

信德集團  
SHUN TAK HOLDINGS

Stock Code 股份代號: 242

SHUN TAK HOLDINGS LIMITED  
信德集團有限公司

ANNUAL  
REPORT  
2013  
年報



# CONTENTS

<b>1</b>	Corporate Information
<b>2</b>	Corporate Profile
<b>4</b>	Management Profile
<b>11</b>	Financial Highlights and Book Closure Period
<b>12</b>	Significant Events
<b>14</b>	Chairman's Statement
<b>16</b>	Review of Operations
<b>34</b>	Recent Developments and Prospect
<b>36</b>	Corporate Social Responsibility
<b>38</b>	Schedule of Major Properties
<b>42</b>	Group Financial Review
<b>46</b>	Report of the Directors
<b>60</b>	Corporate Governance Report
<b>71</b>	Independent Auditor's Report
<b>72</b>	Consolidated Income Statement
<b>73</b>	Consolidated Statement of Comprehensive Income
<b>74</b>	Consolidated Balance Sheet
<b>76</b>	Balance Sheet
<b>77</b>	Consolidated Statement of Changes in Equity
<b>79</b>	Consolidated Cash Flow Statement
<b>81</b>	Notes to the Financial Statements
<b>157</b>	Five-Year Financial Summary



With a strong foothold in Pearl River Delta, Shun Tak Group has expanded rapidly in Greater China over recent years. The cover design features the chopsticks, a Chinese household icon, to symbolize the Group's effort to grow in unison with the nation, investing in highly efficient win-win collaborations and partnerships. Its jadeite material further highlights the excellence in quality underpinning all businesses and services in its portfolio. Shun Tak is poised to expand in parallel with the dynamic spirit of China and to drive a new era of robust growth in the international scene.

# Corporate Information

## Board of Directors

### **Dr. Stanley Ho**

*Group Executive Chairman*

### **Sir Roger Lobo**

*Independent Non-Executive Director*

### **Mr. Norman Ho**

*Independent Non-Executive Director*

### **Mr. Charles Ho**

*Independent Non-Executive Director*

### **Mr. Michael Ng**

*Independent Non-Executive Director*

### **Dato' Dr. Cheng Yu Tung**

*Non-Executive Director*

### **Mrs. Louise Mok**

*Non-Executive Director*

### **Ms. Pansy Ho**

*Managing Director*

### **Ms. Daisy Ho**

*Deputy Managing Director*

### **Ms. Maisy Ho**

*Executive Director*

### **Mr. David Shum**

*Executive Director*

### **Mr. Rogier Verhoeven**

*Executive Director*

## Audit Committee

### **Mr. Norman Ho** (Chairman)

### **Sir Roger Lobo**

### **Mrs. Louise Mok**

### **Mr. Michael Ng**

## Remuneration Committee

### **Sir Roger Lobo** (Chairman)

### **Mr. Norman Ho**

### **Mr. Charles Ho**

### **Ms. Pansy Ho**

### **Ms. Daisy Ho**

## Nomination Committee

### **Mr. Charles Ho** (Chairman)

### **Sir Roger Lobo**

### **Mr. Norman Ho**

### **Ms. Pansy Ho**

### **Ms. Daisy Ho**

## Company Secretary

### **Ms. Angela Tsang**

## Registered Office

Penthouse 39th Floor, West Tower  
Shun Tak Centre  
200 Connaught Road Central  
Hong Kong  
Tel: (852) 2859 3111  
Fax: (852) 2857 7181  
Website: [www.shuntakgroup.com](http://www.shuntakgroup.com)  
E-mail: [enquiry@shuntakgroup.com](mailto:enquiry@shuntakgroup.com)

## Auditor

PricewaterhouseCoopers

## Solicitor

Norton Rose

## Principal Bankers

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Bank of China, Macau Branch  
Hang Seng Bank Limited  
Credit Agricole Corporate & Investment Bank  
The Bank of Nova Scotia  
Nanyang Commercial Bank, Ltd.

## Share Registrar

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

## ADR Depository

The Bank of New York Mellon

## Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited and traded in the form of American Depositary Receipts on the OTC market in the United States of America.

## Corporate Profile



### PROPERTY

**Shun Tak Holdings Limited (the “Company”) and its subsidiaries (the “Group”) is a leading listed conglomerate with core businesses in property, transportation, hospitality and investment sectors. Established in 1972, the Company (HKSE 242) has been listed on the Hong Kong Stock Exchange since 1973.**

#### Property

The Group has a prominent and successful track record in the Macau and Hong Kong property markets. The Group owns one of the largest developable floor areas in Macau among Hong Kong listed companies. It is an important player in Macau’s property market with a host of property development projects, and has recently expanded its footprint in the Greater China real estate market through investments in Tongzhou and Dong Zhi Men in Beijing, as well as Hengqin in Zhuhai.

One Central, the Group’s joint venture with Hongkong Land Holdings Limited, is located on a prime waterfront site in Macau Peninsula. The project comprises 7 prestigious residential towers, a luxurious flagship shopping mall, a five-star Mandarin Oriental Hotel and serviced apartments managed by the same hotel group.

Nova City in Taipa is one of the largest luxury developments in Macau. The project comprises upscale residential units, world-class landscaping and clubhouse facilities. Sales of the first four phases have generated strong public response. Joint development partner, China State Construction International Holdings Limited, has been introduced to co-develop the residential portion of Phase 5, which will sit above a large-scale lifestyle shopping centre with a gross floor area over 650,000 square feet. The shopping centre will become an activity hub serving the Taipa community upon completion.

The Group holds a 79% interest in a Columbarium project in Taipa, Macau that opened in 2011. To complement this project, the Group has expanded its business to provide one-stop funeral service in Hong Kong under the brand Wing Nim Memorial Services.

The Group plays a prominent role in the Hong Kong property market with a portfolio comprising commercial, residential and retail property ventures. Chatham Gate is the Group’s latest residential project; consisting approximately 370,000 square feet of residential and retail space.



### TRANSPORTATION

In 2012, the Group made its foray into the Northern China property market through an investment in Beijing Tongzhou Integrated Development Phase 1. Following this strategic move, the same consortium undertook to acquire Phase 2 of the project, which contributed to a larger combined site for retail, office, hotel and serviced apartments development fronting the scenic Grand Canal.

Shun Tak Tower, the Group’s wholly-owned property in Beijing Dong Zhi Men near East 2nd Ring Road, is located next to the airport highway, serviced by a convenient network of major metro lines and bus routes. The 63,000 square feet site comprises both office and hospitality components and is close to Beijing downtown, embassy area, and YanSha district.

Hengqin Integrated Development is a joint venture between the Group and Perennial Hengqin Investment Group Pte. Ltd.. The site boasts unparalleled connectivity, with direct access to the port and commercial facilities at the border to Macau, to be serviced by the Hengqin and Macau light rails as well as the extension of Guangzhou-Zhuhai Intercity Rail in the future. It is set to be developed into an integrated landmark which comprises office, hotel, commercial, and serviced apartments.

The Group currently provides property management services to 26 million square feet of residential, commercial and industrial properties across Hong Kong and Macau.

#### Transportation

The Group’s origin dates back to 1961 with the inauguration of a passenger ferry service between Hong Kong and Macau. In a strategic move in 1999 to strengthen its shipping business and expand its market share, the Group successfully merged its shipping operation with that of CTS Parkview Holdings Limited to create a combined entity under the brand name “TurboJET”. TurboJET, operated and managed by Shun Tak – China Travel Shipping Investments Limited, offers passengers speedy, reliable and comfortable sea travel services across major destinations within the Pearl River Delta (“PRD”), linking major cities such as Hong Kong, Macau, Nansha and Shekou.

In 2003, TurboJET launched a unique inter-regional air-sea network titled “TurboJET Airport Routes” comprising a ferry service that links major international airports in the PRD (previously known as ‘TurboJET Sea Express’). The bonded service connects air transit passengers of the Hong Kong International Airport with Macau and various destinations in the PRD region,



## HOSPITALITY

further strengthening connectivity amongst PRD cities and world destinations.

Following the successful acquisition of New World First Ferry Services (Macau) in September 2011, TurboJET has become the world's largest fleet of high speed passenger ferries; further reinforcing its market-leader position within the region. The strategic move also reinforced the Group's commitment in weaving a seamless sea network for the PRD.

Today, the Group is involved in the operational management of three key ferry terminals in the region, namely Hong Kong SkyPier, Macau Maritime Ferry Terminal and Shenzhen Airport Fuyong Ferry Terminal. The management of passenger ports strategically anchors the multimodal transportation development within the region.

In June 2013, the Group has taken an equal third share in Jetstar Hong Kong Airways Limited ("Jetstar Hong Kong") with Qantas Group and China Eastern Airlines as its partners. The launch of Jetstar Hong Kong is subject to regulatory approvals.

On land, the Group's joint venture company, Shun Tak & CITS Coach (Macao) Limited, has an operating fleet of 144 vehicles, providing local and cross-boundary coach services between various mainland cities and Macau.

In building a comprehensive air-sea-land network, the Group creates a unique and strategic international multimodal transportation platform to capitalize upon passenger traffic in the PRD and other parts of Asia.

### Hospitality

The Group was a pioneer in introducing top-tier hotel services to Macau through its investments in the former Mandarin Oriental Macau and Westin Resort Macau in the late 1980s.

As part of the Group's One Central development project, the new Mandarin Oriental Hotel comprising 213 guest rooms was opened in June 2010. The Group also has plans to invest in a number of luxury hotels in the Cotai tourism epicenter upon Macau government approval.

The award-winning Macau Tower Convention & Entertainment Centre managed by the Group, is a major MICE venue and tourist destination in Macau. Apart from MICE business, it offers eclectic dining choices, the best observation spot in town, shopping attractions, as well as the world's highest commercial Bungy Jump.



## INVESTMENT

The Group holds a 70% interest in the Hong Kong SkyCity Marriott Hotel, a 658-room facility located minutes away from the Hong Kong International Airport and AsiaWorld-Expo.

In 2013, the Group founded Artyzen Hospitality Group to offer hotel management solutions to hotel owners and developers, as well as manage its own portfolio of luxury hotel brands, characterized by unique Asian art and cultural offerings. It has also partnered with the widely popular European citizenM hotel brand for its Asian launch. This strategic expansion not only strengthens the Group's presence in hotel services, but also seizes the extensive opportunities in the burgeoning Asian tourism landscape, especially for the increasingly affluent, discerning and mobile travelers in China.

In partnership with Shanghai International Port (Group) Co. Limited, the Group holds interest in the Sea Palace Floating Restaurant in Shanghai, the largest floating restaurant in the city with a capacity of 1,100 seats.

With a full China MICE license obtained in 2009, Shun Tak Travel manages to capture a variety of event hospitality opportunities in the mainland through providing one-stop and innovative travel and MICE solutions to corporate clients, travel partners as well as individual travelers. It has serviced many large enterprises and leading brands, and is making a name in tailored corporate hospitality solution in China.

### Investment

The Group owns diversified valuable investment in Macau and Hong Kong. It possesses an effective interest in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") of approximately 11.5%, which in turn owns approximately 54.92% of SJM Holdings Limited ("SJM Holdings"), a listed company in Hong Kong. SJM Holdings owns the entire shareholding interests of Sociedade de Jogos de Macau S.A., one of six gaming concessionaries licensed by the Macau SAR Government to operate casinos in Macau. Macau Matters Company Limited, the Group's retail arm, operates "Toys"R"Us" catering to the demand of local youngsters and tourists.

The Group, through a three-way consortium with business partners, was awarded a contract comprising of a 10-year tenancy agreement of the up-coming new Kai Tak Cruise Terminal. The facility is designed to accommodate the new class of mega-cruisers and instrumental in developing Hong Kong into an international cruise hub.

### Dr. Stanley Ho

*G.B.M., G.B.S.*

*Group Executive Chairman  
aged 92*

The Group's founder and executive chairman, Dr. Ho Hung Sun, Stanley ("Dr. Stanley Ho"), has been a director of the Company since its incorporation in 1972.

Dr. Stanley Ho is a director of Shun Tak Shipping Company, Limited\*. He is also the chairman and an executive director of SJM Holdings Limited which is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the chairman of the board of directors of Estoril-Sol, SGPS, S.A. which is listed on the Euronext Lisbon.

Dr. Stanley Ho is currently the honorary life president of The Real Estate Developers Association of Hong Kong. He is also the honorary lifetime chairman of The University of Hong Kong Foundation for Educational Development and Research, an honorary member of The Hong Kong Polytechnic University Court, as well as the founding honorary life chairman and a member of the board of directors of The Hong Kong Polytechnic University Development Foundation.

Dr. Stanley Ho is a vice patron of the Community Chest of Hong Kong and a patron of The Society of the Academy for Performing Arts.

Dr. Stanley Ho was awarded the Grand Bauhinia Medal and the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2010 and 2003 respectively.

In Macau, Dr. Stanley Ho is the managing director of Sociedade de Turismo e Diversões de Macau, S.A. and a director of Sociedade de Jogos de Macau, S.A. ("SJM SA"). He was the Managing Director of SJM SA from 2001 to 2010. Dr. Stanley Ho is the co-chairman of the Advisory Committee of Industrial and Commercial Bank of China (Macau) Limited, and the chairman of the board of directors of Macau Horse Racing Company, Limited. He is also a member of the Economic Development Council of the Government of the Macau Special Administrative Region, a member of the University Assembly of the University of Macau and an honourable patron of the University of Macau Development Foundation.

Dr. Stanley Ho was awarded the Grand Lotus Medal of Honour and the Golden Lotus Medal of Honour by the Government of the Macau Special Administrative Region in 2007 and 2001 respectively.

Dr. Stanley Ho was a Standing Committee member of the 9<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> National Committee of the Chinese People's Political Consultative Conference.

Dr. Stanley Ho is the father of Ms. Pansy Ho, the managing director of the Company, Ms. Daisy Ho, the deputy managing director of the Company, and Ms. Maisy Ho, an executive director of the Company. He is also the brother of Mrs. Louise Mok, a non-executive director of the Company.

*\* Shun Tak Shipping Company, Limited is a company which has an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*

## **Sir Roger Lobo**

*C.B.E., L.L.D., J.P.*

*Independent Non-Executive Director  
aged 90*

Sir Rogerio Hyndman Lobo (also known as Sir Roger Lobo) ("Sir Roger Lobo") has been an independent non-executive director of the Company since 1994. He is also the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company. He is a vice-patron of The Community Chest of Hong Kong and The Society of Rehabilitation and Crime Prevention, Hong Kong. He is also a member of the Board of Trustees of Business and Professionals Federation of Hong Kong and a council member of Caritas Hong Kong.

Sir Roger Lobo is an independent non-executive director of Melco International Development Limited and HKT Trust and HKT Limited (which are listed on the Main Board of the Stock Exchange); and a director of Johnson & Johnson (Hong Kong) Limited.

In the past three years, Sir Roger Lobo was an independent non-executive director of PCCW Limited (a company listed on the Main Board of the Stock Exchange) up to 28 November 2011.

## **Mr. Norman Ho**

*F.C.P.A., B.A., A.C.A.*

*Independent Non-Executive Director  
aged 58*

Mr. Ho Hau Chong, Norman ("Mr. Norman Ho") has been an independent non-executive director of the Company since 2004. He is also the chairman of the audit committee and a member of the remuneration committee and nomination committee of the Company. He is also a director of a subsidiary of the Company.

Mr. Norman Ho is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company, Limited and has over 20 years of experience in management and property development.

Mr. Norman Ho is also an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited and Lee Hing Development Limited and an executive director of Miramar Hotel and Investment Company, Limited and Vision Values Holdings Limited, which are listed on the Main Board of the Stock Exchange.

In the past three years, he was also an independent non-executive director of Starlight International Holdings Limited up to 25 August 2013 and CITIC Pacific Limited up to 12 May 2011, which are listed on the Main Board of the Stock Exchange.

He is a member of the Institute of Chartered Accountants in England and Wales, and a fellow member of the Hong Kong Institute of Certified Public Accountants.

## **Mr. Charles Ho**

*Independent Non-Executive Director  
aged 64*

Mr. Ho Tsu Kwok, Charles ("Mr. Charles Ho") has been an independent non-executive director of the Company since 2006. He is also the chairman of the nomination committee and a member of the remuneration committee of the Company.

Mr. Charles Ho is the chairman and an executive director of Sing Tao News Corporation Limited (which is listed on the Main Board of the Stock Exchange). Mr. Charles Ho contributes much to public affairs. He is a member of the Standing Committee of the Chinese People's Political Consultative Conference and an economic consultant of Shandong Provincial Government of the People's Republic of China ("PRC"). He is also an honorary trustee of Peking University and a trustee of University of International Business and Economics in the PRC.

### Mr. Michael Ng

*Independent Non-Executive Director  
aged 55*

Mr. Ng Chi Man, Michael ("Mr. Michael Ng") was appointed as an executive director of the Company in 2009 and was then re-designated as a non-executive director of the Company in July 2010. Mr. Michael Ng has been re-designated as an independent non-executive director of the Company and appointed as a member of the audit committee of the Company both with effect from 20 December 2012.

Mr. Michael Ng is a fellow member of the Hong Kong Institute of Certified Public Accountants. He holds a Master's degree in business administration from St. John's University in New York, the U.S.A.

Mr. Michael Ng is currently the chairman and chief executive officer of Mizzi Lifestyle Holdings Limited (formerly known as Blackmoon Lifestyle Holding Limited), a holding company developing a lifestyle brand and developing a premium lifestyle cafe network in China.

Mr. Michael Ng has substantial experience in corporate and financial management of listed companies in Hong Kong. In the past, he was an executive director and chief executive officer of Viva China Holdings Limited, which is listed on the Growth Enterprise Market of the Stock Exchange, up to 30 August 2012. Mr. Michael Ng was also an executive director of HKC (Holdings) Limited and China Travel International Investment Hong Kong Limited, which are listed on the Main Board of the Stock Exchange.

### Dato' Dr. Cheng Yu Tung

*G.B.M., D.P.M.S., L.L.D. (Hon),  
D.B.A. (Hon), D.S.Sc. (Hon)  
Non-Executive Director  
aged 88*

Dato' Dr. Cheng Yu Tung ("Dr. Cheng") has served as a non-executive director of the Company since 1982. Dr. Cheng is also a director of Shun Tak Shipping Company, Limited\*.

Dr. Cheng is the chairman of Melbourne Enterprises Limited and the non-executive chairman of Lifestyle International Holdings Limited, both of which are listed on the Main Board of the Stock Exchange.

Dr. Cheng is the honorary chairman of Chow Tai Fook Jewellery Group Limited and the chairman emeritus of New World Development Company Limited. Both companies are listed on the Main Board of the Stock Exchange. Dr. Cheng is also the chairman of Chow Tai Fook Enterprises Limited.

In the past three years, Dr. Cheng was the chairman and executive director of New World Development Company Limited and was retired on 1 March 2012. On 1 December 2012, Dr. Cheng retired as a non-executive director of Chow Tai Fook Jewellery Group Limited. Dr. Cheng ceased to act as the non-executive director of SJM Holdings Limited ("SJM") upon his retirement from the board of directors of SJM at the conclusion of its annual general meeting held on 31 May 2013. All the companies are listed on the Main Board of the Stock Exchange.

Dr. Cheng was granted the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2008.

*\* Shun Tak Shipping Company, Limited is a company which has an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*

### Mrs. Louise Mok

*Non-Executive Director  
aged 85*

Mrs. Mok Ho Yuen Wing, Louise ("Mrs. Louise Mok") has been a non-executive director of the Company since 1999. She is also a member of the audit committee of the Company.

Mrs. Louise Mok is the sister of Dr. Stanley Ho, the Group Executive Chairman. She is also the aunt of Ms. Pansy Ho, the managing director of the Company, Ms. Daisy Ho, the deputy managing director of the Company, and Ms. Maisy Ho, an executive director of the Company.

## Ms. Pansy Ho

Managing Director  
aged 51

Ms. Ho Chiu King, Pansy Catilina ("Ms. Pansy Ho") joined the Group as an executive director in 1995, and was appointed the managing director in 1999 to oversee the Group's overall strategic development and management. She is also the chairman of the executive committee, a member of the remuneration committee and nomination committee of the Company; and a director of a number of subsidiaries of the Company.

Ms. Pansy Ho is the chairman, chief executive officer and a director of Shun Tak – China Travel Shipping Investments Limited and is directly in charge of the Group's shipping business. She is a director of Shun Tak Shipping Company, Limited\*, Renita Investments Limited\*, Oakmount Holdings Limited\* and Beeston Profits Limited\*, the chairman of Macau Tower Convention & Entertainment Centre, an executive director of Air Macau Company Limited and vice-chairman of the board of directors of Macau International Airport Co. Ltd. She is also the co-chairperson and an executive director of MGM China Holdings Limited and an independent non-executive director of Sing Tao News Corporation Limited (both of which are listed on the Main Board of the Stock Exchange).

In the past three years, Ms. Pansy Ho was a non-executive director of Qin Jia Yuan Media Services Company Limited up to 27 May 2012, which is listed on the Main Board of the Stock Exchange.

In China, Ms. Pansy Ho is a standing committee member of Beijing Municipal Committee of the Chinese People's Political Consultative Conference, Vice President of Chamber of Women of All-China Federation of Industry & Commerce, a standing committee member of All-China Federation of Industry & Commerce and a vice president of its Chamber of Tourism, and a vice chairperson of China Society for Promotion of the Guangcai Program. In Macau, she is Vice President of the Board of Directors of Macao Chamber of Commerce and a member of the Government of Macau SAR Tourism Development Committee. Internationally, she is also an executive committee member of World Travel and Tourism Council.

Ms. Pansy Ho holds a Bachelor's degree in marketing and international business management from the University of Santa Clara in the United States. She received an Honorary Doctorate Degree in Business Administration from the Johnson and Wales University in May 2007. She was also appointed as Honorary Professor of School of Political Communication by the School of Political Communication of Central China Normal University in November 2013.

Ms. Pansy Ho is the daughter of Dr. Stanley Ho, the Group Executive Chairman, as well as the sister of Ms. Daisy Ho and Ms. Maisy Ho, who are the deputy managing director and an executive director of the Company respectively. She is also a niece of Mrs. Louise Mok, a non-executive director of the Company.

*\* Shun Tak Shipping Company, Limited, Renita Investments Limited, Oakmount Holdings Limited and Beeston Profits Limited are companies which have an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*

### **Ms. Daisy Ho**

*Deputy Managing Director  
aged 49*

Ms. Ho Chiu Fung, Daisy ("Ms. Daisy Ho") joined the Group in 1994 and was appointed an executive director of the Company that year. She became the Group's deputy managing director and chief financial officer in 1999. Ms. Daisy Ho is a member of the executive committee, remuneration committee and nomination committee of the Company and a director of a number of the Company's subsidiaries.

In addition to participating in the Group's strategic planning and development, Ms. Daisy Ho is also responsible for the Group's overall financial activities, as well as property development, sales and investments.

Ms. Daisy Ho is a director of Shun Tak Shipping Company, Limited\*, Renita Investments Limited\* and Oakmount Holdings Limited\*.

Ms. Daisy Ho is Vice President and an executive committee member of The Real Estate Developers Association of Hong Kong, a member of the Hong Kong Institute of Real Estate Administrators, a Vice President of Macao Association of Building Contractors and Developers, a life member of Macao Chamber of Commerce, a fellow of The Hong Kong Institute of Directors, Head of Governor of Council of The Canadian Chamber of Commerce in Hong Kong, Deputy Chief Commissioner cum Designated Chief Commissioner commencing in April 2014 of The Hong Kong Girl Guides Association, Chairman of The Hong Kong Ballet Ltd, Chairman cum Director of University of Toronto (Hong Kong) Foundation Limited and Chairman of its Scholarship Selection Committee, Director of Po Leung Kuk, Dean's International Advisory Committee Member of Joseph L. Rotman School of Management - University of Toronto and Member of Advisory Council of the Canadian International School of Hong Kong.

Ms. Daisy Ho has been appointed as a committee member of the Chinese People's Political Consultative Conference of Tianjin in 2008.

Ms. Daisy Ho holds a Master of business administration degree in finance from the University of Toronto and a Bachelor's degree in marketing from the University of Southern California.

Ms. Daisy Ho is the daughter of Dr. Stanley Ho, the Group Executive Chairman, and the sister of Ms. Pansy Ho, the managing director of the Company, and Ms. Maisy Ho, an executive director of the Company. She is also a niece of Mrs. Louise Mok, a non-executive director of the Company.

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## **Ms. Maisy Ho**

*Executive Director  
aged 46*

Ms. Ho Chiu Ha, Maisy ("Ms. Maisy Ho") joined the Group in 1996 and has been an executive director of the Company since 2001. She is also a member of the executive committee of the Company and a director of a number of the Company's subsidiaries.

Since joining the Group, she has been responsible for overseeing the strategic planning and operations of the property management division, as well as retail and merchandising division of the Company.

Ms. Maisy Ho is the chairman and an executive director of Chanceton Financial Group Limited (which is listed on the Growth Enterprise Market of the Stock Exchange).

In Hong Kong, Ms. Maisy Ho is 3rd vice-chairman of Tung Wah Group of Hospitals, member of Hospital Governing Committee of Queen Elizabeth Hospital, honorary vice chairman of Hong Kong United Youth Association, vice president of Hong Kong Institute of Real Estate Administrators, committee member and vice chairman of Young Executive Committee of The Chinese General Chamber of Commerce, vice chairman of Hong Kong Junior Police Call Honorary President Council for Central District, honorary vice president of Hong Kong Girl Guides and member of board of trustees of New Asia College, The Chinese University of Hong Kong. Ms. Maisy Ho is also a holder of Estate Agent's Licence (Individual).

In Macau, Ms. Maisy Ho is an executive vice president of Property Management Business Association Macao, vice president of Macao International Brand Enterprise Commercial Association, executive member of Ladies Committee of Macao Chamber of Commerce and committee member of Kiang Wu Charitable Association.

In China, she is a standing committee member of the Chinese People's Political Consultative Conference of Liaoning Province, a standing committee member of Beijing Youth Federation, and vice-chairman of Liaoning Youth Federation.

Ms. Maisy Ho holds a Bachelor's degree in mass communication and psychology from Pepperdine University, the United States.

Ms. Maisy Ho is the daughter of Dr. Stanley Ho, the Group Executive Chairman, and the sister of Ms. Pansy Ho, the managing director of the Company, and Ms. Daisy Ho, the deputy managing director of the Company. She is also a niece of Mrs. Louise Mok, a non-executive director of the Company.

## **Mr. David Shum**

*Executive Director  
aged 59*

Mr. Shum Hong Kuen, David ("Mr. David Shum") joined the Group in 1992 and has been an executive director of the Company since 2004. He is also a member of the executive committee of the Company and a director of a number of the Company's subsidiaries. He is responsible for the investment activities of the Group.

Mr. David Shum is an executive director of SJM Holdings Limited (which is listed on the Main Board of the Stock Exchange).

Mr. David Shum holds a Master's degree in business administration from the University of California, Berkeley, the United States.

### **Mr. Rogier Verhoeven**

*Executive Director  
aged 51*

Mr. Rogier Johannes Maria Verhoeven ("Mr. Rogier Verhoeven") joined the Group as a consultant in 2000 and was appointed an executive director of the Company in February 2012. He is also a member of the executive committee and the President of the Group Hospitality Division. He is also a director of certain subsidiaries of the Company.

Mr. Rogier Verhoeven has extensive experience in the hospitality industry. He is responsible for overseeing the strategic development of the Group's new hotel management company (Artyzen Hospitality Group) as well as the Group's Hospitality Division which oversees the assessment, and operation, of all new business development opportunities in the fields of property management, hotel management, multi-use developments, hotel development and concierge services.

Mr. Rogier Verhoeven holds a Bachelor's degree in Hotel Management from the Hotel School The Hague, International University of Hospitality Management, the Netherlands.

## Financial Highlights and Book Closure Period

### Financial Highlights

	2013 (HK\$'000)	2012 (HK\$'000)
Turnover	<b>3,575,726</b>	5,411,820
Profit attributable to owners of the Company	<b>1,406,447</b>	2,562,794
Total equity	<b>24,516,073</b>	23,027,927
Earnings per share ( <i>HK cents</i> )		
– basic	<b>47.0</b>	88.7
– diluted	<b>46.3</b>	85.2
Dividends per share ( <i>HK cents</i> )	—	8.5
Net asset value per share ( <i>HK\$</i> )	<b>8.2</b>	7.7

The calculation of basic earnings per share is based on the weighted average number of 2,992,880,719 shares (2012: 2,889,291,226 shares) in issue during the year. The calculation of diluted earnings per share is based on the weighted average number of 3,125,769,750 shares (2012: 3,088,239,325 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

The Board does not recommend the payment of any final dividend in respect of the year ended 31 December 2013.

### Closure of Register of Members

Latest time to lodge transfer documents for registration	4:30 p.m. on 3 June 2014
Closure of register of members (for determining shareholders' eligibility to attend and vote at Annual General Meeting)	4 June 2014 to 10 June 2014, both days inclusive
Annual General Meeting	10 June 2014

# Significant Events

2013

2

February

Premier Jetfoil fleet size increased to 4 vessels.



3

March

The Group announced a US\$400 million 7-year guaranteed notes at 5.7% due in March 2020 issued under the medium term note programme. An oversubscription of approximately 12 times was recorded.

4

April

- Hong Kong International Airport Ferry Terminal Services Ltd was granted a renewed contract for ferry operation management at the SkyPier by the Airport Authority Hong Kong for a term up to 6 years.
- The Group announced its participation in Phase 2 of the iconic integrated development project in Tongzhou district.
- Premier Grand class service extended to cover Kowloon-Macau route.

- The Group acquired a commercial land use project in Dong Zhi Men, Beijing, which was later renamed as Shun Tak Tower, Beijing.



6

June

The Group has taken an equal third share in the low cost airline Jetstar Hong Kong Airways Limited.



7

July

Artyzen Hospitality Group was launched as the Group's first branded hotel management group.

8

August

- The Group acquired a strategic site in Hengqin to develop an integrated mixed-use commercial landmark.
- Formation of joint venture with China State Construction International Holdings Limited to develop the residential portion of Nova City Phase 5.



TurboJET received "The Hong Kong Classic Brand Award 2013" from East Week.

9

September

10

October



Artyzen Hospitality Group and citizenM Hotels set up a joint venture company Artyzen citizenM Asia Limited to introduce and manage the rollout of the citizenM brand in Asia.

12

December

Shun Tak-China Travel Shipping Investments Limited concluded a co-operation arrangement with Shenzhen Airport Ferry Terminal Services Company Limited. TurboJET started to manage ferry services at Shenzhen Airport Fuyong Ferry Terminal from January 2014 for a term of 8 years.



2014

2

February



TurboJET received "Hong Kong Premier Service Brand" in 2013 from Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong.



**We took the first bold steps forward to diversify our business portfolio in transportation and hospitality while increasing our stake in the China property market. We delivered commendable financials even as we made significant investments for future growth this year.**

### Dear Shareholders,

Fiscal year 2013 has been a pivotal time for the Group in every sense of the word. This past year, we took the first bold steps forward to diversify our business portfolio in transportation and hospitality, while increasing our stake in the China property market. These represent important groundwork of a significant growth strategy into the next decade. Against this backdrop, all divisions have produced satisfactory earnings results, with profit attributable to shareholders of the Company for the year ended 31 December 2013 amounting to HK\$1,406 million (2012: HK\$2,563 million). Basic earnings per share were HK47 cents (2012: HK88.7 cents). The Board of Directors does not recommend the payment of any final dividend (2012: HK8.5 cents per share).

Property transactions remained subdued under newly implemented real estate policies. Nonetheless, the Group launched two sales releases over the year, one for Nova Park in November 2013 and another for Chatham Gate in January 2014. Both launches were met with popular demand and achieved satisfactory prices. In early 2014, the last two triplexes at The Residences and Apartments at Mandarin Oriental, Macau, were also sold for record per square feet prices. These are positive reflections of homebuyers' confidence in our developments, and we will stay responsive to market sentiment in order to flexibly adjust our sales strategy.

Beyond Hong Kong and Macau, the Group took significant steps to expand its property portfolio in mainland China. In 2013, three major development projects have been acquired, namely Beijing Tongzhou Integrated Development Phase 2, Hengqin Integrated Development Project and Beijing Dong Zhi Men Commercial Land Use Project (later renamed as "Shun Tak Tower, Beijing"). These integrated projects will inject new growth potentials and synergy into multiple businesses within the Group's portfolio, as well as generate recurring cash flow with secure and stable returns for the future.

In August 2013, the Group introduced China State Construction International Holdings Limited ("CSCI") as a joint venture partner for the residential portion of Nova City Phase 5. CSCI has been the appointed main contractor for all previous phases under the Nova branded projects, and is widely resourceful in the Macau construction market. This alliance will allow for better cost control and time management.

