鴻圖萬里
Great Ambitions

信德集團有限公司年報
SHUN TAK HOLDINGS LIMITED
ANNUAL REPORT
2017

信德集團
SHUN TAK HOLDINGS

STOCK CODE 股份代號: 242

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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Great Ambitions

With over 50 years of solid track record, Shun Tak's products and services have always been delivered with an unmistakable mark of distinction while setting benchmarks in the industries. Going forward, the company continues to strive for perfection, break new grounds, capitalize on opportunities and maximize profits to bring higher returns to its stakeholders.

Corporate Information

CHAIRMAN EMERITUS

Dr. Stanley Ho

BOARD OF DIRECTORS

Ms. Pansy Ho
Group Executive Chairman and Managing Director

Mr. Norman Ho
Independent Non-Executive Director

Mr. Charles Ho
Independent Non-Executive Director

Mr. Michael Wu
Independent Non-Executive Director

Mr. Kevin Yip
Independent Non-Executive 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 Wu
Mr. Kevin Yip

REMUNERATION COMMITTEE

Mr. Michael Wu (Chairman)
Mr. Norman Ho
Mr. Charles Ho
Ms. Pansy Ho
Ms. Daisy Ho

NOMINATION COMMITTEE

Mr. Charles Ho (Chairman)
Mr. Norman Ho
Mr. Michael Wu
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 DEPOSITARY

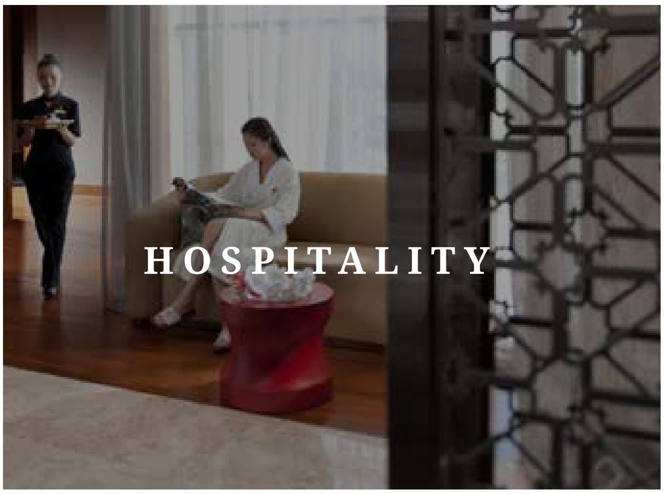
The Bank of New York Mellon

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 entered the Singapore market 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 – Nova Grand, 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 property and facility management services to residential development, clubhouse, office tower, shopping mall and carpark 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 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.

In 2017, the Group expanded its presence in Singapore through acquiring a 70% interest in a premium commercial development 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 in close proximity to Orchard Road, surrounded by a prime shopping, entertainment and tourism belt with direct MRT access.

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, Zhuhai, Shenzhen 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 three key ferry terminals in the region, namely Hong Kong SkyPier, Hong Kong Tuen Mun Ferry Terminal and Macau Maritime 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 157 vehicles, providing local and cross-boundary coach services between various mainland cities and Macau.

The division is one of the participating parties in a consortium that has succeeded in the tender of the sole right to operate cross-border shuttle bus on the Hong Kong-Zhuhai-Macau Bridge.

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 Group acquired a hotel property in Shanghai as part of the Shanghai MixC integrated commercial development project. The property will be developed into a 303-room citizenM Hotel and a 188-room Artyzen Habitat Hotel.

Strategically extending its hospitality footprint to Southeast Asia, the Group successfully acquired in 2016 a 25,741 square feet prime freehold site located at No. 9 Cuscaden Road, Singapore, close to the local central business district and major tourism belt. The property will be redeveloped into a new hotel facility with no fewer than 140 room keys.

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 Artyzen Hospitality Group ("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. Two of its private-labeled hotels, citizenM Taipei North Gate and Artyzen Habitat Dongzhimen Beijing, have commenced operation in 2017. Other hotels in the pipeline include Artyzen Habitat Hongqiao and citizenM Hongqiao in Shanghai MixC; Artyzen Sifang Nanjing; a citizenM hotel in Bukit Bintang Kuala Lumpur; as well as an Artyzen Hotel and Resort, and an Artyzen Habitat hotel as part of Shanghai Lingang New City.

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 54.12% 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

MS. PANSY HO
JP
Group Executive Chairman and Managing Director
aged 55

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 and the group executive chairman in June 2017 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 Megaprosper 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 of Hong Kong Limited (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, a standing committee member of All-China Federation of Industry & Commerce and a vice president of its Women's Chamber and Chamber of Tourism. In Hong Kong, she is the Chairperson of Hong Kong Federation of Women. 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 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 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.*

MR. NORMAN HO
F.C.P.A., B.A., A.C.A.
Independent Non-Executive Director
aged 62

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
G.B.M.
Independent Non-Executive Director
aged 68

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.

MR. MICHAEL WU
Independent Non-Executive Director
aged 59

Mr. Wu Zhi Wen, Michael (former name: Ng Chi Man, Michael) ("Mr. Michael Wu") 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 Wu 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 Wu 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 Wu 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 Wu 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.

Management Profile

MR. KEVIN YIP
Independent Non-Executive Director
aged 53

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. DAISY HO
Deputy Managing Director
aged 53

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*. She is also an executive director of SJM Holdings Limited which is listed on the Main Board of the Stock Exchange.

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 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 sister of Ms. Pansy Ho, the group executive chairman and 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 50

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 which is listed on the Growth Enterprise Market of the Stock Exchange.

Ms. Maisy Ho was appointed as the member of Equal Opportunities Commission and member of Committee on the Promotion of Civic Education in 2017. She was appointed as council member of The Hong Kong Academy for Performing Arts in January 2018.

In Hong Kong, Ms. Maisy Ho is a 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, member of Chartered Institute of Housing Asian Pacific Branch, committee member and vice chairman of Ladies' Committee of The Chinese General Chamber of Commerce, honorary vice president and member of executive committee of The Hong Kong Girl Guides Association, member of board of trustees of New Asia College, The Chinese University of Hong Kong and Sponsoring Body Manager (Supervisor) of Tung Wah Group of Hospitals Chen Zao Men College. 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 in 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.

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

Ms. Maisy Ho is a sister of Ms. Pansy Ho, the group executive chairman and managing director of the Company, and Ms. Daisy Ho, the deputy managing director of the Company.

Management Profile

MR. DAVID SHUM
Executive Director
aged 63

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 55

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 business development, general management and hospitality industry. He is responsible for overseeing strategic business development of real estate, mixed use and hospitality investments as well as asset management of the Group's integrated hospitality management company (Artyzen Hospitality Group). He also oversees various business units and related operations.

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 Dividend Schedule

FINANCIAL HIGHLIGHTS

	2017	2016
	HK$'000	HK$'000
Revenue	**6,388,505**	3,851,931
Profit/(loss) attributable to owners of the Company	**1,450,160**	(587,137)
Total equity	**33,018,756**	30,557,567
Earnings/(loss) per share (HK cents)		
– basic	**47.7**	(19.3)
– diluted	**47.7**	(19.3)
Dividends per share (HK cents)	**12.0**	-
Net asset value per share (HK$)	**10.9**	10.0

The calculation of basic earnings/(loss) per share is based on the weighted average number of 3,042,465,785 shares (2016: 3,042,465,785 shares) in issue during the year. Basic and fully diluted earnings/(loss) per share are the same as the share options of the Company has an anti-dilutive effect on the basic earnings/(loss) per share for the year ended 31 December 2017 (2016: same).

DIVIDEND SCHEDULE

Announcement of final dividend	27 March 2018
Deadline for lodgement of all transfers	4:30 p.m. on 20 June 2018
Closure of register of members (for determining shareholders' eligibility to attend and vote at Annual General Meeting)	21 June 2018 to 27 June 2018, both days inclusive
Annual General Meeting	27 June 2018
Deadline for lodgement of all transfers	4:30 p.m. on 5 July 2018
Closure of register of members (for determining shareholders' entitlement to the final dividend)	6 July 2018 to 10 July 2018, both days inclusive
Expected posting date of dividend warrants to shareholders	19 July 2018

Significant Events

2017

JANUARY

TurboJET further increased sailing frequency of Tuen Mun – Macau route to 22 trips daily.

FEBRUARY

For the third consecutive year, Mandarin Oriental, Macau was conferred "Triple Five Star for Hotel, Restaurant and Spa" by Forbes Travel Guide Star Awards.

JUNE

Topping out of the tower blocks for Nova Grand was completed.

TurboJET commenced operation at the new Taipa Ferry Terminal.

MARCH

The Group acquired a 70% interest in a premium commercial development located at 111 Somerset Road, Singapore.

JULY

The first citizenM hotel in Asia, operated and managed by Artyzen Hospitality Group ("AHG"), opened in Ximending Taipei.

AUGUST

The Group participated in a consortium, through its subsidiary and joint venture, which was awarded tender to be the sole operator of shuttle bus services for the boundary crossing facilities of the Hong Kong-Zhuhai-Macao Bridge.

SEPTEMBER

Hong Kong SkyCity Marriott Hotel was named "Best Airport Hotel" by TTG Travel Awards 2017.

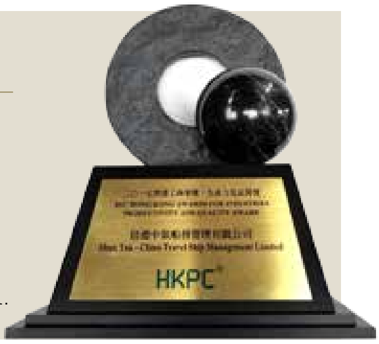
The first Artyzen Habitat hotel under AHG - Artyzen Habitat Dongzhimen Beijing officially opened its door.

NOVEMBER

Grand Coloane Resort was awarded "Luxury Resort of the Year 2017" by Luxury Travel Guide Asia & Australasia.

DECEMBER

TurboJET received "2017 Hong Kong Awards for Industries: Productivity and Quality Award" from Trade and Industry Department and Hong Kong Productivity Council.



2018

JANUARY

The Group entered into a joint venture agreement with a consortium of investors to invest in, acquire and develop large scale and predominantly healthcare integrated mixed-use developments in mainland China with close proximity to high speed railway stations.

FEBRUARY

TurboJET was conferred "Hong Kong Top Service Brand Ten Year Achievement Award" by Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong.

Chairman's Statement

Dear Shareholders,

It gives me great honor and privilege to present you with this annual report in my newly assumed capacity as Group Executive Chairman. Taking the helm on the retirement of Dr. Stanley Ho, a highly respected and visionary leader who has founded our Group and built a legacy of responsible corporate citizenship, is no easy task. However, with your support, I shall continue to steer our business with the same diligence and decisiveness on its steady course of reinvention. We have started to diversify our businesses and expand our presence in new markets over a decade ago. Today, we have become one of the largest property and tourism conglomerates with a strong platform for future success. In particular, we are superbly positioned to capture unprecedented opportunities arising from the gradual integration of the Guangdong-Hong Kong-Macau Bay Area. As such, I seek your continued confidence in our Board, to deliver and succeed with this well-defined strategy.

2017 has been a positive year for our Property, Transportation and Hospitality divisions which have improved on the back of global economic growth, favorable labor market conditions and strong consumer confidence. I am delighted to report that profit attributable to shareholders of the Group for the year ended 31 December 2017 amounted to HK$1,450 million (2016: HK$587 million in loss). Basic earnings per share were HK47.7 cents (2016: basic loss per share HK19.3 cents). As a result, the Board of Directors has recommended the payment of a final dividend of HK6.0 cents per share (2016: Nil). Along with interim dividend at HK6.0 cents per share, total dividends for the year amounted to HK12 cents per share.

Both Hong Kong and Macau real estate markets had a robust 2017, with both price and transaction volumes peaking at historical levels. Our Group has capitalized upon the uptrend and continued to roll out its Nova Grand project, with approximately 56% of all available units sold as of 31 December 2017. One-off disposal gain from the Chung Hom Kok Collection, previous contracted sales of Nova Park and newly sold office units at 111 Somerset Road, Singapore, have collectively contributed to the division's exceptional 859% year-on-year growth.

In China, three major projects, namely Beijing Tongzhou Integrated Development Project, Hengqin Integrated Development Project and Mixed Development at Qiantan Shanghai, are all progressing as planned. These integrated properties will bear the signatures of our Group's acclaimed real estate development and hospitality offers, extending our footprints in China and generate recurring cash flow with secure and stable returns for the future.

For years, our Group has been firmly committed to the promotion of regional integration, and we have delivered through reinforcing and reinventing our cross border transportation networks. Two cornerstones of these efforts were achieved in 2017. In June, our ferry operation in Taipa was relocated to the newly completed Taipa Permanent Ferry Terminal. The modern terminal will enable Macau to develop greater maritime connectivity for future growth- a vision we are fully behind. Meanwhile in August, the division participated in a consortium which has succeeded in obtaining the concession right to operate cross-border shuttle buses on the Hong Kong-Zhuhai-Macau Bridge. Along with our strong partners, we target to contribute our operation experience in the Pearl River Delta, and bring forth synergistic cooperation for the benefit of our region.

Although we expect to observe considerable shifts in dynamics brought forth by the opening of the Hong Kong-Zhuhai-Macau Bridge, TurboJET has confidently responded with a multi-dimensional strategy that will create new sources of growth and allow us to leverage upon our core strengths and established fundamentals. I trust that our team is well positioned to compete, grow and outpace the forthcoming changes, and to keep us ahead of our industry.

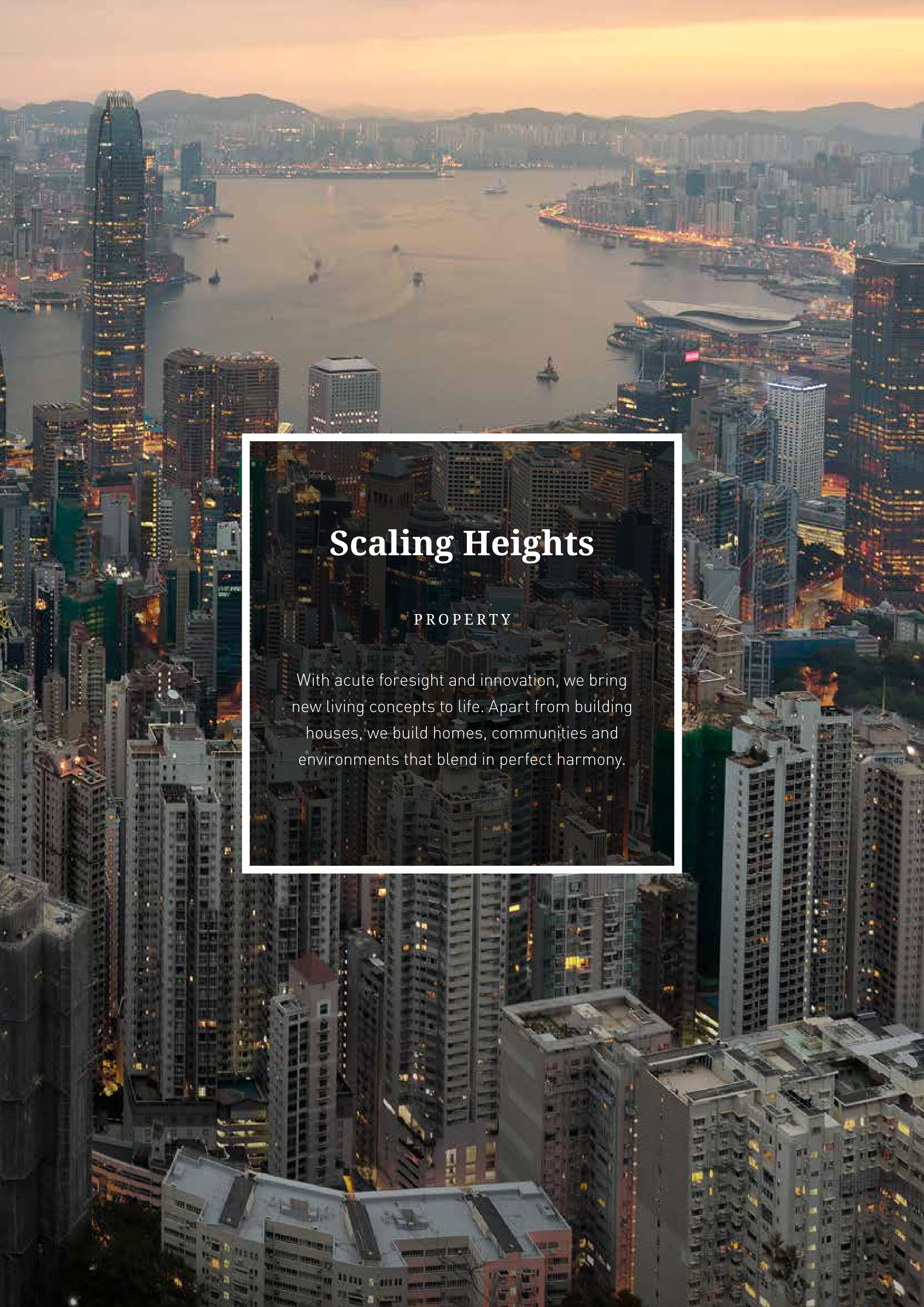
Following years of attentive groundwork and preparation, our hotel management subsidiary, Artyzen Hospitality Group ("AHG"), has opened their first two private-labeled hotels in Taipei and Beijing. These properties also mark the foray of our hotel business outside of our home markets, Hong Kong and Macau. More positive strides are expected in year 2018, as four more hotels located in Shanghai, Nanjing and Kuala Lumpur will be launched to bring total room keys under its management to approximately 1,900 by the end of next year. Amid these excitements, AHG is also engaged with the pre-opening of the Artyzen Club, an exclusive business club located at Shun Tak Centre, scheduled for operation within the second quarter of 2018.

