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

2020 Annual Results Announcement

GROUP RESULTS

The board of directors (the "Board") of Shun Tak Holdings Limited (the "Company") announces the consolidated annual results for the year ended 31 December 2020 of the Company and its subsidiaries (the "Group").

Consolidated profit attributable to owners of the Company for the year was HK$262 million (2019: HK$3,456 million). Underlying profit attributable to the owners which was principally adjusted for unrealised fair value changes on investment properties would be HK$1,089 million (2019: HK$3,624 million). Basic earnings per share was HK8.7 cents (2019: HK114.3 cents).

DIVIDENDS

The Board does not recommend the payment of any final dividend (2019: HK18.0 cents per share) in respect of the year ended 31 December 2020. No interim dividend was declared by the Board during the year ended 31 December 2020 (2019: nil).

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Revenue	*3*	**4,190,309**	14,649,184
Other income		**281,809**	406,281
		4,472,118	15,055,465
Other gains, net	*4*	**944,074**	8,737
Cost of inventories sold and services provided		**(1,440,799)**	(6,161,386)
Staff costs		**(816,382)**	(1,323,725)
Depreciation and amortisation		**(188,022)**	(273,968)
Other costs		**(775,102)**	(838,377)
Fair value changes on investment properties		**(449,248)**	(182,401)
Operating profit	*3, 5*	**1,746,639**	6,284,345
Finance costs	*6*	**(382,391)**	(616,727)
Share of results of joint ventures		**(429,734)**	39,384
Share of results of associates		**8,796**	172,935
Profit before taxation		**943,310**	5,879,937
Taxation	*7*	**(310,276)**	(770,988)
Profit for the year		**633,034**	5,108,949
Attributable to:			
Owners of the Company		**262,440**	3,455,796
Non-controlling interests		**370,594**	1,653,153
Profit for the year		**633,034**	5,108,949
Earnings per share *(HK cents)*	*9*		
— basic		**8.7**	114.3
— diluted		**8.7**	114.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	HK$'000	*HK$'000*
Profit for the year	**633,034**	5,108,949
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss:		
Debt instruments at fair value through other comprehensive income:		
Changes in fair value	**119**	311
Cash flow hedges:		
Changes in fair value, net of tax	**(19,240)**	23,097
Transfer to profit or loss	**7,518**	21,838
Reversal of asset revaluation reserve upon sales of properties, net of tax	**(61,404)**	(367,040)
Release of reserves upon disposal of interests in subsidiaries	**730**	—
Release of exchange reserve upon disposal of an associate	**70,034**	—
Currency translation differences	**296,336**	(67,515)
Share of currency translation difference of joint ventures	**402,985**	(33,190)
Share of currency translation difference of associates	**135,798**	(51,354)
Share of other comprehensive income of an associate	**3,948**	—
Items that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	**70,928**	—
Equity instruments at fair value through other comprehensive income:		
Changes in fair value	**(100,733)**	(275,585)
Other comprehensive income/(loss) for the year, net of tax	**807,019**	(749,438)
Total comprehensive income for the year	**1,440,053**	4,359,511
Attributable to:		
Owners of the Company	**1,049,902**	2,761,327
Non-controlling interests	**390,151**	1,598,184
Total comprehensive income for the year	**1,440,053**	4,359,511

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**3,147,271**	3,652,657
Right-of-use assets		**864,285**	855,823
Investment properties		**7,979,780**	8,132,054
Joint ventures		**12,644,111**	12,734,445
Associates		**6,075,468**	3,141,999
Intangible assets		**3,055**	2,320
Financial assets at fair value through other comprehensive income		**3,446,728**	3,586,492
Deferred tax assets		**66,982**	46,503
Other non-current assets		**2,771,866**	1,458,116
		36,999,546	33,610,409
Current assets			
Properties for or under development		**4,025,958**	6,765,078
Inventories		**13,454,845**	11,569,353
Financial assets at fair value through other comprehensive income		**36,433**	—
Trade and other receivables, deposits paid and prepayments	*10*	**903,450**	1,080,100
Derivative financial instruments		—	16,503
Taxation recoverable		**70,684**	6,489
Cash and bank balances		**5,446,129**	12,280,902
		23,937,499	31,718,425
Current liabilities			
Trade and other payables, and deposits received	*10*	**1,902,831**	2,733,511
Contract liabilities		**927,213**	666,084
Lease liabilities		**47,144**	47,278
Bank borrowings		**2,928,476**	7,295,263
Provision for employee benefits		**5,886**	11,231
Medium term notes		—	3,170,586
Taxation payable		**226,465**	1,021,385
Loans from non-controlling interests		**60,361**	896,536
		6,098,376	15,841,874
Net current assets		**17,839,123**	15,876,551
Total assets less current liabilities		**54,838,669**	49,486,960

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Contract liabilities	**32,028**	24,164
Lease liabilities	**49,258**	69,830
Bank borrowings	**15,011,070**	8,019,423
Deferred tax liabilities	**973,122**	912,951
Other non-current liabilities	**857,642**	—
	16,923,120	9,026,368
Net assets	**37,915,549**	40,460,592
Equity		
Share capital	**9,858,250**	9,858,250
Other reserves	**25,226,644**	25,358,119
Proposed dividends	**—**	543,866
Equity attributable to owners of the Company	**35,084,894**	35,760,235
Non-controlling interests	**2,830,655**	4,700,357
Total equity	**37,915,549**	40,460,592

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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. 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 (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain financial assets and financial liabilities (including derivative financial instruments) which have been measured at fair value.

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all the subsidiary undertakings (within the meanings of Schedule 1 to Cap. 622) in the Company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 "Consolidated Financial Statements" so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provision of Section 380(6), the Company has departed from Section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in the notes to the 2020 annual consolidated financial statements. The subsidiaries excluded subsidiary undertakings of the Group are disclosed in the 2020 annual consolidated financial statements.

The financial information relating to the years ended 31 December 2020 and 31 December 2019 included in this preliminary announcement of annual results for the year ended 31 December 2020 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company had delivered the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor had reported on those consolidated financial statements of the Group for both years. For the year ended 31 December 2019, the auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies

Ordinance (Cap.622). For the year ended 31 December 2020, the auditor's report was qualified and contained a statement under section 407(3) of the Hong Kong Companies Ordinance (Cap.622). The auditor's report did not contain a statement under sections 406(2) or 407(2) of the Hong Kong Companies Ordinance (Cap. 622). For details, please refer to section "EXTRACT OF INDEPENDENT AUDITOR'S REPORT" in this preliminary announcement.

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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the 2020 annual consolidated financial statement.

2 IMPACT OF NEW OR REVISED HKFRS

(a) Amendments to standards adopted by the Group

The following amendments to standards are relevant to the Group's operations and first effective for the Group's financial year beginning on 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the above amendments to standards did not have any significant impact to the Group's results for the year ended 31 December 2020 and the Group's financial position as at 31 December 2020.

(b) Amendments to standard early adopted by the Group

The Group has early adopted the following amendments to standard, retrospectively from 1 January 2020, which is relevant to its operations.

Amendments to HKFRS 16	COVID-19-Related Rent Concessions

Amendments to HKFRS 16 "COVID-19-Related Rent Concessions" allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic ("COVID-19") is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 and only if all of the following conditions are met:

— the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;

— any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

— there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions for long-term and short-term leases of HK$4,902,000 and HK$17,486,000 respectively have been recognised in other costs in the consolidated income statement for the year ended 31 December 2020. There is no impact on the opening balance of equity at 1 January 2020.