The transportation division turned in encouraging results attributable to an uptrend in regional tourism demand, a stabilized operating environment, as well as a fare increment on TurboJET routes implemented in March 2013 to improve profitability to sustainable levels. True to its pledge of creating the best sea travel experience for passengers, TurboJET continued to upgrade its fleet and lounge facilities, capitalizing successfully upon the expanding luxury travel market, achieving a 78% year-on-year increase in Premier Grand class business. Our experience in managing ferry terminal facilities is also well recognized, as we earned a new management appointment for ferry services at Shenzhen Airport Fuyong Ferry Terminal, the third major port within Pearl River Delta ("PRD") in addition to SkyPier and Macau Maritime Ferry Terminal under the Group's management.

Speaking of the PRD, the Group is a forerunner in establishing an air-sea intermodal platform using Hong Kong International Airport as an aviation hub to meet rising travel demand from the rapid internationalization of the region. Expanding upon our relevant experience, the Group made a strategic decision in June 2013 to invest in Jetstar Hong Kong Airways Limited (“Jetstar Hong Kong”) based on equal partnership with Qantas Group and China Eastern Airlines. The launch of Jetstar Hong Kong is subject to regulatory approvals.

The hospitality division continued to perform encouragingly on the back of robust regional tourism demand. In particular, our hotel portfolio contributed solid earnings to the Group in 2013, with Hong Kong SkyCity Marriott Hotel leading way. Other arms of the division, including Hospitality Management and Travel & MICE, also turned in compelling results, with each being a solid pillar as we continue to forge an all-rounded tourism brand under the Shun Tak banner.

Combining shrewd business sense with creativity, Artyzen Hospitality Group was established to offer hotel management solutions to hotel owners and developers. The Group foresees extensive opportunities in the burgeoning Asian tourism landscape, particularly powered by a deluge of increasingly affluent and discerning mobile travelers from China. Designed to meet the preferences of this market, a collection of luxury hotel brands has been created with distinctively oriental flavour centering around elements of art and heritage. Its target destinations include major gateway cities in Asia, such as Hong Kong, Taipei, Shanghai, Beijing, Singapore and Jakarta.

In February 2013, the Group announced the establishment and listing of a US\$1 billion guaranteed medium term note programme (the “MTN Programme”) on The Stock Exchange of Hong Kong Limited. In March 2013, the Group further announced a US\$400 million 7-year guaranteed notes at 5.7% due in March 2020 (stock code: 5910) issued under the MTN Programme, and an oversubscription of approximately 12 times was recorded. This attests to our investors’ unwavering confidence in the Group’s financial solidarity and prudent management, and provided us with a strong financial position to carry out our expansion plans.

In 2013, we delivered commendable financials even as we made significant investments for future growth. We are confident that the best is yet to come. Taking this opportunity, we would like to thank everyone at Shun Tak whose dedication and hard work have played an instrumental role in achieving another remarkable year as well as our shareholders for their tremendous support.

With the decisions we have made in 2013, the clear strategy we have put in place and the exceptionally talented management we have on board, we are well-positioned to deliver a compelling growth vision long into the future.

By order of the Board

**Stanley Ho**

Group Executive Chairman

28 March 2014



# HARMONY

*as One*

## *Property*

*With acute foresight and innovation, we  
bring new living concepts to life. Apart  
from building houses, we build homes,  
communities and environments that  
blend in perfect harmony.*



2013 has been a pivotal year for the division, as it laid the foundation of an exciting expansion into the China market, with the Group acquiring a number of strategically important sites in Beijing and Hengqin for sizable landmark developments.

The property division registered an operating profit of HK\$80 million (2012: HK\$518 million), with the decline attributable to the reduction of property development profit recognized for the year. Revaluation gain also decreased to HK\$577 million (2012: HK\$1,150 million). Despite lower profit booked for the year, 2013 has been a pivotal year for the division, as it laid the foundation of an exciting expansion into the China market, with the Group acquiring a number of strategically important sites in Beijing and Hengqin for sizable landmark developments.

### Property Developments

#### Major Acquisitions

##### IN HONG KONG

#### ***Shun Tak Centre, Shop No. 402 (Group interest: 100%)***

In January 2013, the Group purchased this 33,387 square feet property from The Open University of Hong Kong. The Group perceived this as a remarkable investment opportunity to complement its property investment portfolio and generate satisfactory and sustainable recurring income for the future.

##### IN CHINA

In 2013, the Group announced the acquisition of three new sites in Beijing and Hengqin respectively, two cities that are expected to benefit from national policies with sustainable growth potentials. Moreover, the investments reflect the Group's confidence in the fundamentals of China real estate market, and also mark a strategic shift in enhancing the weight of mainland based projects in its future development portfolio.

#### ***Beijing Tongzhou Integrated Development Phase 2 (Group interest: 19.35%)***

In October 2012, the Group first announced its foray into the Northern China property market through an investment in Beijing Tongzhou Integrated Development Phase 1. Following this strategic move, in April 2013 the same consortium undertook to acquire Phase 2 of the project, which comprises a total land area of about 1.1 million square feet (104,000 square meters) and a developable gross floor area (excluding car park) of about 4.6 million square feet (426,000 square meters). With the larger combined site, the Group is able to optimize the development potential of the site. This iconic landmark is expected to be a dazzling addition to the Grand Canal waterfront, comprising retail, office, hotel and serviced apartments, with completion scheduled for year 2016.





**Beijing Dong Zhi Men Commercial Land Use Project (Group interest: 100%)**

In April 2013, the Group has announced the acquisition of a wholly-owned property in Beijing Dong Zhi Men near East 2nd Ring Road, comprising both office and hospitality components, at RMB1.29 billion. The property is later renamed as Shun Tak Tower in February 2014. The site of the property spans 63,000 square feet (5,832 square meters), with a developable gross floor area of approximately 417,000 square feet (38,700 square meters) rising 21 levels aboveground, and 180,000 square feet (16,800 square meters) in 4 underground levels. It is located next to the airport highway, serviced by a convenient network of major metro lines and bus routes. Beijing downtown, embassy area, and YanSha district are all within close proximity. Superstructure and majority of external façade have been completed, with handover of the property scheduled for April 2014.

**Hengqin Integrated Development (Group interest: 70%)**

In July 2013, the Group entered a successful bid for a 23,834 square meter site in Hengqin to be developed into an integrated landmark which comprises office, hotel, commercial, and serviced apartments. The site boasts unparalleled connectivity, with direct access to the port and commercial facilities at the border to Macau, to be serviced by the Hengqin and Macau light rails as well as the extension of Guangzhou-Zhuhai Intercity Rail in the future. It is a few minutes' drive away from Cotai strip where ultra-luxurious gaming resorts thrive. Site works are underway with foundation works anticipated to commence in the second half of 2014. In January 2014, the Group entered into a joint venture agreement with Perennial Hengqin Investment Group Pte. Ltd. ("PHIG"), following which the Group and PHIG will jointly develop the project on a 70:30 basis.

**Projects Completed with Recent Sales**

**IN MACAU**

**One Central (Group interest: 51%)**

One Central is a prominent architectural feature on the Macau Peninsula waterfront jointly developed with Hongkong Land Holdings Limited. As of 31 December 2013,

all residential towers within One Central Residences have been sold, with the last triplex unit achieving a record price and to be handed over in the third quarter of 2014. In terms of The Residences and Apartments at Mandarin Oriental, Macau, only two triplex units remain in the inventory as of 31 December 2013.

**Taipa Hills Memorial Garden (Group interest: 79%)**

Taipa Hills Memorial Garden is a contemporary columbarium launched in 2011. As of 31 December 2013, 33% of niches available for sale has been sold. In response to market demand, halls with distinctive decoration and religious themes have been introduced and have received promising interest. Further fitting out works for third to fourth floor will commence in the second quarter of 2014. Complementing sales initiatives for Taipa Hills Memorial Garden, a new subsidiary under the name Wing Nim Memorial Services was launched in Hong Kong in the first quarter of 2013, offering tailored solutions to families opting for one-stop funeral services. Taipa Hills Memorial Garden received the "AFE Award – Marketing Strategy Award" in 2013, an award that is well represented in the trade.

**IN HONG KONG**

**Chatham Gate (Group interest: 51%)**

This centrally located address features two majestic residential towers offering studio to four-bedroom units. Handover commenced in March 2013. As of 31 December 2013, 237 out of 334 residential units have been sold. The approximately 61,200 square feet shopping arcade opened in January 2014.





### Project Under Development with Recent Sales

IN MACAU

#### **Nova Park (Group interest: 100%)**

Nova Park, Phase 4 of Nova City, is an urban park-side residential development set at the heart of the thriving Taipa community. Its three residential towers cover a gross floor area of approximately 680,000 square feet, overlooking the dynamic and vibrant Taipa Central Park. Superstructure works have been completed and fitting out works are in progress. Project is on schedule to complete by the fourth quarter of 2014. In November 2013, an additional 113 units were sold in a second sales launch, bringing the total percentage of units sold to 74% as of 31 December 2013, with majority of homebuyers from local Macau.

### Projects Under Development

IN MACAU

#### **Nova City Phase 5 (Group interest: residential 71%; commercial 100%)**

This next phase of Nova City comprises over 2.3 million square feet of residential units in eight towers and a lifestyle shopping centre spanning over 650,000 square feet. In August 2013, the Group entered into an agreement with China State Construction International Holdings Limited to jointly develop the residential towers, with the Group retaining 71% of interest in the residential portion. The latter, which now holds 29% of interest in the residential portion, has been the appointed contractor for all previous phases of the Nova City project, and will continue to be the main contractor for Phase 5.

The Group will continue to be the sole developer for a large-scale lifestyle shopping centre located below the residential towers. It will become a hub for daily conveniences and entertainment serving the entire Taipa community, home to supermarket, restaurants, and casual retail. Foundation works are in progress with substructure works to commence in the third quarter of 2014.

#### **Harbour Mile (Group interest: 100%)**

The premium residential development at the Nam Van site, adjacent to the Macau Tower Convention & Entertainment Centre ("Macau Tower"), remains under planning. The Macau SAR Government is continuing to review the Master Plan of Nam Van area, and is anticipated to need more time to finalize the Master Plan.

#### **Hotel Development at Cotai Site (Group interest: 100%)**

The Group has made application for land grant and is in discussion with the Macau SAR Government on its plan to develop hospitality facilities on the site.

IN HONG KONG

#### **Luxury Mansions at Chung Hom Kok (Group interest: 100%)**

This development comprises five luxury residential houses with saleable area from 4,168 square feet to 6,445 square feet in a premium and tranquil location at Chung Hom Kok. Superstructure works are completed and fitting out works are in progress. Two show houses are planned to launch for private viewing at the end of 2014.

IN CHINA

#### **Beijing Tongzhou Integrated Development Phase 1 (Group interest: 24%)**

In October 2012, the Group entered into a joint venture with a consortium of investors to develop an iconic landmark in the new business district of Beijing – the Tongzhou district. "The Tongzhou Modern International New City" is a strategic



emphasis highlighted in the 12th Five-Year National Plan. Tongzhou is poised to become Beijing's new Central Business District and new municipal government administration office. The proposed mixed use development comprises retail, office and serviced apartment components. It is located on a prime site fronting the famous Grand Canal and enjoys direct connectivity to future M6 and S6 subway lines and bus interchange stations. The gross floor area of the proposed development is approximately 4.3 million square feet (402,000 square meters).

As aforementioned, the Group entered into a second consortium in April 2013 to acquire Phase 2 of this same project. The larger combined site of over 828,000 square meters in gross floor area introduced greater flexibility to further optimize the master plan in order to enhance its development potential and anchor the most representative landmark along the Grand Canal when completed in 2016.

## Property Investments

### IN MACAU

#### **One Central Shopping Mall (Group interest: 51%)**

One of the defining attributes of One Central is a 400,000 square feet premium shopping mall, which houses a top notch collection of international designer brands and their flagship stores. Its popularity demonstrates the Group's vision and strength in creating projects appealing to major international tenants. The retail mall posted an average occupancy rate of 96% over the year, yielding encouraging income for the Group, with average rents increased by around 34%.

#### **Shun Tak House (Group interest: 100%)**

The property, situated at Senado Square in the heart of the Macau Peninsula, covers over 28,000 square feet of leasable area and consistently maintains 100% occupancy with two major retail anchor tenants providing stable rental income stream.

### IN HONG KONG

#### **The Westwood (Group interest: 51%)**

This 5-storey shopping centre at The Belcher's with approximately 158,000 square feet of leasable area, is the largest shopping destination in the Western Mid-Levels. It houses many lifestyle retail brands and attracts a diversified customer demographic. As of 31 December 2013, occupancy rate stood above 93%. Foot traffic is expected to be enhanced considerably in 2014 when the MTR West Island Line commences operation.

#### **Liberté Place (Group interest: 64.56%)**

Liberté Place, the shopping podium of Liberté, offers a wide variety of dining and household conveniences to residents of the West Kowloon community, including the neighboring Banyan Garden and The Pacifica. Occupancy consistently stands close to 100%.

### IN CHINA

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

The Guangzhou Shun Tak Business Centre, a 32-storey office tower on a 6-storey shopping arcade, recorded satisfactory leasing revenue and maintained an occupancy rate of around 86% over the year.

## Property Services

Shun Tak Property Management Limited ("STPML"), the Group's wholly-owned subsidiary, offers professional property management service in Hong Kong and Macau, as well as complementing businesses including Shun Tak Macau Services Limited, a property cleaning service; and Clean Living (Macau) Limited which offers both retail and institutional laundry services.

In March 2013, STPML was awarded an Integrated Facility Management Services contract for the University of Macau, Hengqin Campus, with a scheduled in-take of over 10,000 students in the first year. The premise spans over 10.8 million square feet (1 kilometer square) in size and covers a gross floor area of around 10 million square feet. Handover of premises began in August 2013 by phases. With this appointment, the management portfolio of STPML is extended to cover over 26 million square feet of gross floor area.





# EXPERIENCE *as One*

## *Transportation*

*Combining the wealth of experience from our team and extensive resources, we spearhead a seamless cross-modal transportation network for the region to bring people and business together.*



## Review of Operations

# TRANSPORTATION

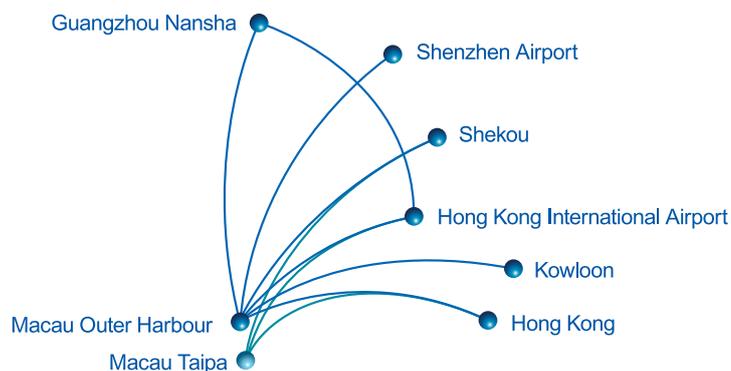
The division is consistently driving value creation through product innovation in enhancing overall customer experience. In order to meet the ever-heightening demand of luxury travelers to Macau, TurboJET launched its fourth Premier Jetfoil vessel and introduced Premier Grand class to the Kowloon-Macau route.

Fiscal 2013 has been a highly encouraging period for the transportation division. Driven by a robust economy and strong tourism demand for Macau as a destination, TurboJET serviced over 14 million passengers on its flagship Hong Kong-Macau routes, representing a 3% increase compared with last year. The division collectively posted HK\$165 million in operating profit, a 154% year-on-year improvement, demonstrating favorable fundamentals in both its land and sea operations.

### Shun Tak-China Travel Shipping Investments Limited

TurboJET began to restore profitability in 2012 as the operating environment stabilized and fuel prices receding to a normal level. In March 2013, the Macau SAR Government approved fare increment, which further consolidated sustainable returns to the business.

As a progressive company, TurboJET is consistently driving value creation through product innovation in enhancing overall customer experience. The Premier Grand and Super Class lounges at the Ferry Terminals, as well as the launch of its fourth Premier Jetfoil vessel in February 2013, bear testimony to its dedication in upgrading services to meet the ever-heightening demand of luxury travelers to Macau. This luxury cabin class has also been introduced to the





Kowloon-Macau route since April 2013, and is expected to increase Premier service frequency as it was quickly gaining popularity. A remarkable year-on-year growth of 78% in sales of Premier Grand Class has been registered in 2013. TurboJET will reach its target of offering half-hourly Premier schedules later in 2014.

Upon over 50 years of passenger transport service experience, the division now manages the ferry operations at three key cross-boundary ferry terminals in the region. In April 2013, the Group's joint venture, Hong Kong International Airport Ferry Terminal Services Limited renewed a contract with Airport Authority Hong Kong for the management of the ferry operations at SkyPier over a term of 6 years. SkyPier continued to grow from strength to strength, recording a passenger throughput of 2.7 million or 3% year-on-year growth. In December 2013, a co-operation arrangement was concluded with Shenzhen Airport Ferry Terminal Services Company Limited, to manage ferry services at Shenzhen Airport Fuyong Ferry Terminal for a period of 8 years commencing in 2014. Together with Macau Maritime Ferry Terminal, the division is diligently running a network of ports that are strategic anchors to the multimodal transportation development within the Pearl River Delta.

The Group currently operates all four passenger ports across the two SARs as well as Shenzhen, Shekou and Nansha through close alliances with China-based ferry operators. In 2013, TurboJET flagship Hong Kong-Macau routes posted a 3% growth in passenger numbers while routes to mainland

China collectively registered a 16% increase. This uptrend is expected to continue as Hengqin begins to take shape as a mega leisure destination complementing new expansions in Cotai.

### Shun Tak & CITS Coach (Macao) Limited

The land transportation arm, Shun Tak & CITS Coach (Macao) Limited, continued to deliver strong returns through its cross-border and local rental business. In year 2013, its fleet expanded to 144 vehicles, and recorded HK\$92 million in total revenue (2012: HK\$95 million).



"Manpower Developer Award" by the Employees Retraining Board in the ERB Manpower Developer Award Scheme

"Hong Kong Premier Service Brand" by Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong

"The Hong Kong Classic Brand Award 2013" by East Week

# DIVERSITY

*as One*



## *Hospitality*

*As a forerunner in the business of premium hotels, hospitality and MICE services, the Group is moving on to harness the myriad of opportunities arising in Greater China.*





# Review of Operations

## HOSPITALITY

On the back of an uptrend in travel demands, the Group's hotel portfolio, hospitality management and travel services all posted healthy results. Rooted in a culture to extend the best hospitality services with customer-focused products, the division founded a wholly-owned Artyzen Hospitality Group that provides hotel management solutions in 2013.



"Top 25 Luxury Hotels in China" by TripAdvisor 2013 — Travelers' Choice



"Asia's Leading Airport Hotel" by World Travel Awards 2013



"Excellence in Innovation" by 2013 Business Awards



"Five Star Hotel & Five Star Spa" by Forbes Travel Guide 2013

2013 has been another strong year for the hospitality division in terms of top line results. On the back of an uptrend in travel demands, the Group's hotel portfolio, hospitality management and travel services all posted healthy results. Rooted in a culture to extend the best hospitality services with customer-focused products, the division laid the foundation of its next strategic move in 2013 by founding a wholly-owned Artyzen Hospitality Group that provides hotel management solutions through a suite of originally created luxury hotel brands characterized by distinctive Asian offerings. The hospitality division collectively posted an operating profit of HK\$70 million in 2013 (2012: HK\$98 million), with profitability partially offset by start-up investments in the new hotel management arm.

### Hotels

In Hong Kong, the 658-room Hong Kong SkyCity Marriott Hotel is directly connected to Asia World-Expo and located in close proximity to Hong Kong International Airport and SkyPier. It is 20 minutes away from downtown via Airport Express, and well complemented by a number of key attractions in Lantau Island. As such, the hotel has grown in popularity over the years, posting an average occupancy rate of 82% and registering HK\$375 million in revenue in 2013 which represents 9% year-on-year growth. During the year, the hotel received the accolade of "Asia's Leading Airport Hotel" from World Travel Awards 2013, as well as "Winner Certificate of Excellence 2013" from Trip Advisor and daodao.com.

Mandarin Oriental, Macau is one of the leading luxury hotels in Macau renowned for its bespoke services and fine elegance. It achieves market-leading average room rates among non-gaming establishments through a strong recurrent customer base and high brand loyalty. In 2013, the hotel recorded an occupancy rate of 78% and a revenue of MOP 223 million (equivalent to HK\$216 million). The hotel also received prestigious awards including "Five Star Hotel & Five Star Spa" by Forbes Travel Guide 2013 and "Top 25 Luxury Hotels in China" by Trip Advisor 2013 — Travelers' Choice.





Westin Resort Macau continued to be a favorite among holidaymakers who prefer a uniquely idyllic and leisurely resort experience. Sports enthusiasts may bask under the sunshine at Hac Sa beach, play a round of golf at the adjacent Macau Golf and Country Club or take a hike in the nearby conservation park. The property achieved a 63% occupancy rate in 2013 albeit an ongoing room upgrade program to be completed by the end of April 2014. Restaurants and bars experienced satisfactory results after the relaunch of the Porto Bar and themed evenings. In 2013, Kwun Hoi Heen Chinese Restaurant & Café Panorama received the “Hong Kong & Macau’s Best Restaurants” awards from Asia Tatler 2013 and an Excellence Award from Macao Energy Saving Contest awarded by Companhia de Electricidade de Macau.

In July 2013, the Group announced Artyzen Hospitality Group (“AHG”) to offer hotel management solutions to hotel owners and developers. Headquartered in Hong Kong with regional offices in Shanghai and Singapore, its offerings are designed to penetrate the dynamic Asian tourism market, particularly capturing opportunities derived from China outbound tourists who are increasingly affluent and sophisticated. It has also partnered with the widely popular European citizenM hotel brand for its Asian launch. The key priority of AHG is to identify and establish flagship hotels in major gateway cities in Asia such as Hong Kong, Taipei, Shanghai, Beijing, Singapore and Jakarta.

### Hospitality Management

The Group has a solid foothold in tourism facility management with the success of Macau Tower being an exemplary precedence that demonstrates the strength of its international hospitality management and comprehensive sales and marketing network. In 2013, Macau Tower

registered satisfactory performance in all segments of business including food & beverage, observation decks and retail rental. AJ Hackett-Macau Tower continued to be a signature component of Macau Tower, attracting a huge number of international customers and media over the year. In 2013, the operation experienced a 36% increase in profit with 14,221 visitors challenging the World’s Highest Commercial Bungy Jump under Guinness World Record.



### Travel and MICE

Shun Tak Travel is a key wholesaler in Macau tourism products and a recognized leader in event hospitality management. Its highly customizable quality services have become widely popular among corporate clients. In 2013, the division has been involved in many talk-of-town events including the ground breaking ceremony for Louis XIII hotel and the annual conference for Macau Consumer Council. Shun Tak Travel posted 61% and 15% year-on-year growth in corporate and wholesale ticketing sales respectively, with retail business also gaining momentum through cross promotions and social media campaigns. In China, corporate business is negatively impacted by policies restricting government-related promotions and entertainment activities abroad. However, China offices registered 11% increase in sales turnover, primarily from the sales of traditional travel products.



# SYNERGY

*as One*



## *Investment*

*At the pulse of dynamic growth across the Pearl River Delta, the Group is investing in a balanced business portfolio with sharp acumen and prudent strategies in contribution to the region's development.*





## Review of Operations

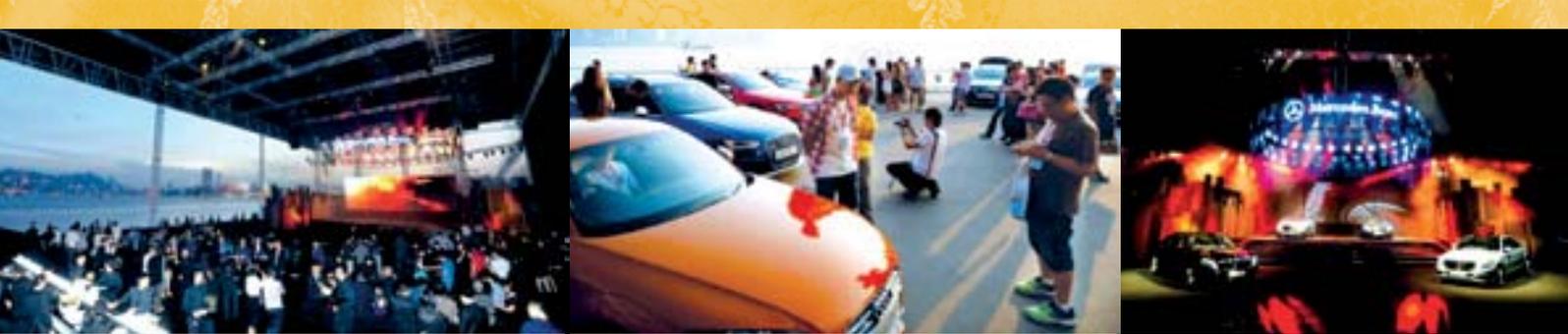
# INVESTMENT

The investment division posted a substantial gain in 2013, with the increased income mainly attributable to improved dividend returns from Sociedade de Turismo e Diversões de Macau, S.A., following another record-setting year in gaming performance.

The investment division posted a substantial gain of HK\$172 million (2012: HK\$87 million) in 2013, with the increased income mainly attributable to improved dividend returns from Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), following another record-setting year in gaming performance.

The Group owns an effective interest in STDM of approximately 11.5%, which in turn owns approximately 54.92% effective shareholding in SJM Holdings Limited, a listed company in Hong Kong. SJM Holdings Limited owns the entire shareholding interests of Sociedade de Jogos de Macau S.A., one of six gaming concessionaires licensed by the Macau SAR Government to operate casinos in Macau.





Complementing its hospitality portfolio in Hong Kong, the Group formed a consortium led by Worldwide Flight Services Holding SA and Royal Caribbean Cruises Limited to enter a tenancy agreement for the management of the new Kai Tak Cruise Terminal. The facility is designed to accommodate a new era of mega-cruisers, and is expected to be an integral part of Hong Kong's tourism development strategy in drawing visitors with high spending power. The establishment comprises approximately 5,600 square meters of commercial area for lease, of which about 40% has been leased in year 2013. The terminal soft opened to welcome the first cruise ship in June 2013, marking a new chapter in Hong Kong cruise tourism.



Macau Matters Company Limited is the Group's retail arm, operating Toys "R" Us Macau at Macau Tower. The business continues to generate satisfactory profits, benefiting from the increasing wealth among Macau locals.



## Recent Developments and Prospect

2013 has been a year marked with many significant milestones. The divisions are well placed to take advantage of the growth drivers in their markets, and at the same time, embracing new development directions with dedication.

The property division made two sales launches for Nova Park in Macau and Chatham Gate in Hong Kong in November 2013 and January 2014 respectively. Both occasions garnered satisfactory market response. As of 31 December 2013, 74% of Nova Park and 71% of Chatham Gate have been sold. In addition, the last two triplex units at The Residences and Apartments at Mandarin Oriental, Macau, have been sold in 2014 at record breaking market prices.

With the acquisition of three major land plots in 2013, namely Beijing Tongzhou Integrated Development Phase 2, Hengqin Integrated Development and Beijing Dong Zhi Men Commercial Land Use Project (later renamed as "Shun Tak Tower, Beijing"), the Group is set to harness its forte in developing integrated complexes and establish its signature in the mainland China property market. The latter project, Shun Tak Tower, is near completion and is expected to commence leasing within the second quarter of 2014. It is expected to provide a steady stream of recurring revenue to the property division.

In August 2013, the Group introduced China State Construction International Holdings Limited ("CSCI") as a joint venture partner for the residential portion

of Nova City Phase 5. CSCI has been the appointed main contractor for all previous phases under the Nova branded projects, and is widely resourceful in the Macau construction market. This alliance will allow for better cost control and time management.

In January 2014, the Group further introduced Perennial Hengqin Investment Group Pte. Ltd. as a joint venture partner to develop the Hengqin Integrated Development on a 70:30 basis. One of the shareholders of this new partner, Perennial Real Estate Holdings Pte. Ltd. ("PREH"), is also a major investor in the Beijing Tongzhou Integrated Development. PREH currently manages an extensive portfolio in China specializing in large mixed-use developments.

In 2013, TurboJET serviced 15 million passengers on the Hong Kong-Macau routes including Kowloon and Airport sailings, recording an increase of 2% as compared to last year. At the same time, SkyPier continued to show encouraging growth, setting record numbers again in terms of passenger throughput at 2.7 million, representing a 3% year-on-year growth.

In January 2014, the Group has commenced the management of ferry services at Shenzhen Airport Fuyong Ferry Terminal for an 8-year contractual period. This marks the third cross-boundary passenger ferry terminal management appointment for the Group, and attests to the division's strong operational capabilities and leadership role in the industry.

In June 2013, the Group has taken an equal third share in Jetstar Hong Kong Airways Limited (“Jetstar Hong Kong”) with Qantas Group and China Eastern Airlines as its partners. The launch of Jetstar Hong Kong is subject to regulatory approvals.

The Group is determinedly focused on forging a well-rounded tourism brand under the umbrella of Shun Tak. Over the past years, this blueprint has been gradually solidified with the expansion of services in areas such as retail ticketing, corporate travel, MICE and destination management. In July 2013, a significant stride has been made to consummate its vision with the establishment of Artyzen Hospitality Group to

offer hotel management solutions to hotel owners and developers. Its offerings are to carry a uniquely oriental flavor designed to cater to the needs of increasingly discriminating business and leisure travelers from China.

Leasing efforts at the new Kai Tak Cruise Terminal is progressing well, with 40% of its 5,600 square meters commercial space successfully leased in 2013. The momentum continued into 2014, with a total of 81% of space leased as of the end of first quarter 2014.

The new financial year of 2014 has started in a positive vein and encouraging progress is already being made on some of the Group’s key initiatives. Combining solidarity with a pragmatic approach, the Group will continue to create shareholders value by reinventing itself to capitalize upon the many exciting transformations in the region’s economy.



# Corporate Social Responsibility

The Group continually works to inspire the values and principles of our CSR activities across all levels of businesses and operations by encouraging community well-being, engaging employees' hearts and minds in activities designed to enhance society and improve workplace, as well as promoting environmental responsibility.



The Company scored an ESG rating (environmental, social and governance) of "AA" from Reputex



"10 years+ Caring Company" award from Hong Kong Council of Social Service



The 4th Hong Kong Outstanding Corporate Citizenship Logo - Enterprise Category



"Great Entrepreneurs Spirit 2012-2013" from School-Company-Parent program

## For a Brighter Tomorrow

The Group strongly believes in making a difference for the needy as the business grows from strength to strength, and in 2013, the Shun Tak volunteer team was set up to promote such initiatives. In the same year, the Group has also been upgraded from a Grade A+ to a Grade AA ESG (Environment, Social and Governance) rating by the independent research firm Reputex who works in partnership with Hang Seng Indexes Company Limited for the management and compilation of the Hang Seng Corporate Sustainability Index Series, of which the Company is a constituent member.

## Our Employees

Employees are our greatest assets. They are the building blocks that define the company. It is therefore a priority to ensure that a safe, healthy and indiscriminating working environment can be offered, where our staff can perform to their best ability and maintain a good work-life balance. In 2013, the Group supported a number of health-related seminars and workshops on chiropractic pain, healthy eating and insomnia to improve the well-being of our colleagues; as well as interest classes and hobby groups in enhancing quality of life. The Group believes there is no end to learning and there is always room to grow. Over the year, the Group contributed towards the training fund and sponsored more than 60 staff to attend various work-related courses. TurboJET is recognized for demonstrating manpower training and development for its employees and received the Manpower Developer Award Scheme last year.

## Our Community

With greater success comes greater responsibility to give back to the community that has helped us grow. The Group believes there is greater meaning in our community engagement activities when our employees actively participate and take every opportunity to reach out and serve the needy directly. Over the year, TurboJET has participated in various charity and welfare activities works. In Lunar New Year 2013, 40 volunteers spent an afternoon with the elderly over "Poon Choi" lunch and brought with them packets of rice as lunar year blessing. Participating in the "Indoor Rowing Competition 2013" organized by Macau Special Olympics, the message of integrating mentally challenged people into Macau





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community were spread, and TurboJET clinched the Caridade Social 2013 award for its effort. In addition, TurboJET has jointly-cared for 60 single-parent families with Lions Club Macau and sponsored 150 adults and children to a Hong Kong Disneyland trip, as well as being the official carrier in the 2013 Salvation Army O! Day fund-raising campaign and sponsored ferry tickets for all the participants.

On the Group level, 28 volunteers celebrated the Tuen Ng holiday in June 2013 with senior citizens who live alone and brought gifts of rice dumplings to extend the warmth of the festival with the elderly. In November and December 2013, a group of more than 20 staff from the Shun Tak voluntary service team visited the children at Po Leung Kuk, and also the elderly under the care of Tung Wah Group of Hospitals at the Wong Chuk Hang Complex. Toys, stationery and daily amenities were given out as staff share the joyous festive spirit with those in need. Other fund-raising events we supported include Community Chest Walks for Millions, the Salvation Army O! Day, and the Central Rat Race for the MINDSET.