Last but not least, the Group has recently joined hands with our long term strategic partner Perennial Real Estate Limited and a consortium of investors, to enter China's healthcare scene by developing predominantly healthcare integrated mixed-use developments with close proximity to high speed railway stations. The Group will be holding a 30% interest in the investment, and will be contributing US$150 million for the first investment tranche. Healthcare is one of China's fastest-growing and resilient sectors. Having the opportunity to enter the market with partners that already have established presence and tenant network has significantly improved our competitive positioning. The resilience of the healthcare market is expected to generate long term stable income to complement our Group's portfolio.

Before concluding, I would like to thank you, our shareholders, personally and on behalf of the Board of Directors, for all the support and trust you have placed in our Group. We will continue to build a sustainable, ethical and profitable company that, through its projects and contributions, generates enduring value for shareholders and the communities we work in. I look forward to sharing news of our progress and achievements in the future with you.

By order of the Board

Pansy Ho
Group Executive Chairman and Managing Director
27 March 2018



Scaling Heights

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.

Review of Operations

PROPERTY

Hong Kong and Macau real estate markets have continued their uptrend throughout year 2017, recording new heights in both transaction prices and volume propelled by earnest local demands and affordable mortgage rates. Riding on this strong growth, the Group has continued to roll out Nova Grand and received overwhelming market response. Revenue from previously contracted sales of Nova Park and income from the disposal of the Chung Hom Kok Collection were recognized within the financial year. Overseas, the Group also recorded office unit sales at its 111 Somerset property. All in all, the property division is posting an exceptional year-on-year growth at HK$1,189 million (2016: HK$124 million).

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 whole development has been purchased by a PRC-based listed company at a consideration of HK$1,588 million, with the transaction completed in January 2017.

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. 99% of all available units have been sold and 75 units of previously contracted sales have been recognized during the year. 1 unit has been sold within the year, and 95% of units have been handed over to homeowners as at 31 December 2017.

IN SINGAPORE

111 Somerset Road, Singapore (Group interest: 70%)

In March 2017, the Group acquired a 70% interest in a premium commercial development located at 111 Somerset Road comprising about 766,550 square feet of gross floor area. Total consideration of the transaction amounts to approximately SG$347 million or HK$1,915 million. The property is in close proximity to Orchard Road, surrounded by a prime shopping, entertainment and tourism belt with direct MRT access. It is currently undergoing a substantial asset enhancement program, upon the completion of which, will comprise a total net strata area of approximately 572,000 square feet of offices, medical suites and retail units. During the year, 11 office units have been sold with profits recognized. As at 31 December 2017, 75% of the office units held have been leased, with the

remaining vacated for renovation or being marketed for sale or lease. Renovation of medical suites and retail portions are expected to be completed by the second and third quarter of 2018 respectively. Leasing of retail space is currently underway and is expected to comprise a supermarket, a diverse range of dining choices as well as lifestyle and wellness brands.

PROJECT UNDER DEVELOPMENT WITH RECENT SALES

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, the Nova Mall, which spans over 655,000 square feet. It is planned to house a diverse range of tenants including a cineplex, a supermarket, a flagship international furniture store 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. During the year, 596 units have been sold during presale, bringing cumulative number of units sold to 56% out of all available units. Topping out of the tower blocks was conducted in June 2017 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 for the sale of Nova Mall. Upon final completion of the transaction at a consideration of HK$3,150 million, the Group will jointly hold Nova Mall with HIP on a 50:50 basis.

PROJECTS UNDER DEVELOPMENT

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 247,000 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 and superstructure works have commenced with project completion expected in 2019 and 2020 by phases.

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 42,300 square meters of office, 39,300 square meters of retail, 16,700 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 also connected to the Lotus Bridge border facilities by a footbridge. Substructure works have been substantially completed and superstructure works have commenced with project completion expected in 2020.

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 office, retail space, hotel component, and an 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. Site works will commence in the second quarter of 2018. Upon completion, the hotel is planned to be managed by the Group's hotel management subsidiary, Artyzen Hospitality Group, offering approximately 210 rooms.

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.

PROPERTY INVESTMENTS

IN MACAU

Nova Mall (Group interest: 100%)

Directly connected to Nova Grand, Nova Mall is the largest lifestyle shopping centre in Macau spanning over 655,000 square feet. It is planned to house a diverse range of tenants including a cineplex, a supermarket, a flagship international furniture store and an exciting array of differentiated lifestyle brands and dining options, providing daily conveniences to the Nova neighbourhood and the larger Macau community. Leasing of the mall is currently in progress with target opening by the latter half of year 2019.

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 92% as at 31 December 2017.

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

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 96% as at 31 December 2017.

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 51% occupancy as at 31 December 2017. A major kindergarten will commence operation in the third quarter of 2018, upon which, a new tenant mix will also be introduced.

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 maintained full occupancy for most parts of the year.

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.

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 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. Occupancy for the offices has substantially increased to 90% as of 31 December 2017 with improved rental rates. A 138-room Artyzen Habitat has commenced operation in September 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 89% over the year.

PROPERTY SERVICES

Shun Tak Property Management Limited ("STPML"), the Group's wholly-owned subsidiary, has been providing Hong Kong and Macau clients with professional property and facility management service for residential developments, clubhouse, office tower, retail complexes and car park. Recently, it has extended the same integrated offers to China, including consultancy on operations, financial management, human resources and facility maintenance. The Company expects to continue expanding its China portfolio in forthcoming years.

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.

STPML Group of Companies (Hong Kong and Macau) has achieved both internationally recognized certification of ISO9001:2015 in Quality Management and ISO14001:2015 in Environmental Management. Amongst which, Clean Living (Macau) Limited leads its industry as the first company to obtain both recognitions in Macau.

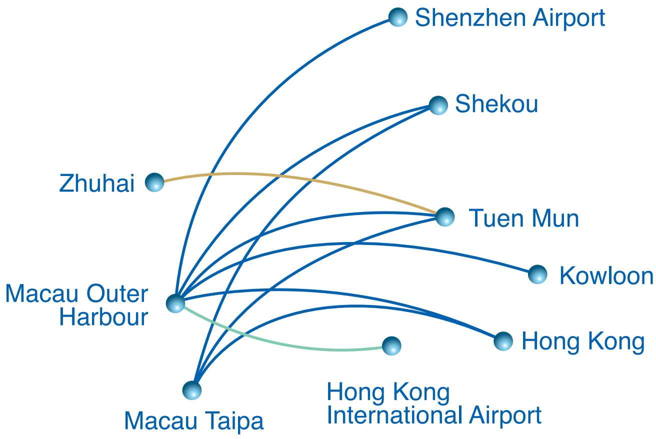
Going the Distance

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.

TRANSPORTATION

In 2017, Hong Kong and Macau tourism rebounded with new vitality in terms of both tourist arrivals and expenditure. The transportation division has capitalized upon the heightened demand for travel and achieved top line growth in gross revenue, with TurboJET's Hong Kong-Macau flagship routes collectively posting 14 million annual passengers, representing a 2% increase. However, under the pressure of inflating fuel and operating costs, profit narrowed to HK$307 million (2016: HK$394 million), translating into a decline of 22% year-on-year.



** Tuen Mun - Zhuhai route is operated by Zhuhai High-Speed Pessenger Ferry Co. Ltd.*

SHUN TAK - CHINA TRAVEL SHIPPING INVESTMENTS LIMITED

Under the company's efforts to diversify products and harness new market potentials, Premier Grand class was launched in 2009 and has continued to lead volume growth, achieving a 13% year-on-year increase in 2017. New enhancements have been introduced, including Premier Plus, Premier Lounge and Travel Planning Hotline Centre, leading the industry in setting new benchmarks for luxury sea travel. In 2017, the Company received "Hong Kong Awards for Industries — Productivity and Quality Award" from Trade and Industry Department and Hong Kong Productivity Council for its achievements in service excellence and product innovation.

In January 2016, Tuen Mun Ferry Terminal commenced service with 9 daily sailings and two routes, which has since doubled its sailings and grown to three routes. Meanwhile, passenger throughput has recorded an annual increase of 16%. With its strategic location within the Pearl River Delta and well-connected public transportation system, Tuen Mun is transforming into a multi-modal transportation hub and will serve as a gateway to Hong Kong in the Guangdong-Hong Kong-Macau Greater Bay Area. It is set to increasingly become the axis in evolving traffic demands within the region.

In June 2017, the new and permanent Taipa Ferry Terminal has officially launched service. In the initial phase of operation, TurboJET was allotted two berths out of eight in service. TurboJET is committed to expand its sailing frequencies and capacity at Taipa; upon availability of increased terminal resources, the company plans to gradually increase sailings in order to complement growing demands destining for new resorts and attractions in Taipa, Coloane and Hengqin.

As a devoted investor committed to supporting sustainable development in regional transportation, the company has participated in a consortium, via its subsidiary, which has succeeded in the tender of the sole right to operate cross-border shuttle bus services traversing the soon-to-be-opened Hong Kong-Zhuhai-Macau Bridge ("HZM Bridge"). Enhanced connectivity is a precondition to the materialization of successful Guangdong-Hong Kong-Macau Greater Bay Area regional integration. As such, the Group looks forward to contributing its profound experience and market insights in local regional travel, and supporting the building of traffic, economic and cultural exchanges.

In 2017, TurboJET has also been conferred a number of respectable awards in honor of its efforts in social responsibility. These include the "Manpower Developer Award Scheme — Manpower Developer Award", "Eco-Brand Awards 2017" and "10 Years Plus Caring Company Logo Certificate" organized by various credible organizations.

SHUN TAK & CITS COACH (MACAO) LIMITED

The land transportation arm continued to deliver strong returns on the back of robust growth in corporate bookings from new hotels and resorts. It currently operates a fleet of 157 vehicles, and posted HK$165 million in revenue in 2017 (2016: HK$167 million), representing a year-on-year decrease of 1%.

The company is one of the parties participating in the HZM Bridge cross-border shuttle bus consortium. It is expected that the company's development will benefit from the onset of new infrastructures in the region.

Anticipating the New

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.

HOSPITALITY

In general, tourism has revived for both Hong Kong and Macau in 2017, seeing a positive boost across most performance metrics including visitor traffic, hotel occupancy and consumer propensity to spend. Despite so, hotel prices have not improved due to fierce competition in the market. In particular, Macau's encouraging rebound in gaming performance was outpaced by hotel supply growth. In August, Macau suffered devastating damages from Typhoon Hato, with the entire tourism industry heavily hit by its aftereffects. Although Artyzen Hospitality Group ("AHG") opened its first two branded hotels for business, pre-opening expenditures have increased as four additional properties are scheduled for launch next year. As a result, the hospitality division has posted HK$46 million in profit (2016: HK$263 million in loss).

HOTELS IN OPERATION

Hong Kong SkyCity Marriott Hotel

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, suffered marked declines in special groups, corporate and MICE bookings, as airlines scaled back on spending and AWE events dropped in number. Although FIT segment remained on par with last year, its average occupancy rate weakened to 85%. The hotel received a number of accolades in 2017, including "Best Luxury Fitness Spa in China" from the World Luxury Spa Awards, "Best Airport Hotel" from the 28th Annual TTG Travel Awards, "2017 Luxury Airport Hotel" and "2017 Luxury Hotel & Conference Centre" from the World Luxury Hotel Awards.

Mandarin Oriental, Macau

Mandarin Oriental, Macau is one of the leading luxury hotels in Macau renowned for its bespoke services and fine elegance. Amid strong competition from large scale resort hotels, it has diligently reinforced partnerships with corporates and travel agents to improve performance, registering an average room rate above the MOP2,000 mark and achieving an average occupancy of 58% in 2017. Mandarin Oriental, Macau has been awarded "Triple Five Star for Hotel, Restaurant and Spa" from Forbes Travel Guide Star Awards for 3 consecutive years, and clinched important recognitions such as "Best Hotel in Macau" in DestinAsian Readers' Choice Awards 2017, "Asian Awards of Excellence 2017" by Jetsetter Magazine Asia Pacific, and "Travel and Leisure Awards Best Hotel 2017".

Grand Coloane Resort

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 has dramatically improved its room occupancy rate to 81%, as well as brought in solid F&B revenue. In 2017, the hotel was named "Luxury Resort of year 2017" by Luxury Travel Guide, and "Best Resort Hotel-Ctrip Travelers' Top Spot Award" with its high recommendation rating.

HOTELS UNDER PLANNING AND DEVELOPMENT

Hotel properties at Shanghai MixC

Two hotel properties within the Shanghai MixC integrated commercial development project, comprising the 303-room citizenM Hongqiao and the 188-room Artyzen Habitat Hongqiao, are in their final stage of fit-out works and slated for opening in the second half of 2018. Other portions of the development have opened for operation and have garnered popular market response.

No. 9 Cuscaden Road, Singapore

In August 2016, the Group completed the acquisition of a 25,741 square feet land parcel at No. 9 Cuscaden Road Singapore, close to the local central business district and arterial tourist belt. The Group has submitted development plans to the government to build a five-star hotel property with no fewer than 140 room keys. It is expected that site works can begin in the second half of 2018, with completion scheduled for year 2021.

Review of Operations

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 successfully harnessed potentials from fast growing markets in Asia, and registered a solid 6.5% growth in patronage to its observation decks, outpacing general tourism performance in Macau. Although faced with intense competition from mega hotel and MICE resorts in the city, Macau Tower remained resilient with its unique positioning and solid reputation, with F&B and Banquet sales on par with the previous year.

The Group is appointed by Shenzhen Ping An Financial Centre Construction and Development Company Ltd. as the sole and exclusive manager to manage the observation deck located at Ping An Finance Centre at Futian District, Shenzhen. This observation deck is expected to commence operation in the first quarter of 2018.

ARTYZEN HOSPITALITY GROUP

AHG, a hotel management solutions provider under the Group, has made significant headway in 2017. Two Artyzen branded properties made their debuts in the fourth quarter, including a 138-room Artyzen Habitat in Dongzhimen Beijing and a 267-room citizenM in Taipei North Gate, both of which have achieved satisfactory occupancy since their openings. AHG is excitedly engaged with the pre-opening of four new properties scheduled to be launched in year 2018, including a 188-room Artyzen Habitat Hongqiao, a 303-room citizenM Hongqiao, a 160-room Artyzen Sifang Nanjing and a 198-key citizenM in Bukit Bintang Kuala Lumpur. Along with two non-branded hotel management contracts in Macau, AHG will be operating 8 hotels with approximately 1,900 keys by the end of 2018.

AHG is proactively identifying key Asian metropolitans to expand its footprint through third party management opportunities. With its unique value propositions, brand differentiation strategies and compelling track record, AHG expects to gain accelerated traction as more of its properties open for business.

MEMBERSHIP CLUB

The Group is expanding its realm of hospitality services and is developing a private business membership club "Artyzen Club", slated for opening in the second quarter of 2018. Located on the 4th floor of the Shun Tak Centre, the Artyzen Club is a lifestyle-driven, urban business club complete with extensive recreational facilities and an array of dining options. The Club is operated by Shun Tak Club Management Services Limited, a subsidiary of the Group, and is serviced by a team of the Club's ambassadors with professional business concierge services.

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.

Driven by an upturn in tourism performance, Shun Tak Travel reported increased sales of traditional tourism products. In terms of MICE services, the company has secured a number of significant projects, especially from the luxury consumer segment, which have been instrumental to revenue growth. It is expected that MICE businesses will continue to be a key growth driver in the coming years.

Through disciplined cost control and efficient resource allocation, combined revenue for the Group's travel and MICE business amounted to HK$53 million in 2017 (2016: HK$44 million). Some notable events handled include 2017 Guangdong & Macao Branded Products Fair, IPIM mission to Portugal and Brazil, Versace Flagship Store Opening and Hermes Fall Fashion Show 2017.

Harvesting Returns

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.

INVESTMENT

With gaming revenue in Macau trending optimistically in 2017, driven by a more diversified market base and growing affluence in Asia, the division is expecting to see improving prospects ahead. Yet, as dividend payout from Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") recognized by the Group in 2017 reflected the trough of performance by SJM Holdings Limited ("SJM") from a year ago, the division has posted a decline in profits at HK$135 million (2016: HK$197 million).

The Group owns an effective interest in STDM of approximately 11.5%, which in turn owns approximately 54.12% effective shareholding in SJM, a listed company in Hong Kong. SJM 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.

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 a total of 190 berthings in 2017, which represented a significant 100% increase year-on-year.

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. The first half of year has been sluggish, but the business gained its footing in the second half, rounding off the year with satisfactory profit that outperformed budget. With stronger tourism arrivals and locals´ growing discretionary income, it is anticipated that retail will improve further in 2018.


AirAsia
CRAZY
JUMP
IN THE WORLD
233M


FUN

Recent Developments and Prospect

2018 began on an exceptionally upbeat note with all key economic indicators looking solid, reflecting strong corporate earnings, buoyant stock market and positive investment sentiment. The housing market continued to achieve new heights as homebuyers' confidence are reaffirmed by the low-interest environment and low unemployment rate. Tourism has also rebounded on the back of growing wealth. As a result, the Group has registered top-line growth from most of its core businesses within the year.

