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Oriented towards Greatness

2016

SHUN TAK HOLDINGS LIMITED
ANNUAL REPORT
信德集團有限公司年報

STOCK CODE 股份代號 : 242

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Past Performance and Forward Looking Statements

The performance and the results of operation of the Group as set out in this Annual Report are historical in nature and past performance is not a guarantee of future performance. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual result may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.



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Oriented towards Greatness

With a well-established foundation of diversified businesses, we are extending our vision to pursue emerging prospects across Greater China and Asia. We are taking a strategic and disciplined approach to instill new vitality into our portfolio in order to drive for long-term growth. As years of careful planning lead us to the cusp of more exciting chapters, we look forward to sharing a brighter future with all our stakeholders.

Corporate Information

Board of Directors

Dr. Stanley Ho

Group Executive Chairman

Mr. Norman Ho

Independent Non-Executive Director

Mr. Charles Ho

Independent Non-Executive Director

Mr. Michael Ng

Independent Non-Executive Director

Mr. Kevin Yip

Independent 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)

Mr. Michael Ng

Mr. Kevin Yip

Remuneration Committee

Mr. Michael Ng (Chairman)

Mr. Norman Ho

Mr. Charles Ho

Ms. Pansy Ho

Ms. Daisy Ho

Nomination Committee

Mr. Charles Ho (Chairman)

Mr. Norman Ho

Mr. Michael Ng

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

E-mail: enquiry@shuntakgroup.com

Auditor

PricewaterhouseCoopers

Solicitor

Norton Rose Fulbright

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

Bank of China, Macau Branch
Hang Seng Bank Limited

China Construction Bank (Asia)
Corporation Ltd

Crédit 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



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.

Corporate Profile

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 growing presence in the Greater China real estate market with investments in Tongzhou and Dong Zhi Men in Beijing, and Minhang and Qiantan in Shanghai, as well as Hengqin in Zhuhai. It has also recently made foray into Singapore through the acquisition of premium properties located at central business district.

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 655,000 square feet. In 2016, the Group formed a joint venture with HIP Company Limited, a wholly-owned subsidiary of the Abu Dhabi Investment Authority to co-invest in the shopping centre. It will become an activity hub serving the Taipa community upon completion.

The Group plays a prominent role in the Hong Kong property market with a portfolio comprising commercial,

residential and retail property ventures. The Group's signature residential projects in Hong Kong include The Belcher's, liberté and Chatham Gate.

Its property management branch currently offers professional management services to residential, commercial and industrial properties across Hong Kong and Macau.

The Group made its foray into the Northern China property market through an investment in the Beijing Tongzhou Integrated Development. The complex will be developed into an iconic landmark comprising retail, office and serviced apartments all amalgamated under one prime address along the famous 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-foot site comprises both office and hospitality components and is close to Beijing downtown, embassy area, and YanSha district.

Hengqin Integrated Development is a joint development 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 an extension of the Guangzhou-Zhuhai Intercity Rail as well as the Hengqin and Macau light rails in the future. It is set to be developed into an integrated landmark which comprises office, retail, hotel and serviced apartments.

In 2015, the Group agreed to acquire a hotel property in Shanghai as part of the Shanghai MixC integrated commercial development project. The property will be developed into an 8-storey hotel building spanning 29,200 square meters

of gross floor area. When completed, the hotel property will be operated by the Group's hotel management subsidiary, Artyzen Hospitality Group ("AHG"), to extend two hotel product offerings.

In 2016, the Group formed a 50:50 joint venture with Shanghai Lujiazui (Group) Company Limited, and has successfully bid the land use rights of a 26,707 square meters site in Qiantan. It will be developed into a mixed-use project encompassing office, retail, hotel and cultural centre.

Strategically extending its footprint to Southeast Asia, the Group entered Singapore's property market through the acquisition of a prime freehold site located at No. 9 Cuscaden Road. Situated within the central business district, the land parcel is surrounded by a number of tourist attractions and renowned hotels, and is within walking distance to the Orchard MRT station where major shopping complexes stand. The Group will consider redeveloping the property for hotel purpose.

Transportation

The Group's origin dates back to 1962 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 China Travel International Investment Hong Kong Limited to create a combined entity under the brand name "TurboJET". TurboJET, operated and managed by Shun Tak – China Travel Shipping Investments Limited and its subsidiaries, offers passengers speedy, reliable and comfortable sea travel services across major destinations within the Pearl River Delta ("PRD"), developing a well-connected sea transportation network linking major cities and airports in the region such as Hong Kong, Macau, Shenzhen, Nansha and Shekou.

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

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

On land, the Group’s 55.1% owned joint venture, Shun Tak & CITS Coach (Macao) Limited, has an operating fleet of 155 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 former 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, boasting fine elegance and bespoke services. The 208-room Grand Coloane

Resort, formerly Westin Resort Macau, is a lavish boutique resort on the beautiful shores of Coloane Island overlooking the Hac Sa Wan and the South China Sea.

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.

The award-winning Macau Tower Convention & Entertainment Centre (“Macau Tower”) 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.

In 2013, the Group founded AHG 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. AHG is currently providing non-branded hotel management solutions to two properties in Macau, namely, Grand Lapa hotel and Grand Coloane Resort. It has also signed management contracts with a number of properties, to operate under AHG’s brands. These include two citizenM hotels located respectively in Ximending Taipei and Kuala Lumpur; an Artyzen Habitat in Dongzhimen Beijing; an Artyzen Habitat hotel and a citizenM hotel in Shanghai MixC; an Artyzen Hotel and Resort, and an Artyzen Habitat hotel as part of Shanghai Lingang New City; as well as an Artyzen Hotel located at the Sifang Collective site outside of Nanjing.

Partnering 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 54.89% 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. “Toys”R”Us” operates a flagship store at Macau Tower and a second outlet in Macau’s city centre near Senado Square.

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.

Management Profile

Dr. Stanley Ho

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

Group Executive Chairman

aged 95

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 honorary life chairman of The Hong Kong Polytechnic University 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 consultant to 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 9th, 10th and 11th 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.

* *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.*

Mr. Norman Ho

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

Independent Non-Executive Director
aged 61

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 an independent non-executive 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 30 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.

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 67

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 National Committee and an economic consultant of Shandong Provincial Government of the PRC. He is an honorary trustee of Peking University and a trustee of University of International Business and Economics in the PRC. He is also an honorary general committee member of The Chinese Manufacturers' Association of Hong Kong.

Mr. Charles Ho was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region on 1 July 2014.

Management Profile

Mr. Michael Ng

Independent Non-Executive Director
aged 58

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. He has also been appointed as the chairman of the remuneration committee and a member of the nomination committee of the Company, both with effect from 25 August 2015.

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 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. 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.

Mr. Kevin Yip

Independent Non-Executive Director
aged 52

Mr. Yip Ka Kay, Kevin ("Mr. Kevin Yip") was appointed as an independent non-executive director of the Company in October 2015. He has been appointed as a member of the audit committee of the Company with effect from 11 January 2017.

Mr. Kevin Yip is the managing director and responsible officer of GRE Investment Advisors Limited, a Hong Kong Securities and Futures Commission licensed advisor to NM Strategic Management, LLC. He is also a managing director of General Oriental Investments (HK) Limited, a wholly owned subsidiary of General Oriental Investments S.A., the investment manager of the Cavenham Group of Funds.

Mr. Kevin Yip has extensive experience in private equity, alternative and portfolio investment. He was previously managing director and responsible officer of Bosera Asset Management (International) Co., Limited in Hong Kong. Prior to that he was a founding and senior partner of General Enterprise Management Services (HK) Limited, a private equity management company. He was previously a vice president of JP Morgan International Capital Corporation.

Mr. Kevin Yip is currently a member of the Investment Advisory Committee of EQT Partners, a leading private equity group in Europe, which works with portfolio companies to achieve sustainable growth, operational excellence and market leadership.

Mr. Kevin Yip holds an A.B. Degree in Economics (magna cum laude) from Harvard University. He sits as a non-scientific member of the Institutional Review Board of the University of Hong Kong/Hospital Authority Hong Kong West Cluster and is also a member of the board of trustees of Milton Academy, Massachusetts, USA. He was chairman emeritus of the Hong Kong Venture Capital and Private Equity Association. He had also served on the Financial Services Advisory Committee of the Trade Development Council of the Hong Kong Special Administrative Region of the People's Republic of China.

Ms. Pansy Ho

JP

Managing Director

aged 54

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*, Beeston Profits Limited*, Classic Time Developments Limited* and Megaprospers Investments 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).

Ms. Pansy Ho was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region on 1 July 2015.

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 China Women's Chamber of Commerce 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. In Macau, she is Vice

President of the Board of Directors of Macao Chamber of Commerce, the Vice Chairperson of Macao Convention & Exhibition Association, a member of the Government of Macau SAR Tourism Development Committee, a member of the Government of Macau SAR Committee of Cultural Industries, the Chairperson of Global Tourism Economy Research Centre, and the Vice Chairman and Secretary-General of Global Tourism Economy Forum. Internationally, she is also an executive committee member of World Travel & 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 appointed as Honorary Professor of School of Political Communication by the School of Political Communication of Central China Normal University in November 2013. She received an honorary fellowship from The Hong Kong Academy for Performing Arts in June 2014 and an honorary university fellowship from the University of Hong Kong in September 2015.

Ms. Pansy Ho is a daughter of Dr. Stanley Ho, the Group Executive Chairman, as well as a sister of Ms. Daisy Ho and Ms. Maisy Ho, who are the deputy managing director and an executive director of the Company respectively.

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

Management Profile

Ms. Daisy Ho

Deputy Managing Director
aged 52

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*, Oakmount Holdings Limited* and Megaprosper Investments 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 member and member of Ladies Committee of The Chinese General Chamber of Commerce, a life member and member of Ladies Committee of Macao Chamber of Commerce, a fellow of The Hong Kong Institute of Directors, Governor of The Canadian Chamber of Commerce in Hong Kong, Chairman of Hong Kong Ballet, Chairman cum Director of University of Toronto (Hong Kong) Foundation Limited

and Chairman of its Scholarship Selection Committee, Vice-chairman of Po Leung Kuk, Deputy Chief Commissioner cum Honorary Vice President of the Hong Kong Girl Guides Association, World Fellow of The Duke of Edinburgh’s Award World Fellowship, Dean’s International Advisory Committee Member of Joseph L. Rotman School of Management – University of Toronto, Member of Advisory Council of the Canadian International School of Hong Kong and Director of Tianjin Education Foundation (Hong Kong) Ltd..

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 a daughter of Dr. Stanley Ho, the Group Executive Chairman, and a sister of Ms. Pansy Ho, the managing director of the Company, and Ms. Maisy Ho, an executive director of the Company.

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

Ms. Maisy Ho

B.B.S.

Executive Director

aged 49

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 Unitas Holdings Limited (formerly known as Chanceton Financial Group Limited), which is listed on the Growth Enterprise Market of the Stock Exchange.

In Hong Kong, Ms. Maisy Ho is an advisory board member of Tung Wah Group of Hospitals, member of Hospital Governing Committee of Tung Wah Hospital, Tung Wah Eastern Hospital, Fung Yiu King Hospital, Kwong Wah Hospital, Wong Tai Sin Hospital and Queen Elizabeth Hospital, immediate past president of Hong Kong Institute of Real Estate Administrators, committee member and vice chairman of Ladies' Committee of The Chinese General Chamber of Commerce, honorary vice president of The Hong Kong Girl Guides Association 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).

Ms. Maisy Ho was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region on 1 July 2016.

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

In China, she is a standing committee member of the Chinese People's Political Consultative Conference of Liaoning Province and a standing committee member of Beijing 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 a daughter of Dr. Stanley Ho, the Group Executive Chairman, and a sister of Ms. Pansy Ho, the managing director of the Company, and Ms. Daisy Ho, the deputy managing director of the Company.

Management Profile

Mr. David Shum

Executive Director
aged 62

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 54

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

Mr. Rogier Verhoeven has extensive experience in the hospitality industry and business consultancy. He is responsible for overseeing the strategic development, asset management and related real estate development of the Group's integrated hospitality management company (Artyzen Hospitality Group) as well as the Group's Hospitality Division which oversees the existing and related operations and new business development opportunities.

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

Financial Highlights and Book Closure Period

Financial Highlights

	2016	2015
	HK\$'000	HK\$'000
Revenue	3,851,931	4,405,312
(Loss)/profit attributable to owners of the Company	(587,137)	744,670
Total equity	30,557,567	31,424,147
(Loss)/earnings per share (HK cents)		
– basic	(19.3)	24.5
– diluted	(19.3)	24.5
Dividends per share (HK cents)	–	2.0
Net asset value per share (HK\$)	10.0	10.3

The calculation of basic (loss)/earnings per share is based on the weighted average number of 3,042,465,785 shares (2015: 3,042,465,785 shares) in issue during the year. Basic and fully diluted (loss)/earnings per share are the same as the share options of the Company have an anti-dilutive effect on the basic (loss)/earnings per share for the years ended 31 December 2016 and 2015 respectively.

Closure of Register of Members

Latest time to lodge transfer documents for registration	4:30 p.m. on 16 June 2017
Closure of register of members (for determining shareholders' eligibility to attend and vote at Annual General Meeting)	19 June 2017 to 23 June 2017, both days inclusive
Annual General Meeting	23 June 2017

Significant Events

2016

JANUARY



TurboJET commenced management of Tuen Mun Ferry Terminal, and launched ferry services connecting Tuen Mun to Macau and Shenzhen Airport Fuyong Ferry Terminal.

FEBRUARY



- The Group officially launched the "Chung Hom Kok Collection".



- Mandarin Oriental, Macau was conferred "Triple Five Star for Hotel, Restaurant and Spa" by Forbes Travel Guide two years in a row.

MARCH

The Group clinched "IR Manager of the Year" at IAIR Awards 2016.



APRIL

- TurboJET extended service coverage of Tuen Mun – Macau route to cover Taipa Temporary Ferry Terminal.
- TurboJET received "2015 Hong Kong Awards for Environmental Excellence, Transport and Logistics – Silver Award" from Environmental Campaign Committee and Environmental Protection Department.



- Grand Coloane Resort received "Guest Review Award" from Booking.com and Hotels.com respectively.



JUNE

- Formation of a 50:50 joint venture with HIP Company Limited, a wholly-owned subsidiary of the Abu Dhabi Investment Authority, to jointly invest in the retail portion of Phase 5 of the Nova City project.
- TurboJET doubled the sailing frequency to 16 trips daily for Tuen Mun – Macau route.

AUGUST

The Group successfully acquired a prime freehold site located at No. 9 Cuscaden Road, Singapore.

SEPTEMBER



TurboJET expanded its network in the PRD to operate ferry service between Tuen Mun and Zhuhai.

NOVEMBER

The Group entered into a 50:50 joint venture with Shanghai Lujiazui (Group) Company Limited and successfully bid the land use rights of a site in Qiantan, Shanghai.

DECEMBER



- The Group made the first-round launch for Nova Grand, Phase 5 of the Nova City project, receiving strong market response.

- Hong Kong SkyCity Marriott Hotel was named "Asia's Leading Airport Hotel" at World Travel Awards for the fourth consecutive year.



2017

JANUARY

- The Group agreed to acquire 70% interest in a premium commercial development located at 111 Somerset Road, Singapore.
- TurboJET further increased sailing frequency of Tuen Mun – Macau route to 22 trips daily.

Chairman's Statement



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our Annual Report for the financial year ended 31 December 2016 and the short term outlook for our Group.

Loss attributable to shareholders of the Group for the year ended 31 December 2016 was HK\$587 million (2015: HK\$745 million in profit). Basic loss per share was HK19.3 cents (2015: basic earnings per share HK24.5 cents). The Board has resolved not to declare any final dividend for the year (2015: HK2.0 cents per share).

Over the past twelve months, the Group has experienced formidable hurdles in our operating environment. It started on a bleak note for our hospitality business, attributable to heightening recessionary pressure in the Chinese economy, a strong local currency which discounted our destination appeal, and the effect of the "one trip per week" Individual Visit Endorsements. A notable fall-off in inbound tourism in the first eight months which underpinned a broad based decline in export of travel services and retail performance have resulted. The market has remained largely challenging over the first eight months, with tourist arrivals trailing year-on-year. Despite signs of recovery towards year end, our portfolio properties were met with yet another set of challenges. Keen competition and aggressive pricing, especially in Macau where new resorts have brought on a surge in room supplies, have significantly impacted our bottom line. During the year, our hospitality division has registered a loss for the first time since 2010.

In terms of real estates, although risks were skewed towards the downside given an anticipated interest hike and potential capital outflow, properties continued to outperform most other sectors, buttressed by strong end user demand and a resilient labour market. The Group has actively leveraged the opportunity to market a number of our properties with on target prices, including the Chung Hum Kok Collection, remaining inventory at Nova Park, and the pre-sale of Nova Grand. The latter was launched in December with solid response from the local community, bearing testimony to the consistent quality and value of our developments. Nonetheless, a time lag in profit booking, coupled with a substantial revaluation loss for One Central, have prevented our property division from contributing better results to our financial performance within this fiscal year.

Our transportation division has continued to perform on strong footing, benefiting from lower fuel price, effective yield management and expansion of its market catchment. It is evident that our foresights and investments made to build the capacity for a well-connected maritime system across the Pearl River Delta, as well as a state-of-the-art fleet and value-creating services, have paid off in recent years. In 2016, TurboJET commenced management of the Hong Kong Tuen Mun Ferry Terminal, with routes to Macau, Shenzhen, and Zhuhai progressively launched. We are fully aware of the significance of 2017, as TurboJET is set to embrace opportunities and challenges brought about by two pivotal developments. These include the arrival of the Hong Kong-Zhuhai-Macau Bridge, and the completion of the new Pac On Taipa Ferry Terminal. We are confident that sea transport

will continue to be an integral part of multi-modal transport connection, and we are well prepared to usher in a new era of an expanded one-hour living circle, with its ever-growing population, market size and purchasing power.

While it is encouraging to see improvements in Macau's gaming market since August 2016, our investment division has registered a significant decline in profit, underscored by receded dividend income from Sociedade de Turismo e Diversões de Macau, S.A. which was indicative of its performance at the trough of the market corrections in 2015.

Although we are not pleased with the set of financial results delivered, 2016 has been a solid year from the perspective of advancing our strategic initiatives. Since five years ago, the Group has started to gear for expansion beyond Hong Kong and Macau. Starting with our investments in Beijing, Hengqin, Shanghai, and leading up to our latest foray into Singapore, the Group has carefully built an exciting pipeline of projects that are progressing smoothly as planned, bringing catalysts for dynamic growth from 2018 and beyond. Tying in with this initiative is a parallel expansion of our hotel management subsidiary Artyzen Hospitality Group ("AHG"), which has enlarged its footprint into important gateway cities such as Taipei, Kuala Lumpur, Shanghai and Nanjing. Through leveraging our market knowledge and network resources, the diversification strategy was aimed at optimizing our position to capture new opportunities in some of the most promising economies, to create additional synergies that promote balanced growth across the Group's portfolio, as well as to generate recurring cash flow with secure and stable returns for the future.

Notwithstanding a number of external uncertainties weighing on the market's confidence, the Group has entered 2017 with relative optimism. Firstly, the economy has regained momentum, picking up successively upon the back of sustained improvements in the external economic environment. Secondly, ground works laid over the past years are progressively coming to fruition. Not only have we locked in profits from a number of property sales to be recognized in 2017, our hotel arm AHG is also set to launch its first hotels in Taipei and Beijing within the year and propel new organic growth for the Group. Finally, and underpinning the above, are the core strengths and solid foundations we have built into our businesses. As new policies and infrastructures accelerate cross-regional integration, we will be at the forefront to capitalize upon the powerful growth.

Shun Tak is a progressive business. Over the past years we have been actively consolidating our strengths in order to deliver for our clients and shareholders over the long term. The Board believes that our clear and focused strategy, together with our highly motivated and talented management team, have put us right on track. Taking this opportunity, I would like to thank our committed employees, business partners and shareholders for your unwavering support throughout the years. I look forward to a strong 2017 with you all.

By order of the Board

Stanley Ho

Group Executive Chairman
27 March 2017

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.



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Striving for
Perfection

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Review of Operations

Property

Despite underlying concerns in the global socioeconomic environment, including an impending interest hike and softened growth in Mainland China's economy, the real estate markets in Hong Kong and Macau have remained relatively active in 2016. The Group has capitalized upon the opportunity to launch a number of projects, including the Chung Hom Kok Collection and presale of Nova Grand.

Despite underlying concerns in the global socioeconomic environment, including an impending interest hike and softened growth in Mainland China's economy, the real estate markets in Hong Kong and Macau have remained relatively active in 2016. The Group has capitalized upon the opportunity to launch a number of projects, including the Chung Hom Kok Collection and presale of Nova Grand. All projects under development are progressing on schedule, while satisfactory rental reversion in renewals and new lettings have been achieved. Nonetheless, due to a lag time in revenue recognition from sale of properties, the division has recorded a decreased profit of HK\$124 million over the year (2015: HK\$383 million). Meanwhile, a substantial revaluation loss associated with One Central has also been registered which is non-cash in nature.

Property Developments

PROJECTS COMPLETED WITH RECENT SALES

IN HONG KONG

Chung Hom Kok Collection

(Group interest: 100%)

This development comprises five luxury residential houses, each fitted with its own private pool and interior elevator, located in a premium and tranquil

neighborhood at Chung Hom Kok.

The development has been purchased by a PRC investor at a consideration of HK\$1,588 million, with the transaction completed in January 2017.

Chatham Gate

(Group interest: 51%)

The development comprises two grand residential towers offering units from studio to four-bedroom configurations with an appended shopping arcade, covering a total gross floor area of approximately 370,000 square feet. As of 31 December 2016, 332 units out of 334 residential units have been sold.

IN MACAU

Nova Park

(Group interest: 100%)

Nova Park, Phase 4 of Nova City, is a striking urban park-side residential development with an unimpeded view of the stunning Taipa Central Park, set in the heart of the thriving Taipa community. Its three residential towers cover a gross floor area of approximately 680,000 square feet and offer 620 residential units in total. During the year, 7 residential units have been sold in November 2016 with an average price of around HK\$9,300 per square foot, bringing cumulative number of units sold to 99% of all available units. As of 31 December 2016, 83% of units have been handed over to homeowners.

PROJECTS UNDER DEVELOPMENT

IN MACAU

Nova Grand

(Group interest: residential – 71%; commercial – 100%)

Phase 5 of Nova City, Nova Grand, will comprise over 2.3 million square feet of residential units in eight towers. The towers will sit above a large-scale lifestyle shopping centre spanning over 655,000 square feet. It is planned to house a diverse range of tenants including a cineplex, a supermarket, and an exciting array of differentiated lifestyle brands and dining options, bringing a new dimension of convenience to residents of Nova and fulfilling unmet demand in the entire Macau local community. In December, approximately 400 units of 2-bedroom and 3-bedroom apartments have been launched for presale, which were received with exceptional popularity. Foundation works have been completed and superstructure works are in progress with completion scheduled for late 2018.

The Group has entered into a sale and purchase agreement with HIP Company Limited ("HIP"), a wholly-owned subsidiary of the Abu Dhabi Investment Authority on 22 June 2016. Upon final completion of the transaction at a consideration of HK\$3,150 million, the Group will jointly hold the retail component of this property with HIP on a 50:50 basis.



IN NORTHERN CHINA

Beijing Tongzhou Integrated Development

(Group interest: Phase 1 – 24%; Phase 2 – 19.35%)

This project is set to become an iconic landmark in Tongzhou, as the city is earmarked to become the new Central Business District and new municipal government administration office in Beijing. The development will comprise approximately 250,000 square meters of retail space, 211,000 square meters of office, and 117,000 square meters of serviced apartments, all amalgamated under one prime address along the famous Grand Canal. It will enjoy direct connectivity to future subway and bus interchange stations. Substructure works are in progress with project completion expected for 2019.

IN SOUTHERN CHINA

Hengqin Integrated Development

(Group interest: 70%)

This integrated project located immediately at the border connecting Hengqin and Macau, has a site area of 23,834 square meters, atop of which approximately 42,500 square meters of office, 39,300 square meters of retail, 16,500 square meters of hotel and 32,800 square meters of serviced apartments have been planned. This landmark will be serviced by the future extension of the Guangzhou-Zhuhai Intercity Rail and the planned Hengqin light rail. It is a few minutes' drive away from Cotai strip where ultra-luxurious gaming resorts thrive. Substructure works are in progress with project completion expected in 2019.

IN EASTERN CHINA

Hotel property at Shanghai MixC

(Group interest: 100%)

In April 2015, the Group acquired a hotel property in Shanghai as part of the Shanghai MixC integrated commercial development project, at a consideration of approximately RMB700 million. The property is currently under construction and will be developed into an 8-storey hotel building spanning 29,200 square meters of gross floor area and 491 rooms, scheduled for completion by the third quarter of 2017. When completed, the hotel property will be operated by the Group's hotel management subsidiary, Artyzen Hospitality Group ("AHG"), under the brands of citizenM and Artyzen Habitat. Operation is expected to commence in the first quarter of 2018.

Review of Operations

PROJECTS UNDER PLANNING

IN CHINA

Mixed Development at Qiantan, Shanghai

(Group interest: 50%)

In November 2016, the Group formed a 50:50 joint venture with Shanghai Lujiazui (Group) Company Limited to acquire the land use rights of a 26,707 square meters site in Qiantan at a consideration of approximately RMB1,950 million. Under the current plan, the site is to comprise approximately 70,000 square meters of office space, 13,500 square meters of retail space, 20,000 square meters of hotel component, and a 30,000 square meters art and cultural centre including auxiliary retail facilities. The total investment of the entire project is expected to be approximately RMB6,000 million (or approximately HK\$6,900 million) with project completion scheduled for 2022. Upon completion, the hotel is planned to be managed by the Group's hotel management subsidiary, AHG.

IN MACAU

Harbour Mile

(Group interest: 100%)

In consideration that the Macau SAR Government is continuing to review the Master Plan of Nam Van area, the Group has renegotiated its position with the original sellers of the site in November 2016, in order to facilitate future strategizing of its investment in accordance to the best interest of its shareholders.

IN SINGAPORE

No. 9 Cuscaden Road, Singapore

(Group interest: 100%)

In August 2016, the Group completed the acquisition of a prime freehold site located at No. 9 Cuscaden Road, at a consideration of SG\$145 million or approximately HK\$835.2 million. The 25,741 square feet land parcel is located within the central business district in Singapore, surrounded by a number of tourist attractions and renowned hotels. It is within walking distance to the Orchard MRT station where major shopping complexes stand. The Group is considering to redevelop the property for hotel purpose.

Property Investments

IN MACAU

One Central Shopping Mall

(Group interest: 51%)

One of the defining hallmarks of One Central is a 400,000 square feet premium shopping mall, which houses a supreme collection of international designer brands. Its popularity demonstrates the Group's vision and strength in creating projects appealing to top quality tenants. The retail mall maintained an occupancy rate of around 95% as at 31 December 2016.

Shun Tak House

(Group interest: 100%)

The property, situated in a busy tourist locale at 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.

IN HONG KONG

Shun Tak Centre, Shop No. 402

(Group interest: 100%)

The premise has achieved 100% occupancy with two main anchor tenants, namely a 20,000 square feet upscale supermarket, the largest in Central and Sheung Wan districts, as well as a private indoor golf club. These lifestyle options have generated increased footfall and enhanced the overall value of the mall.

The Westwood

(Group interest: 51%)

Home to a myriad of chain retailers, The Westwood, a 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 is home to a wide selection of dining and retail chains providing daily conveniences to West Island. Occupancy was maintained at 99% as at 31 December 2016.

liberté place

(Group interest: 64.56%)

liberté place, the shopping podium of liberté which connects directly to the Lai Chi Kok MTR Station, offers dining and household conveniences to residents of the West Kowloon community, including the neighboring Banyan Garden, The Pacifica and Aquamarine. The mall has achieved full occupancy as at 31 December 2016.

Chatham Place

(Group interest: 51%)

Chatham Place is a 3-storey shopping arcade below Chatham Gate with approximately 50,000 square feet of leasable area comprising restaurants, educational institutions and a supermarket to provide everyday conveniences to the neighboring community. The property registered 76% occupancy as at 31 December 2016, and is undergoing a process of tenancy review.

IN CHINA**Shun Tak Tower**

(Group interest: 100%)

This project, a wholly-owned property in Beijing Dong Zhi Men near East 2nd Ring Road, comprises both office and hospitality components. The site spans 63,000 square feet (5,832 square meters), with a developable gross floor area of approximately 419,000 square

feet (38,900 square meters) rising 21 levels aboveground, and 182,000 square feet (16,900 square meters) in 4 underground levels. It commands a prominent location next to the airport highway and enjoys close proximity to Beijing downtown, embassy area, and YanSha district. Office leasing is well underway with occupancy standing at 52% as of 31 December 2016. A 138-room Artyzen Habitat is slated for opening in mid-2017.