## Our Environment

Our CSR activities for community go beyond volunteer works and sponsorship. Recognizing the importance of building sustainability into business in order not to compromise the natural environment through our operations, each operational division is bound by a list of environmental objectives. Apart from guiding internal processes, these policies also set standards for external contractors and suppliers. Working with various external consultants, the Group implemented changes to reduce carbon footprint, save resources and promote eco-friendly practices. Responding to calls for environmental conservation, the Group and TurboJET supported recycling programs organized by Caritas Hong Kong and The Salvation Army, and donated unused office equipment; as well as cartons of used books to World Vision Hong Kong. In 2013, TurboJET joined the International Coastal Cleanup and collected 190 kilograms of rubbish; a team of 40 volunteers participated in tree planting organized by Agriculture, Fisheries and Conservation Department in support of nature conservation. The shipping division also renewed its Hong

Kong Awards for Environmental Excellence Wastewi\$e Label. Property management division has also clinched numerous green awards in properties within its portfolio, including Excellent Class Indoor Air Quality (IAQ) Certificate, the Certificate of Programme on Source Separation of Commercial and Industrial Waste, Certificate of Quality Water Recognition Scheme for Buildings to name just a few. These divisions also participated in the Earth Hour campaign organized by World Wide Fund for Nature to promote energy conservation.

## Our Future

For the 7th consecutive year, the Group participated in a School-Company-Parent program organized by the Young Entrepreneurs Development Council. 26 students were invited to gain first-hand insights on commercial operations and an understanding of entrepreneurial spirit through 5 workshops and a visit to TurboJET shipyard. TurboJET continued to offer its annual scholarship in support of students who have opted for maritime or transportation studies. In addition, TurboJET also organized summer courses for young children to participate along with their parents, to encourage creative learning through painting and clay modelling. Two awards, namely the "Best Performance of School-Company Partnership 2012-2013" and "Great Entrepreneurs Spirit 2012-2013" were honored for the

Group's dedication towards nurturing the young generation.



5



6

### Captions

- 1 Family Summer Courses
- 2 Central Rat Race for the MINDSET
- 3 Community Chest Walks for Millions
- 4 Salvation Army O! Day
- 5 Staff Interest Classes
- 6 TurboJET Scholarship Program

## Schedule of Major Properties

### Properties for Development and/or Sale

	Approx. Total Gross Floor Area for the Project (Sq.m)	Approx. Total Site Area for the Project (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2013	Estimated Completion Date
<b>Hong Kong</b>						
Chatham Gate No. 388 Chatham Road North, Kowloon	15,123 (Note 1)	3,786	Residential	51%	Completed	—
	114 motor car parking spaces (Note 1)		Carpark		Completed	—
Nos. 44-50 Chung Hom Kok Road	2,223	2,964	Residential	100%	Fitting out works in progress	2014
<b>Macau</b>						
One Central One Central Residences	561 motor car parking spaces 141 motorcycle parking spaces	18,344	Carpark	51%	Completed	—
			Carpark		Completed	—
The Residences & Apartments at Mandarin Oriental Macau	921 (Note 1)		Residential		Completed	—
<b>Nova City</b>						
Phase IV - Nova Park (Taipa Lot BT35)	17,392 (Note 1)	5,426	Residential	100%	Fitting out works in progress	2014
Phase V (Taipa Lot BT2/3)	214,915	23,843	Residential/	71% (Note 4)	Foundation works in progress	2018
	60,900		Commercial	100%	Foundation works in progress	2018
Taipa Hills Memorial Garden 877, 897, 919 Avenida Son On and 15 Rua Da Riqueza	6,522	2,200	Columbarium	79%	Completed	—
<b>PRC</b>						
Plots 13, 14-1 and 14-2 Tongzhou District, Beijing	401,548 (Note 2)	78,769	Commercial/ Office/Serviced Apartment	24%	Under planning	2016
Plots 10, 11 and 12 Tongzhou District, Beijing	425,716 (Note 2)	103,509	Commercial/ Office/Serviced Apartment	19.35%	Under planning	2016
No. 1 Xiangheyan Road, Dongcheng District, Beijing	55,484	5,832	Office/ Hotel/Serviced Apartment	100%	Superstructure works in progress	2014 (Office portion) 2015/2016 (Hotel/Serviced Apartment portion)
Plots Zhu Heng Guo Tu Chu No. 2013-04 Hengqin New District, Zhuhai	131,089 (Note 3)	23,834	Commercial/ Office/Serviced Apartment/Hotel	70% (Note 5)	Under planning	2018

## Properties Under Acquisition

	Approx. Total Gross Floor Area for the Project (Sq.m)	Approx. Total Site Area for the Project (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2013	Estimated Completion Date
<b>Macau</b>						
Harbour Mile (Note 6)	401,166 (Note 7)	63,409 (Note 7)	Residential	100%	Land bank	—

## Properties Under Planning

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2013	Year of Lease Expiry
<b>Macau</b>						
Baia de Nossa Senhora de Esperança, Taipa, Macau (Note 8 & 9)	200,000	80,656	Hotel	100%	Land bank	2049
<b>Thailand</b>						
Rawai Beach, Phuket, Thailand	—	36,800	Hotel	50%	Land bank	Freehold

## Properties Held by the Group for Own Use

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2013	Year of Lease Expiry
<b>Hong Kong</b>						
Penthouse 39/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong	1,823	—	Office Premises	100%	—	2055 renewable to 2130
83 and 95 Hing Wah Street West, Kowloon	20,602	19,139	Shipyards	42.6%	—	2051
<b>Macau</b>						
Macau International Centre, Macau 2/F to 4/F (whole floor) and Flats A, B, C of 5/F, Block 12	2,894	—	Staff Quarters	100%	—	10 years commencing on 20 Mar 2006 and renewable for further terms until 2049
Edificio Industrial Fu Tai, Macau Unit A4 on 4/F	350	—	Plant	100%	—	2013 renewable to 2049

## Schedule of Major Properties

### Investment and Hotel Properties

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Approx. Lettable Floor Area (Sq.m)	Year of Lease Expiry
<b>Hong Kong</b>						
The Westwood, 8 Belcher's Street, Hong Kong	20,616	—	Commercial	51%	14,682	2030
The Belcher's, 89 Pok Fu Lam Road, Hong Kong	572 motor car parking spaces	—	Carpark	51%	—	2030
	33 motorcycle parking spaces	—	Carpark	51%	—	2030
Chatham Place, 388 Chatham Road North, Kowloon	5,679	—	Commercial	51%	4,527	2030
Chatham Place, 388 Chatham Road North, Kowloon	24 motor car parking spaces	—	Carpark	51%	—	2030
	3 motorcycle parking spaces	—	Carpark	51%	—	2030
Liberté Place, 833 Lai Chi Kok Road, Kowloon	5,600	—	Commercial	64.56%	3,942	2049
Liberté, 833 Lai Chi Kok Road, Kowloon	515 motor car parking spaces	—	Carpark	64.56%	—	2049
	140 lorry parking spaces	—	Carpark	64.56%	—	2049
	45 motorcycle parking spaces	—	Carpark	64.56%	—	2049
Seymour Place, LG/F & G/F, 60 Robinson Road, Hong Kong	974	—	Commercial	100%	822	2858
Seymour Place, G/F, 1/F - 3/F, 60 Robinson Road, Hong Kong	26 parking spaces	—	Carpark	100%	—	2858
Monmouth Place, L1 - L4, 9L Kennedy Road, Hong Kong	18 parking spaces	—	Carpark	100%	—	2047
Shop 402, Shun Tak Centre, 200 Connaught Road Central, Hong Kong	3,102	—	Commercial	100%	—	2055

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Approx. Lettable Floor Area (Sq.m)	Year of Lease Expiry
Hong Kong SkyCity Marriott Hotel 1 Sky City Road East, Hong Kong International Airport, Lantau, Hong Kong	42,616	13,776	Hotel	70%	—	2047
<b>Macau</b>						
Mandarin Oriental Macau	30,094	18,344	Hotel	51%	—	2031 Renewable to 2049
One Central Retail Complex, Macau	37,017	—	Commercial	51%	18,586	2031 Renewable to 2049
One Central Retail Carpark, Macau	243 motor car parking spaces	—	Carpark	51%	—	2031 Renewable to 2049
	102 motorcycle parking spaces	—	Carpark	51%	—	2031 Renewable to 2049
Shun Tak House, 11 Largo do Senado, Macau	2,731	—	Commercial	100%	2,673	Freehold
The Westin Resort Macau and Macau Golf & Country Club Hac Sa Beach, Coloane, Macau	42,285	767,373	Hotel/ Golf Course	34.9%	—	2023 renewable to 2049
<b>PRC</b>						
Shun Tak Business Centre, 246 Zhongshan Si Road, Guangzhou, PRC	28,453	—	Office	60%	28,453	2045
	5,801	—	Commercial Shopping Arcade	60%	5,801	2035
	51 motor car parking spaces	—	Carpark	60%	—	2035

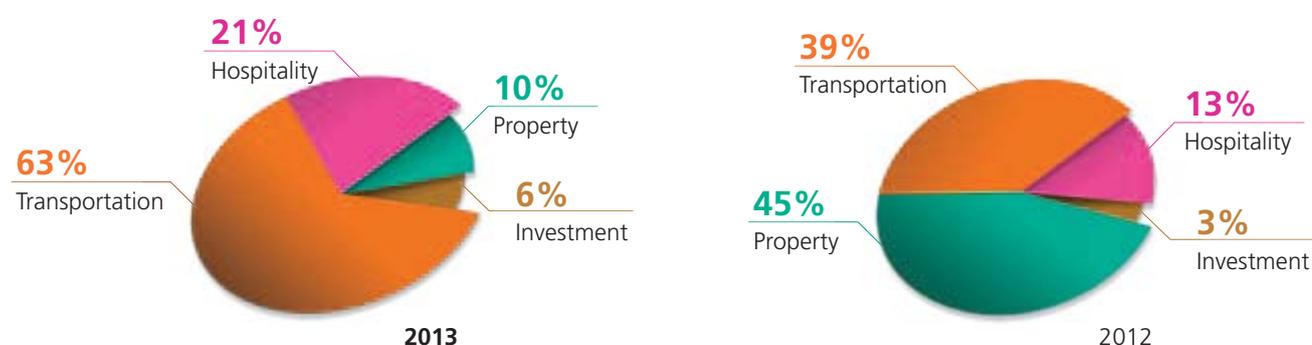
Notes:

- (1) Remaining gross floor area or number of car parking spaces for sale as at 31 December 2013.
- (2) The gross floor area, which includes basement area, shall be subject to the PRC Government approval and design development.
- (3) The gross floor area, which excludes basement area, shall be subject to the PRC Government approval and design development.
- (4) The Group has entered into a joint venture with China State Construction International Holdings Limited to develop the residential portion of Nova City Phase V. Subsequent to the completion of transaction on 3 January 2014, the Group holds 71% interest in the residential portion of the development.
- (5) The Group's wholly owned subsidiary has entered into a joint venture agreement with Perennial Hengqin Investment Group Pte. Ltd. on 8 January 2014. Upon completion of the joint venture agreement, the Group's interest on Hengqin project will become 70%.
- (6) Completion date of the acquisition is extended to on or before 31 December 2014 because additional time is needed for the Macau SAR Government to finalize the Master Plan for the Nam Van District before the development plans for Harbour Mile can be finalized.
- (7) Subject to the finalization of the Master Plan for the Nam Van District by the Macau SAR Government, the site area and gross floor area of the project, to be approved, may be less than the area as stated.
- (8) Subject to agreement with the Macau SAR Government for replacement of another site having the same area in Macau.
- (9) The hotel development at Cotai Site with proposed gross floor area of approximately 248,488m<sup>2</sup> is under application and subject to the Macau SAR Government approval.

# Group Financial Review

## Turnover Analysis

### Turnover by Division



HK\$ million	2013	2012	Variance	%	Remarks
<b>Property</b>	<b>355</b>	2,466	(2,111)	(86)	The decrease was mainly attributable to the reduced sales recognised for residential units of Chatham Gate.
<b>Transportation</b>	<b>2,266</b>	2,104	162	8	Turnover rose for the year reflecting the effect of increase in market share and fare increment since March 2013.
<b>Hospitality</b>	<b>738</b>	701	37	5	The increase was mainly attributable to the growing popularity and improved performance of SkyCity Marriott Hotel.
<b>Investment</b>	<b>217</b>	141	76	54	The growth was mainly attributable to the increase in dividend income generated from STD.M.
<b>Total</b>	<b>3,576</b>	5,412	(1,836)	(34)	

### Turnover by Geographical Area

HK\$ million	2013	2012	Variance	%	Remarks
<b>Hong Kong</b>	<b>1,910</b>	3,908	(1,998)	(51)	The decrease was mainly attributable to the reduced sales recognised for residential units of Chatham Gate.
<b>Macau</b>	<b>1,565</b>	1,399	166	12	Turnover rose for the year (i) reflecting the effect of increase in market share and fare increment since March 2013 in Transportation division; and (ii) dividend growth of STD.M.
<b>Others</b>	<b>101</b>	105	(4)	(4)	Turnover remained stable during the year.
<b>Total</b>	<b>3,576</b>	5,412	(1,836)	(34)	

## Profit and Loss Analysis

### Operating Profit by Division

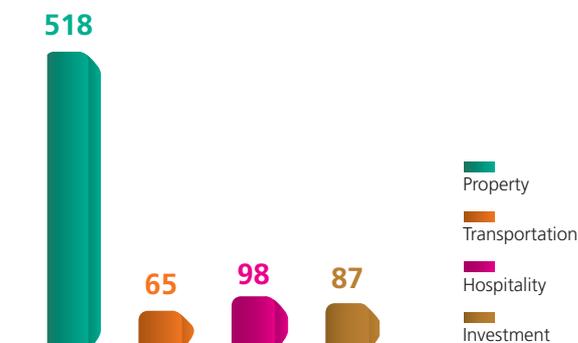
2013

HK\$ million



2012

HK\$ million



Property  
Transportation  
Hospitality  
Investment

HK\$ million	2013	2012	Variance	%	Remarks
Property	80	518	(438)	(85)	The decline was attributable to the decrease in profit recognised for the sales of residential units at Chatham Gate.
Transportation	165	65	100	154	The improvement was mainly attributable to the fare increment of TurboJET approved by the Macau Government and increase in market share.
Hospitality	70	98	(28)	(29)	The decrease was mainly attributable to the expenses incurred for new hotel management projects but partly compensated by the improved result of SkyCity Marriott Hotel.
Investment	172	87	85	98	The dividend income growth from STDM continued to contribute to the profit improvement during the year.
Unallocated net expenses	(22)	19	(41)	(216)	The variance was mainly attributable to increased head office expenses during the year.
Fair value changes on investment properties	577	1,150	(573)	(50)	The fair value gain on investment properties reflected the performance of our portfolio in the property market.
Operating profit	1,042	1,937	(895)	(46)	
Finance costs	(159)	(181)	22	12	The variance was mainly attributable to the combined effect of (i) reduced interest on convertible bonds after its partial redemption in 2012; (ii) capitalisation of borrowing cost during the year; and (iii) additional interests from medium term notes issued in March 2013.
Share of results of joint ventures	910	1,451	(541)	(37)	The variance was mainly attributable to reduced fair value gain of the 51% owned One Central shopping mall in Macau.
Share of results of associates	17	12	5	42	The performance of associate remained stable during the year.
Profit before taxation	1,810	3,219	(1,409)	(44)	
Taxation	(92)	(156)	64	41	The decrease was mainly related to drop of taxable profit generated from property sales.
Profit for the year	1,718	3,063	(1,345)	(44)	
Profit attributable to non-controlling interests	(312)	(500)	188	38	The variance was mainly attributable to the combined effect on profit or loss shared by non-controlling shareholders in property and transportation divisions.
Profit attributable to owners of the Company	1,406	2,563	(1,157)	(45)	

## Group Financial Review

### Liquidity, Financial Resources and Capital Structure

At 31 December 2013, the Group's total net assets increased by 6% over last year to HK\$24,516 million. Cash and liquidity position remains strong and healthy. During the year, net cash generated from operating activities amounted to HK\$141 million.

Major cash inflow from investing activities included HK\$510 million of repayment for shareholders' loan received from a joint venture holding the One Central property project in Macau and HK\$1,176 million from decrease in bank deposits with a maturity over three months. The major cash outflow of investing activities consisted of HK\$579 million capital contribution to an associate and HK\$730 million purchase of an investment property. Net cash inflow from financing activities of HK\$1,465 million was mainly attributable to the composite effect from issue of medium term notes ("MTN") and repayment of loans.

Cash Flow Variance Analysis (HK\$ million)	2013	2012	Variance
Operating activities	141	750	(609)
Investing activities	24	(1,284)	1,308
Financing activities	1,465	762	703
Net increase in cash and cash equivalents	1,630	228	1,402

The Group's bank balances and deposits stood at HK\$8,138 million as at 31 December 2013. It is the Group's policy to secure adequate funding to match with cash flows required for working capital and investing activities. At 31 December 2013, total bank loan facilities available to the Group was HK\$14,088 million, of which HK\$9,173 million remained undrawn. The Group's bank borrowings outstanding at the year end amounted to HK\$4,915 million. Apart from the bank borrowings, the Group's borrowings also comprised the MTN of HK\$3,134 million and the liability component of guaranteed convertible bonds of HK\$827 million.

On 20 February 2013, the Group's wholly-owned subsidiary (the "Issuer") established a US\$1,000 million (equivalent to approximately HK\$7,750 million) medium term note programme. The MTN may be issued by the Issuer from time to time and will be unconditionally and irrevocably guaranteed by the Company. On 7 March 2013, the Group has drawn down US\$400 million under the programme by issuing MTN to professional investors at an annual coupon of 5.7% for financing new investment opportunities and for general working capital purposes. The note will mature on 7 March 2020.

Based on a net borrowings of HK\$738 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 3.5%. At 31 December 2012, no gearing ratio is presented as the Group had a net cash balance. 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 Group's borrowings is set out below:

### Maturity Profile

Within 1 year	1-2 years	2-5 years	over 5 years	Total
17%	20%	28%	35%	100%

During the year, 10,000,000 new shares were issued upon exercise of share options granted by the Company.

### Material Acquisitions and Commitments

In January 2013, the Group completed the acquisition of a property located at Shop No.402, 4th floor of the retail podium of Shun Tak Centre at a price of HK\$770 million. The transaction was financed by internal resources of the Group and bank loans.

In April 2013, the Group further acquired a 19.35% effective interests in Beijing Tongzhou Integrated Development Phase 2 for approximately SGD96 million (equivalent to approximately HK\$599 million) which is an extension of the same project of Tongzhou Phase 1 announced by the Group earlier in October 2012.

In April 2013, the Group agreed to acquire a wholly-owned property project in the Beijing Dong Cheng District near East 2nd Ring Road, comprising both office and hospitality components at a consideration of RMB1,290 million subject to adjustments. The maximum outstanding commitment amounted to approximately RMB990 million (equivalent to approximately HK\$1,266 million) at the year end.

In July 2013, the Group has successfully bid for a piece of land located in Hengqin New Area, Zhuhai, the PRC at the land price of approximately RMB721 million (equivalent to approximately HK\$922 million) through listing-for-sale held by the Zhuhai Land and House Property Exchange Center. In accordance with the listing-for-sale documents, the Group entered into the land contract with the Land and Resources Bureau of Zhuhai in relation to the said acquisition on 2 August 2013. A mixed-used complex comprising office, hotel, commercial and serviced apartments will be developed.

In May 2008, the Group agreed to acquire the land development right of Nam Van site in Macau at a consideration of HK\$3,145 million. The outstanding commitment of which at the year end amounted to about HK\$2,830 million.

#### **Charges on Assets**

At the year end, bank loans to the extent of approximately HK\$1,865 million (2012: HK\$1,610 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK\$10,794 million (2012: HK\$9,479 million). Out of the above secured bank loans, an aggregate amount of HK\$1,770 million (2012: HK\$1,449 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 conservative policy in financial risk management with minimal exposure to currency and interest rate risks. Except for the guaranteed convertible bonds and MTN, all the funds raised by the Group are on a floating rate basis. Except for the MTN of US\$400 million, none of the Group's outstanding borrowings was denominated in foreign currency at the year end. Approximately 81% of the bank deposits, cash and bank balances are denominated in Hong Kong dollar and United States dollar with the remaining balance mainly in Renminbi and Macau pataca. The Group's principal operations are primarily conducted in Hong Kong dollar so that the exposure to foreign exchange fluctuations is minimal. While the Group has financial assets and liabilities denominated in the United States dollar and Macau pataca, they are continuously pegged to Hong Kong dollar and the exposure to currency risk for such currencies is minimal to the Group. The Group engages in fuel hedging and currency swap activities to minimise its exposure to fluctuations in fuel prices and foreign exchange rate in accordance with the Group's approved treasury policies.

#### **Human Resources**

The Group, including subsidiaries but excluding joint ventures and associates, employed approximately 3,390 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.

# Report of the Directors

The directors of the Company (the "Directors") have pleasure in submitting their report together with the financial statements for the year ended 31 December 2013.

## Group Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, joint ventures and associates are set out in note 46 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the year are shown in note 36 to the financial statements.

## Group Financial Statements

The profit of the Group for the year ended 31 December 2013 and the state of affairs of the Company and of the Group at that date are shown in the financial statements on pages 72 to 156. Commentary on the annual results is included in the Chairman's Statement on pages 14 to 15 and Review of Operations on pages 16 to 33.

## Particulars of Principal Subsidiaries, Joint Ventures and Associates

Particulars regarding the principal subsidiaries, joint ventures and associates of the Company and of the Group are shown in note 46 to the financial statements.

## Dividend

The board of directors (the "Board") does not recommend the payment of any final dividend (2012: HK8.5 cents per share) in respect of the year ended 31 December 2013. No interim dividend was declared by the Board during the year (2012: Nil).

## Property, Plant and Equipment, Investment Properties and Leasehold Land

The movements in property, plant and equipment of the Group and of the Company and investment properties and leasehold land of the Group during the year are set out in notes 12, 13, and 14 to the financial statements respectively.

## Particulars of Properties

Particulars regarding the properties and property interests held by the Group are shown in the schedule of major properties on pages 38 to 41.

## Share Capital

The movements in share capital of the Company during the year are shown in note 33 to the financial statements.

## Reserves

The movements in reserves of the Group and of the Company during the year are shown in note 35 to the financial statements and the consolidated statement of changes in equity on pages 77 to 78 respectively. Distributable reserves of the Company as at 31 December 2013 amounted to HK\$2,356,819,000 (2012: HK\$2,477,594,000).

## Donations

During the year, the Group made donations for charitable and community purposes of HK\$54,000 (2012: HK\$475,000).

## Convertible Bonds and Medium Term Notes

Details of convertible bonds and medium term notes of the Group are shown in notes 30 and 31 to the financial statements respectively.

## Group Borrowings

Details of the Group's borrowings and loans repayable within one year are shown in note 28 to the financial statements.

## Major Customers and Suppliers

It is the policy of the Group to have several suppliers for particular materials so as to avoid over-reliance on a single source of supply. The Group maintains good relationships with its major suppliers and has not experienced any significant difficulties in sourcing essential materials.

During the year, less than 30% of the Group's total turnover was attributable to the Group's five largest customers. 71.2% of the Group's total purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 27.2% of the Group's total purchases.

Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum have beneficial interests in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), one of the five largest customers and five largest suppliers of the Group. Save as disclosed, no other Directors, their associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) or shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) were interested, at any time during the year, in the Group's five largest customers or five largest suppliers.

## Directors

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

### Executive Directors:

Dr. Stanley Ho (*Group Executive Chairman*)

Ms. Pansy Ho (*Managing Director*)

Ms. Daisy Ho (*Deputy Managing Director*)

Ms. Maisy Ho

Mr. David Shum

Mr. Rogier Verhoeven

### Non-Executive Directors:

Dato' Dr. Cheng Yu Tung

Mrs. Louise Mok

### Independent Non-Executive Directors:

Sir Roger Lobo

Mr. Norman Ho

Mr. Charles Ho

Mr. Michael Ng

In accordance with Articles 77 and 79 of the Company's Articles of Association, Dr. Stanley Ho, Ms. Pansy Ho and Mr. Norman Ho will retire from office by rotation but, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received a confirmation of independence from each of the Independent Non-Executive Directors, namely Sir Roger Lobo, Mr. Norman Ho, Mr. Charles Ho and Mr. Michael Ng, and considers them to be independent.

Brief biographical details of the Directors as at the date of this report are set out on pages 4 to 10.

### Service Contracts of Directors

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### Corporate Governance

The Company is committed to maintaining the highest standards of corporate governance. Information on the corporate governance practices adopted by the Company during the year ended 31 December 2013 is set out in the Corporate Governance Report on pages 60 to 70.

### Related Party Transactions

Details of significant related party transactions entered into by the Group in the normal course of business during the year ended 31 December 2013 are set out in note 37 to the financial statements. The transactions disclosed in the below sub-paragraphs 1 and 4 headed "Directors' Interests in Contracts and Connected Transactions", fall into the definitions of continuing connected transactions or connected transactions under Rule 14A.38 of the Listing Rules, also constitute related party transactions under the Hong Kong Financial Reporting Standards.

### Directors' Interests in Contracts and Connected Transactions

1. Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum have beneficial interests in STDM. STDM is a substantial shareholder of Interdragon Limited, in which the Company indirectly owns 60% of the total issued shares. Dr. Stanley Ho and Ms. Pansy Ho are directors of STDM. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, which is a corporate director of STDM. Mr. David Shum is an appointed representative of the Company, which is a corporate director of STDM. During the year, Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung (who retired on 31 May 2013) and Mr. David Shum are directors of SJM Holdings Limited ("SJM"), a non wholly-owned subsidiary of STDM. The shares of SJM are listed on the Main Board of the Stock Exchange. Dr. Stanley Ho, Ms. Maisy Ho and Mr. David Shum are directors of Sociedade de Jogos de Macau, S.A., a subsidiary of SJM and one of the gaming concessionaires, which has been granted a concession by the Macau SAR Government to operate casinos in Macau.

During the year, the Group had the following transactions with STDM and its subsidiaries (the "STDM Group"):

- (a) Shun Tak - China Travel Shipping Investments Limited ("ST-CTSI"), a non wholly-owned subsidiary of the Company, purchased HK\$424.8 million of fuel from the STDM Group in Macau for its shipping operations. ST-CTSI is effectively owned as to 42.6% by the Company, 28.4% by STDM and 29% by China Travel International Investment Hong Kong Limited ("CTII"). Pursuant to a fuel arrangement agreement (the "Fuel Arrangement Agreement") between ST-CTSI and STDM, STDM supplied and loaded fuel into ST-CTSI vessels at the Macau Outer Harbour Terminal. The cost of fuel was its market price plus a small handling charge.

The Fuel Arrangement Agreement had expired on 31 December 2013. On 25 October 2013, ST-CTSI signed an extension agreement to the Fuel Arrangement Agreement with STD M to continue the arrangement for 3 years from 1 January 2014 to 31 December 2016, which is thereafter renewable for an additional 3 years or such other period as may be mutually agreed, unless early terminated by either party giving specified period of prior written notice. Further details of the extension agreement were disclosed in the Company's Circular dated 15 November 2013.

- (b) Pursuant to an amendment agreement to an agency agreement between ST-CTSI and STD M (the "Agency Agreement"), among other things, ST-CTSI has granted to STD M a discount of up to a maximum of 12% (or less if mutually agreed) of the price of ferry tickets for the bulk purchases of ferry tickets for its own account.

During the year, HK\$131.7 million of ferry tickets were sold to STD M. A total discount of HK\$6.6 million was granted by ST-CTSI on bulk purchases of ferry tickets from STD M under the Agency Agreement. The discount rates for STD M are within the range of discount rates granted by ST-CTSI to other bulk purchases.

The Agency Agreement had expired on 31 December 2013. On 25 October 2013, ST-CTSI and STD M entered into a ticketing agreement to continue to sell to STD M Group the ferry tickets at a discount of 5% for a bulk purchase of ferry tickets by STD M Group for its own account for a period of three years from 1 January 2014 until 31 December 2016, which is thereafter renewable for an additional 3 years or such other period as may be mutually agreed, unless early terminated by either party giving specified period of prior written notice. Further details of such ticketing agreement were disclosed in the Company's announcement dated 25 October 2013.

- (c) On 20 December 2012, the Company entered into a master property services agreement (the "Master Property Services Agreement") with STD M to set out a framework for the provision of property related services by the Group to the STD M Group on a mutually non-exclusive basis, including without limitation, sales, leasing, property management, property cleaning and other property related services for the properties as designated by the STD M Group and agreed by the Group from time to time.

The then existing agreements (including the management agreement dated 14 December 2001 entered into between Shun Tak Management Services Group Limited ("STMSG"), an indirect wholly-owned subsidiary of the Company, and STD M in relation to the provision of operational and property management service for the Macau Tower Convention & Entertainment Centre ("Macau Tower") by STMSG) shall remain in full force and effect notwithstanding the terms of the Master Property Services Agreement. New property services agreements made under the Master Property Services Agreement were for fixed terms of not more than 3 years. The property service fee was determined by reference to the prevailing market service fee.

During the year, the aggregate service fees received by the Group from the STD M Group under the Master Property Services Agreement (including service fees received for the operation and property management of the Macau Tower) amounted to HK\$15.3 million.

The Master Property Services Agreement is for a term of 3 years from 1 January 2013 to 31 December 2015, which is thereafter renewable for successive terms of 3 years by mutual agreement in writing.

2. On 20 December 2012, ST-CTSI entered into an agreement (the "CTSHK Agreement") for appointing China Travel Service (Hong Kong) Limited ("CTSHK") as a non-exclusive joint general sales agent for the sale of ferry tickets for ST-CTSI ferry services. CTSHK is a subsidiary of CTII, which is a substantial shareholder of ST-CTSI. CTSHK promotes and markets at its own costs the ST-CTSI ferry services.

For the provision of sales agency and business development services by CTSHK under the CTSHK Agreement, ST-CTSI shall pay a monthly commission based on a rate of 2% of the total net ticket sales received on all ST-CTSI routes (less any discounts and concessions on ferry tickets agreed by ST-CTSI, and any taxes, fees and levies paid thereon to any government or ferry terminal operator).

The CTSHK Agreement is for a term of 3 years from 1 January 2013 to 31 December 2015, which is thereafter renewable for successive terms of 3 years by mutual agreement in writing.

During the year, ST-CTSI paid commission of HK\$46.7 million under the CTSHK Agreement to CTSHK.

3. On 30 June 2011, Shun Tak Properties Limited ("STP"), a wholly-owned subsidiary of the Company, which manages Shun Tak Centre (a commercial property and shopping mall in Sheung Wan, Hong Kong), entered into a consultancy agreement (the "Consultancy Agreement") to continue to engage Kiu Lok Service Management Company Limited ("Kiu Lok"), as a consultant to advise and assist in the management of Shun Tak Centre. STP paid to Kiu Lok a consultancy fee based on 50% of its manager remuneration from Shun Tak Centre. Kiu Lok is beneficially owned as to more than 50% by Dato' Dr. Cheng Yu Tung and his family members (including in-laws and descendants thereof) on aggregate (direct or indirect) basis, and hence a connected person of the Company.

The Consultancy Agreement had expired on 3 March 2013. On 25 March 2013, STP and Kiu Lok entered into a consultancy agreement (the "Renewal Consultancy Agreement") to continue the aforesaid appointment for the period from 4 March 2013 to 3 March 2016. Further details of the Renewal Consultancy Agreement were disclosed in the Company's announcement dated 25 March 2013.

During the year, the total consultancy fees paid by STP to Kiu Lok under the Consultancy Agreement and the Renewed Consultancy Agreement amounted to HK\$5.1 million.

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraphs 1 to 3 above constituted continuing connected transactions of the Company for the year which require disclosures in the annual report of the Company.

The Independent Non-Executive Directors have confirmed that the continuing connected transactions mentioned in sub-paragraphs 1 to 3 above were entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions mentioned in sub-paragraphs 1 to 3 above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company confirms that it has complied with the disclosure requirements of Chapter 14A of the Listing Rules in relation to the continuing connected transactions mentioned in sub-paragraphs 1 to 3 above.

4. On 11 November 2004, Shun Tak Nam Van Investment Limited ("Shun Tak Nam Van"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Sai Wu Investment Limited ("Sai Wu"), a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by independent third parties, to acquire the interest in the land development right of property sites adjacent to the Macau Tower in Nam Van, Macau. A refundable deposit of HK\$500 million was paid by Shun Tak Nam Van to Sai Wu to extend the completion date of the acquisition without changing the consideration or other terms of the acquisition. On 23 December 2013, the completion date of the acquisition was further extended from 31 December 2013 to on or before 31 December 2014.

Under Chapter 14A of the Listing Rules, the transaction mentioned in sub-paragraph 4 above constituted a connected transaction of the Company for the year which requires disclosures in the annual report of the Company.

5. The Group granted financial assistance to Shun Tak Cultural Centre Limited, a company owned as to 60% by the Group and 40% by a company in which Dr. Stanley Ho has beneficial interests. The shareholders' loan was granted by both shareholders in proportion to their respective shareholdings on an interest-free basis. As at 31 December 2013, the total outstanding sum of the shareholders' loan was HK\$130.2 million.
6. On 8 October 2010, the Company entered into a master service agreement (the "MGM Master Service Agreement") with MGM Grand Paradise Limited ("MGM"), a company in which Ms. Pansy Ho has indirect beneficial interests. The MGM Master Service Agreement set out a framework for products and/or services which may be provided/demanded by the Group to/from MGM and/or its subsidiaries (the "MGM Group") from time to time on a non-exclusive basis.