(c) Amendments to standards not yet adopted

The HKICPA has issued amendments to standards which are relevant to the Group's operations but are not yet effective for the Group's financial year beginning on 1 January 2020 and have not been early adopted:

Amendments to HKAS 16[(1)]	Property, Plant and Equipment
Amendments to HKAS 37[(1)]	Provisions, Contingent Liabilities and Contingent Assets
Annual Improvements 2018-2020 Cycle[(1)]	
Amendments to HKAS 1[(2)]	Classification of Liabilities as Current or Non-current
Amendments to HKFRS 10 and HKAS 28[(3)]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning 1 January 2022
(2) Effective for annual periods beginning 1 January 2023
(3) Effective date to be determined

The Group has already commenced an assessment of the impact of these amendments to standards. These amendments to standards would not be expected to have a material impact to the results of the Group.

3 SEGMENT INFORMATION

(a) The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different products or services and requires different marketing strategies.

The Group currently has four reportable segments namely property, transportation, hospitality and investment. The segmentations are based on the internal reporting information in respect of the operations of the Group that management reviews regularly to make decisions on allocation of resources between segments and to assess segment performance.

The principal activities of each reportable segment are as follows:

Property	—	property development and sales, leasing and management services
Transportation	—	passenger transportation services
Hospitality	—	hotel and club operations, hotel management and travel agency services
Investment	—	investment holding and others

(b) Segment results, assets and liabilities

Management evaluates performance of the reportable segments on the basis of operating profit or loss before fair value changes on investment properties, non-recurring gains and losses, interest income and unallocated corporate net expenses.

Inter-segment transactions have been entered into on terms agreed by the parties concerned. The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2019.

Segment assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of interests in joint ventures and associates, taxation recoverable, deferred tax assets and other corporate assets.

Segment liabilities include all liabilities and borrowings directly attributable to and managed by each segment with the exception of taxation payable, deferred tax liabilities and other corporate liabilities.

The accounting policies of the reportable segments are the same as the Group's principal accounting policies as described in the notes to the consolidated financial statements.

As detailed in the note to the consolidated financial statement, the Group has completed its restructuring in its transportation businesses on 16 July 2020. Subsequent to the completion of the transaction, the results and assets and liabilities of Shun Tak-China Travel Shipping Investments Limited ("STCT") would continue to be presented under the transportation segment but under the lines "Share of results of associates" and "Associates" respectively for the purpose of segment reporting.

2020

	Property HK$'000	Transportation HK$'000	Hospitality HK$'000	Investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Revenue and other income						
External revenue *(note d)*						
Revenues from contracts with customers						
— Recognised at a point in time	2,454,340	2,040	62,148	32,790	—	2,551,318
— Recognised over time	750,506	85,006	192,243	—	—	1,027,755
	3,204,846	87,046	254,391	32,790	—	3,579,073
Revenues from other sources						
— Rental income	429,302	227	—	438	—	429,967
— Dividend income	—	—	—	181,269	—	181,269
	429,302	227	—	181,707	—	611,236
	3,634,148	87,273	254,391	214,497	—	4,190,309
Inter-segment revenue	1,295	215	1,943	—	(3,453)	—
Other income (external income and excluding interest income)	30,686	55,101	33,756	7,760	—	127,303
	3,666,129	142,589	290,090	222,257	(3,453)	4,317,612
Segment results	2,467,580[(i)]	95,315[(ii)]	(547,901)	166,414	—	2,181,408
Fair value changes on investment properties	(449,248)	—	—	—	—	(449,248)
Interest income						142,252
Unallocated income						12,254
Unallocated expense						(140,027)
Operating profit						1,746,639
Finance costs						(382,391)
Share of results of joint ventures	(375,489)	(1,026)	(53,219)	—	—	(429,734)
Share of results of associates	96,576	(76,362)	(15,997)	4,579	—	8,796
Profit before taxation						943,310
Taxation						(310,276)
Profit for the year						633,034

Notes:

(i) Amount includes gain on disposal of an associate of HK$562,694,000 as detailed in note 4.

(ii) Amount includes gain on disposal of a subsidiary of HK$395,542,000 as detailed in note 4.

2020

	Property *HK$'000*	Transportation *HK$'000*	Hospitality *HK$'000*	Investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Assets						
Segment assets	32,009,029	178,936	4,194,735	3,566,125	—	39,948,825
Joint ventures	13,002,624	—	(358,513)	—	—	12,644,111
Associates	4,998,395	932,175	140,378	4,520	—	6,075,468
Unallocated assets						2,268,641
Total assets						60,937,045
Liabilities						
Segment liabilities	3,550,449	5,522	139,955	25,256	—	3,721,182
Unallocated liabilities						19,300,314
Total liabilities						23,021,496
Other information						
Additions to non-current assets (other than financial instruments and deferred tax assets)	3,647,729	1,142,759	110,271	19,029	—	4,919,788
Depreciation						
— property, plant and equipment	5,002	13,278	88,443	3,758	—	110,481
— right-of-use assets	9,914	4,003	30,751	8,253	—	52,921
Amortisation						
— intangible assets	—	—	160	42	—	202
Impairment losses provided/(reversed)						
— property, plant and equipment	—	—	318,794	—	—	318,794
— trade receivables, net	4,993	—	(138)	—	—	4,855

2019

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue and other income						
External revenue (note d)						
Revenues from contracts with customers						
— Recognised at a point in time	11,714,149	29,581	144,492	27,401	—	11,915,623
— Recognised over time	171,085	1,303,331	641,405	—	—	2,115,821
	11,885,234	1,332,912	785,897	27,401	—	14,031,444
Revenues from other sources						
— Rental income	484,227	7,115	—	419	—	491,761
— Dividend income	—	—	—	125,979	—	125,979
	484,227	7,115	—	126,398	—	617,740
	12,369,461	1,340,027	785,897	153,799	—	14,649,184
Inter-segment revenue	5,207	2,035	24,680	—	(31,922)	—
Other income (external income and excluding interest income)	32,930	31,316	12,513	7,518	—	84,277
	12,407,598	1,373,378	823,090	161,317	(31,922)	14,733,461
Segment results	6,524,886	(122,071)	(219,667)	134,345	—	6,317,493
Fair value changes on investment properties	(182,401)	—	—	—	—	(182,401)
Interest income						322,004
Unallocated expense						(172,751)
Operating profit						6,284,345
Finance costs						(616,727)
Share of results of joint ventures	64,234	2,134	(26,984)	—	—	39,384
Share of results of associates	163,113	3,536	(4,379)	10,665	—	172,935
Profit before taxation						5,879,937
Taxation						(770,988)
Profit for the year						5,108,949

2019

	Property HK$'000	Transportation HK$'000	Hospitality HK$'000	Investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Assets						
Segment assets	31,550,063	4,961,646	4,246,840	3,703,197	(20,624)	44,441,122
Joint ventures	12,975,218	64,520	(305,293)	—	—	12,734,445
Associates	2,911,669	29,657	187,331	13,342	—	3,141,999
Unallocated assets						5,011,268
Total assets						65,328,834
Liabilities						
Segment liabilities	1,622,736	1,607,668	231,370	32,039	(20,624)	3,473,189
Unallocated liabilities						21,395,053
Total liabilities						24,868,242
Other information						
Additions to non-current assets (other than financial instruments and deferred tax assets)	4,544,598	47,585	839,385	29,372	—	5,460,940
Depreciation						
— property, plant and equipment	21,716	74,861	90,753	241	—	187,571
— right-of-use assets	6,455	16,778	32,841	5,293	—	61,367
Amortisation						
— intangible assets	—	—	160	45	—	205
Impairment losses provided/(reversed)						
— property, plant and equipment	—	—	153,535	—	—	153,535
— trade receivables, net	240	—	(108)	—	—	132

(c) Geographical information

	Hong Kong	Macau	Mainland China	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2020					
Revenue and other income from external customers	**733,405**	**2,674,218**	**747,449**	**162,540**	**4,317,612**
Non-current assets*	**5,710,739**	**1,107,628**	**3,604,010**	**1,572,014**	**11,994,391**
2019					
Revenue and other income from external customers	1,323,974	12,289,743	225,960	893,784	14,733,461
Non-current assets*	6,556,883	1,151,792	3,301,076	1,633,103	12,642,854

* *Amount excluded joint ventures, associates, financial instruments, deferred tax assets and other non-current assets.*

(d) External revenue

External revenue comprises revenue by each reportable segment and dividend income from financial assets at FVOCI.

