	11,796,471
Unlisted debt securities, at amortised cost (note b)	62,253	101,760
	27,510,441	27,322,517
Less: current portion of financial assets at amortised cost – listed debt securities in Hong Kong, at amortised cost (note b)	(2,345,444)	(1,543,905)
	25,164,997	25,778,612

Notes:

- (a) The financial assets at amortised cost represents the Group's investment in debt securities issued by large financial institutions and corporations to generate interest income for the Group. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.
- (b) As at 31 December 2019 and 2018, the listed/unlisted debt securities were denominated in U.S. dollar with weighted average tenor of approximately 3 years and significant majority in investment grade rating.
- (c) As at 31 December 2019 and 2018, the carrying amounts of these listed/unlisted debt securities approximated their fair values. No provision for impairment loss was made at 31 December 2019 (2018: Nil) as these financial assets were considered to be of low credit risk and the expected credit loss was minimal.
- (d) As at 31 December 2019 and 2018, none of the debt securities in any individual investee company held by the Group equaled or exceeded 5 per cent of the Group's total assets.
- (e) The interest income generated from the above financial assets at amortised cost for the year ended 31 December 2019 amounted to HK\$937 million (2018: HK\$847 million) as disclosed in note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	HK\$'000	HK\$'000
Unlisted investments in overseas, at fair value (note a)	23,315	19,055
Listed investments in overseas, at fair value (note b)	6,238,492	4,510,841
Listed investments in Hong Kong, at fair value	292	515
	6,262,099	4,530,411

Notes:

- (a) Unlisted investments are mainly denominated in Macau Patacas and US dollar.
- (b) As at 31 December 2019, the listed investments in overseas, at fair value included 5.2 million (2018: 5.2 million) shares of Wynn Resorts, Limited ("Wynn Resorts") which represented approximately 4.8% (2018: 4.9%) of the issued share capital of Wynn Resorts. Investment cost was HK\$7.14 billion. Principal businesses of Wynn Resorts are to develop and operate high end hotels and casinos and its shares are listed on the Nasdaq Stock Exchange (stock code WYNN). This listed investment is denominated in US dollar. The directors of the Group considered that the closing price as at 31 December 2019 and 2018 was the fair value of this listed investment. As of 31 December 2019, fair value of our investment in Wynn Resorts was HK\$5.6 billion (2018: HK\$4.0 billion), representing 5.9% (2018: 4.6%) of the Group's total asset of HK\$95.7 billion (2018: HK\$87.4 billion). The market value of Wynn Resorts as of 31 December 2019 and 2018, and the performance of the investment during the year ended 31 December 2019 and 2018 are as follows:

	Market value		Unrealised gain/(loss)		Dividend income	
	31 December	31 December	for the year ended 31 December		for the year ended 31 December	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wynn Resorts, Limited	5,624,624	4,027,991	1,596,633	(3,113,815)	107,008	65,030

GEG considers this investment a long term asset and will continue to closely monitor the performance of our passive minority equity investment in Wynn Resorts, which is a globally recognised entertainment corporation with exceptionally high quality assets and significant development pipeline.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. OTHER NON-CURRENT ASSETS

	2019 HK\$'000	2018 HK\$'000
Finance lease receivable (note a)	32,775	44,093
Interest receivable	94,648	–
Deposits paid for property, plant and equipment	48,220	53,241
Advances to investee companies (note b)	17,010	23,010
Less: Provision for impairment	(17,010)	(23,010)
Others	26,650	28,475
	202,293	125,809

(a) Finance lease receivable

	2019 HK\$'000	2018 HK\$'000
Gross receivable	54,785	80,882
Unearned finance income	(1,903)	(2,901)
	52,882	77,981
Current portion included in current assets (note 25)	(20,107)	(33,888)
	32,775	44,093

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	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Within one year	21,431	35,624	20,107	33,888
Between two to five years	33,354	45,258	32,775	44,093
	54,785	80,882	52,882	77,981