The MGM Master Service Agreement had expired on 31 December 2013. On 24 December 2013, the Company and MGM entered into a master service agreement to renew the MGM Master Service Agreement for a term of 3 years from 1 January 2014 to 31 December 2016 and is thereafter renewable for successive terms of 3 years by mutual agreement in writing.

Save for the transactions mentioned in sub-paragraphs 1 to 6 above, there was no other contract of significance to which the Company or any of its subsidiaries was a party and in which a Director during the year had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Directors' Interests in Competing Businesses

The Directors named in the paragraphs below have interests in businesses, which are considered to compete or likely to compete, either directly or indirectly, with the businesses of the Group during the year.

Dr. Stanley Ho is a director of and has beneficial interests in Shun Tak Centre Limited ("STC") which is also engaged in the business of property investment. Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are also directors of STC.

Dr. Stanley Ho and Ms. Pansy Ho are directors of STDM which is also engaged in the businesses of property investment, property development and/or hospitality. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, a corporate director of STDM. Mr. David Shum is an appointed representative of the Company, a corporate director of STDM.

Dr. Stanley Ho is a director of Hong Kong Express Airways Limited which is engaged in the business of low cost airline.

Dato' Dr. Cheng Yu Tung is a director of Chow Tai Fook Enterprises Limited, Melbourne Enterprises Limited and Lifestyle International Holdings Limited together with its respective group of companies, which are also engaged in the businesses of property investment, property development, transportation services and/or hospitality.

The above-mentioned competing businesses are managed by separate entities with independent management and administration. The Directors are of the view that the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities. When making decisions, the relevant Directors, in performance of their duties as Directors of the Company, have acted and will continue to act in the best interests of the Group.

Save as disclosed above, none of the Directors or their respective associates had any interest in any company or business which competes or may compete with the business of the Group during the year.

### Disclosure of Interests

#### (1) Directors' Interests

As at 31 December 2013, the interests or short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

(a) *Interests of the Directors in Shares and Underlying Shares of the Company*

Name of Director	Nature of interests	Number of shares held				Approximate percentage of total issued shares Note (i)
		Personal interests	Note	Corporate interests	Note	
Dr. Stanley Ho	Interests in unissued shares	—		148,883,374	(iv)	4.97%
	Interests in underlying shares	1,798,559	(ii)	—		0.06%
Sir Roger Lobo	Interests in underlying shares	1,132,124	(ii)	—		0.04%
Mr. Norman Ho	Interests in underlying shares	1,132,124	(ii)	—		0.04%
Mr. Charles Ho	Interests in underlying shares	1,132,124	(ii)	—		0.04%
Mr. Michael Ng	Interests in underlying shares	11,315,577	(iii)	—		0.38%
Dato' Dr. Cheng Yu Tung	Interests in underlying shares	1,132,124	(ii)	—		0.04%
Mrs. Louise Mok	Interests in issued shares	471,112		—		0.02%
	Interests in underlying shares	1,132,124	(ii)	—		0.04%
Ms. Pansy Ho	Interests in issued shares	142,748,268		313,798,627	(v)	15.23%
	Interests in unissued shares	—		148,883,374	(iv)	4.97%
	Interests in underlying shares	11,509,669	(ii)	—		0.38%
Ms. Daisy Ho	Interests in issued shares	66,860,489		134,503,471	(vi)	6.72%
	Interests in unissued shares	—		148,883,374	(iv)	4.97%
	Interests in underlying shares	13,775,856	(ii)	—		0.46%
Ms. Maisy Ho	Interests in issued shares	26,060,598		31,717,012	(vii)	1.93%
	Interests in underlying shares	12,840,605	(ii)	—		0.43%
Mr. David Shum	Interests in underlying shares	5,660,377	(ii)	—		0.19%

Notes:

- (i) As at 31 December 2013, the total number of issued shares of the Company was 2,996,880,719.
- (ii) These represented the interests in underlying shares in respect of share options granted by the Company, details of which are disclosed in sub-paragraph (2) headed "Share Options" below.
- (iii) These interests in underlying shares comprised (a) 5,665,860 underlying shares in respect of share options granted by the Company, details of which are disclosed in sub-paragraph (2) headed "Share Options" below; and (b) 5,649,717 shares issuable to Mr. Michael Ng upon conversion of the Convertible Bonds (as defined hereunder in sub-paragraph (1)(d) headed "Interests of the Directors in Debentures of Other Associated Corporations of the Company") for an aggregate nominal amount of HK\$40,000,000 held by him as at 31 December 2013 and based on the adjusted conversion price of HK\$7.08 (with effect from 11 June 2013) per share, details of which are disclosed in sub-paragraph (1)(d) headed "Interests of the Directors in Debentures of Other Associated Corporations of the Company" below.
- (iv) These 148,883,374 unissued shares, in which Dr. Stanley Ho, Ms. Pansy Ho and Ms. Daisy Ho were deemed to be interested by virtue of the SFO, were the same parcel of shares, and represented shares to be issued to Alpha Davis Investments Limited ("ADIL") upon completion of the acquisition as described in the Company's circular dated 17 December 2004. ADIL is owned as to 47% by Innowell Investments Limited ("IIL") and 53% by Megaprosper Investments Limited ("MIL"). IIL is wholly-owned by Dr. Stanley Ho. MIL is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho.
- (v) These 313,798,627 shares, in which Ms. Pansy Ho was deemed to be interested by virtue of the SFO, comprised 184,396,066 shares held by Beeston Profits Limited ("BPL") and 129,402,561 shares held by Classic Time Developments Limited ("CTDL"). Both BPL and CTDL are wholly-owned by Ms. Pansy Ho.
- (vi) These 134,503,471 shares, in which Ms. Daisy Ho was deemed to be interested by virtue of the SFO, were held by St. Lukes Investments Limited, which is wholly-owned by Ms. Daisy Ho.
- (vii) These 31,717,012 shares, in which Ms. Maisy Ho was deemed to be interested by virtue of the SFO, were held by LionKing Offshore Limited, which is wholly-owned by Ms. Maisy Ho.

### (b) Interests of the Directors in Shares and Underlying Shares of Subsidiaries of the Company

Name of Director	Name of company	Corporate interests	Percentage of total issued shares Note (i)
Dr. Stanley Ho	Shun Tak Cultural Centre Limited	4 ordinary shares	40.00%

Note:

- (i) As at 31 December 2013, there was a total of 10 ordinary shares of Shun Tak Cultural Centre Limited in issue.

### (c) Interests of the Directors in Shares and Underlying Shares of Other Associated Corporations of the Company

Name of Director	Name of company	Corporate interests	Note	Approximate percentage of total issued shares
Ms. Pansy Ho	Shun Tak & CITS Coach (Macao) Limited	750 shares	(i)	15.00%
Mr. Rogier Verhoeven	Shun Tak Magsaysay China Recruitment and Training Limited	1,900 shares	(ii)	9.86%

Notes:

- (i) As at 31 December 2013, there was a total of 5,000 shares of Shun Tak & CITS Coach (Macao) Limited in issue.
- (ii) As at 31 December 2013, there was a total of 19,273 shares of Shun Tak Magsaysay China Recruitment and Training Limited in issue.

### (d) Interests of the Directors in Debentures of Other Associated Corporations of the Company

Name of Director	Name of company	Personal interests	Approximate percentage of aggregate nominal amount of the Convertible Bonds in issue Note (i)
Mr. Michael Ng	Joyous King Group Limited	HK\$40,000,000 Note (ii)	4.80%

Notes:

- (i) As at 31 December 2013, the remaining outstanding aggregate principal amount of the 3.3% guaranteed convertible bonds due 2014 (the "Convertible Bonds") were HK\$833,800,000 in issue by Joyous King Group Limited, an indirect wholly-owned subsidiary of the Company (Stock Code: 4313).
- (ii) These Convertible Bonds for an aggregate nominal amount of HK\$40,000,000 held by Mr. Michael Ng as at 31 December 2013 would be convertible into 5,649,717 shares of the Company, representing approximately 0.19% of the issued share capital of the Company as at 31 December 2013, at the adjusted conversion price of HK\$7.08 (with effect from 11 June 2013) per share during the conversion period from 22 October 2010 to 15 October 2014 subject to the terms and conditions of the Convertible Bonds. These interests duplicate Mr. Michael Ng's interests in underlying shares of the Company as disclosed in sub-paragraph (1)(a) headed "Interests of the Directors in Shares and Underlying Shares of the Company" above.

All the interests disclosed in sub-paragraphs (1)(a) to (1)(d) above represented long position interests in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed in sub-paragraphs (1)(a) to (1)(d) above, none of the Directors or chief executive of the Company or any of their associates had or were deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2013.

## (2) Share Options

At the annual general meeting of the Company held on 6 June 2012, the shareholders of the Company passed a resolution for the adoption of a new share option scheme (the "2012 Share Option Scheme") under which the Directors may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. Details of the 2012 Share Option Scheme are set out below.

The share option scheme approved by the shareholders of the Company on 31 May 2002 (the "2002 Share Option Scheme") expired on 30 May 2012. Thereafter, no further option has been granted under the 2002 Share Option Scheme but the subsisting options granted thereunder prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2002 Share Option Scheme.

Details of share options granted to the Directors under the 2002 Share Option Scheme and outstanding share options as at the beginning and end of the year were as follows:

Name of Director	Note	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options outstanding	
					At 1 January 2013	At 31 December 2013
Dr. Stanley Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	2.78	1,798,559	1,798,559
Sir Roger Lobo	(i)	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	1,132,124
Mr. Norman Ho	(i)	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	1,132,124
Mr. Charles Ho	(i)	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	1,132,124
Mr. Michael Ng	(ii)	1 February 2010	1 April 2010 to 31 January 2015	4.13	2,832,930	2,832,930
	(iii)	1 February 2010	1 April 2011 to 31 January 2015	4.13	2,832,930	2,832,930
Dato' Dr. Cheng Yu Tung	(i)	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	1,132,124
Mrs. Louise Mok	(i)	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	1,132,124
Ms. Pansy Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	2.78	11,509,669	11,509,669
Ms. Daisy Ho	(i)	25 May 2004	25 May 2004 to 24 May 2014	2.78	13,775,856	13,775,856
Ms. Maisy Ho	(i) & (iv)	25 May 2004	25 May 2004 to 24 May 2014	2.78	22,840,605	12,840,605
Mr. David Shum	(i)	22 September 2004	22 September 2004 to 21 September 2014	3.71	5,660,377	5,660,377

Notes:

- (i) These share options are exercisable during a period of 10 years commencing from their respective dates of grant. These share options were vested on their respective dates of grant.
- (ii) These share options were vested on 1 April 2010.
- (iii) These share options were vested on 1 April 2011.
- (iv) Ms. Maisy Ho has exercised 10,000,000 share options during the year. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$4.06.
- (v) Save as disclosed above, no share options under 2002 Share Option Scheme and 2012 Share Option Scheme was granted, exercised, cancelled or lapsed during the year.

Save as disclosed above, as at 31 December 2013, none of the Directors or their spouses or children under 18 years of age were granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations under the 2002 Share Option Scheme and 2012 Share Option Scheme.

A summary of the 2012 Share Option Scheme disclosed in accordance with the Listing Rules is set out below:

- |   |  |
|---|--|
| (i) Purpose of the 2012 Share Option Scheme   | To recognise, motivate and incentivise the participants whom the Board considers to have made contributions, or will make contributions, to the Company; attract, retain or maintain ongoing relationship with the participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Company's business.   |
| (ii) Participants of the 2012 Share Option Scheme   | <ul style="list-style-type: none"> <li>(a) any person employed by the Company or its affiliates; any officer or director of the Company or its affiliates; or a person seconded to work for the Company or its affiliates;</li> <li>(b) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of the Company or its affiliates;</li> <li>(c) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to the Company or its affiliates;</li> <li>(d) any person who provides goods and services to the Company or its affiliates;</li> <li>(e) an associate of any of the foregoing persons; or</li> <li>(f) any supplier, customer, strategic alliance partner or adviser to the Company or its affiliates.</li> </ul> |
| (iii) Total number of shares available for issue under the 2012 Share Option Scheme and percentage on issued share capital as at the date of this annual report | No share option has been granted under the 2012 Share Option Scheme as at the date of this annual report. The total number of shares available for issue under the 2012 Share Option Scheme is 298,688,071, representing approximately 10.00% of the Company's issued share capital as at the date of this annual report. The Company has 3,025,006,849 shares in issue as at the date of this annual report.  |
| (iv) Maximum entitlement of each participant under the 2012 Share Option Scheme   | <p>In any 12-month period:</p> <ul style="list-style-type: none"> <li>– 1% of the issued share capital (excluding substantial shareholders and Independent Non-Executive Directors)</li> <li>– 0.1% of the issued share capital and not exceeding HK\$5 million in aggregate value (for substantial shareholders and Independent Non-Executive Directors)</li> </ul>   |

(v)	The period within which the shares must be taken up under an option	The Board may at its absolute discretion determine save that such period shall not expire later than 10 years from the date of grant.
(vi)	The minimum period for which an option must be held before it can be exercised	There is no such minimum holding period prescribed in the 2012 Share Option Scheme, but the Board may at its absolute discretion impose a vesting period on an option.
(vii)	The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	An offer for the grant of an option may be accepted within 15 business days from the date of the offer and HK\$1.00 is payable on acceptance of the grant of an option.
(viii)	The basis of determining the subscription price	<p>The subscription price is determined by the Board and shall be at least the highest of:</p> <ul style="list-style-type: none"> <li>– the closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheet on the date of offer;</li> <li>– the average closing prices of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of offer; and</li> <li>– the nominal value of a share of the Company.</li> </ul>
(ix)	The remaining life of the 2012 Share Option Scheme	The 2012 Share Option Scheme shall remain in force until 7 June 2022.

### (3) Substantial Shareholders’ and Other Persons’ Interests

As at 31 December 2013, according to the register of interests or short positions in shares required to be kept by the Company under Section 336 of the SFO, other than the interests of the Directors and chief executive of the Company, the following shareholders were interested in 5% or more of the issued share capital of the Company:

Name of shareholder	Note	Nature of interests	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of total issued shares Note (i)
Renita Investments Limited (“Renita”) and its subsidiary	(ii)	Interests in issued shares	Beneficial owner and interests of controlled corporation	Long position	565,698,864	18.88%
Oakmount Holdings Limited (“Oakmount”)	(ii)	Interests in issued shares	Beneficial owner	Long position	396,522,735	13.23%
Shun Tak Shipping Company, Limited (“STS”) and its subsidiaries	(iii)	Interests in issued shares	Beneficial owner and interests of controlled corporation	Long position	373,578,668	12.47%
Beeston Profits Limited (“BPL”)	(iv)	Interests in issued shares	Beneficial owner	Long position	184,396,066	6.15%

### Notes:

- (i) As at 31 December 2013, the total number of issued shares of the Company was 2,996,880,719.
- (ii) These 565,698,864 shares comprised 396,522,735 shares held by Oakmount, which is wholly-owned by Renita, and 65,040,000 shares being interests pursuant to a Section 317 agreement under the SFO. Accordingly, part of the interests of Renita in the Company duplicate the interests of Oakmount in the Company. Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho have beneficial interests in Renita and Oakmount. Both Ms. Pansy Ho and Ms. Daisy Ho are directors of Renita and Oakmount.
- (iii) Dr. Stanley Ho is a director of STS. Dato' Dr. Cheng Yu Tung, Ms. Pansy Ho and Ms. Daisy Ho have beneficial interests in and are directors of STS. Mrs. Louise Mok, Ms. Maisy Ho and Mr. David Shum have beneficial interests in STS.
- (iv) Ms. Pansy Ho has 100% interests in and is a director of BPL.

Save as disclosed above, no other person (other than the Directors or the chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as at 31 December 2013.

### Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

### Arrangement to Purchase Shares or Debentures

Save as disclosed in the above sub-paragraphs headed "Directors' Interests" and "Share Options", at no time during the year was the Company or any of its subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors or their nominees to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Management Contract

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

### Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

### Summary of the Results, Assets and Liabilities

A summary of the results, and the assets and liabilities of the Group for the last five financial years is shown on page 157.

### Events after the Balance Sheet Date

A summary of the events after the balance sheet date is shown in note 43 to the financial statements.

## Auditor

The financial statements for the years ended 31 December 2010 and 2011 were audited by H.C. Watt & Company Limited. PricewaterhouseCoopers was appointed by the Board as the auditor of the Company with effect from 24 October 2012 to fill the casual vacancy arose from the resignation of H. C. Watt & Company Limited on 20 September 2012, and audited the financial statements for the year ended 31 December 2012. At the annual general meeting of the Company held on 7 June 2013, PricewaterhouseCoopers was re-appointed as the auditor of the Company.

The financial statements for the year ended 31 December 2013 were audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Pansy Ho**

*Managing Director*

Hong Kong, 28 March 2014

The board of directors of the Company (the "Board" or the "Directors") is committed to the principles of good corporate governance standards and procedures. This report addresses the status of the Company in applying the principles and complying with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is committed to maintaining high standards of corporate governance. The Company is one of the constituent stocks of the Hang Seng Corporate Sustainability Benchmark Index (Asia's first tradable sustainable index, and the region's first benchmark to track the performance of leading companies on environment). In collaboration with the Hang Seng Indexes Company Limited in 2013, RepuTex has given the Company an upgraded rating of AA (Stable) (2012 rating: A+) and a ranking 13 among 616 companies for the Hong Kong market.

### Statement by the Directors on Corporate Governance Policies and Compliance with the Code Provisions in the CG Code

The Listing Rules require every listed company to report how it applies the principles in the CG Code and to confirm that it complies with the code provisions in the CG Code or to provide an explanation where it does not. As corporate governance requirements change from time to time, the Board periodically reviews the corporate governance practices of the Company to meet rising expectations of the shareholders of the Company (the "Shareholders") and comply with the increasingly stringent regulatory requirements. The Board is of the opinion that the Company has applied the principles and complied with all code provisions in the CG Code throughout the year ended 31 December 2013, except for deviation from the first part of code provision E.1.2, which states that the chairman of the Board should attend the annual general meeting. In the absence of the Group Executive Chairman (the "Chairman") at the Company's annual general meeting held on 7 June 2013, the Managing Director (who is also the chairman of the executive committee) took the chair and, together with the chairmen of the audit committee, remuneration committee and nomination committee and other Directors, made themselves available to answer the Shareholders' questions regarding the activities of the Company and various Board committees.

### Board Composition and Board Practices

The key principles of good governance require the Company to have an effective Board which is collectively responsible for its success. The Board is also responsible for setting the Company's values and aims to enhance shareholder value. Non-Executive Directors have particular responsibility in overseeing the development of the Company, scrutinizing management performance, and advising on critical business issues. The Board is satisfied that it has met these requirements.

The Company has a balanced Board of Executive and Non-Executive Directors so that no individual or a small group can dominate the Board's decision-making process. Committees of the Board (the "Board Committees"), including a remuneration committee (the "Remuneration Committee"), a nomination committee (the "Nomination Committee"), an executive committee (the "Executive Committee") and an audit committee (the "Audit Committee"), have been established pursuant to the Articles of Association of the Company, each of which is to assist the Board in discharging its duties and making decisions in respect of a particular aspect of the affairs of the Company. Other Board Committees may also be formed from time to time to deal with and make decisions for particular transactions. Further details about the Board Committees are discussed in the later part of this report.

As at the date of this annual report, the Board consists of a total of 12 members, including the Chairman, the Managing Director, the Deputy Managing Director, three other Executive Directors, and six Non-Executive Directors of whom four are Independent Non-Executive Directors. The number of Independent Non-Executive Directors represented one-third of the Board members as required by Rule 3.10A of the Listing Rules. The Board is well balanced between Executive and Non-Executive Directors who possess a diverse range of relevant skills to advance the interests of the Shareholders. Independent Non-Executive Directors possess a range of experience and are of high calibre to ensure that the interests of all Shareholders are taken into account and that key issues vital to the success of the Company are subject to independent and objective consideration by the Board. Brief biographies of the Directors and the relationship amongst them are set out in the "Management Profile" in this annual report.

The Company has received a confirmation from each of the Independent Non-Executive Directors confirming his independence pursuant to Rule 3.13 of the Listing Rules and the Nomination Committee is of the view that all the Independent Non-Executive Directors are independent in accordance with the Listing Rules.

All the Non-Executive Directors (including all the Independent Non-Executive Directors) are appointed for a specific term of three years. In accordance with the Articles of Association of the Company, every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years at the annual general meetings of the Company. Any Director appointed by the Board is subject to re-election by the Shareholders at the next following annual general meeting after his or her appointment. Those Directors who are subject to retirement and re-election at the forthcoming annual general meeting of the Company are set out in the "Report of the Directors" in this annual report.

For the corporate governance duties, as at the date of this report, the Board has reviewed the compliance with the CG Code and disclosure in this report.

To ensure the Board works effectively and discharges its responsibilities, Board members have full and timely access to relevant information and are properly briefed on issues considered at Board meetings. The duty of preparing meeting agenda is delegated to the company secretary of the Company (the "Company Secretary") and each Director may request inclusion of items on the agenda. Information packages containing analysis and explanatory materials of the agenda items are circulated to each Director not less than three days in advance of a Board meeting to enable the Directors to make informed decisions. The Directors also have full access to the Company Secretary who has the responsibility to keep the Directors informed of corporate governance issues and changes in the regulatory environment and ensure that Board procedures follow the relevant code provisions in the CG Code and other applicable statutory requirements. The Board is provided with sufficient resources to discharge its duties and, if required, individual Director may engage outside advisers at the Company's expenses to provide advice on any specific matter. If Directors have a conflict of interest in any matter to be considered by the Board, the relevant matter will be dealt with at a Board meeting. Directors shall abstain from voting on and not be counted in the quorum for any Board resolution in which they have a material interest.

The Company has arranged appropriate directors' and officers' liabilities insurance in respect of legal action against the Directors.

An open atmosphere exists for the Directors to contribute alternative views at meetings and major decisions are taken after a full discussion at meetings. Minutes of Board meetings and Board Committee meetings are recorded in detail with draft minutes being circulated to all Directors and all Board Committee members respectively for comment before approval. Minutes of meetings and written resolutions of the Board and Board Committees are kept by the Company Secretary and open for inspection by Directors. Such minutes of meetings and written resolutions will also be circulated to the Directors at regular Board meetings.

In the course of discharging the Board's duties, Directors are provided with monthly updates on the Company's performance and position and each newly appointed Director is offered training on key areas of business operations and practices of the Company. Meanwhile, newly appointed Directors are offered orientation materials that set out the duties and responsibilities of directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. Also all the Directors are provided with "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" issued by The Hong Kong Institute of Directors ("HKIoD") as guidelines on the general principles of duties of directors. All the Independent Non-Executive Directors are provided with "Guide for Independent Non-Executive Directors" issued by HKIoD.

The Company encourages the Directors to participate in relevant professional development courses to continually enhance their relevant knowledge and skills. The Company also constantly updates Directors in respect of the latest development on Listing Rules and other applicable laws and regulations, to ensure compliance and to facilitate Directors' awareness of good corporate governance practices. According to the records provided by the Directors, a summary of training received by Directors during the year is shown below:

Directors	Type of Trainings
<b>Group Executive Chairman</b>	
Dr. Stanley Ho	A
<b>Non-Executive Directors</b>	
Dato' Dr. Cheng Yu Tung	A
Mrs. Louise Mok	A
<b>Independent Non-Executive Directors</b>	
Sir Roger Lobo	A
Mr. Norman Ho	A, B, C
Mr. Charles Ho	A, B
Mr. Michael Ng	A
<b>Managing Director</b>	
Ms. Pansy Ho	A, B
<b>Deputy Managing Director</b>	
Ms. Daisy Ho	A
<b>Executive Directors</b>	
Ms. Maisy Ho	A
Mr. David Shum	A, B, C
Mr. Rogier Verhoeven	A

- A: Reading material and/or attending board meetings for trainings provided by the Company in relation to updates of Listing Rules, latest development of the rules and regulations
- B: Reading material and/or attending training sessions provided by other corporations on rules and regulations
- C: Attending seminar and/or conference and/or forum

The roles of the Chairman and the Managing Director are separated, with Dr. Stanley Ho being the Chairman and mainly responsible for the leadership of the Board, while Ms. Pansy Ho, the Managing Director, is responsible for the overall performance of the Company and its subsidiaries (the "Group").

The Board is responsible for overseeing the Company's strategic development and setting appropriate policies to manage risks in pursuit of the Company's strategic objectives as well as scrutinizing operational and financial performance.

Management is delegated with authority by the Board and is principally responsible for the day-to-day operations of the Group. The Managing Director and the Deputy Managing Director, working with other Executive Directors and the executive management team, are responsible for (i) managing the business of the Group; (ii) formulating policies for consideration by the Board; (iii) carrying out and implementing the strategies adopted by the Board; (iv) making recommendations on strategic planning, operating plans, major projects and business proposals; and (v) assuming full accountability to the Board for the operations of the Group. The Executive Directors conduct regular meetings with the management of the Group and associated companies during which operational issues and financial performance are reviewed. The Executive Directors report back to the Board regularly and on ad hoc basis as appropriate.

Regular Board meetings are held at least four times every year. Additional Board meetings are held when required by circumstances. During the year ended 31 December 2013, seven Board meetings were held.

## Corporate Governance Report

Attendance by Directors at meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and General Meetings during the year is shown below:

Name of Director	Board	Audit Committee Note 2	Remuneration Committee	Nomination Committee	Annual General Meeting Note 2	Extraordinary General Meeting Note 2
	(Number of Meetings Attended/Entitled to Attend)					
<b>Group Executive Chairman</b>						
Dr. Stanley Ho <sup>Note 1</sup>	0/7	n/a	n/a	n/a	0/1	0/1
<b>Non-Executive Directors</b>						
Dato' Dr. Cheng Yu Tung <sup>Note 1</sup>	0/7	n/a	n/a	n/a	0/1	0/1
Mrs. Louise Mok	6/7	2/2	n/a	n/a	1/1	1/1
<b>Independent Non-Executive Directors</b>						
Sir Roger Lobo	7/7	2/2	1/1	1/1	1/1	1/1
Mr. Norman Ho	7/7	2/2	1/1	1/1	1/1	1/1
Mr. Charles Ho	2/7	n/a	1/1	1/1	1/1	0/1
Mr. Michael Ng	7/7	1/2	n/a	n/a	1/1	1/1
<b>Managing Director</b>						
Ms. Pansy Ho	7/7	n/a	1/1	1/1	1/1	1/1
<b>Deputy Managing Director</b>						
Ms. Daisy Ho	7/7	n/a	1/1	1/1	1/1	1/1
<b>Executive Directors</b>						
Ms. Maisy Ho	7/7	n/a	n/a	n/a	1/1	1/1
Mr. David Shum	7/7	n/a	n/a	n/a	1/1	1/1
Mr. Rogier Verhoeven	6/7	n/a	n/a	n/a	1/1	1/1

Note 1: Dr. Stanley Ho and Dato' Dr. Cheng Yu Tung were unable to attend meetings due to health reasons.

Note 2: Representatives of the external auditor participated in every Audit Committee meeting, Annual General Meeting and Extraordinary General Meeting.

### Model Code for Securities Transactions

Code provision A.6.4 requires directors to comply with their obligations set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code").

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiry by the Company on each of them, that they had fully complied with the Model Code throughout the year ended 31 December 2013.

### Board Committees

Each of the Remuneration Committee, the Nomination Committee, the Executive Committee and the Audit Committee has defined duties and responsibilities as set out in its own written terms of reference which, if applicable, are no less exacting

terms than those set out in the CG Code. The written terms of reference will be regularly reviewed and updated in response to any regulatory changes or as the Board may deem appropriate. Other Board Committee for approving particular transaction is delegated with specific duties and authorities by the Board when it is formed. All Board Committees are provided with sufficient resources to discharge their duties.

### **Remuneration Committee**

The principal role of the Remuneration Committee is to make recommendations to the Board on all aspects of the performance, employment conditions, remuneration and incentives of the Executive Directors and senior management. It sets the remuneration and incentive policy of the Company as a whole and approves the remuneration proposals for the Executive Directors and senior management. The emoluments of the Directors, including basic salary and performance bonus, are based on each Director's skills, knowledge and involvement in the Company's affairs, the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions. No Director has taken part in setting his or her own remuneration.

As at the date of this report, the Remuneration Committee consists of five members, namely, Sir Roger Lobo, Mr. Norman Ho and Mr. Charles Ho (being the Independent Non-Executive Directors), Ms. Pansy Ho (Managing Director) and Ms. Daisy Ho (Deputy Managing Director). Sir Roger Lobo is the chairman of the Remuneration Committee.

According to its written terms of reference, a copy of which is posted on the websites of the Company and the Stock Exchange, the Remuneration Committee shall meet at least once per year. Additional meetings may be held as required. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2013, one Remuneration Committee meeting was held whereby the Remuneration Committee had reviewed and recommended to the Board for approval of the remuneration packages of the Directors (including Executive Directors and Non-Executive Directors) and senior management.

Directors' interests in shares, underlying shares and debentures of the Company, along with Directors' interests in contracts, are set out in the "Report of the Directors", and Directors' emoluments are set out in the "Notes to the Financial Statements" in this annual report.

### **Nomination Committee**

The Nomination Committee is responsible for (i) formulating policy and making recommendations to the Board on nomination and appointment of Directors and on the Board's succession planning; and (ii) monitoring the implementation of the Board Diversity Policy as adopted by the Board in 2013 and reviewing the same and recommending any revision to the Board for consideration. The Nomination Committee develops selection procedures for candidates and will consider different criteria including appropriate professional knowledge and industry experience, and the standards set forth in Rules 3.08 and 3.09 of the Listing Rules. The Nomination Committee also reviews the structure, size and composition of the Board annually to ensure that it has balanced skills and expertise to provide effective leadership to the Company and assess the independence of the Independent Non-Executive Directors according to the criteria set out in Rule 3.13 of the Listing Rules.

As at the date of this report, the Nomination Committee consists of five members, namely, Sir Roger Lobo, Mr. Norman Ho and Mr. Charles Ho (being the Independent Non-Executive Directors), Ms. Pansy Ho (Managing Director) and Ms. Daisy Ho (Deputy Managing Director). Mr. Charles Ho is the chairman of the Nomination Committee.

According to its written terms of reference, a copy of which is posted on the websites of the Company and the Stock Exchange, the Nomination Committee shall meet as required by its work. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2013, one Nomination Committee meeting was held at which the Nomination Committee had reviewed the structure, size, composition and diversity of the Board. As at the date of the report, the Nomination Committee has also reviewed the independence of Independent Non-Executive Directors of the Company and reviewed and made recommendations for the re-election of those retiring Directors who are subject for retirement by rotation at the forthcoming annual general meeting.

### Executive Committee

For more efficient operation of the Board, the Executive Committee was established to (i) make recommendations on the strategic aims, objectives and priorities of the Company; (ii) perform corporate governance duties and to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; and (iii) consider and approve matters relating to the day-to-day operations of the Group.

As at the date of this report, the Executive Committee consists of five members, namely, Ms. Pansy Ho (Managing Director), Ms. Daisy Ho (Deputy Managing Director) and the other three Executive Directors, Ms. Maisy Ho, Mr. David Shum and Mr. Rogier Verhoeven. Ms. Pansy Ho is the chairman of the Executive Committee. The duties and responsibilities of the Executive Committee are set out in its written terms of reference. There is no minimum number of meetings to be held each year. Meetings are held as required by its work.

### Audit Committee

The Audit Committee's primary responsibilities include reviewing the Company's financial reports, the system of internal controls, risk management and the effectiveness and objectivity of the audit process.

As at the date of this report, the Audit Committee consists of four members, namely, Sir Roger Lobo, Mr. Norman Ho and Mr. Michael Ng (being the Independent Non-Executive Directors) and Mrs. Louise Mok (Non-Executive Director). Mr. Norman Ho is the chairman of the Audit Committee. The Board is satisfied that members of the Audit Committee collectively possess adequate relevant financial experience to properly discharge its duties and responsibilities. Both Mr. Norman Ho and Mr. Michael Ng have the professional accounting qualifications required by Rule 3.10(2) of the Listing Rules, details of which are set out in their biographies in the "Management Profile" in this annual report.

According to its written terms of reference, a copy of which is posted on the websites of the Company and the Stock Exchange, the Audit Committee shall meet at least twice a year. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2013, two Audit Committee meetings were held at which the Audit Committee reviewed the Company's interim and year-end financial reports, particularly judgemental areas before submission to the Board, the internal audit programme, findings and management's responses; approved the annual audit and non-audit services fees and recommended the re-appointment of Company's external auditor as well as reviewed the terms of engagement of PricewaterhouseCoopers for the year ended 31 December 2013. As at the date of this report, the Audit Committee also considered the annual audit and non-audit services fees and recommended the re-appointment of PricewaterhouseCoopers as the Company's external auditor.