4 OTHER GAINS, NET

	2020	2019
	HK$'000	*HK$'000*
Net gain on disposal of subsidiaries	**382,088**	8,483
Gain on disposal of a joint venture	**—**	321
Gain on disposal of an associate	**562,694**	—
Net loss on disposal of property, plant and equipment	**(708)**	(67)
	944,074	8,737

Net gain on disposal of subsidiaries included a gain of HK$395,542,000 for disposal of STCT.

Gain on disposal of an associate represented the gain resulting from the disposal of interests in Perennial Tongzhou Holdings Pte. Limited.

5 OPERATING PROFIT

	2020	2019
	HK$'000	*HK$'000*
After crediting:		
Rental income from investment properties	**286,418**	303,406
Less: Direct operating expenses arising from investment properties	**(37,507)**	(37,780)
	248,911	265,626
Dividend income from listed investments	**8,531**	9,671
Dividend income from unlisted investments	**172,738**	116,308
Wage, salary and other subsidies from government under COVID-19	**99,347**	—
After charging:		
Cost of inventories sold		
— properties	**1,204,592**	5,183,900
— fuel	**46,278**	493,001
— others	**38,809**	91,724
	1,289,679	5,768,625
Impairment losses recognised		
— property, plant and equipment	**318,794**	153,535
— trade receivables, net	**4,855**	132

6 FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank borrowings and overdrafts	**382,442**	463,706
Interest on medium term notes	**32,979**	181,991
Interest on loans from non-controlling interests	**—**	39,502
Interest on lease liabilities	**3,903**	5,491
Other finance costs	**51,344**	28,401
Total finance costs	**470,668**	719,091
Less: Amount capitalised in properties for or under development, inventories and hotel building under construction	**(88,277)**	(102,364)
	382,391	616,727

During the year, finance costs have been capitalised at weighted average rate of its general borrowings of 2.00% (2019: 3.93%) per annum for hotel building under construction.

7 TAXATION

	2020	2019
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**40,297**	25,835
Non-Hong Kong taxation	**261,223**	944,765
Deferred taxation	**8,756**	(199,612)
Total tax expenses	**310,276**	770,988

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the year. Non-Hong Kong taxation is calculated at tax rates applicable to jurisdictions in which the Group operates, mainly in Macau and the PRC at 12% and 25% respectively.

8 DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Proposed final dividend: nil (2019: HK18 cents on 3,021,479,785 shares)	—	534,866

Note: The amount of proposed final dividend is based on the number of issued shares at the date of approval of these financial statements.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK$262,440,000 (2019: HK$3,455,796,000) and the weighted average number of 3,021,479,785 shares (2019: 3,023,427,363 shares) in issue during the year.

Basic and fully diluted earnings per share are the same as the share options of the Company has an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2020 (2019: same).

10 TRADE RECEIVABLES AND PAYABLES

Trade receivables are managed in accordance with defined credit policies, dependent on market requirements and businesses which they operate. Subject to negotiation, credit is only available for major customers with well-established trading records. The Group offers general credit terms ranging from 0 day to 60 days to its customers, except for sales of properties the proceeds from which are receivable pursuant to the terms of the relevant agreements.

The ageing analysis of trade debtors by invoice date is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 — 30 days	**73,612**	89,393
31 — 60 days	**18,920**	24,820
61 — 90 days	**13,365**	5,764
Over 90 days	**14,489**	6,282
	120,386	126,259

The ageing analysis of trade payables by invoice date is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 — 30 days	**477,744**	794,849
31 — 60 days	**1,637**	4,434
61 — 90 days	**217**	6,524
Over 90 days	**446**	5,268
	480,044	811,075

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the Group's consolidated financial statements for the year ended 31 December 2020.

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, 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 Qualified Opinion

The Group holds a number of associates which are accounted for using the equity method of accounting. As described in note 17 to the consolidated financial statement, on 28 December 2020 ("date of disposal"), the Group completed the disposal of its entire 38.7% interest in an associated company, Perennial Tongzhou Holdings Pte. Ltd. ("PT"). PT is an investment holding company which in turn holds 50% effective interests in three project companies that are engaged in property development for sales in China (collectively the "project companies"). The Group recognised a share of loss of HK$201,000 and share of currency translation gains in other comprehensive income ("OCI") of HK$15,633,000 in respect of PT from 1 January 2020 to the date of disposal, as well as a release of exchange reserve to profit or loss upon disposal of HK$70,034,000 and a gain on disposal of HK$562,694,000 (included in Other gains, net) in respect of the disposal of PT.

The Group relied on the financial information provided by PT management to equity account for the Group's share of loss and share of currency translation differences in OCI from 1 January 2020 to the date of disposal, the Group's share of net assets up to the date of disposal, and the consequential gain upon disposal of PT. However, since the books and records of the underlying project companies were kept by the other shareholder holding the remaining 50% interests in the project companies, management of PT did not have sufficient access to the books and records of the project companies, and therefore they were not able to provide to the Group with adequate supporting information and explanations with respect to the financial information of the project companies. Our access to the underlying records and explanations sought was also denied. We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary regarding the Group's share of PT's losses and the share of currency translation differences in OCI from 1 January 2020 to the date of disposal, as well as the release of exchange reserve to profit or loss upon disposal of PT, which would have a consequential impact to the gain on disposal of PT. Given these scope limitations, there were no other satisfactory procedures that we could perform to determine whether any adjustments to the Group's share of results of associates, share of currency translation differences of associates in OCI, as well as the release of exchange reserve to profit or loss upon disposal and the gain on disposal of PT (included in Other gains, net) recognised for the year ended 31 December 2020 were necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") 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 qualified opinion.

Report on Other Matters under Section 407(3) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the Group's share of results and share of currency translation differences in OCI in respect of PT from 1 January 2020 to the date of disposal, as well as the release of exchange reserve to profit or loss upon disposal and the gain on disposal of PT recognised for the year ended 31 December 2020 as described in the Basis for Qualified Opinion section of our report above, we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

THE VIEWS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE ON THE QUALIFIED OPINION

The audit and risk management committee of the Company understood that the Company was not able to obtain necessary supporting information and explanations from its approximately 38.7% owned associate, Perennial Tongzhou Holdings Pte. Ltd. ("PT"), in relation to PT's 50% effective interests in three property project companies in China (collectively the "project companies") during the year. The audit and risk management committee also understood that PT did not have sufficient access to the books and records of the project companies, which were maintained by the shareholder who held the remaining 50% interests in the project companies. As reported at the half year 2020, the audit and risk management committee requested the management of the Company to take all necessary actions to resolve the matter as soon as practicable. Despite management's continuous efforts to resolve the matter, difficulties remained in gaining access to the books and records of the project companies. The Company decided to dispose of its entire interest in PT and such disposal was completed on 28 December 2020. Given that the Company no longer held an investment in PT as at 31 December 2020, the Qualified Opinion is specifically referring to the PT related line items in the Company's consolidated income statement and the Company's consolidated statement of comprehensive income for the year ended 31 December 2020. The Qualified Opinion does not have any impact on the Company's consolidated balance sheet as at 31 December 2020 and the Group's consolidated profit for the year then ended.

