



銀娛GEG

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

Stock Code: 27

2020

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

Mrs. 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

Mrs. 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

Ms. Wong Chui Lai



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
 - With over 120 dining options, Galaxy Macau™ is the dining destination for amazing culinary discoveries – from the best of Asia to Western cuisines, and MICHELIN-starred restaurants to authentic local delicacies. Diners can delight in 56 types of cuisines originating from 13 countries and 18 Chinese regions at Galaxy Macau™
 - 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 including a MICHELIN two-starred restaurant – Feng Wei Ju

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\$12.9 billion, decreased 75% year-on-year
- Adjusted EBITDA of HK\$(1.0) billion versus HK\$16.5 billion in 2019
- Net profit attributable to shareholders (“NPAS”) of HK\$(4.0) billion, down 130% year-on-year
- Adjusted NPAS of HK\$(3.2) billion, down 123% year-on-year after adjusting for non-recurring and other charges
- Played lucky in gaming operations which increased Adjusted EBITDA by approximately HK\$25 million in 2020. Normalized Adjusted EBITDA was HK\$(1.0) billion versus HK\$15.7 billion in 2019
- As of 31 December 2020, balance sheet remains healthy with cash and liquid investments of HK\$46.0 billion and net cash (including bank deposits and liquid investments) of HK\$36.8 billion. Total debt was HK\$9.2 billion, including HK\$8.7 billion associated with our treasury yield enhancement program and HK\$0.5 billion of core debt



Galaxy Macau™

- Net Revenue of HK\$7.8 billion, down 79% year-on-year
- Adjusted EBITDA of HK\$(0.9) billion versus HK\$12.6 billion in 2019
- Played lucky in gaming operations which increased Adjusted EBITDA by approximately HK\$43 million in 2020. Normalized Adjusted EBITDA was HK\$(0.9) billion versus HK\$12.0 billion in 2019
- Hotel occupancy for 2020 across the five hotels was 28%
- Non-gaming revenue of HK\$1.4 billion, decreased 70% year-on-year



Starworld Macau

- Net Revenue of HK\$2.2 billion, down 80% year-on-year
- Adjusted EBITDA of HK\$(0.3) billion versus HK\$3.5 billion in 2019
- Played unlucky in gaming operations which decreased Adjusted EBITDA by approximately HK\$17 million in 2020. Normalized Adjusted EBITDA was HK\$(0.3) billion versus HK\$3.3 billion in 2019
- Hotel occupancy for 2020 was 28%
- Non-gaming revenue of HK\$118 million, decreased 77% year-on-year



Broadway Macau™

- Net Revenue of HK\$94 million, down 84% year-on-year
- Adjusted EBITDA of HK\$(0.2) billion versus HK\$39 million in 2019
- Played unlucky in gaming operations which decreased Adjusted EBITDA by approximately HK\$1 million in 2020. Normalized Adjusted EBITDA was HK\$(0.2) billion versus HK\$34 million in 2019
- Hotel occupancy for 2020 was 20%
- Non-gaming revenue of HK\$72 million, decreased 77% year-on-year



FINANCIAL & OPERATIONAL HIGHLIGHTS

Development Update

- Continue to make ongoing progressive enhancements to our resorts to ensure that they remain competitive and appealing to our guests
- 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, given COVID-19, timelines may be impacted
- Hengqin – Encouraged by recent strengthening of the relationship between Hengqin and Macau, continue with planning of our Hengqin project. We are also expanding our focus beyond Hengqin and Macau to potentially include opportunities within the rapidly expanding Greater Bay Area
- International – Continuously exploring opportunities in overseas markets, including Japan



FINANCIAL & OPERATIONAL HIGHLIGHTS

GROUP

Key Financial Data

(HK\$'m)	2019	2020
Revenues:		
Net Gaming	43,582	8,566
Non-gaming	5,486	1,571
Construction Materials	2,834	2,739
Total Net Revenue	51,902	12,876
Adjusted EBITDA	16,479	(1,020)

Gaming Statistics¹

(HK\$'m)	2019	2020
Rolling Chip Volume ²	715,988	130,584
Win Rate %	3.9%	3.8%
Win	27,583	4,910
Mass Table Drop ³	121,879	25,662
Win Rate %	24.0%	23.9%
Win	29,260	6,129
Electronic Gaming Volume	67,942	14,131
Win Rate %	3.7%	3.4%
Win	2,513	477
Total GGR Win ⁴	59,356	11,516

Key Financial Metrics

	2019	2020
Net Profit/(Loss) Attributable To Shareholders (HK\$'m)	13,042	(3,973)
Earnings/(Loss) Per Share (HK cents)	301.1	(91.6)
Total Assets (HK\$'m)	95,696	92,727
Cash and Liquid Investments (HK\$'m)	52,252	46,065
Debt (HK\$'m)	553	9,233
Share Price on 31 December (HK\$)	57.40	60.25
Market Capitalization (HK\$'m)	248,761	261,731

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)	2019	2020
Revenues:		
Net Gaming	32,780	6,398
Hotel/F&B/Others	3,430	809
Mall	1,231	572
Total Net Revenue	37,441	7,779
Adjusted EBITDA	12,641	(900)
Adjusted EBITDA Margin	34%	NEG⁵

Gaming Statistics⁶

(HK\$m)	2019	2020
Rolling Chip Volume ⁷	485,343	89,219
Win Rate %	4.2%	4.1%
Win	20,171	3,673
Mass Table Drop ⁸	72,786	14,994
Win Rate %	28.0%	28.0%
Win	20,411	4,198
Electronic Gaming Volume	45,572	8,755
Win Rate %	4.6%	4.2%
Win	2,076	368
Total GGR Win	42,658	8,239

⁵ NEG represents negative margin.

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.

FINANCIAL & OPERATIONAL HIGHLIGHTS

STARWORLD MACAU

Key Financial Data

(HK\$m)	2019	2020
Revenues:		
Net Gaming	10,403	2,119
Hotel/F&B/Others	461	99
Mall	53	19
Total Net Revenue	10,917	2,237
Adjusted EBITDA	3,502	(275)
Adjusted EBITDA Margin	32%	NEG ⁹

Gaming Statistics¹⁰

(HK\$m)	2019	2020
Rolling Chip Volume ¹¹	222,014	37,434
Win Rate %	3.2%	3.0%
Win	7,118	1,140
Mass Table Drop ¹²	36,274	8,474
Win Rate %	18.7%	18.1%
Win	6,787	1,535
Electronic Gaming Volume	8,632	2,099
Win Rate %	2.3%	2.2%
Win	196	45
Total GGR Win	14,101	2,720

⁹ NEG represents negative margin.

¹⁰ Gaming statistics are presented before deducting commission and incentives.

¹¹ Reflects junket rolling chip volume only.

¹² 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)	2019	2020
Revenues:		
Net Gaming	282	22
Hotel/F&B/Others	267	49
Mall	44	23
Total Net Revenue	593	94
Adjusted EBITDA	39	(162)
Adjusted EBITDA Margin	7%	NEG ¹³

Gaming Statistics¹⁴

(HK\$m)	2019	2020
Mass Table Drop ¹⁵	1,334	114
Win Rate %	20.0%	17.9%
Win	267	20
Electronic Gaming Volume	1,923	337
Win Rate %	2.4%	2.1%
Win	47	7
Total GGR Win	314	27

¹³ NEG represents negative margin.

¹⁴ Gaming statistics are presented before deducting commission and incentives.

¹⁵ 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 2020.

COVID-19 has continued to impact the community and businesses globally including Macau and GEG. In Q4 2020, Mainland China, Hong Kong and Macau continued to experience travel restrictions and social distancing measures as they continued to effectively contain the pandemic. Given the subdued revenue the Group's Adjusted EBITDA was HK\$1.0 billion for the fourth quarter. This represents a 207% improvement compared to the Adjusted EBITDA loss of HK\$0.9 billion reported in Q3. This improvement was largely driven by an increase in visitation which translated into increased revenue and continuing cost control. The full year Adjusted EBITDA was HK\$(1.0) billion versus HK\$16.5 billion in 2019.

We again applaud the Macau Government for their proactive leadership during the challenging pandemic crisis. Their focus is not only to ensure the health and safety of the community, but also ensuring that Macau is well positioned to attract visitors, support economic recovery and maintain the social stability of Macau.

We continue to make good progress with our development projects including Cotai Phases 3 & 4. In the meanwhile, we renovate, reconfigure and introduce new products to our resorts. In addition, we remain engaged in our international expansion plans including Japan, which is also being impacted by the pandemic.

Due to our conservative financial management, the Group's net cash as at year end provides us with valuable flexibility in managing our ongoing operations and allows us to continue with our longer term development plans.

CHAIRMAN'S STATEMENT

In the Macau Policy Address for 2021, Chief Executive Mr. Ho Iat Seng stated that the Government will promote the stable and healthy development of the gaming industry, and to commence preparatory and preliminary work for the new gaming concessions. We are looking forward to the launching of the public consultation in the 2H 2021.

Upholding the philosophy of “what is taken from the community is to be used for the good of the community”, we have been proactively supporting Macau and the Mainland during this epidemic. GEG has been working with the community to combat the outbreak through an array of practical initiatives, including: offering cash donations, donating hygiene & essential supplies, supporting local SMEs and providing timely assistance to numerous non-profit welfare and social service organizations and schools. In addition, GEG also adopted and supported all protective measures laid out by the Health Bureau of the Macau SAR Government and strengthened the epidemic prevention measures within our resorts.

In the medium to longer term, we have great confidence in the future of Macau. We have seen signs of early recovery post the reinstatement of the Individual Visit Scheme (“IVS”) in late September 2020 and it may take a few more quarters for business volumes to ramp up. However, we do acknowledge the ongoing difficulties associated with COVID-19 and potential future flare ups of COVID-19 could have a material adverse impact on our financial performance. Given the uncertainty caused by the COVID-19 pandemic, the Board of Directors has decided not to declare a dividend.

We are pleased to hear that Macau and other locations are proceeding with their COVID-19 vaccination rollout plans. We believe that when Mainland and international tourists make future travel plans, health and safety will be foremost in their minds.

Finally, I would again like to acknowledge and thank the health and emergency personnel who have worked so hard to ensure the safety of Macau. I would also like to thank our staff, management team and Board of Directors who voluntarily contributed to the various cost savings programs and for being so supportive of our Company during this period of time. Thank you.

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

Hong Kong, 25 February 2021

FINANCIAL CALENDAR FOR 2021 AGM

Book close dates for 2021 AGM	:	10 May 2021 (Monday) to 13 May 2021 (Thursday) (both days inclusive)
Record date for 2021 AGM	:	13 May 2021 (Thursday)
Date and time of 2021 AGM	:	3:00 p.m. on 13 May 2021 (Thursday)
Latest time to lodge transfer documents with the Company's share registrar to attend and vote at 2021 AGM	:	4:30 p.m. on 7 May 2021 (Friday)
Latest time to lodge proxy forms with the Company's registered office at 22nd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong	:	3:00 p.m. on 11 May 2021 (Tuesday)
Name and address of the Company's share registrar	:	Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong



Lai Heen

SELECTED MAJOR AWARDS

CORPORATE AND PROPERTIES:

Award	Presenter
GEG	
Mr. Francis Lui, Vice Chairman of Galaxy Entertainment Group – Rank No.1	13th Asian Gaming Power 50
Casino Operator of the Year Australia & Asia Socially Responsible Operator (Asia/Australia)	13th International Gaming Awards
Certificate of Excellence in Investor Relations	HKIRA 6th Investor Relations Awards
Best in Sector – Consumer Discretionary Certificate of Excellence in Investor Relations	IR Magazine Greater China Awards 2020
Social Responsibility Award	The 2nd Greater China’s Most Influential Brand & Entrepreneur Awards Ceremony
Employer Recognition for the Hiring “Senior Talents”	2020 Outstanding Elderly Employees Award and Employer Recognition Scheme for the Hiring of “Senior Talents”
Family-Friendly Employer Award Breastfeeding-Friendly Workplace Award	The 3rd 2018–2020 Family-Friendly Employers Award Scheme
2020 Macau Outstanding Corporate Volunteer Award	28th International Volunteer Recognition Ceremony
Original Convention and Exhibition Award	Macao Convention and Exhibition Commendation Awards 2020
GALAXY MACAU™	
Five-Star Hotel: – The Ritz-Carlton, Macau – Banyan Tree Macau	2020 Forbes Travel Guide
Five-Star Spa: – The Ritz-Carlton Spa, Macau – Banyan Tree Spa Macau	
Four-Star Hotel: – Galaxy Hotel™ – Hotel Okura Macau – JW Marriott Hotel Macau	
Energy Saving Concept Award (Hotel Group) Hotel Group B – Excellence Award: Galaxy Macau™	Macau Energy Saving Activity 2020
Best of the Best Awards Top 10 Hotels for Families – China: – Galaxy Hotel™	Tripadvisor 2020 Travelers’ Choice
Travelers’ Choice Awards (Top 25 Hotels – China): – The Ritz-Carlton, Macau	
Travelers’ Choice Winner – Hotels: – Banyan Tree Macau – Hotel Okura Macau – JW Marriott Hotel Macau	
Best of the Best 2020 – The Best Shopping Experience	Robb Report China

SELECTED MAJOR AWARDS

Award	Presenter
Macao Green Hotel Award – Gold Award: – Banyan Tree Macau – JW Marriott Hotel Macau – The Ritz-Carlton, Macau	DSPA & MGTO
Annual Gourmet Landmark – Galaxy Macau™	2019 – 2020 China Feast Restaurant Awards by Restaurant Review
Macau's Best Resort Spa 2020 – Banyan Tree Spa Macau	World Spa Awards
Most Anticipated Hotel – Andaz Macau Most Anticipated Convention Center – Galaxy International Convention Center	2020 Golden Five Stars Award by China International Conference & Exhibition
Loved by Guests Award 2020: – Galaxy Hotel™ – Hotel Okura Macau – JW Marriott Hotel Macau – The Ritz-Carlton, Macau	Hotels.com
2020 Tourism Marketing Award	Mafengwo World Explorers
Readers' Choice Awards 2020 – Best Hotels & Resorts – Banyan Tree Macau	DestinAsian
Agoda 2020 Customer Review Awards: – Banyan Tree Macau – JW Marriott Hotel Macau – The Ritz-Carlton, Macau	Agoda.com
Best Hotel of the Year Best Luxury Resort of the Year	12th China Best Hotel Award
The WORLDiary Hotel Collection of Year 2020 – 2021 The Best Service Quality Hotel – JW Marriott Hotel Macau The Best Luxury Destination Hotel – The Ritz-Carlton, Macau	WORLDiary
BROADWAY MACAU™	
Agoda 2020 Customer Review Awards	Agoda.com
Travelers' Choice Winner	TripAdvisor 2020 Travelers' Choice
Loved by Guests Award 2020	Hotels.com

SELECTED MAJOR AWARDS

Award	Presenter
CONSTRUCTION MATERIALS DIVISION	
BOCHK Corporate Environmental Leadership Awards 2019 – EcoPartner & 3 Years+ EcoPioneer	Bank of China (Hong Kong) and Federation of Hong Kong Industries
Construction Industry Caring Organisation	Construction Industry Sports and Volunteering Programme
Hong Kong Awards for Environmental Excellence – Manufacturing and Industrial Services – Certificate of Merit	Environmental Campaign Committee
Hong Kong Green Organisation Certification: – Wastewi\$e – Certificate – Excellence Level – Carbon Reduction – Certificate – Achieved 7% Carbon Reduction	
Good Employer Charter 2020: – Signatory of the Good Employer Charter 2020 – Family-friendly Good Employer Logo	Labour Department
Good MPF Employer Award 2019 – 20: – Good MPF Employer Award Logo – e-Contribution Award – MPF Support Award	Mandatory Provident Fund Schemes Authority
Occupational Health Award 2019 – 20 – Joyful@Healthy Workplace Best Practices Award (Enterprise/Organisation Category) – Grand Award	Occupational Safety and Health Council
Caring Company Scheme – 15 Years Plus Caring Company Logo	The Hong Kong Council of Social Service

SELECTED MAJOR AWARDS

Below is a selection of food accolades that were awarded in 2020:

F&B Outlet	Award and Presenter
GALAXY MACAU™ 8½ Otto e Mezzo BOMBANA	1-Michelin-starred – Michelin Guide Hong Kong and Macau 2021 100 Top Tables 2020 – South China Morning Post Wine List of the Year Awards – Hong Kong, Macau & Taiwan – China’s Wine List of the Year Award 2020 Best Wine List – Macau – China’s Wine List of the Year Award 2020 Best Hotel Restaurant List – China’s Wine List of the Year Award 2020 Three Glasses Awards (Excellent) – China’s Wine List of the Year Award 2020 Ctrip Gourmet List Two-star Restaurant – Ctrip Gourmet List Fine Dining Cuisine Country Winner – Macau – 2020 World Luxury Restaurant Awards Best of Award of Excellence – Wine Spectator’s 2020 Restaurant Awards World’s Top 1,000 Restaurants – La Liste 2020 Tatler Dining Best Restaurants Hong Kong & Macau 2021 – Hong Kong Tatler Travelers’ Choice Winner – TripAdvisor 2020 Travelers’ Choice
Belon	2020 Forbes Travel Guide Five-Star Restaurant – Forbes Travel Guide Travelers’ Choice Winner – TripAdvisor 2020 Travelers’ Choice
Café de Paris Monte-Carlo	Recommended Award – China’s Wine List of the Year Award 2020 Travelers’ Choice Winner – TripAdvisor 2020 Travelers’ Choice
CHA BEI	Tatler Dining Best Restaurants Hong Kong & Macau 2021 – Hong Kong Tatler Travelers’ Choice Winner – TripAdvisor 2020 Travelers’ Choice
Festiva	Ctrip Gourmet List Local Favorites Restaurant – Ctrip Gourmet List Travelers’ Choice Winner – TripAdvisor 2020 Travelers’ Choice
Fook Lam Moon	Michelin Plate – Michelin Guide Hong Kong and Macau 2021 Chinese Cuisine Country Winner – Macau – 2020 World Luxury Restaurant Awards My Favorite Hotel Restaurant in Macau – U Favorite Food Awards 2020 Special Recommended Must Eat Restaurant – 2019–2020 China Feast Restaurant Awards by Restaurant Review Tatler Dining Best Restaurants Hong Kong & Macau 2021 – Hong Kong Tatler Three Glasses Awards (Excellent) – China’s Wine List of the Year Award 2020 Best of Award of Excellence – Wine Spectator’s 2020 Restaurant Awards
Gosto	Ctrip Gourmet List Local Favorites Restaurant – Ctrip Gourmet List Three Glasses Awards (Excellent) – China’s Wine List of the Year Award 2020



SELECTED MAJOR AWARDS

F&B Outlet	Award and Presenter
Lai Heen	1-Michelin-starred – Michelin Guide Hong Kong and Macau 2021
	100 Top Tables 2020 – South China Morning Post
	2020 Forbes Travel Guide Five-star Restaurant – Forbes Travel Guide
	Ctrip Gourmet List One-star Restaurant – Ctrip Gourmet List
	Tatler Dining Best Restaurants Hong Kong & Macau 2021 – Hong Kong Tatler
	Three Glasses Awards (Excellent) – China's Wine List of the Year Award 2020
	Travelers' Choice Winner – TripAdvisor 2020 Travelers' Choice
Man Ho Chinese Restaurant	Ctrip Gourmet List Local Favorites Restaurant – Ctrip Gourmet List
	Travelers' Choice Winner – TripAdvisor 2020 Travelers' Choice
	Two Glasses Awards (Outstanding) – China's Wine List of the Year Award 2020
Pak Loh Chiu Chow Restaurant	Additional Recommended Restaurant – Opinionated About Dining Asia 2020
	Ctrip Gourmet List Local Favorites Restaurant – Ctrip Gourmet List
	Best of Award of Excellence – Wine Spectator's 2020 Restaurant Awards
	Three Glasses Awards (Excellent) – China's Wine List of the Year Award 2020
Pang's Kitchen	Recommended Award – China's Wine List of the Year Award 2020
Passion. by Gérard Dubois	Travelers' Choice Winner – TripAdvisor 2020 Travelers' Choice
Saffron	Tatler Dining Best Restaurants Hong Kong & Macau 2021 – Hong Kong Tatler
	Travelers' Choice Winner – TripAdvisor 2020 Travelers' Choice
Terrazza Italian Restaurant	Michelin Plate – Michelin Guide Hong Kong and Macau 2021
	Three Glasses Awards (Excellent) – China's Wine List of the Year Award 2020
	Best of Award of Excellence – Wine Spectator's 2020 Restaurant Awards
The Apron Oyster Bar & Grill	Two Glasses Awards (Outstanding) – China's Wine List of the Year Award 2020
The Lounge of JW Marriott Hotel Macau	Travelers' Choice Winner – TripAdvisor 2020 Travelers' Choice
	Two Glasses Awards (Outstanding) – China's Wine List of the Year Award 2020
The Macallan Whisky Bar & Lounge	Best Luxury Bar in Restaurant Continent Winner – Asia – 2020 World Luxury Restaurant Awards
	Tatler Dining Best Restaurants Hong Kong & Macau 2021 – Hong Kong Tatler
	Travelers' Choice Winner – TripAdvisor 2020 Travelers' Choice
The Ritz-Carlton Bar & Lounge	Tatler Dining Best Restaurants Hong Kong & Macau 2021 – Hong Kong Tatler
	Three Glasses Awards (Excellent) – China's Wine List of the Year Award 2020
	Travelers' Choice Winner – TripAdvisor 2020 Travelers' Choice
The Ritz-Carlton Café	Michelin Plate – Michelin Guide Hong Kong and Macau 2021
	Travelers' Choice Winner – TripAdvisor 2020 Travelers' Choice
Tsui Wah Restaurant	Ctrip Gourmet List Local Favorites Restaurant – Ctrip Gourmet List

SELECTED MAJOR AWARDS

F&B Outlet	Award and Presenter
Yamazato	Michelin Plate – Michelin Guide Hong Kong and Macau 2021
	100 Top Tables 2020 – South China Morning Post
	2020 Forbes Travel Guide Recommended Restaurant – Forbes Travel Guide
	Tatler Dining Best Restaurants Hong Kong & Macau 2021 – Hong Kong Tatler
Urban Kitchen	Two Glasses Awards (Outstanding) – China's Wine List of the Year Award 2020
STARWORLD MACAU	
Feng Wei Ju	2-Michelin-starred – Michelin Guide Hong Kong and Macau 2021
	100 Top Tables 2020 – South China Morning Post
	Best Chinese Restaurant – 2019–2020 China Feast Restaurant Awards by Restaurant Review
	I Food Award 2020 – My Favorite Restaurant in Hotel – I Food Award
	My Favorite Hotel Restaurant in Macau – U Favorite Food Awards 2020
	Tatler Dining Best Restaurants Hong Kong & Macau 2021 – Hong Kong Tatler
BROADWAY MACAU™	
Dragon Portuguese Cuisine	Ctrip Gourmet List Local Favorites Restaurant – Ctrip Gourmet List
Duffy's Irish Pub	Travelers' Choice Winner – TripAdvisor 2020 Travelers' Choice
The Roadhouse Macau	Travelers' Choice Winner – TripAdvisor 2020 Travelers' Choice
Tim Ho Wan, The Dim-Sum Specialists	Ctrip Gourmet List Local Favorites Restaurant – Ctrip Gourmet List
	Travelers' Choice Winner – TripAdvisor 2020 Travelers' Choice
Wong Kun Sio Kung	Michelin Plate – Michelin Guide Hong Kong and Macau 2021

MANAGEMENT DISCUSSION AND ANALYSIS

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

OVERVIEW OF MACAU GAMING MARKET

With the outbreak of COVID-19, the Macau Government acted rapidly and decisively to control the pandemic. Basically for the whole year of 2020 Macau was impacted by COVID-19 and the associated travel restrictions. Based on DICJ reporting, Macau's gross gaming revenue ("GGR") for the full year 2020 was \$58.7 billion, down 79% year-on-year. GGR in Q4 2020 was \$21.2 billion, down 70% year-on-year and up 347% quarter-on-quarter.