The Group's whistleblowing policy (the "Policy") was adopted by the Board in December 2011. With the introduction of the Policy, employees are provided a channel and guideline to report any serious misconduct, malpractice or impropriety concerns internally without the fear of reprisal or victimization. The Audit Committee was delegated with the overall responsibility for monitoring and reviewing the effectiveness of the Policy.

## Auditor's Remuneration

For the year ended 31 December 2013, the fees paid/payable by the Group to the external auditor in respect of audit and non-audit services provided by them amounted to approximately HK\$8.1 million and HK\$6.5 million respectively. The non-audit services included interim review, review of continuing connected transactions of the Company, taxation and other related services.

## Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit and cash flows of the Group for the year in accordance with Hong Kong Financial Reporting Standards, the Hong Kong Companies Ordinance and the Listing Rules. In preparing the financial statements for the year ended 31 December 2013, the Directors have selected suitable accounting policies and applied them consistently. The Directors also made judgements and estimates that are prudent and reasonable and prepared the financial statements on a going concern basis. The Company announced its interim and annual results in a timely manner after the end of the relevant periods as required by the Listing Rules.

The statement from the external auditor of the Company about the auditor's reporting responsibilities on the financial statements of the Company is set out in the "Independent Auditor's Report" in this annual report.

## Internal Control

The Board is responsible for ensuring a sound and effective system of internal control which is designed for (i) safeguarding the interests of the Shareholders; (ii) safeguarding assets of the Group against misappropriation; (iii) ensuring proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensuring compliance with relevant legislation and regulations. Such system of internal control is aimed at mitigating the risks faced by the Group to an acceptable level but not at eliminating all the risks. Hence, such system can only provide reasonable but not absolute assurance that there will not be any material misstatement in the financial information and there will not be any financial loss or fraud.

The key procedures established by the Board to provide effective internal controls include (i) a defined management structure with clear lines of responsibility and limits of authority; (ii) an appropriate organisational structure which adequately provides the necessary information flow for management decisions; (iii) proper budgetary and management accounting control to ensure efficient allocation of resources and provision of timely financial and operational performance indicators for managing business activities; (iv) effective financial reporting control to ensure the recording of complete, accurate and timely accounting and management information; and (v) assurance through the Audit Committee that appropriate internal control procedures are in place and functioning effectively.

Through the Audit Committee, the Board continues to review the effectiveness of the internal control system which includes financial, operational, compliance and risk management controls. The review process consists of (i) assessment of internal controls by the Group Internal Audit Department; (ii) operational management's assurance of the maintenance of internal controls; and (iii) identification of control issues by the external auditor during statutory audit. The Audit Committee, supported by the Group Internal Audit Department, reviews the adequacy of resources, qualifications, experiences and training requirements of staff responsible for the accounting and financial reporting functions.

The Group Internal Audit Department reports functionally to the Audit Committee and has unrestricted access to all records and personnel of the Group. To ensure a systematic coverage of all auditable areas and effective deployment of resources, a four-year strategic audit plan has been formulated by adopting a risk ranking methodology. This strategic audit plan is revised annually to reflect organisational changes and new business developments and is submitted for the Audit Committee's approval. Ad hoc reviews will also be conducted for areas of concern identified by the Audit Committee and the management.

The Group Internal Audit Department reviews internal controls by evaluating the control environment, performing risk assessments of key processes, assessing the adequacy and testing the functioning of key controls through audit sampling. During each audit, the qualifications and experience of staff as well as manpower and training budgets are reviewed to ensure that sufficient numbers of competent staff are available to maintain an effective internal control system. In addition, operational management of key processes is required to review its control framework with reference to the integrated framework of internal control recommended by the Committee of Sponsoring Organisations of the Treadway Commission and to confirm that the internal control system is functioning as intended. An audit report incorporating the identified control deficiencies and management's rectification plans is issued for each internal audit.

The Group Internal Audit Department reports to the Audit Committee periodically on the results of the assessment of internal controls and implementation of follow-up actions on control deficiencies. In addition, the head of Group Internal Audit Department attends the Audit Committee meetings twice a year to report the progress in achieving the strategic audit plan and give a summary of the results of the audit reports issued during the period.

For the year under review, the Board considers that the system of internal control for the Group is adequate and effective and the Company has complied with relevant code provisions in the CG Code on internal control.

### Proactive Investor Relations

The Company aims to maintain an ongoing dialogue and communication with its Shareholders. It is the responsibility of the Board as a whole to ensure that satisfactory dialogue takes place. The Board established a shareholder communication policy setting out the principles of the Company in relation to shareholders' communication, with the objective of ensuring direct, open and timely communications with all Shareholders. The primary communication channel between the Company and its Shareholders is the publication of interim reports, annual reports, circulars and notices to Shareholders. The Company's share registrar serves the Shareholders with respect to all share registration matters. Annual general meeting and extraordinary general meeting further provide the forum and opportunity for the Shareholders to exchange views directly with the Board members.

The Company continues its proactive policy of promoting investor relations by regular meetings with institutional Shareholders and research analysts. Our Investor Relations Department maintains open communications with the investment community. In order to ensure our investors to have an informed understanding of the Company's strategy, operations and management, our management engages in proactive investor relation activities. These include participating in regular one-on-one investor meetings, investor conferences and international non-deal roadshows.

Separate resolution is proposed at general meeting on each substantially separate issue, including the election of each individual Director. In strict compliance with Rule 13.39(4) of the Listing Rules, the Articles of Association of the Company has been amended to the effect that all resolutions proposed in a general meeting will be decided on poll except for procedural or administrative matters. The poll results will be posted on the websites of the Company and the Stock Exchange in accordance with Rule 2.07C of the Listing Rules as soon as after the closure of the general meeting.

The Company has maintained a corporate website ([www.shuntakgroup.com](http://www.shuntakgroup.com)) which provides the Shareholders, investors and the public with timely and updated information on the Group's development and activities. Corporate information in relation to the Group's businesses will also be distributed to the registered mailing list by email. Registration on the mailing list is available on the Company's website. The Company Secretary and the Investor Relations Department serve as the major channels of communication between the Directors and the Shareholders, investors and the public. The public is encouraged to contact the Group as appropriate.

Shareholders may at any time send their enquiries to the Board in writing to the Company Secretarial Department or Investor Relations Department with the contact details set out below:

Registered Office	:	Penthouse 39th Floor, West Tower, Shun Tak Centre 200 Connaught Road Central Hong Kong
Telephone	:	(852) 2859 3111
Facsimile	:	(852) 2857 7181
E-mail	:	<a href="mailto:enquiry@shuntakgroup.com">enquiry@shuntakgroup.com</a> <a href="mailto:ir@shuntakgroup.com">ir@shuntakgroup.com</a>

In relation to enquiries on the shareholding matters of the Company, Shareholders could send enquiries to the Company's share registrar, Computershare Hong Kong Investor Services Limited, with their contact details set out below:

Address	:	Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Telephone	:	(852) 2862 8555
Facsimile	:	(852) 2865 0990
E-mail	:	<a href="mailto:hkinfo@computershare.com.hk">hkinfo@computershare.com.hk</a>

## Shareholders' Rights

### Procedures for Shareholders to Convene a General Meeting

In accordance with section 566 of the Hong Kong Companies Ordinance (Chapter 622) effective 3 March 2014 (the "Ordinance"), Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings can make a requisition to convene a general meeting. The requisition must state the objects of the meeting, and must be signed by the Shareholders concerned and deposited at the registered office of the Company for the attention of the Company Secretary. The requisition must also (a) state the name(s) of the requisitionist(s), (b) the contact details of the requisitionist(s) and (c) the number of ordinary shares of the Company held by the requisitionist(s).

### Procedures for Shareholders to Put Forward Proposals at General Meeting

In accordance with section 580 of the Ordinance, Shareholder(s) 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 can submit a written request to move a resolution at a general meeting of the Company. The written request must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by the relevant Shareholder(s) and deposited at the registered office of the Company.

### Company Secretary

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training.

### Constitutional Documents

During the year ended 31 December 2013, no amendment has been made to the Memorandum and Articles of Association (the "M&A") of the Company. The latest version of the M&A of the Company is available on the websites of the Company and the Stock Exchange.

### Looking Forward

The Company will continue to review its corporate governance practices on a timely basis and take necessary and appropriate actions to ensure compliance with the required practices and standards including the code provisions in the CG Code.

Hong Kong, 28 March 2014



羅兵咸永道

## TO THE SHAREHOLDERS OF SHUN TAK HOLDINGS LIMITED

*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Shun Tak Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 72 to 156, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28 March 2014

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# Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Turnover</b>	4	<b>3,575,726</b>	5,411,820
Other income	4	<b>140,265</b>	147,432
		<b>3,715,991</b>	5,559,252
Other gains, net	5	<b>383</b>	4,665
Cost of inventories sold and services provided		<b>(1,561,101)</b>	(3,116,831)
Staff costs		<b>(1,090,939)</b>	(970,428)
Depreciation and amortisation		<b>(192,539)</b>	(238,731)
Other costs		<b>(407,007)</b>	(451,116)
Fair value changes on investment properties		<b>576,790</b>	1,149,930
<b>Operating profit</b>	6	<b>1,041,578</b>	1,936,741
Finance costs	8	<b>(158,639)</b>	(180,974)
Share of results of joint ventures		<b>910,133</b>	1,451,325
Share of results of associates		<b>16,903</b>	11,843
<b>Profit before taxation</b>		<b>1,809,975</b>	3,218,935
Taxation	9(a)	<b>(91,732)</b>	(156,455)
<b>Profit for the year</b>		<b>1,718,243</b>	3,062,480
<b>Attributable to:</b>			
Owners of the Company		<b>1,406,447</b>	2,562,794
Non-controlling interests		<b>311,796</b>	499,686
<b>Profit for the year</b>		<b>1,718,243</b>	3,062,480
<b>Earnings per share (HK cents)</b>	11		
– basic		<b>47.0</b>	88.7
– diluted		<b>46.3</b>	85.2

Details of the dividends proposed for the year are disclosed in note 10.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 HK\$'000	2012 HK\$'000
<b>Profit for the year</b>	<b>1,718,243</b>	3,062,480
<b>Other comprehensive (loss)/income</b>		
Items that may be reclassified to profit or loss:		
Available-for-sale investments:		
Changes in fair value	(12,020)	17,807
Reversal of reserve upon disposal of available-for-sale investments	(787)	16,265
Cash flow hedges:		
Changes in fair value, net of tax	2,213	—
Reversal of reserve upon the closure of cash flow hedges, net of tax	—	833
Currency translation differences	(23,386)	10,676
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(33,980)</b>	45,581
<b>Total comprehensive income for the year</b>	<b>1,684,263</b>	3,108,061
<b>Attributable to:</b>		
Owners of the Company	1,368,571	2,605,458
Non-controlling interests	315,692	502,603
<b>Total comprehensive income for the year</b>	<b>1,684,263</b>	3,108,061

# Consolidated Balance Sheet

As at 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	12	2,067,927	2,262,702
Investment properties	13	6,471,180	5,049,944
Prepaid premium for land lease	14	8,170	8,414
Joint ventures	16	4,738,077	3,569,337
Associates	17	1,519,039	962,362
Intangible assets	18	399,500	365,047
Available-for-sale investments	19	999,070	1,017,242
Mortgage loans receivable	20	14,480	14,020
Deferred tax assets	9(c)	12,890	25,747
Other non-current assets	21	813,042	675,174
		<b>17,043,375</b>	13,949,989
<b>Current assets</b>			
Properties for or under development	22	8,880,551	8,238,777
Inventories	23	2,136,386	1,945,670
Trade and other receivables, and deposits paid	24	2,170,633	2,431,154
Derivative financial instruments	25	8,113	4,749
Taxation recoverable		3,498	1,344
Cash and bank balances	26	8,138,435	7,681,879
		<b>21,337,616</b>	20,303,573
<b>Current liabilities</b>			
Trade and other payables, and receipts in advance	27	1,943,117	1,012,239
Deposits received from sale of properties		730,529	497,441
Bank borrowings	28	670,000	3,103,025
Convertible bonds	30	827,279	—
Provision for employee benefits	29	17,059	18,015
Taxation payable		17,861	86,247
Loans from non-controlling shareholders	32	1,158,114	—
		<b>5,363,959</b>	4,716,967
<b>Net current assets</b>		<b>15,973,657</b>	15,586,606
<b>Total assets less current liabilities</b>		<b>33,017,032</b>	29,536,595

	Note	2013 HK\$'000	2012 HK\$'000
<b>Non-current liabilities</b>			
Receipts in advance	27	49,435	40,896
Bank borrowings	28	4,245,000	2,847,000
Convertible bonds	30	—	813,379
Medium term notes	31	3,134,161	—
Derivative financial instruments	25	4,556	—
Deferred tax liabilities	9(c)	1,067,807	1,011,077
Loans from non-controlling shareholders	32	—	1,796,316
		<b>8,500,959</b>	6,508,668
<b>Net assets</b>			
		<b>24,516,073</b>	23,027,927
<b>Equity</b>			
Share capital	33	749,220	746,720
Share premium	33	8,876,887	8,851,587
Reserves	35(a)	11,512,000	10,144,536
Proposed dividends		—	253,885
<b>Equity attributable to owners of the Company</b>			
		<b>21,138,107</b>	19,996,728
Non-controlling interests		<b>3,377,966</b>	3,031,199
<b>Total equity</b>			
		<b>24,516,073</b>	23,027,927

**Pansy Ho**  
Director

**Daisy Ho**  
Director

# Balance Sheet

As at 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	12	982	1,054
Subsidiaries	15	630,805	630,805
Associates	17	250	250
Available-for-sale investments	19	233,679	233,679
Other non-current assets	21	11,807,060	9,512,096
		<b>12,672,776</b>	10,377,884
<b>Current assets</b>			
Trade and other receivables, and deposits paid	24	11,538	14,466
Cash and bank balances	26	3,484,911	2,476,415
		<b>3,496,449</b>	2,490,881
<b>Current liabilities</b>			
Trade and other payables, and receipts in advance	27	4,054,391	660,948
Provision for employee benefits	29	3,705	3,713
		<b>4,058,096</b>	664,661
<b>Net current (liabilities)/assets</b>		<b>(561,647)</b>	1,826,220
<b>Net assets</b>		<b>12,111,129</b>	12,204,104
<b>Equity</b>			
Share capital	33	749,220	746,720
Share premium	33	8,876,887	8,851,587
Reserves	35(b)	2,485,022	2,351,912
Proposed dividends		—	253,885
<b>Total equity</b>		<b>12,111,129</b>	12,204,104

**Pansy Ho**  
Director

**Daisy Ho**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Equity attributable to owners of the Company															
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Legal reserve HK\$'000	Special reserve HK\$'000	Investment revaluation reserve HK\$'000	Hedging reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Proposed dividends HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2013	746,720	8,851,537	100,170	28,048	43,248	9,958	(151,413)	102,020	—	1,179,563	73,149	8,759,793	253,885	19,996,728	3,031,199	23,027,927
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	1,406,447	—	1,406,447	311,796	1,718,243
Items that may be reclassified to profit or loss:																
Available-for-sale investments:																
Changes in fair value	—	—	—	—	—	—	—	(12,020)	—	—	—	—	—	(12,020)	—	(12,020)
Reversal of reserve upon disposal of available-for-sale investments	—	—	—	—	—	—	—	(787)	—	—	—	—	—	(787)	—	(787)
Cash flow hedges:																
Changes in fair value, net of tax	—	—	—	—	—	—	—	—	(1,672)	—	—	—	—	(1,672)	3,885	2,213
Currency translation differences	—	—	—	—	—	—	—	—	—	—	(23,397)	—	—	(23,397)	11	(23,386)
Other comprehensive (loss)/income for the year	—	—	—	—	—	—	—	(12,807)	(1,672)	—	(23,397)	—	—	(37,876)	3,896	(33,980)
Total comprehensive income for the year	—	—	—	—	—	—	—	(12,807)	(1,672)	—	(23,397)	1,406,447	—	1,368,571	315,692	1,684,263
Exercise of share options	2,500	25,300	—	—	—	—	—	—	—	—	—	—	—	27,800	—	27,800
2012 final dividend	—	—	—	—	—	—	—	—	—	—	—	(850)	(253,885)	(254,735)	—	(254,735)
Dividend to a non-controlling shareholder	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(3,884)	(3,884)
Contribution from a non-controlling shareholder	—	—	—	—	—	—	—	—	—	—	—	—	—	—	34,702	34,702
Transfer of reserve	—	—	—	—	—	297	—	—	—	—	—	(54)	—	(257)	257	—
Share of reserve movement of joint ventures	—	—	—	—	—	305	—	—	—	—	—	(805)	—	—	—	—
	2,500	25,300	—	—	—	602	—	—	—	—	—	(1,709)	(253,885)	(227,192)	31,075	(196,117)
At 31 December 2013	749,220	8,876,837	100,170	28,048	43,248	10,550	(151,413)	89,213	(1,672)	1,179,563	49,752	10,164,531	—	21,138,107	3,377,966	24,516,073

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Equity attributable to owners of the Company															
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Legal reserve HK\$'000	Special reserve HK\$'000	Investment revaluation reserve HK\$'000	Hedging reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Proposed dividends HK\$'000	Total equity HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2012	543,069	7,449,074	100,170	28,048	80,397	9,452	(151,413)	67,948	(355)	1,179,563	64,912	6,414,287	119,475	15,904,627	2,553,282	18,457,909
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	2,562,794	—	2,562,794	499,686	3,062,480
Items that may be reclassified to profit or loss:																
Available-for-sale investments:																
Charges in fair value	—	—	—	—	—	—	—	17,807	—	—	—	—	—	17,807	—	17,807
Reversal of reserve upon disposal of available-for-sale investments	—	—	—	—	—	—	—	16,265	—	—	—	—	—	16,265	—	16,265
Cash flow hedges:																
Reversal of reserve upon the closure of cash flow hedges, net of tax	—	—	—	—	—	—	—	—	355	—	—	—	—	—	—	355
Currency translation differences	—	—	—	—	—	—	—	—	—	—	8,237	—	—	8,237	2,439	10,676
Other comprehensive income for the year	—	—	—	—	—	—	—	34,072	355	—	8,237	—	—	42,664	2,917	45,581
Total comprehensive income for the year	—	—	—	—	—	—	—	34,072	355	—	8,237	2,562,794	—	2,608,458	502,603	3,108,061
Issue of shares on right issue	203,651	1,402,513	—	—	—	—	—	—	—	—	—	—	—	1,606,164	—	1,606,164
Early redemption of convertible bonds	—	—	—	—	(37,149)	—	—	—	—	—	—	37,149	—	—	—	—
2011 final dividend	—	—	—	—	—	—	—	—	—	—	—	—	(119,475)	(119,475)	—	(119,475)
2012 final dividend	—	—	—	—	—	—	—	—	—	—	—	(253,885)	253,885	—	—	—
Dividend to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(4,732)	(4,732)
Transfer of reserve	—	—	—	—	—	110	—	—	—	—	—	(156)	—	(46)	46	—
Share of reserve movement of joint ventures	—	—	—	—	—	341	—	—	—	—	—	(341)	—	—	—	—
Share of reserve of an associate	—	—	—	—	—	55	—	—	—	—	—	(55)	—	—	—	—
At 31 December 2012	746,720	8,851,587	100,170	28,048	43,248	9,958	(151,413)	102,020	—	1,179,563	73,149	8,759,793	253,885	19,996,728	3,031,199	23,027,927

# Consolidated Cash Flow Statement

For the year ended 31 December 2013

	2013 HK\$'000	2012 HK\$'000
<b>Operating activities</b>		
Profit before taxation	<b>1,809,975</b>	3,218,935
Adjustments for:		
Depreciation and amortisation	<b>192,539</b>	238,731
Finance costs	<b>158,639</b>	180,974
Interest income	<b>(102,895)</b>	(105,562)
Dividend income from available-for-sale investments	<b>(188,977)</b>	(113,338)
Share of results of joint ventures	<b>(910,133)</b>	(1,451,325)
Share of results of associates	<b>(16,903)</b>	(11,843)
Net loss/(gain) on disposal of property, plant and equipment	<b>1,135</b>	(17,150)
Net loss on disposal of investment properties	<b>—</b>	6,684
Loss on disposal of available-for-sale investments and other financial instruments	<b>3,962</b>	1,990
Impairment loss on amounts due by joint ventures	<b>9,186</b>	—
Impairment loss on amounts due by associates	<b>339</b>	—
Impairment losses on available-for-sale investments	<b>—</b>	9,547
Impairment losses on trade receivables	<b>13</b>	3,789
Fair value changes on investment properties	<b>(576,790)</b>	(1,149,930)
Operating profit before working capital changes	<b>380,090</b>	811,502
(Increase)/decrease in properties for or under development and inventories of properties, excluding net finance costs capitalised	<b>(700,303)</b>	439,269
Increase in other inventories	<b>(12,491)</b>	(18,374)
Decrease/(increase) in trade receivables, other receivables and deposits paid	<b>264,070</b>	(1,205,889)
Increase in trade and other payables, and receipt in advance	<b>74,840</b>	366,316
Increase in sales deposits received	<b>233,088</b>	423,217
Decrease in provision for employee benefits	<b>(956)</b>	(858)
Cash generated from operations	<b>238,338</b>	815,183
Total income taxes paid	<b>(97,722)</b>	(65,088)
<b>Net cash from operating activities</b>	<b>140,616</b>	750,095

# Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Investing activities</b>			
Purchase of property, plant and equipment		(27,257)	(36,324)
Purchase of investment properties		(729,575)	—
Advances to joint ventures		(1,066)	(8,057)
Repayments from joint ventures		510,235	289,073
Capital contributions to joint ventures		(248,540)	(53)
Advances to associates		(2,003)	—
Capital contributions to associates		(578,762)	(763,822)
Acquisition of available-for-sale investments and other financial instruments		—	(14,454)
Increase in mortgage loan receivable		(4,108)	(8,466)
Repayments of mortgage loans		3,385	1,184
Net cash outflow on acquisition of subsidiaries		—	(2,372)
Deposits paid for acquisition of properties		(418,182)	(77,000)
Proceeds from disposal, redemption or maturity of available-for-sale investments and other financial instruments		2,155	20,297
Capital refund from an investment fund		3,691	1,417
Proceeds from disposal of property, plant and equipment		28,947	20,305
Net proceeds from disposal of investment properties		—	638,316
Decrease/(increase) in bank deposits with maturities over three months		1,176,273	(2,103,895)
Interest received		114,114	91,410
Dividends received from available-for-sale investments		188,977	113,338
Dividends received from joint ventures		4,242	550,766
Dividends received from associates		1,750	4,151
<b>Net cash from/(used in) investing activities</b>		<b>24,276</b>	<b>(1,284,186)</b>
<b>Financing activities</b>			
Drawdown of new loans		1,845,175	1,674,500
Repayments of loans		(3,523,510)	(1,500,669)
Net proceeds from issue of shares		27,800	1,606,164
Redemption of convertible bonds		—	(716,200)
Net proceeds from issue of medium term notes		3,076,415	—
Deposit received for partial disposal of a subsidiary		500,000	—
Finance costs (including interests and bank charges) paid		(202,418)	(176,967)
Dividends paid to shareholders		(254,580)	(119,962)
Dividend paid to a non-controlling shareholder		(3,884)	(4,732)
<b>Net cash from financing activities</b>		<b>1,464,998</b>	<b>762,134</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,629,890</b>	<b>228,043</b>
<b>Effect of foreign exchange rates changes</b>		<b>2,939</b>	<b>1,014</b>
<b>Cash and cash equivalents at 1 January</b>		<b>5,577,984</b>	<b>5,348,927</b>
<b>Cash and cash equivalents at 31 December</b>		<b>7,210,813</b>	<b>5,577,984</b>
<b>Analysis of cash and cash equivalents</b>			
Cash and bank balances	26	8,138,435	7,681,879
Bank deposits with maturities over three months		(927,622)	(2,103,895)
<b>Cash and cash equivalents at 31 December</b>		<b>7,210,813</b>	<b>5,577,984</b>

# Notes to the Financial Statements

## 1 General information

Shun Tak Holdings Limited (the “Company”) is a public listed company incorporated in Hong Kong with limited liability. The address of the registered office and principal place of business of the Company is Penthouse 39th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong. The Company has its shares listed on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

The principal activity of the Company is investment holding while the activities of its principal subsidiaries, joint ventures and associates are set out in note 46.

## 2 Summary of significant accounting policies

### (a) Accounting policies

A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as the “Group”) is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (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. 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 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.

The preparation of 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 note 3.

### 2 Summary of significant accounting policies (Continued)

#### (b) Basis of preparation (Continued)

Impact of new or revised Hong Kong Financial Reporting Standards

##### *Adoption of new standards*

The Group has adopted the following relevant new or revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Annual Improvements 2009 – 2011 Cycle	
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

Except as described below, the adoption of the above does not have any significant impact to the Group.

##### *Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income*

Amendments to HKAS 1 require the identification of other comprehensive income items that are subsequently re-classifiable to the profit or loss in the statement of comprehensive income. The amendment affected presentation only and had no impact on the Group's financial position or result.

##### *HKFRS 11 Joint Arrangements*

Under HKFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement.

Before 1 January 2013, the Group's interests in its jointly controlled entities were accounted for using the equity method. Under HKFRS 11, the jointly controlled entities have been assessed to be joint ventures.

##### *HKFRS 12 Disclosure of Interests in Other Entities*

HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

## 2 Summary of significant accounting policies (Continued)

### (b) Basis of preparation (Continued)

#### HKFRS 13 Fair Value Measurement

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

*The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.*

A number of new standards and amendments to standards and interpretations, that are relevant to the Group, are issued but not yet effective for financial periods beginning on 1 January 2013, and have not been applied in preparing these consolidated financial statements.

Amendments to HKAS 32 <sup>(1)</sup>	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27(2011) <sup>(1)</sup>	Investment Entities
Amendments to HKAS 19(2011) <sup>(2)</sup>	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 36 <sup>(1)</sup>	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39 <sup>(1)</sup>	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21 <sup>(1)</sup>	Levies
HKFRS 9 <sup>(3)</sup>	Financial Instruments (Hedge Accounting and Amendments to HKFRS 7, HKFRS 9 and HKAS 39)
Annual Improvements to HKFRSs 2010 – 2012 Cycle <sup>(2)</sup>	
Annual Improvements to HKFRSs 2011 – 2013 Cycle <sup>(2)</sup>	

<sup>(1)</sup> Effective for annual periods beginning 1 January 2014

<sup>(2)</sup> Effective for annual periods beginning 1 July 2014

<sup>(3)</sup> The original effective date of 1 January 2015 is removed and it will be set once the other phase of HKFRS 9 is completed and finalised

The Group has already commenced an assessment of the impact of these new or revised HKFRSs, certain of them will give rise to change in presentation, disclosure and measurements of certain items in the financial statements.

Other than HKFRS 9, other new and revised HKFRSs would not be expected to have a material impact on the Group.

### 2 Summary of significant accounting policies *(Continued)*

#### (b) Basis of preparation *(Continued)*

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of HKFRS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Also, the cost option is no longer available and all unquoted equity investments must be stated at fair value. The Group is yet to assess HKFRS 9's full impact. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed.

#### (c) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are all 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. They are deconsolidated 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, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in 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 HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the 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 the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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 income statement.

## 2 Summary of significant accounting policies (Continued)

### (c) Basis of consolidation (Continued)

#### (i) Subsidiaries (Continued)

All intra-group transactions, balances and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

#### (ii) Changes 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 of the subsidiary 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. Dilution gains or losses on transaction with non-controlling interests are also recorded in equity.

#### (iii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. 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.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend 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.

#### (iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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.

#### (v) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is 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 Group's investment in associates includes goodwill 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 is reclassified to profit or loss where appropriate.

### 2 Summary of significant accounting policies *(Continued)*

#### (c) Basis of consolidation *(Continued)*

##### (v) Associates *(Continued)*

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Gains and losses on dilution of equity interest in associates are recognised in the income statement.

##### (vi) Joint arrangements

Under HKFRS 11 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.

## 2 Summary of significant accounting policies *(Continued)*

### (d) Operating segments

An operating segment is a component of the Group that engages in business activities from which the Group may earn revenues and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. The executive committee is identified as the Group's chief operating decision maker who makes strategic decisions.

### (e) Foreign currency transactions

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Group's presentation currency.

#### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Changes in the fair value of debt securities denominated in a foreign currency and classified as available-for-sale investments are analysed between exchange differences resulting from changes in amortised cost of the investment and other changes in the carrying amount of the investment. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities 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, such as equities classified as available for sale, are included in other comprehensive income.

#### (iii) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
2. income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
3. all resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

### 2 Summary of significant accounting policies *(Continued)*

#### (f) Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for own use (classified as finance leases) are stated at cost less accumulated depreciation and any accumulated impairment losses.

Land and buildings comprise mainly offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount 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 are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following annual rates:

Hotel buildings	2% or over the remaining lease terms, if shorter
Leasehold land held under finance leases	Over the remaining lease terms
Leasehold buildings	1.7% – 2.3% or over the remaining lease terms, if shorter
Vessels and pontoons	5% – 6.7%
Other assets	5% – 25%

The residual values and useful lives of items of property, plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(i)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains – net' in the income statement.

No depreciation is provided on properties under development.

## 2 Summary of significant accounting policies (*Continued*)

### (g) Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group or for sale in the ordinary course of business. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment properties are measured initially at cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at fair value, representing open market value determined at each balance sheet date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair value are recognised in the income statement.

### (h) Intangible assets

#### (i) Goodwill

Goodwill arising on the acquisition of subsidiaries, joint ventures and associates represents the excess of the cost of business combination over the Group's interest in the net fair value of the acquiree's identifiable assets acquired, and liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating unit ("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 goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### (ii) Licences, franchises and royalties

Separately acquired licences, franchises and royalties are classified as intangible assets and stated at historical cost less accumulated amortisation and any accumulated impairment losses. For licences, amortisation is provided using the straight-line method over the estimated useful lives of 3 to 16.3 years. For franchises and royalties, amortisation is provided either over the estimated finite useful lives of 8 to 13 years using the straight-line method.

#### (iii) Brand use right

Hotel brand use right acquired with indefinite life is classified as intangible asset and is stated at historical cost less impairment and are not amortised.

### 2 Summary of significant accounting policies *(Continued)*

#### (i) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value 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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

#### (j) Financial assets

##### *(i) Classification*

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### 1. Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

##### 2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment terms that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

##### 3. Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the balance sheet date.

## 2 Summary of significant accounting policies (Continued)

### (j) Financial assets (Continued)

#### (ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and financial assets at FVTPL are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in fair value of the financial assets at FVTPL are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains or losses from investments.

Interest on available-for-sale investments calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity investments are recognised in the income statement when the Group's right to receive payments is established.

#### (iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### (iv) Impairment

##### 1. Assets carried at amortised cost

The Group assesses at the end of balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### 2 Summary of significant accounting policies *(Continued)*

#### (j) Financial assets *(Continued)*

##### (iv) Impairment *(Continued)*

###### 1. Assets carried at amortised cost *(Continued)*

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

###### 2. Assets classified as available for sale

The Group assesses at the balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in 1. above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

#### (k) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging 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 fair values or cash flows of hedged items.

## 2 Summary of significant accounting policies (Continued)

### (k) Derivative financial instruments (Continued)

For cash flow hedge, where instruments are designated to hedge against a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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 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 income statement.

### (l) Properties for or under development for sale

Properties for or under development for sale are classified under current assets and stated at the lower of cost and net realisable value. Costs include the acquisition cost of land, aggregate cost of development, other direct expenses and where applicable borrowing costs. Net realisable value represents the estimated selling price less estimated costs of completion and estimated selling expenses.

### (m) Inventories and completed properties for sale

Inventories and completed properties for sale are stated at the lower of cost and net realisable value. In respect of unsold properties, cost is determined by apportionment of the total land and development costs, other direct expenses and where applicable borrowing costs attributable to unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates of anticipated sale proceeds based on prevailing market conditions. In respect of other inventories, cost comprises all costs of purchase and is determined using the first-in first-out basis or weighted average basis as appropriate. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### (n) Trade and other receivables

Trade receivables are amounts due from customers for inventories sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

### (o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, i.e. having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

### 2 Summary of significant accounting policies *(Continued)*

#### (p) 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.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

#### (q) Trade and other payables

Trade and others payables are initially recognised at fair value and are subsequently stated at amortised cost, using the effective interest rate method.

#### (r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### (s) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 2 Summary of significant accounting policies (Continued)

### (t) Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the bonds into equity, is included in convertible bonds equity reserve.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised, in which case the balance stated in convertible bonds equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be transferred to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

### (u) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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 and its subsidiaries 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, deferred income tax is not accounted for if it 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. Deferred income tax 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 income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 2 Summary of significant accounting policies *(Continued)*

#### (u) **Taxation** *(Continued)*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, joint arrangements and associates, 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, joint arrangements and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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 same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### (v) **Employee benefits**

Cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Obligations for contributions to defined contribution retirement plans, including contributions payable under the Mandatory Provident Fund Schemes Ordinance, are recognised as an expense as incurred.

#### (w) **Share-based payments**

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of equity instruments that vest, with a corresponding adjustment to the capital reserve, except where forfeiture is only due to not achieving market-based vesting conditions.