(b) 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

24. INVENTORIES

	2019 HK\$'000	2018 HK\$'000
Gaming and entertainment		
Playing cards	3,033	3,093
Food and beverages	58,115	50,621
Consumables	20,962	17,813
	82,110	71,527
Construction materials		
Aggregates and sand	5,156	9,397
Concrete pipes and piles	8,816	6,671
Slag	7,776	7,003
Cement	27,126	37,641
Spare parts	21,349	19,004
Consumables	25,501	38,556
	95,724	118,272
	177,834	189,799

25. DEBTORS AND PREPAYMENTS

	2019 HK\$'000	2018 HK\$'000
Trade debtors, net of loss allowance (note a)	510,322	374,331
Other debtors and deposit paid, net of loss allowance (note b)	1,381,200	1,167,127
Contract assets (note c)	119,824	127,654
Prepayments	113,593	157,409
Current portion of finance lease receivable (note 23(a))	20,107	33,888
	2,145,046	1,860,409

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. DEBTORS AND PREPAYMENTS (Continued)

- (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 (2018: 30 to 60 days) for customers in Hong Kong and Macau and 60 to 180 days (2018: 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.

The ageing analysis of trade debtors of the Group based on the invoice dates and net of loss allowance is as follows:

	2019 HK\$'000	2018 HK\$'000
Within one month	306,381	223,669
Two to three months	159,375	133,952
Four to six months	35,450	8,887
Over six months	9,116	7,823
	510,322	374,331

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

	2019 HK\$'000	2018 HK\$'000
Hong Kong dollar	363,912	258,553
Macau Patacas	145,443	114,896
Renminbi	967	882
	510,322	374,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. DEBTORS AND PREPAYMENTS (Continued)

(a) (Continued)

Included in the Group's trade debtors were debtors with a carrying amount of HK\$402,803,000 (2018: HK\$319,291,000) which were not yet due. Debtors with a carrying amount of HK\$107,519,000 (2018: HK\$55,040,000) were past due over their credit terms for which the Group has not provided for loss allowance. The ageing analysis of these trade debtors based on due dates are as follows:

	2019 HK\$'000	2018 HK\$'000
Overdue:		
Within one month	73,635	35,811
Two to three months	17,916	9,019
Four to six months	3,285	4,198
Over six months	12,683	6,012
	107,519	55,040

As at 31 December 2019, cumulative loss allowance for trade debtors of the Group was HK\$6,958,000 (2018: HK\$24,889,000). The factors the Group considered in determining whether the trade debtors were impaired are disclosed in note 4.14.

Movements in the loss allowance of trade debtors are as follows:

	2019 HK\$'000	2018 HK\$'000
Balance at 1 January	24,889	26,009
Reversal of loss allowance	(2,507)	(758)
Receivables written off during the year as uncollectible	(15,421)	–
Exchange differences	(3)	(362)
Balance at 31 December	6,958	24,889

- (b) Other debtors and deposit paid, net of loss allowance include advances to customers and 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 2019, cumulative loss allowance other debtors of the Group was HK\$1,056,587,000 (2018: HK\$1,048,621,000).

- (c) Contract assets primarily relate to the Group's rights to consideration for work completed but not billed. Contract assets are transferred to receivables when the rights become unconditional which usually occurs when the customers are billed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. AMOUNTS DUE FROM/(TO) JOINT VENTURES

	2019 HK\$'000	2018 HK\$'000
Amounts due from joint ventures (note a)	161,946	178,727
Amounts due to joint ventures (note b)	(41,725)	(59,463)

Notes:

- (a) The amounts receivable of HK\$134,384,000 (2018: HK\$171,709,000) 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 of HK\$8,234,000 (2018: HK\$13,811,000) are unsecured, interest free and have no fixed terms of repayment. The remaining amounts payable carry interest at prevailing market rate and are repayable within one year, all of which are unsecured. The amounts payable are mainly denominated in Renminbi and Macau Patacas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS

	2019 HK\$'000	2018 HK\$'000
Cash and bank balances (excluding long-term bank deposits)	14,645,852	14,486,252
Other cash equivalents – cash chips of other casinos	236	18,571
Cash and cash equivalents and other bank deposits	14,646,088	14,504,823
Less: short-term bank deposits	(8,397,937)	(726,721)
Cash and cash equivalents	6,248,151	13,778,102
Add: Short-term pledged bank deposits	429,689	726,721
Add: Short-term bank deposits with maturity over three months	7,968,248	–
Add: Long-term bank deposits	4,470,886	–
Total cash and cash equivalents and bank deposits	19,116,974	14,504,823