Furthermore, border entry restrictions were introduced and combined with the ongoing IVS temporary suspension, customer arrivals were impacted. The IVS was progressively reinstated through the third quarter of 2020. However, the majority of Mainland Chinese visitors were not eligible to apply for travel to Macau until late September.

In 2020, visitor arrivals to Macau were 5.9 million, down 85% year-on-year, in which overnight visitors and same-day visitors both decreased 85% year-on-year. The average length of stay for overnight visitors increased by 0.6 day to 2.8 days. Mainland visitor arrivals to Macau were 4.8 million, down 83% year-on-year. For Q4 2020, visitor arrivals to Macau were 1.9 million, down 80% year-on-year and up 150% quarter-on-quarter. Mainland visitor arrivals to Macau were 1.7 million, down 73% year-on-year and up 155% quarter-on-quarter.

REVIEW OF OPERATIONS

Group Financial Results

The Group posted net revenue of \$12.9 billion, down 75% year-on-year. Adjusted EBITDA was \$(1.0) billion versus \$16.5 billion in 2019. Net profit attributable to shareholders was \$(4.0) billion, down 130% year-on-year. Galaxy Macau™'s Adjusted EBITDA was \$(0.9) billion versus \$12.6 billion in 2019. StarWorld Macau's Adjusted EBITDA was \$(0.3) billion versus \$3.5 billion in 2019. Broadway Macau™'s Adjusted EBITDA was \$(0.2) billion versus \$39.0 million in 2019.



Diamond Lobby

MANAGEMENT DISCUSSION AND ANALYSIS

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

GEG played lucky in its gaming operation during 2020, which increased its Adjusted EBITDA by approximately \$25 million. Normalized 2020 Adjusted EBITDA was \$(1.0) billion versus \$15.7 billion in 2019.

The Group's total GGR on a management basis¹ in 2020 was \$11.5 billion, down 81% year-on-year. Mass GGR was \$6.1 billion, down 79% year-on-year. VIP GGR was \$4.9 billion, down 82% year-on-year. Electronic GGR was \$477 million, down 81% year-on-year.

Balance Sheet

Due to our conservative financial management, our balance sheet continues to remain strong. At the year end, cash and liquid investments were \$46.0 billion. Total debt was \$9.2 billion, including \$8.7 billion associated with our treasury yield enhancement program and \$0.5 billion of core debt. We remained virtually unlevered with net cash of \$36.8 billion. This provides us with valuable flexibility in managing our ongoing operations and allows us to continue investing in our longer term development plans. Given the uncertainty caused by the COVID-19 pandemic, the Board of Directors has decided not to declare a dividend.

Set out below is the segmental analysis of the Group's operating results for 2020:

(HK\$m)	2019	2020
Revenues:		
Net Gaming	43,582	8,566
Non-gaming	5,486	1,571
Construction Materials	2,834	2,739
Total Net Revenue	51,902	12,876
Adjusted EBITDA	16,479	(1,020)

Gaming Statistics² (HK\$m)	2019	2020
Rolling Chip Volume ³	715,988	130,584
Win Rate %	3.9%	3.8%
Win	27,583	4,910
Mass Table Drop ⁴	121,879	25,662
Win Rate %	24.0%	23.9%
Win	29,260	6,129
Electronic Gaming Volume	67,942	14,131
Win Rate %	3.7%	3.4%
Win	2,513	477
Total GGR Win ⁵	59,356	11,516

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.

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 2020, net revenue was \$7.8 billion, down 79% year-on-year. Adjusted EBITDA was \$(0.9) billion, versus \$12.6 billion in 2019.

Galaxy Macau™ played lucky in its gaming operations which increased its Adjusted EBITDA by approximately \$43 million. Normalized 2020 Adjusted EBITDA was \$(0.9) billion, versus \$12.0 billion in 2019.

The combined five hotels occupancy rate was 28% for 2020.

Galaxy Macau™ Key Financial Data

(HK\$'m)	Q4 2019	Q3 2020	Q4 2020	FY2019	FY2020
Revenues:					
Net Gaming	8,137	407	2,731	32,780	6,398
Hotel/F&B/Others	872	146	290	3,430	809
Mall	327	73	297	1,231	572
Total Net Revenue	9,336	626	3,318	37,441	7,779
Adjusted EBITDA	3,211	(788)	736	12,641	(900)
Adjusted EBITDA Margin	34%	NEG ⁶	22%	34%	NEG⁷

Gaming Statistics⁸					
(HK\$'m)	Q4 2019	Q3 2020	Q4 2020	FY2019	FY2020
Rolling Chip Volume ⁹	114,669	6,785	29,552	485,343	89,219
Win Rate %	4.0%	4.6%	3.9%	4.2%	4.1%
Win	4,612	309	1,156	20,171	3,673
Mass Table Drop ¹⁰	18,359	860	7,348	72,786	14,994
Win Rate %	28.4%	25.9%	27.3%	28.0%	28.0%
Win	5,221	223	2,009	20,411	4,198
Electronic Gaming Volume	11,872	746	3,064	45,572	8,755
Win Rate %	4.5%	3.2%	5.0%	4.6%	4.2%
Win	539	23	153	2,076	368
Total GGR Win	10,372	555	3,318	42,658	8,239

⁶ NEG represents negative margin.

⁷ NEG represents negative margin.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

StarWorld Macau**Financial and Operational Performance**

In 2020, StarWorld Macau's net revenue was down 80% year-on-year to \$2.2 billion. Adjusted EBITDA was \$(0.3) billion, versus \$3.5 billion in 2019.

StarWorld Macau played unlucky in its gaming operations which decreased its Adjusted EBITDA by approximately \$17 million. Normalized 2020 Adjusted EBITDA was \$(0.3) billion, versus \$3.3 billion in 2019.

Hotel occupancy was 28% for 2020.

StarWorld Macau Key Financial Data

(HK\$m)	Q4 2019	Q3 2020	Q4 2020	FY2019	FY2020
Revenues:					
Net Gaming	2,515	184	914	10,403	2,119
Hotel/F&B/Others	125	10	35	461	99
Mall	13	5	6	53	19
Total Net Revenue	2,653	199	955	10,917	2,237
Adjusted EBITDA	782	(223)	150	3,502	(275)
Adjusted EBITDA Margin	29%	NEG ¹¹	16%	32%	NEG ¹²

Gaming Statistics¹³					
(HK\$m)	Q4 2019	Q3 2020	Q4 2020	FY2019	FY2020
Rolling Chip Volume ¹⁴	50,539	4,429	13,280	222,014	37,434
Win Rate %	3.5%	3.3%	3.6%	3.2%	3.0%
Win	1,770	148	481	7,118	1,140
Mass Table Drop ¹⁵	9,217	619	3,957	36,274	8,474
Win Rate %	17.5%	16.9%	16.9%	18.7%	18.1%
Win	1,614	105	668	6,787	1,535
Electronic Gaming Volume	2,421	155	584	8,632	2,099
Win Rate %	2.2%	2.3%	2.1%	2.3%	2.2%
Win	55	4	11	196	45
Total GGR Win	3,439	257	1,160	14,101	2,720

¹¹ NEG represents negative margin.

¹² NEG represents negative margin.

¹³ Gaming statistics are presented before deducting commission and incentives.

¹⁴ Reflects junket rolling chip volume only.

¹⁵ 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 2020, Broadway Macau™'s net revenue was \$94 million, down 84% year-on-year. Adjusted EBITDA was \$(0.2) billion versus \$39 million in 2019.

Broadway Macau™ played unlucky in its gaming operations which decreased its Adjusted EBITDA by approximately \$1 million. Normalized 2020 Adjusted EBITDA was \$(0.2) billion versus \$34 million in 2019.

Hotel occupancy was 20% for 2020.

Broadway Macau™ Key Financial Data

(HK\$'m)	Q4 2019	Q3 2020	Q4 2020	FY2019	FY2020
Revenues:					
Net Gaming	65	1	0	282	22
Hotel/F&B/Others	78	6	10	267	49
Mall	11	6	6	44	23
Total Net Revenue	154	13	16	593	94
Adjusted EBITDA	16	(37)	(28)	39	(162)
Adjusted EBITDA Margin	10%	NEG ¹⁶	NEG ¹⁷	7%	NEG ¹⁸

Gaming Statistics¹⁹					
(HK\$'m)	Q4 2019	Q3 2020	Q4 2020	FY2019	FY2020
Mass Table Drop ²⁰	320	NIL*	NIL*	1,334	114
Win Rate %	19.1%	NIL*	NIL*	20.0%	17.9%
Win	61	NIL*	NIL*	267	20
Electronic Gaming Volume	471	36	7	1,923	337
Win Rate %	2.3%	2.4%	1.5%	2.4%	2.1%
Win	11	1	0	47	7
Total GGR Win	72	1	0	314	27

* NIL represents tables not opened during the period.

¹⁶ NEG represents negative margin.

¹⁷ NEG represents negative margin.

¹⁸ NEG represents negative margin.

¹⁹ Gaming statistics are presented before deducting commission and incentives.

²⁰ 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 \$27 million of Adjusted EBITDA in 2020, down 77% year-on-year.

City Clubs Key Financial Data

(HK\$m)	Q4 2019	Q3 2020	Q4 2020	FY2019	FY2020
Adjusted EBITDA	28	1	8	117	27

Gaming Statistics²¹					
(HK\$m)	Q4 2019	Q3 2020	Q4 2020	FY2019	FY2020
Rolling Chip Volume ²²	3,767	587	1,078	8,631	3,931
Win Rate %	2.1%	2.4%	1.1%	3.4%	2.5%
Win	78	15	11	294	97
Mass Table Drop ²³	2,705	175	732	11,485	2,080
Win Rate %	16.1%	17.8%	19.2%	15.6%	18.1%
Win	434	31	140	1,795	376
Electronic Gaming Volume	3,220	387	667	11,815	2,940
Win Rate %	1.7%	2.0%	1.9%	1.6%	1.9%
Win	54	8	14	194	57
Total GGR Win	566	54	165	2,283	530

CONSTRUCTION MATERIALS DIVISION

Construction Materials Division (“CMD”) has delivered solid results despite the COVID-19 pandemic. CMD’s revenue and Adjusted EBITDA for the year were slightly down 3% and 4% year-on-year to \$2.7 billion and \$1.1 billion respectively. These results were mainly driven by a rapid recovery of demand for construction materials in both Hong Kong and Mainland China after easing of COVID-19 restrictions in Q1 2020.

Hong Kong and Macau

The growth in Hong Kong was mainly driven by the high demand for ready mixed concrete as customers tried to catch up with delayed construction projects in Q1 2020. The construction of a ready mixed concrete site-plant in Hong Kong International Airport’s three-runway system (“3RS”) has been completed and will commence operation in Q1 2021. Going forward, CMD will continue to leverage on its core competencies and seek to capture further opportunities from the 3RS projects and potentially, the wider Greater Bay Area.

In Macau, land reclamation works and government housing projects are expected to increase the demand for construction materials.

²¹ Gaming statistics are presented before deducting commission and incentives.

²² Reflects junket rolling chip volume only.

²³ Mass table drop includes the amount of table drop plus cash chips purchased at the cage.

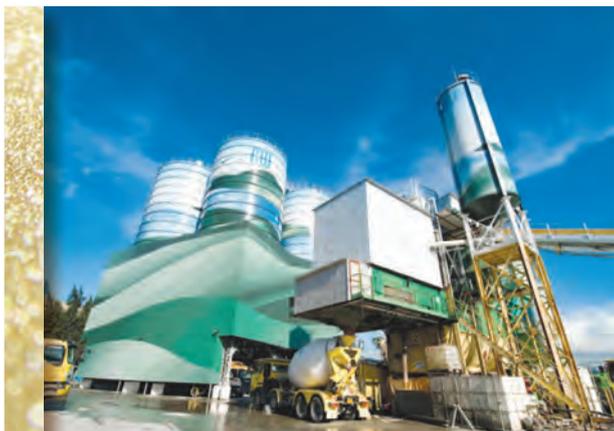
MANAGEMENT DISCUSSION AND ANALYSIS

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

Mainland China

The demand for cement remained high for the year. The commission of new cement production capacities and a slowdown of infrastructure projects in Yunnan Province resulted in downward price pressure since Q4 2020.

Demand for Ground Granulated Blast-furnace Slag (“GGBS”) in Eastern China was impacted by longer COVID-19 restrictions in Hubei Province and severe flooding along Yangtze River in Q3 2020. Thereafter, the construction activities resumed to their previous level.



Production facility of K. Wah Concrete Company Limited at Tai Po in Hong Kong



GGBS production plant of Anhui Masteel K. Wah New Building Materials Co., Ltd. in Maanshan of Anhui Province

DEVELOPMENT UPDATE

Galaxy Macau™ and StarWorld Macau

We continue to make ongoing progressive enhancements to our resorts to ensure that they remain competitive and appealing to our guests.

Cotai – The Next Chapter

GEG is uniquely positioned for long term growth. We are proceeding with the development of Phases 3 & 4 and continue to review and refine plans to ensure a world-class optimal development. We see the premium market evolving with this segment preferring higher quality and spacious rooms. Phases 3 & 4 combined will have approximately 3,000 high end and family rooms and villas, 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. We will try to maintain our development targets, however due to COVID-19, development timelines may be impacted. At this point we cannot quantify the impact but we will endeavor to maintain our schedule.

MANAGEMENT DISCUSSION AND ANALYSIS
(All amounts are expressed in Hong Kong dollars unless otherwise stated)



Exterior rendering of new tower at Galaxy Macau™



New tower at Galaxy Macau™



Galaxy International Convention Center, Galaxy Arena and Andaz Hotel towers

MANAGEMENT DISCUSSION AND ANALYSIS

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

Hengqin/Greater Bay Area

We continue to make progress with the planning of our project on Hengqin that will complement our high energy resorts in Macau.

We are also expanding our focus beyond Hengqin and Macau to potentially include opportunities within the rapidly expanding Greater Bay Area.

International

Our Japan based team continues with our Japan development efforts even as they deal with the COVID-19 crisis. We view Japan as a 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, remain interested in bringing our brand of World Class Integrated Resorts to Japan.

GROUP OUTLOOK

We believe that COVID-19 will continue to impact Macau for the immediate future. Mainland China, Hong Kong and Macau continue to experience social distancing measures and travel restrictions which have been progressively easing. We are pleased with the progressive reinstatement of the IVS visas in Mainland through Q3 2020 and we expect visitation to improve as Macau benefits from the ramping up of the IVS program. In the medium to longer term, we have great confidence in the future of Macau. However, we do acknowledge the ongoing difficulties associated with COVID-19 and the potential for COVID-19 to materially adversely impact our future financial results.

The expanded infrastructure will continue to improve the accessibility to Macau. In particular, the new Hengqin immigration port and the extension line of Zhuhai Urban-Airport Intercity Railway which commenced operation in August 2020. In addition, the Macau Government plans to repurpose part of the Taipa Ferry Terminal into the second terminal building of the Macau International Airport and increase the total airport capacity. The Macau Government also plans to build the east section of the Light Rail Transport which will connect the peninsula’s Gongbei Border Gate checkpoint to the Taipa Ferry Terminal.

We are pleased to hear that Macau and other locations are proceeding with their COVID-19 vaccination rollout plans. We believe that when Mainland and international tourists make future travel plans, health and safety will be foremost in their minds.

Specifically, to GEG, the Group is ready to capture future growth with our substantial development pipeline. These include the ongoing development of Cotai Phases 3 & 4 which are specifically designed to capture a larger share of the Mass business, renovate the existing properties, reconfigure and introduce new products to our resorts to ensure they remain highly competitive and appealing to our valuable guests. These projects will support Macau’s economy in the near term.

We remain engaged in our international expansion plans including Japan. We understand that due to the impact of COVID-19, Japan has revised their timeline of Integrated Resorts licenses and we remain interested in introducing our brands to Japan.

In the shorter to medium term, we do acknowledge it is hard to determine the speed of recovery with anticipated progressive-opening of travel restrictions and expected social distancing within our resorts. Further, we are also mindful that consumer sentiment has been impacted by a slower global economy, ongoing trade tensions and currency fluctuation among others. These events have been impacting consumer sentiment and subsequent spending habits. Longer term, we have great confidence in Macau and we will continue with our development program. GEG remains committed to support the Government’s vision to develop Macau into a World Centre of Tourism and Leisure.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Through our prudent business management, GEG has a strong and virtually unlevered balance sheet. This allows us to continue to invest into and upgrade our existing resorts and proceed with the planned opening of Cotai Phases 3 & 4. During the period of low revenue, we will continue to focus on effective cost control. However, we are mindful not to cut costs excessively and therefore adversely impact our renowned “World Class, Asian Heart” service standards and customer experiences.

LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 31 December 2020 decreased to \$67,424 million, a decrease of approximately 8% over that as at 31 December 2019 of \$73,587 million while the Group’s total assets employed decreased to \$92,727 million as at 31 December 2020 as compared to \$95,696 million as at 31 December 2019.

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 2020, the debt securities were predominantly denominated in the U.S. dollar with weighted average tenor of approximately 2 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 2020 approximated their fair values. These debt securities were considered to be of low credit risk and the expected credit loss was minimal. As at 31 December 2020, 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 2020, the Group invested \$21,226 million (\$27,510 million as at 31 December 2019) in debt securities and \$4,549 million in listed investment of Wynn Resorts, Limited (“Wynn Resorts”) (\$5,625 million as at 31 December 2019). As at 31 December 2020, 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 the U.S. dollar. The directors of the Group considered that the closing price as at 31 December 2020 was the fair value of this listed investment. As of 31 December 2020, fair value of our investment in Wynn Resorts was \$4,549 million, representing 4.9% of the Group’s total asset of \$92,727 million. The market value of Wynn Resorts as of 31 December 2019 and 31 December 2020, and the performance of the investment during the year ended 31 December 2019 and 2020 are as follows:

(HK\$m)	2019	2020
Market value	5,625	4,549
Unrealised gain/(loss) for the year ended 31 December	1,597	(1,076)
Dividend income for the year ended 31 December	107	28

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 \$20,290 million as at 31 December 2020 compared to \$19,117 million as at 31 December 2019 while total borrowings were \$9,233 million as at 31 December 2020 as compared to \$553 million as at 31 December 2019. The Group was in a net cash position as at 31 December 2020 and 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The Group's liquidity position remains strong and the Group is confident that sufficient resources could be secured to meet its commitments and working capital requirements. The Group has no gearing ratio.

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, the U.S. dollar, Renminbi or in the local currencies of the operating subsidiaries. Forward foreign exchange contracts are utilized and borrowings in foreign currencies are arranged when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposure, which are considered necessary for the Group's treasury management activities.

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

CHARGES ON GROUP ASSETS

No property, plant and equipment, leasehold land and land use rights was pledged to secure banking facilities (2019: nil). Bank deposits of \$410 million (2019: \$430 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 \$6,970 million (2019: \$5,470 million). At 31 December 2020, facilities utilized by a subsidiary amounted to \$300 million (2019: nil).

The Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures amounting to \$116 million (2019: \$145 million). At 31 December 2020, no facility has been utilized (2019: \$3 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group, excluding associated companies and joint ventures, employed approximately 18,500²⁴ employees in Hong Kong, Macau and Mainland China. Employee costs, excluding Directors' emoluments, amounted to \$6,516 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.

²⁴ Total number of employees of the Group includes City Clubs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL & GOVERNANCE

As one of the leaders in the gaming and entertainment industry, GEG is committed to continuing our achievements in operating sustainably and creating social value for the communities where we operate. We support social programs and initiatives led by the Macau Special Administrative Region (“SAR”) Government and take extra steps to advance community welfare through our Corporate Social Responsibility (“CSR”) actions for the long-term success of Macau. Staying 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 to delight our stakeholders, we hold deep respect for every resident, visitor, customer, employee, shareholder, investor, supplier, non-governmental organization and our wider community.

Reporting Approach and Scope

The Group appreciates the significance of effective Environmental, Social and Governance (“ESG”) practices and the value of integrating ESG into key business decisions. We handle ESG issues at both the Group and business levels. While our Board oversees the overall direction of the Group’s ESG practices, our business units initiate individual ESG programs and regularly measure their performance to identify improvement areas and create sustainable value for our stakeholders.

This report is published in accordance 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 adheres to the “comply or explain” provisions set out in the ESG Reporting Guide for the year ended 31 December 2020 and 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 Corporate Governance (“CG”) Committee has been delegated by the Board for responsibilities relating to ESG. The CG Committee reviews corporate governance matters based on risk assessments to account for potential impacts on the Group’s reputation, business activities and financial losses, and reports relevant findings to the Board. The Audit Committee and Internal Auditor are responsible for reviewing the Group’s risk management and internal control systems, and bring forward issues to the CG Committee for follow-up actions. The CG Committee also oversees the integrity of the Group’s ESG contents in annual reports and ensures that it fully complies with the Listing Rule’s ESG Reporting Guide.

Working Together to Fight COVID-19

Since the onset of COVID-19, GEG has proactively supported the Macau SAR Government and the surrounding regions in preventing the spread of the virus. Advocating care for the community, GEG established a special taskforce that kept in close contact with the Group’s different stakeholders and implemented timely measures to help contain and prevent the spread of the virus.

GEG worked relentlessly with all sectors to extend help through our donation of cash, face masks, cleaning supplies and hygiene products to communities in need and the launch of different relief and support packages for local SMEs, NGOs and schools.

Some of GEG’s COVID-19 prevention and relief efforts included:

- Donating MOP100 million via the Galaxy Entertainment Group Foundation (the “Foundation”) to Mainland China and Macau to help fight the pandemic and assist with the related relief efforts;
- Donating a total of 1.5 million face masks to the Macau SAR Government, Zhuhai City and Hengqin New Area Government, and The Principality of Monaco via the Foundation, in support of their pandemic prevention and control efforts;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Subscribing, via the Foundation, to a HKD100 million SME-themed COVID-19 Impact Alleviation Social Bonds issued by the Bank of China (Macau Branch) in support of Macau SMEs;
- Providing a range of support including rental relief to all qualified GEG tenants from February to November;
- Donating disinfection and hygiene products to various Macau social services organizations and academic institutes;
- Providing professional sanitization and cleaning services for multiple social services organizations;
- Adhering to the pandemic prevention and control measures of the Gaming Inspection and Coordination Bureau of the Macau SAR Government and the Macau Health Bureau at all properties;
- Implementing an array of prevention measures such as providing face masks, hand sanitizers and strengthening the disinfection and cleaning of back-of-house areas to safeguard the health and wellbeing of GEG team members. In addition, special arrangements were also made to facilitate the urgent annual or additional leave requests of team members that need to take care of their children and families during this period; and
- Donating anti-pandemic packs comprising of face masks and hand sanitizers to Mainland China and Hong Kong in support of their pandemic prevention measures.