Since its first reveal in year end of 2016, Nova Grand has been launched to market by phases, with each batch achieving progressively higher average prices. Following the presale of 596 units in 2017, another batch of 119 units was sold in February 2018. As of date of report publication, 63% of total units available have been sold, with the remaining units expected to roll out for sale in 2018. Large scale top quality residential developments are in short supply in Macau and Nova Grand offers the rare convenience of a lifestyle mall that serves the everyday essentials of residents. Leasing for Nova Mall is making good progress with most anchor tenants signed on. Target opening of Nova Mall is scheduled for end of 2019.

In January 2018, the Group announced a strategic partnership with a consortium of investors led by Perennial Real Estate Holdings Limited, to make its foray into China's healthcare scene. The consortium will be developing predominantly healthcare integrated mixed-use developments with close proximity to high speed railway stations, housing specialized hospitals, elderly homes and medical centers which are to be further supplemented by real estate components including hotels, retail, offices and serviced apartments. The investment will comprise a capital investment of up to US$1.2 billion with first tranche close at US$500 million. With the Group holding a 30% stake, it will be contributing US$150 million for the first investment tranche. Leveraging its experience in integrated property developments and hospitality services, the Group expects to capitalize upon China's fast-growing healthcare sector through this synergistic partnership.

The transportation division led two milestone developments over the year. In June, TurboJET relocated its Taipa service to the new Taipa Ferry Terminal. The company plans to increase its daily sailings in phases to support growing demand to Taipa when more terminal facilities can become available. In August, the division participated in a consortium which has succeeded in obtaining the concession right to operate cross-border shuttle buses on the Hong Kong-Zhuhai-Macau Bridge. The company seeks to contribute its experience in operating cross-regional transportation within the Pearl River Delta, and join its partners in facilitating people-to-people exchanges under the government's vision of a fully integrated Guangdong-Hong Kong-Macau Greater Bay Region.

After years of diligent efforts, a number of projects under AHG are coming to fruition. Following the opening of its first two properties in 2017, AHG is engaged with the pre-opening preparation of four additional hotels scheduled to be launched in year 2018, including a 188-room Artyzen Habitat Hongqiao, a 303-room citizenM Hongqiao, a 160-room Artyzen Sifang Nanjing and a 198-key citizenM in Bukit Bintang Kuala Lumpur. Along with two non-branded hotel management contracts in Macau, AHG will be operating 8 hotels with approximately 1,900 keys by the end of 2018. As the Group continues to strengthen its portfolio and showcase its brand values, it is expected that AHG will power its brand into new markets with greater successes.

Not only has the Group built a solid foundation for its pillar businesses over the years, it is also harnessing new realms and new markets on the back of established experience and networks. As its business portfolio continues to expand and take shape, the Group is confident that it is well poised to capitalize upon the potentials of some of the fastest growing regions in Asia.

Lighting Up Lives

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.

Corporate Social Responsibility

In pursuit of long-term dynamic growth, we aim to embed corporate social responsibility into corporate strategy and day-to-day operations. Corporate social responsibility is an integral element of the Group's vision to be the most trusted, responsible and caring company in Hong Kong and Macau, and it underpins the Group's future strategy to build a strong business and create a better community.

GIVING BACK TO SOCIETY

The Group is determined to carry on its strong legacy of responsible corporate citizenship built by Dr. Stanley Ho, Founder and Chairman Emeritus of the Group. We fully support giving back to our communities, caring for the underprivileged and the needy, and encourage people from all walks of life to contribute to the building of a sustainable and inclusive society. In late 2017, under the auspices of Dr. Ho, the Group established "Shun Tak Holdings – Dr. Stanley Ho Hung Sun Foundation Limited", and committed its first donation to the Faculty of Medicine of the University of Hong Kong in support of the "Hong Kong Summit of Global Health Leaders".

Continuing its commitment to nurture and inspire the youth, the Group participated as a "Company Ambassador" in the YDC Life Planning Cooperation Programme. We hosted sharing and counselling sessions, visits to a hotel owned by the Group, and provided career and life planning guidance for secondary students. In addition, the Group arranged learning tours to Macau Tower for students from the Institute for Tourism Studies and the University of Macau, giving them the opportunity to gain first-hand knowledge of hospitality operations.

To promote social integration in the community, the Group has actively organised programmes to empower individuals with special needs. In 2017, our Macau Corporate Office and Macau Tower continued to join efforts to promote social inclusion and public awareness on Autism through supporting "World Autism Awareness Day". Activities hosted at the Tower to celebrate the Day included the "It's My Life" concert, "I am 0.38: An Exhibition of An Autistic Artist" and "Light It Up Blue". We also organised practical hands-on job trainings to equip people with special needs with the necessary skills and confidence to live independently; for example, we orchestrated cleaning training at the Kai Hong Association, and kitchen operations and floral arrangement training for students from Escola Luso-Chinesa Técnico-Profissional. Furthermore, staff volunteers from TurboJET provided tutorial services to children of ethnic minorities to help them adapt to the local education system; as well as organised "Joyful Journey with Daddy" on Father's Day to cultivate warm relationships between individuals with intellectual disabilities and their family members.

Caring for the elderly has continued to be a core focus of Shun Tak's community service programmes. In 2017, our staff volunteers supported the "Light up Yiu Tung with Care" Networking Project, managing a game booth at the Yiu Tung Estate Amphitheatre during the mid-Autumn festival to distribute lanterns and mooncakes, and share joyous festive moments with the elderly and local residents. We also worked with other local partners to organise an outing with elderly beneficiaries to Hong Kong's first "waste-to-energy" facility at T-park to gain a deeper understanding of sludge treatment and enjoy an outdoor footbath together. Moreover, we hosted the "Climb Up to the Sky" event where we invited the elderly to a tour to Macau Tower's observation desk and an enjoyable lunch gathering. TurboJET participated in the Fan Donation Programme and donated 100 pedestal fans to elders facing financial difficulties.

The Group joined the TWGHs Charity Challenge Race as one of the Challenge Sponsors, and our various business units collaborated to send 6 teams to raise funds for the Kwong Wah Hospital Redevelopment project aiming to improve access to healthcare in Hong Kong. Our Macau operations and TurboJET mobilised over 200 volunteers to participate in the annual "Walk for a Million" charity event, contributing more than MOP30,000 to the Macau Daily Readers Charity Fund. TurboJET collaborated with business partners to organise two Charity Variety Shows in Hong Kong and Macau, raising HK$378,500 for Doctors Without Borders in March and MOP731,500 for book donations to promote reading among the younger generation in November.

In 2017, Grand Coloane Resort, managed by Artyzen Hospitality Group, organised its annual Christmas Village with booths featuring games and crafts, bringing families and friends together to share festive joy. Adding a touch of love and hope on this special day, the hotel partnered with ANIMA, an animal protection organisation, to encourage pet adoptions.

GROUP RESPONSE TO TYPHOON HATO

The Group carries out its commitment to give back to society in good times and bad. In response to the devastating impact of Typhoon Hato on the Macau community, the Group swiftly mobilised divisions and external networks to gather and transport necessary supplies from Hong Kong to Macau on TurboJET vessels. Our staff volunteers from Macau Corporate Office, Macau Tower and respective hotels also assisted with relief work in the affected communities, arranging and delivering necessities, and cleaning the homes of the elderly.

ENHANCING THE ENVIRONMENT

The Group endeavours to progressively inject sustainability values into its operations via its employees. To further deepen environmental awareness and commitment, the Group continues its "Think Green • Live Green" campaign, a joint effort across all divisions.

We designated September and October 2017 as "Green Months" during which unnecessary lights were turned off on Monday lunchtime to raise awareness of energy conservation among staff. In the same months, our Property Management division organised "Green Wednesday" at residential properties, which included the provision of vegetarian meal options to inspire staff and residents to reduce their environmental footprint by adopting green eating habits. Staff of Macau Tower has enjoyed a "Green Menu" of vegetarian options at the canteen since August 2017. Also, in September 2017, 25 volunteers from the Hong Kong Corporate Office and Shun Tak Property Management spent a morning clearing invasive weeds from the biodiversity-rich Hong Kong Mai Po wetlands.

To promote the concept of sustainable consumption, the Group held its first "Flea Market" at the Hong Kong and Macau Corporate Offices, and encouraged staff to swap gently used items and give a new home to their bartered treasures. In another initiative focused on saving resources and reducing waste while serving those in need, the Group collaborated with "Food Angel" food bank for the second year, mobilising 20 staff volunteers to collect, repack and deliver surplus food. Over 1,600 nutritious meal boxes were distributed to those in need in the community. Our Property Management division also initiated a community recycling programme which incentivises tenants and residents to recycle through cash coupons.

Within the company, the Group drives resource efficiency as a means to minimise impacts that affect the living environment it shares with the community, and encourages employees to weave responsible practices and resource efficiency into day-to-day operations.

Understanding that curbing greenhouse gas emissions is linked to reductions in energy use, the Group has introduced various energy saving policies and measures in its continuous efforts to elevate environmental performance. The Energy Saving Plan, in place at the Hong Kong Corporate Office since 2014, outlines energy saving strategies and goals across our operations. In 2017, our offices have achieved a cumulative reduction of 25% in electricity consumption against the 2013 baseline. TurboJET has also been carrying on its Fuel Optimisation Programme to reduce emissions and enhance operating performance by increasing fuel efficiency. Measures adopted in the programme include switching to fuel with lower sulphur content, installing interceptors on vessels to reduce surface friction, and shutting down vessel engines while at berth. The resulting reduction in emissions arising from TurboJET's daily operations helps to improve the community's air quality.

Other resource efficiency initiatives include the e-filing system newly launched by the Property Management division for all its management offices, which helps to significantly reduce paper consumption and related wastes. The system also enables more efficient file management, saving time and storage space. Meanwhile, Grand Lapa Hotel, managed by Artyzen Hospitality Group, underwent major renovations in 2017 to enhance guest experience, incorporating a number of environmentally-friendly measures and significant green technologies. These include installation of energy saving devices and implementation of green office management and waste management systems. Altogether, these sustainable elements help to minimise the hotel's environmental impacts on the community.

For details on the Group's CSR initiatives and achievements during the year, please refer to the 2017 Sustainability Report which will be published in the second half of 2018.

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 2017	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)	3,987 (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%	Fitting out works in progress	2018
	814 motor car parking spaces		Carpark	71%	Fitting out works in progress	2018
	203 motorcycle parking spaces		Carpark	71%	Fitting out works in progress	2018
	60,900		Commercial	100%	Fitting out works in progress	2018
	609 motor car parking spaces		Carpark	100%	Fitting out works in progress	2018
	153 motorcycle parking spaces		Carpark	100%	Fitting out 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 2017	Estimated Completion Date
PRC						
Plots 13, 14-1 and 14-2 Tongzhou District, Beijing	319,701 (Note 3)	38,926	Commercial/ Office/Serviced Apartment	24%	Substructure works in progress	2020
Plots 10, 11 and 12 Tongzhou District, Beijing	290,236 (Note 3)	84,024	Commercial/ Office/Serviced Apartment	19.35%	Substructure/ Superstructure works in progress	2019
Plots Zhu Heng Guo Tu Chu No. 2013-04 Hengqin New District, Zhuhai	137,220 (Note 4)	23,834	Commercial/ Office/Serviced Apartment/Hotel	70%	Substructure/ Superstructure works in progress	2019
Singapore						
111 Somerset	52,108 (Note 1)	10,166	Commercial/ Office/ Medical Suite	70%	Asset enhancement 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 2017	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%	Fitting out works in progress	2018

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 2017	Year of Lease Expiry
PRC						
Lot 31-01,Code Z000801, Qiantan Dislrict, the South Extension of Huangpu River, Pudong New Area, Shanghai	133,537	26,707	Commercial (with Art & Cultural Centre)	50%	Design works in progress	2057
			Office			2067
			Hotel			2057
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 2017	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
	33,566		Hotel	100%	–	2047
	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 2017.

(2) Remaining gross floor area or number of car parking spaces for sale as at 31 December 2017.

(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.

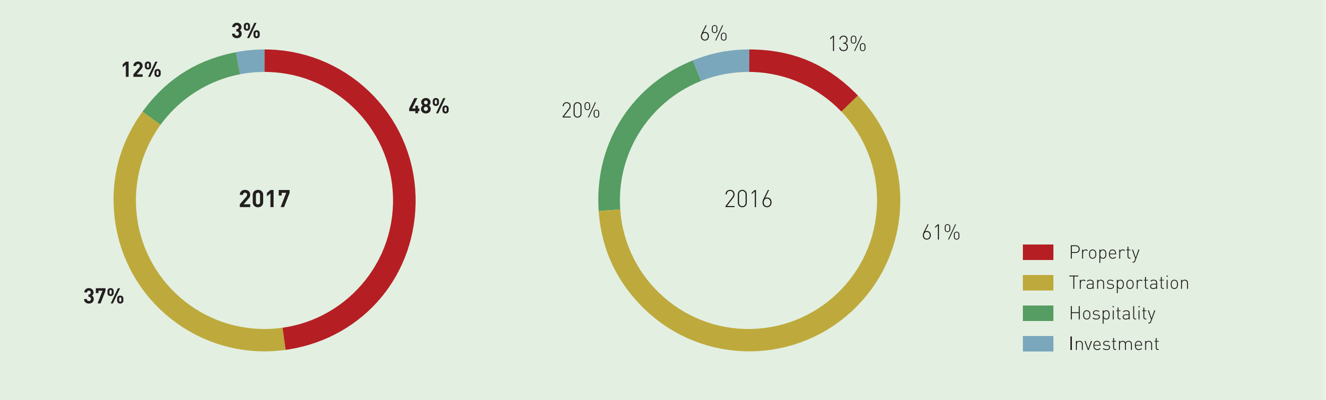
(5) Completion date of the acquisition is extended to on or before 31 October 2026 because the Macau SAR Government is still in process of reviewing the land issues and the Master Plan for the Nam Van District.

(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



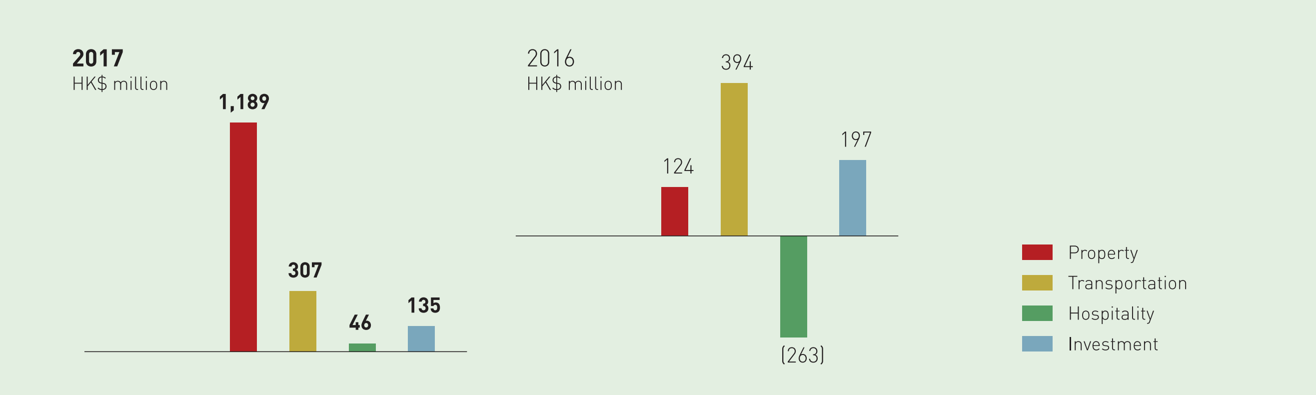
(HK$ million)	2017	2016	Variance	Change	Remarks
Property	**3,094**	495	2,599	+525%	The increase was mainly attributable to more property sales recognised for houses in Chung Hom Kok, Nova Park and TripleOne Somerset.
Transportation	**2,343**	2,331	12	+1%	Revenue remained stable during the year.
Hospitality	**783**	787	(4)	-1%	Revenue remained stable during the year.
Investment	**169**	239	(70)	-29%	The decline was mainly attributable to the decrease in dividend income generated from STDM.
Total	**6,389**	3,852	2,537	+66%	

Revenue by Geographical Area

(HK$ million)	2017	2016	Variance	Change	Remarks
Hong Kong	**3,589**	1,952	1,637	+84%	The increase was mainly attributable to property sales recognised for houses in Chung Hom Kok.
Macau	**2,382**	1,783	599	+34%	The increase was mainly attributable to more property sales recognised for properties in Nova Park.
Mainland China	**139**	114	25	+22%	The increase was due to the improved rental income generated from an investment property located in Beijing.
Others	**279**	3	276	+9,200%	The increase was mainly attributable to sale of properties in TripleOne Somerset in Singapore after its acquisiton at end of March 2017.
Total	**6,389**	3,852	2,537	+66%	

Profit and Loss Analysis

Segment results by Division



(HK$ million)	2017	2016	Variance	Change	Remarks
Property	**1,189**	124	1,065	+859%	The increase was mainly attributable to more property sales recognised for houses in Chung Hom Kok, Nova Park and TripleOne Somerset.
Transportation	**307**	394	(87)	-22%	The decrease was mainly due to higher operating cost for the year.
Hospitality	**46**	(263)	309	+117%	The increase was due to a one-off HK$347.3 million impairment loss made for property, plant and equipment in the year 2016.
Investment	**135**	197	(62)	-31%	The decline was mainly attributable to the reduced dividend income generated from STDM.
Unallocated net income	**63**	4	59	+1,475%	The variance was mainly resulted from the RMB exchange rate appreciaiton.
Fair value changes on investment properties	**178**	73	105	+144%	The fair value gain on investment properties reflected the performance of our portfolio in the property market.
Operating profit	**1,918**	529	1,389	+263%	
Finance costs	**(227)**	(141)	(86)	-61%	The variance was mainly attributable to the increase in finance cost in TripleOne Somerset.
Share of results of joint ventures	**201**	(503)	704	+140%	The increase was mainly due to the fair value gain in 2017 versus fair value loss in 2016 from the 51% owned One Central shopping mall in Macau.
Share of results of associates	**9**	1	8	+800%	The variance was mainly due to improved performance of the Kai Tak Cruise Terminal and Grand Coloane Resort.