BUSINESS REVIEW

PROPERTY

The COVID-19 pandemic has dealt a heavy blow to the economy. In particular, retailers suffered the worst slump in demand as stringent social distancing measures curbed domestic spending while subdued economic activities also shook consumers' confidence. Commercial properties faced recessionary pressure in terms of both sales and rental yield, yet residential properties have regained momentum in the last two quarters of the year holding marginal growth year on year.

During the year, the Group offered concessionary relief to help retail tenants surmount the prevailing challenges. Along with a downward fair value adjustment, income from our investment property portfolio contracted. In contrast, in August 2020, the Group launched its Hengqin project residential units for sale. It was met with fervent popularity and 422 out of 426 units were sold out over the first two days which contributed to strengthened performance of the division. The division posted a profit at HK$2,468 million (2019: HK$6,525 million).

Property developments

Projects completed with recent sales

In Macau

Nova Park (Group interest: 100%)

Nova Park, Phase 4 of Nova City, is a striking urban park-side residential development with an unimpeded view of the stunning Taipa Central Park, set in the heart of the thriving Taipa community. Its three residential towers cover a gross floor area of approximately 680,000 square feet and offer 620 residential units in total. During the year, 6 units were transacted. As at 31 December 2020, 96% of total units have been sold.

Nova Grand (Group interest: residential: 71%)

Nova Grand is the final phase of the Group's flagship Nova City development comprising approximately 1,700 residential units in eight towers. During the year, 164 units have been handed over to homebuyers and 52 units were further contracted. As of 31 December 2020, 80% of total units has been sold. With the pandemic situation well contained in Macau and the opening of Nova Mall, it is expected that the remaining units will be launched for sale in 2021 contingent upon market conditions.

In Hong Kong

Chatham Gate (Group interest: 51%)

The luxurious development consists of two residential towers with a 350,000 square feet appending shopping arcade. Sales for the last available duplex unit was completed in August 2020.

In Singapore

111 Somerset Road, Singapore (Group interest: 100%)

This 17-storey integrated property offering a gross floor area of approximately 766,550 square feet is located within the venerable Orchard Road precinct immediately adjacent to the Somerset MRT station. It comprises two office towers, a 2-level retail podium and a 2-level basement carpark, which underwent an overhaul renovation in 2020. In May, the Group acquired the remaining 30% interest and became the sole owner of the property with formal takeover anticipated for April 2021. Rental performance remained strong despite the pandemic, and greater control over future management strategies is expected to result in improved returns.

Projects Under Development

In Northern China

Tongzhou Integrated Development, Beijing (Group interest: Phase 1 — 24%)

Situated in Tongzhou Beijing, the new capital for Beijing Central Government headquarters and state-owned enterprises, this iconic development is sited on the Grand Canal, with its Phase 1 expected to complete in 2023. The integrated community will feature 127,000 square metres of retail space, 119,000 square metres of office space, and 50,000 square metres of residential units. Its retail podium will be directly linked to the currently operating metro line M6, which connects to the Beijing city centre. Substructure works are currently in progress. Pre-sale of apartments is expected in second half of 2021.

In December, the Group disposed of its effective 19.35% interest in Phase 2 of this project to realise its accumulated capital appreciation. The move enabled the Group to refocus its resources upon other PRC projects with strategic values and explore other new potential investment opportunities.

NEW BUND 31, Qiantan, Shanghai (Group interest: 50%)

This cultural and community hub in Shanghai spans 140,500 square metres of total gross floor area, bringing together offices, retail space, basement retail, and a 5-star hotel offering around 200 rooms, to be managed by Artyzen Hospitality Group. Moreover, an art and cultural centre featuring a concert hall and other multi-purpose halls with a capacity of 4,000 spectators will be incorporated.

The project is a 50:50 joint venture with Shanghai Lujiazui (Group) Company Limited. Superstructure works for the hotel and the Performing Art Center (PAC) are in progress, with completion of the complex planned for 2023. When it completes, it is expected to become a prominent cultural icon in Shanghai.

Shanghai Suhe Bay Area Mixed-use Development Project (Group interest: 40%)

In 2020, the Group acquired a 40% effective interest in this multiplex located in Suhe Bay Area in Jingan District of Shanghai, and formed a strategic partnership with China Resources Land Limited ("CR Land") to co-develop the project.

The development comprises residential, office, commercial and cultural components, with a total developable gross floor area of approximately 186,500 square metres above ground and approximately 47,000 square metres of basement retail, to be managed by CR Land under one of its brands, as well as 95,400 square metres of underground carparks and ancillary facilities. In January 2021, the Group acquired a further 10% effective interest in the project, increasing its shareholding from 40% to 50%.

Situated in one of the core commercial areas of Shanghai, the project is close to major tourist destinations such as the Bund and the People's Square, as well as established central business districts including Nanjing West Road and Lujiazui. Two residential towers of approximately 23,000 square metres were first launched for presale in June 2020. As of 31 December 2020, 221 out of 224 units were sold.

Structural construction works for the two residential towers, an office tower and other commercial blocks on the North parcel are completed and the fitting-works are in progress. On the South parcel, the 42-storey office tower was topped out and substructure works for the basement shopping mall are underway. Project completion is expected by phases from 2021 onward.

Tianjin South HSR Integrated Development (Group interest: 30%)

This 77,000 square metres site was acquired by the Group in 2018 through a strategic partnership with Singapore-based Perennial Holdings Private Limited (“Perennial”), a well-established developer with extensive footprint in China’s healthcare industry. The project involves establishing a world-class “health city” adjacent to the Tianjin South High-Speed Railway Station in fulfillment of elevating demands of quality medical care within the fast-growing “Jing-Jin-Ji” megalopolis. The masterplan currently comprises a general hospital, eldercare facilities and serviced apartments, as well as commercial elements such as retail and hospitality components covering around 330,000 square metres. Superstructure works are in progress, with operations expected to begin in 2023.

In Western China

Kunming South HSR Integrated Development (Group interest: 30%)

Similar to the Tianjin project, the Kunming South HSR Integrated Development was also acquired in partnership with Perennial, in December 2018. The Group intends to develop this 65,000 square metre site into a regional healthcare and commercial hub comprising hospitality, medical care, eldercare, MICE, and retail components across a proposed gross floor area of approximately 550,000 square metres. Like the Tianjin site, the Kunming South HSR Integrated Development is located next to a high-speed railway station, facilitating convenient regional access. Construction began in Q4 2020, with the site expected to become operational in 2024.

In Southern China

Hengqin Integrated Development (Group interest: 100%)

This development is immediately adjacent to the newly operational Border Crossing facility at Macau Lotus Bridge and comprises approximately 42,300 square metres of office space, 43,000 square metres of retail facilities, 15,600 square metres of hotel, and 33,400 square metres of apartments complemented by a 1,250-square-metre clubhouse and a 1,300-space car park.