Delegates of the Liaison Office of the Central People's Government in Macau SAR visited and presented GEG with a certificate of appreciation for its donation amid COVID-19.

"We thank GEG for providing us with various help during the pandemic, including donating face masks, hand sanitizers and other hygiene products, as well as providing cleaning services in our service centers, which supported us in maintaining necessary services. As our long-term partner, GEG has co-organized many activities with us over the years and made contributions to the community. Our service users who benefited felt grateful for GEG's support, which made them feel loved and warm."

MS. FATIMA MARIA NUNES

President of the Macau Association for the Mentally Handicapped

STAKEHOLDER ENGAGEMENT

Driven by our core values and "World Class, Asian Heart" philosophy, GEG maintains active and ongoing engagement with our stakeholders through multiple channels. We value our stakeholders' input and incorporate their feedback when identifying expectations and priorities, evaluating risks and opportunities, and directing our strategic decision-making. In addition, GEG engages with a wide range of internal and external stakeholders, including our team members, industry associations, governmental organizations, charitable organizations, suppliers and business partners as shown in the table below.

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Stakeholder Groups	Engagement Objective	Engagement Method
Team Members	We consider employees as our greatest asset. To attract and retain talents, we engage employees to understand their needs and create a healthy, supportive, rewarding, diverse and inclusive workplace environment.	<ul style="list-style-type: none"> - Focus groups - Employee feedback forms - “GEG Buzz” mobile application - Employee Assistance Program - Training & development - Staff Social Club activities - Reward and recognition programs - “Asian Heart Starts with Me” internal communications
Customers	Taking pride in our success to anticipate customer needs and create “World Class, Asian Heart” products and services for guests, GEG continually engages our customers to understand their evolving needs and preferences.	<ul style="list-style-type: none"> - Guest and tele-services - Loyalty programs - Guest feedback forms - Mystery shopping - Social media
Investors	We engage with investors and shareholders to better understand their financial and non-financial expectations, as well as to share the Group’s financial performance and results with them.	<ul style="list-style-type: none"> - Financial announcements - HKEx filings - Investor calls & briefings - Annual general meetings
Government Organizations	We value our relationship with the Macau SAR Government and engage with different government organizations on a regular basis to better understand their policies, priorities and expectations, and to explore ways to offer our support.	<ul style="list-style-type: none"> - Meetings - Briefings - Public events - Regulatory filings
Suppliers & Business Partners	We frequently engage with our suppliers and business partners to ensure the integrity of our business operations and procurement procedures, explore opportunities to further reduce our environmental impact, 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, we regularly engage with different industry associations to explore opportunities to support Macau’s economic diversification and promote the city as a “World Centre for 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”, we maintain good relationships with various charitable organizations to identify 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

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To effectively engage stakeholders in our ESG journey, we conducted a stakeholder engagement exercise that involved employees, business partners (including suppliers, contractors and service providers), industry associations, non-governmental organizations, media and charitable organizations. We 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. We will address these material aspects in the report below.

PROTECTING THE ENVIRONMENT

GEG is attentive to the potential environmental impact of our business and continues to upgrade environmental performance throughout our operations. The Group fully adheres with all existing environmental laws in the jurisdictions in which we operate, and has implemented policies to lower our greenhouse gas emissions. We continue to seek opportunities to improve the efficiency of our energy, water and natural resource use, and take management action to advance our environmental performance by:

- Merging the “Environmental Committee” and “Energy Management Committee” to form “Energy and Environmental Management Committee” that consists of team members from multiple departments across all properties so as to enhance the governance of system policy, guidelines, and to drive the implementation of sustainability initiatives and targets;
- Upholding our Environmental Protection Statement, Environmental Policy, Environmental Protection and Energy Conservation Policy, Green Procurement Statement and Corporate Procurement Policy to ensure that environmental sustainability remains vital to our business strategy and that we continue to conduct business in an environmentally responsible manner;
- Completing the renewal of the ISO 14001 Environmental Management System certification for Galaxy Macau™, Broadway Macau™, StarWorld Macau and KWCM with no non-conformity and six opportunities for improvements identified;
- Sending out “Environmental & Energy Conservation Ideas and Reminders” to our team members on a monthly basis, and publishing a “GEG Sustainability Newsletter” on a quarterly basis to increase the frequency and variety of our sustainability communications; and
- Organizing the 5th annual Energy and Environmental Conservation Week (“EEC Week”), which this year, was extended to a month-long campaign that included team member engagement activities such as “Clothing, Handbags and Accessories Donations Day”, “Lights Out Lunch”, “Sustainable Food Day”, “Freecycle Corner”, and “Green Workshops”.

To align our gaming and entertainment segment with internationally recognized certifications, we successfully obtained the ISO 50001 Energy Management System Certification for Broadway Macau™ this year. The same certification was also obtained for the Head Office of our construction materials division. Looking forward, we also aim to obtain the LEED certification for Building Operations and Maintenance (LEED O+M) Certification for Galaxy Hotel™ and Green Key and Earth Check for Galaxy Macau™.

To grow staff awareness towards nature conservation, KWCM organized a tree planting day at the Nanjing Ground Granulated Blast-furnace Slag (“GGBS”) plant in March 2020. Thirty-five staff participated and planted 120 tree seedlings. In addition, KWCM also joined the “Farm Together” programme at the Sky Garden of its Head Office tower to promote organic farming concepts to our staff.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Emissions and Energy

Mindful of the critical relationship that energy conservation has on the environment, the Group has implemented multiple initiatives across our properties to reduce our environmental footprint, improve cost savings, and boost performance. At the beginning of 2020, GEG set a 3% energy saving target for Galaxy Macau™ and Broadway Macau™ against a 2016 energy baseline. As of December 2020, we have exceeded this target, acknowledging implications brought by the pandemic on reduction, and achieved a 38.2% energy reduction for Galaxy Macau™ and a 52.2% energy reduction for Broadway Macau™ when compared against the 2016 baseline levels. Aside from the pandemic's effect on energy reduction rates, GEG also implemented the following key programs in 2020:

- Enhanced the domestic hot water system in Galaxy Macau™ Phase 2 for increased efficiency and controls;
- Replaced the florescent tubes with LED panels at the back-of-house offices and plant rooms at Galaxy Macau™, Broadway Macau™ and StarWorld Macau;
- Replaced the blue cold cathode tubes with LED RGB lights at the façade at StarWorld Macau;
- Enhanced all the Fan Coil Units with intelligent controls in the Building Management System at the back-of-house common areas of Galaxy Macau™;
- Continued to replace hotel guest room lighting with LEDs at Galaxy Macau™;
- Optimized the air system in the retail area at Galaxy Macau™ to increase the accuracy of temperature control and monitoring;
- Used environmentally friendly disinfectants to upkeep hygiene levels whilst reducing negative environmental impacts at GEG properties;
- Extended the ISO 50001 Energy Management System certification to Broadway Macau™;
- Continued to improve the lighting system at Galaxy Macau™ and added motion sensors to the lighting system at StarWorld Macau to further reduce energy consumption;
- Continued to optimize workplace temperature controls by limiting the temperature setpoint to prevent overcooling;
- Continued to participate in community-wide initiatives including the annual “Earth Hour”, “Macao Energy Conservation Week 2020”, along with mooncake boxes and red packets recycling campaigns; and
- Installed solar panels at KWCM's Eco-block plant which will be commissioned in 2021.

Furthermore, since the pandemic had reduced the demands for our guest and team member shuttle bus services, GEG optimized our shuttle bus operation by reducing the number of routes and trips, adjusting the frequency of our services, and temporarily suspending the guest shuttle services at StarWorld Macau from February to October in 2020. All these efforts contributed to improving our operation efficiency and lowering our carbon emissions. Currently, close to 15% of GEG's guest shuttle buses are electric buses while 17% are compressed natural gas buses. With three charging stations for our electric guest shuttle buses at the loading dock area of Galaxy Macau™, and an objective to further reduce our carbon emissions, GEG plans to further reduce the number of diesel-fuelled guest shuttle buses at Galaxy Macau™ and Broadway Macau™ by 20% in 2021.

For 2021, GEG targets to reduce our energy consumption by 3% at Galaxy Macau™, Broadway Macau™, and StarWorld Macau compared with a 2016 baseline. To achieve this, GEG plans to continue to:

- Conduct energy assessment audits and act on the identified findings;
- Systematically control and monitor our energy performance with our Energy Management System;
- Strengthen our System Life Cycle analysis;
- Adopt new energy saving technology; and
- Replace low lighting-efficiency products.

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On a separate front, KWCM will strive to improve environmental performance by participating in various recognized schemes of our industry, such as the Green Mine Scheme, Green Factory Scheme, Construction Product Carbon Labelling Scheme, Carbon Reduction Scheme and Waste Reduction Labelling Scheme.

Alike GEG, KWCM is committed to reducing emissions and energy saving at all times. In Mainland China, all discharged points of the product silos were fully enclosed at our GGBS plant in Nanjing so as to mitigate dust emissions during truck loading. The enclosed doors adopted Radio Frequency Identification (“RFID”) technology to expedite truck passage and enhance operational efficiency.

Water and Waste

To tackle plastic waste, GEG has been replacing single-use plastics with biodegradable and washable items since 2019. We have also been recycling plastic bottles and encouraging our team members and customers to participate in this green initiative by installing Reverse Vending Machines at our properties and incentivizing them to be part of the solution. With the Macau SAR Government’s new ban on the import and trade of disposable polystyrene takeaway boxes, bowls, cups and dishes starting from 1 January 2021, GEG has also been fully supportive of the government’s decision to direct Macau towards becoming a more environmentally friendly and sustainable city. Currently, GEG does not provide foam packaging for any of our take-out food and beverage items or use gift wraps that contain foam at our properties.

Complimenting these efforts, GEG continues to collaborate with Macau Coca-Cola Beverage Co., Ltd. on the circular recycling of all GEG-branded plastic bottles, where their approved supplier processes collected bottles into food-grade plastic pellets that are subsequently used to produce new 350ml water bottles for GEG and our branded partner hotels.

To further reduce our plastic use and environmental impacts, GEG continues to implement the following actions, which are based on our 4R Principles of Reduce, Reuse, Recycle and Recovery:

- Replace single-use plastics with biodegradable straws, cutleries, cups and food containers;
- Engage our local recycling vendors on improving the recycling of waste materials such as paper, plastic and metals;
- Replace all existing GEG and partner-branded PET water bottles with bottles made from recycled PET materials (“rPET”) and continue with the circular recycling program; and
- Expand plastic reduction to all our gaming, hotel, and food and beverage operations.

GEG continues to work towards responsible sourcing and consumption by implementing multiple initiatives across our operations and improving the efficiency of our water management and use. During the reporting year, Galaxy Macau™ reduced the amount of water used by enhancing the domestic hot water system and adopting the use of robotic devices for more efficient floor cleaning. Meanwhile, StarWorld Macau was able to improve water efficiency by replacing the water fixtures in its hotel guest rooms and recycling the grey water collected from storage tanks of its swimming pool for carpark and general cleaning before final disposal. GEG established a 2020 and 2021 target on reducing water consumption by 3% at Galaxy Macau™ and Broadway Macau™ when compared with the 2016 baseline. We are proud to share that as of December 2020, we have achieved a 45.7% reduction on water consumption for Galaxy Macau™ and a 37.4% reduction on water consumption for Broadway Macau™, compared against 2016 baseline levels. For StarWorld Macau, the property achieved a 38.8% reduction on water consumption when compared against the 2016 baseline, and for 2021, it targets to not go above the 2016 baseline levels.

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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 “Energy and Environmental Management Committee” and the leadership of our senior management, GEG 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, fluorescent lamps and metals. To improve the recycling capture rate at Galaxy Macau™, this year, new collection points were added to the property’s back-of-house to further encourage recycling. For 2021, GEG targets to improve our waste diversion rate by 5% for Galaxy Macau™ and Broadway Macau™, and by 4% for StarWorld Macau when compared to the 2017 baseline levels. To do this, the “Energy and Environmental Management Committee” will continue to explore and develop new green practices, seek support and endorsement by senior management, monitor GEG’s compliance with the relevant environmental policies, and align their initiatives with the Group’s strategic direction and waste objectives.

At KWCM, we continue our stewardship to minimize water consumption through installation of an automatic water refilling system at Qianan GGBS plant. The system helps monitor the moisture level of slag on a real-time basis and refills water automatically. As a result, this new system can save up to one tonne of water consumption per hour.

Green Procurement

GEG recognizes the importance of working collaboratively with our suppliers to advance environmental performance. We are fully compliant with all laws and regulations associated with the processing of transactions and engagement with suppliers for the procurement of goods and services. In selecting suppliers, we make sure to clearly communicate our expectations on relevant social and environmental topics so that our values are aligned.

To build a more sustainable supply chain, GEG’s Procurement adheres to our Green Procurement Statement and 4R Principles (Reduce, Reuse, Recycle and Recovery). In recent years, GEG has been sourcing sustainable ingredients and plant-based meat substitutes for our internal Team Member dining, certified sustainable shrimp products for our culinary operations, and bulk pack amenities to replace single-use items.

In selecting vendors, GEG sees our vendors’ environmental performance as a key evaluation criterion and considers the following environmental factors in our vendor selection process:

- Declaration or commitment to uphold environmental values;
- Environmental Certification and Awards;
- Environmental Management System and Quality Management System performance;
- Compliance with applicable international environmental regulations and legislation;
- Dedication in improving specifications that would achieve environmental benefits, including adopting environmental purchase specifications recommended by the Environmental Protection Bureau of the Macau SAR Government; and
- Commitment to meeting GEG’s environmental specifications.

In addition, we maintain close working relationships with our vendors on selecting products and services that:

- Minimize environmental impact;
- Prevent pollution, reduce waste and improve resources use efficiency; and
- Meet or exceed all relevant legal obligations and codes of practice.

KWCM likewise upholds the same high standards for green procurement as GEG. Our procurement staff are required to adopt the Green Purchasing Specifications, which provide clear guidance for purchasing environmentally friendly products whenever they meet our cost and performance requirements. As a result, this helps to foster an environmentally conscious culture in the workplace.

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Environmental performance data for GEG and KWCM for the year ended 31 December 2020:

Environmental KPIs	Unit	GEG ¹		KWCM		GEG and KWCM Total	
		2020	2019	2020 ^{2,5}	2019 ²	2020	2019
Emissions							
Nitrogen oxides "NOx" emissions	tonne	0.225	0.685	763	848	763	849
Sulphur oxides "SOx" emissions	tonne	0.003	0.009	57	54	57	54
Particulate matter "PM" emissions	tonne	0.004	0.013	86	163 ³	86	163
Total greenhouse gas emissions intensity	GEG: tonne CO ₂ e/m ² KWCM: tonne CO ₂ e/ tonne of product	0.18	–	0.21 ⁴	–	–	–
Total greenhouse gas emissions	tonne CO ₂ e	223,905	344,386	1,442,032 ⁴	1,597,755 ³	1,665,937	1,942,141
Greenhouse gas emissions (Scope 1)	tonne CO ₂ e	11,477	21,955	1,325,751 ⁴	1,482,267 ³	1,337,228	1,504,222
Greenhouse gas emissions (Scope 2)	tonne CO ₂ e	212,427	322,431	116,281 ⁴	115,488 ³	328,708	437,919
Waste							
Total hazardous waste produced	tonne	18	19	16	15	34	34
Total non-hazardous waste produced	tonne	9,606	24,433	22,925	23,419	32,531	47,852
Energy							
Total energy consumption	GJ	1,093,968	1,590,962	6,179,869 ⁴	6,558,970 ³	7,273,837	8,149,932
Total energy consumption intensity	GEG: GJ/m ² KWCM: GJ/ tonne of product	0.88	1.29	0.91 ⁴	0.99 ³	–	–
Total direct energy consumption	GJ	127,247	276,513	5,403,379 ⁴	5,920,305 ³	5,530,626	6,196,818
Coal	GJ	–	–	4,952,060	5,741,009 ³	4,952,060	5,741,009
Liquefied Petroleum Gas (LPG)	GJ	43,969	125,744	–	–	43,969	125,744
Natural gas	GJ	–	–	358,895 ⁵	42,860	358,895	42,860
Diesel	GJ	79,206	135,347	90,468	134,020 ³	169,674	269,367
Petrol	GJ	4,072	15,422	1,957	2,416	6,029	17,838
Total indirect energy consumption	GJ	966,721	1,314,448	776,490 ⁴	638,665 ³	1,743,211	1,953,113
Purchased electricity	GJ	966,721	1,314,448	776,490 ⁴	638,665 ³	1,743,211	1,953,113
Water							
Water consumption	m ³	2,288,979	4,082,419	828,833	817,167	3,117,812	4,899,586
Water consumption intensity	GEG: m ³ /m ² KWCM: m ³ / tonne of product	1.84	3.31	0.12	0.12	–	–

- GEG includes GEG gaming and entertainment segment, namely Galaxy Macau™, Broadway Macau™, and StarWorld Macau.
- For 2019 and 2020, KWCM has updated the ESG reporting boundary to cover its subsidiaries in accordance with financial reporting requirements.
- These figures are adjusted after independent verification by a certified body.
- It is a projected figure pending for independent verification by a certified body.
- 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.
- 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.

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SOCIAL RESPONSIBILITY

As an accountable and proactive member of the Macau community, GEG is fully committed to creating value for our community by fully supporting the Macau SAR Government on its policies and directions on responsible gaming, youth and talent nurturing, sports and cultural development, environmental protection, national education and advancing Macau to become a “World Centre for Tourism and Leisure”.

Responsible Gaming

At GEG, our responsible gaming efforts revolve around enhancing customer protection, promoting stakeholders’ awareness and education, as well as providing team members and their family with access to a professional network of support, counselling and treatment. We are committed to providing a comfortable and safe environment for our customers while striving to minimize all gambling-related damages to them, their friends and families, and the community.

GEG is committed to creating a comfortable and enjoyable experience for our customers. Through implementing different responsible gaming promotions and measures, GEG hopes to help our customers make appropriate and informed decisions. Strictly complying with the local responsible gaming laws and instructions, GEG:

- Places designated signs at every casino entry to prevent patrons under the age of 21 from entering the gaming floors;
- Displays pamphlets with gambling rules and responsible gaming messages inside the gaming floors;
- Installs a Responsible Gambling Information Station or Kiosk at every GEG gaming property;
- Displays responsible gaming messages on the screensavers of every ATM that are available inside the gaming floors;
- Displays responsible gaming videos in all smoking rooms inside the gaming floors; and
- Displays “Self Exclusion Online Appointment” information at the casino entrances and smoking rooms inside the gaming floors as well as on our shuttle buses.

Believing that responsible gaming practices begins with our team members, since the launch of our first responsible gaming promotion in 2009, GEG has, to date, organized over 60 responsible gaming promotion activities, trainings, workshops, and visits, etc., that has accumulated over 70,000 team member participation counts. In addition, GEG also disseminates responsible gaming promotional messages to team members during festive seasons and major sports events, such as before the Chinese New Year and World Cup to reinforce the message of “Play Responsibly”. Meanwhile, we also champion long-term partnerships with different stakeholders and align our responsible gaming program with the Macau SAR Government’s annual themes and promotions.

In 2020, as the pandemic came gradually under control in Macau, GEG increased our responsible gaming promotion. Emphasizing on “family”, GEG launched a series of family relationship building and parent-child bonding activities, organized professional training for our responsible gaming committee members, as well as a series of workshops and roadshows for our team members. Some of the activities organized this year include:

- Responsible Gaming Chinese New Year Promotion;
- Responsible Gaming Committee Training 2020;
- “Building Positive Family Relationships” Workshop;
- Responsible Gaming Program Workshop;
- “Family Fun: Money Management” Workshop;
- “Game Fun with Responsible Gaming 2020” Roadshow;
- 8th GEG Responsible Gaming Awareness Week 2020; and
- “Take Better Care of Yourselves and Loved Ones” Roadshow.

To maintain team members’ physical and mental health, GEG also provides professional and confidential support services to them, such as face-to-face, hotline, on-site, and online counselling services for team members and their family members when necessary.

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In 2020, GEG enhanced the lifestyle element of our responsible gaming programs and went beyond educating our team members by also providing support for families and young people in our community. In addition to educating participants on the importance of maintaining healthy outlooks, GEG also encouraged them to resist impulses to gamble by donating to the Bosco Youth “FREEland” Network Service and organizing the Parent-child Day Out in Adventures 2020.

In the future, GEG will continue to collaborate with the Macau SAR Government on implementing responsible gaming policies and measures, as well as continue to work together with related professional organizations and institutions to promote responsible gaming through a multipronged approach. Responsible gaming is vital to Macau’s healthy development and will remain a key priority in GEG’s social responsibility efforts.

“A responsible gaming culture is not only conducive to the industry’s health, but also helps improve employees’ well-being. It is a pleasure to share this long-running mission with GEG and to contribute to their efforts to continue promoting responsible gaming education during this COVID-19 period. The training they have organized caters to various employee needs and meets all required health and safety guidance. This is what we are pleased to see in the industry.”

PROFESSOR DAVIS FONG

Director of the Institute for the Study of Commercial Gaming of University of Macau

“GEG attaches great importance to the physical and mental health of its team members and to responsible gaming. Throughout the years, GEG has been proactively supporting social service organizations and co-organizing various activities to promote responsible gaming. The Sheng Kung Hui Macau Social Services Coordination Office has been in close contact with GEG to hold workshops and roadshows. This year, we jointly launched the parent-child themed Family Fun: Money Workshop, which brought positive messages to local families. In the future, we hope to continue to cooperate with GEG to promote responsible gaming.”

MR. LEE KWOK HOO

Service Director of Sheng Kung Hui Macau Social Services Coordination Office

Community Contribution

Upholding our 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 2011. Participants come from diverse GEG departments and properties, and to date, the GEG Volunteer Team has organized close to 300 activities and accumulated over 14,000 volunteering hours.

To actualize our community contribution mission, GEG focuses on five strategic pillars through which, we believe we can make a difference and create positive impacts for the Macau community, including:

- Contributing to Macau’s development as a “World Centre for Tourism and Leisure” through a diverse portfolio of non-gaming leisure offerings, arts and sports tourism;
- Fostering sustainable development in the community by supporting youth development, community care, education, and environmental protection;
- Supporting the diversification of Macau’s economy by providing opportunities for SMEs and young entrepreneurs, and offering adequate support for their development;
- Cultivating our team members and supporting the upward and horizontal mobility of local team members; and
- Complying consistently with the law and encouraging responsible gaming.