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 an occupancy rate of approximately 84% over the year.

Property Services

Shun Tak Property Management Limited, the Group's wholly-owned subsidiary, offers professional property management service of residential and retail developments, clubhouse, office tower and car park to Hong Kong and Macau clients. Its experience in providing higher education institutions with integrated facility management service has opened up business opportunities in similar markets. Being specialized in pre-management consultancy and asset enhancement projects, it has helped owners unlock substantial value for their properties and enhance the quality in the long run.

As part of its integrated approach, the company also operates complementary businesses including Shun Tak Macau Services Limited, which specializes in property cleaning; and Clean Living (Macau) Limited which offers both retail and institutional laundry services.



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Expanding
Our Network

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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

Benefitting from stable fuel prices and innovative product differentiation strategies, the transportation division has maintained solid earnings. In particular, its Premier Grand class business has expanded remarkably in the last five years, providing major impetus of growth for the company.

Sluggishness persisted in the tourism industry over the first three quarters, with visitor arrivals curbed by a strong local currency and intensifying competition from other destinations vying to capture market share from Mainland visitors. As a result, TurboJET's flagship Hong Kong-Macau ferry routes have collectively registered 14 million passengers, representing a moderate decline of 4%. However, the company has been successful in weathering the downturn through disciplined yield management and strategic product diversification. In particular, its Premier Grand class has expanded by 270% in the last five years, providing major impetus of growth for the company. The market momentum improved towards year end and fuel price remained at low

level. The division concluded with 11% increase in profit at HK\$394 million (2015: HK\$356 million).

Shun Tak – China Travel Shipping Investments Limited

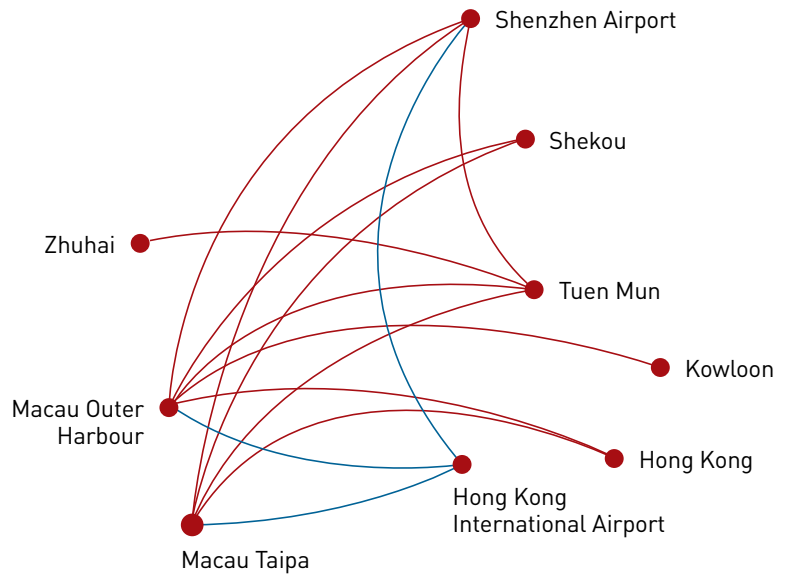
TurboJET has been at the forefront of revolutionizing maritime transportation, forging an extensive transport network in the Pearl River Delta region. Today, it runs one of the strongest ferry operations in the world, backed by over fifty years of management and engineering excellence. Embracing innovation and foreseeing changing demands, TurboJET pioneered the Premier Grand class, now available on 8 vessels running at 30-minute intervals, as well as all VIP cabins across its fleet. Subsequently,

Premier Plus was also launched, offering complimentary local land transfers in Macau for Premier Grand passengers. TurboJET continues to push the envelope in 2016 by introducing three new enhancements. Firstly, a brand new Premier Lounge was opened at Shun Tak Centre, extending more exclusive pre-boarding experiences to passengers which are particularly well-catered for modern and business travelers. Secondly, a new mobile application for Premier Grand passengers has been launched, allowing travelers to perform ticketing and add-on bookings with greater power in their hands. Thirdly, a Travel Planning Hotline Centre was established to provide comprehensive personalized concierge services for



Premier Grand passengers, where all travel arrangements can be fulfilled at one single stop.

Apart from enhancing its offers, TurboJET is constantly striving to expand its network. In January 2016, it commenced management of the Tuen Mun Ferry Terminal. Leveraging Tuen Mun's central location within the Pearl River Delta and its streamlined public transportation system, TurboJET launched services to Macau and Shenzhen Airport Fuyong Ferry Terminal, which quickly gained popularity. In April, a new route to Taipa was added, and later in September, another one to Zhuhai was introduced. Over the course of year, TurboJET has also rolled out the Macau Express Link and Tuen Mun Fly land connecting services at the new terminal, with both services aiming to facilitate intermodal transits for passengers using the two SAR airports. In the future, as new infrastructure projects such as the Tuen Mun-Chek Lap Kok Link, Tuen Mun Western Bypass and Tuen Mun South Extension come on line, the Tuen Mun Ferry



Terminal will further consolidate its role as an important node in regional cross-boundary travel.

TurboJET is consistently innovating to bring new convenience to this dynamic market. Its latest and future initiatives include a recently launched eBoarding service which enables paperless ticketing, minimizing hassle for passengers and carbon footprint for the environment. It also has plans

to extend its land connection service to Super Class and Economy Class passengers in the second quarter of 2017. Finally, in preparation for the impending launch of the permanent Taipa Ferry Terminal, TurboJET is set to enhance its sailing frequencies and capacities to meet new demands.

TurboJET was conferred a number of accolades within the year, including the "2015/16 Smiling Services Enterprises Award – Transportation Services" from Mystery Shopper Service Association, and the "2015 Hong Kong Awards for Environmental Excellence, Transport and Logistics – Silver Award" from Environmental Campaign Committee and Environmental Protection Department.

Shun Tak & CITS Coach (Macao) Limited

With a fleet of 155 vehicles, this 55.1% owned joint venture engages in cross-border and local coach rental business. With the opening of new hotels and resorts in the third quarter, the company has benefited from a surge in coach bus demand, registering HK\$167 million (2015: HK\$101 million) in revenue.



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Broadening
Our Horizons

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Hospitality

As a forerunner in hotel investments, hospitality and MICE businesses, the Group has built solid hotel management capacities and is rapidly expanding its footprint in major gateway cities across Asia.



Review of Operations

Hospitality

Hong Kong and Macau tourism continued to suffer from strong headwind and maintained the downward momentum from the preceding year. Our hotel portfolio in Macau was faced with intensified competition from new hotels and resorts pursuing aggressive pricing. However, our hotel management subsidiary has made significant strides in enlarging its footprint in China during the year.

Hong Kong and Macau tourism continued to suffer from strong headwind and maintained the downward momentum from the preceding year. Catalysts for this decline include a strong local currency, weakened growth in China's economy, and tightened visa policy for Mainland visitors. The dip was particularly significant in the first six months, with arrivals only picking up in the latter half of the year to narrow the gap. In Macau, as new integrated hotels and resorts vied for market share by pursuing aggressive pricing, independent hotels were faced with serious challenges. In 2016, the hospitality division registered a loss of HK\$263 million (2015: HK\$95 million in profit), mainly attributable to an impairment loss of HK\$344 million, representing a 378% year-on-year decline in return.

Hotels

In Hong Kong, the 658-room Hong Kong SkyCity Marriott Hotel located immediately adjacent to the AsiaWorld-Expo (AWE), and in close proximity to Hong Kong International Airport and SkyPier, has registered a yearly average occupancy rate of 86%. As the number of concerts and MICE events have reduced at AWE, the hotel experienced a decline in the FIT segment. Meanwhile, yield from group and crew bookings have weakened as city hotels offered substantial price slashes. The hotel is preparing to respond dynamically to a number of challenges in 2017 including the

opening of the third Disney Hotel in Lantau. It received a number of accolades in 2016, including "Asia's Leading Airport Hotel" by World Travel Awards 2016, "Luxury Hotel & Conference Centre (Country Winner)" by World Luxury Hotel Awards, and a number of recognition from leading online platforms.

Mandarin Oriental, Macau is one of the leading luxury hotels in Macau renowned for its bespoke services and fine elegance. Amid downward pressure on room rates, the hotel was able to maintain an average price above the MOP2,000 mark with a 45% occupancy. In order to improve business, the hotel focused on expanding its leisure and MICE business as a differentiation strategy through familiarization tours, roadshows and cross-promotion campaigns. It has actively grown its online presence, with the hotel and its Vida Rica restaurant taking third place on TripAdvisor's ranking. The hotel has won a number of respectable awards in 2016, including "Triple Five Star Hotel, Restaurant & Spa" by Forbes Travel Guide 2016, "Best Luxurious Hotels of China" from China Hotel Starlight Awards, "Grand Jury Award" by Spa China 2016 and "Macau Top Presidential Suite Award" from Hurun Presidential Awards 2016.

Grand Coloane Resort, currently managed by AHG, offers 208 rooms and suites each opening to a private and spacious terrace with an uninterrupted picturesque view

of the beach. It continues to occupy a niche market popular among holidaymakers, who prefer a green resort at a short drive away from Macau's action. The resort posted 68% in occupancy rate as it continues to be subject to direct competition from new hotels opening in the adjacent Cotai. During the year, it received the "Macau Green Hotel Award" from Macau Environmental Protection Bureau and "Guest Review Awards" by Hotels.com and Bookings.com.

Tourism Facility Management

The Group is renowned for providing integrated management solutions for tourism facilities with its top notch hospitality team and well established sales and marketing network. Under its management, Macau Tower Convention & Entertainment Centre ("Macau Tower") has become one of the most recognizable hotspots among Asian destinations. The number of patronized visitors to its observation levels has grown by 12%, outpacing growth in tourism arrivals in 2016.

Artyzen Hospitality Group

Over the course of the year, AHG, a subsidiary under the Group which specializes in hotel management solutions, has made significant strides expanding its footprint in China.

In 2016, AHG entered into a management contract with Shanghai Lujiazui Xinchun Investment Co. Ltd to manage two new hotels, Artyzen Hotels & Resorts and Artyzen Habitat,

co-located at the Shanghai Lingang New City with scheduled completion in 2021. Moreover, it will be managing a convention centre and a serviced apartment which form part of that vibrant community. In November, AHG further confirmed an estimated 160-room Artyzen Hotel located at the Sifang Collective site outside of Nanjing. These appointments reflect AHG's core values and product innovations are highly relevant to market needs.

2017 will be a milestone year for AHG as it debuts its first hotels. These include the 267-room citizenM Taipei at Ximending, and 138-room Artyzen Habitat Dongzhimen Beijing. It is anticipated that these openings will exemplify the culturally rewarding guest experiences embodied in the spirit of its brands, and provide the company with a foundation for accelerated expansion. Other pipeline projects include a hotel property as part of Shanghai MixC integrated development under two of its brands, including a 303-room citizenM hotel and a 188-room Artyzen Habitat hotel, scheduled for launch in the first quarter of 2018.

In addition to branded hotels, the company extends non-branded hotel management to hotel owners with properties that may not meet all the required brand criteria. It currently manages two hotel properties in Macau, namely the Grand Lapa hotel and Grand Coloane Resort, under such service.

Travel and MICE

With offices in Hong Kong, Macau, Beijing, Shanghai, Guangzhou and Shenzhen, Shun Tak Travel offers upscale concierge services to MICE organizers and corporate travelers, extending integrated ticketing and reservations, logistics handling, hospitality services and production expertise to clients.

2016 has been a challenging year for the division on two fronts; corporate clients continue to tighten budget on discretionary spending amid weakened sales, while service providers are increasingly reaching out to consumers directly by offering savings online. Nonetheless, with the division's trusted reputation and reliable services, its overseas business is gradually

gaining traction. It has secured a number of commissions outside of Hong Kong and Macau, with the market showing signs of medium term growth.

The division is well poised for new opportunities brought forth by two important catalysts in the near future. Upon the launch of Hong Kong-Zhuhai-Macau Bridge, inter-regional traffic is expected to experience a phenomenal surge, creating new pockets of growth in the entire spectrum of tourism products. At the same time, Hong Kong government is stepping up efforts to tackle substandard travel operators through legislation. It is expected that the Company, as a well-established operator, will benefit from the healthy and sustainable development of the industry after enactment of the new bill.

Combined revenue for the Group's travel and MICE business amounted to HK\$44 million in 2016 (2015: HK\$62 million).



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.



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Diversifying
Our Investments

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Review of Operations

Investment

The investment division recorded a decline in profit as dividend payout from Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”) continued to remain at low levels under the declined gaming performance and reduced visitor spending in year 2015.

The investment division recorded a profit of HK\$197 million (2015: HK\$278 million), representing a setback of 29%, as dividend payout from STDM continued to remain at low levels under the declined gaming performance and reduced visitor spending in year 2015, the effect of which is fully reflected in the Group’s dividend received in 2016.

The Group owns an effective interest in STDM of approximately 11.5%, which turn owns approximately 54.89% 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. Following consecutive months of contraction, the market has started to stabilize with gaming revenue outperforming general forecasts in the last quarter of 2016. However, it remains to see how the market works to absorb the latest supply additions.

The Group partnered with Worldwide Flight Services Holding SA and Royal Caribbean Cruises Ltd. to operate and manage the new Kai Tak Cruise Terminal, designed to accommodate a new generation of mega-cruisers. The terminal received 95 berthings and 372,946 visitors in year 2016, with

143 ship calls scheduled for year 2017, representing an encouraging increase of 1.5-fold. As of 31 December 2016, 87% of retail space has been leased.

Macau Matters Company Limited, the Group’s retail divisional arm, is the largest single brand toys business in Macau and operates the internationally renowned toy brand, Toys “R” US. It has a flagship store at Macau Tower and a second outlet near Senado Square. Despite the economic downturn and fragile consumer confidence, the company was able to maintain its bottom line results through prudent cost control and inventory management.





Recent Developments and Prospect



Year 2016 has been characterized by mixed performance, as the economy overcame a sluggish first half of year and started to recover in the last quarter. Despite the upturn, uncertainties in the global environment continued to give reasons for the Group to remain cautious. The Group has made well-paced progress throughout the last 12 months, and shall build upon its well-balanced portfolio with focus and agility.

Underpinned by a low interest environment, healthy end-user demand and capital inflow in light of Renminbi devaluation, the property market has seen accelerated activities over the year, and the Group is satisfactorily on track with its property sales.

In September, the Chung Hom Kok Collection has been sold to a corporate investor at a consideration of HK\$1,588 million, with the transaction completed in January 2017. In December, the Group has rolled out the much anticipated Nova City Phase 5,

Nova Grand. As of 31 December 2016, approximately 400 units of 2-bedroom and 3-bedroom apartments have been launched with remarkable success. As Macau first hand properties are in short supply, on top of which Nova Grand is the only residential development that offers direct convenience to a large scale lifestyle shopping mall, it is expected that subsequent batches to be launched will continue to attract strong market support.

Year 2016 is marked by important strides made by the Group, with the objectives of capitalizing on growth opportunities in other key gateway cities beyond Hong Kong and Macau.

In May 2016, the Group made its foray into Singapore through the acquisition of a prime site located at No. 9 Cuscaden Road, within short walking distance to the burgeoning Orchard road tourism and business district and earmarked for hotel development purpose. In January 2017, the Group

has further agreed to purchase a 70% interest in a commercial complex within the same locale at 111 Somerset Road, comprising approximately a gross floor area of 766,550 square feet of office units, medical suites and 2 levels of retail podium. The property is currently undergoing a substantial asset enhancement program with anticipated completion in early 2019.

In China, the Group together with Shanghai Lujiazui (Group) Company Limited announced the joint development of a 26,707 square meters site in Qiantan with the vision of creating an integrated community comprising office, retail, hotel and an art and cultural centre. The total investment of the entire project is expected to be approximately RMB6,000 million (or approximately HK\$6,900 million). This is the second major investment made by the Group in Shanghai, following the acquisition of a hotel property as part of Shanghai MixC in 2015.



On the back of stable fuel prices and innovative product differentiation strategies, the transportation division has maintained solid earnings. Premier Grand class service has been a core driver in yield improvement, as its popularity grew alongside ever-improving services, including the introduction of Premier Plus (a land transfer service), Premier Lounge, and a dedicated mobile application.

Since January 2016, the Group has commenced operation at Tuen Mun Ferry Terminal as a pivotal anchor to its Pearl River Delta multimodal network. Another major initiative in 2017 will be a launch of service at the soon-to-be-completed permanent Taipa Ferry Terminal. With efficient resource allocation and operating experience, TurboJET will be significantly enhancing its capacity to meet new demands of travelers in association with Cotai expansion.

The Group's hotel management arm, AHG, has progressively expanded its footprint in year 2016. These include two hotels as part of Shanghai Lingang New City, scheduled for opening in 2021, as well as a 160-room hotel located at the Sifang Collective site outside of Nanjing. Furthermore, in March 2017, AHG announced a management appointment of citizenM Kuala Lumpur. With a total of 8 hotel management agreements signed under the various brands of AHG, these brand reflective hotels will be opening progressively, building exciting momentum for further growth.

The investment division posted a 29% year-on-year decline in profits attributable to constricted dividend payout from Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"). Although it is anticipated that the gaming market has navigated out of its trough since August 2016 and

displayed signs of stabilization, it remains to be observed STDM's portfolio performance in light of intensified competition from new resorts and entertainment offers.

The Group has solid fundamentals and is firmly confident in the long term development potentials of its portfolio. It will remain disciplined, patient and committed to improving long term returns for its shareholders.

Corporate Social Responsibility

As a caring and responsible corporate citizen, the Group is active in community service and supports a wide range of charitable activities to improve the social well-being of the communities in Hong Kong and Macau.



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Creating
Lasting Value



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Corporate Social Responsibility

We believe financial performance is not the sole barometer to gauge success. Our CSR philosophy is to weave responsible social, environment and governance practices into our day-to-day operation, in a staunch commitment to enhancing community and environment well-being.

For a Brighter Tomorrow

In 2016, the Company continues to be one of the constituents of Hang Seng Corporate Sustainability Benchmark Index for the sixth consecutive year; and was awarded the “HKQAA CSR Plus Mark” in the “HKQAA CSR Index Plus” scheme by Hong Kong Quality Assurance Agency three years in a row.

Our Employees

Employees are our most valuable assets. Therefore, we place great emphasis on cultivating a safe, healthy and inclusive environment in which everyone can thrive at work and achieve work-life balance. In 2016, the Group organized a number of seminars covering topics including stress management, self-understanding, healthy eating, food waste reduction, MPF investment strategies; as well as various interest classes and outings to enhance staff’s quality of life. The Group values continued investment in our staff to equip them with different skill sets. Over the year, it contributed towards the training fund and sponsored staff to undertake various work-related courses. TurboJET continued to offer a wide range of training workshops for its managerial and general staff, focusing on occupational safety, quality management, regulatory compliances as well as professional development. These courses have enhanced their leadership capability and technical skills, providing opportunities for professional growth.

Our Community

Giving back to the community behind the success of the Group is an integral part of our corporate culture. With the full support of the Group, our employees take every opportunity to reach out to our community and serve the needy.

On the Group level, our staff shared the festive spirit with those in need by paying visits to singleton elders and brought gifts including mooncakes, hand-knitted scarves and other necessities around Mid-Autumn Festival and Christmas period. In support of the Group’s “Green Month” campaign, themed “Think Green Live Green”, a series of green workshops were arranged in November for our employees and senior volunteers from Hong Kong Aged Concern to prepare handmade gifts for the Elderly at the St James’ Settlement’s Evergreen Day Care Centre. This year, Macau Tower continued to take part in the annual “World Autism Awareness Day”, sponsoring an exhibition that showcased artworks created by children with Autism, as well as a concert orchestrated by Macau Autism Association. Besides, the Company has made donations totaling over HK\$1.2 million to Tung Wah Group of Hospitals (TWGHs), Po Leung Kuk and Hong Kong Aged Concern to support their fundraising activities and philanthropic services, such as the “Tung Wah Charity Carnival Charity Day” and “Po Leung Kuk Chinese New Year Charity Walk”. We have also participated in other fundraising events including Community Chest “Walks for Millions”, “Dress Casual Day” and

“Love Teeth Day”, “Orbis Raffle Charity Sale” and “TWGHs Corporate Flag Day”, as well as the “Central Rat Race” for the MINDSET.

TurboJET carried on its charitable spirit to partake in a myriad of welfare works in 2016. In January, it organized a two-day trip to Hong Kong for more than 70 underprivileged children from Macau. In June, a lunch gathering at Macau Tower was held for children with mental disabilities together with their families. From July to August, TurboJET teamed up with The Friends of Scouting to provide free tutorial services, and organized a one-day Macau tour for ethnic minority children. In addition, our volunteer staff held a barbeque gathering and delivered daily necessities to over 100 senior citizens living in Tak Ku Ling in celebration of Easter and Christmas. Apart from making donations to support Special Olympics Hong Kong, St. James’ Settlement and Zonta Club of Macau, TurboJET sponsored a number of fund-raising campaigns by Orbis, Yan Oi Tong, Hong Kong Playground Association and Caritas Macau.

The Group’s unwavering commitment in promoting social well-being has won it a number of accolades, including “The 7th Hong Kong Outstanding Corporate Citizenship Logo – Enterprise and Volunteer Category” by Hong Kong Productivity Council, “10 Years Plus Caring Company” Logo by The Hong Kong Council of Social Service, “Caridade Social 2015-2016” Award by Macao Chamber of Commerce, and “Better World Company” Logo by Junior Chamber International Hong Kong.

Our Environment

Our CSR activities for the community go beyond volunteer works and sponsorships. Recognizing the importance of building sustainability into business, each operational division has established 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 launched in 2016 the “Green Month” campaign to unify cross-departmental efforts in building a greener workplace and community. It garnered wide support from our staff with a number of green initiatives successfully held. These included Planting Workshops with Hong Kong Aged Concern, Green Talk in collaboration with Food Angel and Volunteering Day at its community kitchen, Coastal CleanUp at Wu Kai Sha, as well as Nam Sang Wai Eco Tour. In Macau, the corporate office held several recycling campaigns in which second-hand computers and clothes were collected and donated to welfare organizations.

Following its sponsorship and support to “Arctic Expedition 2015”, TurboJET joined forces with the Scout Association of Hong Kong to organize seven school seminars in year 2016, educating over 4,000 students on climate change and environmental protection through post-trip sharing. Meanwhile, it continued to sponsor the Ta Ku Ling Organic Farm, as well as further expanded the “Green Roof Planting” area at the penthouse of shipyards for organic farming. For the 8th consecutive year, TurboJET and other divisions under the group participated in the Earth Hour campaign organized by World Wide Fund for Nature



to promote energy conservation. Our property management arm, meanwhile, signed up to the “Energy Saving Charter” launched by Energy Efficiency Office, Electrical and Mechanical Services Department, making a pledge to conserve energy across all business operations.

Green efforts dedicated by different divisions have been well recognized by professional bodies. In 2016, the Group was awarded four environmental certificates including “Energywi\$e Certificate (Excellence Level)”, “Wastewi\$e Certificate (Excellence Level)” and “IAQwi\$e Certificate (Good Level)” by Hong Kong Green Organization Certification, as well as the “Good Class Indoor Air Quality (IAQ) Certificate” by the Environmental Protection Department. It also attained World Green Organization’s “Green Office” Label.

The shipping division was conferred “2015 Hong Kong Awards for Environmental Excellence, Transport and Logistics – Silver Award” by Environmental Campaign Committee and Environmental Protection Department. Property management division has also clinched several green awards in properties within its portfolio, including “Excellent Class Indoor Air Quality (IAQ) Certificate”, “Certificate of Merit in Commendation Scheme on Source Separation of

Domestic Waste 2015/16”, “Certificate of Quality Water Supply Scheme for Buildings”, “FoodEver Award – Gold Award”, “Hong Kong Green Awards 2016 – Environmental, Health and Safety Award (SME) – Bronze Award”, to name just a few.

Our Future

Marking the 10th year of collaboration with Young Entrepreneurs Development Council, the Group continued to support its “Life Planning Cooperation Program” in 2016. Our corporate ambassadors guided nearly 50 secondary school students on their career planning through experience-sharing and counselling. In Macau, the Group arranged for students in tourism-related studies a company tour to its hospitality facilities, allowing them to understand first-hand the industry’s operations. Meanwhile, TurboJET continued to organize school visits to its shipyard and placement programs for students in mechanical engineering, maritime and tourism studies, strengthening their knowledge on the development of the industry. It also offered its annual scholarship to support and encourage young talents to pursue their goals in maritime and transportation fields.

Please refer to the Group’s soon-to-be published Sustainability Report to find out more about our commitment to uphold Corporate Social Responsibility.

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 2016	Estimated Completion Date
Hong Kong						
Chatham Gate No. 388 Chatham Road North, Kowloon	571 (Note 1)	3,786	Residential	51%	Completed	—
	36 motor car parking spaces (Note 1)		Carpark		Completed	—
Macau						
One Central One Central Residences	561 motor car parking spaces	18,344	Carpark	51%	Completed	—
	141 motorcycle parking spaces		Carpark		Completed	—
Nova City						
Phase IV - Nova Park (Taipa Lot BT35)	10,351 (Note 2)	5,426	Residential	100%	Completed	—
	94 motor car parking spaces (Note 2)		Carpark	100%	Completed	—
Phase V - Nova Grand (Taipa Lot BT2/3)	214,915	23,843	Residential	71%	Superstructure works in progress	2018
	814 motor car parking spaces		Carpark	71%	Superstructure works in progress	2018
	203 motorcycle parking spaces		Carpark	71%	Superstructure works in progress	2018
	60,900		Commercial	100%	Superstructure works in progress	2018
	609 motor car parking spaces		Carpark	100%	Superstructure works in progress	2018
	153 motorcycle parking spaces		Carpark	100%	Superstructure works in progress	2018

	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 2016	Estimated Completion Date
PRC						
Plots 13, 14-1 and 14-2 Tongzhou District, Beijing	318,197 (Note 3)	38,926	Commercial/ Office/Serviced Apartment	24%	Substructure works in progress	2019
Plots 10, 11 and 12 Tongzhou District, Beijing	293,837 (Note 3)	84,024	Commercial/ Office/Serviced Apartment	19.35%	Substructure works in progress	2019
Shun Tak Tower No.1, Xiangheyuan Road, Dongcheng District, Beijing	33,566	5,832	Hotel	100%	Fitting out works in progress	2017
Plots Zhu Heng Guo Tu Chu No. 2013-04 Hengqin New District, Zhuhai	136,645 (Note 4)	23,834	Commercial/ Office/Serviced Apartment/Hotel	70%	Substructure works in progress	2019

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 2016	Estimated Completion Date
Macau						
Harbour Mile (Note 5)	217,964 (Note 6)	24,790 (Note 6)	Commercial/ Residential/ Hotel	100%	Land bank	—
PRC						
Inside MixC, Shanghai No. 3999-5, 3999-6 Hong Xin Road, Shanghai	29,200	5,694	Hotel	100%	Superstructure works in progress	2017
Lot 31-01, Code Z000801, Qiantan District, the South Extension of Huangpu River, Pudong New Area, Shanghai	133,537	26,707	Commercial (with Art & Cultural Centre) Office Hotel	50%	Design works in progress	2022 2022 2022

Schedule of Major Properties

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 2016	Year of Lease Expiry
Thailand						
Rawai Beach, Phuket, Thailand	—	36,800	Hotel	50%	Land bank	Freehold
Singapore						
9 Cuscaden Road	—	2,391	Hotel	100%	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 2016	Year of Lease Expiry
Hong Kong						
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
Macau						
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%	—	2026 renewable to 2049
Edificio Industrial Fu Tai, Macau Unit A4 on 4/F	350	—	Plant	100%	—	2023 renewable to 2049

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
Hong Kong						
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	315 motor car parking spaces	—	Carpark	51%	—	2030
	30 motorcycle parking spaces	—	Carpark	51%	—	2030
Chatham Place, 388 Chatham Road North, Kowloon	5,679	—	Commercial	51%	4,410	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
Hong Kong SkyCity Marriott Hotel 1 Sky City Road East, Hong Kong International Airport, Lantau, Hong Kong	42,616	13,776	Hotel	70%	—	2047

Schedule of Major 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
Macau						
Mandarin Oriental Macau	30,094	18,344	Hotel	51%	—	2031 Renewable to 2049
One Central Retail Complex, Macau	37,017	—	Commercial	51%	18,490	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
Grand Coloane Resort and Macau Golf & Country Club Hac Sa Beach, Coloane, Macau	42,285	767,373	Hotel/ Golf Course	34.9%	—	2023 renewable to 2049

	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
PRC						
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
Shun Tak Tower No. 1. Xiangheyuan Road, Dongcheng District, Beijing	22,273	5,832	Office	100%	22,273	2057
	56 motor car parking spaces		Carpark	100%		2057

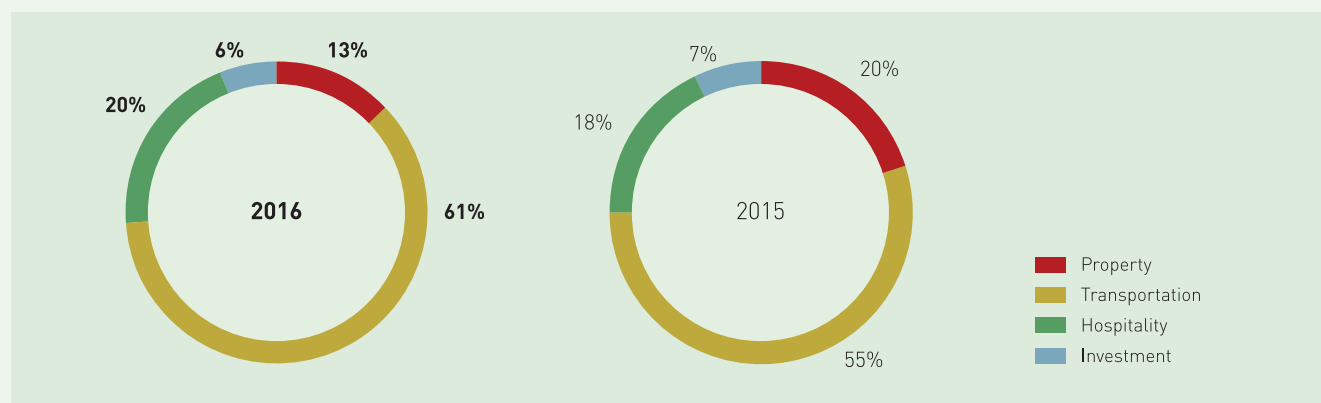
Notes:

- (1) Remaining salesable area or number of car parking spaces for sale as at 31 December 2016.
- (2) Remaining gross floor area or number of car parking spaces for sale as at 31 December 2016.
- (3) The gross floor area, which includes basement area, shall be subject to the PRC Government approval and design development.
- (4) The gross floor area, which includes basement area, shall be subject to design development.
- (5) Completion date of the acquisition is extended to on or before 31 October 2026 because the Macau SAR Government is still in process of reviewing the land issues and the Master Plan for the Nam Van District.
- (6) 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.