The equity amount is recognised in the capital reserve until either the equity instrument is exercised, when it is transferred to the share premium, or the equity instrument expires, when it is released directly to retained profits.

## 2 Summary of significant accounting policies *(Continued)*

### (x) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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 using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### (y) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events but is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

### (z) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sale of properties is recognised upon the later of the completion of the properties and the sale and purchase contracts, where the significant risks and rewards of ownership of properties are transferred to the purchasers. Deposits and instalments received from purchasers prior to the stage of revenue recognition are included in current liabilities.

### 2 Summary of significant accounting policies *(Continued)*

#### (z) Revenue recognition *(Continued)*

Revenue from passenger transportation services is recognised upon the departure of ferries at terminals. Revenue from sale of fuel is recognised upon delivery to customers.

Revenues from travel agency services, repairing services and management services are recognised upon provision of services.

Revenue from hotel operation is recognised on a basis that reflects the timing, nature and value when the relevant services, facilities or goods are provided.

Rental income is recognised on a straight-line basis over the period of the lease.

Management fee for services rendered for columbarium niches sold are recognised as revenue on straight-line basis over the remaining period of leasehold land.

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

Interest income is accrued on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

#### (aa) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

#### (ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### 3 Critical accounting estimates and judgements

The Group makes estimates, assumptions and judgements as appropriate in the preparation of the financial statements. These estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

#### (a) Valuation of investment properties

The fair value of each investment property is individually determined at each balance sheet date by independent professional valuers based on a market value assessment. The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. The valuers have relied on the discounted cash flow analysis and the capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. Further details of the judgements and assumptions made were disclosed in note 13. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

#### (b) Estimated impairment of goodwill

The Group tests annually whether goodwill has any impairment, in accordance with the accounting policy stated in note 2(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates including discount rates, growth rates of future revenue and costs.

#### (c) Useful lives of property, plant and equipment and brand use right

The Group's management determines the estimated useful lives and related depreciation for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Management is of the view that the brand use right has indefinite useful life because it is granted for use at a perpetual basis and there is no foreseeable limit to the period over which the brand use right to generate net cash inflows for the Group. Hence, no amortisation has been charged for the year.

#### (d) Income taxes

The Group is subject to income taxes in certain jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcomes of these matters is different from the amounts that initially recorded, such differences will impact the current tax and deferred tax provision in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

### 3 Critical accounting estimates and judgements *(Continued)*

#### (e) Impairment of available-for-sale investments

The Group follows the guidance of HKAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### (f) Estimate of fair values of unlisted available-for-sale investments

Certain available-for-sale investments of the Group, including an unlisted equity investment in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), are not stated at fair value but at cost because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant for these investments and the probabilities of the various estimates cannot be reasonably assessed. The directors of the Company are of the opinion that it is appropriate to state these available-for-sale investments at cost less any identified impairment loss at the balance sheet date.

#### (g) Impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of the receivables. Provisions for impairment are applied to the receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed.

#### (h) Estimated net realisable value of inventories

In determining whether allowances should be made for the Group's inventories of properties and properties for or under development for sale, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price, less estimated costs of selling expenses) less estimated costs to completion of the properties in the case of properties for or under development for sale. An allowance is made if the estimated market value less than the carrying amount. For spare parts and other inventories, management reviews the inventories listing and identifies obsolete and slow moving inventory items which are no longer suitable for use or diminution in net realisable value.

Allowance was made by reference to the latest market value for those inventories identified. In addition, management carries out an inventory review and makes the necessary write-down for obsolete items.

## 4 Turnover and other income

The Group is principally engaged in the businesses of property development, investment and management, transportation, hospitality and investment holding.

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Revenue</b>		
Revenue from sales of properties	55,812	2,183,006
Revenue from passenger transportation services	2,425,941	2,231,243
Revenue from sale of fuel	28,641	45,125
Revenue from travel agency services	44,252	47,344
Revenue from hotel operation	374,771	345,067
Rental income	191,794	185,133
Interest income from mortgage loans receivable	987	736
Management fees and others	264,551	260,828
	<b>3,386,749</b>	5,298,482
Dividend income from available-for-sale investments	188,977	113,338
	<b>3,575,726</b>	5,411,820
<b>Turnover</b>		
<b>Other income</b>		
Interest income from:		
– Bank deposits	86,060	82,982
– Others	15,848	21,844
Others	38,357	42,606
	<b>140,265</b>	147,432
<b>Turnover and other income</b>	<b>3,715,991</b>	5,559,252

## 5 Other gains, net

	Group	
	2013 HK\$'000	2012 HK\$'000
Net loss on disposal of investment properties (note 13)	—	(6,684)
Net (loss)/gain on disposal of property, plant and equipment	(1,135)	17,150
Net gain/(loss) on disposal of available-for-sale investments	779	(6,740)
Others	739	939
	<b>383</b>	4,665

## 6 Operating profit

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>After crediting:</b>		
Rental income from investment properties	<b>190,171</b>	172,856
Less: Direct operating expenses arising from investment properties	<b>(13,361)</b>	(10,613)
	<b>176,810</b>	162,243
Dividend income from listed investments	<b>12,651</b>	9,079
Dividend income from unlisted investments		
– STDM	<b>176,326</b>	104,080
– others	—	179
Exchange gain, net	<b>24,106</b>	959
<b>After charging:</b>		
Cost of inventories		
– properties	<b>29,592</b>	1,524,813
– fuel	<b>954,207</b>	967,489
– others	<b>149,129</b>	112,128
	<b>1,132,928</b>	2,604,430
Depreciation of property, plant and equipment (note 12)	<b>192,046</b>	238,037
Amortisation		
– intangible assets (note 18)	<b>249</b>	450
– prepaid premium for land lease (note 14)	<b>244</b>	244
Auditors' remuneration		
– audit services	<b>8,085</b>	6,175
– non-audit services	<b>4,403</b>	2,607
Minimum lease payments of properties under operating leases	<b>34,890</b>	37,906
Contingent rental payment (note 12(c))	<b>11,243</b>	10,364
Impairment losses/(write-back of impairment)		
– amounts due by joint ventures	<b>9,186</b>	—
– amounts due by associates	<b>339</b>	—
– available-for-sale investments	—	9,547
– trade receivables, net (note 24(a))	<b>(78)</b>	3,488
Staff costs		
– salaries and wages	<b>1,010,233</b>	899,374
– provident fund contributions	<b>48,113</b>	40,475
– directors' emoluments (note 7)	<b>32,593</b>	30,579

## 7 Directors' emoluments and five highest paid individuals

The emoluments of the Company's Directors are as follows:

Group	Salaries, allowances and Performance bonus				Total HK\$'000
	Fees HK\$'000	benefits HK\$'000	bonus HK\$'000	Provident fund contributions HK\$'000	
<b>2013</b>					
<b>Executive Directors</b>					
Dr. Stanley Ho	50	—	—	—	50
Ms. Pansy Ho	110	8,318	1,971	517	10,916
Ms. Daisy Ho	110	5,016	752	251	6,129
Ms. Maisy Ho	110	3,762	564	188	4,624
Mr. David Shum	110	2,870	431	144	3,555
Mr. Rogier Verhoeven	50	5,014	301	204	5,569
<b>Non-Executive Directors</b>					
Dato' Dr. Cheng Yu Tung	50	—	—	—	50
Mrs. Louise Mok	50	100	—	—	150
<b>Independent Non-Executive Directors</b>					
Sir Roger Lobo	300	110	—	—	410
Mr. Norman Ho	300	130	—	—	430
Mr. Charles Ho	300	10	—	—	310
Mr. Michael Ng	300	100	—	—	400
	<b>1,840</b>	<b>25,430</b>	<b>4,019</b>	<b>1,304</b>	<b>32,593</b>
<b>2012</b>					
<b>Executive Directors</b>					
Dr. Stanley Ho	72	—	—	—	72
Ms. Pansy Ho	110	7,999	1,110	470	9,689
Ms. Daisy Ho	110	4,800	1,005	240	6,155
Ms. Maisy Ho	88	3,600	755	180	4,623
Mr. David Shum	110	2,760	580	138	3,588
Mr. Rogier Verhoeven	43	4,040	800	163	5,046
<b>Non-Executive Directors</b>					
Dato' Dr. Cheng Yu Tung	50	—	—	—	50
Mrs. Louise Mok	50	100	—	—	150
Mr. Michael Ng (note)	48	—	—	—	48
<b>Independent Non-Executive Directors</b>					
Sir Roger Lobo	300	107	—	—	407
Mr. Norman Ho	300	130	—	—	430
Mr. Charles Ho	300	8	—	—	308
Mr. Michael Ng (note)	10	3	—	—	13
	<b>1,591</b>	<b>23,547</b>	<b>4,250</b>	<b>1,191</b>	<b>30,579</b>

### 7 Directors' emoluments and five highest paid individuals (Continued)

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

Among the five highest paid individuals in the Group, four are directors (2012: all are directors) of the Company and the details of their emoluments have been disclosed above. The emoluments of the individual not included above consisted of salaries, allowances and benefits of HK\$4,683,316.

Note:

Mr. Michael Ng has been re-designated as Independent Non-Executive Director and appointed as a member of the Audit Committee of the Company, both with effect from 20 December 2012.

### 8 Finance costs

	Group	
	2013 HK\$'000	2012 HK\$'000
Interest on bank loans and overdraft wholly repayable within 5 years	79,308	81,073
Interest on convertible bonds wholly repayable within 5 years (note 30)	41,415	69,021
Interest on medium term notes	147,495	—
Interest on loans from non-controlling shareholders	5,108	8,743
Cost of early redemption of convertible bonds (note 30)	—	24,243
Other finance costs	5,009	20,232
Total interest expenses	278,335	203,312
Less: Amount capitalised in properties under development	(119,696)	(22,338)
	<b>158,639</b>	180,974

Finance costs have been capitalised at weighted average rate of its general borrowings of 3.31% (2012: 1.86%) per annum for properties under development.

## 9 Taxation

### (a) Taxation in the consolidated income statement represents:

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Current taxation</b>		
Hong Kong profits tax		
– tax for the year	15,659	80,904
– over-provision in respect of prior years	(596)	(557)
Overseas taxation		
– tax for the year	14,967	14,101
– over-provision in respect of prior years	(2,848)	(6,177)
	<b>27,182</b>	88,271
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	64,550	68,184
<b>Total tax expenses</b>	<b>91,732</b>	156,455

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year. Overseas taxation is calculated at tax rates applicable to jurisdictions in which the Group operates.

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Profit before taxation</b>	<b>1,809,975</b>	3,218,935
Less: Share of results of joint ventures and associates	(927,036)	(1,463,168)
	<b>882,939</b>	1,755,767
Tax at the applicable tax rate of 16.5% (2012: 16.5%)	145,685	289,701
Income not subject to tax	(108,893)	(184,206)
Expenses not deductible for tax purposes	50,584	43,863
Utilisation of tax losses and deductible temporary differences not previously recognised	(5,150)	(7,485)
Tax losses and deductible temporary differences not recognised	24,592	27,024
Effect of different tax rates of subsidiaries operating in other jurisdictions	(16,209)	(7,899)
Over-provision in respect of prior years	(3,444)	(6,734)
Others	4,567	2,191
<b>Total tax expenses</b>	<b>91,732</b>	156,455

## 9 Taxation (Continued)

### (c) Deferred tax assets and liabilities recognised

The movement in deferred tax assets and liabilities (prior to offsetting balances with the same taxation jurisdiction) during the year is as follows:

#### Deferred tax assets

	Accelerated accounting depreciation HK\$'000	Tax losses HK\$'000	Cash flow hedges HK\$'000	Others HK\$'000	Total HK\$'000
<b>Group</b>					
At 1 January 2012	368	126,107	165	27,938	154,578
Charge to income statement	(45)	(8,370)	—	(15,503)	(23,918)
Charge to other comprehensive income	—	—	(165)	—	(165)
At 31 December 2012	<b>323</b>	<b>117,737</b>	<b>—</b>	<b>12,435</b>	<b>130,495</b>
(Charge)/credit to income statement	<b>(123)</b>	<b>(20,993)</b>	<b>—</b>	<b>492</b>	<b>(20,624)</b>
At 31 December 2013	<b>200</b>	<b>96,744</b>	<b>—</b>	<b>12,927</b>	<b>109,871</b>
<b>Company</b>					
At 1 January 2012	—	124	—	—	124
Credit to income statement	—	31	—	—	31
At 31 December 2012	<b>—</b>	<b>155</b>	<b>—</b>	<b>—</b>	<b>155</b>
Charge to income statement	<b>—</b>	<b>(8)</b>	<b>—</b>	<b>—</b>	<b>(8)</b>
At 31 December 2013	<b>—</b>	<b>147</b>	<b>—</b>	<b>—</b>	<b>147</b>

#### Deferred tax liabilities

	Accelerated tax depreciation HK\$'000	Revaluation of investment properties HK\$'000	Cash flow hedges HK\$'000	Fair value adjustments on business combination HK\$'000	Total HK\$'000
<b>Group</b>					
At 1 January 2012	242,084	95,803	—	732,532	1,070,419
Exchange adjustment	507	633	—	—	1,140
Charge/(credit) to income statement	2,381	43,581	—	(1,696)	44,266
At 31 December 2012	<b>244,972</b>	<b>140,017</b>	<b>—</b>	<b>730,836</b>	<b>1,115,825</b>
Exchange adjustment	<b>1,451</b>	<b>2,249</b>	<b>—</b>	<b>—</b>	<b>3,700</b>
Charge/(credit) to income statement	<b>4,332</b>	<b>42,506</b>	<b>—</b>	<b>(2,912)</b>	<b>43,926</b>
Charge to other comprehensive income	<b>—</b>	<b>—</b>	<b>1,337</b>	<b>—</b>	<b>1,337</b>
At 31 December 2013	<b>250,755</b>	<b>184,772</b>	<b>1,337</b>	<b>727,924</b>	<b>1,164,788</b>
<b>Company</b>					
At 1 January 2012	124	—	—	—	124
Charge to income statement	31	—	—	—	31
At 31 December 2012	<b>155</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>155</b>
Credit to income statement	<b>(8)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(8)</b>
At 31 December 2013	<b>147</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>147</b>

## 9 Taxation (Continued)

### (c) Deferred tax assets and liabilities recognised (Continued)

Deferred tax assets and liabilities are netted off when the taxes related to the same taxation authority and where the offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the balance sheet.

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Deferred tax assets recognised	12,890	25,747	—	—
Deferred tax liabilities recognised	(1,067,807)	(1,011,077)	—	—
	<b>(1,054,917)</b>	(985,330)	—	—

### (d) Deferred tax assets unrecognised

Temporary differences have not been recognised as deferred tax assets in respect of the following items:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Tax losses	1,168,132	1,041,141	600,992	512,413
Deductible temporary differences	125,530	115,449	—	—
	<b>1,293,662</b>	1,156,590	<b>600,992</b>	512,413

Included in the unrecognised tax losses of the Group are losses of HK\$43,017,000 (2012: HK\$33,604,000) that will expire on various dates through to 2018 (2012: 2017) from the balance sheet date. Other tax losses and deductible temporary differences of the Group may be carried forward indefinitely. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

### 10 Dividends

	2013 HK\$'000	2012 HK\$'000
Proposed final dividend: Nil (2012: HK8.5 cents on 2,986,880,719 shares)	—	253,885

### 11 Earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$1,406,447,000 (2012: HK\$2,562,794,000) and the weighted average number of 2,992,880,719 shares (2012: 2,889,291,226 shares) in issue during the year.

The calculation of diluted earnings per share is based on profit attributable to owners of the Company of HK\$1,447,862,000 (2012: HK\$2,631,815,000) and the weighted average number of 3,125,769,750 shares (2012: 3,088,239,325 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

A reconciliation of the data used in calculating basic and diluted earnings per share is as follows:

	Profit attributable to owners of the Company		Weighted average number of shares	
	2013 HK\$'000	2012 HK\$'000	2013	2012
Profit/number of shares for the purpose of basic earnings per share	<b>1,406,447</b>	2,562,794	<b>2,992,880,719</b>	2,889,291,226
Effect of dilutive potential ordinary shares				
– share options	—	—	<b>15,772,726</b>	4,087,232
– convertible bonds	<b>41,415</b>	69,021	<b>117,116,305</b>	194,860,867
Profit/number of shares for the purpose of diluted earnings per share	<b>1,447,862</b>	2,631,815	<b>3,125,769,750</b>	3,088,239,325

## 12 Property, plant and equipment

### Group

	Hotel buildings HK\$'000 (note 14)	Leasehold land and buildings HK\$'000	Vessels and pontoons HK\$'000	Other assets HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2012	809,732	990,479	2,466,007	1,090,975	5,357,193
Exchange adjustment	—	—	—	60	60
Additions	725	—	1,250	34,349	36,324
Disposals	(9,345)	—	—	(128,406)	(137,751)
Transfer	—	15	—	(195)	(180)
At 31 December 2012	<b>801,112</b>	<b>990,494</b>	<b>2,467,257</b>	<b>996,783</b>	<b>5,255,646</b>
Exchange adjustment	—	—	—	274	274
Additions	—	—	—	27,257	27,257
Disposals	—	—	(30,733)	(38,883)	(69,616)
At 31 December 2013	<b>801,112</b>	<b>990,494</b>	<b>2,436,524</b>	<b>985,431</b>	<b>5,213,561</b>
<b>Accumulated depreciation</b>					
At 1 January 2012	63,142	379,781	1,627,187	810,443	2,880,553
Exchange adjustment	—	—	—	40	40
Charge for the year	20,721	16,241	87,019	114,056	238,037
Disposals	—	—	—	(125,506)	(125,506)
Transfer	—	15	—	(195)	(180)
At 31 December 2012	<b>83,863</b>	<b>396,037</b>	<b>1,714,206</b>	<b>798,838</b>	<b>2,992,944</b>
Exchange adjustment	—	—	—	178	178
Charge for the year	<b>21,629</b>	<b>16,497</b>	<b>81,656</b>	<b>72,264</b>	<b>192,046</b>
Disposals	—	—	(6,282)	(33,252)	(39,534)
At 31 December 2013	<b>105,492</b>	<b>412,534</b>	<b>1,789,580</b>	<b>838,028</b>	<b>3,145,634</b>
<b>Net book value</b>					
At 31 December 2013	<b>695,620</b>	<b>577,960</b>	<b>646,944</b>	<b>147,403</b>	<b>2,067,927</b>
At 31 December 2012	717,249	594,457	753,051	197,945	2,262,702

### 12 Property, plant and equipment (Continued)

#### Company

	Other assets HK\$'000
<b>Cost</b>	
At 1 January 2012	3,823
Additions	502
Disposals	(460)
At 31 December 2012	<b>3,865</b>
Additions	<b>274</b>
Disposals	<b>(533)</b>
At 31 December 2013	<b>3,606</b>
<b>Accumulated depreciation</b>	
At 1 January 2012	2,933
Charge for the year	318
Disposals	(440)
At 31 December 2012	<b>2,811</b>
Charge for the year	<b>338</b>
Disposals	<b>(525)</b>
At 31 December 2013	<b>2,624</b>
<b>Net book value</b>	
At 31 December 2013	<b>982</b>
At 31 December 2012	1,054

#### Notes:

- (a) Other assets of the Group comprised mainly furniture, fixtures and office equipment, plant and machinery of the hotel, show rooms, operating supplies and equipment of the hotel and repairable spare parts of vessels.
- (b) Leasehold land of the Group with a net book value of HK\$375,000,000 (2012: HK\$385,417,000) is subject to agreement with the Macau SAR Government for replacement of another site in Macau, having the same area.
- (c) Contingent rental payment amounting to approximately HK\$11,243,000 (2012: HK\$10,364,000) relating to the lease of hotel buildings is included in the consolidated income statement (note 6).

## 12 Property, plant and equipment (Continued)

The analysis of net book value of hotel buildings, leasehold land and buildings is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Hong Kong</b>		
Long lease – leases of over 50 years		
Leasehold land and buildings	<b>12,425</b>	12,809
Medium-term lease – leases of 10-50 years		
Hotel buildings	<b>695,620</b>	717,249
Leasehold land and buildings	<b>179,363</b>	184,740
	<b>887,408</b>	914,798
<b>Outside Hong Kong</b>		
Medium-term lease – leases of 10-50 years		
Leasehold land and buildings	<b>385,056</b>	395,761
Short-term lease – leases of less than 10 years		
Leasehold land and buildings	<b>1,116</b>	1,147
	<b>386,172</b>	396,908
	<b>1,273,580</b>	1,311,706

Certain property, plant and equipment of net book value of HK\$1,186,923,000 (2012: HK\$1,280,099,000) were pledged to banks as securities for bank loans granted to certain subsidiaries of the Group (note 28).

## 13 Investment properties

Completed commercial properties	Group		
	Hong Kong HK\$'000	2013 Others HK\$'000	Total HK\$'000
<b>At valuation</b>			
At 1 January	3,735,799	1,314,145	5,049,944
Addition	822,183	1,068	823,251
Exchange adjustment	—	21,195	21,195
Fair value changes	250,280	326,510	576,790
At 31 December	4,808,262	1,662,918	6,471,180
Freehold properties			870,000
Leasehold properties			5,601,180

Completed commercial properties	Group		
	Hong Kong HK\$'000	2012 Others HK\$'000	Total HK\$'000
At valuation			
At 1 January	2,958,567	1,035,360	3,993,927
Exchange adjustment	—	7,222	7,222
Transfer from properties under development	543,865	—	543,865
Disposals (note a)	(645,000)	—	(645,000)
Fair value changes	878,367	271,563	1,149,930
At 31 December	3,735,799	1,314,145	5,049,944
Freehold properties			568,000
Leasehold properties			4,481,944

Notes:

- (a) The Group entered into a sale and purchase agreement in May 2012 to dispose of the investment properties at Star House, Tsimshatsui at a cash consideration of HK\$645,000,000. Based on the agreed consideration, the Group recorded a fair value gain of HK\$269,000,000 bringing the carrying amount of Star House to HK\$645,000,000. On disposal, transaction costs of approximately HK\$6,684,000 were incurred by the Group (note 5).
- (b) The analysis of carrying value of investment properties is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Hong Kong</b>		
Long lease – leases of over 50 years	172,000	160,600
Medium-term lease – leases of 10-50 years	4,636,262	3,575,199
	4,808,262	3,735,799
<b>Outside Hong Kong</b>		
Medium-term lease – leases of 10-50 years	792,918	746,145
Freehold	870,000	568,000
	1,662,918	1,314,145
	6,471,180	5,049,944

### 13 Investment properties (Continued)

An investment property of fair value of HK\$770,000,000 (2012: nil) was pledged to banks as securities for bank loan granted to a subsidiary of the Group (note 28).

All investment properties were held for rental income under operating leases.

The Group measures its investment properties at fair value. An independent valuation of the Group's investment properties was performed by the valuer, Savills Valuation and Professional Services Limited ("Savills") who hold a recognised relevant professional qualification and have recent experience in the locations of the investment properties being valued, to determine the fair value of the investment properties at 31 December 2013 and 2012. The Group employed Savills to value its commercial investment properties which are either freehold or held under leases with unexpired lease terms. The valuations, which conform to the Hong Kong Institute of Surveyors Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at by reference to the net income, allowing for reversionary potential, of each property.

The Group's investment properties carried at fair value of HK\$6,471,180,000, by fair value measurements using significant unobservable inputs (level 3). 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 transfers between Levels 1, 2 and 3 during the year.

#### Fair value measurements using significant unobservable inputs

Fair values of completed commercial properties in Hong Kong and others are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

The Group's policy is to recognise transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer.

#### Information about fair value measurements using significant unobservable inputs

	Fair value at 31 December 2013 HK\$'000	Valuation method	Range of significant unobservable inputs	
			Prevailing market rents per month HK\$	Capitalisation/ Discount rates %
Completed Commercial Properties located in				
– Hong Kong	4,808,262	Income capitalisation	36-109 psf	3.0% - 4.5%
– Others	1,662,918	Income capitalisation	11-120 psf	2.0% - 6.5%

Prevailing market rents are estimated based on independent valuer's view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Capitalisation and discount rates are estimated by independent valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

### 14 Prepaid premium for land lease

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Cost</b>		
At 1 January and 31 December	10,000	10,000
<b>Accumulated amortisation</b>		
At 1 January	1,586	1,342
Amortisation for the year (note 6)	244	244
At 31 December	1,830	1,586
<b>Net book value at 31 December</b>	<b>8,170</b>	8,414

The analysis of net book value of prepaid premium for land lease is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Hong Kong</b>		
Medium-term lease – lease of 10-50 years	8,170	8,414

Pursuant to an Agreement for Sub-lease (the "Sub-lease Agreement") dated 26 June 2006, the Airport Authority Hong Kong has granted a subsidiary of the Group the right to construct a hotel on the land adjacent to the AsiaWorld-Expo located next to the Hong Kong International Airport. Upon the completion of the construction, the Airport Authority Hong Kong has granted the subsidiary of the Group the right to have the possession and enjoyment of the hotel up to the year of 2047. Under the Sub-lease Agreement, upon expiry of the sub-lease term in the year of 2047, the ownership of the hotel (note 12) and leasehold land will be transferred to the Airport Authority Hong Kong.

### 15 Subsidiaries

	Company	
	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost	630,805	630,805

Particulars regarding the principal subsidiaries are set out on note 46.

#### Subsidiaries with material non-controlling interests

Ranex Investments Limited ("Ranex") and Shun Tak-China Travel Shipping Investments Limited and its subsidiaries ("STCT group") are the subsidiaries with non-controlling interests that are material to the Group.

## 15 Subsidiaries (Continued)

Set out below are the summarised financial information for these subsidiaries:

### Summarised balance sheet

	Ranex		STCT group	
	As at 31 December		As at 31 December	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>Current</b>				
Assets	2,063,305	3,539,325	957,176	897,715
Liabilities	(2,277,081)	(565,340)	(388,359)	(681,237)
Total net current (liabilities)/assets	(213,776)	2,973,985	568,817	216,478
<b>Non-current</b>				
Assets	3,216,070	2,962,145	981,111	1,104,503
Liabilities	(64,641)	(3,264,723)	(197,726)	(131,171)
Total net non-current assets/(liabilities)	3,151,429	(302,578)	783,385	973,332
<b>Net assets</b>	<b>2,937,653</b>	<b>2,671,407</b>	<b>1,352,202</b>	<b>1,189,810</b>

### Summarised income statement

	Ranex		STCT group	
	For the year ended 31 December		For the year ended 31 December	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	87,269	2,201,815	2,536,726	2,355,332
Profit before taxation	270,710	845,891	174,162	67,232
Taxation	(4,464)	(70,669)	(18,538)	(5,393)
Other comprehensive income	—	—	6,768	—
Total comprehensive income	266,246	775,222	162,392	61,839
Total comprehensive income allocated to non-controlling interest	130,461	379,859	93,213	35,496
Dividends paid to non-controlling interest	—	—	—	—

### Summarised cash flows

	Ranex For the year ended 31 December 2013 HK\$'000	STCT group For the year ended 31 December 2013 HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	1,121,598	331,803
Income tax paid	(62,744)	(12,998)
Net cash generated from operating activities	1,058,854	318,805
Net cash generated from/(used in) investing activities	6,229	(56,007)
Net cash used in financing activities	(1,300,027)	(271,051)
<b>Net decrease in cash and cash equivalents</b>	<b>(234,944)</b>	<b>(8,253)</b>
Cash and cash equivalents at 1 January	812,711	598,295
Cash and cash equivalents at 31 December	577,767	590,042

## 16 Joint ventures

	Group	
	2013 HK\$'000	2012 HK\$'000
Share of net assets	4,690,894	3,569,337
Goodwill	47,183	—
	<b>4,738,077</b>	3,569,337

Particulars regarding the principal joint ventures are set out on note 46.

### Summarised financial information of material joint venture

Basecity Investments Limited ("Basecity") is a joint venture which is material to the Group as at 31 December 2013. Basecity engaged in property investment and hotel operating businesses in Macau.

Basecity is a private company and there is no quoted market price available for its shares.

Set out below are the summarised financial information for Basecity which is accounted for using equity method.

### Summarised balance sheet

	As at 31 December	
	2013 HK\$'000	2012 HK\$'000
<b>Current</b>		
Cash and cash equivalents	150,122	383,007
Other current assets (excluding cash)	982,053	439,691
Total current assets	<b>1,132,175</b>	822,698
Financial liabilities (excluding trade payables)	<b>(853,727)</b>	(1,257,570)
Other current liabilities (including trade payables)	<b>(270,229)</b>	(284,844)
Total current liabilities	<b>(1,123,956)</b>	(1,542,414)
<b>Non-current</b>		
Assets	<b>9,211,515</b>	7,928,979
Financial liabilities	—	—
Other liabilities	<b>(842,048)</b>	(679,448)
Total non-current liabilities	<b>(842,048)</b>	(679,448)
<b>Net assets</b>	<b>8,377,686</b>	6,529,815

## 16 Joint ventures (Continued)

### Summarised statement of comprehensive income

	For the year ended 31 December	
	2013 HK\$'000	2012 HK\$'000
Revenue	1,180,245	944,057
Depreciation and amortisation	(69,428)	(73,589)
Interest income	678	4,896
Interest expense	(30,112)	(42,104)
Others	1,018,611	2,401,143
<b>Profit before taxation</b>	<b>2,099,994</b>	3,234,403
Taxation	(252,123)	(388,147)
Profit for the year	1,847,871	2,846,256
Other comprehensive income	—	—
Total comprehensive income	1,847,871	2,846,256
Dividend received from Basecity	—	535,344

### Reconciliation of summarised financial information

	2013 HK\$'000	2012 HK\$'000
Opening net assets 1 January	6,529,815	4,733,254
Profit for the year	1,847,871	2,846,256
Dividend paid	—	(1,049,695)
Closing net assets 31 December	8,377,686	6,529,815
Interests in joint venture at 51%	4,272,620	3,330,206
Others	144,689	158,188
	4,417,309	3,488,394

Aggregate information of joint ventures that are not individually material:

	2013 HK\$'000	2012 HK\$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	320,768	80,943
Aggregate amounts of the Group's share of those joint ventures' (loss)/profit from continuing operations	(18,783)	14,638
Total comprehensive (loss)/income	(18,783)	14,638

## 17 Associates

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost	—	—	250	250
Share of net assets	1,518,902	962,225	—	—
Goodwill	137	137	—	—
	<b>1,519,039</b>	962,362	<b>250</b>	250

Aggregate information of associates that are not individually material:

	2013 HK\$'000	2012 HK\$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	1,519,039	962,362
Aggregate amounts of the Group's share of those associates' profit for the year	16,903	11,843
Total comprehensive income	16,903	11,843

Particulars regarding the principal associates are set out on note 46.

## 18 Intangible assets

### Group

	Goodwill HK\$'000	Licences HK\$'000	Franchises and royalties HK\$'000	Brand use right HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2012 and 31 December 2012	364,728	2,999	4,617	—	372,344
Addition	—	—	—	34,702	34,702
At 31 December 2013	<b>364,728</b>	<b>2,999</b>	<b>4,617</b>	<b>34,702</b>	<b>407,046</b>
<b>Accumulated amortisation and impairment loss</b>					
At 1 January 2012	2,275	626	3,946	—	6,847
Amortisation for the year (note 6)	—	360	90	—	450
At 31 December 2012 and at 1 January 2013	<b>2,275</b>	<b>986</b>	<b>4,036</b>	—	<b>7,297</b>
Amortisation for the year (note 6)	—	160	89	—	249
At 31 December 2013	<b>2,275</b>	<b>1,146</b>	<b>4,125</b>	—	<b>7,546</b>
<b>Net book value</b>					
At 31 December 2013	<b>362,453</b>	<b>1,853</b>	<b>492</b>	<b>34,702</b>	<b>399,500</b>
At 31 December 2012	362,453	2,013	581	—	365,047

## 18 Intangible assets (Continued)

### Impairment tests on goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segment. For the purposes of impairment testing, the carrying amount of goodwill at 31 December 2013 has been allocated to the CGUs of properties for or under development in Macau acquired in 2007.

The recoverable amounts of goodwill attributable to CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering periods between four and six years which represents the period of property under development of sales of properties. The cash flow projections are based on management's past experience and its expectation for the market development and are consistent with their business plans. Management adopts a discount rate of 6% per annum (2012: 6% per annum) and they apply same selling price per gross floor area in the cash projection of properties for sale over the period. The discount rate used is pre-tax and reflects specific risks relating to the relevant segment. Management believes that any reasonably possible further change in the key assumptions on which recoverable amounts are based would not cause the aggregate carrying amounts to exceed the aggregate recoverable amounts of these CGUs. If the discount rate adopted increases by 1% or if the estimation of future selling price decreases by 5%, the estimated value would still be higher than net book value and would not result in an impairment of the goodwill.