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

	2019 HK\$'000	2018 HK\$'000
Hong Kong dollar	7,780,607	13,541,009
Macau Patacas	149,438	122,305
Renminbi	245,152	594,864
US dollars	10,938,149	243,645
Others	3,628	3,000
	19,116,974	14,504,823

Cash and short-term deposits of HK\$227 million (2018: HK\$589 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

27. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS (Continued)

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

	2019 HK\$'000	2018 HK\$'000
Counterparties with external credit rating (Standard & Poor's or Moody's)		
AA – to AA+	868,073	674,146
A – to A+	17,252,531	13,083,678
BBB	276,383	47,867
Unrated and cash on hand	719,751	680,561
Other cash equivalents – cash chips of other casinos (note)	236	18,571
	19,116,974	14,504,823

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

28. 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 2017 and 1 January 2018	4,308,141,595	21,468,700	(7)	21,468,693
Share award scheme – shares issued to the trustee	2,499,599	25	(25)	–
Share award scheme – shares repurchased by the trustee	–	–	(23,118)	(23,118)
Shares vested pursuant to share award scheme	–	43,934	23,129	67,063
Issue of shares upon exercise of share options	14,356,907	504,216	–	504,216
At 31 December 2018 and 1 January 2019	4,324,998,101	22,016,875	(21)	22,016,854
Share award scheme – shares repurchased by the trustee (note a)	–	–	(39,589)	(39,589)
Shares vested pursuant to share award scheme	–	62,479	39,604	102,083
Issue of shares upon exercise of share options	8,821,906	354,320	–	354,320
At 31 December 2019	4,333,820,007	22,433,674	(6)	22,433,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes:

- (a) During the year ended 31 December 2019, the trustee purchased on SEHK a total of 741,802 shares (2018: 508,460 shares) of the Company for a total consideration of HK\$39.59 million (2018: HK\$23.12 million).
- (b) As at 31 December 2019, a total of 557,182 shares (2018: 2,113,810 shares) of the Company were held by the trustee under the share award scheme.

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

	2019		2018	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
At beginning of year	38.16	56,095,601	32.32	55,266,338
Granted	57.70	12,310,000	47.75	16,793,000
Exercised	29.93	(8,821,906)	26.58	(14,356,907)
Lapsed	49.51	(1,175,823)	41.03	(1,606,830)
At end of year	43.29	58,407,872	38.16	56,095,601
Vested at end of year	35.42	33,181,905	30.39	31,812,701

The weighted average share price at the date of exercise for share options exercised during the year was HK\$51.37 (2018: HK\$62.51).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)

(a) Share option scheme (Continued)

The options outstanding at 31 December 2019 have exercise prices ranging from HK\$24.80 to HK\$77.75 (2018: HK\$24.80 to HK\$77.75) with weighted average remaining contractual life of 4.02 years (2018: 4.12 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	
		2019	2018
Directors			
17 January 2014 to 16 January 2019	32.50	–	2,800,000
24 December 2016 to 23 December 2021	24.80	5,225,334	5,385,334
28 December 2017 to 27 December 2022	33.49	2,869,000	2,869,000
12 March 2018 to 11 September 2022	28.35	3,083,679	3,083,679
26 July 2018 to 25 July 2023	46.95	130,000	130,000
27 December 2018 to 26 December 2023	62.36	1,536,000	1,536,000
28 December 2019 to 27 December 2024	48.65	6,656,000	6,656,000
30 December 2020 to 29 December 2025	57.70	4,687,000	–
Employees and others			
17 January 2014 to 16 January 2019	32.50	–	763,717
5 July 2014 to 4 July 2019	37.45	–	80,000
15 January 2015 to 14 January 2020	77.75	60,000	69,000
16 July 2015 to 15 July 2020	62.75	66,000	66,000
16 January 2016 to 15 January 2021	39.86	32,668	108,668
24 December 2016 to 23 December 2021	24.80	6,769,865	9,938,416
28 December 2017 to 27 December 2022	33.49	3,627,582	4,724,896
12 March 2018 to 11 September 2022	28.35	1,853,401	2,423,889
26 July 2018 to 25 July 2023	46.95	1,066,004	1,182,002
27 December 2018 to 26 December 2023	62.36	3,855,332	4,142,000
21 November 2019 to 20 November 2024	46.75	7,254,007	7,975,000
28 December 2019 to 27 December 2024	48.65	2,013,000	2,162,000
30 December 2020 to 29 December 2025	57.70	7,623,000	–
		58,407,872	56,095,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)**(a) Share option scheme (Continued)**