Group Financial Review

Revenue Analysis

Revenue by Division



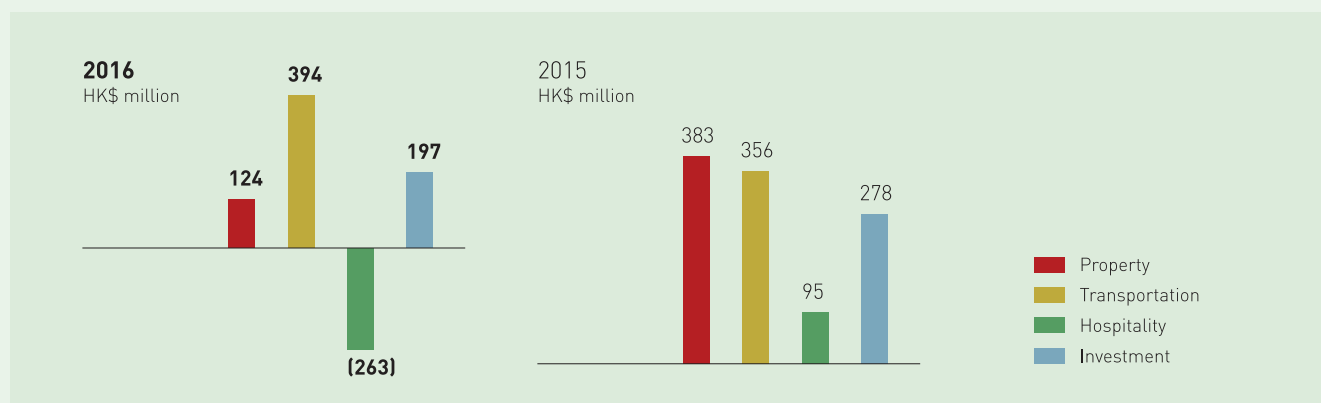
(HK\$ million)	2016	2015	Variance	%	Remarks
Property	495	869	(374)	(43)	The decrease was mainly attributable to the reduced property sales recognised in 2016 for Nova City Phase 4 and Chatham Gate.
Transportation	2,331	2,406	(75)	(3)	The decrease was mainly attributable to the moderate decline in passenger number to Macau.
Hospitality	787	802	(15)	(2)	The marginal decrease was attributable to the challenging operating environments for tourism businesses across Hong Kong and Macau due to strong local currency and weakened growth in China's economy.
Investment	239	328	(89)	(27)	The decline was mainly attributable to the decrease in dividend income generated from STDM.
Total	3,852	4,405	(553)	(13)	

Revenue by Geographical Area

(HK\$ million)	2016	2015	Variance	%	Remarks
Hong Kong	1,952	2,043	(91)	(4)	The decrease was mainly attributable to the reduced property sales recognised for Chatham Gate.
Macau	1,783	2,262	(479)	(21)	The decrease was mainly attributable to the reduced property sales recognised for the Nova City Phase 4 and reduced dividend income from STDM.
Mainland China	114	97	17	18	The increase was due to the improved rental income generated from an investment property located in Beijing.
Others	3	3	—	—	Revenue remained stable during the year.
Total	3,852	4,405	(553)	(13)	

Profit and Loss Analysis

Segment results by Division



(HK\$ million)	2016	2015	Variance	%	Remarks
Property	124	383	(259)	(68)	The decrease was mainly attributable to the reduced property sales recognised in 2016 for Nova City Phase 4 and Chatham Gate.
Transportation	394	356	38	11	The improvement was mainly attributable to the lower fuel cost despite a moderate decrease in the passenger number.
Hospitality	(263)	95	(358)	(377)	The decrease was attributable to the impairment of property, plant and equipment.
Investment	197	278	(81)	(29)	The decline was mainly attributable to the reduced dividend income generated from STDN.
Unallocated net income	4	33	(29)	(88)	The variance was mainly resulted from the decreased interest income.
Fair value changes on investment properties	73	257	(184)	(72)	The fair value gain on investment properties reflected the performance of our portfolio in the property market.
Operating profit	529	1,402	(873)	(62)	
Finance costs	(141)	(170)	29	17	The variance was mainly attributable to the increase in capitalisation of borrowing cost during the year.
Share of results of joint ventures	(503)	123	(626)	(509)	The decrease was mainly due to the fair value loss from the 51% owned One Central shopping mall in Macau.
Share of results of associates	1	(44)	45	102	The variance was mainly attributable to less administrative expenses for Tongzhou project.
(Loss)/profit before taxation	(114)	1,311	(1,425)	(109)	
Taxation	(119)	(138)	19	14	The decrease was mainly related to less taxable profit generated from property sales.

Group Financial Review

(HK\$ million)	2016	2015	Variance	%	Remarks
(Loss)/profit for the year	(233)	1,173	(1,406)	(120)	
Profit attributable to non-controlling interests	(354)	(428)	74	17	The variance was mainly attributable to the combined effect on reduced profit shared by non-controlling interests in property and transportation divisions.
(Loss)/profit attributable to owners of the Company	(587)	745	(1,332)	(179)	

Liquidity, Financial Resources and Capital Structure

At 31 December 2016, the Group's total net assets decreased by HK\$867 million over last year to HK\$30,558 million. Cash and liquidity position remains strong and healthy. During the year, net cash generated from operating activities amounted to HK\$1,052 million. Major cash inflow of investing activities included HK\$207 million dividend received from available-for-sale investments, HK\$235 million interest income and HK\$621 million decrease in bank deposits with maturities over three months. The major cash outflow of investing activities consisted of HK\$1,119 million for purchase of property, plant and equipment and HK\$618 million deposits paid for the acquisition of properties located in Shanghai. Net cash used in financing activities of HK\$2,324 million was mainly attributable to the composite effect from drawdown and repayment of loans, payment of finance cost and dividend paid to shareholders.

Cash Flow Variance Analysis (HK\$ million)	2016	2015	Variance
Operating activities	1,052	431	621
Investing activities	(670)	(2,667)	1,997
Financing activities	(2,324)	(716)	(1,608)
Net decrease in cash and cash equivalents	(1,942)	(2,952)	1,010

The Group's bank balances and deposits amounted to HK\$13,275 million at 31 December 2016, representing a decrease of HK\$2,583 million as compared with the position as at 31 December 2015. It is the Group's policy to secure adequate funding to satisfy cash flows required for working capital and investing activities. Total bank loan facilities available to the Group as at 31 December 2016 amounted to HK\$15,289 million, of which HK\$7,660 million remained undrawn. The Group's bank borrowings outstanding at the year end amounted to HK\$7,629 million. The Group's borrowings also comprised the medium term notes ("MTN") of HK\$3,145 million.

As the Group had a net cash balance at 31 December 2016 and 31 December 2015, no gearing ratio (expressed as a ratio of net borrowings to equity attributable to equity holders of the Company) is presented. 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
5%	6%	88%	1%	100%

On 1 November 2016, the Group succeeded in the bid of the land use right of a land located in Shanghai Qiantan at RMB1,950 million (equivalent to approximately HK\$2,242 million) with a joint venture partner ("JV partner"). A joint venture agreement was formed with the JV Partner to jointly develop the land. As at 31 December 2016, the Group has an outstanding commitment to contribute capital of RMB1,500 million to the joint venture. Deposit of RMB487 million (equivalent to approximately HK\$567 million) was paid.

In April 2015, the Group entered into a framework agreement to agree to acquire a property in Shanghai Hongqiao Town, Minhang District at a consideration of RMB700 million subject to adjustments. The framework agreement will subsequently be replaced by a sale and purchase agreement which contains substantially the same principal terms as those in the framework agreement upon fulfillment of certain conditions. The property will be developed into a hotel building with fit-out works. The Group had paid RMB210 million and had an outstanding commitment amounted to RMB490 million (equivalent to approximately HK\$545 million) at year end.

Charges on Assets

At the year end, bank loans to the extent of approximately HK\$2,544 million (2015: HK\$3,293 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK\$13,437 million (2015: HK\$15,396 million). Out of the above secured bank loans, an aggregate amount of HK\$865 million (2015: HK\$2,637 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.

Human Resources

The Group, including subsidiaries but excluding joint ventures and associates, employed approximately 3,410 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.

Group Financial Review

Principal Risk Factors

The Group's financial performance, operations and prospects for growth may be affected by risks and uncertainties, both direct and indirect. Key risk factors are set out below but they are by no means exhaustive or comprehensive and there may be other additional risks which are not yet known to the Group or which may not be significant now but may turn out to be significant in the future:

Macroeconomic Environment

The Group derives a substantial portion of its revenue and operating profits from its property division, which includes property development, property investment business and property management services segments. Consequently, the performance of the Group is dependent on the general performance of the Hong Kong, Macau, PRC and Singapore respective economies and property markets. Changes in domestic, regional or global economic conditions may also lead to fluctuations in property prices and affect the value of properties owned or being developed by the Group. Changes in local, regional and international economic environments may have significant impact on tourism and business spending patterns. Continuing negative conditions such as higher unemployment rates, depressed stock or property prices, reduced disposable income, exchange rates fluctuations would reduce demand for leisure and business travels and adversely impact the transportation business and its results of operations. The Group's hospitality division is dependent on the general performance of the economies of Hong Kong, Macau, Greater China and regionally. Sluggish growth puts downward pressure on room rates and occupancy levels of the Group's hotels and reduces demand for hospitality-related services such as restaurants, travel, tourism facilities, MICE and retail businesses which may lead to revenue decline.

Government Policies, Regulations and Approvals

Property, transportation and hospitality businesses are subject to extensive legal compliance, grant of licenses or concessions and their respective requirements, necessary government approvals, as well as safety, hygiene and environmental regulations. Any breaches, incidents, or failure to receive licences, concessions or approvals from relevant governments may cause suspensions of operations, loss of rights to operate or loss of rights to pursue development plans. Government policies and regulations may lead to fluctuations in property prices and affect the schedule of land sales and approvals for land use including, for example, the Special Stamp Duty imposed by the Hong Kong SAR Government to cool an overheated property market, the revision and introduction by the Macau SAR Government of the Land Law, Urban Planning Law and Cultural Heritage Protection Law. Ferry operations are subject to extensive compliance requirements and grant of permits and licenses. The renewal of certificates and approvals at various operational stages are often subject to fulfillment of conditions set by government authorities (such as minimum number of sailings and ticket prices) or shipping classification societies. Increases in departure tax or changes in visa approvals or entry restrictions may reduce passenger traffic. Hospitality operations are subject to a wide variety of laws and regulations and policies including those of healthcare, hygiene, taxation, environmental, safety, fire, food preparation, building and security etc. Further increases in minimum wages in Hong Kong and Macau could cause higher costs of operations.

Competition

The construction of the Hong Kong-Zhuhai-Macau Bridge is expected in coming years to open up land transportation to Macau. This would directly compete with the Group's Hong Kong-Macau ferry service and may lead to a significant fall in the Group's ferry traffic and hence revenue. The Group's owned or managed hotels are subject to intense competition from other large, multi-branded hotel chains and emerging life style brands in the region.

Fuel Supply

Unpredictable events such as geo-political developments may drive actual or perceived fuel supply shortages and lead to rises in fuel prices thereby affecting adversely profitability of the Group's transportation business. While the Group's fuel hedging program remains in place, it may not be fully effective against highly volatile movements in fuel price. Also, it is the Group's policy to hedge a percentage of its projected consumption. Contamination of fuel supply may also cause damages to major machinery in vessels and undermine operations and the Group's reputation.

Reliance on Technology and Automated Systems

Our businesses demand the use of sophisticated technology and automated systems for its transportation business such as ticketing and reservation system, navigation and telecommunication system, payment systems and website. Failure of such systems, as well as those of the Group's property and hospitality-related operations may lead to disruption of operations, loss of important data, leakage of personal and payment information and result in breach of data privacy regulations, damage of reputation and loss of revenue and may give rise to uninsured liabilities.

Counterparty, Legal & Compliance, Employee Misconduct, Negligence and Fraud Risks

A potential failure on the part of the Group's bankers, joint venture partners, buyers, tenants, contractors, debtors, and suppliers to honour their financial or operational obligations or contractual or other disagreements could delay implementation of growth plans, products or service initiatives, make us liable, or result in loss of revenue, litigation costs or other liabilities. Termination of management or franchise agreements prematurely or inability to renew such agreements may lead to suspension of operations or loss of business. Counterparty may fail to enforce the standards required and contractual terms may also be subject to interpretation and will from time to time give rise to disagreements. Risk may also arise from employees' misconduct or negligence including but not limited to breaches of rules and regulations, overriding of or non-compliance with internal policies and procedures, corruption, associated frauds and other malpractices. The Group may also be involved in investigations and regulatory proceedings in respect of non-compliance with rules and regulations or subject to risks arising from alleged, or actual, violations of business conducts, market abuse or bribery. Substantial legal liability could materially and adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm.

Availability of Labour, Resources and Materials

The Group needs to attract, retain and develop sufficiently skilled and experienced work forces to maintain high standards of quality and guest and customer services. The market in Hong Kong is short of licensed sea-masters, mariners and maintenance technicians for ferry operation while Macau SAR Government's quota for non-resident labour also causes shortages of labour in Macau for hotels and drivers for coach operations respectively. Any labour disputes may also lead to industrial actions and disruptions to operations. Other factors which may increase the Group's cost, affect operations or cause construction delays include the untimely delivery, adverse quality, shortages or increased costs of material supplies, unavailability of contractor services, parts and components for maintenance of the fleet and our properties and hospitality facilities.

Outbreak of Contagious Disease, Disasters or Adverse Weather

Transportation, hospitality, tourism related and MICE businesses are adversely affected by factors beyond the Group's control such as continuous severe weather conditions, outbreak of contagious disease, natural disasters, civil unrest or travel security measures.

Group Financial Review

Strategic, Decision Making and Integration Risks

The results of the Group's strategic decisions or business plans may fall short of expectations due to lack of response capacity to changes in business conditions or poor implementations of plans. The Group may also face challenges arising from integrating newly established or acquired businesses with existing operations, managing them in markets where we have limited experience, failing to generate synergies, or undertaking a new business which become a drain on the Group's management and capital resources.

Financial Risk

The Group adopts a conservative policy in financial risk management with insignificant exposure to currency and interest rate risks. Except for the guaranteed MTN, all funds raised by the Group are on a floating rate basis. Except for the MTN of US\$400 million and bank loan of RMB289 million, the Group's outstanding borrowings were not denominated in foreign currency as at the year end. Approximately 90% of the bank deposits, cash and bank balances are denominated in Hong Kong dollar, Macau pataca and US dollar and the remaining balance mainly in Renminbi. The Group's principal operations are primarily conducted in Hong Kong dollar so the exposure to foreign exchange fluctuations is insignificant. While the Group has financial assets and liabilities denominated in the US dollar and Macau pataca, both have long been pegged to Hong Kong dollar and exposure to currency risk is therefore insignificant to the Group. The Group engages in fuel hedging and currency swap activities to minimise exposure to fluctuations in fuel prices and foreign exchange rate in accordance with the Group's approved treasury policies.

The Executive Committee, together with a panel of senior management and number of committees and working groups for business development, management, fuel hedging, crisis management, safety, health and environmental, business continuity and information technology, are (i) closely monitoring the foregoing and other risks not hereinbefore mentioned to minimize the impact on the Group (if any such risks materialize); and (ii) explore ways to develop and enhance services, reduce cost and generate income for the Group.

Report of the Directors

The directors (the "Directors") of Shun Tak Holdings Limited (the "Company") have the pleasure of submitting their report together with the audited financial statements for the year ended 31 December 2016.

Principal 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 45 to the financial statements.

The analysis of performance by the Company and its subsidiaries (the "Group") for the year by reportable operating segments in business operation and geographical locations is set out in note 36 to the financial statements.

Group Financial Statements

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Company and of the Group as at that date are shown in the financial statements on pages 89 to 183.

Dividend

No interim dividend was declared by the board of Directors (the "Board") during the year ended 31 December 2016 (2015: nil).

The Board does not recommend the payment of any final dividend (2015: HK2.0 cents per share) in respect of the year ended 31 December 2016.

Business Review

A review of the Group's business for the year ended 31 December 2016 and discussion of its future development are provided in Chairman's Statement, Review of Operations, and Recent Developments and Prospect on pages 16 to 37.

In addition to the below sub-paragraphs, a description of the principal risks and uncertainties that the Group may be facing is provided in Group Financial Review on pages 48 to 54.

The Group has set up systems and procedures to ensure compliance with relevant laws and regulations which have a significant impact on the Group and in the conduct of its businesses, including internal control procedures, establishment of code of conduct and internal policies for prevention of bribery, risk management and whistleblowing, staff training, regular review of sufficiency and effectiveness of its systems and procedures, timely communication to relevant departments and staff upon enactment of, or changes in, relevant laws and regulations, and regular reminders of compliance.

Environmental Policies and Performance

The Group is committed to environmental sustainability. Its Sustainability Policy underscores environmental protection in business activities, management and operation practices, intending to minimize their impact on the environment and integrate sustainable practices in its supply chain as far as practicable.

The Group continues its environmentally-conscious practices including operating a greener workplace, reducing its carbon footprint, optimizing its energy use, reducing its waste generation, conserving resources and maintaining indoor environmental quality. The Group also participates in prominent global environmental initiatives as well as initiatives of the Hong Kong and Macau governments.

Report of the Directors

Relationships with stakeholders

The Group recognizes the critical roles its employees, customers, suppliers, business partners and community play in its sustainability practices.

The Group's employees are one of its most important assets and it is committed to providing them with a fair and safe, healthy and happy work environment that is conducive to personal growth and career development. The Group has in place work-life balance and continuing education programs.

The Group's customers hold the key to success of its sustainable journey. The Group strives for excellence in service across its business activities and implement reasonable measures to guard the safety of its customers under relevant laws and regulations.

Stakeholders in the Group's supply chain - suppliers and vendors - are crucial collaborators. The Group is committed to sharing its core values in pursuit of business integrity, service excellence, and long-term mutually beneficial relationships.

Further information of the Group's sustainability and environmental policies and performance and relationships with stakeholders can be found in the Group's annual Sustainability Report available on the Group's corporate website: www.shuntakgroup.com.

Five-Year Financial Summary

A summary of the results, and of the assets and liabilities, of the Group together with an analysis of its performance using key performance indicators for the last five financial years, are set out on pages 184 to 185.

Particulars of Properties

Particulars regarding the properties and property interests held by the Group are shown in the Schedule of Major Properties on pages 42 to 47.

Shares Issued

No shares were issued during the year ended 31 December 2016.

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

Distributable Reserves

Distributable reserves of the Company as at 31 December 2016, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK\$4,154,418,000 (2015: HK\$4,201,130,000).

Donations

During the year, the Group made donations of HK\$1,375,000 (2015: HK\$318,000) for charitable and community purposes.

Debentures

No debentures were issued during the year ended 31 December 2016.

Details of medium term notes of the Group are shown in note 31 to the financial statements.

Equity-Linked Agreements

Save for the share option scheme of the Company disclosed in sub-paragraph under the heading of "Share Options" below, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

Bank Borrowings

Details of the Group's bank borrowings are shown in note 29 to the financial statements.

Major Customers and Suppliers

To avoid over-reliance on a single source of supply, it is the Group's policy to have several suppliers for particular materials. 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. 71.8% of the Group's total purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 47.4% of the Group's total purchases.

Dr. Stanley Ho, Mrs. Mok Ho Yuen Wing, Louise (who passed away on 21 December 2016), Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum hold beneficial interests in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), one of the five largest suppliers of the Group. Save as disclosed, no other Directors, their close 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 shares) held interest, at any time during the year, in the Group's five largest suppliers.

Directors

(a) Directors of the Company

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 Director:

Mrs. Mok Ho Yuen Wing, Louise (passed away on 21 December 2016)

Independent Non-Executive Directors:

Mr. Norman Ho

Mr. Charles Ho

Mr. Michael Ng

Mr. Kevin Yip

In accordance with Articles 83 and 84 of the Company's Articles of Association, Dr. Stanley Ho, Mr. Norman Ho and Ms. Pansy Ho will retire by rotation at the forthcoming annual general meeting of the Company. Save for Dr. Stanley Ho who has decided not to seek re-election, all the other retiring Directors, being eligible, have offered 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 Mr. Norman Ho, Mr. Charles Ho, Mr. Michael Ng and Mr. Kevin Yip, and considers them to be independent.

Brief biographical details of the Directors as at the date of this report are set out on pages 6 to 12.

(b) Directors of the Company's subsidiaries

The list of directors and alternate directors who have served on the boards of the Company's subsidiaries during the year, and up to the date of this report, is available on the Company's corporate website at www.shuntakgroup.com.

Report of the Directors

Directors' Service Contracts

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

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 2016 are set out in note 37 to the financial statements.

The transactions disclosed in sub-paragraphs 1 and 6 below under the heading of "Directors' Interests in Transactions, Arrangements or Contracts and Connected Transactions", fall under the definitions of continuing connected transactions or connected transactions under Chapter 14A of the Listing Rules, and also constitute related party transactions under the Hong Kong Financial Reporting Standards.

Directors' Interests in Transactions, Arrangements or Contracts and Connected Transactions

1. Dr. Stanley Ho, Mrs. Mok Ho Yuen Wing, Louise (who passed away on 21 December 2016), Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum hold 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 and Mr. David Shum were 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 granted a concession to operate casinos in Macau by the Macau SAR Government.

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

- (a) On 14 December 2015, the Company and STDM entered into a master products and services agreement (the "Master Agreement") to set out a framework to provide the products and services below by the Group to the STDM Group, and vice versa, on a non-exclusive basis. The Master Agreement is for a term of 3 years from 1 January 2016 to 31 December 2018. Subject to compliance with the Listing Rules, the Master Agreement may be renewed by the parties before its termination.
 - provision of products and services by the Group to the STDM Group including the following:
 - (i) sale of ferry tickets (the "Ferry Ticket Transactions");
 - (ii) provision of management and operation services to hotels and other hospitality properties and business owned by the STDM Group such as hotels, Macau Tower Convention & Entertainment Centre ("Macau Tower") and restaurants;
 - (iii) sale of travel products and provision of travel agency services, such as hotel accommodation and ticketing;
 - (iv) provision of other property-related services, such as property management, sale and leasing, project management and cleaning services to various properties owned by the STDM Group; and
 - (v) provision of business support services such as laundry, company secretarial services, promotion and advertising, and office administrative services.

- provision of the products and services by the STDM Group to the Group including the following:
 - (vi) sale of travel products such as hotel accommodation and Macau Tower admission tickets to the Group; and
 - (vii) provision of management services to properties owned by the Group.

As disclosed in the Company's announcement dated 14 December 2015, annual caps for the Ferry Ticket Transactions (item (i) above) for the three years ended/ending 31 December 2016, 2017 and 2018 were set for HK\$167 million, HK\$172 million and HK\$180 million respectively. No annual cap was set for the discount of 5% for a bulk purchase of ferry tickets by STDM Group for its own account under Ferry Ticket Transactions (item (i) above) and other categories (items (ii) – (vii) above). The applicable percentage ratios as defined in the Listing Rules (other than profit ratio) with reference to their expected aggregate value, respectively, of each category of transactions are less than 1%.

During the year, HK\$122.8 million of ferry tickets were sold to the STDM Group under the Master Agreement.

- (b) On 15 December 2016, Shun Tak - China Travel Shipping Investments Limited ("ST-CTSI"), a non-wholly-owned subsidiary of the Company, signed an extension agreement with STDM to the fuel arrangement agreement dated 23 December 2004 (as amended by a letter agreement dated 12 November 2007, 28 October 2010 and 25 October 2013) to continue the supply and loading of fuel by STDM onto ST-CTSI's vessels at the Macau Outer Harbour Terminal for 3 years from 1 January 2017 to 31 December 2019. This agreement is renewable for a further period of 3 years (or as may be mutually agreed), unless terminated early by either party with the requisite written notice. The price of fuel was determined with reference to its market price plus a small handling fee. ST-CTSI is effectively owned as to 42.6% by the Company and 28.4% by STDM.

Further details of the extension agreement were disclosed in the Company's announcement dated 15 December 2016.

During the year, ST-CTSI purchased HK\$209 million of fuel from the STDM Group.

2. Given (i) Melco Crown Entertainment Limited ("MCE") became a subsidiary of Melco International Development Limited ("MID") under the Listing Rules on 9 May 2016; and (ii) MID is a majority-controlled company (as defined in the Listing Rules) of Mr. Ho, Lawrence Yau Lung, a family member of Dr. Stanley Ho, Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho (who are all Directors of the Company), each of Mr. Ho, Lawrence Yau Lung, MID and its subsidiaries is a connected person of the Company.

On 7 October 2016, Shun Tak-China Travel Ship Management Limited ("STCTSML"), a wholly-owned subsidiary of Shun Tak-China Travel Shipping Investments Limited ("ST-CTS") and an indirect non-wholly-owned subsidiary of the Company, entered into a ferry ticket sales framework agreement (the "Ticketing Agreement") with MPEL Services Limited, a wholly-owned subsidiary of MCE, to regulate the sale of tickets (for ferry services to and from Macau operated by ST-CTS and its subsidiaries) by STCTSML to MCE and its subsidiaries (the "MCE Group") from time to time at a discount by MCE Group on bulk purchase of ferry tickets, except the ferry tickets for the route between Hong Kong International Airport and Macau, for its own account.

The Ticketing Agreement is for a term from 7 October 2016 until 31 December 2018, renewable for periods of not more than 3 years by prior written notice and subject annual price review. Further details of the Ticketing Agreement were disclosed in the Company's announcement dated 7 October 2016.

During the year, HK\$20.6 million of ferry tickets were sold to the MCE Group under the Ticketing Agreement.

Report of the Directors

3. On 25 March 2013, 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 (who retired as a Non-Executive Director of the Company on 19 June 2015) and his family members (including in-laws and descendants thereof) on an aggregate (direct or indirect) basis, and hence a connected person of the Company.

The Consultancy Agreement was for the period from 4 March 2013 to 3 March 2016.

During the year, the total consultancy fees paid by STP to Kiu Lok under the Consultancy Agreement amounted to HK\$1.2 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 and require disclosures in the Company's annual report. The price and terms of such transactions have been determined in accordance with pricing policies and guidelines set out in relevant announcements.

The aforesaid continuing connected transactions have been reviewed by the Independent Non-Executive Directors who have confirmed that the transactions were entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) in accordance with relevant agreements on terms that are fair and reasonable and in the interests of the Company's shareholders 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 (Revised) "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.