Presale of apartments launched in August 2020 amid the pandemic has been a sell-out success with 422 out of 426 units sold out over the first two days. This attests to keen confidence in both growth potentials of Hengqin as a fast-expanding special trade zone, as well as the strength of our Group’s real estate experience.

In Singapore

Park Nova (Group interest: 100%)

Located in Singapore's prestigious residential district and within walking distance to the world-renowned Orchard Road Shopping Belt, design and planning work of this 46,084 square foot site has progressed well on track within the period. The 21-storey residential tower will feature a maximum gross floor area of approximately 142,000 square feet and will have 51 simplex units and 3 penthouses. The building is lifted high above Orchard Boulevard on elliptical columns to create unobstructed private views above the lush greenery. Each unit is served by a private lift, catered for upmarket buyers seeking an exclusive yet central urban lifestyle at the heart of actions. The project is scheduled for launch in the first half of 2021 and is expected to complete in 2023.

Les Maisons Nassim (Group interest: 100%)

This majestic development standing on a 66,452 square feet prime site located at one of the most coveted addresses in town, will be developed into approximately 102,000 square feet of Bungalow-in-the-Sky. Nestled in the ultra-luxurious heritage mansion district, this epic development will have a total of 14 units comprising 8 simplex units, 4 duplex units and 2 penthouses, slated for launch in 2021 with expected completion in early 2023. Each residence is fitted with its own dedicated private lobby and lift, and features a grand arrival experience with verdant landscape which speaks subtle luxury and sophistication.

Projects Under Planning

In Macau

Harbour Mile

The Group is awaiting advice from the Macau SAR Government on the land parcels to be allotted and will review its arrangements for the allotted site to plan strategically for the most productive use of the land in the long term.

Property investments

In Hong Kong

liberté place (Group interest: 64.56%)

This mall is located at Lai Chi Kok MTR Station in West Kowloon. As a neighborhood mall offering everyday household conveniences to the four largest residential developments in Kowloon West, business has been relatively less affected under the impact of COVID-19 in comparison with other retail facilities under the Group's portfolio. As of the end of 2020, the mall maintained an occupancy rate of 99%.

The Westwood (Group interest: 51%)

With 158,000 square feet of leasable area across five storeys, The Westwood is a prominent shopping destination serving the Western District on Hong Kong Island. The mall is currently undergoing major renovation with expected completion by mid-2021. With the current headwinds faced by the retail industry, the Group is proactively implementing tenant retention measures to support retailers with their business, and shall gradually optimize its tenancy program to better serve the local community in the future. As of 31 December 2020, the mall maintained an occupancy rate of 89%.

Chatham Place (Group interest: 51%)

This 3-storey shopping arcade appending to Chatham Gate is positioned as an educational hub with a major kindergarten as its key anchor tenant complemented by a host of children learning centres. With the extended period of school closures and social distancing orders under the pandemic, the Group has offered special concessions to support its tenants. As of 31 December 2020, the mall posted an average occupancy of 47%.

Shun Tak Centre Portfolio

The Group owns 100% interests of Shop 402 of Shun Tak Centre, a retail mall connected to the main sea border between Hong Kong, Macau and China. Under the impact of COVID-19, all ferry services were suspended since February which caused a significant drop in customer footfall. During the year, occupancy of this space was 26%.

In June 2020, the Group completed an acquisition of 45% interest in certain assets from the New World group comprising 213,786 square feet of total lettable retail area,13,827 square feet of gross office area and 85 parking spaces in Shun Tak Centre. Upon completion of the acquisition, the Group now has a 55% effective interest in those assets. This strategic move enabled the Group to have greater versatility and synergy over the leasing strategy of the retail development's target positioning and tenant mix in the future.

In Macau

Nova Mall (Group interest: 50%)

The long anticipated Nova Mall made its debut in April 2020 as its largest anchor tenant IKEA opened its first shop in Macau, followed by a number of other retailers at B1 level. As the first shopping destination in Macau created with local needs in mind, the Mall immediately gained wide popularity despite under an exceptionally challenging retail environment. As of 31 December 2020, close to 60% of space has opened for business and close to 90% of floor area has been leased out. Prospective tenants remain confident in entering the Macau market despite slight delays to their original plans. It is expected that the property will generate strong rental income for the Group, as well as bring new vitality to Macau's retail economy.

One Central Shopping Mall (Group interest: 51%)

Widely known for its premium flagship stores and international designer brands, One Central is a prominent shopping destination housing around 400,000 square feet of shops and services. It maintained a satisfactory average occupancy of 92% during the year under lease relief programs extended by landlord. The average retail rent in 2020 decreased to MOP$120 per square feet from MOP$207 per square feet in 2019 due to temporary rent relief.

Shun Tak House (Group interest: 100%)

This 28,000 square foot property situated at the heart of Macau's major tourist locale is predominantly occupied by two anchor tenants. The property maintained a 100% occupancy rate during the year. With the significant decline in tourist arrivals, tenants suffered a major loss in revenue. To help its long term tenants weather the downturn, the Group has extended special concessions as relief and support.

In China

Shun Tak Tower Beijing (Group interest: 100%)

Shun Tak Tower is situated in Beijing Dong Zhi Men, conveniently located next to the airport highway and enjoys proximity to Beijing downtown and the embassy area. The site spans 63,000 square feet (5,832 square meters), with a gross floor area of approximately 419,000 square feet (38,900 square meters) rising 21 levels aboveground, and 182,000 square feet (16,900 square meters) in 4 underground levels. The property also houses a 138-room Artyzen Habitat Hotel. Under the competitive leasing market and deflating office demand, landlord is offering concessionary terms for renewing tenants. The property posted an average office occupancy rate of 84% in 2020.

Guangzhou Shun Tak Business Centre (Group interest: 60%)

This development in Guangzhou, a 32-storey office tower over a six-storey shopping mall, generated steady revenue for the Group in the year. Its average occupancy rate over the year was 95%.

Property services

This Group's property and facility management arm has a sizeable portfolio across Hong Kong, Macau and China. In light of the COVID-19 situation, the company has substantially heightened cleaning and precautionary protocols to protect occupants in its properties.

Amid the pandemic, Clean Living (Macau) Limited suffered a decline in business as tourism, gaming and hospitality industries in Macau tightened control over budget. Nonetheless, the addition of Nova Mall and gradual move-in of Nova Grand residential occupants led to increased revenue to Shun Tak Macau Services Limited. With the stable health situation in Macau, it is anticipated that business will recover in 2021.

TRANSPORTATION

2020 has been an unprecedentedly challenging year for the global transportation and travel industry. The COVID-19 pandemic which gripped our region early in the year brought a complete standstill to our ferry operations as the HKSAR Government has indefinitely closed all sea route borders since February 2020. The impact of the government-imposed travel restrictions and quarantine measures on regional tourism and the broader economy has been profound. Having operated for only 34 days throughout the year, the division posted a significant operating loss at HK$300 million before the restructuring of Shun Tak – China Travel Shipping Investments Limited as mentioned below (2019: loss of HK$122 million) and shared an operating loss of HK$134 million after the restructuring.

With the precipitous drop, it was critical that we moved quickly to reduce our cash burn. Measures were taken to rightsize the business and restructure our cost base, such as managing variable costs and reducing fixed expenses, and implementing pay cuts with furlough leave, in order to preserve liquidity. Total operating cost has been reduced by 54% year-on-year. In managing this crisis, we have been focusing on preserving jobs and operational capacity as much as practicable for service resumption and long term recovery. However, under the many uncertainties still clouding the pandemic situation, we expect a long road to recovery. New programs to rationalize our existing fleet and manpower structure are expected as the dire situation continues into 2021.