The fair value of the options granted on 30 December 2019 is estimated at HK\$15.96 per option based on the Black-Scholes valuation model. The significant inputs into the model was share prices of HK\$57.70 at the date of grant, the exercise price of HK\$57.70, standard deviation of expected share price returns of 39.2%, 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 1.654% to 1.659%. 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.

(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 2019, 557,182 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)

(b) Share award scheme (Continued)

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

	2019		2018	
	Weighted average fair value per share HK\$	Number of share awards	Weighted average fair value per share HK\$	Number of share awards
At beginning of year	46.95	4,980,317	46.30	40,004,596
Granted (note)	56.46	2,691,200	46.44	2,787,600
Vested	44.41	(2,298,430)	41.79	(1,595,044)
Lapsed	47.65	(257,654)	51.46	(216,835)
At end of year	53.58	5,115,433	46.95	4,980,317

Note:

During the year ended 31 December 2019, 564,300 awarded shares were granted to directors of the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. 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 2019	231,055	(2,976,252)	675,033	55,748	(60,490)	42,338,311	40,263,405
Profit for the year	-	-	-	-	-	13,041,545	13,041,545
Other comprehensive income/(loss)							
Change in fair value of financial assets at fair value through other comprehensive income	-	1,768,354	-	-	-	-	1,768,354
Translation differences of subsidiaries	-	-	-	-	(37,329)	-	(37,329)
Share of translation differences of joint ventures	-	-	-	-	(25,189)	-	(25,189)
Total other comprehensive income/(loss), net of tax	-	1,768,354	-	-	(62,518)	-	1,705,836
Total comprehensive income/(loss) for the year	-	1,768,354	-	-	(62,518)	13,041,545	14,747,381
Transactions with equity holders							
Shares vested pursuant to share award scheme	-	-	-	(102,083)	-	-	(102,083)
Issue of shares upon exercise of share options	-	-	(90,210)	-	-	-	(90,210)
Fair value of share awards granted	-	-	-	109,077	-	-	109,077
Fair value of share options granted	-	-	166,314	-	-	-	166,314
Share options lapsed	-	-	(20,629)	-	-	20,629	-
Transfer to retained earnings	-	(1,709)	-	-	-	1,709	-
Special dividends (note 14)	-	-	-	-	-	(3,940,159)	(3,940,159)
At 31 December 2019	231,055	(1,209,607)	730,508	62,742	(123,008)	51,462,035	51,153,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. 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 2018	231,117	239,317	696,632	28,015	70,523	32,747,400	34,013,004
Profit for the year	-	-	-	-	-	13,507,389	13,507,389
Other comprehensive loss							
Change in fair value of financial assets at fair value through other comprehensive income	-	(3,215,569)	-	-	-	-	(3,215,569)
Translation differences of subsidiaries	-	-	-	-	(67,952)	-	(67,952)
Share of translation differences of joint ventures	-	-	-	-	(63,061)	-	(63,061)
Total other comprehensive loss, net of tax	-	(3,215,569)	-	-	(131,013)	-	(3,346,582)
Total comprehensive income/(loss) for the year	-	(3,215,569)	-	-	(131,013)	13,507,389	10,160,807
Transactions with equity holders							
Shares vested pursuant to share award scheme	-	-	-	(67,063)	-	-	(67,063)
Issue of shares upon exercise of share options	-	-	(122,664)	-	-	-	(122,664)
Fair value of share award granted	-	-	-	94,796	-	-	94,796
Fair value of share options granted	-	-	114,457	-	-	-	114,457
Share options lapsed	-	-	(13,392)	-	-	13,392	-
Transfer of reserve to retained earnings	(62)	-	-	-	-	62	-
Special dividends (note 14)	-	-	-	-	-	(3,929,932)	(3,929,932)
At 31 December 2018	231,055	(2,976,252)	675,033	55,748	(60,490)	42,338,311	40,263,405