Accordingly, the auditor has issued an 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.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

4. 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 held a beneficial interest till 27 September 2016. The shareholders' loan was granted by both shareholders in proportion to their respective shareholdings on an interest-free basis. As at 27 September 2016, the total outstanding sum of the shareholders' loan was HK\$98 million.

5. On 22 October 2015, Zhuhai Hengqin Shun Tak Property Development Company Limited (the "Project Company"), an indirect subsidiary owned as to 70% by the Company and the developer of the mixed-use development to be erected on Plots Zhu Heng Guo Tu Chu No. 2013-04 located in Hengqin New Area, Zhuhai, the People's Republic of China ("PRC") with a site area of approximately 23,834 square meter and a maximum gross floor area of approximately 131,089 square meter (the "Development"), launched a tender for the main contract to construct the Development (the "Main Contract"). China Construction Engineering (Macau) Company Limited ("CCEM") won the tender for the Main Contract because of their experience and quality of work in other construction developments, and because of their submission of the lowest tender price of RMB1,312 million.

To comply with local regulations for large scale construction works in Hengqin, CCEM nominated its parent company China State Construction Engineering Corporation Limited ("CSCEC"), which holds over 50% indirect interests in CCEM and holds the Certificate of Permit and Qualification for Hengqin Engineering and Construction Works, to enter into the Main Contract.

On 24 June 2016, the Project Company entered into the Main Contract with CSCEC. CSCEC was appointed the main contractor to construct the Development for the contract sum of RMB1,312 million (approximately HK\$1,548 million), with a surety bond issued by a licensed bank in the PRC for a sum not less than 10% of the contract sum to secure CSCEC's performance.

CSCEC is the parent company of China State Construction International Holdings Limited ("CSCI") holding over 50% indirect interest in CSCI. CSCI is a joint venture partner of the Company, through its wholly-owned subsidiary (holding 100% Class B share of Fast Shift Investments Limited), which entitles CSCI to 29% of the economic benefits in (or losses arising from) the residential portion of Nova City Phase 5. CCEM is a wholly-owned subsidiary of CSCI.

Further details of the Main Contract were disclosed in the Company's announcement dated 24 June 2016.

6. Pursuant to the sale and purchase agreement dated 11 November 2004 (and supplemental agreements thereto) (the "SPA"), between the Company (through Shun Tak Nam Van Investment Limited ("STNV", an indirect wholly-owned subsidiary of the Company), Dr. Stanley Ho and Sai Wu Investment Limited ("Sai Wu", a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by independent third parties), STNV agreed to acquire the interest in the land development right of property sites adjacent to the Macau Tower in Nam Van, Macau. The consideration for the acquisition was HK\$1,500 million to be satisfied as to HK\$750 million in cash and the balance by issuance of shares to Alpha Davis Investments Limited ("ADIL"), a company in which Dr. Stanley Ho, Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho hold beneficial interests. A refundable deposit of HK\$500 million was paid by STNV to Sai Wu to extend the completion date of the acquisition without changing the consideration or other terms.

On 1 November 2016 (the "Announcement"), STNV, the Company and Sai Wu entered into an agreement (the "Sai Wu Agreement") in respect of (i) the extension of long stop date of the SPA; and (ii) the proposed transfer of the entire share capital of each of the Target Companies (as defined in the Announcement) and assignment to STNV of the right granted by the Macau Government to Sai Wu pursuant to Dispatch no. 35/2004 published in the Macau Official Gazette of 14 April 2004 and other transactions contemplated under the Sai Wu Agreement.

Further details of the Sai Wu Agreement were disclosed in the Company's circular dated 29 November 2016.

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraphs 4 to 6 above constituted connected transactions of the Company for the year which require disclosure in the annual report of the Company.

Report of the Directors

7. On 12 December 2016, the Company entered into a renewed master service agreement (the "Renewed MGM Agreement") with MGM Grand Paradise Limited ("MGM"), a company in which Ms. Pansy Ho hold an indirect beneficial interest. The Renewed MGM Agreement sets out a framework for products and/or services which may be provided/demanded by the Group to/from MGM and/or its subsidiaries from time to time on a non-exclusive basis.

The Renewed MGM Agreement is for a term of 3 years from 1 January 2017 to 31 December 2019 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 7 above, there were no other transactions, arrangements and contracts of significance subsisting at the end of the year or at any time during the year in relation to the Group's business to which the Company's subsidiaries (or its holding companies) were a party and in which a Director or its connected entities had a material interest, whether directly or indirectly.

Directors' Interests in Competing Businesses

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

Dr. Stanley Ho is a director of, and holds 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 STD M 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 STD M. Mr. David Shum is an appointed representative of the Company, a corporate director of STD M.

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 held 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 2016, the interests or short positions of the Directors and chief executive of the Company 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 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 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	
		Personal interests	Corporate interests		
			Note	Note	Note (i)
Dr. Stanley Ho	Interests in issued shares	1,798,559	—		0.06%
	Interests in unissued shares	—	148,883,374	(iii)	4.89%
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%
Ms. Pansy Ho	Interests in issued shares	161,865,937	363,798,627	(iv)	17.28%
	Interests in issued shares	—	65,040,000	(vi)	2.14%
	Interests in unissued shares	—	148,883,374	(iii)	4.89%
Ms. Daisy Ho	Interests in issued shares	86,136,345	134,503,471	(v)	7.25%
	Interests in issued shares	—	65,040,000	(vi)	2.14%
	Interests in unissued shares	—	148,883,374	(iii)	4.89%
Ms. Maisy Ho	Interests in issued shares	38,901,203	31,717,012	(vii)	2.32%
Mr. David Shum	Interests in issued shares	5,660,377	—		0.19%

Notes:

- (i) As at 31 December 2016, the total number of issued shares of the Company was 3,042,465,785.
- (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) under the heading of "Share Options" below.
- (iii) The 148,883,374 unissued shares in which Dr. Stanley Ho, Ms. Pansy Ho and Ms. Daisy Ho were deemed to hold interests under the SFO, are the same parcel of shares, and represents the maximum amount of consideration shares to be issued to Alpha Davis Investments Limited ("ADIL") pursuant to the Sai Wu Agreement. 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.
- (iv) The 363,798,627 shares in which Ms. Pansy Ho was deemed to hold interests under the SFO, comprised 184,396,066 shares held by Beeston Profits Limited ("BPL") and 179,402,561 shares held by Classic Time Developments Limited ("CTDL"). Both BPL and CTDL are wholly-owned by Ms. Pansy Ho.
- (v) The 134,503,471 shares in which Ms. Daisy Ho was deemed to hold interests under the SFO, were held by St. Lukes Investments Limited, which is wholly-owned by Ms. Daisy Ho.
- (vi) The 65,040,000 shares in which Ms. Pansy Ho and Ms. Daisy Ho were deemed to hold interests under the SFO, were the same parcel of shares, held by MIL through its wholly-owned subsidiary, Business Dragon Limited (see note (iii) above).
- (vii) The 31,717,012 shares in which Ms. Maisy Ho was deemed to hold interests under the SFO, were held by LionKing Offshore Limited, which is wholly-owned by Ms. Maisy Ho.

Report of the Directors

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

Name of Director	Name of company	Corporate interests	Percentage of total issued shares
Ms. Pansy Ho	Shun Tak & CITS Coach (Macao) Limited	1,500 shares	Note (i) 15.00%

Note:

- (i) As at 31 December 2016, there was a total of 10,000 shares of Shun Tak & CITS Coach (Macao) Limited in issue.

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

Save as disclosed in sub-paragraphs (1)(a) and (1)(b) above, none of the Directors or chief executive of the Company or any of their associates had, or were deemed to hold, 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 2016.

(2) Share Options

At the annual general meeting of the Company held on 6 June 2012, the shareholders of the Company ("the Shareholders") passed a resolution to adopt a 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 Scheme terms and conditions. Details of the 2012 Share Option Scheme are set out below.

The share option scheme approved by the Shareholders on 31 May 2002 (the "2002 Share Option Scheme") expired on 30 May 2012 since which no further option has been granted thereunder. Subsisting options granted before the expiration of the 2002 scheme will continue to be valid and exercisable within its terms.

No share options were granted under the 2012 Share Option Scheme since its adoption. 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	Date of grant	Exercise period	Exercise price per share	Number of share options		Note
				At 1 January 2016	At 31 December 2016	
			HK\$			
Directors						
Mr. Norman Ho	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	1,132,124	(i)
Mr. Charles Ho	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	1,132,124	(i)
Former Directors						
Sir Rogerio Hyndman Lobo (passed away on 18 April 2015)	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	—	(i) & (ii)
Dato' Dr. Cheng Yu Tung (retired on 19 June 2015)	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	—	(i) & (ii)
Mrs. Mok Ho Yuen Wing, Louise (passed away on 21 December 2016)	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	1,132,124	(i) & (iii)
Total				5,660,620	3,396,372	

Notes:

- (i) These share options were vested on 29 March 2011.
- (ii) These share options lapsed during the year.
- (iii) These share options were exercisable on or before 21 December 2017 since Mrs. Mok Ho Yuen Wing, Louise, a Non-Executive Director, passed away on 21 December 2016.
- (iv) During the year, no share options under the 2002 Share Option Scheme were exercised or cancelled.

Save as disclosed above, as at 31 December 2016, 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 2012 Share Option Scheme and 2002 Share Option Scheme.

Report of the Directors

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 | <p>(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;</p> <p>(b) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of the Company or its affiliates;</p> <p>(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;</p> <p>(d) any person who provides goods and services to the Company or its affiliates;</p> <p>(e) an associate of any of the foregoing persons; or</p> <p>(f) any supplier, customer, strategic alliance partner or adviser to the Company or its affiliates.</p> |
| (iii) Total number of shares available for issue under the 2012 Share Option Scheme and percentage on issued shares 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% of the Company's total number of issued shares as at the date of this annual report. The Company has 3,042,465,785 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"> — 1% of the issued shares (excluding substantial shareholders and Independent Non-Executive Directors) — 0.1% of the issued shares and not exceeding HK\$5 million in aggregate value (for substantial shareholders and Independent Non-Executive Directors) |

-
- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (v) The period within which the shares must be taken up under an option | Determine by the Board at its absolute discretion except such period must 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 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 | The subscription price is determined by the Board and shall be at least the highest of: <ul style="list-style-type: none">— the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of offer; and— 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. |
| (ix) The remaining life of the 2012 Share Option Scheme | The 2012 Share Option Scheme shall remain in force until 7 June 2022. |

Report of the Directors

(3) Substantial Shareholders' and Other Persons' Interests

As at 31 December 2016, 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 held interests in 5% or more of the issued shares of the Company:

Name of shareholder	Nature of interests	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of total issued shares
	Note				Note (i)
Renita Investments Limited ("Renita") and its subsidiary	(ii) Interests in issued shares	Beneficial owner and interests of controlled corporation	Long position	500,658,864	16.46%
Oakmount Holdings Limited ("Oakmount")	(ii) Interests in issued shares	Beneficial owner	Long position	396,522,735	13.03%
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	12.28%
Beeston Profits Limited ("BPL")	(iv) Interests in issued shares	Beneficial owner	Long position	184,396,066	6.06%
Classic Time Developments Limited ("CTDL")	(iv) Interests in issued shares	Beneficial owner	Long position	179,402,561	5.90%
Megaprosper Investments Limited ("MIL")	(v) Interests in issued shares	Interest of controlled corporation	Long position	65,040,000	2.14%
	(vi) Interests in unissued shares	Interest of controlled corporation	Long position	148,883,374	4.89%

Notes:

- (i) As at 31 December 2016, the total number of issued shares of the Company was 3,042,465,785.
- (ii) The 500,658,864 shares comprised 396,522,735 shares held by Oakmount, which is wholly-owned by Renita. Accordingly, part of the interest of Renita in the Company duplicates the interest of Oakmount in the Company. Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisey Ho hold beneficial interests in Renita and Oakmount. Ms. Pansy Ho and Ms. Daisy Ho are directors of Renita and Oakmount.
- (iii) Dr. Stanley Ho is a director of STS. Ms. Pansy Ho and Ms. Daisy Ho hold beneficial interests in, and are directors of, STS. Ms. Maisey Ho and Mr. David Shum hold beneficial interests in STS.
- (iv) Ms. Pansy Ho holds 100% interests in and is a director of BPL and CTDL.
- (v) MIL is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho. Ms. Pansy Ho and Ms. Daisy Ho are directors of MIL. The 65,040,000 shares are held by Business Dragon Limited, a wholly-owned subsidiary of MIL.
- (vi) The 148,883,374 unissued shares represented the maximum amount of consideration shares to be issued to Alpha Davis Investments Limited ("ADIL") pursuant to the Sai Wu Agreement. ADIL is owned as to 47% by Innowell Investments Limited ("IIL") and 53% by MIL. IIL is wholly-owned by Dr. Stanley Ho.

Save as disclosed above, no other person (other than the Directors or the chief executive of the Company) held 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 2016.

Purchase, Sale or Redemption of Listed Securities

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

Arrangement to Purchase Shares or Debentures

Save as disclosed in the above sub-paragraphs under the heading of "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 Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were 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 issued shares were held by the public as at the date of this annual report.

Permitted Indemnity Provision

The Company's Articles of Association provides that every Director of the Company shall be entitled to be indemnified out of the assets of the Company against any liability to a third party incurred by them or any one of them as holder of any such office or appointment.

A permitted indemnity provision is in force as at the date of this report and was in force throughout the year for the benefit of all Directors pursuant to the directors' and officers' liability insurance arranged by the Company.

Auditor

The financial statements for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers who retired and, being eligible, offered themselves for re-appointment as auditor at the forthcoming annual general meeting of the Company.

On behalf of the Board

Pansy Ho

Managing Director

Hong Kong, 27 March 2017

Corporate Governance Report

Corporate Governance Practices

The board of directors ("Board" or "Directors") of Shun Tak Holdings Limited (the "Company") is committed to principles of good corporate governance standards and procedures. This report describes the Company's efforts to apply the principles and comply with the 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. Since Hang Seng Corporate Sustainability Benchmark Index was launched in 2011, the Company has been one of its constituent stocks. Hang Seng Corporate Sustainability Benchmark Index is Asia's first benchmark series that tracks the performance of leading companies in corporate sustainability, focusing on environmental, social and corporate governance aspects. Hong Kong Quality Assurance Agency ("HKQAA"), the project partner with Hang Seng Indexes Company Limited since 2014, awarded the Company an "AA" grade in recognition of the Company's sustainability achievement. HKQAA also accredited the Company with HKQAA CSR Plus Mark to demonstrate the Company's satisfactory sustainability performance.

The Listing Rules require every listed company to report how it applies the principles in the CG Code and confirm that it complies with such provisions, or provide an explanation if it does not. The Board periodically reviews the Company's practices to ensure compliance with increasingly stringent requirements and to meet rising expectations of its shareholders ("Shareholders"). A corporate governance policy outlining the Company's governance framework and practices was adopted by the Board in 2012.

The Board is of the opinion that the Company has complied with CG Code provisions throughout the year ended 31 December 2016, except for:

1. Code provision E.1.2 which requires the chairman of the Board to attend the annual general meeting ("AGM"). The Group Executive Chairman was absent from the Company's AGM on 7 June 2016 ("2016 AGM") due to health reasons. The Managing Director (also Chairman of the executive committee ("Executive Committee")), the Deputy Managing Director and other Directors, together with the chairmen/members of the audit committee ("Audit Committee"), nomination committee ("Nomination Committee"), remuneration committee ("Remuneration Committee") and Executive Committee, were present during the meeting to answer Shareholders' questions regarding activities of the Company and its Board committees (the "Board Committee"); and
2. Code provision A.2.7 which requires the chairman to hold meetings with the non-executive directors (including independent non-executive directors) ("NEDs") without the executive directors present at least annually. During the year ended 31 December 2016, the Group Executive Chairman did not meet with the NEDs due to health reasons.

Model Code for Securities Transactions

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

The Model Code was adopted by the Company as its own code of conduct for Directors' securities transactions. All Directors expressly confirmed that they had fully complied with this Code during the year ended 31 December 2016.

Board Composition

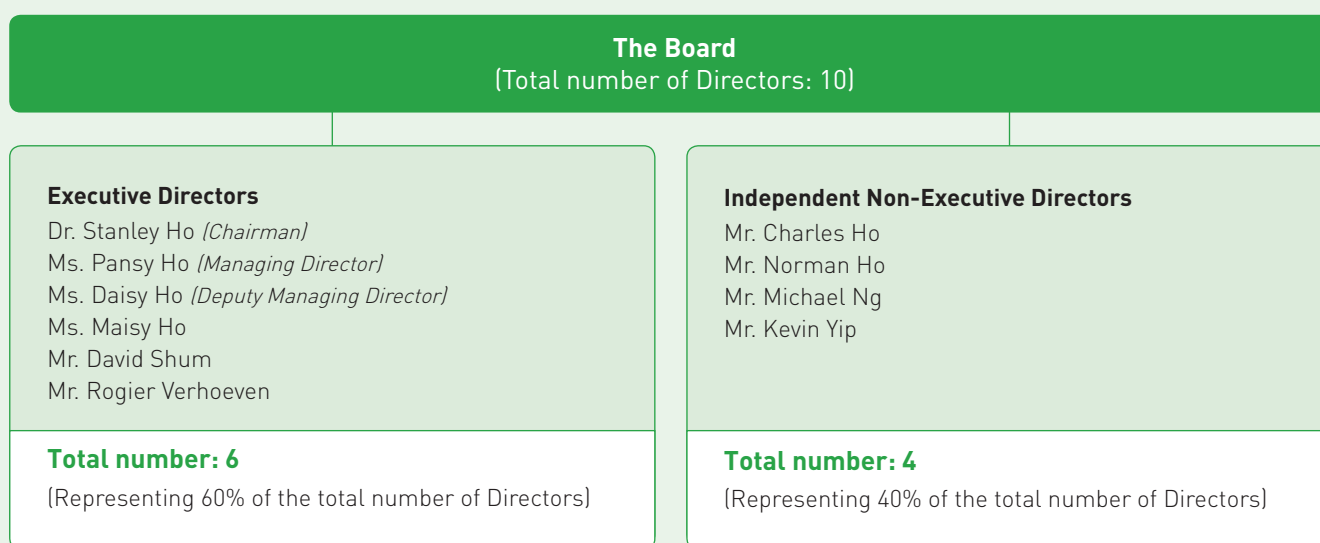
The key principles of good governance require the Company to have an effective Board which is collectively responsible for its success, setting the Company's values and enhancing Shareholders' value. NEDs have particular responsibilities to oversee the Company's development, scrutinise its management performance, and advise on critical business issues. The Board is satisfied that it has met these requirements.

The Company has a balanced Board of Executive and NEDs so that no individual or small group can dominate its decision-making process. To help the Board perform its duties and make decisions on the Company's affairs, Board Committees (including Remuneration Committee, Nomination Committee, Executive Committee and Audit Committee) have been established under the Company's Articles of Association ("Articles"). Other Board Committees may be formed from time to time. Further details about Board Committees are discussed in the latter part of this report.

Changes in members of the Board and Board Committees during the year ended 31 December 2016 and up to the date of this report are set out below:

- Mrs. Mok Ho Yuen Wing, Louise, a Non-Executive Director and a member of the Audit Committee, passed away on 21 December 2016; and
- Mr. Kevin Yip was appointed as a member of the Audit Committee, effective from 11 January 2017.

As at the date of this report, the Board has 10 members and its composition is as follows:-



Brief biographies of Directors and relationship amongst them are set out in "Management Profile" in this annual report.

The Company has four Independent Non-Executive Directors ("INEDs") representing more than one-third of the Board, of which two possess professional accounting qualifications. The Company received a confirmation from each of the INEDs confirming independence under Rule 3.13 of the Listing Rules. The Nomination Committee is of the view that all INEDs are independent under the Listing Rules criteria.

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

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

Corporate Governance Report

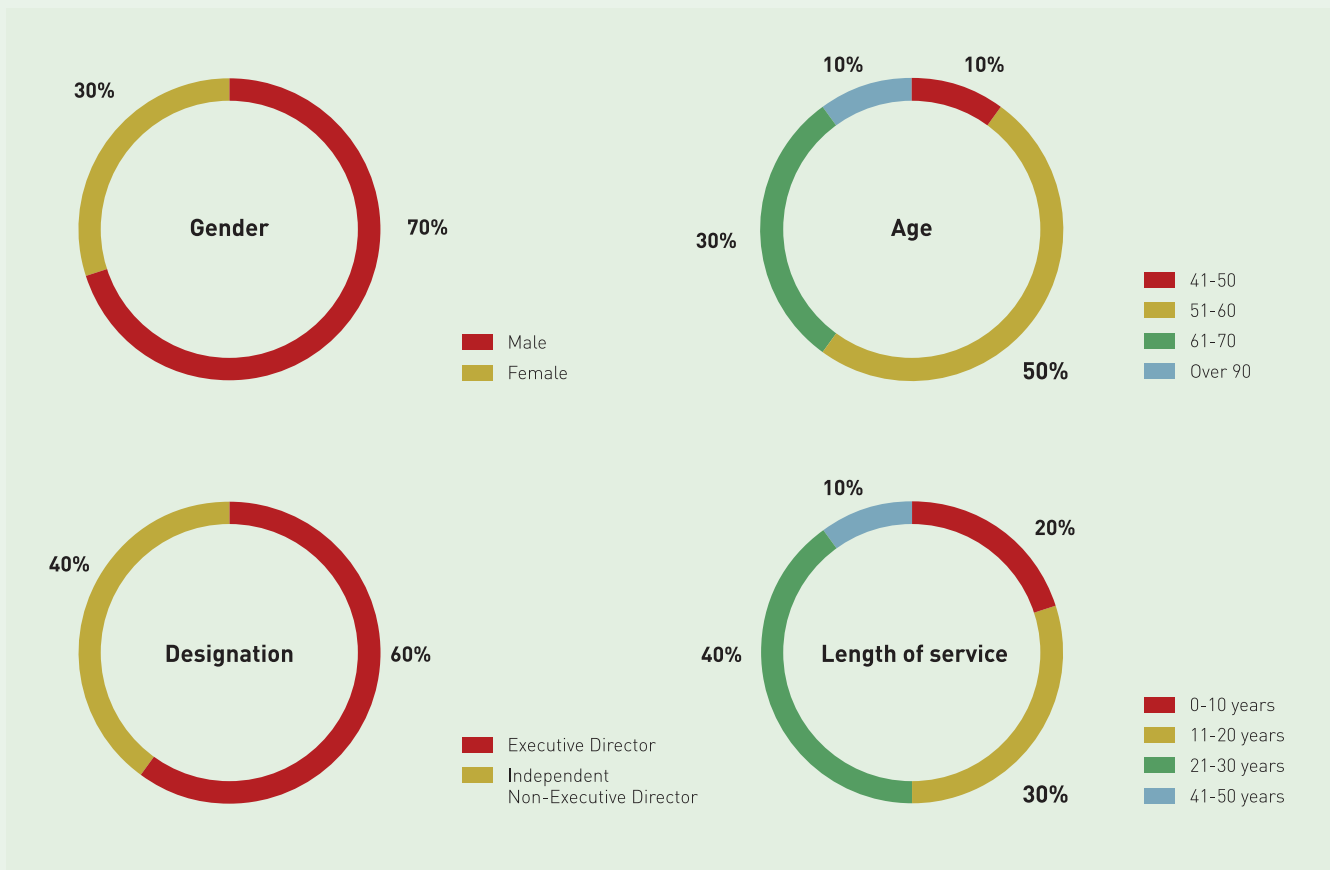
Management is delegated by the Board and is principally responsible for the Group’s day-to-day operations. The Managing Director and Deputy Managing Director, working with other Executive Directors and executive management team, are responsible for managing the Group’s business; formulating policies for Board consideration; carrying out strategies adopted by the Board; making recommendations on strategic planning, operating plans, major projects and business proposals; and assuming full accountability to the Board for the Group’s operations. 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 regularly report to the Board and on an ad hoc basis.

Board Diversity

In 2013, the Board adopted a board diversity policy (the “Board Diversity Policy”) which sets out the approach to achieve a diverse Board in order to enhance performance quality. “Diversity” would be considered from various aspects, including gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. Board appointments are based on meritocracy and candidates will be assessed against objective criteria, with due regard for the benefits of diversity. The Nomination Committee will monitor the implementation of the Board Diversity Policy and, for the purpose of ensuring its effectiveness, the Nomination Committee will review this Board Diversity Policy and recommend any revisions to the Board for consideration and approval, when necessary.

Board diversity is shown below. Directors’ biographical details are set out in “Management Profile” in this annual report.

Board Diversity



Board Practices

To ensure that the Board works effectively and perform its responsibilities, its members are provided with monthly updates on Company performance, financial position and prospects. Directors have full and timely access to relevant information and are properly briefed on issues considered at Board meetings. The duty of preparing the meeting agenda is delegated to the company secretary (the "Company Secretary"). Each Director may request inclusion of items on the agenda.

To make informed decisions, Directors are given information packages analysing and explaining agenda items not less than three days before a meeting. The Company Secretary keeps Directors informed of corporate governance issues and regulatory changes, and ensures that Board procedures follow the CG Code and relevant legal requirements. The Board is provided with sufficient resources to perform its duties and, if required, an individual Director may engage independent professional advisers at the Company's expenses to provide advice on specific matters.

If a Director has a conflict of interest in any matter under Board consideration, such matter will be dealt with by a physical Board meeting instead of a written resolution. Such Director shall abstain from voting, and not be counted in the quorum, for any resolution in which he or she has a material interest.

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

The Company has appropriate directors' and officers' liability insurance for legal action against Directors.

Appointments and Re-election of Directors

All NEDs (including INEDs) are appointed for a specific term of three years. Under the Articles, every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years at the Company's AGM. Any Director appointed by the Board is subject to re-election by Shareholders at the next AGM following his or her appointment. Directors who are subject to retirement and re-election at the forthcoming AGM are set out in "Report of the Directors" in this annual report.

Directors' Induction, Development and Training

Each newly-appointed Director is offered training on the Company's key areas of business operations and practices. Newly-appointed Directors are offered orientation materials that set out the duties and responsibilities of directors under the Listing Rules and relevant ordinances and regulations. Directors are provided with "A Guide on Directors' Duties" issued by the Hong Kong Companies Registry and "Guidelines for Directors" issued by Hong Kong Institute of Directors ("HKIoD") which set out the general principles of directors' duties. All INEDs are given "Guide for Independent Non-Executive Directors" issued by HKIoD.

The Company encourages Directors to participate in continuing professional training and development courses to enhance their relevant knowledge and skills. The Company also updates Directors on the latest development of Listing Rules and applicable laws and regulations to facilitate awareness and ensure compliance. The Executive Committee is responsible for reviewing training and continuous professional developments of Directors and senior management. During the year, the Company provided materials on updates of laws and regulations, and organised a training session on Listing Rules update on Environmental, Social and Governance.

Corporate Governance Report

According to training records provided by Directors, a summary of their training during the year is shown below:

Directors	Type of Trainings
Group Executive Chairman	
Dr. Stanley Ho	A
Independent Non-Executive Directors	
Mr. Norman Ho	A, B, C
Mr. Charles Ho	A, B
Mr. Michael Ng	A
Mr. Kevin Yip	A, C
Managing Director	
Ms. Pansy Ho	A, B, C
Deputy Managing Director	
Ms. Daisy Ho	A
Executive Directors	
Ms. Maisy Ho	A, C
Mr. David Shum	A
Mr. Rogier Verhoeven	A

- A: Reading materials and/or attending training session provided/organised by the Company in relation to updates of Listing Rules, latest development of the rules, regulations and corporate governance
- B: Reading materials and/or attending training sessions provided/organised by other corporations relating to rules and regulations, economy, general business and corporate governance
- C: Attending seminar and/or conference and/or forum

Board and Board Committee Meetings

Regular Board meetings are held at least four times every year at approximately quarterly intervals. Additional Board meetings are held if required. During the year ended 31 December 2016, nine Board meetings were held.