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Despite the COVID-19 outbreak, KWCM Social Club continued its endeavours to contribute positively to society, echoing the “Care-a-thon” theme this year. The Club collaborated with the Evangelical Lutheran Church of Hong Kong and the Construction Industry Council (“CIC”) to reach out to communities most in need by donating anti-pandemic packs to various locations around the city. Team members of the Club also joined the weekly volunteer service hosted by CIC Lo Pan Rice Campaign in October 2020 to distribute self-packed meal boxes to underprivileged groups affected by the pandemic.



Charitable Activities

GEG adopts a diversified approach to community giving. Apart from financial and gift offerings, we also contribute our knowledge, expertise, and leverage our properties and resources to extend support to local charities, NGOs and community groups. Over the years, we have made it possible for a number of our community stakeholders to organize different workshops, concerts, exhibitions, carnivals, fashion shows, competitions, dramas and events for free at our venues. This year, GEG supported a number of our community stakeholders in organizing 10 large-scale events at Broadway Macau™. In the future, we will continue to support Macau’s social services sector and play our role in building a more inclusive society.

KWCM maintains our participation and support in various charitable fundraising events, such as The Community Chest Skip Lunch Day, Dress Casual Day, Love Teeth Day and ELCHK Flag Selling.

Galaxy Entertainment Group Foundation

In operating a sustainable and successful business, GEG is mindful of our impact on the community in which we operate. Strongly believing in helping to develop and grow the community, we engage in philanthropic initiatives and uphold our corporate social responsibility for the betterment of our next generation.

With this commitment in mind, in 2015, we established the Foundation with the goal of investing in and giving back to the community. Operating independently from GEG, the Foundation has its own Board of Trustees, and focuses on philanthropic activities that nurture young people’s positive life values, education and employment. Ultimately, the Foundation hopes to help the next generation achieve higher standards of living and build a more inclusive community where young people become responsible citizens.

Collaborating with different academic institutions and NGOs according to their expertise, the Foundation joins the community in its development and growth by initiating multi-year projects that support the Macau SAR Government’s policies and directions. In 2020, the Foundation’s initiatives included:

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GEG Parenting Education Scheme

In June, with the pandemic causing school closures and the need for parents to spend more time with their children at home, the Foundation and the Young Men's Christian Association of Macau co-organized the second parenting education scheme for rostered and non-rostered GEG team members so that they can improve their parenting skills.

GEG Chinese Music Promotion Scheme

Following 2019 launch of the GEG Arts & Cultural Initiative during which the "Grace Kelly – from Hollywood to Monaco: Artists Tributes" exhibition was brought to Galaxy Macau™ as part of the Art Macao 2019 highlight event, the Foundation took a further step this year to promote Macau's performing arts sector by launching the GEG Chinese Music Promotion Scheme, with the intention to popularise Chinese music, especially to young people in Macau. Joining the Macao Chinese Orchestra as "Special Art Patron" for its 2020–2021 season, three select performances will be performed at the Broadway Theatre at Broadway Macau™. The "Enchanting Tunes from the Screen" concert had taken place in November 2020, with the "Xian Drum Music" and the "Family Music Theatre" that will be performed in 2021.

GEG Intangible Cultural Heritage Scheme

Collaborating with Hulu Culture Promotion Association, the Foundation launched the GEG Intangible Cultural Heritage Scheme, which aims at preserving and promoting Macau's rich cultural heritage to support the city's promotion of heritage tourism. In June 2020, the Foundation held a Cheongsam Workshop at Mandarin's House to share the complex and meticulous tailoring involved in making this traditional Chinese attire with the general public .

GEG Chinese Literacy Development Scheme

With Chinese being the primary medium of teaching and communication in Macau, the Foundation launched the GEG Chinese Literacy Development Scheme in 2016 as a three-year pilot project, aimed at supporting children, parents and schools on Chinese language development. With the success of the pilot program, the second phase was launched in 2020 and will be joined by the University of Saint Joseph's Bishop Domingos Lam Centre for Research in Education under a collaboration agreement, with the objective of enabling the Scheme to firmly take root in Macau through continuing research, teacher training, and implementation across the city's kindergarten system. Because of the pandemic, the Scheme's Facebook page began taking on a more active role to help teachers and parents with continued Chinese literacy education at home, while teachers training and parents seminars continued to be conducted, albeit through online sessions, in compliance with social distancing measures.

GEG Coronavirus Relief Fund

In an effort to provide immediate relief and support to Macau and Mainland China during the pandemic, in February 2020, the Foundation established the GEG Coronavirus Relief Fund to help different beneficiaries tackle the highly contagious virus, details of which can be found in the "Working Together to Fight COVID-19" section of this report.

Other Initiatives

Other multi-year projects under the Foundation include the GEG Sign Bilingualism Co-Enrolment Pilot Scheme, GEG Japan-Macau Mentorship Scheme, GEG Community Nursing Scheme, GEG Venture Philanthropy Fund and the GEG Young Entrepreneurs Business Advisory Scheme, details of which can be found on the Foundation's website at www.gegfoundation.org.mo or through its Facebook page on www.facebook.com/GEGFoundation.org.mo.

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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 careers.

Seeing that the pandemic has reduced employment opportunities for Macau's fresh graduates, the Labour Affairs Bureau of the Macau SAR Government ("DSAL") introduced a "paid career experience" internship scheme this year. Offering our full support to DSAL's initiative, GEG launched the U-LEAD Graduate Internship Program ("U-LEAD") between August and November of 2020 for Macau fresh graduates to receive a paid, three-month internship at GEG and obtain valuable working experiences in various areas such as hospitality, gaming, facilities management, design and development, and corporate fields. Through an integrated approach of on-the-job training, in-class training, workshops, and a tailored "SiFu-Support" scheme where experienced team members and department heads were selected to coach and guide fresh graduates, GEG supported fresh graduates to obtain practical work experiences and skills within a short timeframe. During the program, GEG also identified and successfully recruited a number of fresh graduate talents to join our GEG Family.

In addition to U-LEAD, the GEG Internship Program has been in place since 2008. For 12 consecutive years, we have provided professional and diversified internship opportunities for local undergraduates and special needs students. Moving forward, GEG will continue to support Macau's talent development and nurture future leaders for the sustainable development of Macau's integrated resort industry.

Since 2011, GEG has been working alongside the Macau Management Association ("MMA") in organizing the GEG Youth Achievement Program ("YAP"). This year, the YAP focused on "career development" and developed young people's critical thinking and leadership skills through various activities such as workshops and experience sharing by guest speakers from different industries, schools and institutions. In October 2020, GEG celebrated our 10th year of collaboration with MMA by launching the 10th YAP and acknowledging the outstanding achievements of the previous years' youths.

Recognizing the importance of education as well as understanding China's developments, GEG is Macau's first integrated resort operator to launch and title sponsor a youth national education activity. Over the years, GEG has organized many national development themed seminars, visits and exchanges for Macau's youth and GEG team members to take part in. For the 12th consecutive year, GEG title sponsored the GEG Macau Cup – Youth National Education Competition. As always, winning students are sponsored on a Mainland China study tour to deepen their knowledge about the infrastructure, development and opportunities within the region. The latest edition of the competition attracted record-high attendance of over 12,000 students from 24 Macau secondary schools and universities. Since the event was introduced in 2008, a total of more than 90,000 students have taken part.

Furthermore, GEG also contributed to the promotion of STEM education in Macau by presenting the RoboMaster 2020 Macau Youth Robotics Competition that was co-hosted by the Smart City Alliance Association of Macau and DJI Education, and organized by WellWin Technology Limited at the Broadway Theatre at Broadway Macau™. Meanwhile, to stimulate young peoples' interest in science, technology and innovation, GEG also continued to title-sponsor the GEG Presents: Popular Science Activities in Schools on Chinese Drones, and arranged a number of visits and drone demonstrations at the local schools during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To support youth career development in Hong Kong, KWCM continues its strategic partnerships with the Hong Kong University of Science and Technology (“HKUST”) and Hong Kong Polytechnic University (“PolyU”). In 2020, students of the Capstone Project from HKUST launched a study on the environmental impacts of aggregate barge operations and devised measures to mitigate impacts to the community. Final year students from the PolyU Environmental and Occupational Safety & Health Programme studied ways to improve conveyor belt safety in our plants. These partnerships enable final year students to obtain hands-on experience in occupational health, safety and environmental protection in our construction materials industry.

In Zhaotong of Yunnan Province, KWCM continues its 5-year education fund with a yearly RMB0.2 million donation to the Communist Party of China Youth League of Dagan County Committee to support and improve learning environments for the underprivileged secondary and undergraduate students.



“Recognized as one of the major interschool competitions in Macau, the success of the GEG Macau Cup–Youth National Education Competition lies in our 12-year cooperation with GEG, which showcases GEG’s corporate social responsibility strength and ownership. We look forward to continuing our partnership with GEG on promoting national education.”

MR. WANG HAITAO

President of the National Education (Macau) Association

“We thank GEG for supporting science and technology education. STEM education should not only include knowledge sharing inside the classroom, but also a wide range of activities that can broaden students’ horizons and improve their innovative thinking. The strong support of large companies such as GEG is required for us to help cultivate science and technology talents.”

MR. XU WEN LU

Teaching Director of Escola dos Moradores de Macau



GEG held a U-LEAD Graduate Internship Program Awards and Appreciation Ceremony to celebrate the outstanding achievements of U-LEAD participants.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sports Development

As a major contributor to Macau’s development of sports tourism, GEG works closely with the Macau SAR Government on hosting some of the city’s major international sports events and promoting Macau’s sports culture. In 2020, GEG contributed to Macau’s sports development by:

- Title sponsoring the “Macau Galaxy Entertainment International Marathon” for the 17th consecutive year;
- Presenting the “World Table Tennis Macao 2020”, a new international table tennis competition with a revamped format and innovative scoring methods; and
- Title sponsoring and volunteering in the “Galaxy Entertainment Special Olympics Table Tennis Competition 2020” to enable intellectually handicapped persons to strengthen their physical fitness, skills and friendships through sports.

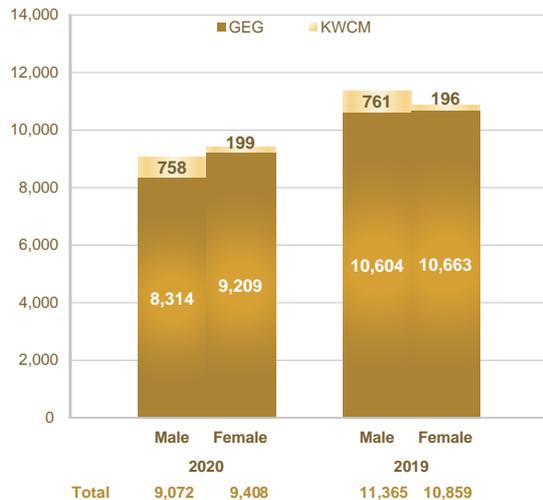
GEG TEAM MEMBERS ENGAGEMENT

Diversity

One of GEG’s crucial values is that of diversity, which we see as a major driver in harnessing creativity, innovation and delivery of outstanding services. The makeup of our workforce continues to range in ethnicities, socio-economic backgrounds, perspectives and experiences. Our diversity strategy strives to ensure that diversity in age, gender, qualifications and experiences are properly accounted for during the recruitment process and that we continue to maintain an almost equal distribution of female and male staff.

GEG does not tolerate any form of discrimination and harassment in the workplace, and has diversity trainings and other initiatives in place to prevent such behaviour.

Total Workforce by Gender



Total Workforce by Age Group



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Working Environment

GEG meets and collaborates with DSAL regularly to ensure open communication and a good working environment. Consistent with our commitment to help our team members attain work-life balance and to provide for them a safe and comfortable workplace environment, GEG fosters teamwork and companionship by empowering the GEG Staff Social Club and the Team Member Services to organize different social events, festive games, and networking activities for our team members and their friends and family to enjoy. This year, although the pandemic and the related social distancing measures have compelled GEG to reduce the frequency and scale of our team member engagement activities, we successfully hosted the “GEG Squash Fun Day”, “GEG Mooncake Workshop”, the “Literature & Arts and Parent-Child Learning Programs”, “GEG Smart Father & Smart Mother Workshop”, and various sport competitions for our team members and their friends and family to take part in.

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

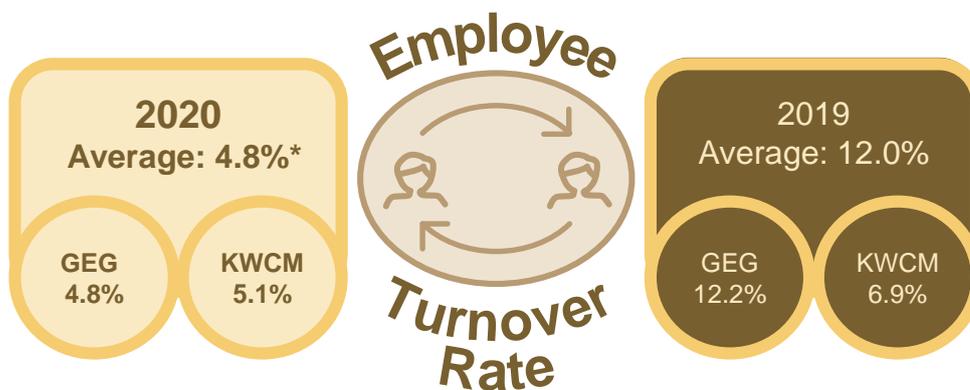
Communication. GEG developed an internal mobile app, “GEG Buzz” for communication with team members bilingually in Chinese and English. Our team member service counters, facilitated by Human Resources, cater to our team members for enquiries, medical expense claims, pension funding processing and complaints 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 leave, maternity leave, paternity leave, medical benefits and discounts on F&B consumption are provided.

Work Convenience and Wellness. GEG provides staff canteens at the properties. With taste and selection choices sensibly considered, menus are designed with health and nutrition as major considerations. GEG also ensures that break rooms, onsite parking, shuttle buses, onsite medical clinic, mothers’ 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 the needs of both team members and business. The employment plans provide fair work-life balance for the needs of team members.

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.



* Involuntary turnover is excluded for 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour Standards

GEG ensures full adherence to regulations set by the DSAL and the Labour Department of the Hong Kong SAR Government. The Group strives to go beyond meeting the minimum requirements to provide a protective working environment through GEG's enhanced or new policies, including upgraded hygiene measures. Child and forced labour are strictly prohibited and we continue to maintain systems for monitoring, preventing and reporting such practices. For our staff's reference, copies of GEG's Team Member Handbook and the Group's policies are kept on site, while Human Resources professionals are present at each property and office to assist team members with any clarifications.

Team Member Health and Safety

With our team members' health and safety front of mind, GEG is committed to fostering an accident-free workplace and established a Corporate Workplace Health & Safety Team to oversee workplace health and safety measures across all GEG properties, ensure compliance with applicable health and safety legal requirements, and implement health and safety management standards and best practices across all our properties.

In 2020, GEG established the Corporate Workplace Health & Safety Steering Committee while its properties issued their respective "WHS Commitment Statements" in accordance with the Corporate WHS Policy and ISO 45001 requirements.

In addition, GEG also maintains close working relationship with DSAL to ensure a consistently safe working environment. We provide team members with suitable personal protective equipment and work to ensure health and safety initiatives are effective. We are proud to lead the industry in Macau with our achievement of the OHSAS 18001 Occupational Health and Safety ("OHS") Management Certification for both Galaxy Macau™ and Broadway Macau™.

In 2020, GEG continued to cooperate with DSAL on expanding the Hotel and Catering Occupational Safety Card Training Program. As well, we formalized our commitment to create a safer working environment by signing a Safety Charter with the main contractor of our new development site in Cotai, organizing a series of OHS activities such as stretching workshops and OHS training technique courses for members at the new development site, and organizing a "Best Safety Award 2020" Presentation Ceremony to recognize the outstanding OHS performance of the site's supervisors, contractors and subcontractors.

KWCM applies the latest information technology ("IT") to our day-to-day Health, Safety and Environment ("HSE") management. We have developed two IT platforms, "WeChat HSE Mini-Program" and "Web-based SOL System", to facilitate the management of HSE matters in a more effective and efficient manner.

In response to the COVID-19 pandemic, KWCM has implemented stringent infection control measures. A Pandemic Control Committee has been set up and is led by our Managing Director. The Committee took the lead to formulate pandemic guidelines and procedures, allocate anti-pandemic resources and ensure timely communications.

We continue to promote a safe working environment for our people, and our health and safety KPIs for each business unit is tracked each month based on the number of work injuries. In 2020, our work injuries reduced by 65% when compared with 2019. As operations were restricted by the pandemic in 2020, we note that having less workers reduced our risks for work related injuries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

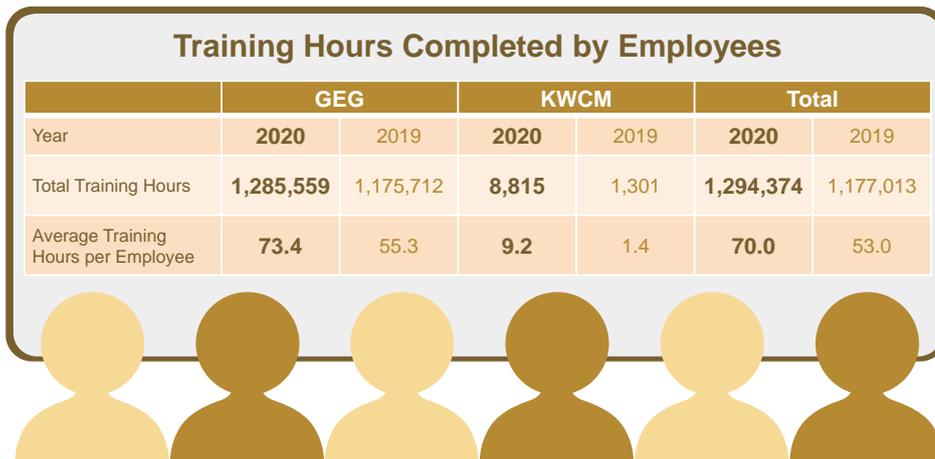


Talent Management

GEG believes that the Group succeeds when every team member is supported to reach their full potential. The Group provides training and development opportunities that support team members to achieve both vertical and lateral career advancements. Our talent development focuses on diversifying local team members’ skills and knowledge to support a diversified business, as well as the Macau economy and community.

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

During the year, most of GEG’s staff received the relevant training according to their job duty. To heighten team members’ awareness on health, wellness, safety and virus prevention measures, a total of 40,500 training hours were spent on the delivery of Health and Wellness training while 73,510 training hours were spent on helping more than 9,000 team members obtain the DSAL Hotel and Catering Occupational Safety Card.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our Organizational Development and Training initiatives include:

- **Core & Flagship Programs** intend to anchor GEG's mission, vision, values, and Asian Heart service culture and equip our team members with the required skills to perform their role.
- **Governance Programs** are those that support government policies and regulations. These programs include Compliance Programs such as Responsible Gaming Program, which is compulsory for all team members working in gaming-related positions, and the Minimum Internal Control Requirement Programs including Anti-Money Laundering, Combating the Finance of Terrorism, Information Management Awareness Program, Payment Card Data Security, and Health, Safety and Virus Prevention Practices.
- **Supervisory Manager & Leadership Programs** include GEG Management Skills Program and Leaders Programs that aims to support our team members progress in their careers as Supervisors, Managers and Leaders, and develop GEG core leadership competencies.
- **Asian Heart Guest Service Programs** highlights how to provide customer experience excellence as well as engage in customer experience management practices that underpins our Asian Heart service philosophy.
- **Gaming & Hospitality Operations and Job Skills Programs** include those that are organized through internal and external training events such as the "GEG-Macao Polytechnic Institute Gaming Position Certification" and the Macao Federation of Trade Union Occupational Professional Skills Competition.
- **Sales & Business Development Programs** help strengthen and develop our sales teams by training team members how to retain and acquire customers and pinpoint target markets. These programs teach participants how to achieve internal sales goals by up-selling and cross-selling value-added services and experience to customers, as well as how to conduct sales pitch to attract new guests, build relationships, and encourage return visits.
- **Business Processes Programs** support corporate and operations departments by ensuring a consistent approach to business execution and related activities.
- **Talent Management Programs** focus on the management and development of GEG's existing and new local talents, and include trainings on establishing personal development plans, goal setting, coaching and mentoring. These programs support the vertical and horizontal progression of our local team members, as well as their skill diversification.

Since the pandemic reduced the number of visitors to our properties, GEG made use of the opportunity to better equip our team members for future career growth. This year, while adhering to the necessary pandemic prevention measures, GEG increased the frequency and scale of our training, as well as adopted various online training platforms, including "GEGLearn", LinkedIn Learning, and Udemy to carry out training to our team members. During the year, 1,285,559 hours of training were delivered and close to 5,820 in-class and online training courses and events were provided for team members to join.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment and labour practices performance table for GEG and KWCM for the year ended 31 December 2020:

	GEG		KWCM		GEG and KWCM Total	
	2020	2019	2020	2019	2020	2019
Total workforce by gender, employment type, age group and by geographical region						
By Geographical Region						
Hong Kong	56	57	364	355	420	412
Macau	17,438	21,190	56	59	17,494	21,249
Mainland China	–	–	537	543	537	543
Overseas Office	29	20	–	–	29	20
By Employment Type						
Regular (Full time)	16,793	20,213	957	957	17,750	21,170
Regular (Part time)	163	211	–	–	163	211
Contractual (Full time/Part time)	567	843	–	–	567	843
By Gender						
Female	9,209	10,663	199	196	9,408	10,859
Male	8,314	10,604	758	761	9,072	11,365
By Age Group						
Under 30	2,423	4,237	136	169	2,559	4,406
30–50	10,329	12,475	545	535	10,874	13,010
Over 50	4,771	4,555	276	253	5,047	4,808
Total	17,523	21,267	957	957	18,480	22,224
Employee turnover rate by gender, age group and geographical region¹						
By Geographical Region						
Hong Kong	10.7%	12.3%	7.1%	10.1%	7.6%	10.4%
Macau	4.7%	12.1%	3.6%	1.7%	4.7%	12.1%
Mainland China	–	–	3.9%	5.3%	3.9%	5.3%
Overseas Office	10.3%	6.9%	–	–	10.3%	6.9%
By Gender						
Female	4.3%	11.9%	5.0%	6.6%	4.3%	11.8%
Male	5.3%	12.5%	5.1%	7.0%	5.3%	12.1%
By Age Group						
Under 30	11.2%	23.1%	15.4%	11.8%	11.4%	22.7%
30–50	4.0%	10.7%	3.7%	6.2%	4.0%	10.5%
Over 50	3.2%	6.1%	2.9%	5.1%	3.2%	6.0%
Total	4.8%	12.2%	5.1%	6.9%	4.8%	12.0%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	GEG		KWCM		GEG and KWCM Total	
	2020	2019	2020	2019	2020	2019
Percentage of employees trained by gender and employee category²						
By Gender						
Female	99.4%	99.0%	54.8%	59.7%	98.4%	98.3%
Male	98.5%	98.5%	99.9%	20.8%	98.6%	93.3%
By Employee Category						
Top Management Level	91.2%	91.9%	62.3%	47.9%	85.7%	84.4%
Middle Management Level	97.8%	96.1%	77.3%	100.0%	97.2%	96.2%
Junior Management Level	98.9%	99.0%	100.0%	29.0%	98.9%	98.6%
General Staff	99.4%	99.2%	93.2%	21.2%	99.0%	94.6%
Total	98.9%	98.7%	90.5%	28.7%	98.5%	95.7%
Average training hours completed per employee by gender and employee category²						
By Gender						
Female	84.0	54.6	8.5	2.3	82.4	53.5
Male	61.6	56.0	9.4	1.1	57.2	52.3
By Employee Category						
Top Management Level	21.2	29.4	22.4	4.9	21.4	25.3
Middle Management Level	25.4	42.7	24.0	5.2	25.4	41.2
Junior Management Level	58.8	52.3	15.3	1.3	58.5	51.7
General Staff	93.6	59.5	6.7	0.8	87.1	56.1
Total Average Training Hours	73.4	55.3	9.2	1.4	70.0	53.0
Total Training Hours	1,285,559	1,175,712	8,815	1,301	1,294,374	1,177,013
Safety Indicators						
Work related fatalities	0	0	0	0	0	0
Lost days due to work injuries	4,421	10,232	693	315	5,114	10,547
Lost days rate due to work injuries rate ³	0.09%	0.17%	0.23%	0.10%	0.10%	0.17%

1. Involuntary turnover is excluded for 2020.
2. The methodology of measuring KWCM training hours was updated in 2020, thus the figures have been remeasured accordingly.
3. Lost days rate was calculated as total number of lost days/total days worked.