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 2019 and 2018, the legal reserve reached 25% of the subsidiary's share capital. Legal reserve is not distributable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS

	2019 HK\$'000	2018 HK\$'000
Secured (note a)	156,290	453,719
Unsecured	396,824	8,377,230
	553,114	8,830,949
Obligations under finance leases (note b)	-	224,001
	553,114	9,054,950
Total borrowings	553,114	9,054,950
Current portion included in current liabilities	(17,861)	(16,548)
Short-term bank loans	(526,322)	(8,787,010)
	(544,183)	(8,803,558)
Non-current portion of borrowings	8,931	251,392

Notes:

- (a) The bank loans of HK\$156 million (2018: HK\$454 million) are secured by bank deposits of HK\$138 million (2018: HK\$435 million) (note 27).
- (b) Obligations under finance leases mainly represented land renewal considerations to the Macau Government for land in Cotai or Macau under the concession contract. The amount has been reclassified as lease liabilities effective as of 1 January 2019 (note 3).

The finance lease obligations were payable in the following years:

	Minimum payments		Present value	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Over five years	-	591,661	-	224,001

- (c) The bank loans are repayable as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	544,183	8,803,558
Between one to two years	8,931	18,261
Between two to five years	-	9,130
	553,114	8,830,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BORROWINGS (Continued)

Notes: (Continued)

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

	2019					2018				
	HK\$	EUR	RMB	US\$	MOP	HK\$	EUR	RMB	US\$	MOP
Bank loans	-	0.6%	5.0%	-	-	2.9%	0.6%	4.5%	3.7%	-
Obligations under finance leases	-	-	-	-	-	-	-	-	-	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:

	2019 HK\$'000	2018 HK\$'000
Six months or less	535,251	8,373,635

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

	Carrying amount		Fair value	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Bank loans	553,114	8,830,949	553,114	8,830,949
Obligations under finance leases	-	224,001	-	335,776
	553,114	9,054,950	553,114	9,166,725

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:

	2019 HK\$'000	2018 HK\$'000
Hong Kong dollar	-	7,950,000
Macau Patacas	-	224,001
Renminbi	183,082	497,660
Euro	370,032	379,694
US dollar	-	3,595
	553,114	9,054,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. DEFERRED TAXATION LIABILITIES

	2019 HK\$'000	2018 HK\$'000
At beginning of the year	194,695	268,120
Charged/(credited) to income statement	6,523	(73,425)
At end of the year	201,218	194,695

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 2017	37,806	39,681	190,633	268,120
(Credited)/charged to income statement (Note)	(4,518)	15,774	(84,681)	(73,425)
At 31 December 2018	33,288	55,455	105,952	194,695
(Credited)/charged to income statement	(10,020)	20,019	(3,476)	6,523
At 31 December 2019	23,268	75,474	102,476	201,218

Note:

The debit to the deferred taxation liabilities for fair value adjustments of HK\$84,681,000 in 2018 mainly represented the reversal of previously recognised deferred tax liabilities (note 12).

Deferred taxation assets of HK\$795,762,000 (2018: HK\$929,159,000) arising from unused tax losses and other temporary differences totalling of HK\$6,307,938,000 (2018: HK\$7,420,853,000) have not been recognised in the consolidated financial statements. Unused tax losses of HK\$100,931,000 (2018: HK\$102,556,000) have no expiry date and the remaining balance will expire at various dates up to and including 2024 (2018: 2023). The majority of unused tax losses arise from hotel operations which are 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

33. CREDITORS AND ACCRUALS

	2019 HK\$'000	2018 HK\$'000
Trade creditors (note a)	4,019,224	4,433,403
Other creditors (note b)	4,166,514	4,116,913
Chips issued	9,315,854	3,770,448
Loans from non-controlling interests (note c)	86,967	93,399
Accruals and provision	2,327,154	2,369,381
Deposits received	57,589	44,073
	19,973,302	14,827,617

Notes:

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

	2019 HK\$'000	2018 HK\$'000
Within one month	3,679,447	4,022,831
Two to three months	64,647	69,868
Four to six months	24,771	136,522
Over six months	250,359	204,182
	4,019,224	4,433,403

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

	2019 HK\$'000	2018 HK\$'000
Hong Kong dollar	3,288,422	3,668,351
Macau Patacas	451,536	451,074
Renminbi	250,595	292,274
Other	28,671	21,704
	4,019,224	4,433,403

- (b) Other creditors mainly represented gaming tax payable to the Macau Government and construction payable to contractors.
- (c) The loans payable of HK\$71,268,000 (2018: HK\$72,166,000) are unsecured, bear interest at prevailing market rate and repayable within next twelve months. The remaining are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2019	2018
	HK\$'000	HK\$'000
Profit before taxation	13,283,819	13,613,769
Finance costs	129,326	138,775
Share of profits less losses of joint ventures and associated companies	(532,155)	(387,620)
Depreciation and amortisation	3,456,596	3,315,913
Loss/(gain) on disposal and loss on write-off of property, plant and equipment	120,173	(3,562)
Interest income	(1,293,950)	(994,501)
Gross earnings on finance lease	(2,268)	(2,159)
Dividend income from unlisted investments	(12,045)	(4,100)
Dividend income from listed investments	(107,008)	(65,030)
Fair value of share options granted	166,314	114,457
Fair value of share awards granted	109,077	94,796
Operating profit before working capital changes	15,317,879	15,820,738
Decrease/(increase) in inventories	11,965	(18,356)
(Increase)/decrease in debtors and prepayments	(271,938)	162,033
Increase/(decrease) in creditors and accruals	4,620,498	(1,918,282)
Decrease in amounts due to joint ventures	(5,826)	(2,226)
Decrease in amounts due from joint ventures	29,687	7,858
Cash generated from operations	19,702,265	14,051,765

(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

34. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

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

	Borrowings (Current) HK\$'000	Borrowings (Non-Current) HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As of 31 December 2017	9,684,884	259,392	–	9,944,276
Cash flows				
– new bank loans	7,764,377	–	–	7,764,377
– repayment of bank loans	(8,628,123)	–	–	(8,628,123)
Non-cash changes				
– translation differences	(34,129)	(2,118)	–	(36,247)
– finance costs	–	10,667	–	10,667
– reclassification from non-current to current	16,549	(16,549)	–	–
As of 31 December 2018	8,803,558	251,392	–	9,054,950
Cash flows				
– new bank loans	1,500,000	–	–	1,500,000
– repayment of bank loans	(9,764,082)	–	–	(9,764,082)
– principal element of lease payments	–	–	(42,511)	(42,511)
Non-cash changes				
– reclassification to lease liabilities	–	(224,001)	224,001	–
– recognition of lease liabilities	–	–	137,805	137,805
– translation differences	(13,155)	(598)	(881)	(14,634)
– addition of lease liabilities	–	–	31,995	31,995
– finance cost	–	–	11,200	11,200
– others	–	–	(1,575)	(1,575)
– reclassification from non-current to current	17,862	(17,862)	–	–
As of 31 December 2019	544,183	8,931	360,034	913,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. NON-CURRENT DEPOSITS

	2019 HK\$'000	2018 HK\$'000
Non-current deposits received	240,064	312,853

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

36. CAPITAL COMMITMENTS

	2019 HK\$'000	2018 HK\$'000
Contracted but not provided for – Property, plant and equipment	5,247,310	5,361,882

37. OPERATING LEASE COMMITMENTS

The Group lease various office, warehouses and equipment under non-cancellable operating leases expiring within 1 year to 40 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, all terms and conditions of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of use assets for these leases, except for short-term and low value leases, see note 3 and note 16.