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

Name of Director	Board	Audit	Remuneration	Nomination	Annual	General
		Committee (Note 3)	Committee	Committee	General Meeting (Note 3)	Meeting (Note 3)
(Number of Meetings Attended/Entitled to Attend)						
Group Executive Chairman						
Dr. Stanley Ho (Note 1)	0/9	n/a	n/a	n/a	0/1	0/2
Non-Executive Director						
Mrs. Mok Ho Yuen Wing, Louise (Note 2)	6/9	1/3	n/a	n/a	1/1	0/2
Independent Non-Executive Directors						
Mr. Norman Ho	9/9	3/3	1/1	1/1	1/1	2/2
Mr. Charles Ho	6/9	n/a	1/1	1/1	0/1	0/2
Mr. Michael Ng	9/9	3/3	1/1	1/1	1/1	2/2
Mr. Kevin Yip	9/9	n/a	n/a	n/a	1/1	1/2
Managing Director						
Ms. Pansy Ho	9/9	n/a	1/1	1/1	1/1	1/2
Deputy Managing Director						
Ms. Daisy Ho	9/9	n/a	1/1	1/1	1/1	2/2
Executive Directors						
Ms. Maisy Ho	8/9	n/a	n/a	n/a	1/1	2/2
Mr. David Shum	8/9	n/a	n/a	n/a	1/1	2/2
Mr. Rogier Verhoeven	8/9	n/a	n/a	n/a	1/1	2/2

Note 1: Dr. Stanley Ho was unable to attend meetings due to health reasons.

Note 2: Mrs. Mok Ho Yuen Wing, Louise passed away on 21 December 2016.

Note 3: Representatives of the external auditor were invited to participate in two Audit Committee Meetings held in March and August 2016, and attended the Annual General Meeting and all General Meetings.

Corporate Governance Report

Board Committees

The Board has established four Board Committees, namely the Remuneration Committee, Nomination Committee, Executive Committee and Audit Committee, to assist it in carrying out its responsibilities.

The current composition of the Board Committees is as follows:



Note: Following the departure of Mrs. Mok Ho Yuen Wing, Louise on 21 December 2016, Mr. Kevin Yip was appointed as a member of the Audit Committee on 11 January 2017.

Each of the Remuneration Committee, Nomination Committee, Executive Committee and Audit Committee has defined duties and responsibilities set out in its terms of reference which are no less exacting than those in the CG Code. Such terms will be regularly reviewed and updated in response to regulatory changes or Board direction. Other Board Committees for approving particular transaction, when formed, are delegated with specific duties and authorities by the Board. All Board Committees are provided with sufficient resources to perform their duties.

Remuneration Committee

The Remuneration Committee consists of five members, namely, Mr. Norman Ho, Mr. Charles Ho and Mr. Michael Ng (all being INEDs), Ms. Pansy Ho (Managing Director) and Ms. Daisy Ho (Deputy Managing Director). Mr. Michael Ng is the chairman of the Remuneration Committee.

The principal role of the Remuneration Committee is to set the Company's remuneration and incentive policy as a whole, and review and approve remuneration proposals for 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 prevailing market conditions. No Director has taken part in setting his or her own remuneration.

According to its 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 a year. Additional meetings may be held as required. Decisions may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2016, one Remuneration Committee meeting was held, wherein the Remuneration Committee reviewed, made recommendation on INEDs' remuneration packages to the Board, and approved the remuneration packages for Executive Directors, senior management and staff.

The Company has adopted the Remuneration Policy which establishes a formal and transparent procedure for determining remuneration of Directors and senior management. To achieve the Company's corporate goals and objectives, packages offered by the Group are competitive, adequate (but not excessive), in line with current market practices and able to attract, retain, motivate and reward Directors and senior management. To ensure the policy is effective, the Remuneration Committee will review the policy and recommend revisions to the Board when necessary.

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

Nomination Committee

The Nomination Committee consists of five members, namely, Mr. Norman Ho, Mr. Charles Ho and Mr. Michael Ng (all being INEDs), Ms. Pansy Ho (Managing Director) and Ms. Daisy Ho (Deputy Managing Director). Mr. Charles Ho is the chairman of the Nomination Committee.

The Nomination Committee is responsible for (i) formulating policy and making recommendations to the Board on nomination and appointment of Directors and the Board's succession planning; and (ii) monitoring the implementation of the Board Diversity Policy 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, industry experience, and the standards set forth in Rules 3.08 and 3.09 of the Listing Rules. It 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. It assesses the independence of INEDs under the criteria in Rule 3.13 of the Listing Rules.

According to its 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 2016, one Nomination Committee meeting was held at which the Nomination Committee had reviewed the structure, size, composition and diversity of the Board; the Board Diversity Policy; the Directors' involvement in the Company's affair; and the independence of INEDs; and made recommendations to the Board for putting forward Directors, who were subject to retirement by rotation, for re-appointment at 2016 AGM.

Executive Committee

The Executive Committee consists of five members, namely, Ms. Pansy Ho (Managing Director), Ms. Daisy Ho (Deputy Managing Director), 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 terms of reference. Meetings are held as required by its work.

For more efficient operation of the Board, the Executive Committee was established to make recommendations on the strategic aims, objectives and priorities of the Company and to consider and approve matters relating to the Group's day-to-day operations.

The Executive Committee was delegated by the Board to perform corporate governance functions set out in code provision D.3.1 including (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring training and professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and (v) reviewing compliance with the Code and disclosure in the corporate governance report. As at the date of this report, the Executive Committee has reviewed (a) the Company's compliance with the CG Code and its disclosure in this report and (b) Directors' training records.

In light of the amendments in the CG Code, effective 1 January 2016, incorporating risk management in the CG Code, the Executive Committee was delegated by the Board to (i) assist the Board in evaluating and determining the nature and extent of risks the Board is willing to take to achieve the Group's strategic objectives; and (ii) oversee management in the design, implementation and ongoing monitoring of risk management and internal control systems and to ensure their appropriateness and effectiveness.

To oversee the Group's strategies and development of corporate sustainability, the Executive Committee was delegated by the Board to establish a sustainability steering committee (the "Sustainability Steering Committee"). After its establishment, the Sustainability Steering Committee prepared a sustainability policy on the Company's commitment to environmental, social and governance aspects for sustainable business growth and development. The policy was adopted by the Executive Committee in 2014 and the Company has published its annual sustainability report since then.

Corporate Governance Report

Audit Committee

The Audit Committee consists of three members, namely, Mr. Norman Ho, Mr. Michael Ng and Mr. Kevin Yip, all being INEDs. Mr. Norman Ho is the chairman of the Audit Committee and Mr. Kevin Yip was appointed as a member of Audit Committee on 11 January 2017. Following the passing away of Mrs. Mok Ho Yuen Wing, Louise on 21 December 2016, the Audit Committee comprised two members and the number of Audit Committee members fell below the number as required under Rule 3.21 of the Listing Rules. With the appointment of Mr. Kevin Yip, the number of the Audit Committee is three, which fulfills the requirement under Rule 3.21 of the Listing Rules.

The Board is satisfied that the Audit Committee members collectively possess adequate financial experience to properly perform its duties and responsibilities. Mr. Norman Ho and Mr. Michael Ng possess professional accounting qualifications required by Rule 3.10(2) of the Listing Rules, details of which are set out in their biographies in "Management Profile" in this annual report.

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

According to its 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 be made by circulating written resolutions accompanied by explanatory materials. During the year ended 31 December 2016, three Audit Committee meetings were held to review, inter alia, (i) the Company's interim and year-end financial reports, particularly judgemental areas before submission to the Board; (ii) the internal audit programme and the effectiveness of the internal audit function (including audit progress, findings and management's responses); (iii) the adequacy and effectiveness of the risk management and internal control systems; and (iv) PricewaterhouseCoopers' ("PwC") confirmation of independence, its report for the Audit Committee and management's letter of representation; and considered the annual audit and non-audit services fees for the year ended 31 December 2015 and recommended the re-appointment of Company's external auditor. The Audit Committee also reviewed and approved PwC's terms of engagement as the Company's external auditor for the year ended 31 December 2016, and its further engagement to (a) review the Company's preliminary results announcement for the year ended 31 December 2016; and (b) report on continuing connected transactions as disclosed in this annual report. As at the date of this report, the Audit Committee also considered the annual audit and non-audit services fees for year ended 31 December 2016, and recommended the re-appointment of PwC (the retiring auditor at the forthcoming AGM) as the Company's external auditor.

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

Auditor's Remuneration

For the year ended 31 December 2016, the fees paid/payable by the Group to its external auditors in respect of audit and non-audit services provided by them amounted to approximately HK\$10.2 million and HK\$5.0 million respectively. The non-audit services mainly included interim review, taxation and other services.

Accountability and Audit

The Directors acknowledge their responsibility for preparing for each financial year financial statements which give a true and fair view of the state of affairs of the Company and the Group; and the Group's profit and cash flow in accordance with Hong Kong Financial Reporting Standards, the Hong Kong Companies Ordinance and the Listing Rules. In preparing financial statements for the year ended 31 December 2016, 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 following the relevant periods as required by the Listing Rules.

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

Internal Control and Risk Management

Responsibilities of the Board

The Board is responsible for ensuring that appropriate and effective risk management and internal control systems are established and maintained. These systems have been designed to ensure (i) efficiency of operations; (ii) proper identification and management of risks relating to the achievement of strategic objectives; (iii) safeguarding of assets; (iv) proper maintenance of financial and accounting records to provide reliable information for financial and management reporting; and (v) compliance with relevant legislation and regulations. Such systems are aimed at mitigating risks faced by the Group to an acceptable level, but not eliminating all risks. Hence, such systems can only provide reasonable but not absolute assurance that there will not be any material misstatement in the financial information and any financial loss or fraud.

Main features of the risk management and internal control systems

The Board has established a framework to maintain appropriate and effective risk management and internal controls systems, which includes the following key procedures (i) setting core values and beliefs which form the basis of the Group's overall risk philosophy; (ii) evaluating and determining the nature and extent of risks that the Group is willing to take in achieving its strategic objectives; (iii) defining a management structure with clear lines of responsibility and authority limits which hold individuals accountable for their risk management and internal control responsibilities; (iv) adopting an organisational structure which provides necessary information flow for risk analysis and management decision-making; (v) imposing budgetary and management accounting controls to efficiently allocate resources and provide timely financial and operational performance indicators; (vi) ensuring effective financial reporting controls to timely record complete and accurate accounting and management information; (vii) overseeing Executive Committee's establishment of policies and procedures on risk management, implementation of risk mitigation measures and reviewing of risk management results; and (viii) through the Audit Committee, ensuring that appropriate risk management and internal control procedures are in place and functioning effectively.

The process used to identify, evaluate and manage risks

The Executive Committee assists the Board in designing, implementing and monitoring risk management and internal control systems. Responsibility resides at all levels within the Group, from the Board down to heads of business and supporting units as well as the general staff. Risk management is integrated into the Group's culture and day-to-day activities. Policies and procedures on risk management are established to ensure a consistent approach to identify and address risks in business processes. Each unit maintains a risk register to record all identified risks (including any emerging risks) by taking into account various external and internal factors including economic, financial, political, technological, environmental and social, health and safety, legislation and regulations, operational, processing and execution as well as the Group's strategies and objectives and stakeholders' expectations. On an annual basis, a formal assessment is conducted to rank each of the identified risk. The risk ratings are determined based on the likelihood of a risk occurring and the potential impact or consequences.

Risk treatment options and mitigation controls are identified and mitigation controls and treatment of significant risks are determined and reviewed. Risk management results are reported to the Executive Committee and the Audit Committee twice a year. A description of the Group's principal risk factors is shown on pages 52 to 54 of this annual report.

Ongoing and annual review

Through the Audit Committee, the Board is responsible for continuous review of the effectiveness of the Group's risk management and internal control systems which include financial, operational, compliance and risk management controls. Such process includes a self-assessment from the head of each business or supporting unit and internal audit reviews conducted by the Group Internal Audit Department ("GIAD").

Corporate Governance Report

Control self-assessment from the Head of each Business or Supporting Unit

On an annual basis, the head of each business or supporting unit signs a confirmation to the Board that he/she has self-assessed the risk management and internal control systems of their operations against the criteria for effective internal control and risk management in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (the "COSO Framework") and confirms that such systems are operating effectively.

The Executive Committee conducts an annual review of the Group's risk management and internal control systems with reference to the criteria in the COSO Framework and confirms to the Board that they are adequate and are operating effectively.

Internal audit reviews conducted by GIAD

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

The GIAD reviews risk management and internal controls by (i) evaluating the control environment and risk identification and assessment processes; (ii) assessing the adequacy of risk response measures and internal controls; and (iii) testing the implementation of such measures and functioning of key controls through audit sampling.

The Audit Committee, supported by GIAD, also reviews the adequacy of resources, qualifications, experiences and training requirements of staff responsible for accounting, financial reporting, treasury, financial analysis and internal audit functions. During each audit, staff qualifications and experience as well as manpower plans and training budgets are reviewed to ensure sufficient competent staff to maintain effective risk management and internal control systems. An audit report incorporating control deficiencies and management's rectification plans is issued for each internal audit.

The GIAD reports quarterly to the Audit Committee on the results of its assessment of risk management and internal control systems and status of implementation of follow-up actions on control deficiencies. In addition, the head of GIAD attends Audit Committee meetings twice a year to report its progress.

For the year under review, the Board considers that the risk management and internal control systems of the Group are adequate and effective and the Company has complied with the risk management and internal control code provisions set out in the CG Code.

Inside Information Policy

The Company adopted a policy and procedure on disclosure of inside information (the "Inside Information Policy") setting out the Group's procedure in handling such information to ensure its equal and timely dissemination to comply with the requirements under Part XIVA of the Securities and Futures Ordinance and the Listing Rules in 2015. The Executive Committee was delegated by the Board to monitor the Inside Information Policy and assess the nature and materiality of relevant information and determine the appropriate actions. In addition, an Inside Information Taskforce has been set up to assist the Executive Committee on disclosure matters. The Group will provide appropriate training to officers and employees likely to be in possession of inside information.

Proactive Investor Relations

The Company aims to maintain an ongoing dialogue and communication with its Shareholders. It is the Board's responsibility to ensure that satisfactory dialogue takes place. The Board adopted a shareholder communication policy setting out the Company's principles in relation to Shareholders' communication, with the objective to ensure direct, open and timely communications. The primary channel between the Company and Shareholders is the publication of interim reports, annual reports, circulars and notices to Shareholders. The Company's share registrar, Computershare Hong Kong Investor Services Limited (the "Share Registrar"), serves Shareholders on all share registration matters. General meetings further provide the forum and opportunity for Shareholders to exchange views directly with the Board members.

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

The Company maintains a corporate website (www.shuntakgroup.com) which provides Shareholders, investors and the public with updated information on the Group's activities and development. Corporate information on the Group's businesses is distributed by emails to the registered mailing list which can be joined by interested parties on the Company's website. The Company Secretary and the Investor Relations Department serve as the major channels of communication between Directors, 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, addressed to the Company Secretarial Department or Investor Relations Department with 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	:	enquiry@shuntakgroup.com ir@shuntakgroup.com

In relation to enquiries on the shareholding matters of the Company, Shareholders could send enquiries to the Share Registrar 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	:	hkinfo@computershare.com.hk

2016 Annual General Meeting

The notice of the 2016 AGM setting out details of each proposed resolution and other relevant information as set out in the circular were distributed to all Shareholders more than 20 clear business days before the date of the 2016 AGM. Separate resolutions were proposed on each substantially separate issue, including re-election of individual Directors. In strict compliance with Rule 13.39(4) of the Listing Rules, the Company's Articles stated that all resolutions proposed in a general meeting will be decided on poll except for procedural or administrative matters. The Share Registrar was appointed as the scrutineer for vote-taking at the 2016 AGM. Procedures for conducting a poll were explained by the Share Registrar before commencement of poll voting at the 2016 AGM.

Corporate Governance Report

The 2016 AGM was held at Grand Ballroom, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 7 June 2016 at 3:00 p.m. at which all resolutions were duly passed including (i) receipt of the audited financial statements of the Company for the year ended 31 December 2015 and the reports of Directors and the independent auditor; (ii) declaration of 2015 final dividend; (iii) re-election of Mr. Charles Ho, Mr. Kevin Yip, Ms. Daisy Ho and Mr. David Shum as Directors of the Company; (iv) approval of the directors' fees; (v) re-appointment of PwC as auditor of the Company and authorisation to the Board to fix its remuneration; (vi) granting of the general mandate to the Board to repurchase the Company's shares; (vii) granting of the general mandate to the Board to issue new shares of the Company; and (viii) authorisation to the Board to extend the general mandate to issue new shares by adding the number of shares bought back.

The poll results were posted on the websites of the Company and the Stock Exchange in accordance with the Listing Rules as soon as after the closure of the 2016 AGM.

Last General Meeting

The last General Meeting was held at Golden Restaurant, Macau Jockey Club (HK) Club House, 1st Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Friday, 10 March 2017 at 2:30 p.m. ("Last GM"). Notice of the Last GM setting out details of the proposed resolution and other relevant information as set out in the circular were distributed to all Shareholders on 22 February 2017 being more than 10 clear business days as required by code provision E.1.3. The Share Registrar was appointed as the scrutineer for vote-taking at the Last GM.

The resolution for the approval of the grant of the specific mandate to the Directors for the allotment and issue of up to 92,227,121 new shares of the Company to a company wholly-owned by a Director or its nominee as detailed in the Company's circular dated 22 February 2017 was not passed at the Last GM. The poll results were posted on the websites of the Company and the Stock Exchange in accordance with the Listing Rules as soon as after the closure of the Last GM.

Shareholders' Rights

Procedures for Shareholders to Convene a General Meeting

In accordance with Section 566 of the Hong Kong Companies Ordinance (Chapter 622) (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 requisitioner(s), (b) the contact details of the requisitioner(s) and (c) the number of ordinary shares of the Company held by the requisitioner(s).

Procedures for Shareholders to Put Forward Proposals at General Meeting

According to 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 the 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 taken no less than 15 hours of relevant professional training.

Constitutional Documents

During the year ended 31 December 2016, no amendment was made to the Company's Articles. The latest version of the Articles 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 code provisions in the CG Code.

Hong Kong, 27 March 2017

Independent Auditor's Report



羅兵咸永道

To the members of Shun Tak Holdings Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Shun Tak Holdings Limited ("the Company") and its subsidiaries (the "Group") set out on pages 89 to 183, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Revenue recognised from sale of properties
- Valuation of investment properties held by the Group and its joint venture
- Carrying value of properties for or under development

Key audit matter

How our audit addressed the key audit matter

Revenue recognised from sale of properties

Refer to notes 2(y) and 4 to the consolidated financial statements.

For the year ended 31 December 2016, the Group recognised revenue from sale of properties of HK\$61 million. Revenue from sale of properties is recognised when the significant risks and rewards of ownership of properties are transferred to the purchasers.

We focused on this area because of the significance of considerations from sale of properties and the individual contractual arrangements would lead to different point of sales recognition.

Our procedures in relation to management's assessment on the revenue recognised from sale of properties included:

- Understanding, evaluating and testing the key controls relating to the recognition of property sales.
- Reading selected signed sales and purchase agreements to identify the point of sales recognition.
- Checking the receipts of payments from purchasers to the bank statements on a sample basis to verify whether the significant risks and rewards were transferred and the sales was recognised according to the contractual arrangements.

We found the timing of the property sales revenue recognised was supportable by the available evidence.

Independent Auditor's Report

Key audit matter

Valuation of investment properties held by the Group and its joint venture

Refer to notes 2(g), 3(a), 13 and 16 to the consolidated financial statements.

As at 31 December 2016, the Group had investment properties with fair value of HK\$7,898 million and the fair value of investment properties held by a joint venture attributable to the Group amounted to HK\$5,059 million. The fair value was determined by the Group with reference to the valuations performed by independent professional valuers engaged by the Group ("Valuers").

The fair value was derived using the comparable approach or income capitalisation approach. Due to the unique nature of each investment property, the assumptions applied in the valuations were determined having regard to each property's characteristics such as location, building age and occupancy status. The key assumptions used in the valuation, such as current market rents and discount rates, were influenced by prevailing market conditions and with reference to comparable transactions.

We focused on this area because of the significance of the balances and judgements and estimates involved.

Key audit matter

Carrying value of properties for or under development

Refer to notes 2(l), 3(g) and 22 to the consolidated financial statements.

As at 31 December 2016, the Group had properties for or under development with carrying values totalling HK\$10,550 million, which were stated at lower of cost and net realisable value.

The calculation of the net realisable value of properties for or under development used assumptions such as the estimated selling price and estimated cost of completion, which required management's judgement based on the consideration of the future market environment on a project by project basis.

We focused on this area because of the significance of the balances and judgements and estimates involved.

How our audit addressed the key audit matter

Our procedures in relation to the valuation of investment properties included:

- Assessing the competence, independence and integrity of the Valuers.
- Reading the valuation reports for all properties and discussed with the Valuers. We involved our valuation experts to assist us in challenging the Valuers on the valuation approach for each property.
- Carrying out procedures, on a sample basis, to test whether property specific current information such as location, building age and occupancy status provided to the Valuers by management was consistent with management's records.
- Assessing the reasonableness of the key assumptions used in the valuations, including market rents and discount rates of comparable transactions, by conducting independent market research.

We found the judgements made and the assumptions used in the valuation of investment properties were supportable in light of available evidence.

How our audit addressed the key audit matter

Our procedures in relation to the carrying value of properties for or under development included:

- Understanding, evaluating and testing the key controls relating to the determination of expected selling price and costs to completion.
- Assessing the reasonableness of the key assumptions by comparing the management's expected selling price, on a sample basis, to external market forecast. We also tested the expected cost to completion, on a sample basis, by comparing the expected costs of the projects to the market forecast on construction costs.
- Considering the results of sensitivity analysis prepared by management on reasonably possible deviations around the assumptions, such as changes in expected selling price, expected costs to completion and discount rates, applied by management.

We found the judgements and assumptions used by management in determining the carrying value of properties for or under development were reasonable based on the available evidence.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yau Yu Xin, Amelia.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2017

Consolidated Income Statement

For the year ended 31 December 2016

	Note	2016	2015
		HK\$'000	HK\$'000
Revenue	4	3,851,931	4,405,312
Other income	4	255,248	290,496
		4,107,179	4,695,808
Other (losses)/gains, net	5	(4,916)	23,123
Cost of inventories sold and services provided		(1,116,839)	(1,494,894)
Staff costs		(1,342,255)	(1,288,973)
Depreciation and amortisation		(146,981)	(153,820)
Other costs		(1,039,740)	(636,183)
Fair value changes on investment properties		72,457	257,508
Operating profit	6	528,905	1,402,569
Finance costs	8	(141,380)	(170,089)
Share of results of joint ventures		(502,756)	122,611
Share of results of associates		1,065	(43,753)
(Loss)/profit before taxation		(114,166)	1,311,338
Taxation	9(a)	(118,689)	(138,371)
(Loss)/profit for the year		(232,855)	1,172,967
Attributable to:			
Owners of the Company		(587,137)	744,670
Non-controlling interests		354,282	428,297
(Loss)/profit for the year		(232,855)	1,172,967
(Loss)/earnings per share (HK cents)	11		
– basic		(19.3)	24.5
– diluted		(19.3)	24.5

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016	2015
	HK\$'000	HK\$'000
(Loss)/profit for the year	(232,855)	1,172,967
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss:		
Available-for-sale investments:		
Changes in fair value	14,188	(30,516)
Impairment losses charged to profit or loss	—	485
Cash flow hedges:		
Changes in fair value, net of tax	72,767	(118,567)
Transfer to profit or loss	50,217	117,769
Reversal of asset revaluation reserve upon sales of properties, net of tax	(1,594)	(4,764)
Currency translation differences	(262,148)	(197,523)
Share of currency translation differences of joint ventures	(1,674)	(1,665)
Share of currency translation differences of associates	(72,471)	(82,777)
Other comprehensive loss for the year, net of tax	(200,715)	(317,558)
Total comprehensive (loss)/income for the year	(433,570)	855,409
Attributable to:		
Owners of the Company	(791,515)	446,887
Non-controlling interests	357,945	408,522
Total comprehensive (loss)/income for the year	(433,570)	855,409

Consolidated Balance Sheet

As at 31 December 2016

	Note	2016	2015
		HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	12	2,671,944	2,118,012
Investment properties	13	7,898,202	7,909,799
Prepaid premium for land lease and land use rights	14	290,840	318,562
Joint ventures	16	5,265,386	5,896,945
Associates	17	1,378,462	1,453,652
Intangible assets	18	37,553	38,281
Available-for-sale investments	19	995,263	965,552
Derivative financial instruments	25	22,903	—
Mortgage loans receivable	20	4,919	7,155
Deferred tax assets	9(c)	6,683	19,295
Other non-current assets	21	1,014,993	384,375
		19,587,148	19,111,628
Current assets			
Properties for or under development	22	10,549,594	9,085,668
Inventories	23	1,918,437	1,939,039
Trade and other receivables, deposits paid and prepayments	24	979,413	1,388,777
Derivative financial instruments	25	11,416	—
Taxation recoverable		5,468	3,441
Cash and bank balances	26	13,275,396	15,857,945
		26,739,724	28,274,870
Current liabilities			
Trade and other payables, and deposits received	27	1,636,839	1,433,304
Deposits received from sale of properties	28	1,469,358	157,665
Bank borrowings	29	533,571	4,359,495
Derivative financial instruments	25	—	75,026
Provision for employee benefits	30	13,332	14,250
Taxation payable		28,282	72,622
Loans from non-controlling interests	32	775,089	760,888
		4,456,471	6,873,250
Net current assets		22,283,253	21,401,620
Total assets less current liabilities		41,870,401	40,513,248

Consolidated Balance Sheet

As at 31 December 2016

	Note	2016	2015
		HK\$'000	HK\$'000
Non-current liabilities			
Bank borrowings	29	7,095,775	4,883,030
Medium term notes	31	3,144,979	3,140,170
Derivative financial instruments	25	—	29,115
Deferred tax liabilities	9(c)	1,072,080	1,036,786
		11,312,834	9,089,101
Net assets			
		30,557,567	31,424,147
Equity			
Share capital	33	9,858,250	9,858,250
Other reserves	35	15,772,528	16,437,957
Proposed dividends		—	60,849
Equity attributable to owners of the Company			
		25,630,778	26,357,056
Non-controlling interests		4,926,789	5,067,091
Total equity			
		30,557,567	31,424,147

Pansy Ho
Director

Daisy Ho
Director

Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Company										Total equity		
	Share capital	Capital reserve	Legal reserve	Special reserve	Investment revaluation reserve	Hedging reserve	Asset revaluation reserve	Exchange reserve	Retained profits	Proposed dividends		Total	Non-controlling interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2016	9,858,250	19,856	12,057	(151,413)	58,623	(53,575)	1,010,511	(214,803)	15,756,701	60,849	26,357,056	5,067,091	31,424,147
(Loss)/profit for the year	—	—	—	—	—	—	—	—	(587,137)	—	(587,137)	354,282	(232,855)
Items that may be reclassified to profit or loss:													
Available-for-sale investments:													
Changes in fair value	—	—	—	—	14,188	—	—	—	—	—	14,188	—	14,188
Cash flow hedges:													
Changes in fair value, net of tax	—	—	—	—	—	60,857	—	—	—	—	60,857	11,910	72,767
Transfer to profit or loss	—	—	—	—	—	20,696	—	—	—	—	20,696	29,521	50,217
Reversal of asset revaluation reserve upon sales of properties, net of tax	—	—	—	—	—	—	(1,594)	—	—	—	(1,594)	—	(1,594)
Currency translation differences	—	—	—	—	—	—	—	(224,380)	—	—	(224,380)	(37,768)	(262,148)
Share of currency translation differences of joint ventures	—	—	—	—	—	—	—	(1,674)	—	—	(1,674)	—	(1,674)
Share of currency translation differences of associates	—	—	—	—	—	—	—	(72,471)	—	—	(72,471)	—	(72,471)
Other comprehensive income/(loss) for the year, net of tax	—	—	—	—	14,188	81,553	(1,594)	(298,525)	—	—	(204,378)	3,663	(200,715)
Total comprehensive income/(loss) for the year	—	—	—	—	14,188	81,553	(1,594)	(298,525)	(587,137)	—	(791,515)	357,945	(433,570)
2015 final dividend	—	—	—	—	—	—	—	—	—	(60,849)	(60,849)	—	(60,849)
Lapse of share option	—	(3,594)	—	—	—	—	—	—	3,594	—	—	—	—
Dividend to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(370,767)	(370,767)
Transfers	—	—	553	—	—	—	—	—	125,676	—	126,229	(126,229)	—
Share of reserve movement of a joint venture	—	—	133	—	—	—	—	—	(133)	—	—	—	—
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	(143)	—	(143)	(1,251)	(1,394)
	—	(3,594)	686	—	—	—	—	—	128,994	(60,849)	65,237	(498,247)	(433,010)
As at 31 December 2016	9,858,250	16,262	12,743	(151,413)	72,811	27,978	1,008,917	(513,328)	15,298,558	—	25,630,778	4,926,789	30,557,567