Group Financial Review

(HK$ million)	2017	2016	Variance	Change	Remarks
Profit/(loss) before taxation	**1,901**	(114)	2,015	+1,768%	
Taxation	**(203)**	(119)	(84)	-71%	The increase was mainly related to more taxable profit generated from property sales.
Profit/(loss) for the year	**1,698**	(233)	1,931	+829%	
Profit attributable to non-controlling interests	**(248)**	(354)	106	+30%	The variance was mainly attributable to the combined effect on reduced profit shared by non-controlling interests in property and transportation divisions.
Profit/(loss) attributable to owners of the Company	**1,450**	(587)	2,037	+347%	

+/- Note: In our tabulated figures, positive changes represent an improving result and negative changes represent a worsening result.

Liquidity, Financial Resources and Capital Structure

At 31 December 2017, the Group's total net assets increased by HK$2,461 million over last year to HK$33,019 million. Cash and liquidity position remains strong and healthy. During the year, net cash generated from operating activities amounted to HK$2,218 million. Major cash inflow of investing activities included HK$190 million interest received and HK$190 million repayment from joint ventures. The major cash outflow of investing activities consisted of HK$1,764 million for acquisition of subsidiaries and HK$842 million capital contribution to a joint venture. Net cash used in financing activities of HK$335 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)	2017	2016	Variance
Operating activities	**2,218**	1,052	1,166
Investing activities	**(2,468)**	(670)	(1,798)
Financing activities	**(335)**	(2,324)	1,989
Net decrease in cash and cash equivalents	**(585)**	(1,942)	1,357

The Group's bank balances and deposits amounted to HK$12,666 million as at 31 December 2017, representing a decrease of HK$610 million as compared with the position as at 31 December 2016. 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 2017 amounted to HK$21,063 million, of which HK$9,021 million remained undrawn. The Group s bank borrowings outstanding at the year end amounted to HK$12,042 million. The Group's borrowings also comprised the medium term notes ("MTN") of HK$3,173 million.

Based on a net borrowings of HK$2,549 million at the year end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to owners of the Company) was 9.3%. As at 31 December 2016, no gearing ratio is presented as the Group had a net cash balance. The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to reduce its finance costs.

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

Maturity Profile

Within 1 year	1-2 years	2-5 years	over 5 years	Total
34%	**27%**	**39%**	**—**	**100%**

Material acquisition and commitments

In 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. The principal asset of which is a 17-storey commercial landmark development known as TripleOne Somerset located near Orchard Road in Singapore. The acquisition was completed on 31 March 2017 at a cash consideration of SGD347 million (approximately HK$1,915 million).

In November 2016, the Group succeeded in the bid of the land use right of a land located in Shanghai Qiantan at RMB1,950 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 2017, the Group has an outstanding commitment to contribute capital of RMB250 million to the joint venture.

In April 2015, the Group entered into a framework agreement to agree to acquire a hotel property in Shanghai as a part of Shanghai MixC integrated development project at a consideration of RMB700 million subject to adjustments. The framework agreement was replaced by a sale and purchase agreement which contains substantially the same principal terms as those in the framework agreement. The property will be developed into a hotel building with fit-out works. The Group had paid RMB455 million and had an outstanding commitment amounted to RMB245 million (equivalent to approximately HK$294 million) at the year end.

Charges on Assets

At the year end, bank loans to the extent of approximately HK$6,807 million (2016: HK$2,544 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK$25,729 million (2016: HK$13,437 million). Out of the above secured bank loans, an aggregate amount of HK$997 million (2016: HK$865 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 3,390 employees at the year end. The Group adopts competitive remuneration packages for its employees. Promotion and salary increments are based on performance. Social activities are organised to foster team spirit amongst employees and they are encouraged to attend training classes that are related to the Group's businesses and developments.

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 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. Likewise, changes in economic environments may have significant impact on tourism and business spending patterns. Any continuous 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 on transportation and hospitality businesses. 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. The new European Union ("EU") General Data Protection Regulation will become fully enforceable in May 2018 which is applicable to organizations offering goods or services to EU data subjects. Contravention of the law may result in penalties up to Euro20 million or 4% of total world-wide annual turnover whichever is higher.

Competition

The Hong Kong-Zhuhai-Macau Bridge will open up land transportation to Macau which 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 systems, navigation and telecommunication systems, payment and finance systems, etc. 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.

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.

Group Financial Review

Financial Risk

The Group adopts a prudent approach in financial risk management to minimize 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 RMB504 million and SGD689 million, the Group's outstanding borrowings were not denominated in foreign currency at the year end. Approximately 91% of the bank deposits, cash and bank balances are denominated in Hong Kong dollar ("HKD"), Macau pataca ("MOP") and US dollar ("USD") and the remaining balance mainly in Renminbi ("RMB"), whereby MOP and USD are pegged to HKD. The Group's principal operations are primarily conducted in HKD while it has financial assets and liabilities denominated in the USD, MOP, Singapore dollar and RMB. The Group will, from time to time review its foreign exchange condition and market condition to determine if any hedging is required. The Group currently 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 2017.

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 47 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 2017 and the state of affairs of the Company and of the Group as at that date are shown in the financial statements on pages 88 to 185.

Dividend

An interim dividend of HK6.0 cents per share (2016: nil) for the six months ended 30 June 2017 was paid during the year.

The Board has recommended a final dividend of HK6.0 cents per share (2016: nil) for the year ended 31 December 2017. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 27 June 2018, the proposed final dividend is expected to be paid on 19 July 2018 to shareholders of the Company whose names appear on the register of members of the Company on 10 July 2018.

Business Review

A review of the Group's business for the year ended 31 December 2017 and discussion of its future development are provided in Chairman's Statement, Review of Operations, and Recent Developments and Prospect on pages 14 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 52 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 186 to 187.

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 2017.

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 2017, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$4,345,473,000 (2016: HK$4,154,408,000).

Donations

During the year, the Group made donations of HK$1,477,000 (2016: HK$1,375,000) for charitable and community purposes.

Debentures

No debentures were issued during the year ended 31 December 2017.

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, 34.1% of the Group's total turnover was attributable to the Group's five largest customers combined, with the largest customer accounting for 24.9% of the Group's total turnover. 82.9% of the Group's total purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 64.9% of the Group's total purchases.

Dr. Stanley Ho (who retired as the Group Executive Chairman and Executive Director on 23 June 2017), 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 customers and 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 customers or 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 *(former Group Executive Chairman who retired on 23 June 2017)*
Ms. Pansy Ho *(Managing Director and appointed as Group Executive Chairman on 23 June 2017)*
Ms. Daisy Ho *(Deputy Managing Director)*
Ms. Maisy Ho
Mr. David Shum
Mr. Rogier Verhoeven

Independent Non-Executive Directors:

Mr. Norman Ho
Mr. Charles Ho
Mr. Michael Wu
Mr. Kevin Yip

In recognition of Dr. Stanley Ho's irreplaceable contributions to the Group during his tenure of services, the Board honored Dr. Ho with the title of Chairman Emeritus of the Company following his retirement.

In accordance with Articles 83 and 84 of the Company's Articles of Association, Mr. Michael Wu, Ms. Maisy Ho and Mr. Rogier Verhoeven will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

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 Wu 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 10.

(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.

Directors' Service Contracts

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

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 2017 are set out in note 37 to the financial statements.

The transactions disclosed in sub-paragraphs 1, 3 to 5 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 (who retired on 23 June 2017), 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, Ms. Daisy 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$122.1 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$227.7 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 (who retired on 23 June 2017), Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho (all being Directors), 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 to annual price review. Further details of the Ticketing Agreement were disclosed in the Company's announcement dated 7 October 2016.

During the year, HK$30.1 million of ferry tickets were sold to the MCE Group under the Ticketing Agreement.

Report of the Directors

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraphs 1 and 2 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 and the report by Group Internal Audit Department on the relevant internal control procedures 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 and 2 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.

3. On 17 January 2017, Nova Taipa — Urbanizações, Limitada, an indirect non-wholly-owned subsidiary of the Company ("NTU", as the developer of Nova City Phase 5 situates at Lot BT2/3, Taipa, Macau ("Nova Grand")) and Ms. Ho, Deborah Chiu Hung (as the purchaser) entered into a sale and purchase contract (the "Contract") in respect of the sale and purchase of a residential unit located at Unit B, 23rd Floor, Tower 6 of Nova Grand at the consideration of HK$13,906,000. Ms. Ho, Deborah Chiu Hung, by virtue of being a family member of Dr. Stanley Ho (who retired on 23 June 2017), is a connected person of the Company.

   Further details of the Contract were disclosed in the Company's announcement dated 17 January 2017.

4. On 25 January 2017, Simply Swift Limited, an indirect wholly-owned subsidiary of the Company ("Simply Swift"), entered into (i) a sale and purchase agreement with various independent third party; and (ii) a sale and purchase agreement ("Share Vendor SPA") with Unified Elite Limited (the "Share Vendor", a company wholly-owned by Ms. Pansy Ho), for the acquisition of 61% and 9% interest in Perennial Somerset Investors Pte. Ltd. respectively (the "Target Company"), a company incorporated in Singapore with limited liability and the owner of a 17-storey development known as TripleOne Somerset situated at 111 Somerset Road, Singapore, for the total consideration of S$347.1 million (equivalent to approximately HK$1,915.5 million) subject to the post-completion accounts adjustment.

   Pursuant to the Share Vendor SPA, the Share Vendor conditionally agreed to sell, and Simply Swift conditionally agreed to purchase (i) an aggregate of 206,100 issued ordinary shares in the capital of the Target Company (the "Target Ordinary Shares") and 206,100 issued redeemable preference shares in the capital of the Target Company (the "Target Preference Shares"), representing 9% of the total issued Target Ordinary Shares and 9% of the total issued Target Preference Shares respectively; and (ii) the bearer bonds comprising S$229 million junior bonds issued by the Target Company (the "Target Junior Bonds") for an aggregate principal amount of S$20.6 million (equivalent to approximately HK$112.8 million), representing 9% of the total issued Target Junior Bonds, at the total consideration of S$45 million (equivalent to approximately HK$246.3 million) subject to the post-completion accounts adjustment (the "Share Vendor Consideration").

As the Share Vendor was a company wholly-owned by Ms. Pansy Ho (a Director and a substantial shareholder of the Company), a connected person of the Company, the entering into the Share Vendor SPA and the transactions contemplated thereunder constituted a connected transaction of the Company.

Further details of the Share Vendor SPA were disclosed in the Company's circular dated 22 February 2017.

At completion of the Share Vendor SPA, cash consideration of S$44.6 million (equivalent to approximately HK$251.4 million) was paid to the Share Vendor in settlement of the Share Vendor Consideration.

5. On 21 July 2017, NTU and each of Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum (the "Purchasers") separately entered into sale and purchase agreements (the "Agreements") in respect of their respective purchases of the property units of Nova Grand at the respective considerations as follows:

Purchasers	**Property unit(s)**	**Consideration**
		HK$
Ms. Pansy Ho	Unit A, 39th Floor, Tower 6	17,811,000
	Unit B, 39th Floor, Tower 6	18,252,000
Ms. Daisy Ho	Unit D, 28th Floor, Tower 6	14,900,000
	Unit A, 28th Floor, Tower 7	11,179,000
Ms. Maisy Ho	Unit B, 28th Floor, Tower 6	17,434,000
	Unit A, 23rd Floor, Tower 7	11,298,000
Mr. David Shum	Unit B, 38th Floor, Tower 6	18,252,000

The Purchasers, all being the Directors, are connected persons of the Company under the Listing Rules.

Further details of the Agreements were disclosed in the Company's announcement dated 21 July 2017.

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraphs 3 to 5 above constituted connected transactions of the Company for the year which require disclosure in the annual report of the Company.

6. 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 6 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.

Report of the Directors

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 (who retired on 23 June 2017) 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 STDM which is also engaged in the businesses of property investment, property development and/or hospitality. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, a corporate director of STDM. Mr. David Shum is an appointed representative of the Company, a corporate director of STDM.

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 2017, 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: Personal interests		Number of shares held: Corporate interests		Approximate percentage of total issued shares
			Note		Note	Note (i)
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	166,043,937		363,798,627	(iv)	17.41%
	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	88,280,345		134,503,471	(v)	7.32%
	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 2017, 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 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 agreement dated 1 November 2016 in relation to the extension of the long stop date of the sale and purchase agreement dated 11 November 2004 (and the supplemental agreements thereto) regarding the acquisition of sites in Nam Van District, Macau by the Group and the proposed transfer as described in the Company's circular dated 29 November 2016 (the "Sai Wu Agreement"). ADIL is owned as to 53% by Megaprosper Investments Limited ("MIL") which in turn 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
			Note (i)
Ms. Pansy Ho	Shun Tak & CITS Coach (Macao) Limited	1,500 shares	15.00%

Note:

(i) As at 31 December 2017, 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 2017.

(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 terms and conditions as stipulated therein. Details of the 2012 Share Option Scheme are set out below.

The share option scheme approved by the Shareholders 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 Share Option 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:

				Number of share options		
Name of director	**Date of grant**	**Exercise period**	**Exercise price per share**	**At 1 January 2017**	**At 31 December 2017**	
			HK$			Note
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 Director						
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	–	(i) & (ii)
Total				3,396,372	2,264,248	

Notes:

(i) These share options were vested on 29 March 2011.

(ii) These share options lapsed during the year.

(iii) During the year, no share options under the 2002 Share Option Scheme were exercised or cancelled.

Save as disclosed above, as at 31 December 2017, 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	(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; (b) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of the Company or its affiliates; (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; (d) any person who provides goods and services to the Company or its affiliates; (e) an associate of any of the foregoing persons; or (f) any supplier, customer, strategic alliance partner or adviser to the Company or its affiliates.
(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 3,031,065,785 shares in issue as at the date of this annual report.
(iv)	Maximum entitlement of each participant under the 2012 Share Option Scheme	In any 12-month period: — 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: — 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 2017, 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	Note	Nature of interests	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of total issued shares Note (i)
Renita Investments Limited ("Renita") and its subsidiary	(ii)	Interests in issued shares	Beneficial owner and interests of controlled corporation	Long position	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 2017, 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. Maisy Ho hold beneficial interests in Renita and Oakmount. Ms. Pansy Ho and Ms. Daisy Ho are directors of Renita and Oakmount.

(iii) Ms. Pansy Ho and Ms. Daisy Ho hold beneficial interests in, and are directors of, STS. Ms. Maisy 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 53% by MIL.

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 2017.

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 2017 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
Group Executive Chairman and Managing Director

Hong Kong, 27 March 2018

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 in acknowledgment of 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 (the "CG Policy") outlining the Company's governance framework and practices was adopted by the Board in 2012 and updated in August 2017.

The Board is of the opinion that the Company has complied with the CG Code provisions throughout the year ended 31 December 2017, except for:

1. Code provision E.1.2 which requires the chairman of the Board to attend the annual general meeting ("AGM"). The former Group Executive Chairman was absent from the Company's AGM held on 23 June 2017 ("2017 AGM") due to health reasons. The Managing Director who was appointed as the Group Executive Chairman after the conclusion of the 2017 AGM (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 any Shareholders' questions regarding activities of the Company and its Board committees (the "Board Committee"); and

2. Code provision A.2.1 which requires the roles of chairman and chief executive to be separate and not to be performed by the same individual. The Board is of the view that there is adequate balance of power and authority in place as all major decisions have been made in discussion among Board members and appropriate Board Committees. In addition, there are four independent non-executive Directors ("INEDs") on the Board offering their experiences, expertise, independent advice and views to the Board's affairs from different perspectives. Therefore, it is in the best interest of the Company that Ms. Pansy Ho, with her in-depth knowledge in the businesses and extensive experience of the operations of the Company and its subsidiaries (the "Group"), shall assume her dual capacity as the Group Executive Chairman and Managing Director.

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 the Model Code during the year ended 31 December 2017.

Board Composition

The key principles of good governance require the Company to have an effective Board which is collectively responsible for its success, setting its values and enhancing Shareholders' value. Non-executive Directors ("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 Directors 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 2017 and up to the date of this report are set out below:

- Mr. Kevin Yip was appointed member of the Audit Committee, effective from 11 January 2017;
- Dr. Stanley Ho retired as the Group Executive Chairman and Executive Director with effect from the conclusion of the 2017 AGM on 23 June 2017. The Board honored Dr. Ho with the title of Chairman Emeritus of the Company following his retirement; and
- Ms. Pansy Ho, the Managing Director, was appointed Group Executive Chairman, effective from the conclusion of the 2017 AGM on 23 June 2017.