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:

	2019 HK\$'000	2018 HK\$'000
First year	–	66,505
Second to fifth years inclusive	–	61,845
After the fifth year	–	44,018
	–	172,368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. OPERATING LEASE RENTAL RECEIVABLES

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

	2019	2018
	HK\$'000	HK\$'000
Less than one year	882,855	977,992
One to two years	444,761	783,162
Two to three years	113,082	322,271
Three to four years	58,695	53,114
Four to five years	22,548	28,891
More than the five years	24,186	42,057
	1,546,127	2,207,487

39. RELATED PARTY TRANSACTIONS

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

- (a) Interest income from joint ventures amounting to HK\$293,000 (2018: HK\$546,000) are charged at prevailing market rate (note 26(a)).
- (b) Management fee received from joint ventures amounted to HK\$9,763,000 (2018: HK\$9,337,000) are charged at terms agreed among the parties.
- (c) Rental expenses of HK\$1,453,000 (2018: HK\$1,424,000) were paid to a subsidiary of K. Wah International Holdings Limited, a shareholder of the Company, based on the terms of the rental agreement between the parties. This is a continuing connected transaction which is fully exempted from reporting and disclosure requirements under rule 14A.76(1) of the Rules Governing the Listing of Securities on SEHK.
- (d) Purchases from joint ventures and non-controlling interests amounted to HK\$213,904,000 (2018: HK\$163,843,000) at terms agreed among the parties.
- (e) The balances with joint ventures are disclosed in note 26.
- (f) Interest expenses to joint ventures and non-controlling interests amounted to HK\$5,907,000 (2018: HK\$2,805,000) at terms agreed among the parties (note 26(b)).
- (g) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. Key management compensation amounted to HK\$203,010,000 for the year ended 31 December 2019 (2018: HK\$154,132,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. GUARANTEES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK\$5,470 million (2018: HK\$4,790 million). At 31 December 2019, no facilities had been utilised by the subsidiaries (2018: HK\$300 million).

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\$145 million (2018: HK\$148 million). At 31 December 2019, facilities utilised amounted to HK\$3 million (2018: HK\$39 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.

41. POST BALANCE SHEET EVENT

On 27 February 2020, the Board of Directors declared a special dividend of HK\$0.45 per share, payable to shareholders of the Company whose names appear on the register of members of the Company on 31 March 2020. The total amount of the special dividend to be distributed is estimated to be approximately HK\$1,960 million and will be paid on or about 24 April 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	2019 HK\$'000	2018 HK\$'000
Assets		
Non-current assets		
Subsidiaries	1	1
Amounts due from subsidiaries	24,206,741	25,797,658
	24,206,742	25,797,659
Current assets		
Debtors and prepayments	3,130	9,953
Cash and bank balances	2,129,420	7,985,318
	2,132,550	7,995,271
Total assets	26,339,292	33,792,930
Equity		
Share capital and shares held for share award scheme	22,433,668	22,016,854
Reserves (note a)	3,497,518	3,704,932
Equity attributable to owners of the Company	25,931,186	25,721,786
Liabilities		
Current liabilities		
Creditors and accruals	38,075	41,449
Short-term bank loan	370,031	8,029,695
	408,106	8,071,144
Total liabilities	408,106	8,071,144
Total equity and liabilities	26,339,292	33,792,930

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Reserve movement of the Company

	Capital reserve HK\$'000	Share option reserve HK\$'000	Share award reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2019	235,239	675,033	55,748	2,738,912	3,704,932
Profit for the year	-	-	-	3,649,647	3,649,647
Transactions with equity holders					
Shares vested pursuant to share award scheme	-	-	(102,083)	-	(102,083)
Issue of shares upon exercise of share options	-	(90,210)	-	-	(90,210)
Fair value of share award granted	-	-	109,077	-	109,077
Fair value of share options granted	-	166,314	-	-	166,314
Share options lapsed	-	(20,629)	-	20,629	-
Special dividends (note 14)	-	-	-	(3,940,159)	(3,940,159)
At 31 December 2019	235,239	730,508	62,742	2,469,029	3,497,518
At 1 January 2018	235,239	696,632	28,015	3,843,347	4,803,233
Profit for the year	-	-	-	2,812,105	2,812,105
Transactions with equity holders					
Shares vested pursuant to share award scheme	-	-	(67,063)	-	(67,063)
Issue of shares upon exercise of share options	-	(122,664)	-	-	(122,664)
Fair value of share awards granted	-	-	94,796	-	94,796
Fair value of share options granted	-	114,457	-	-	114,457
Share options lapsed	-	(13,392)	-	13,392	-
Special dividends (note 14)	-	-	-	(3,929,932)	(3,929,932)
At 31 December 2018	235,239	675,033	55,748	2,738,912	3,704,932

As at 31 December 2019, reserves of the Company of HK\$2,469,029,000 were available for distribution to shareholders (2018: HK\$2,738,912,000).