GUEST ENGAGEMENT

Creating an exemplary experience for our customers is an imperative responsibility for GEG. In addition to internal policies, rules and regulations regarding customer engagement that all our team members and independent third-party partners enforce, we strive to leverage additional platforms to collect customer feedback to continuously upgrade the customer experience.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have adopted the initiatives below to execute our mission to provide the best experience for our guests:

- Evaluating service quality and customer satisfaction through mystery shopping, while ensuring compliance with laws and an overall positive customer experience at all GEG properties;
- Obtaining and reviewing direct feedback and ratings from customers through comment cards, e-mails and various social media platforms; and
- Resolving any potential guest complaints in due time through channels including hotlines and appointing quality assurance managers for monitoring.

Customer Health & Safety

GEG treats customer health and safety as a key priority and has effective policies targeting this in our operations. We have fully adhered to relevant laws and regulations in the reporting year and all our team members and independent third-party partners working on behalf of the Group are employed to abide by these standards.

Health and safety management systems are in place to monitor any relevant risks and respond to potential incidents. In addition, awareness trainings are provided to equip team members for such incidents when they occur.

We continue to pay special attention to the amended smoking law – Regime of Tobacco Prevention and Control (Regime de prevenção e controlo do tabagismo), which aims to decrease negative health effects of smoking by discouraging smoking behaviour. All our smoking rooms are well equipped and comply with the smoking room requirement (i.e. Dispatch No. 84/2017). Preventive maintenance is also routinely enforced to ensure compliance with such requirements.

Customer Privacy

GEG adheres to the Personal Data (Privacy) Ordinance of the Hong Kong SAR and the Personal Data Protection Law of Macau SAR. Employee and customer personal data are only accessible by authorized personnel on a need-to know and need-to use basis. To prevent leakage and misuse of confidential information, we employ stringent measures such as the use of confidentiality agreements and non-disclosure agreements.

Intellectual Property

Intellectual property rights are of key value to the Group as they are crucial business assets that will support our continued growth. GEG adheres to the relevant laws and regulations regarding intellectual property as we respect the intellectual property rights of our stakeholders. The Group continues to leverage its trademarks, brand name, trade secrets and other intellectual property rights to amplify its brand recognition and development. We have employed formal trademark registration, contractual provisions and confidentiality procedures to protect and strengthen our intellectual property rights to the highest extent.

SUPPLIER MANAGEMENT

GEG Procurement delivers the “Best in Class” services to the Group and operates with integrity by serving internal customers with innovation and efficiency, as well as providing guests with high quality products and services. By continuously adhering to our internal policies, GEG Procurement maintains a high standard in processing transactions and engaging suppliers. To enhance the engagement and business prospect of local SMEs, the department provides vendors and team members with Vendor Information Kits that consists of useful information on our procurement policies and procedures.

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 generates 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. We continuously strive to maintain and grow our business relationship with local enterprises and SMEs as we see local enterprises and SMEs as important drivers of Macau’s economy. This year, to help revive the business of local SMEs, GEG:

- Subscribed, via the Foundation, to HKD100 million of SME-themed COVID-19 Impact Alleviation Social Bonds issued by the Bank of China (Macau Branch) in support of Macau’s SMEs;
- Hosted the “GEG SME Series: M-Mark Enterprise Sharing & SME Business Matching Session” for local SMEs to better understand the benefits of getting their products certified;
- Co-organized a “Healthy and Fun Carnival” with the Macau Chamber of Commerce for more than 100 Macau SMEs to boost their sales; and
- Sponsored the Macao Convention and Exhibition Association on hosting Macau’s first online exhibition, the “Happy Macau Shopping Festival” for Macau SMEs and micro enterprises to boost their sales.

In addition, GEG Procurement ensures suppliers from Macau are provided opportunities for bid participation where appropriate. Currently, local enterprises and SMEs account for close to 60% of GEG’s suppliers.

“In 2019, we joined the Hello Kitty Hello Again exhibition. This year we participated in the Healthy and Fun Carnival. GEG has given strong support to the cultural and creative industries. It provides us with a stage that allows us to cooperate with large enterprises and opens our world to different possibilities.”

MR. PAKEONG SEQUEIRA FORTES

Macau Artist

“With the support of large businesses such as GEG, many opportunities lie ahead for M-Mark brands to promote local products to tourists. In addition, GEG’s prioritizing of M-Mark products has increased the demand for and sales of local products and helped diversify Macau’s economy.”

MR. SHUEN KA HUNG

Director General of the Macau Productivity and Technology Transfer Center

“Different sectors of the community have been working together since the outbreak of COVID-19. With a long-term relationship with BOC, GEG’s subscription of the SMEs-themed COVID-19 Impact Alleviation Social Bonds demonstrates GEG’s support for SMEs amid the pandemic and its commitment to contribute to the recovery of the local economy. BOC Macau will continue to strengthen our partnership with GEG in hopes of accelerating the recovery of Macau’s prosperity.”

MR. LI GUANG

General Manager of Bank of China (Macau Branch)

CORPORATE GOVERNANCE

Corporate governance is of high importance to the Group. Our Code of Business Conduct, amongst other internal documents, embodies GEG’s values, philosophies and procedures to ensure that we operate as an ethical and compliant business.

In respect of whistleblowing, we actively encourage all employees to report any suspected violation of anti-corruption and anti-money laundering standards to the Human Resources & Administration Department or other relevant Department according to standard operating procedures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Risk Management and Internal Controls

GEG recognizes that the various financial and non-financial risks we face must be continuously addressed and mitigated to ensure continued business growth. To achieve the goal of being a leading gaming and entertainment company, GEG initiates a company-wide culture that is risk aware and adopts a comprehensive framework for effective risk management and internal controls.

We have established a Risk Management Committee to identify, analyse, prioritize and address risks, as well as monitor, review, and communicate risk management results. To facilitate a sense of risk ownership throughout the Group, the Risk Management Committee has also established risk management teams for each major business unit.

For further details on Risk Management, please see our Corporate Governance Report.

Anti-Bribery and Anti-Corruption

GEG has clearly communicated its Anti-Bribery and Anti-Corruption Policy to all affiliates and subsidiaries to support its commitment to ensuring the highest standards of ethical and responsible business practices. We adopt zero tolerance for any form of bribery, corruption and fraud, and ensure that our global business practices fully comply with applicable laws and regulations, including anti-corruption legislations.

Our Board pays high attention to Anti-Bribery and Anti-Corruption and ensures all team members work in an ethical manner. We make certain that 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 fully complies with applicable laws and the Group's policy against corruption. The Internal Audit Department is responsible for monitoring 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 are 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.

Anti-Money Laundering & Combating the Financing of Terrorism

GEG's Anti-Money Laundering ("AML") and Combating the Financing of Terrorism ("CFT") Policy intends to maintain high ethical standards in gaming-related transactions under the Group. All our team members and independent third parties who work on the Group's behalf follow the strictly implemented anti-money laundering standards. GEG prohibits all team members from offering or accepting any kind of bribes, facilitating payments and kickbacks. We conduct due diligence reviews on business partners' pre-engagement and continuously monitor any bribery and corruption activities to maintain zero tolerance across the entire Group and its stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GEG has established a Compliance Committee and designated a Compliance Officer to supervise the Group's AML and CFT compliance to ensure objectives are reached. Furthermore, we provide ongoing training and education to our team members and introduced the Know Your Customer and Enhanced Due Diligence controls to help team members' identify and assess risky transactions or behaviours. GEG representatives generally attend 2 to 3 seminars each year and meet with regulators at least once every quarter to stay up to date with industry trends. Meanwhile, we constantly assess our Junket Promoters and maintain close relationships with regulatory authorities. In addition, GEG's internal auditors conduct independent, periodic reviews of the Group's AML and CFT initiatives with respect to Macau SAR laws and regulations. Our AML and CFT policy, as well as associated guidelines and procedures, are regularly reviewed by internal auditors to ensure effectiveness.

REGULATORY COMPLIANCE

The Group attaches great importance to regulatory compliance. With established policies and accountability mechanisms, the Group endeavours to ensure regulatory compliance in all aspects of our business and operations. Management is committed to keeping up to date with the latest regulatory developments and providing trainings for relevant team members. In addition to preventative measures, the Group also dedicates extensive effort to ensure there are effective monitoring and detection measures to fully comply with relevant laws. 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.

SELECTED MAJOR CSR AWARDS

Awardee	Award	Event	Organizer
GEG	Socially Responsible Operator (Asia/Australia)	13th International Gaming Awards	Clever Duck Media Ltd.
GEG	Business Hero Award	2020 Industry Community Awards	Clever Duck Media Ltd.
GEG	Employer Recognition for the Hiring "Senior Talents"	2020 Outstanding Elderly Employees Award and Employer Recognition Scheme for the Hiring of "Senior Talents"	Social Welfare Bureau of Macau SAR Government & Labour Affairs Bureau of Macau SAR Government
GEG	Family-Friendly Employer Award	The 3rd 2018–2020 Family-Friendly Employers Award Scheme	The Women's General Association of Macau
GEG	Breastfeeding-Friendly Workplace Award	The 3rd 2018–2020 Family-Friendly Employers Award Scheme	The Women's General Association of Macau
GEG	2020 Macau Outstanding Corporate Volunteer Award	28th International Volunteer Recognition Ceremony	Association of Volunteers Social Services Macao
GEG Healthy and Fun Carnival	Original Convention and Exhibition Award	Macao Convention and Exhibition Commendation Awards 2020	Macao Convention & Exhibition Association

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Awardee	Award	Event	Organizer
Galaxy Macau™	Energy Saving Concept Award (Hotel Group)	Macau Energy Saving Activity 2020	Companhia de Electricidade de Macau – CEM, S.A. & Office for the Development of Energy Sector of Macau SAR Government
Galaxy Macau™	Hotel Group B – Excellence Award	Macau Energy Saving Activity 2020	Companhia de Electricidade de Macau – CEM, S.A. & Office for the Development of Energy Sector of Macau SAR Government
Galaxy Macau™ Hotel Partner – Banyan Tree Macau	Gold Award	2019 Macao Green Hotel Award	Environmental Protection Bureau of Macau SAR Government
Galaxy Macau™ Hotel Partner – JW Marriott Hotel Macau	Gold Award	2019 Macao Green Hotel Award	Environmental Protection Bureau of Macau SAR Government
Galaxy Macau™ Hotel Partner – The Ritz-Carlton, Macau	Gold Award	2019 Macao Green Hotel Award	Environmental Protection Bureau of Macau SAR Government
Broadway Macau™	Hotel Group B – Excellence Award	Macau Energy Saving Activity 2020	Companhia de Electricidade de Macau – CEM, S.A. & Office for the Development of Energy Sector of Macau SAR Government
K.Wah Construction Materials (HK) Ltd.	Grand Award	Occupational Health Award 2019–20 – Joyful@Healthy Workplace Best Practices 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 Construction Materials (HK) Ltd.	Logo Awards	Social Capital Builder Awards 2020	Community Investment and Inclusion Fund

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

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KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Water and Waste
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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
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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General Disclosures and KPIs	Description	Reference and Remarks
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BIOGRAPHICAL INFORMATION OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Lui Che Woo, *GBM, MBE, JP, LLD, DSSc, DBA*, aged 91, 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 (1981–1982). 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 the 8th Committee of Hong Kong – Shanghai Economic Development Association. Dr. Lui was appointed as a member of Steering Committee on MICE (Meetings, Incentives, Conventions and Exhibitions) from 2007 to 2019. Furthermore, 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 1996, 2001, 2006, 2011 and 2016. In 1995, an asteroid discovered by the Purple Mountain Observatory of the Chinese Academy of Sciences 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 June 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 also the Founder and Chairman of the Board of Governors cum Prize Council of the Lui Che Woo Prize – Prize for World Civilisation which established in Hong Kong in 2015 for promoting world civilization through sustainable development of the world, betterment of the welfare of mankind and promotion of positive life attitude and enhancement of positive energy. In addition, Dr. Lui is Honorary 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 Mrs. Paddy Tang Lui Wai Yu.

BIOGRAPHICAL INFORMATION OF DIRECTORS

Mr. Francis Lui Yiu Tung, aged 65, 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 Chief Executive Election Committee of the HKSAR and a member of the Chief Executive Election Committee, 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 21st 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 2020, Mr. Lui was honored as the most influential person in Asia's gaming industry at the Asian Gaming Power 50 Gala Dinner for the second consecutive year. Furthermore, Mr. Lui is the Honorary Citizen of each of Guangzhou City, Shenzhen City and Jiangmen City. Mr. Lui is a son of Dr. Lui Che Woo and a younger brother of Mrs. Paddy Tang Lui Wai Yu.

Mr. Joseph Chee Ying Keung, aged 63, 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 35 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. In addition, he is the Vice President of Macau Ready-Mix Concrete Commerce Association, 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) and Hong Kong Construction Materials Association from 1998 to 2000 and from 2017 to 2019 respectively.

Mrs. Paddy Tang Lui Wai Yu, *BBS, JP*, aged 66, 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 84, 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 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; China Financial International Investments Limited from March 2001 to September 2018; and Fullsun International Holdings Group Co., Limited from December 2017 to December 2020, all are listed on the main board of the Stock Exchange.

Mr. Michael Victor Mecca, aged 72, 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 67, 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. Mr. Ancell was a non-executive director of MJ Gleeson PLC, a housebuilder and regeneration company listed on the London Stock Exchange, from December 2014 to June 2020.

Dr. William Yip Shue Lam, LLD, aged 83, 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 72, 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 50 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 National Arts Entertainment and Culture Group Limited, a company which is listed on the Hong Kong Stock Exchange, from February 2010 to December 2018.

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 34 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 37 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 31 years of extensive leadership experience at senior levels gained from the gaming industry. Previously, he held senior executive position with a gaming company in Australia.

Scott Kreeger, Director – Operations Development, New Resort. He has over 29 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 24 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 36 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.

James Koratzopoulos, Executive Vice President – Hospitality, New Resort. He has over 29 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.

GAMING AND HOSPITALITY EXPERTISE

Elmen Lee, Senior Vice President – Business Development and City Clubs Operations. He has over 28 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 29 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 30 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 20 years of experience in premium marketing and gaming operations. Previously, he held senior management positions with integrated resorts in Singapore and Vietnam.

Gavin Grima, Senior Vice President – Gaming Operations, StarWorld Macau. He has over 30 years of experience in gaming operations. Previously, he held several senior management positions with gaming companies in Australia and Macau.

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 and effective 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, that ultimately pursuing long-term success and sustainability of the businesses. 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 62 to 65 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, so as to ensure a balance of power and authority.

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, made up of four executive, two non-executive and three independent non-executive Directors currently. The appropriate mix of skill-sets, experience and diversity 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. During the year and as at the date of this report, there has been no change in composition of members of the Board.

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, Mr. Francis Lui Yiu Tung, Mr. Joseph Chee Ying Keung and Mr. James Ross Ancell 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 Mr. James Ross Ancell as an independent non-executive Director who has served on the Board for more than nine years, his re-appointment shall be subject to a separate resolution to be approved by Shareholders. The Board has assessed and reviewed his annual confirmation of independence based on the criteria set out in Rule 3.13 of the Listing Rules, and affirmed that Mr. Ancell remains independent. The Board believes that his long service on the Board would not affect his integrity in exercising impartial and independent judgement on Board matters and his vast experience and acknowledge can continue to bring valuable contribution and more perspectives to the Board and the growth of the Company.

Independence of Independent Non-executive Directors

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 remain independent from management and any major Shareholder; 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 (including the independent non-executive 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 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.

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	✓	✓
Mrs. 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 throughout the year.

The Board has also established written guidelines on no less exacting terms than the Model Code to be observed by relevant employees of the Group who, because of their offices or employments, are likely to be in possession of Inside Information (which term shall bear the same meaning as in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) 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

To streamline its duties and uphold good corporate governance, 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 2020 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, auditor's independence, audit fee, audit strategy, significant accounting matters, internal audit and annual audit 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 2020 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 recommendations 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, but was not put to the general meeting for Shareholders' approval since all Directors have agreed to waive their Directors' fee; 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 to executive Director. No Director or any of his/her associates was involved in deciding his/her own remuneration at the Remuneration Committee meeting. Details of Directors' remuneration are listed out in note 9 to the consolidated financial statements.

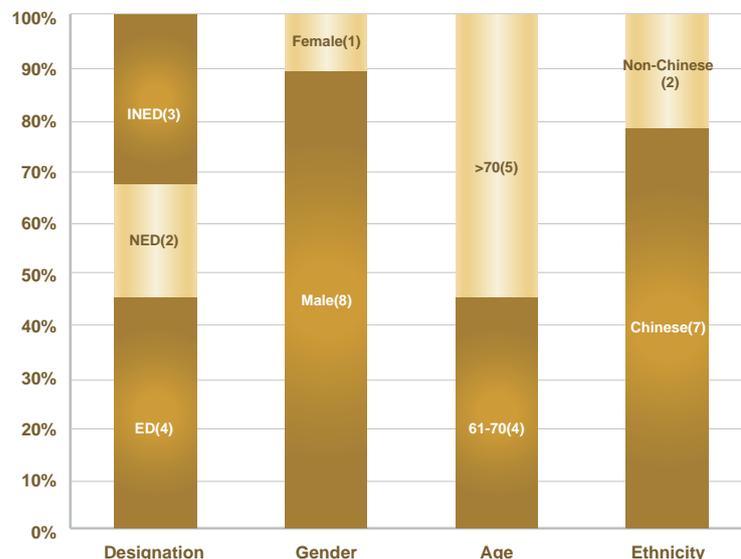
Nomination Committee

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 2020:



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 2020 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 of executive and non-executive directors, balance of skills, experience and diversity of perspectives appropriate for the requirements of the businesses of the Group, reviewing Directors' time commitment for performance of their responsibilities, assessing the independence of independent non-executive Directors according to the relevant rules and requirements under the Listing Rules, considering the sufficiency of time devotion by independent non-executive Directors to perform their duties and recommending the re-appointment of retiring Directors. No Director will vote in respect of recommending his/her 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 required by the Listing Rules. 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 2020 with all its members present and with the attendance of the Company Secretary. The Corporate Governance Committee submitted its written report and/or recommendations 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 and recommendations 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	(4)	(2)	(1)	(1)	(1)	(1)
Executive Directors						
Dr. Lui Che Woo	2/4	-	-	-	-	1/1
Mr. Francis Lui Yiu Tung	4/4	-	1/1	1/1	1/1	1/1
Mr. Joseph Chee Ying Keung	4/4	-	-	-	-	1/1
Mrs. Paddy Tang Lui Wai Yu	4/4	-	-	-	-	1/1
Non-executive Directors						
Dr. Charles Cheung Wai Bun	4/4	2/2	-	-	1/1	1/1
Mr. Michael Victor Mecca	3/4	-	-	-	-	1/1
Independent non-executive Directors						
Mr. James Ross Ancell	4/4	2/2	-	-	1/1	1/1
Dr. William Yip Shue Lam	4/4	2/2	1/1	1/1	-	1/1
Professor Patrick Wong Lung Tak	4/4	2/2	1/1	1/1	1/1	1/1

COMPANY SECRETARY

The Company Secretary of the Company is responsible for facilitating the Board processes, ensuring the Board procedures are followed and Board activities are efficiently and effectively conducted, as well as ensuring good information flow among Board members with management and Shareholders. 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 consolidated 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 2020, 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 2020. Accordingly, the Directors have prepared the consolidated financial statements for the year ended 31 December 2020 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 93 to 97.

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 2020 are included in note 8 to the consolidated financial statements.

Fees for non-auditing services include HK\$1,934,000 for the services provided in respect of taxation and advisory services.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for establishing and maintaining the Group's system of risk management and internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives and provide reasonable assurance against material misstatement or loss, and focuses on facilitating its effective and efficient of:

- Operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the Group's objectives;
- Financial controls to ensure the maintenance of proper accounting records for the provision of reliable financial information used within the business and for external reporting; and
- Compliance controls to ensure the compliance with relevant legislation and regulations, and also with the Group's policies with respect to the conduct of business.

CORPORATE GOVERNANCE REPORT

The key elements that the Group established for an effective risk management and internal controls include a well-defined management structure with clear roles and responsibilities and limits of authority, clear and written policies, standard operation procedures, periodic self-assessment of risks and controls, and an effective management reporting system for all major operating units of the Group.

All department heads are accountable for their daily operations and management of their corresponding operational, financial, compliance, and business risks. The Group's Internal Audit Department is responsible to conduct independent assessment over the Group's risk management and internal control systems on a regular basis, in order to provide reasonable assurance to the Board and the executive management on whether the Group's risk management and internal controls system is designed and operated efficiently and effectively.

Internal Audit Department conducts risk assessment interview with the Group's senior executives and function heads biannually, in order to identify and evaluate significant risks of the Group. A risk-based internal audit plan is prepared on annual basis and would be updated whenever necessary, the annual internal audit plan will be approved by the Audit Committee before execution. During the year, Internal Audit Department performed audit reviews with objectives to ensure all material controls of financial, operational and compliance are in place and functioning effectively. Significant risk management and internal control weaknesses are brought to the attention of senior management who takes immediate actions for rectification of deficiencies. Internal Audit Department reports to the Audit Committee on a biannual basis on whether the Group's risk management and internal controls system is designed, maintained and operated effectively in compliance with the Group's policies and procedures, as well as with 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 2020, Internal Audit Department does not aware of any significant internal control issues that would have been an adverse impact on the financial position or operations of the Group. The Board, through the review of the Audit Committee, considers that (i) the risk management and internal controls system of the Group are effective and adequate and the Group complied with the provisions on risk management and internal controls as set forth in the Code; and that (ii) the resources, qualifications, experience, training programs, budget of the accounting and financial reporting and the internal audit functions of the Group are adequate.