As at the date of this report, the Board has 9 members and its composition is as follows:-

Board
(Total number of Directors: 9)

Executive Directors
Ms. Pansy Ho *(Group Executive Chairman and Managing Director)*
Ms. Daisy Ho *(Deputy Managing Director)*
Ms. Maisy Ho
Mr. David Shum
Mr. Rogier Verhoeven

Total number: 5
(Representing 55.56% of the total number of Directors)

Independent Non-Executive Directors
Mr. Norman Ho
Mr. Charles Ho
Mr. Michael Wu
Mr. Kevin Yip

Total number: 4
(Representing 44.44% of the total number of Directors)

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

The Company has four 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.

Ms. Pansy Ho, as the Group Executive Chairman and Managing Director of the Company, is mainly responsible for Board leadership and overall performance of the Group.

Corporate Governance Report

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

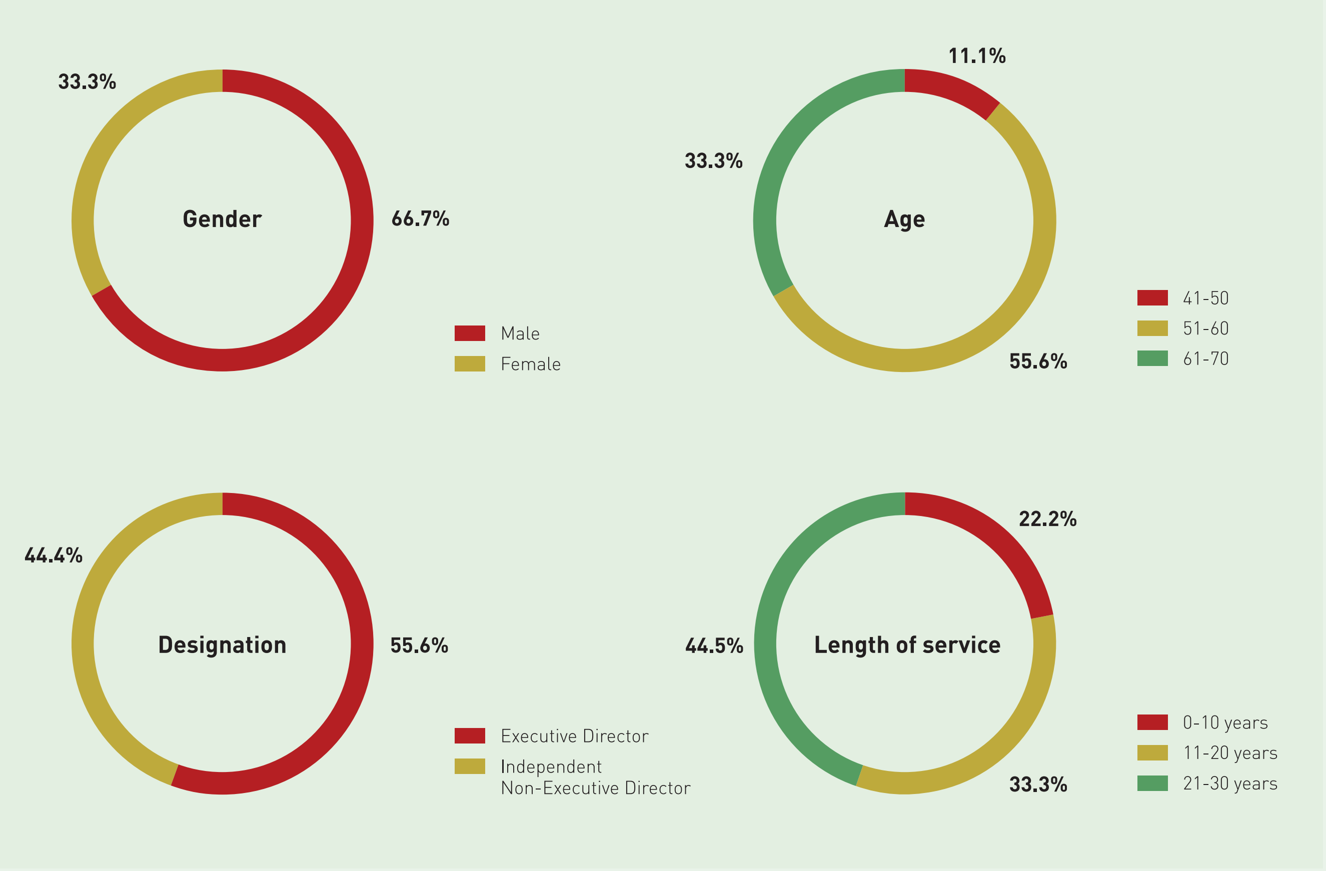
Management is delegated by the Board and is principally responsible for the Group's day-to-day operations. The Group Executive Chairman and Managing Director together with Deputy Managing Director, working with other Executive Directors and executive management team, are responsible for managing the 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 with explanation and analysis of the 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 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 had provided trainings to Directors on updates of laws and regulations covering the topics of duties of directors and company secretary and the role and functions of board committees, risk management and internal control, Environmental, Social and Governance Reporting, etc.

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
Former Group Executive Chairman	
Dr. Stanley Ho (retired on 23 June 2017)	A
Group Executive Chairman and Managing Director	
Ms. Pansy Ho	A, B, C
Independent Non-Executive Directors	
Mr. Norman Ho	A, B, C
Mr. Charles Ho	A, B
Mr. Michael Wu	A
Mr. Kevin Yip	A, 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 briefing/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 2017, the Board held five meetings, and the Group Executive Chairman and Managing Director held a meeting with INEDs without the presence of the Executive Directors.

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

Name of Director	Board	Audit Committee (Note 3)	Remuneration Committee	Nomination Committee	Annual General Meeting (Note 3)	General Meeting (Note 3)
	(Number of Meetings Attended/Entitled to Attend)					
Former Group Executive Chairman						
Dr. Stanley Ho (Note 1)	0/3	n/a	n/a	n/a	0/1	0/1
Group Executive Chairman and Managing Director						
Ms. Pansy Ho (Note 2)	5/5	n/a	1/1	1/1	1/1	1/1
Independent Non-Executive Directors						
Mr. Norman Ho	5/5	3/3	1/1	1/1	1/1	1/1
Mr. Charles Ho	4/5	n/a	1/1	1/1	0/1	0/1
Mr. Michael Wu	5/5	3/3	1/1	1/1	1/1	1/1
Mr. Kevin Yip	4/5	2/3	n/a	n/a	1/1	1/1
Deputy Managing Director						
Ms. Daisy Ho	5/5	n/a	1/1	1/1	1/1	1/1
Executive Directors						
Ms. Maisy Ho	5/5	n/a	n/a	n/a	1/1	0/1
Mr. David Shum	5/5	n/a	n/a	n/a	1/1	1/1
Mr. Rogier Verhoeven	5/5	n/a	n/a	n/a	1/1	1/1

Note 1: Dr. Stanley Ho was unable to attend meetings due to health reasons. He retired as the Group Executive Chairman and Executive Director with effect from the conclusion of the 2017 AGM on 23 June 2017.

Note 2: Ms. Pansy Ho, the Managing Director, was appointed Group Executive Chairman, effective from the conclusion of the 2017 AGM on 23 June 2017.

Note 3: Representatives of the external auditor were invited to participate in two Audit Committee meetings held in March and August 2017, and attended the Annual General Meeting and General Meeting.

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:

Board

Remuneration Committee	**Nomination Committee**	**Executive Committee**	**Audit Committee**
Mr. Michael Wu *(Chairman)*	Mr. Charles Ho *(Chairman)*	Ms. Pansy Ho *(Chairman)*	Mr. Norman Ho *(Chairman)*
Mr. Norman Ho	Mr. Norman Ho	Ms. Daisy Ho	Mr. Michael Wu
Mr. Charles Ho	Mr. Michael Wu	Ms. Maisy Ho	Mr. Kevin Yip (Note)
Ms. Pansy Ho	Ms. Pansy Ho	Mr. David Shum	
Ms. Daisy Ho	Ms. Daisy Ho	Mr. Rogier Verhoeven	

Note: Mr. Kevin Yip was appointed 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 are regularly reviewed and updated in response to regulatory changes or Board direction. Other Board Committees for dealing with ad hoc matters when necessary 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 Wu (all being INEDs), Ms. Pansy Ho (Group Executive Chairman and Managing Director) and Ms. Daisy Ho (Deputy Managing Director). Mr. Michael Wu 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 2017, one Remuneration Committee meeting was held, wherein the Remuneration Committee reviewed, made recommendation on INEDs' remuneration packages to the Board, approved the remuneration packages for Executive Directors, senior management and staff; and reviewed the remuneration policy adopted by the Company (the "Remuneration Policy").

The Remuneration Policy 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 that the Remuneration Policy is effective, the Remuneration Committee will review the policy and recommend revisions to the Board when necessary. The Remuneration Policy was updated in December 2017.

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 Wu (all being INEDs), Ms. Pansy Ho (Group Executive Chairman and 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 2017, one Nomination Committee meeting was held at which the Nomination Committee had reviewed the structure, size, composition and diversity of the Board; the retirement and appointment of the Group Executive Chairman; award of Chairman Emeritus; the Board Diversity Policy; the Directors' involvement in the Company's affairs; 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 2017 AGM.

Executive Committee

The Executive Committee consists of five members, namely, Ms. Pansy Ho (Group Executive Chairman and 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 CG Policy; (b) the Company's compliance with the CG Code and its disclosure in this report; and (c) Directors' training records.

In light of code provision C.2 of 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 created a sustainability policy to demonstrate the Company's commitment to sustainable business growth and development through adoption of sound environmental, social and governance approaches. The policy was adopted by the Executive Committee in 2014 and the Company has published its annual sustainability reports since then.

Corporate Governance Report

Audit Committee

The Audit Committee consists of three members, namely, Mr. Norman Ho, Mr. Michael Wu and Mr. Kevin Yip, all being INEDs. Mr. Norman Ho is the chairman of the Audit Committee and Mr. Kevin Yip was appointed member of Audit Committee on 11 January 2017. 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 Wu hold 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 2017, 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 (including the risk management processes, the principal risks identified and risk mitigation controls); (iv) PricewaterhouseCoopers' ("PwC") confirmation of independence, its reports for the Audit Committee and management's letter of representation; (v) the Group's whistleblowing policy (the "Whistleblowing Policy"); and considered the annual audit and non-audit services fees for the year ended 31 December 2016 and recommended the re-appointment of Company's external auditor.

The Audit Committee also reviewed the continuing connected transactions; reviewed and approved PwC's terms of engagement as the Company's external auditor for the year ended 31 December 2017, and its further engagement to (a) review the Company's preliminary results announcement for the year ended 31 December 2017; and (b) report on continuing connected transactions as disclosed in this annual report. As at the date of this report, the Audit Committee also approved the annual audit and non-audit services fees for year ended 31 December 2017, and recommended the re-appointment of PwC (the retiring auditor at the forthcoming AGM) as the Company's external auditor.

With the introduction of the Whistleblowing Policy since December 2011 and its update in August 2017, 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 2017, the fees paid/payable by the Group to PwC in respect of the audit and non-audit services provided by them amounted to approximately HK$10.1 million and HK$4.1 million respectively, while the audit and non-audit fees paid/payable by the Group to other auditors were HK$0.8 million and HK$0.5 million respectively. The non-audit services mainly included interim review, taxation, due diligence 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 2017, 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 responsibilities for the audit of 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 has overall responsibility 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

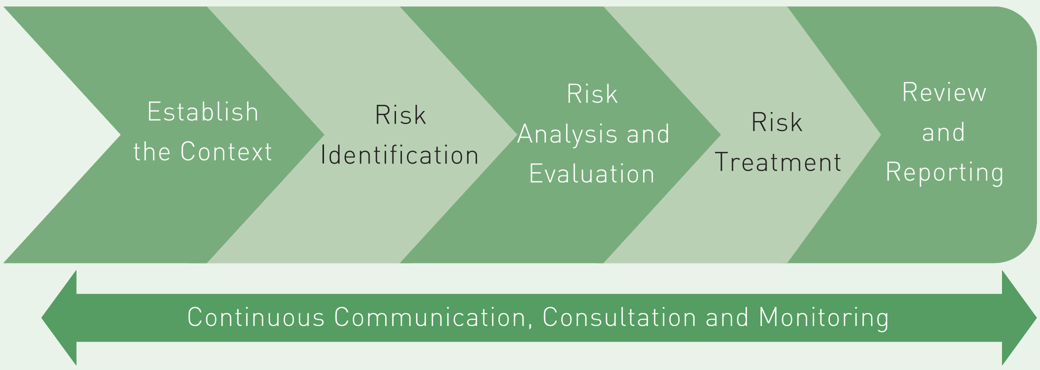
The Board has established a framework to maintain appropriate and effective risk management and internal controls systems, which includes the following key procedures (i) setting core values and beliefs which form the basis of the Group's overall risk philosophy; (ii) evaluating and determining the nature 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. 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, determined, implemented and reviewed. Risk management results are reported to the Executive Committee and the Audit Committee twice a year.

Risk Management Process



A description of the Group's principal risk factors is shown on pages 52 to 54 of this annual report.

Corporate Governance 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").

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 also 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 the risk management and internal control systems of the Group to be 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. 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 investors 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

2017 Annual General Meeting

The notice of the 2017 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 2017 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 2017 AGM. Procedures for conducting a poll were explained by the Share Registrar before commencement of poll voting at the 2017 AGM.

Corporate Governance Report

The 2017 AGM 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, 23 June 2017 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 2016 and the reports of Directors and the independent auditor; (ii) re-election of Mr. Norman Ho and Ms. Pansy Ho as Directors of the Company; (iii) approval of the Directors' fees; (iv) re-appointment of PwC as auditor of the Company and authorisation to the Board to fix its remuneration; (v) granting of the general mandate to the Board to buy back the Company's shares; (vi) granting of the general mandate to the Board to issue new shares of the Company; and (vii) 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 2017 AGM.

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 requisitionist(s), (b) the contact details of the requisitionist(s) and (c) the number of ordinary shares of the Company held by the requisitionist(s).

Procedures for Shareholders to Put Forward Proposals at General Meeting

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 2017, 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 2018

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 88 to 185, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

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 2017, the Group recognised revenue from sale of properties of HK$2,546 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 advice 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.

Key audit matter	***How our audit addressed the 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 2017, the Group had investment properties with fair value of HK$8,232 million and the fair value of investment properties held by a joint venture attributable to the Group amounted to HK$5,109 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, discount rates and recent transacted prices 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.	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, discount rates and recent transacted prices 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.

Key audit matter	***How our audit addressed the 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 2017, the Group had properties for or under development with carrying values totalling HK$13,872 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.	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.

Independent Auditor's Report

Other Information

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

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

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

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

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.

- 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 year 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 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Note	**2017**	2016
		HK$'000	HK$'000
Revenue	4	**6,388,505**	3,851,931
Other income	4	**252,944**	255,248
		6,641,449	4,107,179
Other gains/(losses), net	5	**24,753**	(4,916)
Cost of inventories sold and services provided		**(2,753,760)**	(1,116,839)
Staff costs		**(1,412,886)**	(1,342,255)
Depreciation and amortisation		**(155,631)**	(146,981)
Other costs		**(603,735)**	(1,039,740)
Fair value changes on investment properties		**178,165**	72,457
Operating profit	6	**1,918,355**	528,905
Finance costs	8	**(226,562)**	(141,380)
Share of results of joint ventures		**200,629**	(502,756)
Share of results of associates		**8,966**	1,065
Profit/(loss) before taxation		**1,901,388**	(114,166)
Taxation	9(a)	**(203,243)**	(118,689)
Profit/(loss) for the year		**1,698,145**	(232,855)
Attributable to:			
Owners of the Company		**1,450,160**	(587,137)
Non-controlling interests		**247,985**	354,282
Profit/(loss) for the year		**1,698,145**	(232,855)
Earnings/(loss) per share (HK cents)	11		
– basic		**47.7**	(19.3)
– diluted		**47.7**	(19.3)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017	2016
	HK$'000	HK$'000
Profit/(loss) for the year	**1,698,145**	(232,855)
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss:		
Available-for-sale investments:		
Changes in fair value	**29,367**	14,188
Cash flow hedges:		
Changes in fair value, net of tax	**(5,427)**	72,767
Transfer to profit or loss	**(36,556)**	50,217
Reversal of asset revaluation reserve upon sales of properties, net of tax	**(20,515)**	(1,594)
Currency translation differences	**444,676**	(262,148)
Share of currency translation difference of joint ventures	**92,336**	(1,674)
Share of currency translation difference of associates	**79,428**	(72,471)
Other comprehensive income/(loss) for the year, net of tax	**583,309**	(200,715)
Total comprehensive income/(loss) for the year	**2,281,454**	(433,570)
Attributable to:		
Owners of the Company	**1,964,815**	(791,515)
Non-controlling interests	**316,639**	357,945
Total comprehensive income/(loss) for the year	**2,281,454**	(433,570)

