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信德集團



SHUN TAK HOLDINGS

SHUN TAK HOLDINGS LIMITED

信德集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 242)

Website: <http://www.shuntakgroup.com>

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE 2018 ANNUAL RESULTS ANNOUNCEMENT**

References are made to the (1) announcement and supplemental announcement in relation to the interim results of Shun Tak Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the six months ended 30 June 2018 (together, the “**Interim Results Announcements**”) and (2) the annual results announcement of the Group for the year ended 31 December 2018 (the “**Final Results Announcement**”). Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Interim Results Announcements and the Final Results Announcement.

The Board wishes to provide further information in relation to the Final Results Announcement.

FURTHER DETAILS IN RELATION TO THE ACTION PLAN

As explained in the Interim Results Announcements, STDM is a private company incorporated in Macau, and is not required to prepare or provide detailed accounting and financial information to its shareholders under Macau law. Since the adoption of HKFRS 9 and the publication of the Interim Results Announcements, the Company has been exploring and considering various valuation methodologies which might be applicable in assessing the fair value of the STDM Investment pursuant to the requirements of HKFRS 9, such as the discounted cashflow method (“**DCF method**”) and income capitalisation method (“**Income Capitalisation method**”) under the income approach as well as the market comparable method. The Auditor did not have any disagreement with the appropriateness of any of these valuation methods, subject to the availability of relevant information required for the assessment and its review of the final valuation assessment together with the underlying assumptions and calculations.

Initially, the Company had been liaising with and reaching out to STDM with a view to obtaining the financial information of STDM including historical consolidated financial information and financial projections in order for the Company to conduct a fair value assessment based on the DCF method. However, since STDM is not required to prepare and has never prepared any audited consolidated financial statements, STDM was unable to provide the required information for completing the assessment adopting the DCF method.

In light of this, and after considering the information that is necessary for conducting assessment under the other two methodologies, the Company intends to adopt the Income Capitalisation method. On the basis that the information that is required to be obtained, including future dividend policy and breakdown of contributions by principal segments of STDM as well as the dividend yields of other market comparables, may be available without relying upon audited consolidated financial statements of STDM, the Company is of the view that it would be able to gather sufficient information for completing the valuation assessment in accordance with the timetable set out below.

The Company estimates that the preliminary draft of the valuation assessment will be available in two to three months' time, which will then be reviewed by the audit committee of the Company, the Board and the Auditor with the aim that the fair value assessment be finalised and the qualified conclusion be removed in the 2019 interim results announcement subject to the Auditor's review of the final valuation assessment together with the underlying assumptions and calculations.

The Auditor agrees with the action plan stated above. The Company will continuously monitor the situation and will update the Shareholders if there are any updates on or changes to the action plan.

FINANCIAL IMPACT OF THE QUALIFIED OPINION ON THE GROUP

As stated in the Final Results Announcement, the qualified opinion was formed as the STDM Investment is stated at cost but not at fair value as required under HKFRS 9. Both the management and the audit committee of the Company consider that the qualified opinion will not have any impact on the income statement of the Group as any fair value movements would affect other comprehensive income only given the STDM Investment is a long term investment for the Group.

There was no disagreement between the views of the audit committee and the management of the Company with those of the Auditor on (i) the qualified opinion and (ii) the Company's action plan to address the audit issue.

EXTRACT OF THE NOTES TO THE FINANCIAL STATEMENTS

As referenced at page 22 of the Final Results Announcement under the section headed "Basis for Qualified Opinion", below is an extract of notes 2(b), 19 and 46 to the consolidated financial statements to be disclosed in the Company's 2018 annual report which are relevant to the qualified opinion. The full version of the notes will be disclosed in the Company's 2018 annual report in due course.

2(b) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance except for the departure of HKFRS 9, “Financial Instruments” in relation to the fair value measurement of one of its equity investments as detailed in note 19 to the consolidated financial statements. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Impact of new or revised Hong Kong Financial Reporting Standards

The changes in accounting policies and the impacts of changes in accounting policies are summarised below.

HKFRS 9, “Financial instruments”

Effects of changes in accounting policies — Financial assets

Certain unlisted equity investments were previously stated at cost less impairment. On adoption of HKFRS 9, the standard removes the cost exemption for unquoted equity investments. Given that Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”) is a private company incorporated in Macau, it is not required to prepare or provide detailed accounting and financial information to its shareholders under Macau’s jurisdiction. Therefore, the Company is unable to obtain sufficient information of STDM for fair value assessment, and stated it at cost.

19 Financial assets at fair value through other comprehensive income/ available-for-sale investments

Certain available-for-sale investments of the Group, including an unlisted investment in STDM were stated at cost in prior years as prescribed by provisions under HKAS 39.

During the year, following the adoption of HKFRS 9, “Financial Instruments”, equity investments other than the investment in STDM are measured at fair value. Given that STDM is a private company incorporated in Macau, it is not required to prepare or provide detailed accounting and financial information to its shareholders under Macau’s jurisdiction. Therefore, the Company is unable to obtain sufficient information of STDM for fair value assessment, and stated it at cost.

46 Balance sheet and reserve movement of the Company

Balance sheet of the Company (extract)

	2018	2017
	HK\$'000	HK\$'000
Non-current assets		
Property, plant and equipment	1,002	1,038
Subsidiaries	630,805	630,805
Associate	250	250
Financial assets at fair value through other comprehensive income (note (a))	233,679	—
Available-for-sale investments (note (a))	—	233,679
Other non-current assets	<u>14,827,499</u>	<u>14,129,823</u>
	<u>15,693,235</u>	<u>14,995,595</u>

Notes:

- (a) The balances represented the Company's investment in STDM which was stated at cost in prior years as prescribed by provisions under HKAS 39. As detailed in note 19, the Company is unable to obtain sufficient information of STDM for fair value assessment as required by HKFRS 9 and stated it at cost.

The above additional information does not affect other information contained in the Final Results Announcement and the content of the Final Results Announcement remains unchanged.

By order of the Board
SHUN TAK HOLDINGS LIMITED
Angela Tsang
Company Secretary

Hong Kong, 17 April 2019

As at the date of this announcement, the executive directors of the Company are Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho, Mr. David Shum and Mr. Rogier Verhoeven; and the independent non-executive directors are Mr. Norman Ho, Mr. Charles Ho, Mr. Michael Wu and Mr. Kevin Yip.