COMMUNICATION WITH SHAREHOLDERS AND INVESTMENT COMMUNITY

The Company places a great deal of 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 2020.

COMPLIANCE WITH THE CODE

Throughout the year under review, the Company had complied with all 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 hereby present 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 2020.

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 42 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated income statement on page 98 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 dividend of HK\$0.45 per share for the year ended 31 December 2020 was paid to the shareholders of the Company on 24 April 2020.

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil) or any special dividend.

Total dividends paid to shareholders of the Company for the year ended 31 December 2020 were HK\$0.45 per share (2019: HK\$0.91 per share).

DISTRIBUTABLE RESERVES

The Company’s reserves available for distribution to shareholders as at 31 December 2020, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK\$39,171,697,000 (2019: HK\$2,469,029,000).

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 22 to 32 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 4 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2020 are provided in note 39 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.

REPORT OF THE DIRECTORS

In addition, discussions on the Group's environmental policies and performance, compliance with relevant laws and regulations which have a significant impact on the Group and an account of the Group's key relationships with its employees, customers and suppliers and others which have a significant impact on the Group are contained in the section headed "Environmental, Social and Governance Report" on pages 33 to 61 of this annual report.

SHARES ISSUED

Details of the shares issued by the Company during the year are set out in note 26 to the consolidated financial statements.

During the year, 7,163,463 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, and 3,094,403 new ordinary shares were allotted for the purpose of satisfying the share awards granted under the share award scheme as mentioned in the section headed "Share Award Scheme" below.

DEALINGS IN LISTED SECURITIES

During the year, 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 587,302 shares of the Company for a total consideration of approximately HK\$36.80 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 587,302 shares of the Company 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 2020.

DIRECTORS

The list of Directors of the Company during the year and up to date of this report is set out below:

Executive Directors:

Dr. Lui Che Woo, *Chairman*

Mr. Francis Lui Yiu Tung, *Deputy Chairman*

Mr. Joseph Chee Ying Keung

Mrs. 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

The biographical details of the Directors are set out on pages 62 to 65 of this annual report. Details of Directors' remuneration are listed out in note 9 to the consolidated financial statements.

In accordance with Article 106(A) of the Articles of Association of the Company, Mr. Francis Lui Yiu Tung, Mr. Joseph Chee Ying Keung and Mr. James Ross Ancell 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).

REPORT OF THE DIRECTORS

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 2020 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 2020 or at any time during the year.

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 2020, 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	40.67
Francis Lui Yiu Tung	49,864,579	-	398,150,099 ⁽³⁾	1,362,225,231 ⁽²⁾	1,810,239,909	41.67
Joseph Chee Ying Keung	1,477,321	-	-	-	1,477,321	0.03
Paddy Tang Lui Wai Yu	14,123,207	-	-	1,362,225,231 ⁽²⁾	1,376,348,438	31.68
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.

REPORT OF THE DIRECTORS

- (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 Mrs. 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.

(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 2020, 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 2020, 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	22.40
CWL Assets (PTC) Limited	1,362,225,231	31.36
HSBC International Trustee Limited	1,363,000,491 ⁽¹⁾	31.38
Super Focus Company Limited	274,494,154	6.32
Lui Che Woo Foundation Limited	295,421,000	6.80
The Capital Group Companies, Inc.	302,100,542	6.95

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, Mrs. 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.

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Save as disclosed above, as at 31 December 2020, 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.

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.

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As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme, is 278,835,942 shares, representing approximately 6.41% of the issued share capital of the Company on that date, and is further reduced by the number of share awards granted pursuant to the Share Award Scheme mentioned below.

(4) Maximum entitlement of each participant

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

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

(5) Option period

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

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

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

(7) Payment on acceptance of the option

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

(8) Basis of determining the subscription price

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

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

(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.

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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 2020 were as follows:

Name	Date of grant	Number of Options					Held at 31 December 2020	Exercise price (HK\$)	Exercise period
		Held at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified during the year ^(a)			
Lui Che Woo	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	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	60,000	-	40,000 ^(b)	-	-	20,000	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
	29 Sep 2020	-	200,000	-	-	-	200,000	52.58	29 Sep 2021 – 28 Sep 2026
Paddy Tang Lui Wai Yu	24 Dec 2015	229,000	-	129,000 ^(c)	-	-	100,000	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	423,334	-	-	-	-	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

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Name	Date of grant	Number of Options					Held at 31 December 2020	Exercise price (HK\$)	Exercise period
		Held at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Re-classified during the year ^(a)			
Employees ^(d) (in aggregate)	15 Jan 2014	60,000	-	-	39,000	21,000	-	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	32,668	-	32,668 ^(b)	-	-	-	39.86	16 Jan 2016 – 15 Jan 2021
	24 Dec 2015	6,736,531	-	3,805,011 ^(b)	-	-	2,931,520	24.80	24 Dec 2016 – 23 Dec 2021
	12 Sep 2016	1,853,401	-	400,553 ^(b)	-	-	1,452,848	28.35	12 Mar 2018 – 11 Sep 2022
	28 Dec 2016	3,497,216	-	1,140,036 ^(b)	-	-	2,357,180	33.49	28 Dec 2017 – 27 Dec 2022
	26 Jul 2017	1,066,004	-	191,334 ^(b)	9,000	-	865,670	46.95	26 Jul 2018 – 25 Jul 2023
	27 Dec 2017	3,603,332	-	11,332 ^(b)	207,000	46,000	3,339,000	62.36	27 Dec 2018 – 26 Dec 2023
	21 Nov 2018	6,946,007	-	1,117,662 ^(b)	384,141	69,334	5,374,870	46.75	21 Nov 2019 – 20 Nov 2024
	28 Dec 2018	2,013,000	-	86,884 ^(b)	68,115	-	1,858,001	48.65	28 Dec 2019 – 27 Dec 2024
30 Dec 2019	7,623,000	-	13,314 ^(b)	571,020	29,000	7,009,666	57.70	30 Dec 2020 – 29 Dec 2025	
29 Sep 2020	-	1,467,000	-	68,000	-	1,399,000	52.58	29 Sep 2021 – 28 Sep 2026	
Others (in aggregate)	15 Jan 2014	-	-	-	21,000	21,000	-	77.75	15 Jan 2015 – 14 Jan 2020
	24 Dec 2015	33,334	-	33,334 ^(b)	-	-	-	24.80	24 Dec 2016 – 23 Dec 2021
	28 Dec 2016	130,366	-	87,336 ^(b)	-	-	43,030	33.49	28 Dec 2017 – 27 Dec 2022
	27 Dec 2017	252,000	-	-	175,000	46,000	123,000	62.36	27 Dec 2018 – 26 Dec 2023
	21 Nov 2018	308,000	-	74,999 ^(b)	116,667	69,334	185,668	46.75	21 Nov 2019 – 20 Nov 2024
30 Dec 2019	-	-	-	-	29,000	29,000	57.70	30 Dec 2020 – 29 Dec 2025	
Total		58,407,872	1,667,000	7,163,463	1,724,943	-	51,186,466		

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\$41.30.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$41.35.
- 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 2020	Granted during the year	Exercised during the year	Held at 31 December 2020
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

- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$58.21.
- The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK\$57.27.

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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.

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 29 September 2020							
– 1,667,000 options outstanding as at 31 December 2020	13.71	52.30	52.58	40.0%	3.5 to 4.5 years	2%	0.175% to 0.190%

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

The closing price of the Company's shares immediately before the date on which the share options were granted on 29 September 2020 was HK\$52.30.

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.

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(2) Duration

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

(3) Maximum Limit

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

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 and option 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, 3,094,403 shares of the Company were allotted to the trustee of the Share Award Scheme at a price of HK\$0.01 each and 587,302 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\$36.80 million. During the year, 2,223,355 shares of the Company vested under the Share Award Scheme. As at 31 December 2020, the trustee held 2,015,532 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 2020 were as follows:

Name	Date of grant	Number of Awards					Held at 31 December 2020	Vesting Date	Closing price at date of grant (HK\$)
		Held at 1 January 2020	Vested during the year	Lapsed during the year	Re- classified during the year ^(a)	Held at 31 December 2020			
Lui Che Woo	27 Dec 2017	70,768	70,768	-	-	-	27 Dec 2020	61.65	
	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	27 Dec 2017	50,068	50,068	-	-	-	27 Dec 2020	61.65	
	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	27 Dec 2017	5,534	5,534	-	-	-	27 Dec 2020	61.65	
	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	
Employees ^(b) (in aggregate)	26 Jul 2017	6,436	6,436	-	-	-	26 Jul 2020	46.95	
	27 Dec 2017	523,306	500,527	17,511	5,268	-	27 Dec 2020	61.65	
	21 Nov 2018	588,389	542,463	38,093	7,833	-	21 Nov 2020	46.75	
	21 Nov 2018	588,622	-	52,392	7,834	528,396	21 Nov 2021	46.75	
	28 Dec 2018	41,561	40,345	1,216	-	-	28 Dec 2020	48.55	
	28 Dec 2018	41,578	-	3,836	-	37,742	28 Dec 2021	48.55	
	30 Dec 2019	615,442	570,915	41,861	2,666	-	30 Dec 2020	57.70	
	30 Dec 2019	615,442	-	52,018	2,666	560,758	30 Dec 2021	57.70	
	30 Dec 2019	896,016	-	52,064	2,668	841,284	30 Dec 2022	57.70	
Others (in aggregate)	27 Dec 2017	28,770	14,102	19,936	5,268	-	27 Dec 2020	61.65	
	21 Nov 2018	28,166	19,999	16,000	7,833	-	21 Nov 2020	46.75	
	21 Nov 2018	28,168	-	16,000	7,834	20,002	21 Nov 2021	46.75	
	30 Dec 2019	-	2,666	-	2,666	-	30 Dec 2020	57.70	
	30 Dec 2019	-	-	-	2,666	2,666	30 Dec 2021	57.70	
	30 Dec 2019	-	-	-	2,668	2,668	30 Dec 2022	57.70	
Total		5,115,433	2,223,355	310,927	-	2,581,151			

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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 2020	Vested during the year	Held at 31 December 2020	
Eileen Lui Wai Ling	27 Dec 2017	14,868	14,868	–	27 Dec 2020
	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	268	268	–	27 Dec 2020
	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 vested or lapsed during the year are set out above. No share awards were granted and 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 2020 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 92 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, 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\$7,530,000 (2019: HK\$11,812,000).

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 2020 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, 25 February 2021

FIVE-YEAR SUMMARY

	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	Year ended 31 December 2020 HK\$'000
CONSOLIDATED INCOME STATEMENT					
Revenue	41,553,441	48,639,742	55,210,901	51,901,991	12,876,099
Profit/(loss) attributable to equity holders of the Company	6,283,397	10,504,361	13,507,389	13,041,545	(3,973,078)
Dividends	1,408,298	2,525,589	3,929,932	3,940,159	1,950,596
Earnings/(loss) per share (cents)	147.3	245.1	312.8	301.1	(91.6)
Dividend per share (cents)	33.0	59.0	91.0	91.0	45.0
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment, Investment properties and Right-of-use assets	38,599,717	36,815,154	36,280,381	37,686,648	41,048,629
Intangible assets	1,138,488	921,019	722,371	554,524	357,204
Joint ventures and associated companies	1,255,767	1,520,584	1,633,211	1,838,274	1,956,446
Other non-current assets	3,235,300	24,456,514	30,434,832	36,100,275	28,904,420
Net current assets/(liabilities)	3,710,385	(6,934,042)	(5,425,495)	(1,151,139)	(3,427,275)
Employment of capital	47,939,657	56,779,229	63,645,300	75,028,582	68,839,424
Represented by:					
Share capital and shares held for share award scheme	20,106,376	21,468,693	22,016,854	22,433,668	22,808,468
Reserves	26,238,974	34,013,004	40,263,405	51,153,725	44,615,313
Equity attributable to owners of the Company	46,345,350	55,481,697	62,280,259	73,587,393	67,423,781
Non-controlling interests	517,663	533,896	550,941	567,486	613,401
Long term borrowings	525,978	259,392	251,392	8,931	-
Other non-current liabilities	550,666	504,244	562,708	864,772	802,242
Capital employed	47,939,657	56,779,229	63,645,300	75,028,582	68,839,424
Net assets per share (dollars)	10.85	12.88	14.40	16.98	15.52

INDEPENDENT AUDITOR'S REPORT



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

羅兵咸永道

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 98 to 180, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 2020, 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 (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of recoverable amounts of hotel properties, gaming licence and reacquired right</p> <p>Refer to notes 3.9, 5(a), 14, 15 and 16 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 Macau 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 Macau Government's decision.</p> <p>As at 31 December 2020, 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\$58.2 billion.</p> <p>As regards to the 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 2020.</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 obtained an understanding of the assessment process of recoverable amounts of hotel properties, gaming licence and reacquired right and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.</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 trend, 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 recovery and 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 in 2021 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 trend, potential recovery from COVID-19 in 2021 and 2022, cost structure, VIP to Mass gaming ratio, discount rate, timely completion of development projects and retention of the gaming licence in 2021 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. There is inherent estimation uncertainty in determining the recoverable amount of the underlying CGU as significant judgements are required by management, particularly management's view on key internal inputs and external market conditions which impact future cash flows, the discount rate and the long-term growth rate.

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.

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.

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

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

We assessed the adequacy of the disclosures related to the recoverable amounts of hotel properties, gaming licence and reacquired right in the context of HKFRSs disclosure requirements.

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.

INDEPENDENT AUDITOR'S REPORT

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.

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 HKSAs 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 HKSAs, 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

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, actions taken to eliminate threats or safeguards applied.

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, 25 February 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue (Note)	6	12,876,099	51,901,991
Other income/gains, net	8(a)	979,237	1,113,294
Special gaming tax and other related taxes to the Macau Government		(4,484,995)	(22,487,289)
Raw materials and consumables used		(1,171,549)	(1,087,023)
Amortisation and depreciation	8(b)	(2,816,740)	(3,456,596)
Employee benefit expenses	8(b)	(6,710,777)	(7,981,133)
Other operating expenses	8(c)	(2,848,597)	(5,122,254)
Finance costs	10	(38,057)	(129,326)
Share of profits less losses of:			
Joint ventures	17(a)	452,691	532,173
Associated companies	18(a)	73	(18)
(Loss)/profit before taxation	8(b)	(3,762,615)	13,283,819
Taxation charge	11	(150,628)	(155,964)
(Loss)/profit for the year		(3,913,243)	13,127,855
Attributable to:			
Equity holders of the Company	28	(3,973,078)	13,041,545
Non-controlling interests		59,835	86,310
		(3,913,243)	13,127,855
		HK cents	HK cents
(Loss)/earnings per share	12		
Basic		(91.6)	301.1
Diluted		(91.6)	300.0
		HK\$'000	HK\$'000
Note: Analysis of revenue			
Gross revenue from gaming operations		11,017,024	57,205,198
Commission and incentives		(2,451,298)	(13,623,781)
Net revenue from gaming operations		8,565,726	43,581,417
Revenue from hotel, mall operations and others		1,571,157	5,486,582
Sales of construction materials		2,739,216	2,833,992
		12,876,099	51,901,991

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit for the year	(3,913,243)	13,127,855
Other comprehensive (loss)/income		
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	(912,670)	1,768,354
Items that may be subsequently reclassified to profit or loss		
Translation differences of subsidiaries	106,694	(40,905)
Share of translation differences of joint ventures	121,097	(28,575)
Other comprehensive (loss)/income for the year, net of tax	(684,879)	1,698,874
Total comprehensive (loss)/income for the year	(4,598,122)	14,826,729
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(4,697,583)	14,747,381
Non-controlling interests	99,461	79,348
	(4,598,122)	14,826,729

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	36,209,638	32,736,635
Right-of-use assets	15	4,838,991	4,950,013
Intangible assets	16	357,204	554,524
Joint ventures	17	1,954,136	1,836,036
Associated companies	18	2,310	2,238
Financial assets at amortised cost	19	18,753,138	25,164,997
Financial assets at fair value through other comprehensive income	20	5,371,458	6,262,099
Long-term bank deposits	25	4,450,079	4,470,886
Other non-current assets	21	329,745	202,293
		72,266,699	76,179,721
Current assets			
Inventories	22	201,716	177,834
Debtors and prepayments	23	1,740,568	2,145,046
Amounts due from joint ventures	24	162,720	161,946
Taxation recoverable		41,476	40,093
Current portion of financial assets at amortised cost	19	2,473,234	2,345,444
Cash and cash equivalents and other bank deposits	25	15,840,366	14,646,088
		20,460,080	19,516,451
Total assets		92,726,779	95,696,172

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
EQUITY			
Share capital and shares held for share award scheme	26	22,808,468	22,433,668
Reserves	28	44,615,313	51,153,725
Equity attributable to owners of the Company		67,423,781	73,587,393
Non-controlling interests		613,401	567,486
Total equity		68,037,182	74,154,879
LIABILITIES			
Non-current liabilities			
Borrowings	29	–	8,931
Deferred taxation liabilities	30	207,953	201,218
Lease liabilities	15	296,773	310,647
Retention payable		181,092	112,843
Non-current deposits and other payables	33	116,424	240,064
		802,242	873,703
Current liabilities			
Creditors and accruals	31	14,542,294	19,973,302
Amounts due to joint ventures	24	625	41,725
Current portion of lease liabilities	15	48,116	49,387
Current portion of borrowings and short-term bank loans	29	9,233,014	544,183
Provision for tax		63,306	58,993
		23,887,355	20,667,590
Total liabilities		24,689,597	21,541,293
Total equity and liabilities		92,726,779	95,696,172
Net current liabilities		(3,427,275)	(1,151,139)
Total assets less current liabilities		68,839,424	75,028,582

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	32(a)	(7,418,491)	19,702,265
Hong Kong profits tax paid		(21,377)	(25,058)
Mainland China tax and Macau complementary tax paid		(118,467)	(115,646)
Interest paid		(73,003)	(119,292)
Net cash (used in)/from operating activities		(7,631,338)	19,442,269
Cash flows from investing activities			
Purchase of property, plant and equipment	32(b)	(5,772,299)	(4,118,390)
Purchase of intangible assets		(24,719)	(53,268)
Proceeds from disposal of property, plant and equipment		1,342	2,483
Return of capital from investments in joint ventures		26,837	–
Increase in advances to joint ventures and associated companies		(43,018)	(24,497)
Decrease in deferred receivable		3,190	2,492
Decrease in finance lease receivable		300	25,099
Purchase of financial assets		(1,161,267)	(2,951,404)
Proceeds from redemption/disposal of financial assets		7,453,627	2,766,000
Interest received		1,071,344	1,189,168
Decrease/(increase) in bank deposits with maturity over three months and short-term pledged bank deposits		7,485,876	(12,142,102)
Dividends received from joint ventures		430,156	300,711
Dividends received from listed and unlisted investments		30,725	119,053
Net cash from/(used in) investing activities		9,502,094	(14,884,655)
Cash flows from financing activities			
Issue of new shares		223,556	264,110
Shares purchased by the trustee		(36,800)	(39,589)
New bank loans	32(c)	10,260,180	1,500,000
Repayment of bank loans	32(c)	(1,621,596)	(9,764,082)
Principal elements of lease payments	32(c)	(52,455)	(42,511)
Injection of capital from non-controlling interests		–	3,350
Dividends paid to non-controlling interests		(53,546)	(66,153)
Dividends paid to shareholders	13	(1,950,596)	(3,940,159)
Net cash from/(used in) financing activities		6,768,743	(12,085,034)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year		6,248,151	13,778,102
Translation differences		19,848	(2,531)
Cash and cash equivalents at end of year	25	14,907,498	6,248,151

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	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 2019	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 purchased 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 13)	-	-	(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
Comprehensive income						
(Loss)/profit for the year	-	-	(3,973,078)	(3,973,078)	59,835	(3,913,243)
Other comprehensive (loss)/income						
Change in fair value of financial assets at fair value through other comprehensive income	-	-	(912,670)	(912,670)	-	(912,670)
Translation differences of subsidiaries	-	-	82,265	82,265	24,429	106,694
Share of translation differences of joint ventures	-	-	105,900	105,900	15,197	121,097
Total other comprehensive (loss)/income, net of tax	-	-	(724,505)	(724,505)	39,626	(684,879)
Total comprehensive (loss)/income for the year	-	-	(4,697,583)	(4,697,583)	99,461	(4,598,122)
Transactions with equity holders						
Dividends paid to non-controlling interests	-	-	-	-	(53,546)	(53,546)
Share award scheme – shares issued to the trustee	31	(31)	-	-	-	-
Share award scheme – shares purchased by the trustee	-	(36,800)	-	(36,800)	-	(36,800)
Shares vested pursuant to share award scheme	83,171	36,817	(119,988)	-	-	-
Issue of shares upon exercise of share options	291,612	-	(68,056)	223,556	-	223,556
Fair value of share awards granted	-	-	122,591	122,591	-	122,591
Fair value of share options granted	-	-	175,220	175,220	-	175,220
Special dividends (note 13)	-	-	(1,950,596)	(1,950,596)	-	(1,950,596)
At 31 December 2020	22,808,488	(20)	44,615,313	67,423,781	613,401	68,037,182

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 25 February 2021.

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 under the historical cost convention as modified by the revaluation of certain financial assets and financial liabilities, which are carried at fair values.

During the year ended 31 December 2020, the Group incurred a net loss of approximately HK\$3,913 million (2019: net profit of approximately HK\$13,128 million), and as at 31 December 2020, the Group’s current liabilities exceeded its current assets by HK\$3,427 million. Taking into account the cash flows from operations, unutilised banking facilities and liquid investments, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments (principally relating to the development of Galaxy Macau™ resort at Cotai) as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

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

(a) The adoption of amended standards

In 2020, the Group adopted the following amended standards which are relevant to its operations.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting
HKFRS 3 (Amendment)	Definition of a Business

In addition, the Group has early adopted the following amendment to the accounting standards for the accounting period commencing 1 January 2020:

HKFRS 16 (Amendment)	Covid-19-Related Rent Concessions
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The Group has assessed the impact of the adoption of these amended standards and considered that there was no significant impact on the Group’s results and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

(b) New standard and amendments to existing standards, interpretation and accounting guideline that are not yet effective

New standard and amendments	Effective for accounting periods beginning on or after
AG5 (Revised)	Merger Accounting for Common Control Combinations 1 January 2022
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current 1 January 2023
HKAS 16 (Amendment)	Property, Plant and Equipment: Proceeds before intended use 1 January 2022
HKAS 37 (Amendment)	Onerous Contracts – Cost of Fulfilling a Contract 1 January 2022
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2 1 January 2021
HKFRS 3 (Amendment)	Reference to the Conceptual Framework 1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture To be determined
HKFRS 17	Insurance Contracts 1 January 2023
HK-Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause 1 January 2023
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
HKAS 41 (Amendment)	Agriculture
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 9 (Amendment)	Financial Instruments
HKFRS 16 (Amendment)	Leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December and the share of post-acquisition results and reserves of its joint ventures and associated companies attributable to the Group.