Shun Tak – China Travel Shipping Investments Limited

Despite the many challenges, TurboJET was actively supporting the communities it serves during the pandemic. At the onset of the outbreak, TurboJET operated 64 trips between Hong Kong International Airport and Macau as special charters, to keep critical international links open for returning residents and students. As the pandemic came under control, the Company's cruise tour "Macau Cruise" resumed service in June 2020 and participated in Macau SAR Government's campaign "Macao Ready Go! Local Tours" designed to reinvigorate local tourism business and encourage domestic spending. In order to be fully prepared upon the resumption of service, we designed rigorous protocols and measures, putting health and welfare of our crews and passengers at the utmost priority.

In July 2020, the Group completed an important shareholding restructure exercise in association with China Travel International Investment Hong Kong Limited ("CTII"). As a result, Shun Tak-China Travel Shipping Investments Limited became a 50/50 owned company, taking the twenty years partnership further with the vision of solidifying a multi-modal transportation platform in Greater Bay Area and sharing resources and experiences in cross border sea and land transportation industries in order to capitalize upon surging traffic flow within the region.

Ground crossings through Hong Kong-Zhuhai-Macau ("HZM") Bridge have been equally affected by the near standstill in regional domestic travel. Cross boundary land transport services including "TurboJET Cross Border Limo" service, "HK-MO Express" and "Macau HK Airport Direct" were suspended, while the cross-border shuttle bus services across the HZM Bridge, known as "Golden Bus", only operated with restricted frequency. In Macau, our cross border coach services to Guangdong Province have resumed operations since July 2020.

As Hong Kong suffered waves of COVID-19 resurgence and little predictability in terms of when borders can reopen, the division will be making every effort to manage costs, conserve cash flow, as well as take measures to ensure immediate readiness when regional travel can be made possible again.

HOSPITALITY

Sprawling spread of the health crisis has battered the hotel industry as borders closed and travel comes to a near halt. Travel and mobility restrictions and temporary closures of hospitality businesses at the peak of the pandemic brought sharp decline in revenue, and plummeting cross-border arrivals forced operations to shift their focus towards harnessing domestic markets as new growth points for maximizing revenue. In China and Macau, hotel occupancy started to pick up in May 2020 as local pandemic situations came under control, nonetheless, sporadic outbreaks in subsequent months continued to disrupt the pace of recovery. Since July 2020, authorities lifted quarantine requirements between Guangdong and Macau, introducing the first travel bubble following a collapse in regional travel since February 2020. As a result of the tumultuous year, the division posted a loss of HK$548 million (2019: HK$220 million).

Hotels in Operation

Hong Kong SkyCity Marriott Hotel

This 658-room airport hotel is located adjacent to the AsiaWorld-Expo ("AWE"), Hong Kong's largest convention and exhibition centre. During the pandemic, AWE has been commissioned as a makeshift testing and hospital facility. This led to a significant loss of revenue for the hotel in the event segment. Despite posting a 68% year-on-year decline in revenue, the hotel attained relatively satisfactory businesses from cargo and airline crew, private jets and airport projects.

During the year, the hotel was recognized as Best Airport Hotel of China 2020 by The 15th China Hotel Starlight Awards, as well as Hong Kong Luxury Airport Hotel 2020.

Mandarin Oriental, Macau

The prestigious Mandarin Oriental, Macau has established a solid foothold in the luxury travel market with its exceptional hospitality and bespoke services. In 2020, the hotel suffered substantial cancellations from MICE groups which resulted in a significant decline in occupancy to an average of 21%. To weather the loss of inbound business, the hotel pivoted to the promotion of wedding, celebrations and local catering offers.

The hotel was a proud recipient of Triple Five Star rating for Hotel, Restaurant and Spa from Forbes Travel Guide 2020 Star Awards.

Grand Coloane Resort

Managed by Artyzen Hospitality Group, this resort hotel offers travelers a tranquil upmarket environment for leisure and relaxation. Facing Hac Sa beach in Coloane and surrounded by greenery, the resort appeals to vacationers seeking to embrace nature.

In light of the COVID-19 pandemic, Grand Coloane Resort was one of a relatively resilient property recording an average occupancy of 43% full year. The hotel pivoted to F&B and staycation promotions which were well received by the local market. The property was also appointed as a government-designated quarantine hotel which contributed to its revenue. It shall continue to implement a series of cost control and savings initiatives to weather through the downturn.

The hotel was named Regional Winner in Luxury Family Beach Resort by World Luxury Awards.

Artyzen Habitat Dongzhimen Beijing

Opened in September 2017, the 138-key hotel is located within Beijing's old fortress wall, offering a blend of contemporary designs amid the traditional local community and the perfect balance of old and new for travelers seeking authentic local experiences.

The hotel took a heavy toll at the start of the COVID-19 pandemic as the capital city implemented one of the most stringent containment measures. Corporate and staycation bookings started to recover since May and the property was able to return to pre-pandemic performance in August despite intermittent disruptions from local outbreaks. The hotel posted a 53% average occupancy for the year.

Artyzen Habitat Hongqiao Shanghai

As part of the vibrant Shanghai MixC complex, a major retail and leisure hub, this 188-key hotel features a distinct urban vibe, and offers social, dining and event spaces that inspire connections between travelers.

Close to the national exhibition centre, the hotel has a strong footing in the corporate segment. With business travels grounded, the hotel posted a sharp decline with full year average occupancy at 49%. Nonetheless, in light of government subsidies, cost-control measures, and a gradual recovery of the Shanghai market, the hotel managed to maintain a balanced ledger for 2020.

YaTi by Artyzen Hongqiao Shanghai (formerly citizenM Shanghai Hongqiao)

The 303-room stylish budget hotel located in the Shanghai MixC complex is wholly owned by the Group. In late September 2020, Artyzen Hospitality Group took over its management so as to drive better synergy in sales and marketing with the neighboring Artyzen Habitat hotel, as well as offer a more consistent brand experience. With a more proactive approach in direct sales after its rebranding, occupancy has been gradually improving.

Hotels Under Planning and Development

No. 9 Cuscaden Road, Singapore

At one of the most premium site in downtown Orchard area, the Group is developing a 5-star luxury hotel with no fewer than 142 rooms to be branded as Artyzen Hotels and Resorts. It will comprise a high-end restaurant and bar, a rooftop dining area, an outdoor swimming pool, a gym and other wellness facilities. Superstructure work has been commenced with topping out scheduled for Q2 2021. Under the impact of COVID-19, construction has been delayed and scheduled opening has been pushed back to mid-2022.

Artyzen Habitat Hotel Hengqin Zhuhai

The hotel is sited adjacent to the port facility connecting Macau and Zhuhai. It is minutes from Macau Cotai area, and only 15 minutes away from the renowned Hengqin Chimelong Ocean Kingdom. The 230-guestroom property is scheduled for completion by mid-2022.

Artyzen Habitat Qiantan Shanghai and The Shang

Artyzen Habitat Qiantan Shanghai and The Shang, a select service hotel, are located in the up-and-coming hub for business, entertainment, residential and worldclass sporting facilities. They are located 20 minutes from the centre of Shanghai and are situated 40 minutes' away from Pudong and Hongqiao International Airport. These properties are scheduled for opening in Q4 of 2021.