For the year ended 31 December 2016

Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Company										Total equity		
	Share capital	Capital reserve	Legal reserve	Special reserve	Investment revaluation reserve	Hedging reserve	Asset revaluation reserve	Exchange reserve	Retained profits	Proposed dividends		Total	Non-controlling interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2015	9,858,250	28,048	10,972	(151,413)	88,654	(33,192)	1,015,275	27,802	15,065,773	502,007	26,412,176	4,699,490	31,111,666
Profit for the year	-	-	-	-	-	-	-	-	744,670	-	744,670	428,297	1,172,967
Items that may be reclassified to profit or loss:													
Available-for-sale investments:													
Changes in fair value	-	-	-	-	(30,516)	-	-	-	-	-	(30,516)	-	(30,516)
Impairment losses charged to profit or loss	-	-	-	-	485	-	-	-	-	-	485	-	485
Cash flow hedges:													
Changes in fair value, net of tax	-	-	-	-	-	(71,890)	-	-	-	-	(71,890)	(46,677)	(118,567)
Transfer to profit or loss	-	-	-	-	-	51,507	-	-	-	-	51,507	66,262	117,769
Reversal of asset revaluation reserve upon sales of properties, net of tax	-	-	-	-	-	-	(4,764)	-	-	-	(4,764)	-	(4,764)
Currency translation differences	-	-	-	-	-	-	-	(158,163)	-	-	(158,163)	(39,360)	(197,523)
Share of currency translation differences of joint ventures	-	-	-	-	-	-	-	(1,665)	-	-	(1,665)	-	(1,665)
Share of currency translation differences of associates	-	-	-	-	-	-	-	(82,777)	-	-	(82,777)	-	(82,777)
Other comprehensive loss for the year, net of tax	-	-	-	-	(30,031)	(20,383)	(4,764)	(242,605)	-	-	(297,783)	(19,775)	(317,558)
Total comprehensive income/(loss) for the year	-	-	-	-	(30,031)	(20,383)	(4,764)	(242,605)	744,670	-	446,887	408,522	855,409
2014 final dividend	-	-	-	-	-	-	-	-	-	(60,849)	(60,849)	-	(60,849)
2014 special dividend	-	-	-	-	-	-	-	-	-	(441,158)	(441,158)	-	(441,158)
2015 final dividend	-	-	-	-	-	-	-	-	(60,849)	60,849	-	-	-
Lapse of share option	-	(8,192)	-	-	-	-	-	-	8,192	-	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(868)	-	-	(40,921)	(40,921)
Transfers	-	-	868	-	-	-	-	-	(868)	-	-	-	-
Share of reserve movement of a joint venture	-	-	217	-	-	-	-	-	(217)	-	-	-	-
	-	(8,192)	1,085	-	-	-	-	-	(53,742)	(441,158)	(502,007)	(40,921)	(542,928)
As at 31 December 2015	9,858,250	19,856	12,057	(151,413)	58,623	(53,575)	1,010,511	(214,803)	15,756,701	60,849	26,357,056	5,067,091	31,424,147

Consolidated Cash Flow Statement

For the year ended 31 December 2016

	2016	2015
	HK\$'000	HK\$'000
Operating activities		
(Loss)/profit before taxation	(114,166)	1,311,338
Adjustments for:		
Depreciation and amortisation	146,981	153,820
Fair value changes on investment properties	(72,457)	(257,508)
Finance costs	141,380	170,089
Interest income	(210,898)	(239,493)
Dividend income from available-for-sale investments	(206,767)	(288,876)
Share of results of joint ventures	502,756	(122,611)
Share of results of associates	(1,065)	43,753
Realisation of asset revaluation reserve upon sale of properties	(1,811)	(5,413)
Net loss on disposal of property, plant and equipment	1,593	2,762
Net gain on disposal of an associate	—	(25,472)
Net loss on disposal of joint ventures	3,323	—
Loss on disposal of available-for-sale investments and other financial instruments	—	17
Impairment loss on available-for-sale investment	—	485
Impairment losses on trade and other receivables, deposits paid and prepayment	4,079	3,357
Impairment loss on property, plant and equipment	343,750	—
Operating profit before working capital changes	536,698	746,248
Increase in properties for or under development and inventories of properties, excluding net finance costs capitalised	(1,333,775)	(899,646)
Decrease/(increase) in other inventories	1,351	(8,067)
Decrease in trade receivables, other receivables and deposits paid	357,523	1,119,541
Increase/(decrease) in trade and other payables, and deposits received	299,925	(263,671)
Increase in deposits received from sale of properties	1,311,693	157,665
Decrease in provision for employee benefits	(918)	(916)
Cash generated from operations	1,172,497	851,154
Total income taxes paid	(120,574)	(420,077)
Net cash from operating activities	1,051,923	431,077

Consolidated Cash Flow Statement

For the year ended 31 December 2016

	2016	2015
	HK\$'000	HK\$'000
Investing activities		
Purchase of property, plant and equipment	(1,119,079)	(65,276)
Addition of investment properties	(8,412)	(69,259)
Addition of intangible assets	—	(3,932)
Repayments from joint ventures	82,426	182,322
Repayments from associates	31,290	—
Advances to joint ventures	(14,200)	—
Advances to an associate	—	(2,019)
Acquisition of available-for-sale investments	(16,680)	(172)
Repayments of mortgage loans	2,243	2,606
Prepayment for purchase of property, plant and equipment	(23,148)	(6,883)
Deposits paid for acquisition of properties	(687,198)	(225,069)
Capital refund from an investment fund	1,157	472
Proceeds from disposal of property, plant and equipment	28	326
Net cash outflow arising from disposal of a joint venture	(343)	—
Proceeds from disposal of an associate	—	39,683
Decrease/(increase) in bank deposits with maturities over three months	620,647	(3,022,170)
Interest received	234,693	207,430
Dividends received from available-for-sale investments	206,767	288,876
Dividends received from joint ventures	16,131	2,546
Dividends received from associates	3,784	3,445
Net cash used in investing activities	(669,894)	(2,667,074)

	Note	2016	2015
		HK\$'000	HK\$'000
Financing activities			
Drawdown of new loans		3,709,882	4,130,551
Repayments of loans		(5,271,501)	(3,968,956)
Acquisition of additional interest in a subsidiary		(1,430)	—
Finance costs (including interests and bank charges) paid		(329,357)	(335,081)
Dividends paid to shareholders		(60,807)	(501,845)
Dividends paid to non-controlling interests		(370,767)	(40,921)
Net cash used in financing activities		(2,323,980)	(716,252)
Net decrease in cash and cash equivalents		(1,941,951)	(2,952,249)
Effect of foreign exchange rates changes		(19,951)	(20,581)
Cash and cash equivalents at 1 January		7,645,644	10,618,474
Cash and cash equivalents at 31 December		5,683,742	7,645,644
Analysis of cash and cash equivalents			
Cash and bank balances	26	13,275,396	15,857,945
Bank deposits with maturities over three months		(7,591,654)	(8,212,301)
Cash and cash equivalents at 31 December		5,683,742	7,645,644

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 45.

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.

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all the subsidiary undertakings (within the meanings of Schedule 1 to Cap. 622) in the Company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 "Consolidated Financial Statements" so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provision of Section 380(6), the Company has departed from Section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in note 2(c). Those excluded subsidiary undertakings of the Group are disclosed in note 45.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2 Summary of significant accounting policies (Continued)

(b) Basis of preparation (Continued)

Impact of new or revised Hong Kong Financial Reporting Standards

New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

Amendments to HKAS 1	Presentation of Financial Statements
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 14	Regulatory Deferral Accounts
Annual improvement to HKFRSs 2012 – 2014 Cycle	

The adoption of the above does not have any significant impact to the Group's results for the year ended 31 December 2016 and the Group's financial position as at 31 December 2016.

New standards and amendments to standards not yet adopted

A number of new standards and amendments to standards, that are relevant to the Group, are issued but not yet effective for financial periods beginning on 1 January 2016, and have not been applied in preparing these consolidated financial statements.

Amendments to HKAS 7 ⁽¹⁾	Disclosure Initiative
Amendments to HKAS 12 ⁽¹⁾	Recognition of Deferral Tax Assets for Unrealised Losses
Annual improvement to HKFRSs 2014-2016 Cycle ^{(1) (2)}	
Amendments to HKFRS 2 ⁽²⁾	Share-based Payment
HKFRS 9 (2014) ⁽²⁾	Financial Instruments
HKFRS 15 ⁽²⁾	Revenue from Contracts with Customers
Amendments to HKFRS 15 ⁽²⁾	Revenue from Contracts with Customers
HKFRS 16 ⁽³⁾	Leases
Amendments to HKFRS 10 and HKAS 28 ⁽⁴⁾	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

⁽¹⁾ Effective for annual periods beginning 1 January 2017

⁽²⁾ Effective for annual periods beginning 1 January 2018

⁽³⁾ Effective for annual periods beginning 1 January 2019

⁽⁴⁾ Effective date to be determined

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(b) Basis of preparation (Continued)

Impact of new or revised Hong Kong Financial Reporting Standards (Continued)

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

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

HKFRS 9, "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale investments would appear to satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include equity instruments currently classified as available-for-sale investments for which a FVOCI election is available.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

2 Summary of significant accounting policies (Continued)

(b) Basis of preparation (Continued)

Impact of new or revised Hong Kong Financial Reporting Standards (Continued)

HKFRS 9, "Financial instruments" (Continued)

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service - the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- accounting for certain costs incurred in fulfilling a contract - certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return in HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(b) Basis of preparation (Continued)

Impact of new or revised Hong Kong Financial Reporting Standards (Continued)

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

(c) Basis of consolidation, separate financial statements and equity accounting

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

2 Summary of significant accounting policies (Continued)

(c) Basis of consolidation, separate financial statements and equity accounting (Continued)

(i) Subsidiaries (Continued)

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 in profit or loss. 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 consolidated income statement.

All intra-group transactions, balances and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated unless the transaction provides evidence of an impairment of transferred asset. 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.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(c) Basis of consolidation, separate financial statements and equity accounting (Continued)

(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.

The Group's share of post-acquisition profit or loss is recognised in the consolidated 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 consolidated 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 consolidated income statement.

2 Summary of significant accounting policies (Continued)

(c) Basis of consolidation, separate financial statements and equity accounting (Continued)

(vi) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangement. 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. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, 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.

(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.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(e) Foreign currency translation

(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 Company's functional and 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 consolidated 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% – 2.4% or over the remaining lease terms, if shorter
Vessels and pontoons	5% – 10%
Other assets	5% – 33%

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 losses/gains, net' in the consolidated income statement.

No depreciation is provided on hotel building under construction and freehold land.

Notes to the Financial Statements

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 consolidated income statement.

(h) Intangible assets

(i) Licences, franchises, trademarks and royalties

Separately acquired licences, franchises, trademarks 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, trademarks and royalties, amortisation is provided over the estimated finite useful lives of 8 to 20 years using the straight-line method.

(ii) Brand use right

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

Brand use right impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of brand use right 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.

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.

Notes to the Financial Statements

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 consolidated 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 consolidated 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 consolidated income statement as gains or losses from investments.

Interest on available-for-sale investments calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity investments are recognised in the consolidated 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(iv) Impairment

1. *Assets carried at amortised cost*

The Group assesses at the 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.

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.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(iv) Impairment (Continued)

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, if any such evidence exists 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. 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.

For equity investments, 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 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 reclassified 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.

(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 consolidated 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.

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 consolidated 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.

2 Summary of significant accounting policies (Continued)

(k) Derivative financial instruments (Continued)

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

(l) Properties for or under development

Properties for or under development 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 held for sale

Inventories and completed properties held 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. See note 2(j)(ii) for further information about the Group's accounting for trade receivables and note 2(j)(iv) for a description of the Group's impairment policies.

(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 with original maturities of three months or less. 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.

Notes to the Financial Statements

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.

(q) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest 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 consolidated 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 removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in the consolidated income statement as other income or finance costs.

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) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company 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.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, 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, associates and joint arrangements 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.

(u) Employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

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.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(v) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

(w) 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.

2 Summary of significant accounting policies (Continued)

(x) 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.

(y) 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, when 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.

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 and management 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.

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.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(z) 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.

(aa) 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.

3 Critical accounting estimates and judgements (Continued)

(b) 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.

(c) Income taxes

The Group is subject to income taxes in certain jurisdictions. Significant judgement 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.

(d) 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.

Notes to the Financial Statements

3 Critical accounting estimates and judgements (Continued)

(e) 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.

(f) 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.

(g) Estimated net realisable value of properties for or under development

The Group's properties for or under development for sale are stated at lower of cost and net realisable value. In determining whether allowances should be made, 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. An allowance is made if the recoverable amount is less than the carrying amount.

(h) Estimated net realisable value of inventories

For the carrying value of the Group's completed properties held 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). 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 reference to the latest market value of those inventories identified. In addition, management carries out an inventory review and makes the necessary write-down for obsolete items.

4 Revenue and other income

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

	2016	2015
	HK\$'000	HK\$'000
Revenue		
Revenue from sales of properties	61,232	512,822
Revenue from passenger transportation services	2,458,636	2,564,396
Revenue from hotel operation	398,217	403,897
Rental income	276,384	206,614
Management fees and others	403,270	375,992
Revenue from sale of fuel	16,985	17,366
Revenue from travel agency services	30,018	34,776
Interest income from mortgage loans receivable	422	573
Dividend income from available-for-sale investments	206,767	288,876
	3,851,931	4,405,312
Other income		
Interest income from:		
— Bank deposits	203,400	232,855
— Others	7,076	6,065
Others	44,772	51,576
	255,248	290,496
Revenue and other income	4,107,179	4,695,808

5 Other (losses)/gains, net

	2016	2015
	HK\$'000	HK\$'000
Net gain on disposal of an associate	—	25,472
Net loss on disposal of joint ventures	(3,323)	—
Net loss on disposal of property, plant and equipment	(1,593)	(2,762)
Others	—	413
	(4,916)	23,123

Notes to the Financial Statements

6 Operating profit

	2016	2015
	HK\$'000	HK\$'000
After crediting:		
Rental income from investment properties	273,562	203,412
Less: Direct operating expenses arising from investment properties	(21,000)	(21,754)
	252,562	181,658
Dividend income from listed investments	7,217	8,574
Dividend income from unlisted investments		
— STDM	197,709	278,236
— others	1,841	2,066
After charging:		
Cost of inventories sold		
— properties	22,394	154,107
— fuel	508,303	685,282
— others	156,961	155,318
	687,658	994,707
Exchange loss, net	42,422	50,824
Depreciation of property, plant and equipment (note 12)	146,009	150,656
Amortisation		
— intangible assets (note 18)	728	2,920
— prepaid premium for land lease and land use rights (note 14)	244	244
Auditors' remuneration		
— audit services	10,201	9,710
— non-audit services	4,954	4,930
Minimum lease payments of properties under operating leases	108,077	55,921
Contingent rental payment (note 12(c))	23,097	23,426
Impairment losses		
— property, plant and equipment (note 12(b))	343,750	—
— available-for-sale investments	—	485
— trade receivables, net (note 24(a))	544	3,357
— other receivables, deposits and prepayments	3,535	—
Staff costs		
— salaries and wages	1,248,433	1,198,311
— provident fund contributions	55,205	53,269
— directors' emoluments (note 7(a))	38,617	37,393

7 Benefits and interests of directors and five highest paid individual

(a) Directors' emoluments

For the year ended 31 December 2016

Name	As Director (note i)					Total
	Fees	Salaries, allowance and benefits	Performance bonus	Provident fund contributions	As management (note ii)	
Executive Directors						
Dr. Stanley Ho	50	—	—	—	—	50
Ms. Pansy Ho	110	9,350	5,846	585	—	15,891
Ms. Daisy Ho	110	5,629	235	281	—	6,255
Ms. Maisy Ho	110	4,221	176	211	—	4,718
Mr. David Shum	110	3,206	267	160	—	3,743
Mr. Rogier Verhoeven	50	2,305	192	226	3,187	5,960
Non-Executive Directors						
Mrs. Mok Ho Yuen Wing, Louise (passed away on 21 December 2016)	50	100	—	—	—	150
Independent Non-Executive Directors						
Mr. Norman Ho	400	130	—	—	—	530
Mr. Charles Ho	400	10	—	—	—	410
Mr. Michael Ng	400	110	—	—	—	510
Mr. Kevin Yip	400	—	—	—	—	400
	2,190	25,061	6,716	1,463	3,187	38,617

Notes to the Financial Statements

7 Benefits and interests of directors and five highest paid individual (Continued)**(a) Directors' emoluments** (Continued)

For the year ended 31 December 2015

Name	As Director (note i)					As management (note ii)	Total
	Fees	Salaries, allowance and benefits	Performance bonus	Provident fund contributions			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors							
Dr. Stanley Ho	50	—	—	—	—	—	50
Ms. Pansy Ho	110	9,016	5,613	563	—	—	15,302
Ms. Daisy Ho	110	5,451	454	273	—	—	6,288
Ms. Maisy Ho	110	4,089	341	204	—	—	4,744
Mr. David Shum	110	3,105	259	155	—	—	3,629
Mr. Rogier Verhoeven	50	2,233	279	219	2,747	—	5,528
Non-Executive Directors							
Dato' Dr. Cheng Yu Tung (retired on 19 June 2015)	23	—	—	—	—	—	23
Mrs. Mok Ho Yuen Wing, Louise	50	100	—	—	—	—	150
Independent Non-Executive Directors							
Sir Rogerio Hyndman Lobo (passed away on 18 April 2015)	118	33	—	—	—	—	151
Mr. Norman Ho	400	130	—	—	—	—	530
Mr. Charles Ho	400	10	—	—	—	—	410
Mr. Michael Ng	400	103	—	—	—	—	503
Mr. Kevin Yip (appointed on 16 October 2015)	85	—	—	—	—	—	85
	2,016	24,270	6,946	1,414	2,747	—	37,393

7 Benefits and interests of directors and five highest paid individual (Continued)

(a) Directors' emoluments (Continued)

Notes:

- (i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries.
- (ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiaries and included salaries, discretionary bonuses and employer's contributions to retirement benefit schemes.

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

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

On 24 December 2013, 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 interest. 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 from time to time on a non-exclusive basis.

The MGM Master Service Agreement is 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.

On 12 December 2016, the agreement was renewed for a term of three years from 1 January 2017 to 31 December 2019 and is thereafter renewable for successive terms of 3 years by mutual agreement in writing.

Save for the aforesaid transactions, there were no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries or its holding companies was a party and in which a Director or its connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individual

Among the five highest paid individuals in the Group, four are directors (2015: four 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\$4,777,000 (2015: HK\$5,568,000).

Notes to the Financial Statements

8 Finance costs

	2016	2015
	HK\$'000	HK\$'000
Interest on bank borrowings and overdraft	135,490	143,490
Interest on medium term notes	180,475	180,042
Other finance costs	16,938	13,975
Total finance costs	332,903	337,507
Less: Amount capitalised in properties for or under development and hotel building under construction	(191,523)	(167,418)
	141,380	170,089

During the year, finance costs have been capitalised at weighted average rate of its general borrowings of 2.93% (2015: 2.97%) per annum for properties for or under development.

9 Taxation**(a) Taxation in the consolidated income statement represents:**

	2016	2015
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax		
— tax for the year	50,029	41,323
— (over)/under-provision in respect of prior years	(944)	4,061
Overseas taxation		
— tax for the year	24,830	61,924
— under/(over)-provision in respect of prior years	296	(1,514)
	74,211	105,794
Deferred taxation		
Origination and reversal of temporary differences	44,478	32,577
Total tax expenses	118,689	138,371

Hong Kong profits tax is calculated at 16.5% (2015: 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.

9 Taxation (Continued)

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

	2016	2015
	HK\$'000	HK\$'000
(Loss)/profit before taxation	(114,166)	1,311,338
Less: share of results of joint ventures and associates	501,691	(78,858)
	387,525	1,232,480
Tax at the applicable tax rate of 16.5% (2015: 16.5%)	63,942	203,359
Income not subject to tax	(101,238)	(134,901)
Expenses not deductible for tax purposes	96,829	59,526
Utilisation of tax losses and deductible temporary differences not previously recognised	(368)	(4,864)
Tax losses and deductible temporary differences not recognised	46,938	36,469
Effect of different tax rates of subsidiaries operating in other jurisdictions	12,583	(20,813)
(Over)/under-provision in respect of prior years	(648)	2,547
Others	651	(2,952)
Total tax expenses	118,689	138,371

Notes to the Financial Statements

9 Taxation (Continued)

(c) Deferred tax assets and liabilities recognised

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

Deferred tax assets

	Accelerated accounting		Cash flow		Total
	depreciation	Tax losses	hedges	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2015	137	72,933	19,122	2,612	94,804
(Charge)/credit to income statement	(20)	(15,109)	—	86	(15,043)
Charge to other comprehensive income	—	—	(6,743)	—	(6,743)
As at 31 December 2015	117	57,824	12,379	2,698	73,018
(Charge)/credit to income statement	(63)	(9,306)	—	201	(9,168)
Charge to other comprehensive income	—	—	(12,379)	—	(12,379)
As at 31 December 2016	54	48,518	—	2,899	51,471

9 Taxation (Continued)

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

Deferred tax liabilities

	Accelerated tax depreciation	Revaluation of investment properties	Cash flow hedges	Fair value adjustments on business combination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2015	259,565	221,276	—	601,224	1,082,065
Exchange adjustment	(3,453)	(4,988)	—	—	(8,441)
Charge/(credit) to income statement	7,311	13,159	—	(2,936)	17,534
Credit to other comprehensive income	—	—	—	(649)	(649)
As at 31 December 2015	263,423	229,447	—	597,639	1,090,509
Exchange adjustment	(3,737)	(6,880)	—	—	(10,617)
Charge/(credit) to income statement	15,502	21,311	—	(1,503)	35,310
Charge/(credit) to other comprehensive income	—	—	1,884	(218)	1,666
As at 31 December 2016	275,188	243,878	1,884	595,918	1,116,868

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.

	2016	2015
	HK\$'000	HK\$'000
Deferred tax assets	6,683	19,295
Deferred tax liabilities	(1,072,080)	(1,036,786)
	(1,065,397)	(1,017,491)

Notes to the Financial Statements

9 Taxation (Continued)

(d) Deferred tax assets unrecognised

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

	2016	2015
	HK\$'000	HK\$'000
Tax losses	1,676,752	1,523,819
Deductible temporary differences	716	146,677
	1,677,468	1,670,496

Included in the unrecognised tax losses of the Group are losses of HK\$112,241,000 (2015: HK\$95,683,000) that will expire on various dates through to 2021 (2015: 2020) from 31 December 2016. 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

	2016	2015
	HK\$'000	HK\$'000
Proposed final dividend: nil (2015: HK2.0 cents on 3,042,465,785 shares)	—	60,849

11 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on loss attributable to owners of the Company of HK\$587,137,000 (2015: profit of HK\$744,670,000) and the weighted average number of 3,042,465,785 shares (2015: 3,042,465,785 shares) in issue during the year.

Basic and fully diluted (loss)/earnings per share are the same as the share options of the Company have an anti-dilutive effect on the basic (loss)/earnings per share for the years ended 31 December 2016 and 2015 respectively.

12 Property, plant and equipment

	Hotel land and buildings	Hotel buildings under construction	Leasehold land and buildings	Vessels and pontoons	Other assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost						
As at 1 January 2015	801,112	237,352	990,494	2,436,524	1,012,533	5,478,015
Exchange adjustment	—	(13,370)	—	—	(303)	(13,673)
Additions	—	33,537	18,127	—	36,151	87,815
Disposals	—	—	—	—	(38,810)	(38,810)
Transfer	23,391	(23,391)	—	—	—	—
As at 31 December 2015	824,503	234,128	1,008,621	2,436,524	1,009,571	5,513,347
Exchange adjustment	(60,405)	(13,600)	(167)	—	(734)	(74,906)
Additions	858,451	149,433	—	458	133,099	1,141,441
Disposals	—	—	—	(120)	(25,980)	(26,100)
Transfer	(22,032)	—	—	—	—	(22,032)
As at 31 December 2016	1,600,517	369,961	1,008,454	2,436,862	1,115,956	6,531,750
Accumulated depreciation and impairment						
As at 1 January 2015	126,257	—	429,030	1,868,981	856,191	3,280,459
Exchange adjustment	—	—	(1)	—	(57)	(58)
Charge for the year (note 6)	20,765	—	16,608	69,252	44,031	150,656
Disposals	—	—	—	—	(35,722)	(35,722)
As at 31 December 2015	147,022	—	445,637	1,938,233	864,443	3,395,335
Exchange adjustment	(15)	—	(7)	—	(375)	(397)
Charge for the year (note 6)	21,192	—	17,075	57,374	50,368	146,009
Disposals	—	—	—	(120)	(24,359)	(24,479)
Impairment	—	—	343,750	—	—	343,750
Transfer	(412)	—	—	—	—	(412)
As at 31 December 2016	167,787	—	806,455	1,995,487	890,077	3,859,806
Net book value						
As at 31 December 2016	1,432,730	369,961	201,999	441,375	225,879	2,671,944
As at 31 December 2015	677,481	234,128	562,984	498,291	145,128	2,118,012

Notes to the Financial Statements

12 Property, plant and equipment (Continued)

Notes:

- (a) Other assets of the Group comprised mainly furniture, fixtures and office equipment, plant and machinery, operating supplies and equipment of the hotel and repairable spare parts of vessels.
- (b) In view of the uncertainties in obtaining a replacement site in Macau after years of prolonged delay, leasehold land intended for hospitality use in Macau of the Group with a net book value of HK\$343,750,000 (2015: HK\$354,167,000) was fully impaired and recognised within "Other costs" during the year.
- (c) Contingent rental payment amounting to approximately HK\$23,097,000 (2015: HK\$23,426,000) relating to the lease of hotel buildings is included in the consolidated income statement (note 6).
- (d) Hotel land and buildings included freehold land of net book value of HK\$799,405,000 (2015: nil) in Singapore and hotel buildings of net book value of HK\$633,325,000 (2015: HK\$677,481,000) in Hong Kong.

Certain property, plant and equipment with net book value of HK\$1,193,103,000 (2015: HK\$1,335,961,000) were pledged to banks as securities for bank borrowings granted to certain subsidiaries of the Group (note 29).

13 Investment properties

Completed investment properties	2016		
	Hong Kong	Others	Total
	HK\$'000	HK\$'000	HK\$'000
Valuation			
As at 1 January	4,885,298	3,024,501	7,909,799
Addition	1,241	7,171	8,412
Transfer	—	21,620	21,620
Exchange adjustment	—	(114,086)	(114,086)
Fair value changes	15,154	57,303	72,457
As at 31 December	4,901,693	2,996,509	7,898,202
Freehold properties			1,079,000
Leasehold properties			6,819,202

13 Investment properties (Continued)

Completed investment properties	2015		
	Hong Kong	Others	Total
	HK\$'000	HK\$'000	HK\$'000
Valuation			
As at 1 January	4,693,547	2,992,457	7,686,004
Addition	1,441	72,554	73,995
Exchange adjustment	—	(107,708)	(107,708)
Fair value changes	190,310	67,198	257,508
As at 31 December	4,885,298	3,024,501	7,909,799
Freehold properties			1,128,000
Leasehold properties			6,781,799

Investment properties of fair value of HK\$2,014,769,000 (2015: HK\$1,946,610,000) was pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (note 29).

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 2016 and 2015. 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\$7,898,202,000 (2015: HK\$7,909,799,000) are valued 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 and carparks in Hong Kong and others are generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation 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.

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

13 Investment properties (Continued)

Prevailing market rents are estimated based on Savills' 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 Savills 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 and land use rights

	2016	2015
	HK\$'000	HK\$'000
Cost		
As at 1 January	335,883	355,163
Exchange adjustment	(18,929)	(19,280)
As at 31 December	316,954	335,883
Accumulated amortisation		
As at 1 January	17,321	7,379
Exchange adjustment	(872)	(299)
Amortisation for the year		
- charged to consolidated income statement (note 6)	244	244
- capitalised to property, plant and equipment	9,421	9,997
As at 31 December	26,114	17,321
Net book value as at 31 December	290,840	318,562

Notes:

- (a) Land use rights of HK\$283,401,000 (2015: HK\$310,879,000) was pledged to banks as securities for bank borrowings granted to a subsidiary of the Group (note 29).
- (b) 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.

Notes to the Financial Statements

15 Subsidiaries

Particulars regarding the principal subsidiaries are set out on note 45.

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, with shareholding held by non-controlling interests of 49% and 57.4% respectively.