Consolidated Balance Sheet

As at 31 December 2017

	Note	2017	2016
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	12	**2,836,564**	2,671,944
Investment properties	13	**8,232,314**	7,898,202
Prepaid premium for land lease and land use rights	14	**302,841**	290,840
Joint ventures	16	**6,887,540**	5,265,386
Associates	17	**1,476,977**	1,378,462
Intangible assets	18	**36,427**	37,553
Available-for-sale investments	19	**1,021,729**	995,263
Derivative financial instruments	25	**107**	22,903
Mortgage loans receivable	20	**3,914**	4,919
Deferred tax assets	9(c)	**2,476**	6,683
Other non-current assets	21	**704,067**	1,014,993
		21,504,956	19,587,148
Current assets			
Properties for or under development	22	**13,872,138**	10,549,594
Inventories	23	**7,626,127**	1,918,437
Trade and other receivables, deposits paid and prepayments	24	**1,141,722**	979,413
Derivative financial instruments	25	**16,927**	11,416
Taxation recoverable		**11,356**	5,468
Cash and bank balances	26	**12,665,880**	13,275,396
		35,334,150	26,739,724
Current liabilities			
Trade and other payables, and deposits received	27	**2,473,841**	1,636,839
Deposits received from sale of properties	28	**3,453,424**	1,469,358
Bank borrowings	29	**5,212,254**	533,571
Provision for employee benefits	30	**13,010**	13,332
Taxation payable		**141,131**	28,282
Loans from non-controlling interests	32	**1,215,733**	775,089
		12,509,393	4,456,471
Net current assets		**22,824,757**	22,283,253
Total assets less current liabilities		**44,329,713**	41,870,401

	Note	2017	2016
		HK$'000	HK$'000
Non-current liabilities			
Bank borrowings	29	**6,829,789**	7,095,775
Medium term notes	31	**3,172,788**	3,144,979
Deferred tax liabilities	9(c)	**1,308,380**	1,072,080
		11,310,957	11,312,834
Net assets		**33,018,756**	30,557,567
Equity			
Share capital	33	**9,858,250**	9,858,250
Other reserves	35	**17,372,796**	15,772,528
Proposed dividends		**181,864**	—
Equity attributable to owners of the Company		**27,412,910**	25,630,778
Non-controlling interests		**5,605,846**	4,926,789
Total equity		**33,018,756**	30,557,567

Pansy Ho
Director

Daisy Ho
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Equity attributable to owners of the Company												
	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	Total equity
	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 2017	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
Profit for the year	–	–	–	–	–	–	–	–	1,450,160	–	1,450,160	247,985	1,698,145
Items that may be reclassified to profit or loss:													
Available-for-sale investments:													
Changes in fair value	–	–	–	–	29,367	–	–	–	–	–	29,367	–	29,367
Cash flow hedges:													
Changes in fair value, net of tax	–	–	–	–	–	(15,396)	–	–	–	–	(15,396)	9,969	(5,427)
Transfer to profit or loss	–	–	–	–	–	(29,229)	–	–	–	–	(29,229)	(7,327)	(36,556)
Reversal of asset revaluation reserve upon sales of properties, net of tax	–	–	–	–	–	–	(20,515)	–	–	–	(20,515)	–	(20,515)
Currency translation differences	–	–	–	–	–	–	–	378,664	–	–	378,664	66,012	444,676
Share of currency translation difference of joint ventures	–	–	–	–	–	–	–	92,336	–	–	92,336	–	92,336
Share of currency translation difference of associates	–	–	–	–	–	–	–	79,428	–	–	79,428	–	79,428
Other comprehensive income/(loss) for the year, net of tax	–	–	–	–	29,367	(44,625)	(20,515)	550,428	–	–	514,655	68,654	583,309
Total comprehensive income/(loss) for the year	–	–	–	–	29,367	(44,625)	(20,515)	550,428	1,450,160	–	1,964,815	316,639	2,281,454
2017 final dividend	–	–	–	–	–	–	–	–	(181,864)	181,864	–	–	–
2017 interim dividend	–	–	–	–	–	–	–	–	(182,548)	–	(182,548)	–	(182,548)
Lapse of share option	–	(1,797)	–	–	–	–	–	–	1,797	–	–	–	–
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(95,495)	(95,495)
Transfers	–	–	416	–	–	–	–	–	(416)	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	292,868	292,868
Equity contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	165,045	165,045
Disposal of a subsidiary	–	–	(135)	–	–	–	–	–	–	–	(135)	–	(135)
Share of reserve movement of a joint venture	–	–	13	–	–	–	–	–	(13)	–	–	–	–
	–	(1,797)	294	–	–	–	–	–	(363,044)	181,864	(182,683)	362,418	179,735
As at 31 December 2017	9,858,250	14,465	13,037	(151,413)	102,178	(16,647)	988,402	37,100	16,385,674	181,864	27,412,910	5,605,846	33,018,756

For the year ended 31 December 2016

	Equity attributable to owners of the Company											Non-controlling interests	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		
	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 difference of joint ventures	–	–	–	–	–	–	–	(1,674)	–	–	(1,674)	–	(1,674)
Share of currency translation difference 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

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	2017	2016
	HK$'000	HK$'000
Operating activities		
Profit/(loss) before taxation	1,901,388	(114,166)
Adjustments for:		
Depreciation and amortisation	155,631	146,981
Fair value changes on investment properties	(178,165)	(72,457)
Finance costs	226,562	141,380
Interest income	(180,339)	(210,898)
Dividend income from available-for-sale investments	(141,763)	(206,767)
Share of results of joint ventures	(200,629)	502,756
Share of results of associates	(8,966)	(1,065)
Realisation of asset revaluation reserve upon sale of properties	(23,313)	(1,811)
Net loss on disposal of property, plant and equipment	7,645	1,593
Gain on bargain purchase	(32,076)	—
Gain on disposal of a subsidiary	(322)	—
Net loss on disposal of joint ventures	—	3,323
Impairment losses recognised on trade and other receivables, deposits paid and prepayment	1,459	4,079
Impairment loss on property, plant and equipment	—	343,750
Operating profit before working capital changes	1,527,112	536,698
Increase in properties for or under development and inventories of properties, excluding net finance costs capitalised	(1,687,322)	(1,333,775)
Decrease in other inventories	2,617	1,351
(Increase)/decrease in trade receivables, other receivables and deposits paid	(143,063)	357,523
Increase in trade and other payables, and deposits received	611,027	299,925
Increase in deposits received from sale of properties	1,984,066	1,311,693
Decrease in provision for employee benefits	(322)	(918)
Cash generated from operations	2,294,115	1,172,497
Total income taxes paid	(75,862)	(120,574)
Net cash from operating activities	2,218,253	1,051,923

	Note	2017	2016
		HK$'000	HK$'000
Investing activities			
Purchase of property, plant and equipment		**(213,228)**	(1,119,079)
Addition of investment properties		**—**	(8,412)
Capital contribution to a joint venture		**(841,638)**	—
Capital contribution to an associate		**(24,320)**	—
Repayments from joint ventures		**190,317**	82,426
Repayments from associates		**542**	31,290
Acquisition of subsidiaries, net of cash acquired	42	**(1,764,483)**	—
Advances to joint ventures		**—**	(14,200)
Acquisition of available-for-sale investments		**—**	(16,680)
Repayments of mortgage loans		**1,095**	2,243
Prepayment for purchase of property, plant and equipment		**(5,982)**	(23,148)
Deposits paid for acquisition of properties		**(294,329)**	(687,198)
Capital refund from an investment fund		**2,918**	1,157
Proceeds from disposal of property, plant and equipment		**3,534**	28
Proceeds from disposal of interest in a subsidiary		**438**	—
Net cash outflow arising from disposal of a joint venture		**—**	(343)
Decrease in bank deposits with maturities over three months		**51,536**	620,647
Interest received		**189,767**	234,693
Dividends received from available-for sale investments		**141,763**	206,767
Dividends received from joint ventures		**79,873**	16,131
Dividends received from associates		**14,200**	3,784
Net cash used in investing activities		**(2,467,997)**	(669,894)

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Note	2017	2016
		HK$'000	HK$'000
Financing activities			
Drawdown of new loans	40	**1,619,046**	3,709,882
Repayments of loans	40	**(1,257,954)**	(5,271,501)
Acquisition of additional interest in a subsidiary		**—**	(1,430)
Finance costs (including interests and bank charges) paid	40	**(418,814)**	(329,357)
Dividends paid to shareholders	40	**(182,408)**	(60,807)
Dividends paid to non-controlling interests		**(95,495)**	(370,767)
Net cash used in financing activities		**(335,625)**	(2,323,980)
Net decrease in cash and cash equivalents		**(585,369)**	(1,941,951)
Effect of foreign exchange rates changes		**27,389**	(19,951)
Cash and cash equivalents at 1 January		**5,683,742**	7,645,644
Cash and cash equivalents at 31 December		**5,125,762**	5,683,742
Analysis of cash and cash equivalents			
Cash and bank balances	26	**12,665,880**	13,275,396
Bank deposits with maturities over three months		**(7,540,118)**	(7,591,654)
Cash and cash equivalents at 31 December		**5,125,762**	5,683,742

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 47.

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 47.

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 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvement to HKFRSs 2014-2016 Cycle	

The adoption of the above does not have any significant impact to the Group's results for the year ended 31 December 2017 and the Group's financial position as at 31 December 2017.

New standards and amendments and interpretations to standards not yet adopted

A number of new standards and amendments to standards and interpretations, that are relevant to the Group, are issued but not yet effective for financial periods beginning on 1 January 2017, and have not been applied in preparing these consolidated financial statements.

Amendments to HKFRS 2[1]	Share-based Payment
HKFRS 9 (2014)[1]	Financial Instruments
HKFRS 15[1]	Revenue from Contracts with Customers
Amendments to HKFRS 15[1]	Revenue from Contracts with Customers
Amendments to HKAS 40[1]	Transfers of Investment Property
HK (IFRIC) Interpretation 22[1]	Foreign Currency Transactions and Advance Consideration
Annual Improvement to HKFRSs 2014-2016 Cycle[1]	
Annual Improvement to HKFRSs 2015-2017 Cycle[2]	
HK (IFRIC) Interpretation 23[2]	Uncertainty over Income Tax Treatments
HKFRS 16[2]	Leases
Amendments to HKFRS 10 and HKAS 28[3]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning 1 January 2018

(2) Effective for annual periods beginning 1 January 2019

(3) Effective date to be determined

The Group has already commenced an assessment of the impact of these new or revised HKFRS, amendments to standards, annual improvement and interpretations. The Group's assessment of the impact is set out below.

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"

Nature of change

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.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group's debt investments that are currently classified as available-for-sale ("AFS") at fair value will satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the measurement of these assets.

All of the Group's equity investments would be required to be measured at fair value under the new standard and management has elected the FVOCI model for all of its AFS equity investments. Under FVOCI model, any gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to the consolidated income statement, but instead reclassify from "investment revaluation reserve" to "retained earnings". In addition, there will be no more impairment losses required to be charged to the consolidated income statement under the new guidance. Previously accumulated impairment losses from prior years would require a reclassification from "retained profits" to "investment revaluation reserve" for the relevant FVOCI equity investments at the date of adoption of this new standard.

Unlisted AFS investments which were stated at cost less impairment amounting to HK$816 million as at 31 December 2017 would then be carried at fair value at the date of adoption of this standard. Accordingly, a fair value gain would be recognised for the increase in the carrying amount of these unlisted AFS investments and the investment revaluation reserve on 1 January 2018.

The Group's equity investments that are currently classified as AFS at fair value would have no change to their measurement except for changes on disposal and elimination of impairment requirement as mentioned above.

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.

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)

Impact (Continued)

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. However, the Group does not expect to identify any new hedge relationships and the Group's existing hedge relationships are qualified as continuing hedges upon the adoption of HKFRS 9.

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. Based on the assessments undertaken to date, it is not expected that the new model would significantly affect the impairment provisions of the Group.

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.

Date of adoption by Group

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will generally apply the changes in accounting policies resulting from the adoption of HKFRS 9 retrospectively from 1 January 2018, with certain practical expedients permitted under the new standard. Comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 will generally be recognised as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption.

HKFRS 15, "Revenue from contracts with customers"

Nature of change

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.

2 Summary of significant accounting policies (Continued)

(b) Basis of preparation (Continued)

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

HKFRS 15, "Revenue from contracts with customers" (Continued)

Impact

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

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time. Control of the properties under development is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

  When control of the property transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

  The progress towards complete satisfaction of the performance obligation is measured based on the property development costs incurred as a percentage of total estimated costs for complete satisfaction as allocated to the contract.

  Revenue from the Group's existing pre-sale properties contracts will remain unchanged and recognised at a single point in time. Revenue from pre-sale properties contracts entered in the future might be recognised at a single point in time or over a period depending on the terms of contract and laws that apply to the contract.

- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties is transferred, will be recognised at a later point in time when the underlying property is legally or physically transferred to the customer under the control transfer model.

- The Group currently offers different payment schemes to customers. The transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract; and

- 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.

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 15, "Revenue from contracts with customers" (Continued)

Date of adoption by Group

The Group intends to adopt the standard on all uncompleted contracts as at 1 January 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained profits as of 1 January 2018 and that comparatives will not be restated.

The Group estimates the above impact does not have a material overall effect to the Group's retained earnings on 1 January 2018.

HKFRS 16, "Leases"

Nature of change

HKFRS 16 will result in almost all leases being recognised on the consolidated 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.

Impact

The standard will affect primarily the accounting for the Group's operating leases as a lessee. 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 under HKFRS 16.

Date of adoption by Group

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.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (Continued)

(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.

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.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

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

(ii) Changes in ownership interests in subsidiaries without change of control

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

(iii) Separate financial statements

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

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

(iv) Disposal of subsidiaries

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

(v) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

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.

2 Summary of significant accounting policies (Continued)

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

(v) Associates (Continued)

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.

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

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

(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.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(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.

(i) Impairment of non-financial assets

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

(j) Financial assets

(i) Classification

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

1. Financial assets at FVTPL

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

2. Loans and receivables

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

3. Available-for-sale investments

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

2 Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value, and transaction costs are expensed in the 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.

Notes to the Financial Statements

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.

2. Assets classified as available for sale

The Group assesses at the balance sheet 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.

2 Summary of significant accounting policies (Continued)

(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.

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.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(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.

(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.

2 Summary of significant accounting policies (Continued)

(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.

(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.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(t) Taxation (Continued)

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.

(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.

2 Summary of significant accounting policies (Continued)

(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.

(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.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(y) Revenue recognition (Continued)

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

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

Revenue from hotel operation 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.

(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 income capitalisation approach or the direct comparison method. The fair value derived from income capitalisation approach is based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile, while the direct comparison approach considers the recent prices of similar properties with adjustments to reflect the difference in characteristics of the properties. Further details of the judgements and assumptions made were disclosed in note 13.

(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.

3 Critical accounting estimates and judgements (Continued)

(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.

(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 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.

	2017	2016
	HK$'000	HK$'000
Revenue		
Revenue from sales of properties	2,546,361	61,232
Revenue from passenger transportation services	2,452,103	2,458,636
Revenue from hotel operation	397,898	398,217
Rental income	404,807	276,384
Management fees and others	383,661	403,270
Revenue from sale of fuel	27,815	16,985
Revenue from travel agency services	33,756	30,018
Interest income from mortgage loans receivable	341	422
Dividend income from available-for-sale investments	141,763	206,767
	6,388,505	3,851,931
Other income		
Interest income from:		
—Bank deposits	178,367	203,400
—Others	1,631	7,076
Others	72,946	44,772
	252,944	255,248
Revenue and other income	6,641,449	4,107,179

5 Other gains/(losses), net

	2017	2016
	HK$'000	HK$'000
Gain on disposal of a subsidiary	322	—
Net loss on disposal of joint ventures	—	(3,323)
Net loss on disposal of property, plant and equipment	(7,645)	(1,593)
Gain on bargain purchase (note 42)	32,076	—
	24,753	(4,916)

Notes to the Financial Statements

6 Operating profit

	2017	2016
	HK$'000	HK$'000
After crediting:		
Rental income from investment properties	**294,905**	273,562
Less: Direct operating expenses arising from investment properties	**(17,084)**	(21,000)
	277,821	252,562
Dividend income from listed investments	**7,405**	7,217
Dividend income from unlisted investments		
– STDM	**130,935**	197,709
– others	**3,423**	1,841
After charging:		
Cost of inventories sold		
– properties	**1,497,436**	22,394
– fuel	**537,336**	508,303
– others	**152,974**	156,961
	2,187,746	687,658
Exchange (gain)/loss, net	**(63,051)**	42,422
Depreciation of property, plant and equipment (note 12)	**146,933**	146,009
Amortisation		
– intangible assets (note 18)	**1,126**	728
– prepaid premium for land lease and land use rights (note 14)	**7,572**	244
Auditors' remuneration		
– audit services	**10,906**	10,201
– non-audit services	**4,592**	4,954
Minimum lease payments of properties under operating leases	**116,219**	108,077
Contingent rental payment (note 14(b))	**22,570**	23,097
Impairment losses recognised		
– property, plant and equipment (note 12(b))	**—**	343,750
– trade receivables, net (note 24(a))	**1,459**	544
– other receivables, deposits and prepayments	**—**	3,535
Staff costs		
– salaries and wages	**1,318,116**	1,248,433
– provident fund contributions	**54,624**	55,205
– directors' emoluments (note 7(a))	**40,146**	38,617

7 Benefits and interests of directors and five highest paid individual

(a) Directors' emoluments

For the year ended 31 December 2017

	As Director (note i)					
Name	Fees	Salaries, allowance and benefits	Performance bonus	Provident fund contributions	As management (note ii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Dr. Stanley Ho (retired on 23 June 2017)	24	—	—	—	—	24
Ms. Pansy Ho	110	9,634	4,740	604	—	15,088
Ms. Daisy Ho	110	5,769	962	288	—	7,129
Ms. Maisy Ho	110	4,337	723	217	—	5,387
Mr. David Shum	110	3,294	549	165	—	4,118
Mr. Rogier Verhoeven	50	2,369	395	232	3,257	6,303
Independent Non-Executive Directors						
Mr. Norman Ho	400	180	—	—	—	580
Mr. Charles Ho	400	60	—	—	—	460
Mr. Michael Wu	400	160	—	—	—	560
Mr. Kevin Yip	400	97	—	—	—	497
	2,114	25,900	7,369	1,506	3,257	40,146

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 2016

Name	As Director (note i) Fees	Salaries, allowance and benefits	Performance bonus	Provident fund contributions	As management (note ii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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 Director						
Mrs. Louise Mok (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 Wu	400	110	—	—	—	510
Mr. Kevin Yip	400	—	—	—	—	400
	2,190	25,061	6,716	1,463	3,187	38,617

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.