Artyzen New Bund 31

This 202-room high end lifestyle hotel will be the first keystone for the "Artyzen" brand in China upon completion in year 2023.

Artyzen Hospitality Group

The Group's subsidiary, Artyzen Hospitality Group Limited ("AHG"), is a hotel management company which oversees a range of originally created brands designed for the fast-evolving Asian markets. Headquartered in Hong Kong with regional offices in Macau, Shanghai and Singapore, the company has local art, heritage and traditions as its central philosophy, and aims to deliver culturally rewarding experiences for its guests.

The Group is developing two joint venture hotel projects with Perennial to be managed by Nexus Hospitality Management Limited, a subsidiary of AHG. The 982-room property in Tianjin and 1152-room property in Kunming are expected to be opened in 2023 and 2024 respectively.

AHG currently manages 7 operating hotels and a portfolio of 12 properties under development, either owned by the Group or on management contractual basis including those located in Lingang Shanghai, Taopu, Yuelai Chongqing, and Suzhou. Since the onset of COVID-19, construction developments have been impacted to varying extent. AHG is endeavoring to minimize pre-opening expenses in light of prevailing market volatility, and is focused on delivering its expansion plans to capitalize on future opportunities.

Tourism Facility Management

The Macau Tower Convention & Entertainment Centre ("Macau Tower") is an iconic tourist and MICE venue in Macau. In February 2020, Macau Tower closed its operation for 11 days to support Macau SAR Government's preventive measures due to the pandemic outbreak. Banquet and MICE events suffered massive cancellations, while visitors to the observation levels plunged to a record low at 111,000 for the full year. Despite the challenging environment, Macau Tower successfully found growth in domestic F&B market through active promotions and participation in government-led campaigns targeted to invigorate local spending.

Membership Club

Artyzen Club is an urban business club in downtown Hong Kong, dedicated to connecting business and social communities. Its well-appointed facilities include a Chinese restaurant and a Western lifestyle eatery and bar, along with various sports and wellness facilities as well as business function rooms which are rare gems in a city centre location.

The Club currently has a membership base of around 370 members. During the year, revenue from events and dinner patronage significantly decreased due to government-imposed pandemic control orders. Nonetheless, traffic at lunch and afternoon hours improved as customers seek more private and exclusive environments for social activities.

INVESTMENTS

The Group is a long term investor in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), and holds 15.8% effective interest in the company as at 31 December 2020. STDM in turn owns an effective shareholding of approximately 53.93% in SJM Holdings Limited, which is effectively entitled to a 100% economic interest in Sociedade de Jogos de Macau, S.A., one of six gaming concessionaires licensed by the Macau SAR Government to operate casinos in Macau. In 2020, dividends received amounted to HK$173 million (2019: HK$116 million), representing an increase of 49% year on year.

Kai Tak Cruise Terminal

The Group operates and manages Kai Tak Cruise Terminal Hong Kong in partnership with Worldwide Flight Services Holding SA and Royal Caribbean Cruises Ltd.

Globally, the cruise industry suffered major loss in 2020 with most cruise liners lying in anchor. In Hong Kong, government suspended the immigration services at the Kai Tak Cruise Terminal from 5 February 2020. Yet, the company was able to maintain a balanced ledger through diligent cost management and one-off revenue items. Berth bookings for future years remain strong as Asian destinations pushing hard for cruise restart.

Retail Matters Company Limited

The Group's retail division, Macau Matters Company Limited, has been recently rebranded as "Retail Matters Company Limited", is the license holder of the international toy brand "Toys'R'Us" in Macau. It has been operating two outlets located at tourist hotspots Macau Tower and Senado Square. While these suffered a decline in business from plummeting tourist arrivals, the company expanded into Nova Mall in June 2020, with the three collectively achieved a 17% sales growth year on year. The new 20,000 square-foot store at Nova Mall offers a retail-entertainment experience, with "FunPark", the entertainment area within the store, scheduled for opening next year.

Retail Matters is also the worldwide owner of the Italian gelato brand Stecco Natura. It directly operates 2 outlets in Hong Kong, while the brand also distributes to 6 other outlets worldwide. Stecco Natura HK opened at The Peak in March 2020, being its second outlet following K11.

RECENT DEVELOPMENTS AND PROSPECTS

Following a full year of epidemic-induced turmoil, global economy is slowly climbing out of its trough. But with the COVID-19 pandemic continuing to spread, borders remain closed and sporadic outbreaks continue to trigger partial lockdowns and impact people's livelihood, the Group's portfolio of businesses is impacted significantly on multiple fronts. While recovery in China has been faster than expected, the long ascent back to pre-pandemic levels of activity remains prone to setbacks.

Since August 2020, domestic inter-provincial travel reopened between Macau and China yet the plan for Hong Kong to join the Guangdong travel bubble fell through due to new waves of outbreak. The Group's transportation division which operates cross-border ferries and coach buses suffered major losses. Notwithstanding rigorous cost-saving programs and manpower restructure efforts, the division anticipates further rightsizing measures in 2021 to weather through the prolonged recovery.

In July 2020, Shun Tak-China Travel Shipping Investments Limited became a 50-50 company following a shareholding restructure. The strategic move will give the partners stronger footing in jointly developing land and sea cross-border transportation networks through shared experience and resources, providing the opportunity to better capitalize upon fast-growing flow and new paradigm in travel as a result of Greater Bay Area economic integration.

Despite headwinds in the economy, the Group generated strong residential sales from three main projects, namely Nova Grand in Macau, Shanghai Suhe Bay Area Mixed-use Development Project, and Hengqin Integrated Development. The latter was particularly well received by the market, with 422 units out of 426 units sold out over the first two days. In 2021, the Group will focus its sales effort upon two residential launches in Singapore, including Park Nova and Les Maisons Nassim. Both assets are one-of-a-kind properties at prime locations catered for the ultra-luxurious market. The low interest environment and long-term prospects of the Singaporean property market are expected to underpin demand for these projects.

The market is facing heavy pressure on office and retail rental due to the abrupt downturn. The Group's property investment portfolio suffered decreased rental income and turnover revenue as it offered temporary concessions to help tenants navigate the hardships which is expected to continue into 2021. Nonetheless, Nova Mall was launched with satisfactory occupancy amid this challenging climate, with close to 90% of floor areas leased as of the end of 2020.

The global health crisis has affected every stakeholder in the tourism industry, casting a particularly dark shadow over the formerly thriving hotel industry. As international markets collapsed and border reopening still largely uncertain, governments bolstered focus on internal demand and local consumption. Resumption of the Individual Visit Scheme between China and Macau since August led the latter to see a seven-month consecutive increase in visitor arrivals, however, the year still concluded with a 85% decline in visitor arrivals year on year. Likewise, the slow recovery in occupancy across China hotels still leave room rates substantially lower, as businesses strive to restore confidence in travel. Artyzen Hospitality Group is currently managing seven hotels, and has a pipeline of twelve hotels with openings scheduled in the next two years. It will be prudently managing pre-opening expenses for these properties and constantly adjust to the transforming tourism landscape in the post-pandemic era.

GROUP FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's bank balances and deposits amounted to HK$5,446 million as at 31 December 2020, representing a decrease of HK$6,835 million as compared with the position as at 31 December 2019. It is the Group's policy to secure adequate funding to satisfy cash flows required for working capital and investing activities. Total bank loan facilities available to the Group as at 31 December 2020 amounted to HK$22,357 million, of which HK$4,334 million remained undrawn. The principal amount of Group's bank borrowings outstanding at the year end amounted to HK$18,023 million.