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

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

3.2 Subsidiaries

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

3.3 Non-controlling interests***Change in ownership interests in subsidiaries without change of control***

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

Disposal of subsidiaries

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

3.4 Joint arrangements

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

3.6 Goodwill

Goodwill arises on the acquisition of subsidiaries, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

3.8 Leases

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 payments (including in-substance fixed payments), less any lease incentives receivable.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 consolidated balance sheet based on their nature.

3.9 Gaming licence and reacquired right

Gaming licence and reacquired right are carried at cost less accumulated amortisation and impairment losses. They have finite useful lives and are amortised on a straight-line basis over the remaining term of the licence which will expire in June 2022. Beginning on 27 June 2017, the Macau Government may redeem the gaming licence by providing the Group at least one year's prior notice. The renewal and early redemption depends on Macau Government's decision.

3.10 Computer software

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.12 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.12 Financial assets (Continued)****(iii) Measurement (Continued)***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 consolidated income statement.
- **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 consolidated income statement.
- **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.

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 consolidated income statement 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

3.14 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

3.16 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 consolidated balance sheet.

3.17 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.

3.18 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.

3.19 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

3.21 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.22 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.

3.23 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.

3.24 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 consolidated financial statements.

3.25 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.25 Employee benefits (Continued)****(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 consolidated income 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 earnings.

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.

(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 consolidated 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 consolidated 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 consolidated income statement for the year of the review, unless the original staff costs qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as staff costs is adjusted to reflect the actual number of awarded shares that vest (with a corresponding adjustment to the employee share-based compensation reserve) and the cost of awarded shares recognised in equity as treasury stock is transferred to the employee share-based compensation reserve.

3.26 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 consolidated income statement in the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.27 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 3.24 above.

(b) Hotel operations

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

(c) Construction materials

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.28 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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.29 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.

3.30 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.

3.31 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

3.32 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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 2020, if United States dollar weakened/strengthened against Hong Kong dollar by 0.5%, loss after tax for the year would have been HK\$141,741,000 (2019: HK\$192,243,000) higher/lower as a result of foreign exchange gain/loss on translation of that balance. As at 31 December 2020, if Renminbi weakened/strengthened against Hong Kong dollar by 2%, loss after tax for the year would have been HK\$41,052,000 (2019: HK\$4,903,000) higher/lower as a result of foreign exchange gain/loss on translation of that balance. As at 31 December 2020, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)**4.1 Financial risk factors (Continued)****(a) Market risk (Continued)***(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 19) or financial asset at fair value through other comprehensive income (see note 20). 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 2020, 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 loss for the year would have been HK\$537,146,000 (2019: HK\$626,210,000) lower or higher .

(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 2020, if interest rates on borrowings at variable rates at that date had been 0.5% higher or lower with all other variables held constant, loss after tax for the year would have been HK\$45,571,000 (2019: HK\$2,766,000) higher or lower, mainly as a result of higher or lower interest expense on floating rate borrowings.

At 31 December 2020, 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, loss after tax for the year would have been HK\$25,357,000 (2019: HK\$45,816,000) lower or higher.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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. Due to the credit driven nature of the VIP business in the gaming industry accompanied by the trend of market consolidation in overall Macau VIP gaming market, the Group is exposed to heightened risk in respect of the recoverability of concentration risk arising from the existing 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 23 for details of debtors and further disclosure on credit risks.

The maximum exposure to credit risk at 31 December 2020 is the unimpaired carrying amounts of respective financial assets.

(c) Liquidity risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	Within one year HK\$'000	Between one to two years HK\$'000	Between two to five years HK\$'000	Over five years HK\$'000	Total HK\$'000
At 31 December 2020					
Bank loans	9,251,942	-	-	-	9,251,942
Creditors and accruals (including non-current retention payable and non-current deposits received)	14,500,276	60,133	250,405	4,746	14,815,560
Lease liabilities	46,417	15,968	9,561	633,587	705,533
Amounts due to joint ventures	625	-	-	-	625

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

4.2 Capital risk management

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management (Continued)

The gearing ratios at 31 December 2020 and 2019 were as follows:

	2020 HK\$'000	2019 HK\$'000
Total borrowings (note 29)	(9,233,014)	(553,114)
Less: cash and bank balances (excluding long-term bank deposits) (note 25)	15,840,115	14,645,852
Net cash	6,607,101	14,092,738
Total assets less cash and bank balances (excluding long-term bank deposits)	76,886,664	81,050,320
Gearing ratio (note)	n/a	n/a

Note: The Group was in a net cash position as at 31 December 2020 and 2019.

4.3 Fair value estimation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2020 and 2019.

At 31 December 2020	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	5,354,502	–	16,956	5,371,458
Total	5,354,502	–	16,956	5,371,458

At 31 December 2019

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

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 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 20) for the year ended 31 December 2020 and 2019.

	Financial assets at fair value through other comprehensive income	
	2020 HK\$'000	2019 HK\$'000
At beginning of the year	23,315	19,055
(Loss)/gain recognised in other comprehensive income	(6,359)	6,780
Return on capital	-	(2,520)
At end of the year	16,956	23,315
Total gains for the year included in profit or loss for assets held at the end of the year	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

The Group tests for possible impairment or reversal of impairment for non-financial assets other than goodwill. The Group performs an assessment of the recoverable amounts of all hotel properties together with the gaming licence, the reacquired right and other net working capital with a total carrying amount of HK\$58.2 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 in 2021 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 Macau 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) Depreciation of right-of-use assets, property, plant and equipment

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

(c) Fair value of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)**(d) Share-based payments**

The fair value of share options 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 provision for loss allowance as at 31 December 2020 was HK\$1,169,584,000 (2019: HK\$1,063,545,000). 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

6. REVENUE

Revenue recognised during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Gaming operations		
Net gaming wins	10,986,101	57,072,885
Contributions from City Club Casinos (note a)	17,138	107,332
Tips received and administrative fees	13,785	24,981
Gross revenue from gaming operations	11,017,024	57,205,198
Less: Commission and incentives	(2,451,298)	(13,623,781)
Net revenue from gaming operations	8,565,726	43,581,417
Revenue from hotel, mall operations and others (note b)	1,571,157	5,486,582
Sales of construction materials	2,739,216	2,833,992
	12,876,099	51,901,991

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 2020, the Group is entitled to HK\$17,138,000 (2019: HK\$107,332,000), 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\$614 million (2019: HK\$1,328 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION

The Board of Directors is responsible for allocating resources, assessing performance of the operating segment and making strategic decisions, based on a measurement of adjusted (loss)/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

7. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Year ended 31 December 2020				
Reportable segment revenue	10,595,917	2,739,216	-	13,335,133
Adjusted for:				
City Club Casinos arrangement set out in note 6				
Revenue not recognised	(486,222)	-	-	(486,222)
Contributions	17,138	-	-	17,138
Others	10,050	-	-	10,050
Revenue recognised under HKFRS	10,136,883	2,739,216	-	12,876,099
Adjusted EBITDA including share of results of joint ventures and associated companies	(1,992,734)	1,118,386	(145,157)	(1,019,505)
Interest income, dividend income from listed investments and gross earnings on finance lease				1,184,021
Amortisation and depreciation				(2,816,740)
Finance costs				(38,057)
Taxation charge				(150,628)
Adjusted items:				
Taxation of joint ventures and associated companies				(141,927)
Pre-opening expenses				(238,693)
Loss on disposal and write-off of certain property, plant and equipment				(190,449)
Share option expenses				(175,220)
Share award expenses				(122,591)
Donation and sponsorship				(7,530)
Foreign exchange loss				(172,281)
Others				(23,643)
Loss for the year				(3,913,243)
Share of results of joint ventures and associated companies	(5,788)	458,552	-	452,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
Year ended 31 December 2019				
Reportable segment revenue	51,099,351	2,833,992	–	53,933,343
Adjusted for:				
City Club Casinos arrangement set out in note 6				
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 loss on 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

7. SEGMENT INFORMATION (Continued)

	Gaming and entertainment HK\$'000	Construction materials HK\$'000	Corporate and treasury management HK\$'000	Total HK\$'000
As at 31 December 2020				
Total assets	87,181,400	5,489,243	56,136	92,726,779
Total assets include:				
Joint ventures	84,625	1,869,511	–	1,954,136
Associated companies	–	2,310	–	2,310
Total liabilities	14,234,591	1,500,290	8,954,716	24,689,597

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

Year ended 31 December 2020

Additions to non-current assets	5,957,401	126,602	1,339	6,085,342
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Year ended 31 December 2019

Additions to non-current assets	4,615,329	75,082	19,072	4,709,483
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER INCOME/GAINS, NET, (LOSS)/PROFIT BEFORE TAXATION AND OTHER OPERATING EXPENSES

	2020 HK\$'000	2019 HK\$'000
(a) Other income/gains, net		
Interest income		
Bank deposits	438,185	355,393
Financial assets at amortised cost (note 19)	714,630	937,087
Loans to joint ventures (note 24(a))	1,624	293
Deferred receivables	909	1,177
Dividend income from unlisted investments	2,500	12,045
Dividend income from listed investments	28,225	107,008
Gross earnings on finance lease	448	2,268
Loss on disposal and loss on write-off of property, plant and equipment	(194,974)	(120,173)
Foreign exchange loss	(172,281)	(227,025)
Insurance recovery for business interruption caused by COVID-19	100,000	–
Others	59,971	45,221
	979,237	1,113,294
(b) (Loss)/profit before taxation is stated after charging		
Depreciation		
Property, plant and equipment	2,452,492	3,097,873
Right-of-use assets	139,936	137,615
Amortisation		
Gaming licence	106,631	106,337
Computer software	27,515	26,846
Reacquired right	87,926	87,925
Quarry site development	2,240	–
Short term and low-value asset lease expenses	19,274	14,971
Staff costs, including Directors' remuneration (notes i & ii)	6,710,777	7,981,133
Auditor's remuneration		
Audit services		
Provision for the year	10,203	12,668
Over-provision in prior years	(2,381)	(1,501)
Non-audit services		
Provision for the year	1,934	2,998
Under-provision in prior year	486	96

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Staff costs are stated after amount capitalised in assets under construction in the aggregate of HK\$261,027,000 (2019: HK\$271,304,000), and include share option expenses and share award expenses of HK\$175,220,000 (2019: HK\$166,314,000) and HK\$122,591,000 (2019: HK\$109,077,000) 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\$236,929,000 (2019: HK\$255,031,000), after deducting forfeitures of HK\$31,164,000 (2019: HK\$31,458,000), leaving HK\$2,826,000 (2019: HK\$129,000) available to reduce future contributions.

	2020	2019
	HK\$'000	HK\$'000
(c) Other operating expenses		
Utilities and rentals	742,563	1,014,517
Advertising and promotion	301,495	862,408
Repair and maintenance	466,463	552,158
Operating supplies and consumables	203,518	623,873
Food and beverage costs	111,835	422,410
Other support services	187,942	359,259
Distribution costs	180,681	155,717
Subcontracting charges	56,297	124,680
Provision for loss allowance, net	117,952	34,620
Other expenses	479,851	972,612
	2,848,597	5,122,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Directors' emoluments

	(note iii)					2020 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	-	10,192	21,620	586	42,603	75,001
Mr. Francis Lui Yiu Tung	-	14,505	33,474	623	59,243	107,845
Mr. Joseph Chee Ying Keung	-	4,469	1,836	411	1,079	7,795
Mrs. Paddy Tang Lui Wai Yu	-	2,158	-	124	2,220	4,502
	-	31,324	56,930	1,744	105,145	195,143
Non-executive Directors						
Mr. James Ross Ancell	-	-	-	-	-	-
Dr. William Yip Shue Lam	-	-	-	-	-	-
Professor Patrick Wong Lung Tak	-	-	-	-	-	-
Dr. Charles Cheung Wai Bun	-	-	-	-	-	-
Mr. Michael Victor Mecca	-	-	-	-	-	-
	-	-	-	-	-	-
Total 2020	-	31,324	56,930	1,744	105,145	195,143

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Directors' emoluments (Continued)

	(note iii)					2019 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	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
Mrs. 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 Ancell	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:

- (i) The amounts represented emoluments paid or payable in respect of a person's services as a director of the Company undertaking for 2019. Since all directors of the Company have agreed to waive their directors' fee, no directors' fee for the year ended 31 December 2019 were payable to the directors.
- (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 2020 were in relation to performance and services for 2019.

Except for the note (i) as disclosed above, there was no other arrangement under which a Director waived or agreed to waive any emoluments during the current and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2019: two) Directors whose emoluments are reflected in note (a) above. The emoluments of the remaining three individuals (2019: three) are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other emoluments	23,389	27,321
Discretionary bonuses	15,786	16,916
Retirement benefits	600	762
Share options and share awards (note 27)	33,696	27,190
	73,471	72,189

The emoluments of these individuals fell within the following bands:

	Number of individuals	
	2020	2019
HK\$21,000,001 – HK\$21,500,000	1	1
HK\$21,500,001 – HK\$22,000,000	–	1
HK\$23,000,001 – HK\$23,500,000	1	–
HK\$29,000,001 – HK\$29,500,000	1	–
HK\$29,500,001 – HK\$30,000,000	–	1
	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest expenses		
Bank loans and overdrafts	65,584	104,982
Lease liabilities	15,647	15,954
Other borrowing costs	3,981	8,390
	85,212	129,326
Amount capitalised in assets under construction (note 14)	(47,155)	–
	38,057	129,326

11. TAXATION CHARGE

	2020 HK\$'000	2019 HK\$'000
Current taxation		
Hong Kong profits tax	28,631	22,557
Mainland China income tax and withholding tax	68,941	77,963
Macau complementary tax	8,608	7,836
Net under provision in prior years	1,305	4,677
Lump sum in lieu of Macau complementary tax on dividend	36,408	36,408
Deferred taxation (note 30)	6,735	6,523
	150,628	155,964

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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% (2019: 12% to 25%). The weighted average applicable tax rate was 12% (2019: 12%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. TAXATION CHARGE (Continued)

The taxation on the (loss)/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:

	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit before taxation	(3,762,615)	13,283,819
Share of profits less losses of		
Joint ventures	(452,691)	(532,173)
Associated companies	(73)	18
	(4,215,379)	12,751,664
Tax calculated at applicable tax rate	(513,212)	1,529,051
Income not subject to tax	(24,106)	(41,141)
Profit exempted from Macau Complementary Tax (note a)	–	(1,809,473)
Expenses not deductible for tax purpose	94,126	87,759
Utilisation of previously unrecognised tax losses	(2,129)	(929)
Tax losses not recognised	535,692	311,984
Net under provision in prior years	1,305	4,677
Mainland China withholding tax	22,544	37,628
Lump sum in lieu of Macau complementary tax on dividend (note b)	36,408	36,408
Taxation charge	150,628	155,964

Notes:

- (a) 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

12. (LOSS)/EARNINGS PER SHARE

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

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and share awards. For the year ended 31 December 2019, a calculation for the share options was 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 was 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 was assumed if the awarded shares were issued by new shares, which was yet to be determined. For the year ended 31 December 2020, the diluted loss per share equals to the basic loss per share since the conversion of the outstanding share options and share awards would not have a dilutive effect on the loss per share.

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

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit attributable to equity holders of the Company	(3,973,078)	13,041,545

	Number of shares	
	2020	2019
Weighted average number of shares for calculating basic (loss)/earnings per share	4,337,820,915	4,331,681,470
Effect of dilutive potential ordinary shares		
Share options	-	13,744,855
Share awards	-	1,264,296
Weighted average number of shares for calculating diluted (loss)/earnings per share	4,337,820,915	4,346,690,621

13. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
First special dividend paid of HK\$0.45 (2019: HK\$0.45) per ordinary share	1,950,596	1,947,991
Second special dividend paid of HK\$ nil (2019: HK\$0.46) per ordinary share	-	1,992,168
	1,950,596	3,940,159

The Board of Directors does not declare any final dividend for the year ended 31 December 2020 (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Gaming equipment and other assets (note a) HK\$'000	Assets under construction HK\$'000	Total HK\$'000
Cost						
At 31 December 2019	22,882,443	677,986	9,819,947	12,346,130	8,062,627	53,789,133
Exchange differences	24,213	510	81,534	1,345	1,125	108,727
Additions	2,694	5,312	145,535	348,611	5,551,994	6,054,146
Transfer/reclassification	3,039	926	154,278	241,296	(399,539)	-
Disposals/write-off	(133,281)	(2,783)	(214,808)	(727,897)	-	(1,078,769)
At 31 December 2020	22,779,108	681,951	9,986,486	12,209,485	13,216,207	58,873,237
Accumulated depreciation and impairment						
At 31 December 2019	5,086,365	548,270	5,651,924	9,765,939	-	21,052,498
Exchange differences	4,747	(401)	34,924	1,792	-	41,062
Charge for the year (note d)	743,993	52,535	709,025	946,939	-	2,452,492
Disposals/write-off	(36,784)	(2,441)	(198,091)	(645,137)	-	(882,453)
At 31 December 2020	5,798,321	597,963	6,197,782	10,069,533	-	22,663,599
Net book value At 31 December 2020	16,980,787	83,988	3,788,704	2,139,952	13,216,207	36,209,638
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

Notes:

- (a) Other assets comprise barges, furniture and equipment, operating equipment, vessel, aircrafts, and motor vehicles.
- (b) During the year, borrowing costs of HK\$47,155,000 (2019: nil) were capitalised and included in assets under construction. In 2020, a capitalisation rate of 1.1% (2019: nil) 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\$261,027,000 (2019: HK\$271,304,000) were capitalised and included in assets under construction.
- (d) During the year, charge for the year included provision for impairment of HK\$76,571,000 (2019: HK\$123,280,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. 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:

	2020 HK\$'000	2019 HK\$'000
Right-of-use assets		
Leasehold land and land use rights (note)	4,782,051	4,871,459
Other property, plant and equipment	56,940	78,554
	4,838,991	4,950,013
Lease liabilities		
Current	48,116	49,387
Non-current	296,773	310,647
	344,889	360,034

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 2020 financial year were HK\$18,588,000 (2019: HK\$31,995,000).

Note: 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\$2,874 million (2019: HK\$2,909 million), for which net book value of HK\$1,270 million (2019: HK\$1,305 million) is developed, HK\$1,604 million (2019: HK\$1,604 million) is under development and no land is held for development for specific uses (2019: nil).

(b) Amounts recognised in the consolidated income statement

During the year ended 31 December 2020, the depreciation charges of right-of-use assets for leasehold land and land use rights are HK\$94,312,000 (2019: HK\$96,798,000) and the depreciation charges of right-of-use assets for other property, plant and equipment are HK\$45,624,000 (2019: HK\$40,817,000) (note 8(b)).

During the year ended 31 December 2020, the interest expense of lease liabilities are HK\$15,647,000 (2019: HK\$15,954,000) (note 10).

During the year ended 31 December 2020, the total expenses relating to short-term leases are HK\$19,274,000 (2019: HK\$13,406,000) and the expenses in relation to low-value asset leases are not material.

During the year ended 31 December 2020, the total cash outflow for leases was HK\$75,076,000 (2019: HK\$60,509,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INTANGIBLE ASSETS

	Gaming licence (note a)	Reacquired right (note b)	Computer software	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
At 31 December 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
Exchange difference	–	–	42	42
Additions	–	–	24,719	24,719
Write-off	–	–	(858)	(858)
At 31 December 2020	16,887,329	786,700	459,396	18,133,425
Accumulated amortisation and impairment				
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
Exchange differences	–	–	9	9
Charge for the year	106,631	87,926	27,515	222,072
Write-off	–	–	(858)	(858)
At 31 December 2020	16,729,425	654,812	391,984	17,776,221
Net book value				
At 31 December 2020	157,904	131,888	67,412	357,204
At 31 December 2019	264,535	219,814	70,175	554,524

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

17. JOINT VENTURES

	2020	2019
	HK\$'000	HK\$'000
Share of net assets	1,954,136	1,836,036

- (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:

	2020	2019
	HK\$'000	HK\$'000
Non-current assets	1,569,524	1,545,794
Current assets	1,241,257	1,257,432
Current liabilities	(684,884)	(789,981)
Non-current liabilities	(171,761)	(177,209)
	1,954,136	1,836,036
Income	2,573,200	2,830,504
Expenses	(2,120,509)	(2,298,331)
Share of results for the year	452,691	532,173

- (b) Details of the joint ventures are given in note 42(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. ASSOCIATED COMPANIES

	2020	2019
	HK\$'000	HK\$'000
Share of net assets	2,310	2,238

- (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:

	2020	2019
	HK\$'000	HK\$'000
Non-current assets	3,631	–
Current assets	4,580	2,282
Current liabilities	(3,085)	(44)
Non-current liabilities	(2,816)	–
	2,310	2,238
Income	122	–
Expenses	(49)	(18)
Share of results for the year	73	(18)

- (b) Details of the associated companies are given in note 42(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. FINANCIAL ASSETS AT AMORTISED COST

	2020 HK\$'000	2019 HK\$'000
Listed debt securities in Hong Kong, at amortised cost (note b)	10,928,858	13,924,825
Listed debt securities in overseas, at amortised cost (note b)	10,282,025	13,523,363
Unlisted debt securities, at amortised cost (note b)	15,489	62,253
	21,226,372	27,510,441
Less: current portion of financial assets at amortised cost – listed debt securities in Hong Kong, at amortised cost (note b)	(2,473,234)	(2,345,444)
	18,753,138	25,164,997

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 2020 and 2019, the listed/unlisted debt securities were predominantly denominated in U.S. dollar with weighted average tenor of approximately 2 years (2019: 3 years) and significant majority in investment grade rating.
- (c) As at 31 December 2020 and 2019, the carrying amounts of these listed/unlisted debt securities approximated their fair values. These financial assets were considered to be of low credit risk and the expected credit loss was minimal.
- (d) As at 31 December 2020 and 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.
- (e) The interest income generated from the above financial assets at amortised cost for the year ended 31 December 2020 amounted to HK\$715 million (2019: HK\$937 million) as disclosed in note 8(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK\$'000	2019 HK\$'000
Unlisted investments in overseas, at fair value (note a)	16,956	23,315
Listed investments in overseas, at fair value (note b)	5,354,502	6,238,492
Listed investments in Hong Kong, at fair value	–	292
	5,371,458	6,262,099

Notes:

- (a) Unlisted investments are mainly denominated in Macau Patacas and U.S. dollar.
- (b) As at 31 December 2020, the listed investments in overseas, at fair value included 5.2 million (2019: 5.2 million) shares of Wynn Resorts, Limited (“Wynn Resorts”) which represented approximately 4.8% (2019: 4.8%) 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 U.S. dollar. The directors of the Group considered that the closing price as at 31 December 2020 and 2019 was the fair value of this listed investment. As of 31 December 2020, fair value of our investment in Wynn Resorts was HK\$4.5 billion (2019: HK\$5.6 billion) , representing 4.9% (2019: 5.9%) of the Group’s total asset of HK\$92.7 billion (2019: HK\$95.7 billion). The market value of Wynn Resorts as of 31 December 2020 and 2019, and the performance of the investment during the year ended 31 December 2020 and 2019 are as follows:

	Market value		Unrealised (loss)/gain for the year ended 31 December		Dividend income for the year ended 31 December	
	31 December 2020 HK\$'000	31 December 2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
	Wynn Resorts, Limited	4,548,662	5,624,624	(1,075,962)	1,596,633	28,225

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

21. OTHER NON-CURRENT ASSETS

	2020 HK\$'000	2019 HK\$'000
Finance lease receivable (note a)	34,894	32,775
Interest receivable	232,127	94,648
Deposits paid for property, plant and equipment	28,435	48,220
Deferred expenditure – quarry site development	13,393	1,674
Advances to investee companies (note b)	17,010	17,010
Less: Provision for impairment	(17,010)	(17,010)
Others	20,896	24,976
	329,745	202,293

Notes:

(a) Finance lease receivable

	2020 HK\$'000	2019 HK\$'000
Gross receivable	53,274	54,785
Unearned finance income	(692)	(1,903)
	52,582	52,882
Current portion included in current assets (note 23)	(17,688)	(20,107)
	34,894	32,775

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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Within one year	18,060	21,431	17,688	20,107
Between two to five years	35,214	33,354	34,894	32,775
	53,274	54,785	52,582	52,882

(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

22. INVENTORIES

	2020	2019
	HK\$'000	HK\$'000
Gaming and entertainment		
Playing cards	2,703	3,033
Food and beverages	50,655	58,115
Consumables	20,205	20,962
	73,563	82,110
Construction materials		
Aggregates and sand	10,658	5,156
Concrete pipes and piles	7,385	8,816
Slag	4,484	7,776
Cement	38,921	27,126
Spare parts	22,944	21,349
Consumables	43,761	25,501
	128,153	95,724
	201,716	177,834

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. DEBTORS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Trade debtors, net of loss allowance (note a)	494,581	510,322
Other debtors and deposit paid, net of loss allowance (note b)	992,615	1,381,200
Contract assets (note c)	102,886	119,824
Prepayments	132,798	113,593
Current portion of finance lease receivable (note 21(a))	17,688	20,107
	1,740,568	2,145,046

Notes:

- (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 (2019: 30 to 60 days) for customers in Hong Kong and Macau and 30 to 60 days (2019: 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:

	2020 HK\$'000	2019 HK\$'000
Within one month	291,041	306,381
Two to three months	180,447	159,375
Four to six months	10,007	35,450
Over six months	13,086	9,116
	494,581	510,322

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

	2020 HK\$'000	2019 HK\$'000
Hong Kong dollar	371,389	363,912
Macau Patacas	120,257	145,443
Renminbi	2,935	967
	494,581	510,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. DEBTORS AND PREPAYMENTS (Continued)

Notes: (Continued)

(a) (Continued)

Included in the Group's trade debtors were debtors with a carrying amount of HK\$430,587,000 (2019: HK\$402,803,000) which were not yet due. Debtors with a carrying amount of HK\$63,994,000 (2019: HK\$107,519,000) were past due over their credit terms. The ageing analysis of these trade debtors based on due dates are as follows:

	2020	2019
	HK\$'000	HK\$'000
Overdue:		
Within one month	40,599	73,635
Two to three months	8,075	17,916
Four to six months	4,914	3,285
Over six months	10,406	12,683
	63,994	107,519

As at 31 December 2020, cumulative loss allowance for trade debtors of the Group was HK\$773,000 (2019: HK\$6,958,000). The factors the Group considered in determining whether the trade debtors were impaired are disclosed in note 3.14.