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

(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 (2016: 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$4,941,000 (2016: HK$4,777,000).

8 Finance costs

	2017	2016
	HK$'000	HK$'000
Interest on bank borrowings and overdrafts	**214,601**	135,490
Interest on medium term notes	**181,241**	180,475
Interest on loans from non-controlling interests	**8,569**	—
Other finance costs	**34,481**	16,938
Total finance costs	**438,892**	332,903
Less: Amount capitalised in properties for or under development, inventories and hotel building under construction	**(212,330)**	(191,523)
	226,562	141,380

During the year, finance costs have been capitalised at weighted average rate of its general borrowings of 2.89% (2016: 2.93%) per annum for properties for or under development.

Notes to the Financial Statements

9 Taxation

(a) Taxation in the consolidated income statement represents:

	2017	2016
	HK$'000	HK$'000
Current taxation		
Hong Kong profits tax		
— tax for the year	85,773	50,029
— over-provision in respect of prior years	(820)	(944)
Overseas taxation		
— tax for the year	94,400	24,830
— under-provision in respect of prior years	366	296
	179,719	74,211
Deferred taxation		
Origination and reversal of temporary differences	23,524	44,478
Total tax expenses	203,243	118,689

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the year. Overseas taxation is calculated at tax rates applicable to jurisdictions in which the Group operates.

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

	2017	2016
	HK$'000	HK$'000
Profit/(loss) before taxation	1,901,388	(114,166)
Less: share of results of joint ventures and associates	(209,595)	501,691
	1,691,793	387,525
Tax at the applicable tax rate of 16.5% (2016: 16.5%)	279,146	63,942
Income not subject to tax	(125,383)	(101,238)
Expenses not deductible for tax purposes	71,187	96,829
Utilisation of tax losses and deductible temporary differences not previously recognised	(11,837)	(368)
Tax losses and deductible temporary differences not recognised	32,625	46,938
Effect of different tax rates of subsidiaries operating in other jurisdictions	(42,852)	12,583
Over-provision in respect of prior years	(454)	(648)
Others	811	651
Total tax expenses	203,243	118,689

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 depreciation	Tax losses	Cash flow hedges	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2016	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**
Charge to income statement	**(14)**	**(10,958)**	**—**	**(2,899)**	**(13,871)**
As at 31 December 2017	**40**	**37,560**	**—**	**—**	**37,600**

Deferred tax liabilities

	Accelerated tax depreciation	Revaluation of investment properties	Cash flow hedges	Fair value adjustments on business combination	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2016	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**
Exchange adjustment	**5,381**	**9,600**	**—**	**9,719**	**—**	**24,700**
Charge/(credit) to income statement	**21,377**	**1,582**	**—**	**(14,530)**	**1,224**	**9,653**
Charge/(credit) to other comprehensive income	**—**	**—**	**909**	**(2,798)**	**—**	**(1,889)**
Acquisition of subsidiaries	**—**	**—**	**—**	**194,172**	**—**	**194,172**
As at 31 December 2017	**301,946**	**255,060**	**2,793**	**782,481**	**1,224**	**1,343,504**

Notes to the Financial Statements

9 Taxation (Continued)

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

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

	2017	2016
	HK$'000	HK$'000
Deferred tax assets	**2,476**	6,683
Deferred tax liabilities	**(1,308,380)**	(1,072,080)
	(1,305,904)	(1,065,397)

(d) Deferred tax assets unrecognised

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

	2017	2016
	HK$'000	HK$'000
Tax losses	**1,410,293**	1,676,752
Deductible temporary differences	**581**	716
	1,410,874	1,677,468

Included in the unrecognised tax losses of the Group are losses of HK$149,217,000 (2016: HK$112,241,000) that will expire on various dates through to 2022 (2016: 2021) from 31 December 2017. 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

	2017	2016
	HK$'000	HK$'000
Interim dividend of HK6 cents on 3,042,465,785 shares (2016: nil)	**182,548**	—
Proposed final dividend of HK6 cents on 3,031,065,785 shares (2016: nil)	**181,864**	—
	364,412	—

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

11 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on profit attributable to owners of the Company of HK$1,450,160,000 (2016: loss of HK$587,137,000) and the weighted average number of 3,042,465,785 shares (2016: 3,042,465,785 shares) in issue during the year.

Basic and fully diluted earnings/(loss) per share are the same as the share options of the Company has an anti-dilutive effect on the basic earnings/(loss) per share for the year ended 31 December 2017 (2016: same).

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 2016	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**
Exchange adjustment	**73,254**	**29,381**	**214**	**—**	**1,427**	**104,276**
Additions	**—**	**83,616**	**322**	**1,842**	**133,965**	**219,745**
Acquisition of subsidiaries	**—**	**—**	**—**	**—**	**70**	**70**
Disposals	**—**	**—**	**—**	**—**	**(42,299)**	**(42,299)**
Transfer	**482,958**	**(482,958)**	**—**	**—**	**—**	**—**
As at 31 December 2017	**2,156,729**	**—**	**1,008,990**	**2,438,704**	**1,209,119**	**6,813,542**

Notes to the Financial Statements

12 Property, plant and equipment (Continued)

	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
Accumulated depreciation and impairment						
As at 1 January 2016	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**
Exchange adjustment	**473**	**—**	**19**	**—**	**867**	**1,359**
Charge for the year (note 6)	**32,473**	**—**	**6,677**	**47,230**	**60,553**	**146,933**
Disposals	**—**	**—**	**—**	**—**	**(31,120)**	**(31,120)**
As at 31 December 2017	**200,733**	**—**	**813,151**	**2,042,717**	**920,377**	**3,976,978**
Net book value						
As at 31 December 2017	**1,955,996**	**—**	**195,839**	**395,987**	**288,742**	**2,836,564**
As at 31 December 2016	1,432,730	369,961	201,999	441,375	225,879	2,671,944

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 2016, 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 was impaired and recognised within "Other costs".

(c) Hotel land and buildings included freehold land in Singapore of net book value of HK$872,659,000 (2016: HK$799,405,000) and hotel buildings in Hong Kong and the PRC of net book value of HK$612,560,000 (2016: HK$633,325,000) and HK$470,777,000 (2016: nil) respectively.

Certain property, plant and equipment with net book value of HK$1,271,874,000 (2016: HK$1,193,103,000) were pledged to banks as securities for bank borrowings granted to certain subsidiaries of the Group (note 29).

13 Investment properties

	2017		
Completed investment properties	**Hong Kong**	**Others**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Valuation			
As at 1 January	**4,901,693**	**2,996,509**	**7,898,202**
Addition	**4,646**	**—**	**4,646**
Exchange adjustment	**—**	**151,301**	**151,301**
Fair value changes	**156,235**	**21,930**	**178,165**
As at 31 December	**5,062,574**	**3,169,740**	**8,232,314**
Freehold properties			**1,109,000**
Leasehold properties			**7,123,314**

	2016		
Completed investment properties	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

Notes to the Financial Statements

13 Investment properties (Continued)

Investment properties of fair value of HK$2,142,031,000 (2016: HK$2,014,769,000) 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 2017 (2016: same). The Group employed Savills to value its commercial investment properties which are either freehold or held under leases with unexpired lease terms. The valuations were conformed to the Hong Kong Institute of Surveyors Valuation Standards issued by the Hong Kong Institute of Surveyors.

The Group's investment properties carried at fair value of HK$8,232,314,000 (2016: HK$7,898,202,000) 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 derived using the income capitalisation method or 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)

Information about fair value measurements using significant unobservable inputs

			Range of significant unobservable inputs		
	Fair value as at 31 December 2017	Valuation method	Prevailing market rents per month	Unit price	Capitalisation/ discount rates
	HK$'000				
Completed investment properties located in Hong Kong					
– commercial	3,763,784	Income Capitalisation	HK$31 – HK$110 psf	N/A	3.0% - 4.0%
– carpark	397,690	Income Capitalisation	HK$200 – HK$3,200	N/A	3.8% - 4.3%
– carpark	901,100	Direct Comparison	N/A	HK$130,000 – HK$3,350,000	N/A
Others					
– commercial	3,121,760	Income Capitalisation	HK$11– HK$118 psf	N/A	2.0% - 6.0%
– carpark	47,980	Direct Comparison	N/A	HK$383,840 – HK$527,780	N/A

Notes to the Financial Statements

13 Investment properties (Continued)

Information about fair value measurements using significant unobservable inputs (Continued)

	Fair value as at 31 December 2016	Valuation method	Range of significant unobservable inputs		
			Prevailing market rents per month	Unit price	Capitalisation/ discount rates
	HK$'000				
Completed investment properties located in Hong Kong					
– commercial	3,696,678	Income Capitalisation	HK$34 – HK$112 psf	N/A	3.0% - 4.2%
– carpark	342,814	Income Capitalisation	HK$190 – HK$2,940	N/A	4.0% - 4.5%
– carpark	862,200	Direct Comparison	N/A	HK$120,000 – HK$3,250,000	N/A
Others					
– commercial	2,954,269	Income Capitalisation	HK$10 – HK$112 psf	N/A	2.0% - 6.5%
– carpark	42,241	Direct Comparison	N/A	HK$355,712 – HK$444,640	N/A

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

	2017	2016
	HK$'000	HK$'000
Cost		
As at 1 January	**316,954**	335,883
Exchange adjustment	**24,272**	(18,929)
As at 31 December	**341,226**	316,954
Accumulated amortisation		
As at 1 January	**26,114**	17,321
Exchange adjustment	**2,257**	(872)
Amortisation for the year		
– charged to consolidated income statement (note 6)	**7,572**	244
– capitalised to property, plant and equipment	**2,442**	9,421
As at 31 December	**38,385**	26,114
Net book value as at 31 December	**302,841**	290,840

Notes:

(a) Land use rights of HK$298,239,000 (2016: HK$283,401,000) 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.

Contingent rental payment amounting to approximately HK$22,570,000 (2016: HK$23,097,000) is included in the consolidated income statement (note 6).

Notes to the Financial Statements

15 Subsidiaries

Particulars regarding the principal subsidiaries are set out on note 47.

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 As at 31 December		STCT group As at 31 December	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Assets	**972,835**	913,098	**1,501,446**	1,479,519
Liabilities	**(304,891)**	(312,871)	**(470,875)**	(450,978)
Total net current assets	**667,944**	600,227	**1,030,571**	1,028,541
Non-current				
Assets	**3,223,000**	3,155,000	**782,306**	788,202
Liabilities	**(84,765)**	(79,811)	**(29,568)**	(29,192)
Total net non-current assets	**3,138,235**	3,075,189	**752,738**	759,010
Net assets	**3,806,179**	3,675,416	**1,783,309**	1,787,551

15 Subsidiaries (Continued)

Summarised statement of comprehensive income

	Ranex For the year ended 31 December		STCT group For the year ended 31 December	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revenue	**93,600**	98,521	**2,553,957**	2,548,138
Profit before taxation	**142,195**	80,075	**327,917**	409,027
Taxation	**(11,432)**	(12,289)	**(36,761)**	(48,902)
Other comprehensive income	**—**	—	**4,602**	72,179
Total comprehensive income	**130,763**	67,786	**295,758**	432,304
Total comprehensive income allocated to non-controlling interests	**60,151**	31,182	**169,765**	248,142
Dividends to non-controlling interests	**—**	276,000	**87,000**	87,000

Summarised cash flows

	Ranex For the year ended 31 December		STCT group For the year ended 31 December	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash flows from operating activities				
Cash generated from operations	**58,368**	72,003	**404,092**	497,161
Income tax paid	**(7,166)**	(6,464)	**(46,500)**	(62,600)
Net cash generated from operating activities	**51,202**	65,539	**357,592**	434,561
Net cash generated from/(used in) investing activities	**6,943**	7,153	**40,560**	(92,369)
Net cash used in financing activities	**—**	(600,000)	**(300,142)**	(337,229)
Net increase/(decrease) in cash and cash equivalents	**58,145**	(527,308)	**98,010**	4,963
Cash and cash equivalents as at 1 January	**798,398**	1,325,706	**303,565**	298,602
Cash and cash equivalents as at 31 December	**856,543**	798,398	**401,575**	303,565

Notes to the Financial Statements

16 Joint ventures

	2017	2016
	HK$'000	HK$'000
Share of net assets	**6,887,540**	5,265,386

Particulars regarding the principal joint ventures are set out on note 47.

Summarised financial information of material joint venture

Basecity Investments Limited ("Basecity") is the Group's material joint venture which is engaged in property investment and hotel operating businesses in Macau.

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

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

Summarised balance sheet

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Current		
Cash and cash equivalents	**196,863**	391,784
Other current assets (excluding cash)	**571,987**	238,689
Total current assets	**768,850**	630,473
Financial liabilities (excluding trade payables)	**(179,482)**	(260,080)
Other current liabilities (including trade payables)	**(264,101)**	(215,899)
Total current liabilities	**(443,583)**	(475,979)
Non-current		
Investment properties	**10,017,000**	9,899,000
Other assets	**1,101,058**	1,147,849
	11,118,058	11,046,849
Other liabilities	**(1,137,581)**	(1,115,120)
Total non-current liabilities	**(1,137,581)**	(1,115,120)
Net assets	**10,305,744**	10,086,223

16 Joint ventures (Continued)

Summarised statement of comprehensive income

	For the year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Revenue	**623,315**	658,831
Depreciation and amortisation	**(66,782)**	(66,141)
Interest income	**364**	33
Interest expense	**(3,197)**	(6,808)
Fair value changes on investment properties	**118,833**	(1,494,000)
Others	**(246,363)**	(241,321)
Profit/(loss) before taxation	**426,170**	(1,149,406)
Taxation	**(52,152)**	140,550
Profit/(loss) for the year	**374,018**	(1,008,856)
Other comprehensive income	**—**	—
Total comprehensive income/(loss)	**374,018**	(1,008,856)
Dividend income from Basecity	**78,793**	94,070

Notes to the Financial Statements

16 Joint ventures (Continued)

Reconciliation of summarised financial information

	2017	2016
	HK$'000	HK$'000
Opening net assets as at 1 January	10,086,223	11,279,529
Profit/(loss) for the year	374,018	(1,008,856)
Dividend	(154,497)	(184,450)
Closing net assets as at 31 December	10,305,744	10,086,223
Interests in joint venture at 51%	5,255,930	5,143,974

Aggregate information of joint ventures that are not individually material:

	2017	2016
	HK$'000	HK$'000
Aggregate carrying amounts of individually immaterial joint ventures in the consolidated financial statements	1,631,610	121,412
Aggregate amounts of the Group's share of those joint ventures		
Profit for the year	9,880	11,760
Other comprehensive income/(loss)	92,336	(1,674)
Total comprehensive income	102,216	10,086

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

17 Associates

	2017	2016
	HK$'000	HK$'000
Share of net assets	**1,452,720**	1,378,325
Loan to an associate	**24,120**	—
Goodwill	**137**	137
	1,476,977	1,378,462

There is no associate that is individually material to the Group. The loan to an associate is unsecured, non-interest bearing and with no fixed term of repayment. The carrying amount of the loan to an associate approximates its fair value.

Aggregate information of associates that are not individually material:

	2017	2016
	HK$'000	HK$'000
Aggregate carrying amounts of individually immaterial associates in the consolidated financial statements	**1,476,977**	1,378,462
Aggregate amounts of the Group's share of those associates'		
Profit for the year	**8,966**	1,065
Other comprehensive income/(loss)	**79,428**	(72,471)
Total comprehensive income/(loss)	**88,394**	(71,406)

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 47.

Notes to the Financial Statements

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 2016, 31 December 2016 and 31 December 2017	7,015	1,164	34,702	42,881
Accumulated amortisation				
As at 1 January 2016	3,749	851	—	4,600
Amortisation for the year (note 6)	639	89	—	728
As at 31 December 2016	**4,388**	**940**	**—**	**5,328**
Amortisation for the year (note 6)	**1,036**	**90**	**—**	**1,126**
As at 31 December 2017	**5,424**	**1,030**	**—**	**6,454**
Net book value				
As at 31 December 2017	**1,591**	**134**	**34,702**	**36,427**
As at 31 December 2016	2,627	224	34,702	37,553

19 Available-for-sale investments

	2017	2016
	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	**172,281**	144,537
Listed outside Hong Kong, at fair value	**10,484**	8,488
	998,362	968,622
Debt securities		
Listed in Hong Kong, at fair value	**16,250**	16,146
Investment funds		
Listed outside Hong Kong, at fair value	**14**	14
Unlisted, at fair value	**7,103**	10,481
	7,117	10,495
	1,021,729	995,263

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

	2017	2016
	HK$'000	HK$'000
Hong Kong dollar	**985,297**	957,553
United States dollar	**36,432**	37,710
	1,021,729	995,263

The fair values of listed equity securities are determined on the basis of their quoted market prices at the balance sheet date. Unlisted 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 2017 (2016: same).