Based on a net borrowings of approximately HK$12,500 million at the year end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to owners of the Company) was 35.6% (2019: 17.3%). The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to reduce its finance costs.

The maturity profile of the principal amount of Group's borrowings is set out below:

Maturity Profile

Within 1 year	1-2 years	2-5 years	over 5 years	Total
16%	4%	67%	13%	100%

Material Acquisitions, Disposals and Commitments

In December 2020, the Group entered into a sale and purchase agreement to acquire 30% of the total issued ordinary shares and the shareholder loan in Nation Mind Development Limited ("NMDL"), which indirectly wholly owns the Zhuhai project company for the Hengqin development, at the consideration of RMB928 million (equivalent to approximately HK$1,106 million). The transaction was completed on 28 December 2020. Upon completion, NMDL became an indirect wholly-owned subsidiary of the Group.

In the same month, the Group entered into a sale and purchase agreement to dispose the entire 38.7% equity interest in Perennial Tongzhou Holdings Pte. Limited which holds 50% equity interest in the mixed-use development comprising residence, office and retail properties in Tongzhou, Beijing, at the total consideration of RMB978 million. The transaction was completed on 28 December 2020.

In June 2020, the Group entered into a sale and purchase agreement to acquire the 450 Class A shares ("A Shares") and 450 Class B shares ("B Shares") in the capital of Shun Tak Centre Limited ("STCL") together with the shareholder's loan of HK$23 million for the consideration of HK$2,387 million. The transaction was completed on 30 June 2020. Upon completion, the Group shall be entitled to a pro rata of profits and the net assets of the STCL group attributable to or comprised in the A Shares, which include certain investment properties situated at Shun Tak Centre, Hong Kong, and the B Shares, respectively.

In April 2020, the Group entered into the sale and purchase agreement to acquire 30% of the total issued ordinary shares, 30% of issued redeemable preference shares and 30% of junior bonds issued by Shun Tak Somerset Investors Pte. Limited (“Somerset’) at a consideration of SGD157 million (equivalent to approximately HK$854 million). The transaction was completed on 29 May 2020. Upon completion, Somerset became an indirect wholly-owned subsidiary of the Group.

In March 2020, the Group completed the acquisition of a 40% effective interest in a mixed-use development located in Suhe Bay Area in Jingan District of Shanghai at a consideration of RMB3,769.8 million. In November 2020, the Group successfully tendered to further acquire an effective interest of 10% in the project through public tender at a consideration of RMB944.4 million. The Group increased its effective interest from 40% to 50% in the project when the acquisition was completed in January 2021 as an event after balance sheet date.

In March 2020, the Group entered into sale and purchase agreements to implement the restructuring and transformation of Shun Tak-China Travel Shipping Investments Limited (“STCT”) into a new transportation platform for the provision of cross boundary transportation services in the Greater Pearl River Delta Region. The restructuring comprised: i) the disposal of 21% of the issued share capital of STCT at a cash consideration of HK$422 million; ii) the acquisition of the entire issued share capital and shareholder loan of China Travel Tours Transportation Development (HK) Limited (“CTTT”), by STCT, at a cash consideration of HK$496 million; and iii) the acquisition of the entire issued share capital of Jointmight Investments Limited (“Jointmight”), a wholly-owned subsidiary of the Group, by STCT, at a cash consideration of HK$55 million. The restructuring was completed on 16 July 2020. After the completion of the restructuring, each of STCT and Jointmight would cease to be a subsidiary of the Group. STCT (inclusive of Jointmight and CTTT) would be accounted for as an associate of the Group.

In November 2018, the Group entered into a main contract for construction a hotel property in Singapore. As at 31 December 2020, the Group has an outstanding commitment of approximately HK$459 million.

In January 2018, the Group entered into an agreement with other partners to jointly invest in Perennial HC Holdings Pte. Ltd. (“HC Co”), which will invest in potential real estate projects in the PRC predominantly for healthcare usage, with hotel and/or with retails components, complemented by healthcare-related amenities and mixed use properties. The total committed capital for HC Co is US$500 million. The Group holds 30% equity interest in HC Co and thus has its share of commitment at US$150 million. As at 31 December 2020, the Group has an outstanding commitment to contribute capital of approximately US$97 million (equivalent to approximately HK$755 million) to HC Co.

Charges on Assets

At the year end, bank loans with principal amount of approximately HK$9,723 million (2019: HK$9,040 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK$19,349 million (2019: HK$18,434 million). Out of the above secured bank loans, an aggregate principal amount of HK$2,511 million (2019: HK$2,171 million) was also secured by pledges of shares in certain subsidiaries.

Contingent Liabilities

There was no material contingent liabilities of the Group at the year end.

Financial Risk

The Group adopts a prudent approach to financial risk management to minimise currency exposure and interest rate risks. Majority of funds raised by the Group are on a floating rate basis. Except for bank loans with principal amount of RMB1,804 million and SGD1,169 million, the Group's outstanding borrowings at year-end were not denominated in foreign currencies. Approximately 66% of the bank deposits, cash and bank balances are denominated in Hong Kong dollar ("HKD"), Macau pataca ("MOP") and US dollar ("USD") and the remaining balance mainly in Renminbi ("RMB"). MOP and USD are pegged to HKD. The Group's principal operations are primarily conducted in HKD while its financial assets and liabilities are denominated in USD, MOP, Singapore dollar and RMB. The Group will from time-to-time regularly review its foreign exchange and market conditions to determine if hedging is required.

Human Resources

The Group, including subsidiaries but excluding joint ventures and associates, employed approximately 1,600 employees at the year end. The Group adopts competitive remuneration packages for its employees. Promotion and salary increments are based on performance. Social activities are organised to foster team spirit amongst employees and they are encouraged to attend training classes that are related to the Group's businesses and developments.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2021 annual general meeting of the Company, the register of members of the Company will be closed. Details of such closure are set out below:

Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 25 May 2021
Closure of register of members	Wednesday, 26 May 2021 to Tuesday, 1 June 2021 (both days inclusive)
Record date	Tuesday, 1 June 2021

During the above closure period, no transfer of shares will be registered. To be eligible to attend and vote at the 2021 annual general meeting of the Company, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with 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, no later than the aforementioned latest time.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is currently scheduled to be held on Tuesday, 1 June 2021 subject to any contingency measures which may be announced as appropriate. The notice of annual general meeting will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited and despatched to the shareholders of the Company in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board periodically reviews the Company's practices to ensure compliance with the increasingly stringent requirements and to meet rising expectations of the shareholders of the Company. The Board is of the opinion that the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2020, except for code provision A.2.1, which requires the roles of Chairman and Chief Executive to be separate and not to be performed by the same individual. The Board is of the view that since all major decisions have been made in discussion among Board members and appropriate Board committees, the allocation of power and authority within the corporate structure is adequately balanced to satisfy the objective of this code provision. In addition, there are four independent non-executive directors on the Board who offer their respective experience, expertise, and independent advice and views from different perspectives. Therefore, it is in the best interest of the Company that Ms. Pansy Ho, with her in-depth knowledge of the businesses and extensive experience in the operations of the Group, assumes her dual capacity.

REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE

The Group's consolidated financial statements for the year ended 31 December 2020 have been reviewed by the audit and risk management committee of the Company. The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020, as set out in the preliminary announcement, have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

By order of the Board
SHUN TAK HOLDINGS LIMITED
Pansy Ho
Group Executive Chairman and Managing Director

Hong Kong, 26 March 2021

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.