## 19 Available-for-sale investments

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>Equity securities</b>				
Unlisted				
Cost	<b>892,910</b>	893,209	<b>233,679</b>	233,679
Impairment losses	<b>(77,289)</b>	(77,289)	—	—
	<b>815,621</b>	815,920	<b>233,679</b>	233,679
Listed in Hong Kong, at fair value	<b>158,735</b>	177,274	—	—
Listed outside Hong Kong, at fair value	<b>9,581</b>	5,275	—	—
	<b>983,937</b>	998,469	<b>233,679</b>	233,679
<b>Investment funds</b>				
Listed outside Hong Kong, at market value	<b>14</b>	14	—	—
Unlisted, at fair value	<b>15,119</b>	18,759	—	—
	<b>15,133</b>	18,773	—	—
	<b>999,070</b>	1,017,242	<b>233,679</b>	233,679

The available-for-sale investments are denominated in the following currencies:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong dollar	<b>971,752</b>	990,290	<b>233,679</b>	233,679
United States dollar	<b>27,318</b>	26,654	—	—
Renminbi	—	298	—	—
	<b>999,070</b>	1,017,242	<b>233,679</b>	233,679

### 19 Available-for-sale investments (Continued)

The fair values of listed equity securities are determined on the basis of their quoted market prices at the balance sheet date. Investment funds are valued based on the net asset value per share as reported by the managers of such funds.

Certain available-for-sale investments of the Group, including an unlisted equity investment in STDM, are not stated at fair value but at cost because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant for these investments and the probabilities of the various estimates cannot be reasonably assessed. The directors of the Company are of the opinion that it is appropriate to state these available-for-sale investments at cost less any identified impairment loss at the balance sheet date.

### 20 Mortgage loans receivable

	Group	
	2013 HK\$'000	2012 HK\$'000
Mortgage loans receivable	15,621	14,898
Less: Current portion (note 24)	(1,141)	(878)
Non-current portion	<b>14,480</b>	14,020

Mortgage loans receivable are secured by second mortgage of properties and interest bearing at prime rate to prime rate plus 2.75% (2012: prime rate to prime rate plus 2.75%) per annum.

The carrying amount of mortgage loans receivable approximates its fair value and denominated in Hong Kong dollars.

### 21 Other non-current assets

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Amounts due by subsidiaries less provision (note a)	—	—	<b>11,807,060</b>	9,512,096
Amounts due by joint ventures (note b)	<b>370,706</b>	575,684	—	—
Amounts due by associates (note c)	<b>24,014</b>	22,350	—	—
Club debentures	<b>140</b>	140	—	—
Deposits	<b>418,182</b>	77,000	—	—
	<b>813,042</b>	675,174	<b>11,807,060</b>	9,512,096

Notes:

- Amounts due by subsidiaries are unsecured and with no fixed terms of repayment. An amount of HK\$233,082,000 (2012: HK\$236,655,000) is interest bearing at prime rate (2012: prime rate) per annum while the remaining balances are non-interest bearing. The balances were denominated in Hong Kong dollars.
- Amounts due by joint ventures of HK\$360,568,000 (2012: HK\$539,303,000) and HK\$1,070,000 (2012: HK\$7,870,000) are interest bearing at HIBOR plus 3% (2012: HIBOR plus 3%) and LIBOR plus 2% (2012: LIBOR plus 2%) per annum respectively on loan principal. The remaining balances are non-interest bearing and were denominated in Hong Kong dollars.
- Amounts due by associates are unsecured, non-interest bearing and with no fixed term of repayment. The balances were denominated in Hong Kong dollars.
- The maximum exposure to credit risk at balance sheet date is the carrying amounts, which approximate their fair values.

## 22 Properties for or under development

	Group	
	2013 HK\$'000	2012 HK\$'000
Properties for or under development, at cost	<b>8,880,551</b>	8,238,777

The analysis of carrying value of leasehold land included in properties for or under development is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Hong Kong</b>		
Long lease – leases of over 50 years	<b>782,384</b>	782,384
<b>Outside Hong Kong</b>		
Medium-term lease – leases of 10-50 years	<b>6,494,921</b>	6,642,074
	<b>7,277,305</b>	7,424,458

The amount of properties for or under development expected to be completed and recovered after more than one year is HK\$5,910,891,000 (2012: HK\$7,198,667,000). The remaining balance is expected to be completed and recovered within one year.

Properties for or under development of HK\$8,519,962,000 (2012: HK\$7,702,088,000) were pledged to banks as securities for bank loans granted to certain subsidiaries of the Group (note 28).

## 23 Inventories

	Group	
	2013 HK\$'000	2012 HK\$'000
Properties held for sale	<b>1,970,723</b>	1,792,498
Spare parts	<b>153,554</b>	141,615
Others	<b>12,109</b>	11,557
	<b>2,136,386</b>	1,945,670

The analysis of carrying value of leasehold land included in properties held for sale is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Hong Kong</b>		
Medium-term lease – leases of 10-50 years	<b>765,073</b>	767,590
<b>Outside Hong Kong</b>		
Medium-term lease – leases of 10-50 years	<b>407,384</b>	272,119
	<b>1,172,457</b>	1,039,709

### 24 Trade and other receivables, and deposits paid

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trade receivables (note a)	135,832	127,713	—	—
Less: Provision for impairment of trade receivables	(4,322)	(4,400)	—	—
	131,510	123,313	—	—
Deposit receipts and receivables from properties sales	—	1,228,294	—	—
Current portion of mortgage loans receivable (note 20)	1,141	878	—	—
Deposits for acquisitions of interests in land development rights (note b)	814,542	814,542	—	—
Deposit for land acquisition (note c)	922,071	—	—	—
Amount due by a joint venture (note d)	—	4,657	—	—
Other debtors, deposits and prepayments	301,369	259,470	11,538	14,466
	2,170,633	2,431,154	11,538	14,466

The carrying amounts of trade and other receivables approximate their fair values because of their immediate or short term maturity. They are denominated in the following currencies:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong dollar	2,137,681	2,397,986	11,538	14,466
Renminbi	10,351	20,744	—	—
Macau pataca	15,967	11,119	—	—
United States dollar	6,580	1,305	—	—
Others	54	—	—	—
	2,170,633	2,431,154	11,538	14,466

## 24 Trade and other receivables, and deposits paid (Continued)

Notes:

(a) Trade receivables

Trade debtors 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:

	Group	
	2013 HK\$'000	2012 HK\$'000
0 - 30 days	103,504	92,183
31 - 60 days	23,208	25,058
61 - 90 days	4,327	4,969
over 90 days	4,793	5,503
	<b>135,832</b>	127,713

An analysis of the age of trade debtors that are past due as at the balance sheet date but not impaired is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Past due up to:		
0 - 30 days	40,652	34,005
31 - 60 days	5,884	10,142
61 - 90 days	744	297
over 90 days	426	5,669
	<b>47,706</b>	50,113

Movement in the allowance for doubtful debts of trade debtors during the year is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
At 1 January	4,400	912
Impairment loss recognised during the year	13	3,789
Impairment loss reversed during the year	(91)	(301)
At 31 December	<b>4,322</b>	4,400

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

### 24 Trade and other receivables, and deposits paid *(Continued)*

Notes: *(Continued)*

- (b) Deposits for acquisitions of interests in land development rights

These represent refundable deposits paid by the Group for acquiring interests in land development rights from a third party and a related company in Macau. Upon completion of the acquisition, the balances will be reclassified to properties for or under development. The transaction is further disclosed in significant related party transactions (note 37(ix)).

- (c) Deposit for land acquisition

This represents the land price for a piece of land located in Hengqin New Area, Zhuhai, the PRC.

- (d) Amount due by a joint venture

In 2012, the amount due by a joint venture is unsecured and repayable within one year, of which HK\$4,657,000 is interest bearing at LIBOR plus 2% per annum. The balance is fully impaired during the year.

### 25 Derivative financial instruments

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Current assets</b>		
Fuel swap contracts (note a)	8,113	4,749
<b>Non-current liabilities</b>		
Cross-currency swaps (note b)	4,556	—

The derivative financial instruments are denominated in United States dollar.

Notes:

- (a) The Group uses fuel swap contracts to economic hedge its fuel price risk arising from highly probable forecast of fuel purchases. The Group used either the mark-to-market values quoted by independent financial institutions or the estimated future cash flows to estimate the fair values of these derivatives.

Hedging reserve arose from gain in fair value of the fuel swap contracts qualified as cash flow hedge is HK\$2,884,000 as at 31 December 2013 (2012: nil).

As at December 2013, the Group had outstanding fuel swap contracts to buy approximately 96,000 (2012: 84,000) barrels of fuel. These contracts expire in December 2014 (2012: December 2013).

- (b) The Group uses cross-currency swaps to hedge against the foreign currency risk in respect of medium term notes (note 31) denominated in United State dollar ("US\$") with aggregate principal amount of US\$400 million at 31 December 2013. These swaps will expire in March 2020.

Hedging reserve arose from loss in fair value of the cross-currency swap contracts qualified as cash flow hedge is HK\$4,556,000 as at 31 December 2013 (2012: nil).

As at December 2013, the Group had two outstanding (2012: nil) currency swap contracts.

## 26 Cash and bank balances

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Bank deposits	7,081,011	6,621,609	3,443,684	2,445,761
Cash and bank balances	1,057,424	1,060,270	41,227	30,654
	<b>8,138,435</b>	7,681,879	<b>3,484,911</b>	2,476,415

The carrying amounts of bank deposits, cash and bank balances approximate their fair values because of their immediate or short term maturity.

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

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong dollar	5,351,966	7,338,180	1,213,845	2,474,195
Macau pataca	149,883	142,375	8,790	249
Renminbi	1,243,523	138,162	891,215	—
United States dollar	1,273,401	62,821	1,252,518	1,630
Singapore dollar	119,662	341	118,543	341
	<b>8,138,435</b>	7,681,879	<b>3,484,911</b>	2,476,415

The balance at the balance sheet date includes amount of HK\$238,860,000 (2012: HK\$438,771,000) held under charge in favour of banks in respect of bank loan facilities (note 28), of which, HK\$94,093,000 (2012: HK\$336,669,000) are property presale proceeds which can be utilised to settle relevant project construction cost payable. The remaining balance of HK\$144,767,000 (2012: HK\$102,102,000) can be utilised under specified conditions by the Group.

## 27 Trade and other payables, and receipts in advance

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Amounts due to subsidiaries (note a)	—	—	4,031,016	640,105
Amount due to a joint venture (note a)	331,695	195	—	—
Amount due to an associate (note a)	2,846	2,846	—	—
Trade and other creditors, deposits and accrued charges (note b)	1,107,164	1,008,062	23,375	20,843
Deposit received for partial disposal of a subsidiary (note 43(a))	500,000	—	—	—
Current portion of receipts in advance (note c)	1,412	1,136	—	—
	<b>1,943,117</b>	1,012,239	<b>4,054,391</b>	660,948
Receipts in advance (note c)	50,847	42,032	—	—
Less: Current portion	(1,412)	(1,136)	—	—
Non-current portion	<b>49,435</b>	40,896	—	—

### 27 Trade and other payables, and receipts in advance (Continued)

The carrying amounts of trade and other payables, and receipts in advance approximate their fair values because of their immediate or short term maturity. They are denominated in the following currencies:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Hong Kong dollar	1,617,938	857,081	4,054,391	660,948
Macau pataca	248,777	79,678	—	—
United States dollar	54,881	55,534	—	—
Renminbi	16,635	19,946	—	—
Others	4,886	—	—	—
	<b>1,943,117</b>	1,012,239	<b>4,054,391</b>	660,948

Notes:

- (a) Amounts due to subsidiaries, a joint venture and an associate are unsecured, non-interest bearing and with no fixed term of repayment. The carrying amounts approximate their fair values.
- (b) The ageing analysis of trade creditors by invoice date is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
0 - 30 days	698,852	636,610
31 - 60 days	3,735	9,867
61 - 90 days	1,367	5,326
over 90 days	7,918	4,364
	<b>711,872</b>	656,167

- (c) The amounts represent fee received in advance in respect of management services to be rendered for columbarium niches sold.

### 28 Bank borrowings

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Bank loans repayable as follows:</b>		
Not exceeding 1 year	670,000	3,103,025
More than 1 year but not exceeding 2 years	1,739,000	668,000
More than 2 years but not exceeding 5 years	2,506,000	2,179,000
	<b>4,915,000</b>	5,950,025
Less: Current portion	(670,000)	(3,103,025)
Non-current portion	<b>4,245,000</b>	2,847,000

## 28 Bank borrowings (Continued)

Bank borrowings included secured bank loans of HK\$1,865,000,000 (2012: HK\$1,610,025,000), and were secured by the following pledged assets:

	Group	
	2013 HK\$'000	2012 HK\$'000
Property, plant and equipment (note 12)	1,186,923	1,280,099
Properties for or under development (note 22)	8,519,962	7,702,088
Investment property (note 13)	770,000	—
Cash and bank balances (note 26)	238,860	438,771
Other assets	78,088	58,254
	<b>10,793,833</b>	9,479,212

Out of the above secured bank loans, an aggregate amount of HK\$1,770,000,000 (2012: HK\$1,449,025,000) is also secured by pledges of shares in certain subsidiaries (note 46). The balance is secured by corporate guarantees of the Company and/or certain subsidiaries.

Bank loans to the extent of HK\$483,000,000 (2012: HK\$915,200,000) are repayable by instalments.

Bank loans are interest bearing at HIBOR plus 1.0% to HIBOR plus 1.8% (2012: HIBOR plus 1% to HIBOR plus 1.8%) per annum with the contractual interest repricing dates ranged within 6 months. As at 31 December 2013, the weighted average effective interest rate of the Group's bank borrowings is 1.7% (2012: 1.6%) per annum.

The carrying amounts of bank borrowings approximate their fair values and are denominated in Hong Kong dollar.

All bank borrowings were wholly repayable within 5 years as at 31 December 2013 and 2012.

## 29 Provision for employee benefits

Provision for employee benefits represents cost of cumulative compensated absences that the Group expects to pay.

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
At 1 January	18,015	18,873	3,713	3,618
Net amount provided during the year	338	929	—	95
Amount utilised and paid during the year	(1,294)	(1,787)	(8)	—
At 31 December	<b>17,059</b>	18,015	<b>3,705</b>	3,713

### 30 Convertible bonds

	Group	
	2013 HK\$'000	2012 HK\$'000
As at 1 January	813,379	1,487,465
Imputed interest expense (note 8)	41,415	69,021
Interest paid	(27,515)	(51,150)
Derecognition of liabilities upon redemption	—	(691,957)
As at 31 December	<b>827,279</b>	813,379

On 22 October 2009, Joyous King Group Limited (the "Issuer"), a wholly-owned subsidiary of the Group, issued guaranteed convertible bonds with an aggregate principal amount of HK\$1,550 million (the "Bonds") to certain professional investors, pursuant to a convertible bond subscription agreement dated 17 September 2009. The Bonds bear an annual interest of 3.3% and will mature at the fifth anniversary of the issue date. The outstanding principal amount of the Bonds, if not converted or redeemed according to the terms or conditions of the Bonds, will be repaid on the maturity date at 100% of the outstanding amount.

The Bonds are convertible on or after 22 October 2010 up to and including 15 October 2014 into fully paid ordinary shares with a par value of HK\$0.25 each of the Company at the initial conversion price of HK\$8.18 per share. The conversion price was adjusted in accordance with the terms of the trust deed dated 22 October 2009 to HK\$7.89, HK\$7.17 and HK\$7.08 per share in June 2010, February 2012 and June 2013, respectively.

The holder has the right to require the Issuer to redeem the Bonds on 22 October 2012 and the Issuer may, after certain conditions of the Bonds are fulfilled, redeem the Bonds at any time after 22 October 2012 and prior to the maturity date of the Bonds.

The liability component is measured at amortised cost. The interest expense for the year is calculated by applying an effective interest rate of 5.05% to the liability component since the Bonds were issued.

During the years ended 31 December 2013 and 2012, there was no conversion of the Bonds into shares of the Company by the bondholders. The fair value of the liability component of the convertible bond at 31 December 2013 amounted to HK\$846,744,000.

In 2012, the convertible bonds with nominal value of HK\$716,200,000 were redeemed and cancelled at a consideration of HK\$728,017,000 including accrued interest. Cost of HK\$24,243,000 (note 8) was recognised in the income statement and convertible bonds equity reserve of HK\$37,149,100 has been reclassified to retained earnings upon derecognition of the respective liability component and equity component. No redemption of the convertible bonds during the year ended 31 December 2013. The outstanding nominal value for the convertible bonds at 31 December 2013 was HK\$833,800,000 (2012: HK\$833,800,000).

### 31 Medium term notes

The US\$400 million (approximately HK\$3,101,860,000) guaranteed medium term notes were issued by Joyous Glory Group Limited, a wholly-owned subsidiary of the Company, on 7 March 2013. The notes are unsecured and guaranteed by the Company as to repayment, carry an annual coupon of 5.7% per annum payable semi-annually and have a maturity term of 7 years. At 31 December 2013, the market value of the notes was HK\$3,138,803,000.

### 32 Loans from non-controlling shareholders

Loans from non-controlling shareholders are unsecured and expected to be repayable within one year (2012: repayable within two to five years). The Group has not provided any guarantee in favour of the non-controlling shareholders in respect of the loans advanced. The loans to the extent of HK\$331,072,000 (2012: HK\$968,072,000) are interest bearing at 1-month HIBOR plus 0.58% to 1-month HIBOR plus 1.8% per annum (2012: 1-month HIBOR plus 0.58% to 1-month HIBOR plus 1.8% per annum). The carrying amount of loans from non-controlling shareholders approximates its fair value and are denominated in Hong Kong dollars.

### 33 Share capital and share premium – Group and Company

	Number of shares	Ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
Authorised:				
Ordinary shares of HK\$0.25 each				
At 1 January 2012	4,000,000,000	1,000,000		
Increase in authorised share capital (note a)	2,000,000,000	500,000		
At 31 December 2012 and 31 December 2013	<b>6,000,000,000</b>	<b>1,500,000</b>		
Issued and fully paid:				
Ordinary shares of HK\$0.25 each				
At 1 January 2012	2,172,276,887	543,069	7,449,074	7,992,143
Rights issue (note b)	814,603,832	203,651	1,402,513	1,606,164
At 31 December 2012	<b>2,986,880,719</b>	<b>746,720</b>	<b>8,851,587</b>	<b>9,598,307</b>
Exercise of share option (note c)	<b>10,000,000</b>	<b>2,500</b>	<b>25,300</b>	<b>27,800</b>
At 31 December 2013	<b>2,996,880,719</b>	<b>749,220</b>	<b>8,876,887</b>	<b>9,626,107</b>

Notes:

- On 6 June 2012, the shareholders of the Company passed an ordinary resolution to increase the authorised share capital of the Company from HK\$1,000 million to HK\$1,500 million by the creation of 2,000,000,000 additional ordinary shares at par value of HK\$0.25 each.
- On 19 January 2012, the Company announced that it proposed to issue new ordinary shares of HK\$0.25 each by way of a rights issue on the basis of three right shares for every eight existing ordinary shares held by qualifying shareholders on 9 February 2012 at a subscription price of HK\$2.02 per rights share.

Accordingly, the Company has subsequently increased its issued share capital by 814,603,832 shares to 2,986,880,719 shares.

These newly issued shares rank pari passu in all respects with the existing ordinary shares. The net proceeds, after deduction of related expenses, of approximately HK\$1,606 million from the rights issue will be applied for general working capital purposes and for financing new investment opportunities.

- On 24 May 2013, share options were exercised to subscribe for 10,000,000 ordinary shares of the Company at a subscription price of HK\$27,800,000 of which HK\$2,500,000 was credited to the share capital and the balance of HK\$25,300,000 was credited to share premium on 27 May 2013, being the date of allotment of the said 10,000,000 ordinary shares.

### 34 Share option scheme

The share option scheme adopted by the Company on 31 May 2002 (the "2002 Share Option Scheme") was expired on 30 May 2012 and the Company has currently a share option scheme (the "2012 Share Option Scheme") as approved by the shareholders of the Company at the annual general meeting of the Company held on 6 June 2012, whereby the board of directors of the Company may grant share options to eligible persons, including, among Directors and employees of the Company, to subscribe for ordinary shares in the Company, pursuant to the 2012 Share Option Scheme.

Details of the share options are as follows:

#### 2013

Date of grant	Exercise price	Number of share options				Note
		At 1 January	Exercised during the year	Adjustment during the year	At 31 December	
The 2002 Share Option Scheme						
25 May 2004	HK\$2.78	49,924,689	(10,000,000)	—	39,924,689	(i),(v)
22 September 2004	HK\$3.71	5,660,377	—	—	5,660,377	(i)
1 February 2010	HK\$4.13	5,665,860	—	—	5,665,860	(ii)
29 March 2011	HK\$3.86	5,660,620	—	—	5,660,620	(iii)
		66,911,546	(10,000,000)	—	56,911,546	(iv)
Weighted average exercise price		HK\$3.06	HK\$2.78	N/A	HK\$3.11	

#### 2012

Date of grant	Adjusted exercise price note (vi)	Number of share options				Note
		At 1 January	Exercised during the year	Adjustment during the year note (vi)	At 31 December	
The 2002 Share Option Scheme						
25 May 2004	HK\$2.78	44,060,520	—	5,864,169	49,924,689	(i)
22 September 2004	HK\$3.71	5,000,000	—	660,377	5,660,377	(i)
1 February 2010	HK\$4.13	5,000,000	—	665,860	5,665,860	(ii)
29 March 2011	HK\$3.86	5,000,000	—	660,620	5,660,620	(iii)
		59,060,520	—	7,851,026	66,911,546	(iv)
Weighted average exercise price		HK\$3.47	—	N/A	HK\$3.06	

### 34 Share option scheme *(Continued)*

Notes:

(i) The share options outstanding at 31 December 2013 and 2012 were granted to Directors of the Company and exercisable during a period of 10 years commencing on the date of each grant. These share options vested on the date of each respective grant.

(ii) The 5,000,000 share options (or 5,665,860 share options after adjustment in 2012) were granted to a Director of the Company. 50% of which vested on 1 April 2010 and the remaining 50% vested on 1 April 2011.

The expiry date of the share options is 31 January 2015.

(iii) The 5,000,000 share options (or 5,660,620 share options after adjustment in 2012) were granted to Directors of the Company and exercisable during a period of 10 years commencing on the date of each grant. These share options vested on the date of grant.

(iv) The weighted average remaining contractual life for the share options outstanding at 31 December 2013 is 1.18 years (2012: 2.03 years).

(v) During 2013, 10,000,000 share options were exercised under the 2002 Share Option Scheme (2012: nil). The share price at the date of exercise was HK\$4.03. No share options were granted under the 2002 Share Option Scheme and the 2012 Share Option Scheme. No share options were cancelled or lapsed under the 2002 Share Option Scheme during both years.

(vi) As a result of the Company's rights issue, the exercise price and the number of outstanding share options have been adjusted with effect from 9 March 2012.

### 35 Reserves

#### (a) Group

	2013 HK\$'000	2012 HK\$'000
Capital redemption reserve (note (i))	100,170	100,170
Capital reserve (note (ii))	28,048	28,048
Convertible bonds equity reserve (note (iii))	43,248	43,248
Legal reserve (note (iv))	10,560	9,958
Special reserve (note (v))	(151,413)	(151,413)
Investment revaluation reserve	89,213	102,020
Hedging reserve	(1,672)	—
Asset revaluation reserve (note (vi))	1,179,563	1,179,563
Exchange reserve	49,752	73,149
Retained profits	10,164,531	8,759,793
	<b>11,512,000</b>	10,144,536

Notes:

- (i) The application of capital redemption reserve is governed by Section 49H of the Hong Kong Companies Ordinance.
- (ii) Capital reserve comprises (i) the portion of grant date fair value of unexercised share option granted to Directors of the Company; and (ii) the reserve is dealt with in accordance with the accounting policy adopted for share-based payments in note 2(w).
- (iii) The convertible bonds equity reserve represents the value of the unexercised equity component of convertible bonds issued by the Group. The reserve is dealt with in accordance with accounting policy adopted for convertible bonds in note 2(t).
- (iv) Legal reserve is a non-distributable reserve of certain subsidiaries, joint ventures and associates which is set aside from the profits of these companies in accordance with the Commercial Code of Macau Special Administrative Region or PRC laws whenever applicable.
- (v) Special reserve represents the difference between the fair value and the carrying amount of the underlying assets and liabilities attributable to the additional interest in a subsidiary being acquired from non-controlling interests.
- (vi) Asset revaluation reserve represents the fair value adjustment to the identifiable net assets acquired arising from acquisitions of subsidiaries, as related to the Group's previously held interests in them and is dealt with in accordance with the accounting policy adopted for business combination achieved in stages under HKFRS 3 "Business Combinations".

## 35 Reserves (Continued)

### (b) Company

	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2012	100,170	28,033	2,225,348	2,353,551
Profit for the year	—	—	371,721	371,721
Dividends	—	—	(119,475)	(119,475)
At 31 December 2012	<b>100,170</b>	<b>28,033</b>	<b>2,477,594</b>	<b>2,605,797</b>
Profit for the year	—	—	133,960	133,960
Dividends	—	—	(254,735)	(254,735)
At 31 December 2013	<b>100,170</b>	<b>28,033</b>	<b>2,356,819</b>	<b>2,485,022</b>

## 36 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 about 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 operation 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 2012.

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.

### 36 Segment information (Continued)

#### (b) Segment results, assets and liabilities (Continued)

The accounting policies of the reportable segments are the same as the Group's principal accounting policies as described in note 2(d).

#### Group

2013

	Property HK\$'000	Transportation HK\$'000	Hospitality HK\$'000	Investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Turnover and other income</b>						
External turnover (note e)	355,287	2,265,831	737,701	216,907	—	3,575,726
Inter-segment turnover	669	620	49,241	—	(50,530)	—
Other income (external and excluding interest income)	2,872	31,238	3,047	1,200	—	38,357
	<b>358,828</b>	<b>2,297,689</b>	<b>789,989</b>	<b>218,107</b>	<b>(50,530)</b>	<b>3,614,083</b>
<b>Segment results</b>	<b>79,766</b>	<b>164,904</b>	<b>70,125</b>	<b>171,955</b>	<b>—</b>	<b>486,750</b>
Fair value changes on investment properties	576,790	—	—	—	—	576,790
Interest income						101,908
Unallocated income						739
Unallocated expense						(124,609)
Operating profit						1,041,578
Finance costs						(158,639)
Share of results of joint ventures	949,018	(24,355)	(14,530)	—	—	910,133
Share of results of associates	9,685	492	4,480	2,246	—	16,903
Profit before taxation						1,809,975
Taxation						(91,732)
Profit for the year						1,718,243

## 36 Segment information (Continued)

### (b) Segment results, assets and liabilities (Continued)

Group

2013

	Property HK\$'000	Transportation HK\$'000	Hospitality HK\$'000	Investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Assets</b>						
Segment assets	21,801,225	3,178,485	1,444,536	1,038,154	(21,103)	27,441,297
Joint ventures	4,575,778	261,754	(99,455)	—	—	4,738,077
Associates	1,318,893	4,296	193,864	1,986	—	1,519,039
Unallocated assets						4,682,578
Total assets						38,380,991
<b>Liabilities</b>						
Segment liabilities	2,257,217	341,518	122,310	5,419	(21,103)	2,705,361
Unallocated liabilities						11,159,557
Total liabilities						13,864,918
<b>Other information</b>						
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,822,961	258,330	48,412	1,665	—	2,131,368
Depreciation	16,585	110,647	62,623	974	—	190,829
Amortisation						
– prepaid premium for land lease	—	—	244	—	—	244
– intangible assets	—	—	160	89	—	249
Impairment losses						
– trade receivables	—	—	13	—	—	13

## 36 Segment information (Continued)

### (b) Segment results, assets and liabilities (Continued)

Group

2012

	Property HK\$'000	Transportation HK\$'000	Hospitality HK\$'000	Investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Turnover and other income</b>						
External turnover (note e)	2,466,137	2,104,285	701,089	140,309	—	5,411,820
Inter-segment turnover	2,926	221,339	44,337	—	(268,602)	—
Other income (external and excluding interest income)	6,824	31,065	3,471	1,246	—	42,606
	2,475,887	2,356,689	748,897	141,555	(268,602)	5,454,426
<b>Segment results</b>	518,291	64,884	98,224	87,385	—	768,784
Fair value changes on investment properties	1,149,930	—	—	—	—	1,149,930
Interest income						104,826
Unallocated income						939
Unallocated expense						(87,738)
Operating profit						1,936,741
Finance costs						(180,974)
Share of results of joint ventures	1,471,487	12,813	(27,985)	(4,990)	—	1,451,325
Share of results of associates	1,245	581	8,240	1,777	—	11,843
Profit before taxation						3,218,935
Taxation						(156,455)
Profit for the year						3,062,480

## 36 Segment information (Continued)

### (b) Segment results, assets and liabilities (Continued)

Group

2012

	Property HK\$'000	Transportation HK\$'000	Hospitality HK\$'000	Investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Assets</b>						
Segment assets	19,903,515	3,111,188	1,446,262	1,068,806	(44,825)	25,484,946
Joint ventures	3,626,760	43,785	(88,039)	(13,169)	—	3,569,337
Associates	767,703	3,804	189,385	1,470	—	962,362
Unallocated assets						4,236,917
<b>Total assets</b>						<b>34,253,562</b>
<b>Liabilities</b>						
Segment liabilities	1,143,328	298,200	127,464	6,465	(36,975)	1,538,482
Unallocated liabilities						9,687,153
<b>Total liabilities</b>						<b>11,225,635</b>
<b>Other information</b>						
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,345,503	16,453	3,334	210	—	1,365,500
Depreciation	55,328	115,656	64,039	1,946	—	236,969
Amortisation						
– prepaid premium for land lease	—	—	244	—	—	244
– intangible assets	200	—	160	90	—	450
Impairment losses						
– available-for-sale investments	—	—	—	9,547	—	9,547
– trade receivables	—	3,780	9	—	—	3,789

### 36 Segment information *(Continued)*

#### (c) Geographical information

The following table set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets (other than joint ventures, associates, financial instruments, deferred tax assets and other non-current assets). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of non-current assets is based on the location of the assets, in the case of tangible assets. The geographical location of intangible assets and goodwill is based on the location of the operation to which they are located.

#### Group

	Hong Kong HK\$'000	Macau HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>2013</b>				
Turnover and other income from external customers	<b>1,929,371</b>	<b>1,583,181</b>	<b>101,531</b>	<b>3,614,083</b>
Non-current assets	<b>6,517,346</b>	<b>1,633,936</b>	<b>795,495</b>	<b>8,946,777</b>
<b>2012</b>				
Turnover and other income from external customers	3,928,108	1,420,415	105,903	5,454,426
Non-current assets	5,581,820	1,353,913	750,374	7,686,107

#### (d) Information about major customers

In 2013 and 2012, the revenue from the Group's largest external customer amounted to less than 10% of the Group's total revenue.

#### (e) External turnover

External turnover is comprised of revenue by each reportable segment and dividend income from available-for-sale investments (note 4).

## 37 Significant related party transactions

(a) Details of significant related party transactions during the year were as follows:

	Note	2013 HK\$'000	2012 HK\$'000
<b>STDM Group</b>			
Dividend income from STDM	(i)	176,326	104,080
Ferry tickets sold (after discount) to STDM Group		125,137	102,984
Commission paid to STDM Group on ferry tickets sold by STDM Group		—	18,800
Fees received from STDM Group for provision of property related services		15,303	22,309
Rental and related expenses paid to STDM Group		17,466	15,252
Fuel purchased from STDM Group for Macau shipping operations		424,800	407,207
Amount collected by STDM Group for sale of ferry tickets and related services in Macau		—	332,972
Amount collected by STDM Group for sale of Bungy Jumping and other outdoor adventure activities in Macau Tower		—	969
Amount reimbursed to STDM Group for expenses incurred in respect of shipping operations in Macau		—	37,006
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		36,253	48,031
Revenue of duty free goods sold on board collected for STDM		12,159	10,939
<b>Shun Tak Centre Limited ("STC")</b>			
Rental and related expenses paid to STC	(ii)	7,648	13,012
<b>Joint ventures</b>			
Interest income from joint ventures	(iii)	15,654	21,650
Ferry passengers handling fees received on behalf of a joint venture		35,058	34,942
Amounts paid to a joint venture in respect of the Chatham Gate redevelopment project for			
— Management fee		—	20,842
— Related construction cost and preliminary works		121,857	471,177
<b>Associates</b>			
Insurance premium paid to an associate		41,218	37,263
Fuel costs paid to an associate		73,383	118,376
<b>Key management personnel</b>			
Directors' emoluments	(iv)		
— Salaries and other short-term employee benefits		31,289	29,388
— Post-employment benefits		1,304	1,191
Underwriting commission on rights issue paid to Megaprospers Investments Limited ("Megaprospers")	(v)	—	6,424

### 37 Significant related party transactions (Continued)

(b) At the balance sheet date, the Group had the following balances with related parties:

	Note	2013 HK\$'000	2012 HK\$'000
<b>STDM Group</b>			
Net receivable from STDM Group	(i) (vi)	<b>25,265</b>	22,287
<b>Joint ventures</b>			
Amounts due by joint ventures	(iii)	<b>370,706</b>	580,341
Amount due to a joint venture	(iii)	<b>331,695</b>	195
Construction costs payable to a joint venture		<b>17,556</b>	13,860
<b>Associates</b>			
Amounts due by associates	(vii)	<b>24,014</b>	22,350
<b>Key management personnel</b>			
Non-controlling shareholder's loan from a company in which Dr. Stanley Ho has beneficial interests	(viii)	<b>52,118</b>	58,122
Deposit paid by a subsidiary to Sai Wu Investment Limited ("Sai Wu")	(ix)	<b>500,000</b>	500,000

Notes:

- (i) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum, Directors of the Company, have beneficial interests in STDM. Dr. Stanley Ho and Ms. Pansy Ho are directors of STDM. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, which is a corporate director of STDM. Mr. David Shum is an appointed representative of the Company, which is a corporate director of STDM.
- (ii) Dr. Stanley Ho is a director of and has beneficial interests in STC. Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are also directors of STC.
- (iii) Amount due to a joint venture is unsecured, non-interest bearing and with no fixed term of repayment.