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	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current				
Assets	913,098	1,439,383	1,479,519	1,415,508
Liabilities	(312,871)	(313,946)	(450,978)	(548,280)
Total net current assets	600,227	1,125,437	1,028,541	867,228
Non-current				
Assets	3,155,000	3,157,000	788,202	815,302
Liabilities	(79,811)	(74,807)	(29,192)	(27,283)
Total net non-current assets	3,075,189	3,082,193	759,010	788,019
Net assets	3,675,416	4,207,630	1,787,551	1,655,247

Summarised statement of comprehensive income

	Ranex		STCT group	
	For the year ended 31 December		For the year ended 31 December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	98,521	128,441	2,548,138	2,689,022
Profit before taxation	80,075	203,746	409,027	377,046
Taxation	(12,289)	(13,443)	(48,902)	(42,895)
Other comprehensive income	—	—	72,179	34,119
Total comprehensive income	67,786	190,303	432,304	368,270
Total comprehensive income allocated to non-controlling interests	31,182	93,248	248,142	211,387
Dividends to non-controlling interests	276,000	—	87,000	33,640

15 Subsidiaries (Continued)**Summarised cash flows**

	Ranex		STCT group	
	For the year ended 31 December		For the year ended 31 December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities				
Cash generated from operations	72,003	74,711	497,161	451,276
Income tax paid	(6,464)	(96,812)	(62,600)	(24,627)
Net cash generated from/ (used in) operating activities	65,539	(22,101)	434,561	426,649
Net cash generated from/ (used in) investing activities	7,153	8,751	(92,369)	(360,276)
Net cash used in financing activities	(600,000)	—	(337,229)	(246,313)
Net (decrease)/increase in cash and cash equivalents	(527,308)	(13,350)	4,963	(179,940)
Cash and cash equivalents as at 1 January	1,325,706	1,339,056	298,602	478,542
Cash and cash equivalents as at 31 December	798,398	1,325,706	303,565	298,602

16 Joint ventures

	2016	2015
	HK\$'000	HK\$'000
Share of net assets	5,265,386	5,896,945

Particulars regarding the principal joint ventures are set out on note 45.

Summarised financial information of material joint venture

Basecity Investments Limited ("Basecity") is a joint venture which is material to the Group. 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.

Notes to the Financial Statements

16 Joint ventures (Continued)**Summarised balance sheet**

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
Current		
Cash and cash equivalents	391,784	130,590
Other current assets (excluding cash)	238,689	425,218
Total current assets	630,473	555,808
Financial liabilities (excluding trade payables)	(260,080)	(422,464)
Other current liabilities (including trade payables)	(215,899)	(166,688)
Total current liabilities	(475,979)	(589,152)
Non-current		
Investment properties	9,899,000	11,393,000
Other assets	1,147,849	1,210,790
	11,046,849	12,603,790
Financial liabilities	—	—
Other liabilities	(1,115,120)	(1,290,917)
Total non-current liabilities	(1,115,120)	(1,290,917)
Net assets	10,086,223	11,279,529

16 Joint ventures (Continued)**Summarised statement of comprehensive income**

	For the year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Revenue	658,831	689,118
Depreciation and amortisation	(66,141)	(64,368)
Interest income	33	214
Interest expense	(6,808)	(11,506)
Fair value changes on investment properties	(1,494,000)	18,645
Others	(241,321)	(274,985)
(Loss)/profit before taxation	(1,149,406)	357,118
Taxation	140,550	(43,858)
(Loss)/profit for the year	(1,008,856)	313,260
Other comprehensive (loss)/income	—	—
Total comprehensive (loss)/income	(1,008,856)	313,260
Dividend income from Basecity	94,070	211,523

Reconciliation of summarised financial information

	2016	
	HK\$'000	HK\$'000
Opening net assets as at 1 January	11,279,529	11,381,019
(Loss)/profit for the year	(1,008,856)	313,260
Dividend	(184,450)	(414,750)
Closing net assets as at 31 December	10,086,223	11,279,529
Interests in joint venture at 51%	5,143,974	5,752,560

Notes to the Financial Statements

16 Joint ventures (Continued)

Aggregate information of joint ventures that are not individually material:

	2016	2015
	HK\$'000	HK\$'000
Aggregate carrying amounts of individually immaterial joint ventures in the consolidated financial statements	121,412	144,385
Aggregate amounts of the Group's share of those joint ventures'		
Profit/(loss) for the year	11,760	(37,151)
Other comprehensive loss	(1,674)	(1,665)
Total comprehensive income/(loss)	10,086	(38,816)

There are no material contingent liabilities relating to the Group's interests in the joint ventures.

17 Associates

	2016	2015
	HK\$'000	HK\$'000
Share of net assets	1,378,325	1,453,515
Goodwill	137	137
	1,378,462	1,453,652

There is no associate that is individually material to the Group.

Aggregate information of associates that are not individually material:

	2016	2015
	HK\$'000	HK\$'000
Aggregate carrying amounts of individually immaterial associates in the consolidated financial statements	1,378,462	1,453,652
Aggregate amounts of the Group's share of those associates'		
Profit/(loss) for the year	1,065	(43,753)
Other comprehensive loss	(72,471)	(82,777)
Total comprehensive loss	(71,406)	(126,530)

There are no material contingent liabilities relating to the Group's interests in the associates.

Particulars regarding the principal associates are set out on note 45.

18 Intangible assets

	Licences and other operating rights	Franchises and royalties	Brand use right	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost				
As at 1 January 2015	3,084	1,164	34,702	38,950
Addition	3,931	—	—	3,931
As at 31 December 2015 and 2016	7,015	1,164	34,702	42,881
Accumulated amortisation				
As at 1 January 2015	919	761	—	1,680
Amortisation for the year (note 6)	2,830	90	—	2,920
As at 31 December 2015	3,749	851	—	4,600
Amortisation for the year (note 6)	639	89	—	728
As at 31 December 2016	4,388	940	—	5,328
Net book value				
As at 31 December 2016	2,627	224	34,702	37,553
As at 31 December 2015	3,266	313	34,702	38,281

Notes to the Financial Statements

19 Available-for-sale investments

	2016	2015
	HK\$'000	HK\$'000
Equity securities		
Unlisted		
Cost	892,345	892,345
Impairment losses	(76,748)	(76,748)
	815,597	815,597
Listed in Hong Kong, at fair value	144,537	131,109
Listed outside Hong Kong, at fair value	8,488	6,818
	968,622	953,524
Debt securities		
Listed in Hong Kong, at fair value	16,146	—
Investment funds		
Listed outside Hong Kong, at fair value	14	14
Unlisted, at fair value	10,481	12,014
	10,495	12,028
	995,263	965,552

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

	2016	2015
	HK\$'000	HK\$'000
Hong Kong dollar	957,553	944,125
United States dollar	37,710	21,427
	995,263	965,552

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 as at 31 December 2016 (2015: same).

20 Mortgage loans receivable

	2016	2015
	HK\$'000	HK\$'000
Mortgage loans receivable	5,576	7,819
Less: Current portion (note 24)	(657)	(664)
Non-current portion	4,919	7,155

Mortgage loans receivable are secured by second mortgage of properties and interest bearing at prime rate plus 1% to prime rate plus 2.75% (2015: prime rate plus 1% to prime rate plus 2.75%) per annum.

The carrying amounts of mortgage loans receivable approximate their fair values and are denominated in Hong Kong dollar.

21 Other non-current assets

	2016	2015
	HK\$'000	HK\$'000
Amount due by a joint venture (note a)	62,555	140,683
Amounts due by associates (note b)	10,000	11,600
Club debentures	140	140
Deposits and prepayments (note c)	942,298	231,952
	1,014,993	384,375

Notes:

- (a) Amount due by a joint venture of HK\$60,686,000 (2015: HK\$136,669,000) is interest bearing at HIBOR plus 3% (2015: HIBOR plus 3%) per annum on loan principal and repayable on demand. The balance is denominated in Hong Kong dollar.
- (b) Amounts due by associates are unsecured, non-interest bearing and with no fixed term of repayment. The balances are denominated in Hong Kong dollar.
- (c) Included in the balance of deposits and prepayments, HK\$262,500,000 (2015: HK\$218,750,000) represented the instalments paid for acquisition of property in Minhang District, Shanghai and HK\$567,423,000 (2015: nil) represented the deposit paid for the acquisition of land use rights in Qiantan District, Shanghai. Deposit of HK\$567,423,000 will be used to set off against the land price payment obligation of the Group's 50% owned joint venture formed for the acquisition of that land use rights.
- (d) The maximum exposure to credit risk as at 31 December 2016 is the carrying amounts, which approximate their fair values (2015: same).

Notes to the Financial Statements

22 Properties for or under development

	2016	2015
	HK\$'000	HK\$'000
Properties for or under development, at cost	10,549,594	9,085,668

The amount of properties for or under development expected to be completed and recovered after more than one year is HK\$10,549,594,000 (2015: HK\$9,085,668,000).

Properties for or under development of HK\$9,333,565,000 (2015: HK\$7,920,451,000) were pledged to banks as securities for bank borrowings granted to a subsidiary of the Group (note 29).

23 Inventories

	2016	2015
	HK\$'000	HK\$'000
Properties held for sale	1,735,673	1,754,925
Spare parts	171,412	173,034
Others	11,352	11,080
	1,918,437	1,939,039

Other inventories of HK\$1,017,000 (2015: properties held for sale of HK\$1,586,114,000 and other inventories of HK\$1,024,000) were pledged to banks as securities for bank borrowings granted to certain subsidiaries of the Group (note 29).

24 Trade and other receivables, deposits paid and prepayments

	2016	2015
	HK\$'000	HK\$'000
Trade receivables (note a)	123,078	219,443
Less: Provision for impairment of trade receivables	(4,345)	(3,854)
	118,733	215,589
Amount due by an associate (note b)	—	24,469
Amounts due by joint ventures (note c)	14,200	—
Current portion of mortgage loans receivable (note 20)	657	664
Deposits for acquisitions of interests in land development rights (note d)	500,000	814,542
Other debtors, deposits and prepayments	345,823	333,513
	979,413	1,388,777

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

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:

	2016	2015
	HK\$'000	HK\$'000
Hong Kong dollar	899,878	1,284,732
Macau pataca	31,303	28,104
Renminbi	45,323	44,132
United States dollar	1,936	30,477
Others	973	1,332
	979,413	1,388,777

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:

	2016	2015
	HK\$'000	HK\$'000
0 - 30 days	91,314	100,286
31 - 60 days	20,065	108,182
61 - 90 days	6,287	3,700
over 90 days	5,412	7,275
	123,078	219,443

Notes to the Financial Statements

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

Notes: (Continued)

(a) Trade receivables (Continued)

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

	2016	2015
	HK\$'000	HK\$'000
Past due up to:		
0 - 30 days	42,069	50,758
31 - 60 days	12,508	95,697
61 - 90 days	2,224	2,884
over 90 days	4,166	6,245
	60,967	155,584

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

	2016	2015
	HK\$'000	HK\$'000
As at 1 January	3,854	497
Impairment loss recognised during the year	645	3,357
Impairment loss reversed during the year	(101)	—
Uncollectible amount written off	(53)	—
As at 31 December	4,345	3,854

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.

- (b) Amount due by an associate as at 31 December 2015 is unsecured, non-interest bearing and with no fixed term of repayment.
- (c) Amounts due by joint ventures are unsecured, non-interest bearing and with no fixed term of repayment.
- (d) 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 related company of HK\$500,000,000 (2015: a third party of HK\$314,542,000 and a related company of HK\$500,000,000) in Macau. In November 2016, the Group recovered deposit of HK\$314,542,000 by entering into an agreement to terminate the conditional acquisition of a parcel of land in Macau with a third party. 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(b) (vii)).

25 Derivative financial instruments

	2016	2015
	HK\$'000	HK\$'000
Non-current assets		
Cross-currency swaps (note a)	22,903	—
Current assets		
Fuel swap contracts (note b)	11,416	—
Non-current liabilities		
Cross-currency swaps (note a)	—	29,115
Current liabilities		
Fuel swap contracts (note b)	—	75,026

The derivative financial instruments are denominated in United States dollar.

Notes:

- (a) 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 as at 31 December 2016.

The gain (2015: loss) in fair value of cross-currency swap contracts that are designated and qualified as cash flow hedges amounting to HK\$52,018,000 (2015: HK\$37,248,000) were recognised in hedging reserve in equity for the year ended 31 December 2016. Under cash flow hedges, the gain of HK\$1,214,000 (2015: loss of HK\$2,330,000) was transferred from hedging reserve to consolidated income statement.

Hedging reserve arose from gain (2015: loss) in fair value of the cross-currency swap contracts qualified as cash flow hedge was HK\$23,917,000 as at 31 December 2016 (2015: HK\$26,887,000).

As at December 2016, the Group had two (2015: two) outstanding currency swap contracts. These contracts will expire in March 2020.

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

The gain (2015: loss) in fair value of fuel swap contracts that are designated and qualified as cash flow hedges amounting to HK\$8,839,000 (2015: HK\$34,642,000) are recognised in hedging reserve in equity for the year ended 31 December 2016. Under cash flow hedges, the loss of HK\$21,910,000 (2015: HK\$49,177,000) was transferred from hedging reserve to consolidated income statement.

Hedging reserve arose from gain (2015: loss) in fair value of the fuel swap contracts qualified as cash flow hedge is HK\$4,061,000 as at 31 December 2016 (2015: HK\$26,688,000).

As at December 2016, the Group had outstanding fuel swap contracts to buy approximately 144,000 (2015: 384,000) barrels of fuel. These contracts will expire in December 2017 (2015: December 2016).

Notes to the Financial Statements

26 Cash and bank balances

	2016	2015
	HK\$'000	HK\$'000
Bank deposits	11,603,203	12,518,999
Cash and bank balances	1,672,193	3,338,946
	13,275,396	15,857,945

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

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

	2016	2015
	HK\$'000	HK\$'000
Hong Kong dollar	11,234,863	13,650,705
Macau pataca	191,480	147,207
Renminbi	1,296,085	1,496,979
United States dollar	550,253	484,444
Singapore dollar	2,715	78,610
	13,275,396	15,857,945

The balance as at 31 December 2016 includes amount of HK\$569,622,000 (2015: HK\$2,269,152,000) held under charge in favour of banks in respect of bank loan facilities (note 29), of which, HK\$365,424,000 (2015: HK\$2,049,894,000) are property presale proceeds which can be utilised to settle relevant projects construction cost payable. The remaining balance of HK\$204,198,000 (2015: HK\$169,991,000) can be utilised under specified conditions by the Group.

27 Trade and other payables, and deposits received

	2016	2015
	HK\$'000	HK\$'000
Amounts due to joint ventures (note a)	4,710	107,261
Amounts due to associates (note b)	5,221	—
Trade and other creditors, deposits and accrued charges (note c)	1,626,908	1,326,043
	1,636,839	1,433,304

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

	2016	2015
	HK\$'000	HK\$'000
Hong Kong dollar	765,383	916,241
Macau pataca	671,647	398,508
Renminbi	137,631	73,602
United States dollar	45,986	35,775
Others	16,192	9,178
	1,636,839	1,433,304

Notes:

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

	2016	2015
	HK\$'000	HK\$'000
0 - 30 days	959,758	742,406
31 - 60 days	47,720	4,246
61 - 90 days	786	3,117
over 90 days	835	3,033
	1,009,099	752,802

Notes to the Financial Statements

28 Deposits received from sale of properties

- (a) As at 31 December 2016, a deposit of HK\$158,800,000 was received for the sale of the entire issued share capital and assignment of shareholder loan in Grace Wealth Development Limited ("GWDL"), a wholly-owned subsidiary of the Group, to an independent third party at a consideration of HK\$1,588,000,000. GWDL owned five luxury residential houses located at Chung Hom Kok. The transaction was completed on 3 January 2017.
- (b) On 22 June 2016, Ace Promise Investments Limited ("Ace Promise"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with HIP Company Limited ("HIP"), an independent third party, to which HIP shall invest and jointly own the entire commercial complex of Nova City Phase 5 (the "Property"), which is currently held by Nova Taipa - Urbanizações, Limitada ("NTU"), a non-wholly owned subsidiary of the Company, through acquiring 50% of the issued capital of Nextor Holdings Limited ("Nextor") from Ace Promise at a total investment of HK\$3,230,200,000 comprising a share consideration of HK\$1,850,000,000 and a shareholder's loan of initially HK\$1,380,200,000 to Nextor.

As at 31 December 2016, a deposit of HK\$630,000,000 was received. The completion of the transaction is expected to be in late 2018.

29 Bank borrowings

	2016	2015
	HK\$'000	HK\$'000
Bank borrowings repayable as follows:		
Not exceeding 1 year	533,571	4,359,495
More than 1 year but not exceeding 2 years	681,910	746,882
More than 2 years but not exceeding 5 years	6,356,062	4,021,673
More than 5 years	57,803	114,475
	7,629,346	9,242,525
Less: Current portion	(533,571)	(4,359,495)
Non-current portion	7,095,775	4,883,030

Bank borrowings include secured bank borrowings of HK\$2,544,347,000 (2015: HK\$3,292,526,000) and are secured by the following pledged assets:

	2016	2015
	HK\$'000	HK\$'000
Property, plant and equipment (note 12)	1,193,103	1,335,961
Properties for or under development (note 22)	9,333,565	7,920,451
Inventories (note 23)	1,017	1,587,138
Land use rights (note 14)	283,401	310,879
Investment properties (note 13)	2,014,769	1,946,610
Cash and bank balances (note 26)	569,622	2,269,152
Other assets	41,424	25,627
	13,436,901	15,395,818

29 Bank borrowings (Continued)

Out of the above secured bank borrowings, an aggregate amount of HK\$865,000,000 (2015: HK\$2,637,496,000) are also secured by pledges of shares of certain subsidiaries (note 45).

Bank borrowings to the extent of HK\$900,900,000 (2015: HK\$801,030,000) are repayable by instalments.

Bank borrowings are interest bearing at floating rates with contractual interest repricing dates ranged within 6 months. As at 31 December 2016, the weighted average effective interest rate of the Group's bank borrowings is 2.0% (2015: 1.6%) per annum.

The carrying amounts of bank borrowings approximate their fair values and are denominated in the following currencies:

	2016	2015
	HK\$'000	HK\$'000
Hong Kong dollar	7,308,446	9,006,495
Renminbi	320,900	236,030
	7,629,346	9,242,525

30 Provision for employee benefits

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

	2016	2015
	HK\$'000	HK\$'000
As at 1 January	14,250	15,166
Amount provided during the year	611	105
Amount utilised and paid during the year	(1,529)	(1,021)
As at 31 December	13,332	14,250

31 Medium term notes

The US\$400 million (approximately HK\$3,101,600,000) 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 rate of 5.7% per annum payable semi-annually and have a maturity term of 7 years. As at 31 December 2016, the market value of the notes was HK\$3,282,175,000 (2015: HK\$3,278,394,000) and is within level 1 of the fair value hierarchy.

Notes to the Financial Statements

32 Loans from non-controlling interests

Loans from non-controlling interests are unsecured and expected to be repayable within one year or repayable on demand (2015: expected to be repayable within one year or repayable on demand). The Group has not provided any guarantee in favour of the non-controlling interests in respect of the loans advanced. As at 31 December 2016 and 2015, the loans are non-interest bearing. The carrying amounts of loans from non-controlling interests approximate their fair value and are denominated in the following currencies:

	2016	2015
	HK\$'000	HK\$'000
Hong Kong dollar	391,587	353,736
Renminbi	383,502	407,152
	775,089	760,888

33 Share capital

	2016		2015	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Issued and fully paid ordinary shares	3,042,465,785	9,858,250	3,042,465,785	9,858,250

34 Share option scheme

The share option scheme adopted by the Company on 31 May 2002 (the "2002 Share Option Scheme") expired on 30 May 2012 and the share options granted prior to its expiration will continue to be valid and exercisable in accordance with the terms therein. 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. Pursuant to the 2012 Share Option Scheme, 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.

Details of the share options are as follows:

2016

	Exercise price	Number of share options			As at 31 December	Note
		As at 1 January	Lapsed during the year	Exercised during the year		
Date of grant						
The 2002 Share Option Scheme						
29 March 2011	HK\$3.86	5,660,620	(2,264,248)	—	3,396,372	(i), (iv)
Weighted average exercise price		HK\$3.86	HK\$3.86	—	HK\$3.86	

34 Share option scheme (Continued)

2015

Date of grant	Exercise price	Number of share options				Note
		As at 1 January	Lapsed during the year	Exercised during the year	As at 31 December	
The 2002 Share Option Scheme						
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)
		11,326,480	(5,665,860)	—	5,660,620	(iv)
Weighted average exercise price		HK\$4.00	HK\$4.13	—	HK\$3.86	

Notes:

- (i) The 3,396,372 share options were granted to Directors of the Company and exercisable commencing on 29 March 2011 (i.e. date of grant). 1,132,124 share options are exercisable on or before 21 December 2017 since Mrs. Mok Ho Yuen Wing, Louise, a Non-Executive Director, passed away on 21 December 2016. The remaining share options will expire on 27 March 2021. These share options vested on the date of grant. During the year, 2,264,248 share options lapsed.
- (ii) The 5,665,860 share options (50% of which vested on 1 April 2010 and the remaining 50% vested on 1 April 2011) were granted to a Director of the Company. In 2015, the said 5,665,860 share options lapsed on its expiry date of 31 January 2015.
- (iii) The 5,660,620 share options were granted to Directors of the Company and exercisable commencing on 29 March 2011 (i.e. date of grant). 1,132,124 share options were exercisable on or before 18 April 2016 since Sir Rogerio Hyndman Lobo, an Independent Non-Executive Director, passed away on 18 April 2015. 1,132,124 share options were exercisable on or before 19 June 2016 since Dato' Dr. Cheng Yu Tung, a Non-Executive Director, retired on 19 June 2015. The remaining share options will expire on 27 March 2021. These share options vested on the date of grant.
- (iv) The weighted average remaining contractual life for the share options outstanding as at 31 December 2016 is 3.15 years (2015: 3.30 years).
- (v) No share options were granted under the 2012 Share Option Scheme; and no share options were cancelled under the 2002 Share Option Scheme during the years ended 31 December 2016 and 2015.

Notes to the Financial Statements

35 Other reserves

	2016	2015
	HK\$'000	HK\$'000
Capital reserve (note (i))	16,262	19,856
Asset revaluation reserve (note (ii))	1,008,917	1,010,511
Legal reserve (note (iii))	12,743	12,057
Special reserve (note (iv))	(151,413)	(151,413)
Investment revaluation reserve	72,811	58,623
Hedging reserve	27,978	(53,575)
Exchange reserve	(513,328)	(214,803)
Retained profits	15,298,558	15,756,701
	15,772,528	16,437,957

Notes:

- (i) 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(v).
- (ii) 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".
- (iii) 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.
- (iv) 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.

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, hotel management and travel agency services
Investment	- investment holding and others

(b) Segment results, assets and liabilities

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

Inter-segment transactions have been entered into on terms agreed by the parties concerned. The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2015.

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

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

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

Notes to the Financial Statements

36 Segment information (Continued)

(b) Segment results, assets and liabilities (Continued)
2016

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue and other income						
External revenue (note e)	495,025	2,330,707	787,363	238,836	—	3,851,931
Inter-segment revenue	3,523	625	47,717	—	(51,865)	—
Other income (external and excluding interest income)	4,899	30,903	7,512	1,458	—	44,772
	503,447	2,362,235	842,592	240,294	(51,865)	3,896,703
Segment results	124,297	394,027	(262,841)	196,504	—	451,987
Fair value changes on investment properties	72,457	—	—	—	—	72,457
Interest income						210,476
Unallocated income						—
Unallocated expense						(206,015)
Operating profit						528,905
Finance costs						(141,380)
Share of results of joint ventures	(476,204)	11,563	(38,115)	—	—	(502,756)
Share of results of associates	(2,758)	490	(1,841)	5,174	—	1,065
Loss before taxation						(114,166)
Taxation						(118,689)
Loss for the year						(232,855)

36 Segment information (Continued)

(b) Segment results, assets and liabilities (Continued) 2016

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets						
Segment assets	24,220,033	4,509,860	2,178,933	1,028,729	(40,479)	31,897,076
Joint ventures	5,399,741	60,320	(194,675)	—	—	5,265,386
Associates	1,170,806	3,902	195,447	8,307	—	1,378,462
Unallocated assets						7,785,948
Total assets						46,326,872
Liabilities						
Segment liabilities	2,565,389	420,023	142,063	4,157	(40,479)	3,091,153
Unallocated liabilities						12,678,152
Total liabilities						15,769,305
Other information						
Additions to non-current assets (other than financial instruments and deferred tax assets)	875,357	81,169	924,071	62	—	1,880,659
Depreciation	9,028	87,664	46,103	1,439	—	144,234
Amortisation						
– prepaid premium for land lease and land use rights	—	—	244	—	—	244
– intangible assets	—	—	639	89	—	728
Impairment losses						
– trade and other receivables, deposits paid and prepayment, net	—	—	4,079	—	—	4,079
– property, plant and equipment	—	—	343,750	—	—	343,750

Notes to the Financial Statements

36 Segment information (Continued)

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

2015

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue and other income						
External revenue (note e)	868,840	2,406,098	801,889	328,485	—	4,405,312
Inter-segment revenue	1,474	647	50,227	—	(52,348)	—
Other income (external and excluding interest income)	5,817	33,956	11,024	779	—	51,576
	876,131	2,440,701	863,140	329,264	(52,348)	4,456,888
Segment results						
Fair value changes on investment properties	257,508	—	—	—	—	257,508
Interest income						238,920
Unallocated income						411
Unallocated expense						(206,670)
Operating profit						1,402,569
Finance costs						(170,089)
Share of results of joint ventures	194,793	(36,517)	(35,665)	—	—	122,611
Share of results of associates	(44,892)	776	(2,649)	3,012	—	(43,753)
Profit before taxation						1,311,338
Taxation						(138,371)
Profit for the year						1,172,967

36 Segment information (Continued)**(b) Segment results, assets and liabilities** (Continued)

2015

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets						
Segment assets	24,793,283	4,089,082	1,489,375	1,002,264	(45,966)	31,328,038
Joint ventures	5,970,013	74,804	(147,872)	—	—	5,896,945
Associates	1,246,035	4,072	198,288	5,257	—	1,453,652
Unallocated assets						8,707,863
Total assets						<u>47,386,498</u>
Liabilities						
Segment liabilities	1,047,877	483,789	154,375	7,163	(45,966)	1,647,238
Unallocated liabilities						14,315,113
Total liabilities						<u>15,962,351</u>
Other information						
Additions to non-current assets (other than financial instruments and deferred tax assets)	363,494	20,189	11,727	169	—	395,579
Depreciation	6,640	98,858	42,101	1,519	—	149,118
Amortisation						
- prepaid premium for land lease and land use rights	—	—	244	—	—	244
- intangible assets	—	—	2,830	90	—	2,920
Impairment losses						
- trade receivables	3,324	—	33	—	—	3,357
- available-for-sale investments	—	—	—	485	—	485

Notes to the Financial Statements

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.

	Hong Kong	Macau	Mainland China	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2016					
Revenue and other income from external customers	1,972,886	1,804,951	116,310	2,556	3,896,703
Non-current assets	6,359,486	1,157,510	2,581,881	799,662	10,898,539
2015					
Revenue and other income from external customers	2,063,610	2,289,735	99,736	3,807	4,456,888
Non-current assets	6,375,527	1,533,000	2,475,684	443	10,384,654

(d) Information about major customers

In 2016 and 2015, the revenue from the Group's largest external customer amounted to less than 10% of the Group's total revenue.

(e) External revenue

External revenue comprises 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	2016	2015
		HK\$'000	HK\$'000
STDM Group	(i)		
Dividend income from STDM		197,709	278,237
Ferry tickets sold (after discount) to STDM Group		116,683	127,526
Fees received from STDM Group for provision of hospitality management and related services		34,761	34,644
Fees received from STDM Group for provision of property related services		5,229	4,790
Fees received from STDM Group for provision of business support services		5,962	6,020
Rental and related expenses paid to STDM Group		28,212	26,697
Fuel purchased from STDM Group for Macau shipping operations		208,980	236,390
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		43,348	40,094
Revenue of duty free goods sold on board collected for STDM		12,606	11,453
Shun Tak Centre Limited ("STC")	(ii)		
Rental and related expenses paid to STC		10,298	9,301
Joint ventures			
Interest income from a joint venture	(v)	3,472	5,868
Ferry passengers handling fees received on behalf of a joint venture		21,116	30,363
Amounts paid to a joint venture in respect of the Chatham Gate redevelopment project for related construction cost and preliminary works		—	115
Associates			
Insurance premium paid to an associate		47,554	44,970
Fuel costs paid to an associate		38,574	59,773
Key management personnel			
Directors' emoluments	(iii)		
– Salaries and other short-term employee benefits		37,154	35,979
– Provident fund contributions		1,463	1,414

Notes to the Financial Statements

37 Significant related party transactions (Continued)**(b) At the balance sheet date, the Group had the following balances with related parties:**

	Note	2016	2015
		HK\$'000	HK\$'000
STDM Group			
	(i)		
Net receivable from STDM Group	(iv)	22,316	30,328
Joint ventures			
Amounts due by joint ventures	(v)	76,755	140,683
Amounts due to joint ventures	(v)	4,710	107,261
Construction costs payable to a joint venture		6,015	6,015
Associates			
Amounts due by associates	(vi)	10,000	36,069
Amounts due to associates	(vi)	5,221	—
Key management personnel			
Deposit paid by a subsidiary to Sai Wu Investment Limited ("Sai Wu")	(vii)	500,000	500,000

Notes:

- (i) Dr. Stanley Ho, 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) Further details of Directors' emoluments are disclosed in note 7 to the consolidated financial statements.
- (iv) Net receivable from STDM Group comprises trade and other receivables and payables.
- (v) Amounts due to joint ventures are unsecured, non-interest bearing and with no fixed term of repayment.
- Amounts due by joint ventures are unsecured and with no fixed term of repayment. Amount of HK\$60,686,000 (2015: HK\$136,669,000) carries interest at HIBOR plus 3% (2015: HIBOR plus 3%) per annum. The related interest income for the year amounted to HK\$3,472,000 (2015: HK\$5,868,000).
- (vi) Amounts due by associates and amounts due to associates are unsecured, non-interest bearing and with no fixed term of repayment.