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 27 February 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of company	Principal place of operation	Issued share capital		Percentage of equity held by the Group	Principal activities
		Number of issued ordinary shares	Number of non-voting deferred shares		
Incorporated in Hong Kong					
Bright Advice Limited	Hong Kong	10,000	–	100	Investment holding
Delight Man Limited	Hong Kong	10,000	–	100	Investment holding
Doran (Hong Kong) Limited	Hong Kong	1,000	–	100	Sale and distribution of concrete pipes
Earnmark Limited	Hong Kong	1	–	100	Investment holding and provision of management services
Extent Sun Limited	Hong Kong	10,000	–	100	Investment holding and provision of management services
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	Investment holding
K. Wah Asphalt Limited	Hong Kong	1,100,000	–	100	Manufacture, sale, distribution and laying of asphalt
K. Wah Concrete Company Limited	Hong Kong	10,002	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	102	2	100	Provision of management services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Issued share capital		Percentage of equity held by the Group	Principal activities
		Number of issued ordinary shares	Number of non-voting deferred shares		
Incorporated in Hong Kong (Continued)					
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	10,002	1,000	100	Manufacture, sale and distribution of concrete products
K. Wah Materials Limited	Hong Kong	28,080,002	–	100	Trading of cement
K. Wah Quarry Company Limited	Hong Kong	400,002	100,000	100	Sale of aggregates
K. Wah Trading and Development Limited	Hong Kong	102	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	Trading of construction materials products
Lightway Limited	Hong Kong	102	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

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

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
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	RMB27,000,000	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

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

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Number of issued ordinary shares	Par value per share	Percentage of equity held by the Group	Principal activities
Incorporated in the Bermuda					
Galaxy Entertainment Aviation CL2012 Limited	Bermuda	1	US\$1	100	Aircraft holding
Incorporated in the Cayman Islands					
Chelford Limited	Hong Kong	1	US\$1	100	Vessel holding
Incorporated in the British Virgin Islands					
Blossom Fountain Limited	BVI	1	US\$1	100	Investment holding
Canton Treasure Group Ltd.	BVI	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	BVI	10	US\$1	80	Investment holding
GEG Investment Holdings (Monaco) Limited	BVI	1	US\$1	100	Investment holding
High Regard Investments Limited	BVI	20	US\$1	100	Investment holding
K. Wah Construction Materials Limited	Hong Kong	10	US\$1	100*	Investment holding
Profit Access Investments Limited	BVI	10	US\$1	100	Investment holding
Prosperous Fields Limited	Hong Kong	10	US\$1	100	Investment holding
Right Grand Investments Limited	BVI	100	US\$1	80	Investment holding
Taksin Profits Limited	BVI	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
Galaxy Travel Transportation Cross-Border (Macau) Limited	Macau	50,000	MOP100	Equity: 90 Profit sharing:100	Provision of cross-border transportation service

* Wholly owned and directly held by the Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Subsidiaries (Continued)

Name of company	Principal place of operation	Number of quota	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Macau (Continued)					
Fast Concrete Limited	Macau	2	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
Premium Hotel Management Limited	Macau	2	MOP25,000	100	Hospitality
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
Name of company	Principal place of operation	Number of common shares	Par value per share	Percentage of equity held by the Group	Principal activities
Incorporated in Japan					
Galaxy Entertainment Japan K.K.	Japan	5,000	YEN10,000	100	Investment holding
Incorporated in the Philippines					
Boracay Philippines Resort and Leisure Corporation	Philippines	532,216,291	PESO1	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Joint ventures

Name of company	Principal place of operation	Number of issued ordinary shares	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\$19,574,333	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
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

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

(b) Joint ventures (Continued)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group	Principal activities
Incorporated in Mainland China (Continued)				
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				
EBG K. Wah Solid Waste Treatment Holdings Limited	Hong Kong	10,000	49	Investment Holding



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