Amounts due by joint ventures are unsecured. Amount of HK\$1,070,000 is repayable on demand (2012: nil). The remaining balances of HK\$369,636,000 (2012: HK\$567,814,000) have no fixed term of repayment. In 2012, amounts of HK\$4,657,000 was repayable within one year and amount of HK\$7,870,000 was repayable by 31 December 2016 or such other date as may be agreed by the joint venture and its shareholders.

Amounts of HK\$360,568,000 (2012: HK\$539,303,000) and HK\$1,070,000 (2012: HK\$12,527,000) carry interest at HIBOR plus 3% (2012: HIBOR plus 3%) per annum and LIBOR plus 2% (2012: LIBOR plus 2%) per annum respectively. The related interest income for the year amounted to HK\$15,654,000 (2012: HK\$21,650,000).

## 37 Significant related party transactions *(Continued)*

Notes: *(Continued)*

- (iv) Further details of Directors' emoluments are disclosed in note 7 to the financial statements.
- (v) On 19 January 2012, Megaproper (a company owned as to 51% by Ms. Pansy Ho, 39% by Ms. Daisy Ho and 10% by Ms. Maisy Ho, each being a Director of the Company) together with two joint underwriters entered into an underwriting agreement (the "Underwriting Agreement") with the Company to underwrite all the underwritten shares that are not taken up by the qualifying shareholders, except the undertaking shareholders, in the rights issue subject to the terms and conditions stipulated in the Underwriting Agreement. Under the Underwriting Agreement, the underwriting commission is 2.75% of the aggregate subscription price of the total underwritten shares.
- (vi) Net receivable from STDM Group comprises trade and other receivables and payables.
- (vii) Amounts due by associates are unsecured, non-interest bearing and with no fixed term of repayment.
- (viii) The subsidiary, Shun Tak Cultural Centre Limited, holding 100% interest in Shun Tak Business Centre in Guangzhou, and is owned as to 60% by the Group and 40% by a company in which Dr. Stanley Ho has beneficial interests. The subsidiary received loans from both shareholders. Shareholders' loans are unsecured, non-interest bearing and with no fixed term of repayment.
- (ix) The subsidiary, Shun Tak Nam Van Investment Limited ("Shun Tak Nam Van"), entered into a conditional sale and purchase agreement with Sai Wu, a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by independent third parties, to acquire the interest in the land development right in respect of the property sites adjacent to the Macau Tower in Nam Van, Macau (note 24(b)). The refundable deposit of HK\$500,000,000 was paid by Shun Tak Nam Van to Sai Wu in order to extend the completion date of the acquisition without changing the consideration or other terms of the acquisition. The completion date of the acquisition was further extended to on or before 31 December 2014.

## 38 Retirement benefits schemes

The Group provides defined contribution provident fund schemes for its eligible employees in Hong Kong, including the Occupational Retirement (ORSO) scheme and the Mandatory Provident Fund (MPF) scheme.

Under the MPF scheme, the Group and its employees' contributions to the MPF scheme range from 5% to 10% of the employees' relevant income with a maximum monthly contribution of HK\$1,250 to certain employees.

The Group also operates a defined contribution provident fund scheme for eligible employees in Macau. Contributions to the scheme are made either only by the employer ranging from 5% to 10% or by both employer and employees ranging from 5% to 10% of the employees' monthly basic salaries.

The assets held under the MPF scheme and the other provident fund schemes are managed by independent trustees. The Group's contributions charged to the consolidated income statement for the year ended 31 December 2013 were HK\$49,417,000 (2012: HK\$41,666,000). Under the provident fund schemes other than MPF scheme, no forfeiture of employer's contributions was applied to reduce the Group's contributions for both years. Up to the balance sheet date, forfeited contributions retained in the ORSO scheme were HK\$20,650,000 (2012: HK\$20,407,000).

### 39 Commitments

#### (a) Capital commitments

Except for the commitments disclosed elsewhere in the consolidated financial statements, the Group held the following capital commitments as at year end:

	Group	
	2013 HK\$'000	2012 HK\$'000
Contracted but not provided for		
Property, plant and equipment	23,990	2,649
Building (Note i)	<b>1,266,111</b>	—
	<b>1,290,101</b>	2,649
Authorised but not contracted for Property, plant and equipment	<b>6,549</b>	840
Capital contribution to		
A joint venture (Note ii)	<b>268,699</b>	—
An associate	<b>20,134</b>	—
	<b>288,833</b>	—
The share of capital commitment of the joint venture as follows:		
Contracted but not provided for	<b>798,774</b>	—

Notes:

- (i) The Group had an outstanding commitment of RMB990 million (equivalent to approximately HK\$1,266 million) to acquire a wholly-owned property project in the Dong Cheng District, Beijing, the PRC.
- (ii) The Group has an outstanding commitment to contribute capital of approximately HK\$269 million to a joint venture subject to the obtaining of all relevant applicable government and regulatory approvals for the operating of a Hong Kong airline.

### 39 Commitments (Continued)

#### (b) Lease commitments

The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Within one year	34,176	29,530
In the second to fifth year inclusive	23,037	15,932
	<b>57,213</b>	45,462

Pursuant to the Sub-lease Agreement as detailed in note 14, the subsidiary has to pay a contingent rent to the Airport Authority Hong Kong, commencing from 15 December 2008, computed at a rate of 0.1% per annum on gross sales receipts of the subsidiary for the first two years, 3% per annum for the third to fifth years, 4.4% per annum for the sixth year and 5.8% per annum for the remaining period until expiry of the sub-lease term.

Contingent rental payment for the year amounting to approximately HK\$11,243,000 (2012: HK\$10,364,000) relating to the lease of hotel buildings is included in the consolidated income statement.

#### (c) Future minimum lease payments receivable

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Within one year	110,921	82,217
In the second to fifth year inclusive	111,788	109,407
Over five years	30,843	2,743
	<b>253,552</b>	194,367

#### (d) Property development commitments

The Group had outstanding commitments of HK\$1,071 million (2012: HK\$1,726 million) under various contracts for property development projects.

In addition to the above, the Group had commitments of payment of HK\$3,080 million (2012: HK\$3,080 million) in cash and issue of 148,883,374 (2012: 148,883,374) ordinary shares of the Company for the acquisitions of the interests in the land development rights in respect of the property sites adjacent to the Macau Tower in Nam Van, Macau (notes 24(b) and 37(ix)).

Subsequent to the balance sheet date, a Letter of Award for the Main Contract for the development of Nova City Phase V granted by a wholly-owned subsidiary became unconditional. Details are disclosed in note 43.

### 40 Contingency and financial guarantees

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Guarantees given by the Group to financial institutions on behalf of purchasers of flats	602	4,536	602	4,536
Guarantees issued by the Company for credit facilities granted to subsidiaries	—	—	4,330,000	5,034,825
Guarantees issued by the Company for bank guarantees issued for the Group	—	—	1,490	8,180
Guarantee for convertible bonds issued by a subsidiary (note 30)	—	—	833,800	833,800
Guarantee given by the Company to the holders of guaranteed notes issued by a subsidiary (note 31)	—	—	3,101,860	—

In addition to the above, the Group had provided guarantee to a third party in respect of the sum owing by a joint venture to the third party under a license agreement. At the balance sheet date, the Group's share of such contingent liabilities amounted to HK\$2.2 million (2012: HK\$2.4 million).

### 41 Financial instruments

#### Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and price risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

#### (a) Credit risk

The Group is exposed to credit risk on financial assets, that a loss may incur if the counterparties fail to discharge their obligation, mainly including mortgage loans receivable, amounts due by joint ventures and associates, trade and other receivables, derivative financial assets, bank deposits and cash at banks.

Credit risk arises from cash and bank balances, derivative financial assets and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a sound credit rating are accepted. The Group manages credit risk arising from trade debtors in accordance with defined credit policies, dependent on market requirements and business 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. In addition, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Management of the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts.

## 41 Financial instruments (Continued)

### (a) Credit risk (Continued)

Amounts due by joint ventures are granted taken into account of their financial position, past experience and other factors. The Group monitors the credibility of joint ventures continuously.

#### Summary quantitative data

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Mortgage loans receivable	15,621	14,898	—	—
Other non-current assets (excluding deposits and club debentures)	394,720	598,034	11,807,060	9,512,096
Trade receivables, other receivables and deposits paid (excluding deposits and prepayments)	167,087	1,396,269	11,166	14,092
Derivative financial assets	8,113	4,749	—	—
Cash and bank balances	8,138,435	7,681,879	3,484,911	2,476,415
	<b>8,723,976</b>	9,695,829	<b>15,303,137</b>	12,002,603

At the balance sheet date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset. Except for the financial guarantees given by the Group as set out in note 40, the Group does not provide any other guarantees which would expose the Group or the Company to material credit risk.

Other non-current assets include amounts due by joint ventures amounting to HK\$371 million (2012: HK\$576 million). The Group has concentration of credit risk on amount due by a joint venture of HK\$370 million (2012: HK\$558 million). As the joint venture has a strong financial position, the Directors consider that the credit risk is minimal.

Exposure to credit risk of mortgage loans receivable is mitigated by the security of second mortgage of properties. Credit risk arising from the other financial instruments of the Group, which include mainly cash and bank balances, is limited because the counterparties are considered by the Directors to have high creditworthiness. The Directors assess the creditworthiness with reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the terms of financial assets which are past due or impaired have been renegotiated during the year ended 31 December 2013 and 2012.

### (b) Liquidity risk

The Group is exposed to liquidity risk on financial liabilities. It is the Group's policy to regularly monitor its liquidity requirements and its compliance with any lending covenants, and to secure adequate funding and sufficient cash reserves to match with the cash flows required for working capital and investing activities. In addition, banking facilities have been put in place for contingency purposes. The table below analyses the Group's and the entity's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

## Notes to the Financial Statements

### 41 Financial instruments (Continued)

#### (b) Liquidity risk (Continued)

2013

	Less than 1 year HK\$'000	Later than 1 year and not later than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December HK\$'000
<b>Group</b>					
<b>Non-derivative financial liabilities</b>					
Bank borrowings	747,123	4,349,764	—	5,096,887	4,915,000
Convertible bonds	861,315	—	—	861,315	827,279
Medium term notes	176,849	707,397	3,367,894	4,252,140	3,134,161
Trade and other payables	1,906,199	—	—	1,906,199	1,906,199
Loans from non-controlling shareholders	1,160,913	—	—	1,160,913	1,158,114
	<b>4,852,399</b>	<b>5,057,161</b>	<b>3,367,894</b>	<b>13,277,454</b>	<b>11,940,753</b>
<b>Company</b>					
Trade and other payables	4,051,095	—	—	4,051,095	4,051,095

2012

	Less than 1 year HK\$'000	Later than 1 year and not later than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December HK\$'000
<b>Group</b>				
<b>Non-derivative financial liabilities</b>				
Bank borrowings	3,185,861	2,934,091	6,119,952	5,950,025
Convertible bonds	27,515	861,315	888,830	813,379
Trade and other payables	988,062	—	988,062	988,062
Loans from non-controlling shareholders	—	1,805,508	1,805,508	1,796,316
	<b>4,201,438</b>	<b>5,600,914</b>	<b>9,802,352</b>	<b>9,547,782</b>
<b>Company</b>				
Trade and other payables	657,655	—	657,655	657,655

## 41 Financial instruments (Continued)

### (c) Market risk

#### (i) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities. It is the Group's policy to regularly monitor and manage its interest rate risk exposure, by maintaining an appropriate and comfortable level of mix between fixed and variable-rate financial assets and liabilities and by repaying and/or selling the relevant fixed and variable-rate financial assets and liabilities in case of significant unfavourable market interest rate movement.

#### Summary quantitative data

##### Group

	2013 HK\$'000	2012 HK\$'000
<b>Variable-rate financial assets/(liabilities)</b>		
Mortgage loans receivable	15,621	14,898
Amounts due by joint ventures	369,481	551,830
Bank balances and deposits	7,859,542	7,356,152
Bank borrowings	(4,915,000)	(5,950,025)
Loans from non-controlling shareholders	(331,072)	(968,072)
	<b>2,998,572</b>	1,004,783
<b>Fixed-rate financial liabilities</b>		
Convertible bonds	(827,279)	(813,379)
Medium term notes	(3,134,161)	—
	<b>(3,961,440)</b>	(813,379)
Net interest-bearing (liabilities)/assets	<b>(962,868)</b>	191,404

##### Company

	2013 HK\$'000	2012 HK\$'000
<b>Variable-rate financial assets</b>		
Amounts due by subsidiaries	233,082	236,655
Bank balances and deposits	3,467,562	2,457,900
	<b>3,700,644</b>	2,694,555

#### Sensitivity analysis

At 31 December 2013, if interest rates had been 50 basis points (2012: 50 basis points) higher/lower with all other variables held constant, the Group's profit after taxation and equity after taking into account the impact of finance costs capitalised in properties under development would have been HK\$40.2 million higher (2012: HK\$14.3 million higher)/ HK\$1.2 million lower (2012: HK\$9 million lower) arising mainly as a result of change in interest income, net on variable-rate financial assets/liabilities.

The sensitivity analysis has been prepared with the assumption that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The changes in interest rates represent management's assessment of a reasonably possible change at that date over the period until the next annual balance sheet date.

### 41 Financial instruments (Continued)

#### (c) Market risk (Continued)

##### (ii) Currency risk

The Group is exposed to currency risk on financial assets and liabilities that are denominated in United States dollar ("US\$"), Macau pataca ("MOP"), Singapore dollar ("SGD") and Renmibi ("RMB").

The Group closely monitors and manages its exposure to currency risk, in particular the currency risk arising from those currencies that are not pegged to Hong Kong dollar ("HK\$"), the functional currency of the Group.

While the Group has financial assets and liabilities denominated in US\$ and MOP, they are continuously pegged to HK\$ and this exposure to currency risk for such currencies is minimal to the Group. The Group's exposure to currency risk on financial assets and liabilities that are denominated in SGD and RMB are historically and usually insignificant. Since the currencies of financial assets and financial liabilities are primarily the functional currency of the respective company. Overall currency risk of the Group would be minimal and no sensitivity analysis is presented.

##### (iii) Equity price risk

The Group is exposed to equity price risk on listed and unlisted equity securities.

The Group's policy is mainly to invest in financial assets with equity price risk by using its surplus funds in order to minimise the impact of the exposure to the Group's business operation and financial position and simultaneously, to enhance the return to the shareholders. The Group aims at holding the listed and unlisted equity securities for long term strategic purposes.

For its listed equity securities, the Group regularly monitors their performance by reviewing their share price and announcements, including interim and annual reports. These investments are selected based on their respective investment potential and prospect and are diversified in different industries. For its unlisted equity securities, the Group monitors their performance by reviewing their reports, including management reports and annual financial statements.

#### Summary quantitative data

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>Financial assets, at fair value</b>				
Available-for-sale investments	183,449	201,322	—	—
<b>Financial assets, at cost less impairment losses</b>				
Available-for-sale investments	815,621	815,920	233,679	233,679
	<b>999,070</b>	1,017,242	<b>233,679</b>	233,679

## 41 Financial instruments (Continued)

### (c) Market risk (Continued)

#### (iii) Equity price risk (Continued)

##### Sensitivity analysis

The Group's equity investments amounting to 91.8% (2012: 90.7%) of its financial assets carried at fair value are classified as available-for-sale investments with exposure to equity price risk and are listed on recognised stock exchanges in Hong Kong and the United States. A 10% (2012: 10%) increase in stock prices at 31 December 2013 would have increased the equity by HK\$16.8 million (2012: HK\$18.3 million); an equal change in the opposite direction would have decreased the equity by HK\$16.8 million (2012: HK\$18.3 million).

The sensitivity analysis has been prepared with the assumption that the change in equity price had occurred at the balance sheet date and had been applied to the exposure to equity price risk for the relevant financial instruments in existence at that date. The changes in equity price represent management's assessment of a reasonably possible change at that date over the period until the next annual balance sheet date.

#### (iv) Fuel price risk

Fuel cost is a significant part of the Group's cost of inventories sold and service provided. Exposure to fluctuations in the fuel price is managed by hedging a percentage of its anticipated fuel consumption using fuel derivatives. In 2013, around 10% of the anticipated fuel consumption for 2014 was hedged at the balance sheet date.

##### Summary quantitative data

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Financial assets, at fair value</b>		
Fuel swap contracts	8,113	4,749

##### Sensitivity analysis

At 31 December 2013, if the fuel price increased by 10% (2012: 10%) with all other variables held constant, the Group's equity would have HK\$7.7 million (2012: HK\$7.9 million) higher, representing the after-tax effect of change in fair value of fuel derivatives at the balance sheet date. Conversely, if the fuel price decreased by 10% (2012: 10%) with all other variables held constant, the Group's equity would have HK\$7.7 million (2012: HK\$7.9 million) lower.

The sensitivity analysis has been prepared with the assumption that the change in fuel prices had occurred at the balance sheet date and had been applied to the exposure to fuel prices risk for the relevant financial instruments in existence at that date. The changes in prices at that date over the period until the next annual balance sheet date.

The analysis is prepared on the same basis for 2012.

### 41 Financial instruments (Continued)

#### (d) Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>Financial assets</b>				
Loan and receivables (including cash and bank balances)	<b>8,715,863</b>	9,691,080	<b>15,303,137</b>	12,002,603
Available-for-sale investments (note)	<b>999,070</b>	1,017,242	<b>233,679</b>	233,679
Derivative financial assets	<b>8,113</b>	4,749	—	—
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<b>11,940,753</b>	9,547,782	<b>4,051,095</b>	657,655
Derivative financial liabilities	<b>4,556</b>	—	—	—

Note:

Certain available-for-sale investments are stated at cost (note 19).

#### (e) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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).

## 41 Financial instruments (Continued)

### (e) Fair value estimation (Continued)

2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivatives used for hedging	—	8,113	—	8,113
Available-for-sale investments				
— equity securities	168,316	—	—	168,316
— investment funds	14	15,119	—	15,133
<b>Total assets</b>	<b>168,330</b>	<b>23,232</b>	<b>—</b>	<b>191,562</b>

2012

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivatives used for hedging	—	4,749	—	4,749
Available-for-sale investments				
— equity securities	182,549	—	—	182,549
— investment funds	14	18,759	—	18,773
<b>Total assets</b>	<b>182,563</b>	<b>23,508</b>	<b>—</b>	<b>206,071</b>

#### Financial instruments in level 1

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 closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as available-for-sale.

#### Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair values of derivative financial instruments are determined either by reference to mark-to-market values quoted by the independent financial institutions or the estimated future cash flows at the balance sheet date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

During the year, there were no significant transfers between financial instruments in level 1, level 2 and level 3.

### 42 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure. The Group manages its capital structure and makes adjustments to it taking into account current and expected debt and equity capital market conditions, the Group's investment strategy and opportunities, projected operating cash flows and capital expenditures, and general market conditions. To maintain or adjust the capital structure, the Group may adjust the level of borrowings, the dividend payment to shareholders, issue new shares as well as the issue of new debt or repurchase of own shares.

The Group monitors its capital structure on the basis of a net debt/cash-to-adjusted capital ratio. Net debt/cash is calculated as total debt, which includes current and non-current borrowings, less cash and bank balances. Adjusted capital comprises all components of equity attributable to owners of the Company less hedging reserve. During 2013, the Group's strategy, which was unchanged from 2012, was to maintain a healthy net debt/cash-to-adjusted capital ratio.

The net debt/cash-to-adjusted capital ratio at 31 December 2013 and 2012 was as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Bank borrowings (note 28)	<b>4,915,000</b>	5,950,025
Convertible bonds (note 30)	<b>827,279</b>	813,379
Medium term notes (note 31)	<b>3,134,161</b>	—
Less: Cash and bank balances (note 26)	<b>(8,138,435)</b>	(7,681,879)
Net debt/(cash)	<b>738,005</b>	(918,475)
Equity attributable to owners of the Company	<b>21,138,107</b>	19,996,728
Add: Hedging reserve (note 35)	<b>1,672</b>	—
Adjusted capital	<b>21,139,779</b>	19,996,728
Net debt/(cash)-to-adjusted capital ratio	<b>3.5%</b>	(4.6%)

### 43 Events after the balance sheet date

- (a) On 29 August 2013, Ace Wonder Limited (“AWL”) and Fast Shift Investments Limited (“FSL”), wholly-owned subsidiaries of the Group, entered into a subscription agreement with City Universe Limited (the “CUL”), an indirect wholly-owned subsidiary of China State Construction International Holdings Limited (“CSCI”). Pursuant to which CUL will, through subscription of 100% of the issued class B share of FSL, be entitled to or bear 29% of the economic benefits in or losses arising from the residential portion of Nova City Phase V (“NC5”) development. The total consideration for the subscription of shares and the transfer of relevant portion of shareholder loan by AWL was HK\$2,066 million of which HK\$500 million was received as deposit in 2013. The transaction was completed on 3 January 2014 and the Group will record a gain of approximately HK\$1,056 million directly in equity in the consolidated financial statements of the Group.
- (b) Nova Taipa – Urbanizações, Limitada (“NTU”), a wholly-owned subsidiary of the Group conditionally granted the letter of award for the main contract to China Construction Engineering (Macau) Company Limited, an indirect wholly-owned subsidiary of CSCI. The total value of work was approximately MOP6,302 million (approximately HK\$6,119 million), comprised of approximately MOP4,612 million (approximately HK\$4,478 million) for the residential development and the associated car parks and approximately MOP1,690 million (approximately HK\$1,641 million) for the commercial portion of NC5. Optional works related to the fitting-out of NC5 of approximately MOP735 million (approximately HK\$714 million) have been included in the total value of work set out above. The optional works will only be carried out at the request of architect appointed by NTU. Upon completion of the subscription of shares and transfer of relevant shareholder loan as disclosed in note (a) above, the letter of award became unconditional.
- (c) On 8 January 2014, Shun Tak Development (China) Limited (“STDCL”), a wholly-owned subsidiary of the Group, entered into a joint venture agreement with Perennial Hengqin Investment Group Pte. Ltd. (“Investor”) and Nation Mind Development Limited (“NMDL”), a wholly-owned subsidiary of STDCL, pursuant to which NMDL allotted certain new shares to STDCL and the Investor resulting in STDCL and the Investor holding 70% and 30% of equity interests in NMDL respectively to develop a site located in Hengqin New Area, Zhuhai, the PRC. The Investor paid an amount equivalent to approximately RMB263 million comprising the share allotment to the Investor and the assignment to the Investor of 30% of the shareholder loan advanced by STDCL to NMDL.

### 44 Comparatives

Certain comparative figures of the consolidated income statement have been reclassified to conform to the current year’s presentation. These reclassifications have no impact on the Group’s profit for the years ended 31 December 2013 and 2012.

### 45 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2014.

## 46 Principal subsidiaries, joint ventures and associates

	Place of incorporation/ Principal place of operation	Issued and paid up ordinary share capital/ Registered capital	Percentage held by the Group 2013	Percentage held by the Group 2012	Principal activities
<b>Property - Hong Kong</b>					
Goform Limited	Hong Kong	HK\$2	100	100	Property investment
Grace Wealth Development Limited^^	Hong Kong	HK\$1	100	100	Property development
Hocy Development Limited	Hong Kong	HK\$2	100	100	Property investment
Iconic Palace Limited	Hong Kong	HK\$20	100	100	Property investment
Megabright Investment Limited	Hong Kong	HK\$2	100	100	Investment holding and financing
Ranex Investments Limited	Hong Kong	HK\$100	51	51	Property investment and development
Sonata Kingdom Limited^^	Hong Kong	HK\$1	100	—	Property investment
Shun Tak Development Limited	Hong Kong	HK\$27,840,000	100	100	Investment holding
Shun Tak Property Investment & Management Holdings Limited	Hong Kong	HK\$2	100	100	Property investment and management
Shun Tak Property Management Limited	Hong Kong/ Hong Kong and Macau	HK\$2	100	100	Property management
<b>Property - Macau</b>					
Ace Wonder Limited	British Virgin Islands/Macau	US\$1	100	100	Investment holding
Basecity Investments Limited^	British Virgin Islands/Macau	US\$10,000	51	51	Property investment and hotel owning
Companhia de Investimento Shun Tak South Lake, Limitada	Macau	MOP25,000	100	100	Property development
Eversun Company Limited	Hong Kong/Macau	HK\$200	100	100	Property investment
Nova Taipa - Urbanizações, Limitada^^	Macau	MOP10,000,000	100	100	Property investment and development
Oriental Pride Group Limited	British Virgin Islands/Macau	US\$1	100	100	Investment holding and financing
Shun Tak Nam Van Investimento Limitada	Macau	MOP25,000	100	100	Property development
Companhia de Desenvolvimento Tin Wai Limitada	Macau	MOP100,000	79	79	Property investment and development
Winning Reward Investments Limited	British Virgin Islands/Macau	US\$1	100	100	Investment holding and financing
<b>Property - Mainland China</b>					
Guangzhou Shun Tak Real Estate Company Limited	PRC	HK\$130,000,000 <sup>®</sup>	60	60	Property investment
Sonic City Limited	Hong Kong	HK\$1	100	—	Property investment and development
Shun Tak Cultural Centre Limited	Hong Kong	HK\$10	60	60	Investment holding
Perennial Tongzhou Development Pte. Ltd. #	Singapore	SGD382,190,002	31.6	31.6	Investment holding
Perennial Tongzhou Holdings Pte. Ltd. #	Singapore	SGD239,500,010	38.7	—	Investment holding
珠海橫琴信德房地產開發有限公司	PRC	RMB865,000,000	100	—	Property development

## 46 Principal subsidiaries, joint ventures and associates (Continued)

	Place of incorporation/ Principal place of operation	Issued and paid up ordinary share capital/ Registered capital	Percentage held by the Group 2013	Percentage held by the Group 2012	Principal activities
<b>Transportation</b>					
Conwick Investment Limited	Hong Kong/ Hong Kong and Macau	HK\$2 HK\$2 <sup>+</sup>	42.6	42.6	Shipping
Far East Hydrofoil Company, Limited	Hong Kong/ Hong Kong and Macau	HK\$2,000 HK\$5,000,000 <sup>+</sup>	42.6	42.6	Shipping
Glowfield Group Limited	British Virgin Islands	US\$27	42.6	42.6	Investment holding
Hongkong Macao Hydrofoil Company, Limited	Hong Kong/ Hong Kong and Macau	HK\$10,000,000	42.6	42.6	Shipping
Interdragon Limited	British Virgin Islands	US\$10,000	60	60	Investment holding
Jetstar Hong Kong Airways Limited <sup>^</sup>	Hong Kong	HK\$733,590,003	33.33	—	Aviation service
Ocean Shipbuilding & Engineering Limited	Hong Kong	HK\$200 HK\$100,000 <sup>+</sup>	42.6	42.6	Shipbuilding and repairs
Shun Tak-China Travel Ferries Limited	British Virgin Islands	US\$2	42.6	42.6	Investment holding
Shun Tak-China Travel Ship Management Limited	Hong Kong/ Hong Kong and Macau	HK\$200 HK\$1,000,000 <sup>+</sup>	42.6	42.6	Ship management
Shun Tak-China Travel Shipping Investments Limited	British Virgin Islands	US\$10,000	42.6	42.6	Investment holding
Shun Tak Ferries Limited	Hong Kong	HK\$2	100	100	Investment holding
Sunrise Field Limited	Hong Kong/ Hong Kong and Macau	HK\$1	42.6	42.6	Shipping
Tai Tak Hing Shipping Company Limited	Hong Kong/ Hong Kong and Macau	HK\$200 HK\$5,200,000 <sup>+</sup>	42.6	42.6	Shipping
Wealth Trump Limited	Hong Kong/ Hong Kong and Macau	HK\$1	42.6	42.6	Shipping
Shun Tak-China Travel Macau Ferries Limited	British Virgin Islands/ Hong Kong and Macau	US\$1	42.6	42.6	Shipping
Shun Tak China Travel – Companhia de Gestão de Embarcações (Macau), Limitada	Macau	MOP10,000,000	42.6	42.6	Ship management
Companhia de Serviços de Ferry STCT (Macau) Limitada	Macau	MOP100,000	42.6	42.6	Shipping
<b>Hospitality</b>					
Shun Tak, Serviços Recreativos, S.A.	Macau	MOP1,000,000	100	100	Property holding
Shun Tak Travel Services Limited	Hong Kong	HK\$2,000,000	100	100	Travel agency services
Sociedade de Turismo e Desenvolvimento Insular, S.A. <sup>^</sup>	Macau	MOP200,000,000	35	35	Hotel and golf club operations
Union Sky Holdings Limited <sup>^^</sup>	Hong Kong	HK\$10,000	70	70	Hotel owning and operation

### 46 Principal subsidiaries, joint ventures and associates *(Continued)*

	Place of incorporation/ Principal place of operation	Issued and paid up ordinary share capital/ Registered capital	Percentage held by the Group 2013	Percentage held by the Group 2012	Principal activities
<b>Finance</b>					
Joyous King Group Limited	British Virgin Islands	US\$1	100	100	Financing
Joyous Glory Group Limited	British Virgin Islands	US\$1	100	—	Financing
Shun Tak Finance Limited	Hong Kong	HK\$2	100	100	Financing
Step Ahead International Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	General investment

The above table lists the principal subsidiaries, joint ventures and associates of the Group which, in the opinion of the Directors, principally affect the results and net assets of the Group.

Except Shun Tak Ferries Limited, Shun Tak Development Limited, Shun Tak Property Investment & Management Holdings Limited and Winning Reward Investments Limited, which are 100% directly held by the Company, the interests in the remaining subsidiaries, joint ventures and associates listed in the above table are held indirectly.

+ Non-voting deferred shares

@ Registered capital

^ Joint ventures

# Associates

^^ The subsidiaries were pledged to banks as securities for bank loans granted to certain subsidiaries of the Group (note 28).

## Five-Year Financial Summary

	2013 HK\$ million	2012 HK\$ million	2011 HK\$ million	2010 HK\$ million	2009 HK\$ million
<b>Consolidated Income Statement</b>					
Turnover	3,576	5,412	2,968	3,097	3,066
Profit attributable to owners of the Company	1,406	2,563	781	867	2,891
<b>Consolidated Balance Sheet</b>					
Non-current assets	17,043	13,950	11,621	11,312	11,708
Current assets	21,338	20,304	17,683	15,852	14,662
Current liabilities	(5,364)	(4,717)	(4,270)	(4,184)	(2,908)
Non-current liabilities	(8,501)	(6,509)	(6,596)	(5,291)	(6,987)
Net assets	24,516	23,028	18,438	17,689	16,475
Share capital	749	747	543	543	506
Share premium	8,877	8,851	7,449	7,449	6,890
Reserves	11,512	10,145	7,793	7,167	6,369
Proposed dividends	—	254	120	130	378
Equity attributable to owners of the Company	21,138	19,997	15,905	15,289	14,143
Non-controlling interests	3,378	3,031	2,533	2,400	2,332
Total equity	24,516	23,028	18,438	17,689	16,475
Number of issued and fully paid shares (million)	2,997	2,987	2,172	2,172	2,024
<b>Performance Data</b>					
Earnings per share (HK cents)			(restated)*		
– basic	47.0	88.7	31.7	42.1	135.2
– diluted	46.3	85.2	31.5	41.4	132.8
Dividends per share (HK cents)					
– interim	—	—	—	—	3.8
– final	—	8.5	4.0	6.0	18.7
Dividend cover	N/A	10.4	7.9	7.0	6.0
Current ratio	4.0	4.3	4.1	3.8	5.0
Gearing (%)	3.5	N/A	12.0	18.0	21.4
Return on equity attributable to owners of the Company (%)	6.7	12.8	4.9	5.7	20.4
Net asset value per share (HK\$)	8.2	7.7	8.5	8.1	8.1

\* Earnings per share for the year ended 31 December 2011 have been restated to reflect the effect of rights issue during the year ended 31 December 2012. Earnings per share for the years ended 31 December 2009 and 2010 have not been restated.

Number of issued and fully paid shares is based on the number of shares in issue at the balance sheet date.

Gearing represents the ratio of net borrowings to equity attributable to owners of the Company.

	2013	2012	2011	2010	2009
<b>Headcount by Division</b>					
Head Office	245	213	210	201	197
Property	464	399	385	411	531
Transportation	2,151	2,158	1,839	1,587	1,684
Hospitality	491	453	452	427	457
Investment	35	43	44	51	39





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