37 Significant related party transactions (Continued)

Notes: (Continued)

- (vii) On 11 November 2004, Shun Tak Nam Van Investment Limited ("Shun Tak Nam Van"), a wholly-owned subsidiary of the Group, entered into a conditional sale and purchase agreement ("SPA") with Sai Wu, a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by other independent third parties, to acquire the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau ("Nam Van Sites") (note 24(d)). The refundable deposit of HK\$500,000,000 was paid by Shun Tak Nam Van to Sai Wu in order to further extend the completion date of the acquisition without changing the consideration or other terms of the acquisition. The completion date of the acquisition was originally extended to 31 December 2016, pending the finalisation by the Macau Government of the master plan for the development of the Nam Van District.

On 1 November 2016, Shun Tak Nam Van, the Company and Sai Wu entered into a supplemental agreement in respect of (i) the extension of the long stop date of the SPA and (ii) the proposed transfer of entire share capital of companies holding the respective leasehold grant or promissory land rights (the "Target Companies") and the assignment of relevant promissory land rights held by Sai Wu to Shun Tak Nam Van (the "Proposed Transfer"), enabling the Group to have authority to directly negotiate on behalf of Sai Wu and the Target Companies in relation to the land sites and the promissory land rights. The Proposed Transfer has not been completed by the end of 2016.

Depending on the results of such negotiation, Shun Tak Nam Van may (i) obtain the replacement site(s) to its satisfaction and pay the pro-rata consideration; or (ii) revoke the Proposed Transfer and request Sai Wu to return the deposit paid by Shun Tak Nam Van under the SPA.

- (viii) The related party transactions disclosed above are conducted at terms mutually agreed between the transacted parties.

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.

The Group's contributions to the MPF scheme are based on fixed percentages of member's salaries, ranging from 5% of MPF relevant income to 10% of the basic salary depending on respective companies' scheme rules and the choice of the employees. Member's mandatory contributions are fixed at 5% of MPF relevant monthly income which is capped at HK\$30,000 (2015: HK\$30,000).

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 eligible employees of the Company's subsidiaries in the PRC are members of pension schemes operated by the Chinese local governments. The subsidiaries are required to contribute a certain percentage of the relevant cost of the basic payroll of these employees to the pension schemes to fund the benefits.

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 2016 were HK\$56,668,000 (2015: HK\$54,683,000). 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 and other provident fund schemes were HK\$17,549,000 (2015: HK\$17,384,000).

Notes to the Financial Statements

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:

	Note	2016	2015
		HK\$'000	HK\$'000
Contracted but not provided for			
Property, plant and equipment	(i)	649,254	681,212
Investment properties		122	2,313
		649,376	683,525
Capital contribution to			
A joint venture	(ii)	1,125,595	9,028
An associate		17,611	18,022
		1,143,206	27,050

Notes:

- (i) It mainly included the outstanding commitments of approximately HK\$545 million (2015: HK\$620 million) for acquiring a property in Shanghai Hongqiao Town, Minhang District at a consideration of RMB700 million subject to adjustments under a framework agreement. It will be replaced by a sale and purchase agreement which contains substantially the same principal terms as those in the framework agreement upon fulfillment of certain conditions.
- (ii) As at 31 December 2016, the Group has an outstanding commitment to contribute capital of RMB1,500 million to a joint venture for jointly develop a land located in Shanghai Qiantan. Deposit of RMB487 million (equivalent to approximately HK\$567 million) was paid (note 21(c)).

39 Commitments (Continued)

(b) Lease commitments

The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	2016	2015
	HK\$'000	HK\$'000
Within one year	42,498	40,523
In the second to fifth year inclusive	26,403	21,582
	68,901	62,105

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\$23,097,000 (2015: HK\$23,426,000) relating to the lease of hotel buildings is included in the consolidated income statement (note 12(c)).

(c) Future minimum lease payments receivable

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	2016	2015
	HK\$'000	HK\$'000
Within one year	217,114	166,065
In the second to fifth year inclusive	261,843	255,319
Over five years	27,145	34,369
	506,102	455,753

(d) Property development commitments

The Group had outstanding commitments of HK\$4,909 million (2015: HK\$4,701 million) under various contracts for property development projects.

In addition to the above, the Group had commitments of payment up to HK\$250 million (2015: HK\$3,080 million) in cash and issue of up to 148,883,374 (2015: 148,883,374) ordinary shares of the Company for the conditional acquisitions of the interests in the land development rights in respect of the property sites adjoining the Macau Tower in Nam Van, Macau (notes 24(d) and 37(b) (vii)).

40 Contingency and financial guarantees

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\$2.4 million (2015: HK\$2.6 million).

Notes to the Financial Statements

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.

Amounts due by joint ventures and associates are granted taken into account of their financial position, past experience and other factors. The Group monitors the credibility of joint ventures and associates continuously.

Summary quantitative data

	2016	2015
	HK\$'000	HK\$'000
Mortgage loans receivable	5,576	7,819
Other non-current assets (excluding deposits and club debentures)	72,555	152,283
Trade receivables, other receivables and deposits paid (excluding deposits and prepayments)	215,730	348,682
Derivative financial instruments	34,319	—
Cash and bank balances	13,275,396	15,857,945
	13,603,576	16,366,729

41 Financial instruments (Continued)

Financial risk management (Continued)

(a) Credit risk (Continued)

As at 31 December 2016, 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 amount due by a joint venture amounting to HK\$63 million (2015: HK\$141 million). The Group has concentration of credit risk on amount due by a joint venture of HK\$63 million (2015: HK\$141 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 years ended 31 December 2016 and 2015.

(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 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)

Financial risk management (Continued)

(b) Liquidity risk (Continued)

2016

	Less than 1 year	Later than 1 year and not later than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31 December
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities					
Bank borrowings	683,219	7,328,979	73,053	8,085,251	7,629,346
Medium term notes	176,791	3,543,578	—	3,720,369	3,144,979
Trade and other payables	1,586,060	—	—	1,586,060	1,586,060
Loans from non-controlling interests	775,089	—	—	775,089	775,089
	3,221,159	10,872,557	73,053	14,166,769	13,135,474

2015

	Less than 1 year	Later than 1 year and not later than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31 December
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Derivative financial liabilities					
Derivative financial instruments (net-settled)	74,842	1,635	—	76,477	104,141
Non-derivative financial liabilities					
Bank borrowings	4,487,787	5,023,678	147,951	9,659,416	9,242,525
Medium term notes	176,723	3,718,930	—	3,895,653	3,140,170
Trade and other payables	1,387,640	—	—	1,387,640	1,387,640
Loans from non-controlling interests	760,888	—	—	760,888	760,888
	6,813,038	8,742,608	147,951	15,703,597	14,531,223

41 Financial instruments (Continued)

Financial risk management (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

	2016	2015
	HK\$'000	HK\$'000
Variable-rate financial assets/(liabilities)		
Mortgage loans receivable	5,576	7,819
Amounts due by joint ventures	60,686	136,669
Bank balances and deposits	12,932,271	15,492,494
Bank borrowings	(7,629,346)	(9,242,525)
	5,369,187	6,394,457
Fixed-rate financial assets/(liabilities)		
Available-for-sale investments	16,146	—
Medium term notes	(3,144,979)	(3,140,170)
	(3,128,833)	(3,140,170)
Net interest-bearing assets	2,240,354	3,254,287

Sensitivity analysis

As at 31 December 2016, if interest rates had been 50 basis points (2015: 50 basis points) higher/lower with all other variables held constant, the Group's loss after taxation and equity (2015: profit after taxation and equity) after taking into account the impact of finance costs capitalised in properties under development would decrease by HK\$56.3 million (2015: increase by HK\$55.2 million)/increase by HK\$50.1 million (2015: decrease by HK\$41.2 million) 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.

Notes to the Financial Statements

41 Financial instruments (Continued)

Financial risk management (Continued)

(c) Market risk (Continued)

(iii) Currency risk

The Group is exposed to currency risk on financial assets and liabilities that are denominated in United States dollar ("USD"), Macau pataca ("MOP"), Singapore dollar ("SGD") and Renminbi ("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 ("HKD"), the functional currency of the Company.

While the Group has financial assets and liabilities denominated in USD and MOP, they are continuously pegged to HKD and these 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. The Group continuously monitors and manages such exposure to ensure they are at manageable levels.

Sensitivity analysis

As at 31 December 2016, if HKD weakened 10% (2015: 10%) against RMB and SGD with all other variable held constant, the Group's loss after taxation (2015: profit after taxation) would decrease by HK\$53.8 million (2015: increase by HK\$65.3 million) and HK\$0.1 million (2015: increase by HK\$6.5 million) respectively. Conversely, if HKD had strengthened 10% (2015: 10%) against RMB and SGD with all other variables held constant, the Group's loss after taxation (2015: profit after taxation) would increase by HK\$53.8 million (2015: decrease by HK\$65.3 million) and HK\$0.1 million (2015: decrease by HK\$6.5 million).

The sensitivity analysis has been prepared with the assumption that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the exposure to currency risk for the relevant financial instruments in existence at that date. The changes in foreign exchange rates represent management's assessment of a reasonably possible change in foreign exchange rates at that date over the period until the next annual balance sheet date.

The sensitivity analysis had not been prepared for the Group's exposure to currency risk arising from financial assets and liabilities denominated in USD and MOP. In view of the facts the HKD has been pegged with USD and MOP for many years and the respective government in Hong Kong and Macau have continuously committed not to amend the pegged rates, the management's assessment of reasonably changes in value of HKD against USD and against MOP at the balance sheet date over the period until the next annual balance sheet date is not material.

41 Financial instruments (Continued)

Financial risk management (Continued)

(c) Market risk (Continued)

(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

	2016	2015
	HK\$'000	HK\$'000
Financial assets, at fair value		
Available-for-sale investments	179,666	149,955
Financial assets, at cost less impairment losses		
Available-for-sale investments	815,597	815,597
	995,263	965,552

Sensitivity analysis

The Group's equity investments amounting to 85% (2015: 92%) 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% (2015: 10%) increase in stock prices as at 31 December 2016 would increase the equity by HK\$15.3 million (2015: HK\$13.8 million) and loss after taxation (2015: profit after taxation) would have no effect (2015: increase by HK\$0.1 million). An equal change in the opposite direction would decrease the equity by HK\$15.3 million (2015: HK\$13.8 million) and loss after taxation would have no effect (2015: profit after taxation decrease by HK\$0.1 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.

Notes to the Financial Statements

41 Financial instruments (Continued)

Financial risk management (Continued)

(c) Market risk (Continued)

(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 2016, around 15% of the anticipated fuel consumption for 2017 (2015: around 39% of the anticipated fuel consumption for 2016) was hedged at the balance sheet date.

Summary quantitative data

	2016	2015
	HK\$'000	HK\$'000
Financial assets, at fair value		
Fuel swap contracts	11,416	—
Financial liabilities, at fair value		
Fuel swap contracts	—	75,026

Sensitivity analysis

As at 31 December 2016, if the fuel price increased by 10% (2015: 10%) with all other variables held constant, the Group's equity would increase by HK\$6.3 million (2015: HK\$11.8 million), 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% (2015: 10%) with all other variables held constant, the Group's equity would decrease by HK\$6.3 million (2015: HK\$11.8 million).

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 fuel prices at that date over the period until the next annual balance sheet date.

41 Financial instruments (Continued)

Financial risk management (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:

	2016	2015
	HK\$'000	HK\$'000
Financial assets		
Loan and receivables (including cash and bank balances)	13,569,257	16,366,729
Available-for-sale investments (note)	995,263	965,552
Derivative financial assets	34,319	—
Financial liabilities		
Financial liabilities measured at amortised cost	13,135,474	14,531,223
Derivative financial liabilities	—	104,141

Note:

Certain available-for-sale investments are stated at cost (note 19).

Notes to the Financial Statements

41 Financial instruments (Continued)**Financial risk management** (Continued)**(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).

2016

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Derivatives used for hedging				
- cross-currency swaps	—	22,903	—	22,903
- fuel swap contracts	—	11,416	—	11,416
Available-for-sale investments				
- equity securities	153,025	—	—	153,025
- debt securities	16,146	—	—	16,146
- investment funds	14	10,481	—	10,495
Total assets	169,185	44,800	—	213,985

2015

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets/(liabilities)				
Derivatives used for hedging				
- cross-currency swaps	—	(29,115)	—	(29,115)
- fuel swap contracts	—	(75,026)	—	(75,026)
Available-for-sale investments				
- equity securities	137,927	—	—	137,927
- investment funds	14	12,014	—	12,028
Total assets	137,941	(92,127)	—	45,814

41 Financial instruments (Continued)

Financial risk management (Continued)

(e) Fair value estimation (Continued)

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.

Financial instruments in level 3

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 transfers between financial instruments in level 1, level 2 and level 3.

Notes to the Financial Statements

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, raise debt financing or repurchase own shares.

The Group monitors its capital structure on the basis of a net debt-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 2016, the Group's strategy, which was unchanged from 2015, was to maintain a healthy net debt-to-adjusted capital ratio.

The net debt-to-adjusted capital ratio at 31 December 2016 and 2015 was as follows:

	2016	2015
	HK\$'000	HK\$'000
Bank borrowings (note 29)	7,629,346	9,242,525
Medium term notes (note 31)	3,144,979	3,140,170
Less: Cash and bank balances (note 26)	(13,275,396)	(15,857,945)
Net cash	(2,501,071)	(3,475,250)
Equity attributable to owners of the Company	25,630,778	26,357,056
(Less)/add: Hedging reserve (note 35)	(27,978)	53,575
Adjusted capital	25,602,800	26,410,631
Net debt-to-adjusted capital ratio	N/A	N/A

43 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	2016	2015
	HK\$'000	HK\$'000
Non-current assets		
Property, plant and equipment	1,279	1,123
Subsidiaries	630,805	630,805
Associates	250	250
Available-for-sale investments	233,679	233,679
Other non-current assets	12,064,547	11,995,159
	12,930,560	12,861,016
Current assets		
Trade and other receivables, and deposits paid	50,399	71,631
Cash and bank balances	7,101,034	6,500,879
	7,151,433	6,572,510
Current liabilities		
Trade and other payables, and receipts in advance	6,049,125	5,350,229
Provision for employee benefits	3,962	4,075
	6,053,087	5,354,304
Net current assets	1,098,346	1,218,206
Net assets	14,028,906	14,079,222
Equity		
Share capital	9,858,250	9,858,250
Other reserves (note (a))	4,170,656	4,160,123
Proposed dividends	—	60,849
Total equity	14,028,906	14,079,222

The balance sheet of the Company was approved by the Board of Directors on 27 March 2017 and was signed on its behalf.

Pansy Ho
Director

Daisy Ho
Director

Notes to the Financial Statements

43 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

Note:

(a) The reserve movement of the Company is as follows:

	Capital reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2015	28,034	2,183,166	2,211,200
Profit for the year	—	2,511,779	2,511,779
Lapse of share option	(8,192)	8,192	—
Dividends	—	(502,007)	(502,007)
As at 31 December 2015	19,842	4,201,130	4,220,972
Lapse of share option	(3,594)	3,594	—
Profit for the year	—	10,533	10,533
Dividends	—	(60,849)	(60,849)
As at 31 December 2016	16,248	4,154,408	4,170,656

44 Events after balance sheet date

On 25 January 2017, Simply Swift Limited, a wholly-owned subsidiary of the Group, entered into sale and purchase agreements for the acquisition of 70% interest in Perennial Somerset Investors Pte. Ltd. ("Target Company"), for a total consideration of SGD350 million (equivalent to approximately HK\$1,915.5 million) (subject to adjustment), which will be settled by cash. The principal asset of the Target Company is a 17-storey commercial landmark development known as TripleOne Somerset located near Orchard Road in Singapore. The acquisition is scheduled for completion at around end of March 2017.

45 Principal subsidiaries, joint ventures and associates

	Place of incorporation/ principal place of operation	Issued and paid up capital/ registered capital	Percentage held by the Group		Principal activities
			2016	2015	
Property – Hong Kong					
Goform Limited	Hong Kong	Ordinary shares: HK\$2	100	100	Property investment
Grace Wealth Development Limited	Hong Kong	Ordinary share: HK\$1	100	100	Property development
Hocy Development Limited	Hong Kong	Ordinary shares: HK\$2	100	100	Property investment
Iconic Palace Limited	Hong Kong	Ordinary shares: HK\$20	100	100	Property investment
Megabright Investment Limited	Hong Kong	Ordinary shares: HK\$2	100	100	Investment holding and financing
Ranex Investments Limited	Hong Kong	Ordinary shares: HK\$100	51	51	Property investment and development
Shun Tak Development Limited	Hong Kong	Ordinary shares: HK\$634,445,380	100	100	Investment holding
Shun Tak Property Investment & Management Holdings Limited	Hong Kong	Ordinary shares: HK\$2	100	100	Property investment and management
Shun Tak Property Management Limited	Hong Kong/ Hong Kong and Macau	Ordinary shares: HK\$2	100	100	Property management
Sonata Kingdom Limited ^^	Hong Kong	Ordinary share: HK\$1	100	100	Property investment
Property – Macau					
Ace Wonder Limited	British Virgin Islands/ Macau	Ordinary share: US\$1	100	100	Investment holding
Basecity Investments Limited ^	British Virgin Islands/ Macau	Ordinary shares: US\$10,000	51 (Note 1)	51	Property investment and hotel owning
Companhia de Investimento Shun Tak South Lake, Limitada	Macau	Quota capital: MOP25,000	100	100	Property development

Notes to the Financial Statements

45 Principal subsidiaries, joint ventures and associates (Continued)

	Place of incorporation/ principal place of operation	Issued and paid up capital/ registered capital	Percentage held by the Group		Principal activities
			2016	2015	
Eversun Company Limited	Hong Kong/ Macau	Ordinary shares: HK\$200	100	100	Property investment
Fast Shift Investments Limited ("Fast Shift")	British Virgin Islands	Ordinary Class A share: US\$1 Non-voting Class B share	100 (Note 2)	100 (Note 2)	Investment holding
Nova Taipa – Urbanizações, Limitada ("NTUL") ^^	Macau	Quota capital: MOP10,000,000	(Note 3)	(Note 3)	Property investment and development
Oriental Pride Group Limited	British Virgin Islands/ Macau	Ordinary share: US\$1	100	100	Investment holding and financing
Shun Tak Nam Van Investimento Limitada	Macau	Quota capital: MOP25,000	100	100	Property development
Winning Reward Investments Limited	British Virgin Islands/ Macau	Ordinary share: US\$1	100	100	Investment holding and financing
Property – Mainland China					
Beijing Mega Hall Hotel Operating Management Co. Ltd.	PRC	RMB380,000,000 @	100	100	Property investment and hotel development
Guangzhou Shun Tak Real Estate Company Limited	PRC	HK\$130,000,000 @	60	60	Property investment
Perennial Tongzhou Development Pte. Ltd. #	Singapore	Ordinary shares: S\$388,778,402	31.6	31.6	Investment holding
Perennial Tongzhou Holdings Pte. Ltd. #	Singapore	Ordinary shares: S\$239,500,010	38.7	38.7	Investment holding
Shun Tak Cultural Centre Limited	Hong Kong	Ordinary shares: HK\$10	60	60	Investment holding
Sonic City Limited	Hong Kong	Ordinary share: HK\$1	100	100	Property investment and development
Zhuhai Hengqin Shun Tak Property Development Co. Ltd * 珠海橫琴信德房地產開發有限公司	PRC	RMB1,150,000,000 @	70	70	Property development

45 Principal subsidiaries, joint ventures and associates (Continued)

	Place of incorporation/ principal place of operation	Issued and paid up capital/ registered capital	Percentage held by the Group		Principal activities
			2016	2015	
Transportation					
Celeworld Limited	Hong Kong	Ordinary shares: HK\$10 Non-voting deferred shares: HK\$10,000	42.6	42.6	Marine fuel supply
Companhia de Serviços de Ferry STCT (Macau) Limitada	Macau	Quota capital: MOP10,000,000	42.6	42.6	Shipping
Far East Hydrofoil Company, Limited	Hong Kong/ Hong Kong and Macau	Ordinary shares: HK\$2,000 Non-voting deferred shares: HK\$5,000,000	42.6	42.6	Shipping
Glowfield Group Limited	British Virgin Islands	Ordinary shares: US\$27	42.6	42.6	Investment holding
Hongkong Macao Hydrofoil Company, Limited	Hong Kong/ Hong Kong and Macau	Ordinary shares: HK\$10,000,000	42.6	42.6	Shipping
Interdragon Limited	British Virgin Islands	Ordinary shares: US\$10,000	60	60	Investment holding
Jetstar Hong Kong Airways Limited ^ ("Jetstar Hong Kong") (wound up on 6 December 2016)	Hong Kong	Ordinary shares: HK\$479,470,589 Non-voting shares: HK\$254,119,414	—	(Note 4)	Aviation service
Ocean Shipbuilding & Engineering Limited	Hong Kong	Ordinary shares: HK\$200 Non-voting deferred shares: HK\$100,000	42.6	42.6	Shipbuilding and repairs
Shun Tak China Travel - Companhia de Gestão de Embarcações (Macau), Limitada	Macau	Quota capital: MOP10,000,000	42.6	42.6	Ship management
Shun Tak - China Travel Ferries Limited	British Virgin Islands	Ordinary shares: US\$2	42.6	42.6	Investment holding
Shun Tak-China Travel Macau Ferries Limited	British Virgin Islands/ Hong Kong and Macau	Ordinary share: US\$1	42.6	42.6	Shipping
Shun Tak-China Travel Ship Management Limited	Hong Kong/ Macau	Ordinary shares: HK\$200 Non-voting deferred shares: HK\$1,000,000	42.6	42.6	Ship management

Notes to the Financial Statements

45 Principal subsidiaries, joint ventures and associates (Continued)

	Place of incorporation/ principal place of operation	Issued and paid up capital/ registered capital	Percentage held by the Group		Principal activities
			2016	2015	
Shun Tak - China Travel Shipping Investments Limited	British Virgin Islands	Ordinary shares: US\$10,000	42.6	42.6	Investment holding
Shun Tak Ferries Limited	Hong Kong	Ordinary shares: HK\$2	100	100	Investment holding
Sunrise Field Limited	Hong Kong/ Hong Kong and Macau	Ordinary share: HK\$1	42.6	42.6	Shipping
Wealth Trump Limited	Hong Kong/ Hong Kong and Macau	Ordinary share: HK\$1	42.6	42.6	Shipping
Hospitality					
Artyzen Hospitality Group Limited	Hong Kong	Ordinary share: HK\$1	100	100	Hospitality management and auxiliary services
Host Wise International Limited	Hong Kong	Ordinary share: HK\$1	100	100	Property investment for hotel operation
Shun Tak Real Estate (Singapore) Pte. Ltd.	Singapore	Ordinary share: S\$1	100	—	Property holding
Shun Tak, Serviços Recreativos, S.A.	Macau	Quota capital: MOP1,000,000	100	100	Property holding
Shun Tak Travel Services Limited	Hong Kong	Ordinary shares: HK\$2,000,000	100	100	Travel agency services
Sociedade de Turismo e Desenvolvimento Insular, S.A. #	Macau	Quota capital: MOP200,000,000	35	35	Hotel and golf club operations
Union Sky Holdings Limited ^^	Hong Kong	Ordinary shares: HK\$10,000	70	70	Hotel owning and operation
Finance					
Joyous Glory Group Limited	British Virgin Islands	Ordinary share: US\$1	100	100	Financing
Shun Tak Finance Limited	Hong Kong	Ordinary shares: HK\$2	100	100	Financing
Step Ahead International Limited	British Virgin Islands/ Hong Kong	Ordinary share: US\$1	100	100	General investment

45 Principal subsidiaries, joint ventures and associates (Continued)

Notes:

1. The Group holds more than 50% interests in this joint venture. This joint venture is considered as subsidiary undertaking under the Hong Kong Companies Ordinance (Cap. 622). However, under the contractual agreements, the Group does not control this joint venture as the decisions about relevant activities require the unanimous consent of the parties sharing the control.
2. Non-voting Class B share (representing 100% non-voting Class B shares) with no par value.
3. Save for one issued non-voting Class B share of Fast Shift which is held by a third party, the entire issued share capital of NTUL is owned by the Company indirectly through Shun Tak Development Limited, Nomusa Limited and Fast Shift. Pursuant to an investment agreement in relation to NTUL dated 3 January 2014, holder of the non-voting Class B share of Fast Shift is entitled to 29% of the economic benefits in or losses arising from the residential portion of Nova City Phase V owned and developed by NTUL.
4. The Group's voting right at shareholders' meetings of Jetstar Hong Kong is 51% with economic interest of 33.33%. Jetstar Hong Kong is accounted for as a joint venture in the consolidated financial statements of the Company. This joint venture is considered as a subsidiary undertaking under Hong Kong Companies Ordinance (Cap 622). Jetstar Hong Kong was dissolved by members' voluntary winding up on 6 December 2016.
5. 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.
6. 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.

@ Registered capital

Associates

^ Joint ventures

^^ Shares of subsidiaries were pledged to banks as securities for bank loans granted to certain subsidiaries of the Group (note 29) except for NTUL whereby the pledge was released during 2016.

* For identification purpose only

46 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2017.

Five-Year Financial Summary

		2016	2015	2014	2013	2012
	Note	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)
Consolidated Income Statement						
Revenue		3,852	4,405	9,539	3,576	5,412
(Loss)/profit attributable to owners of the Company		(587)	745	4,453	1,406	2,563
Consolidated Balance Sheet						
Non-current assets		19,587	19,111	19,124	16,681	13,588
Current assets		26,740	28,275	28,332	21,749	20,715
Current liabilities		(4,456)	(6,873)	(5,887)	(5,364)	(4,717)
Non-current liabilities		(11,313)	(9,089)	(10,457)	(8,550)	(6,558)
Net assets		30,558	31,424	31,112	24,516	23,028
Share capital and other statutory capital reserve	1	9,858	9,858	9,858	9,726	9,698
Other reserves	1	15,773	16,438	16,052	11,412	10,045
Proposed dividends		—	61	502	—	254
Equity attributable to owners of the Company		25,631	26,357	26,412	21,138	19,997
Non-controlling interests		4,927	5,067	4,700	3,378	3,031
Total equity		30,558	31,424	31,112	24,516	23,028
Number of issued and fully paid shares (million)	2	3,042	3,042	3,042	2,997	2,987
Performance Data						
(Loss)/earnings per share (HK cents)						
– basic		(19.3)	24.5	147.0	47.0	88.7
– diluted		(19.3)	24.5	143.5	46.3	85.2
Dividends per share (HK cents)						
– interim		—	—	5.0	—	—
– final		—	2.0	2.0	—	8.5
– special		—	—	14.5	—	—
Dividend cover		N/A	12.3	6.8	N/A	10.4
Current ratio		6.0	4.1	4.8	4.1	4.4
Gearing (%)	3	N/A	N/A	N/A	3.5	N/A
Return on equity attributable to owners of the Company (%)		(2.3)	2.8	16.9	6.7	12.8
Net asset value per share (HK\$)		10.0	10.3	10.2	8.2	7.7

	2016	2015	2014	2013	2012
Headcount by Division					
Head Office	255	253	257	245	213
Property	563	509	467	464	399
Transportation	2,056	2,092	2,099	2,151	2,158
Hospitality	511	511	518	491	453
Investment	24	29	27	35	43

Notes:

1. As the term "share capital" includes share premium and capital redemption reserve from the commencement date of new Hong Kong Companies Ordinance of 3 March 2014, but not before that date, presentation of "capital and reserves" has been revised in order to be consistent with the new terminology.
2. Number of issued and fully paid shares is based on the number of shares in issue at the balance sheet date.
3. Gearing represents the ratio of net borrowings to equity attributable to owners of the Company.



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