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

	2020	2019
	HK\$'000	HK\$'000
Balance at 1 January	6,958	24,889
Reversal of loss allowance	(1,024)	(2,507)
Receivables written off during the year as uncollectible	(5,167)	(15,421)
Exchange differences	6	(3)
Balance at 31 December	773	6,958

(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 2020, cumulative loss allowance for other debtors of the Group was HK\$1,168,811,000 (2019: HK\$1,056,587,000).

(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

24. AMOUNTS DUE FROM/(TO) JOINT VENTURES

	2020 HK\$'000	2019 HK\$'000
Amounts due from joint ventures (note a)	162,720	161,946
Amounts due to joint ventures (note b)	(625)	(41,725)

Notes:

- (a) The amounts receivable of HK\$99,747,000 (2019: HK\$134,384,000) are unsecured, interest free and have no fixed terms of repayment. The remaining amounts receivable carry interest at prevailing market rate and are repayable within one year, all of which are unsecured. The amounts receivable are mainly denominated in Hong Kong dollar, Renminbi and Macau Patacas.

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

- (b) Amounts payable are unsecured, interest free and have no fixed terms of repayment, except for an amount of HK\$33,491,000 as at 31 December 2019 which 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.

25. CASH AND CASH EQUIVALENTS AND BANK DEPOSITS

	2020 HK\$'000	2019 HK\$'000
Cash and bank balances (excluding long-term bank deposits)	15,840,115	14,645,852
Other cash equivalents – cash chips of other casinos	251	236
Cash and cash equivalents and other bank deposits	15,840,366	14,646,088
Less: Short-term pledged bank deposits and short-term bank deposits with maturity over three months	(932,868)	(8,397,937)
Cash and cash equivalents	14,907,498	6,248,151
Add: Short-term pledged bank deposits	410,078	429,689
Add: Short-term bank deposits with maturity over three months	522,790	7,968,248
Add: Long-term bank deposits	4,450,079	4,470,886
Total cash and cash equivalents and bank deposits	20,290,445	19,116,974

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2020 HK\$'000	2019 HK\$'000
Hong Kong dollar	10,387,041	7,780,607
Macau Patacas	132,555	149,438
Renminbi	2,539,279	245,152
U.S. dollars	7,226,655	10,938,149
Others	4,915	3,628
	20,290,445	19,116,974

Cash and short-term deposits of HK\$487 million (2019: HK\$227 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.

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:

	2020 HK\$'000	2019 HK\$'000
Counterparties with external credit rating (Standard & Poor's or Moody's)		
AA- to AA+	337,947	868,073
A- to A+	18,862,379	17,252,531
BBB	24,179	276,383
Unrated and cash on hand	1,065,689	719,751
Other cash equivalents – cash chips of other casinos (note)	251	236
	20,290,445	19,116,974

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. 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 2018 and 1 January 2019	4,324,998,101	22,016,875	(21)	22,016,854
Share award scheme – shares purchased by the trustee	–	–	(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 and 1 January 2020	4,333,820,007	22,433,674	(6)	22,433,668
Share award scheme – shares issued to the trustee (note a)	3,094,403	31	(31)	–
Share award scheme – shares purchased by the trustee (note b)	–	–	(36,800)	(36,800)
Shares vested pursuant to share award scheme	–	83,171	36,817	119,988
Issue of shares upon exercise of share options	7,163,463	291,612	–	291,612
At 31 December 2020	4,344,077,873	22,808,488	(20)	22,808,468

Notes:

- (a) During the year ended 31 December 2020, a total of 3,094,403 shares (2019: nil) of the Company were allotted to the trustee of the share award scheme of HK\$31,000 (2019: nil).
- (b) During the year ended 31 December 2020, the trustee purchased on SEHK a total of 587,302 shares (2019: 741,802 shares) of the Company for a total consideration of HK\$36.8 million (2019: HK\$39.6 million).
- (c) As at 31 December 2020, a total of 2,015,532 shares (2019: 557,182 shares) of the Company were held by the trustee under the share award scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. 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:

	2020		2019	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
At beginning of year	43.29	58,407,872	38.16	56,095,601
Granted	52.58	1,667,000	57.70	12,310,000
Exercised	31.21	(7,163,463)	29.93	(8,821,906)
Lapsed	55.83	(1,724,943)	49.51	(1,175,823)
At end of year	44.86	51,186,466	43.29	58,407,872
Vested at end of year	41.37	36,689,807	35.42	33,181,905

The weighted average share price at the date of exercise for share options exercised during the year was HK\$58.52 (2019: HK\$51.37).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)

(a) Share option scheme (Continued)

The options outstanding at 31 December 2020 have exercise prices ranging from HK\$24.80 to HK\$62.36 (2019: HK\$24.80 to HK\$77.75) with weighted average remaining contractual life of 3.25 years (2019: 4.02 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	
		2020	2019
Directors			
24 December 2016 to 23 December 2021	24.80	5,056,334	5,225,334
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	4,687,000
29 September 2021 to 28 September 2026	52.58	200,000	–
Employees and others			
15 January 2015 to 14 January 2020	77.75	–	60,000
16 July 2015 to 15 July 2020	62.75	–	66,000
16 January 2016 to 15 January 2021	39.86	–	32,668
24 December 2016 to 23 December 2021	24.80	2,931,520	6,769,865
28 December 2017 to 27 December 2022	33.49	2,400,210	3,627,582
12 March 2018 to 11 September 2022	28.35	1,452,848	1,853,401
26 July 2018 to 25 July 2023	46.95	865,670	1,066,004
27 December 2018 to 26 December 2023	62.36	3,462,000	3,855,332
21 November 2019 to 20 November 2024	46.75	5,560,538	7,254,007
28 December 2019 to 27 December 2024	48.65	1,858,001	2,013,000
30 December 2020 to 29 December 2025	57.70	7,038,666	7,623,000
29 September 2021 to 28 September 2026	52.58	1,399,000	–
		51,186,466	58,407,872

The fair value of the options granted on 29 September 2020 is estimated at HK\$13.71 per option based on the Black-Scholes valuation model. The significant inputs into the model was share prices of HK\$52.30 at the date of grant, the exercise price of HK\$52.58, standard deviation of expected share price returns of 40.0%, expected life of options of 3.5 to 4.5 years, expected dividend paid out rate of 2% and annual risk-free interest rate of 0.175% to 0.190%. The volatility measured at the standard deviation of expected share price returns is based on the historical share price movement of the Company in the relevant periods matching expected time to exercise prior to the dates of grant. Changes in the subjective input assumptions could materially affect the fair value estimate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. EMPLOYEE SHARE-BASED ARRANGEMENTS (Continued)**(b) Share award scheme**

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

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

Pursuant to the share award scheme, existing shares may be acquired by an independent trustee (the "Trustee") at the cost of the Company and/or new shares may be allotted and issued to the Trustee under general mandates granted by the shareholders. Such shares will be held in trust for the award holders until the vesting criteria and conditions have been satisfied. As of 31 December 2020, 2,015,532 shares were held by the Trustee for the share award scheme.

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

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

	2020		2019	
	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	53.58	5,115,433	46.95	4,980,317
Granted (note)	–	–	56.46	2,691,200
Vested	53.97	(2,223,355)	44.41	(2,298,430)
Lapsed	52.73	(310,927)	47.65	(257,654)
At end of year	53.34	2,581,151	53.58	5,115,433

Note:

During the year ended 31 December 2020, no share award was granted. 564,300 share awards were granted to directors of the Company during the year ended 31 December 2019.

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

28. 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 2020	231,055	(1,209,607)	730,508	62,742	(123,008)	51,462,035	51,153,725
Loss for the year	-	-	-	-	-	(3,973,078)	(3,973,078)
Other comprehensive (loss)/income							
Change in fair value of financial assets at fair value through other comprehensive income	-	(912,670)	-	-	-	-	(912,670)
Translation differences of subsidiaries	-	-	-	-	82,265	-	82,265
Share of translation differences of joint ventures	-	-	-	-	105,900	-	105,900
Total other comprehensive (loss)/income, net of tax	-	(912,670)	-	-	188,165	-	(724,505)
Total comprehensive (loss)/income for the year	-	(912,670)	-	-	188,165	(3,973,078)	(4,697,583)
Transactions with equity holders							
Shares vested pursuant to share award scheme	-	-	-	(119,988)	-	-	(119,988)
Issue of shares upon exercise of share options	-	-	(68,056)	-	-	-	(68,056)
Fair value of share awards granted	-	-	-	122,591	-	-	122,591
Fair value of share options granted	-	-	175,220	-	-	-	175,220
Share options lapsed	-	-	(170,080)	-	-	170,080	-
Transfer of reserve to retained earnings	-	(8,291)	-	-	-	8,291	-
Special dividends (note 13)	-	-	-	-	-	(1,950,596)	(1,950,596)
At 31 December 2020	231,055	(2,130,568)	667,592	65,345	65,157	45,716,732	44,615,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. 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 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 of reserve to retained earnings	-	(1,709)	-	-	-	1,709	-
Special dividends (note 13)	-	-	-	-	-	(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

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 2020 and 2019, the legal reserve reached 25% of the subsidiary's share capital. Legal reserve is not distributable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Secured (note a)	118,816	156,290
Unsecured	9,114,198	396,824
Total borrowings	9,233,014	553,114
Current portion included in current liabilities	–	(17,861)
Short-term bank loans	(9,233,014)	(526,322)
	(9,233,014)	(544,183)
Non-current portion of borrowings	–	8,931

Notes:

(a) The bank loans of HK\$119 million (2019: HK\$156 million) are secured by bank deposits of HK\$119 million (2019: HK\$138 million) (note 25).

(b) The bank loans are repayable as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	9,233,014	544,183
Between one to two years	–	8,931
	9,233,014	553,114

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

	2020					2019				
	HK\$	EUR	RMB	US\$	MOP	HK\$	EUR	RMB	US\$	MOP
Bank loans	1.0%	0.5%	5.0%	1.0%	–	–	0.6%	5.0%	–	–

(d) 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:

	2020 HK\$'000	2019 HK\$'000
Six months or less	9,114,198	535,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BORROWINGS (Continued)

Notes: (Continued)

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

	Carrying amounts		Fair value	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Bank loans	9,233,014	553,114	9,233,014	553,114

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.

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

	2020 HK\$'000	2019 HK\$'000
Hong Kong dollar	8,400,000	–
Renminbi	118,816	183,082
Euro	404,088	370,032
U.S. dollar	310,110	–
	9,233,014	553,114

30. DEFERRED TAXATION LIABILITIES

	2020 HK\$'000	2019 HK\$'000
At beginning of the year	201,218	194,695
Charged to income statement	6,735	6,523
At end of the year	207,953	201,218

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. DEFERRED TAXATION LIABILITIES (Continued)

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

	Depreciation allowance	Withholding tax on undistributed profit and others	Fair value adjustments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
Charged/(credited) to income statement	10,473	(262)	(3,476)	6,735
At 31 December 2020	33,741	75,212	99,000	207,953

Deferred taxation assets of HK\$983,109,000 (2019: HK\$795,762,000) arising from unused tax losses and other temporary differences totalling of HK\$7,867,964,000 (2019: HK\$6,307,938,000) have not been recognised in the consolidated financial statements. Unused tax losses of HK\$96,818,000 (2019: HK\$100,931,000) have no expiry date and the remaining balance will expire at various dates up to and including 2025 (2019: 2024). 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

31. CREDITORS AND ACCRUALS

	2020 HK\$'000	2019 HK\$'000
Trade creditors (note a)	3,048,087	4,019,224
Other creditors (note b)	2,911,552	4,224,103
Chips issued	6,193,272	9,315,854
Loans from non-controlling interests (note c)	84,026	86,967
Accruals and provision	2,305,357	2,327,154
	14,542,294	19,973,302

Notes:

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

	2020 HK\$'000	2019 HK\$'000
Within one month	2,656,411	3,679,447
Two to three months	58,077	64,647
Four to six months	108,841	24,771
Over six months	224,758	250,359
	3,048,087	4,019,224

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

	2020 HK\$'000	2019 HK\$'000
Hong Kong dollar	2,446,762	3,288,422
Macau Patacas	332,074	451,536
Renminbi	264,402	250,595
Other	4,849	28,671
	3,048,087	4,019,224

- (b) Other creditors mainly represented gaming tax payable to the Macau Government and construction payable to contractors.
- (c) The loans payable of HK\$68,447,000 (2019: HK\$71,268,000) 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

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of (loss)/profit before taxation to cash (used in)/generated from operations

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before taxation	(3,762,615)	13,283,819
Finance costs	38,057	129,326
Share of profits less losses of joint ventures and associated companies	(452,764)	(532,155)
Depreciation and amortisation	2,816,740	3,456,596
Loss on disposal and loss on write-off of property, plant and equipment	194,974	120,173
Interest income	(1,155,348)	(1,293,950)
Gross earnings on finance lease	(448)	(2,268)
Dividend income from unlisted investments	(2,500)	(12,045)
Dividend income from listed investments	(28,225)	(107,008)
Fair value of share options granted	175,220	166,314
Fair value of share awards granted	122,591	109,077
Operating (loss)/profit before working capital changes	(2,054,318)	15,317,879
(Increase)/decrease in inventories	(23,882)	11,965
Decrease/(increase) in debtors and prepayments	389,092	(271,938)
(Decrease)/increase in creditors and accruals	(5,718,494)	4,620,498
Decrease in amounts due to joint ventures	(7,610)	(5,826)
(Increase)/decrease in amounts due from joint ventures	(3,279)	29,687
Cash (used in)/generated from operations	(7,418,491)	19,702,265

(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

32. 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 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
Cash flows				
– new bank loans	10,260,180	–	–	10,260,180
– repayment of bank loans	(1,612,665)	(8,931)	–	(1,621,596)
– principal element of lease payments	–	–	(52,455)	(52,455)
Non-cash changes				
– translation differences	41,316	–	2,288	43,604
– addition of lease liabilities	–	–	18,588	18,588
– finance cost	–	–	11,760	11,760
– others	–	–	4,674	4,674
As of 31 December 2020	9,233,014	–	344,889	9,577,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. NON-CURRENT DEPOSITS AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Non-current deposits received and other payables	116,424	240,064

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

34. CAPITAL COMMITMENTS

	2020 HK\$'000	2019 HK\$'000
Contracted but not provided for – Property, plant and equipment	4,764,805	5,247,310

35. OPERATING LEASE COMMITMENTS

The Group lease various office, warehouses and equipment under non-cancellable operating leases expiring within 1 year to 29 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, all terms and conditions of the leases are renegotiated.

The Group has recognised right-of use assets for these leases, except for short-term and low-value asset leases, see note 15.

36. 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:

	2020 HK\$'000	2019 HK\$'000
Less than one year	575,416	882,855
One to two years	224,769	444,761
Two to three years	114,486	113,082
Three to four years	28,990	58,695
Four to five years	24,982	22,548
More than the five years	7,022	24,186
	975,665	1,546,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. RELATED PARTY TRANSACTIONS

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

- (a) Interest income from joint ventures amounting to HK\$1,624,000 (2019: HK\$293,000) are charged at prevailing market rate (note 24(a)).
- (b) Management fee received from joint ventures amounted to HK\$9,356,000 (2019: HK\$9,763,000) are charged at terms agreed among the parties.
- (c) Rental expenses of HK\$1,445,000 (2019: HK\$1,453,000) 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\$327,112,000 (2019: HK\$213,904,000) at terms agreed among the parties.
- (e) The balances with joint ventures are disclosed in note 24.
- (f) Interest expenses to joint ventures and non-controlling interests amounted to HK\$3,533,000 (2019: HK\$5,907,000) at terms agreed among the parties (note 24(b)).
- (g) Key management personnel comprise the Chairman, Deputy Chairman and other Executive Directors. Key management compensation amounted to HK\$195,143,000 for the year ended 31 December 2020 (2019: HK\$203,010,000).

38. GUARANTEES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK\$6,970 million (2019: HK\$5,470 million). At 31 December 2020, facilities of HK\$300 million had been utilised by a subsidiary (2019: nil).

A subsidiary of the Group has executed guarantees in favour of banks in respect of facilities granted to joint ventures amounting to HK\$116 million (2019: HK\$145 million). At 31 December 2020, no facilities had been utilised (2019: HK\$3 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.

39. POST BALANCE SHEET EVENT

On 19 February 2021, the Group entered into a legally binding letter of intent with China Construction Engineering (Macau) Company Limited, being the main contractor, in relation to the provision of construction and related services for the Group's construction of Cotai Phase 4 Project with contract sum of approximately MOP13.01 billion (equivalent to approximately HK\$12.63 billion).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	2020 HK\$'000	2019 HK\$'000
Assets		
Non-current assets		
Subsidiaries	1	1
Amounts due from subsidiaries	63,081,537	24,206,741
	63,081,538	24,206,742
Current assets		
Debtors and prepayments	9,729	3,130
Cash and bank balances	8,717,277	2,129,420
	8,727,006	2,132,550
Total assets	71,808,544	26,339,292
Equity		
Share capital and shares held for share award scheme	22,808,468	22,433,668
Reserves (note a)	40,139,873	3,497,518
Equity attributable to owners of the Company	62,948,341	25,931,186
Liabilities		
Current liabilities		
Creditors and accruals	46,005	38,075
Short-term bank loan	8,814,198	370,031
	8,860,203	408,106
Total liabilities	8,860,203	408,106
Total equity and liabilities	71,808,544	26,339,292

Francis Lui Yiu Tung
Director

Joseph Chee Ying Keung
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. 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 2020	235,239	730,508	62,742	2,469,029	3,497,518
Profit for the year	-	-	-	38,483,184	38,483,184
Transactions with equity holders					
Shares vested pursuant to share award scheme	-	-	(119,988)	-	(119,988)
Issue of shares upon exercise of share options	-	(68,056)	-	-	(68,056)
Fair value of share awards granted	-	-	122,591	-	122,591
Fair value of share options granted	-	175,220	-	-	175,220
Share options lapsed	-	(170,080)	-	170,080	-
Special dividends (note 13)	-	-	-	(1,950,596)	(1,950,596)
At 31 December 2020	235,239	667,592	65,345	39,171,697	40,139,873
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 awards 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 13)	-	-	-	(3,940,159)	(3,940,159)
At 31 December 2019	235,239	730,508	62,742	2,469,029	3,497,518

As at 31 December 2020, reserves of the Company of HK\$39,171,697,000 were available for distribution to shareholders (2019: HK\$2,469,029,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 25 February 2021.

42. 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 2005 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. 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 (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
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
K. Wah UEP Asphalt Limited	Hong Kong	10,000	–	70	Provision of management services
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. 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)					
Profit Link Asia Group Limited	Hong Kong	2	–	100	Investment holding
Quantum Limited	Hong Kong	2	–	100	Provision for handling services
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

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 services
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	RMB33,000,000	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. 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
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.

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

* Wholly owned and directly held by the Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. 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 British Virgin Islands (Continued)					
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 services
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)					
Broadway Macau Hotel Company Limited	Macau	2	MOP25,000	Equity: 90 Profit sharing: 100	Property holding and hospitality
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 2006 Company Limited	Macau	2	MOP1,000,000	Equity: 90 Profit sharing: 100	Property holding and hospitality

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. 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)					
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

42. 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
廣東韶鋼嘉華新型材料有限公司 (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
Qujing Kungang & K. Wah Cement Construction Materials Co., Ltd.	Qujing	RMB374,520,000	32	Manufacture, sale and distribution of cement
惠東協孚港口綜合開發有限公司 (Huidong Server Port Integrated Development Company Limited)	Huidong	RMB8,620,000	30	Property holding
雲南昆鋼嘉華水泥建材有限公司 (Yunnan Kungang & K. Wah Cement Construction Materials Co., Ltd.)	Kunming	RMB825,000,000	25.6	Manufacture, sale and distribution of cement
昭通昆鋼嘉華水泥建材有限公司 (Zhaotong Kungang & K. Wah Cement Construction Materials Co., Ltd.)	Zhaotong	RMB250,000,000	32	Manufacture, sale and distribution of cement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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