Notes to the Financial Statements

20 Mortgage loans receivable

	2017	2016
	HK$'000	HK$'000
Mortgage loans receivable	**4,481**	5,576
Less: Current portion (note 24)	**(567)**	(657)
Non-current portion	**3,914**	4,919

Mortgage loans receivable are secured by second mortgage of properties and interest bearing at prime rate plus 1% to prime rate plus 2.75% (2016: 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

	2017	2016
	HK$'000	HK$'000
Amount due by a joint venture (note a)	**23,386**	62,555
Amount due by an associate (note b)	**10,000**	10,000
Club debentures	**140**	140
Deposits and prepayments (note c)	**670,541**	942,298
	704,067	1,014,993

Notes:

(a) Amount due by a joint venture of HK$22,606,000 (2016: HK$60,686,000) is interest bearing at HIBOR plus 3% (2016: HIBOR plus 3%) per annum on loan principal and repayable on demand. The balance is denominated in Hong Kong dollar.

(b) Amount due by an associate is unsecured, non-interest bearing and with no fixed term of repayment. The balance is denominated in Hong Kong dollar.

(c) Included in the balance of deposits and prepayments was an amount of HK$545,773,000 (2016: HK$262,500,000) which represented instalments paid for acquisition of property in Minhang District, Shanghai. In 2016, HK$567,423,000 represented the deposit paid for the acquisition of land use rights in Qiantan District, Shanghai and it was 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 during the year.

(d) The maximum exposure to credit risk as at 31 December 2017 is the carrying amounts, which approximate their fair values (2016: same).

22 Properties for or under development

	2017	2016
	HK$'000	HK$'000
Properties for or under development, at cost	**13,872,138**	10,549,594

The amount of properties for or under development expected to be recovered after more than one year is HK$13,872,138,000 (2016: HK$10,549,594,000).

Properties for or under development of HK$13,872,138,000 (2016: HK$9,333,565,000) were pledged to banks as securities for bank borrowings granted to a subsidiary of the Group (note 29).

23 Inventories

	2017	2016
	HK$'000	HK$'000
Properties held for sale	**7,445,980**	1,735,673
Spare parts	**166,974**	171,412
Others	**13,173**	11,352
	7,626,127	1,918,437

Properties held for sale of HK$7,079,990,000 and other inventories of HK$1,133,000 (2016: other inventories of HK$1,017,000) 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

	2017	2016
	HK$'000	HK$'000
Trade receivables (note a)	**171,590**	123,078
Less: Provision for impairment of trade receivables	**(4,244)**	(4,345)
	167,346	118,733
Amount due by an associate (note b)	**21**	—
Amounts due by joint ventures (note c)	**12,045**	14,200
Current portion of mortgage loans receivable (note 20)	**567**	657
Deposits for acquisitions of interests in land development rights (note d)	**500,000**	500,000
Other debtors, deposits and prepayments	**461,743**	345,823
	1,141,722	979,413

Notes to the Financial Statements

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:

	2017	2016
	HK$'000	HK$'000
Hong Kong dollar	**982,882**	899,878
Macau pataca	**60,311**	31,303
Renminbi	**38,081**	45,323
United States dollar	**7,178**	1,936
Singapore Dollar	**53,089**	973
Others	**181**	—
	1,141,722	979,413

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:

	2017	2016
	HK$'000	HK$'000
0 - 30 days	**133,200**	91,314
31 - 60 days	**30,577**	20,065
61 - 90 days	**2,046**	6,287
over 90 days	**5,767**	5,412
	171,590	123,078

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:

	2017	2016
	HK$'000	HK$'000
Past due up to:		
0 - 30 days	**59,576**	42,069
31 - 60 days	**8,390**	12,508
61 - 90 days	**1,538**	2,224
over 90 days	**1,794**	4,166
	71,298	60,967

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

	2017	2016
	HK$'000	HK$'000
As at 1 January	**4,345**	3,854
Impairment loss recognised during the year	**1,560**	645
Impairment loss reversed during the year	**(101)**	(101)
Uncollectible amount written off	**(1,560)**	(53)
As at 31 December	**4,244**	4,345

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 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 (2016: HK$500,000,000) in Macau. The transaction is further disclosed in significant related party transactions (note 37(b) (ix)).

Notes to the Financial Statements

25 Derivative financial instruments

	2017	2016
	HK$'000	HK$'000
Non-current assets		
Cross-currency swaps (note a)	**107**	22,903
Current assets		
Fuel swap contracts (note b)	**16,927**	11,416

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 2017.

The loss (2016: gain) in fair value of cross-currency swap contracts that are designated and qualified as cash flow hedges amounting to HK$22,795,000 (2016: HK$52,018,000) were recognised in hedging reserve in equity for the year ended 31 December 2017. Under cash flow hedges, the gain of HK$23,791,000 (2016: HK$1,214,000) was transferred from hedging reserve to consolidated income statement.

Hedging reserve arose from loss (2016: gain) in fair value of the cross-currency swap contracts qualified as cash flow hedge was HK$22,669,000 as at 31 December 2017 (2016: HK$23,917,000).

As at 31 December 2017, the Group had two (2016: 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 (2016: gain) in fair value of fuel swap contracts that are designated and qualified as cash flow hedges amounting to HK$7,399,000 (2016: HK$8,839,000) are recognised in hedging reserve in equity for the year ended 31 December 2017. Under cash flow hedges, the gain of HK$5,438,000 (2016: loss of HK$21,910,000) was transferred from hedging reserve to consolidated income statement.

Hedging reserve arose from gain (2016: gain) in fair value of the fuel swap contracts qualified as cash flow hedge is HK$6,022,000 as at 31 December 2017 (2016: HK$4,061,000).

As at 31 December 2017, the Group had outstanding fuel swap contracts to buy approximately 144,000 (2016: 144,000) barrels of fuel. These contracts will expire in December 2018 (2016: December 2017).

26 Cash and bank balances

	2017	2016
	HK$'000	HK$'000
Bank deposits	10,351,823	11,603,203
Cash and bank balances	2,314,057	1,672,193
	12,665,880	13,275,396

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:

	2017	2016
	HK$'000	HK$'000
Hong Kong dollar	10,702,085	11,234,863
Macau pataca	169,605	191,480
Renminbi	891,582	1,296,085
United States dollar	693,069	550,253
Singapore dollar	209,539	2,715
	12,665,880	13,275,396

The balance as at 31 December 2017 includes amount of HK$1,019,938,000 (2016: HK$569,622,000) held under charge in favour of banks in respect of bank loan facilities (note 29), of which, HK$725,701,000 (2016: HK$365,424,000) are property presale proceeds which can be utilised to settle relevant projects construction cost payable. The remaining balance of HK$294,237,000 (2016: HK$204,198,000) can be utilised under specified conditions by the Group.

Notes to the Financial Statements

27 Trade and other payables, and deposits received

	2017	2016
	HK$'000	HK$'000
Amounts due to joint ventures (note a)	**154,792**	4,710
Amounts due to associates (note b)	**5,784**	5,221
Trade and other creditors, deposits and accrued charges (note c)	**2,313,265**	1,626,908
	2,473,841	1,636,839

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:

	2017	2016
	HK$'000	HK$'000
Hong Kong dollar	**956,057**	765,383
Macau pataca	**1,060,358**	671,647
Renminbi	**231,979**	137,631
United States dollar	**77,531**	45,986
Singapore dollar	**144,507**	2,958
Others	**3,409**	13,234
	2,473,841	1,636,839

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:

	2017	2016
	HK$'000	HK$'000
0 - 30 days	**1,485,720**	959,758
31 - 60 days	**29,804**	47,720
61 - 90 days	**1,910**	786
over 90 days	**1,248**	835
	1,518,682	1,009,099

28 Deposits received from sale of properties

(a) 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 ("NTUL") 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 2017, a deposit of HK$630,000,000 (2016: HK$630,000,000) was received. The completion of the transaction is expected to be in late 2018.

(b) In 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.

29 Bank borrowings

	2017	2016
	HK$'000	HK$'000
Bank borrowings repayable as follows:		
Not exceeding 1 year	**5,212,254**	533,571
More than 1 year but not exceeding 2 years	**4,114,417**	681,910
More than 2 years but not exceeding 5 years	**2,715,372**	6,356,062
More than 5 years	**—**	57,803
	12,042,043	7,629,346
Less: Current portion	**(5,212,254)**	(533,571)
Non-current portion	**6,829,789**	7,095,775

Notes to the Financial Statements

29 Bank borrowings (Continued)

Bank borrowings include secured bank borrowings of HK$6,807,043,000 (2016: HK$2,544,347,000) and are secured by the following pledged assets:

	2017	2016
	HK$'000	HK$'000
Property, plant and equipment (note 12)	1,271,874	1,193,103
Properties for or under development (note 22)	13,872,138	9,333,565
Inventories (note 23)	7,081,123	1,017
Land use rights (note 14)	298,239	283,401
Investment properties (note 13)	2,142,031	2,014,769
Cash and bank balances (note 26)	1,019,938	569,622
Other assets	43,651	41,424
	25,728,994	13,436,901

Out of the above secured bank borrowings, an aggregate amount of HK$996,906,000 (2016: HK$865,000,000) are also secured by pledges of shares of certain subsidiaries (note 47).

Bank borrowings to the extent of HK$1,037,120,000 (2016: HK$900,900,000) 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 2017, the weighted average effective interest rate of the Group's bank borrowings is 2.5% (2016: 2.0%) per annum.

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

	2017	2016
	HK$'000	HK$'000
Hong Kong dollar	7,410,447	7,308,446
Renminbi	605,120	320,900
Singapore dollar	4,026,476	—
	12,042,043	7,629,346

30 Provision for employee benefits

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

	2017	2016
	HK$'000	HK$'000
As at 1 January	13,332	14,250
Net amount provided during the year	1,153	611
Amount utilised and paid during the year	(1,475)	(1,529)
As at 31 December	13,010	13,332

31 Medium term notes

The US$400 million (approximately HK$3,125,100,000) 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 2017, the market value of the notes was HK$3,239,666,000 (2016: HK$3,282,175,000) and is within level 1 of the fair value hierarchy.

32 Loans from non-controlling interests

Loans from non-controlling interests are expected to be repayable within one year or repayable on demand (2016: 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. At 31 December 2017, the loans amount of HK$814,302,000 (2016: HK$775,089,000) were non-interest bearing and unsecured. The remaining balance bore interest at the lower of i) 10% per annum and ii) profit shared by non-controlling interest for the period/year before interest on the shareholders' loan of that non-wholly owned subsidiary.

The carrying amounts of loans from non-controlling interests approximate their fair value and are denominated in the following currencies:

	2017	2016
	HK$'000	HK$'000
Hong Kong dollar	391,587	391,587
Renminbi	413,828	383,502
Singapore dollar	410,318	—
	1,215,733	775,089

33 Share capital

	2017		2016	
	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

Notes to the Financial Statements

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:

2017

Date of grant	**Exercise price**	**Number of share options** **As at 1 January**	 **Lapsed during the year**	 **As at 31 December**	**Note**
The 2002 Share Option Scheme					
29 March 2011	**HK$3.86**	**3,396,372**	**(1,132,124)**	**2,264,248**	**(i), (iii)**
Weighted average exercise price		**HK$3.86**	**HK$3.86**	**HK$3.86**	

2016

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

34 Share option scheme (Continued)

Notes:

(i) The 2,264,248 share options were granted to Directors of the Company and exercisable commencing on 29 March 2011 (i.e. date of grant) and expiring on 27 March 2021. These share options vested on the date of grant. During the year, 1,132,124 share options lapsed.

(ii) 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) and expiring on 27 March 2021. These share options vested on the date of grant. In 2016, 2,264,248 share options lapsed.

(iii) The weighted average remaining contractual life for the share options outstanding as at 31 December 2017 is 3.24 years (2016: 3.15 years).

(iv) 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 year ended 31 December 2017 (2016: same).

35 Other reserves

	2017	2016
	HK$'000	HK$'000
Capital reserve (note (i))	**14,465**	16,262
Asset revaluation reserve (note (ii))	**988,402**	1,008,917
Legal reserve (note (iii))	**13,037**	12,743
Special reserve (note (iv))	**(151,413)**	(151,413)
Investment revaluation reserve	**102,178**	72,811
Hedging reserve	**(16,647)**	27,978
Exchange reserve	**37,100**	(513,328)
Retained profits	**16,385,674**	15,298,558
	17,372,796	15,772,528

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 2016.

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).

36 Segment information (Continued)

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

2017

	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)	3,094,133	2,342,388	782,682	169,302	—	6,388,505
Inter-segment revenue	2,644	1,689	47,359	—	(51,692)	—
Other income (external and excluding interest income)	16,282	43,159	9,231	4,274	—	72,946
	3,113,059	2,387,236	839,272	173,576	(51,692)	6,461,451
Segment results	1,188,900	307,538	46,267	134,546	—	1,677,251
Fair value changes on investment properties	178,165	—	—	—	—	178,165
Interest income						179,998
Unallocated expense						(117,059)
Operating profit						1,918,355
Finance costs						(226,562)
Share of results of joint ventures	222,717	10,155	(32,243)	—	—	200,629
Share of results of associates	(1,470)	378	1,131	8,927	—	8,966
Profit before taxation						1,901,388
Taxation						(203,243)
Profit for the year						1,698,145

Notes to the Financial Statements

36 Segment information (Continued)

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

2017

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets						
Segment assets	33,074,086	4,825,742	3,816,313	1,060,130	(51,277)	42,724,994
Joint ventures	7,043,026	69,395	(224,881)	—	—	6,887,540
Associates	1,248,764	28,600	193,878	5,735	—	1,476,977
Unallocated assets						5,749,595
Total assets						56,839,106
Liabilities						
Segment liabilities	5,284,672	448,832	213,842	4,599	(51,277)	5,900,668
Unallocated liabilities						17,919,682
Total liabilities						23,820,350
Other information						
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,439,547	74,088	443,593	129	—	1,957,357
Depreciation	18,036	81,626	41,719	1,042	—	142,423
Amortisation						
- prepaid premium for land lease and land use rights	—	—	7,572	—	—	7,572
- intangible assets	—	—	1,036	90	—	1,126
Impairment losses						
- trade receivables, net	1,482	—	(23)	—	—	1,459

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 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)

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
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

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
2017					
Revenue and other income from external customers	**3,614,446**	**2,417,718**	**148,763**	**280,524**	**6,461,451**
Non-current assets	**6,508,460**	**1,180,750**	**2,846,058**	**872,878**	**11,408,146**
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

(d) Information about major customers

In 2017 and 2016, 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 revenue by each reportable segment and dividend income from available-for-sale investments (note 4).

Notes to the Financial Statements

37 Significant related party transactions

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

	Note	2017	2016
		HK$'000	HK$'000
STDM Group	(i)		
Dividend income from STDM		**130,935**	197,709
Ferry tickets sold (after discount) to STDM Group		**116,009**	116,683
Fees received from STDM Group for provision of hospitality management and related services		**35,767**	34,761
Fees received from STDM Group for provision of property related services		**5,279**	5,229
Fees received from STDM Group for provision of business support services		**6,538**	5,962
Rental and related expenses paid to STDM Group		**29,914**	28,212
Fee paid to STDM Group for purchase of travel products		**19,855**	16,244
Fuel purchased from STDM Group for Macau shipping operations		**227,662**	208,980
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		**43,454**	43,348
Revenue of duty free goods sold on board collected for STDM		**12,841**	12,606
Shun Tak Centre Limited ("STC")	(ii)		
Rental and related expenses paid to STC		**15,886**	10,298
Joint ventures			
Ferry passengers handling fees received on behalf of a joint venture		**18,188**	21,116
Associates			
Insurance premium paid to an associate		**49,810**	47,554
Fuel costs paid to an associate		**51,379**	38,574
Key management personnel			
Directors' emoluments	(iii)		
– Salaries and other short-term employee benefits		**38,640**	37,154
– Provident fund contributions		**1,506**	1,463
Consideration for sale of residential units	(iv)	**123,032**	—
Consideration paid for acquisition of subsidiaries	(v)	**251,359**	—

37 Significant related party transactions (Continued)

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

	Note	2017	2016
		HK$'000	HK$'000
STDM Group	(i)		
Net receivable from STDM Group	(vi)	**32,869**	22,316
Joint ventures			
Amounts due by joint ventures	(vii)	**35,431**	76,755
Amounts due to joint ventures	(vii)	**154,792**	4,710
Associates			
Amounts due by associates	(viii)	**10,021**	10,000
Amounts due to associates	(viii)	**5,784**	5,221
Key management personnel			
Deposit paid by a subsidiary to Sai Wu Investment Limited ("Sai Wu")	(ix)	**500,000**	500,000
Deposits received for sale of residential units	(iv)	**23,170**	—

Notes:

(i) Dr. Stanley Ho, the former Director of the Company who retired on 23 June 2017, and 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) Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho, Mr. David Shum, Directors of the Company and Ms. Ho, Deborah Chiu Hung, a family member of Dr. Stanley Ho, purchased certain residential units of Nova Grand in Taipa, Macau developed by the Group. Total consideration for sale of these residential units is HK$123,032,000 and deposits of HK$23,170,000 were received as at 31 December 2017.

(v) The consideration was paid for acquiring 9% interest in Perennial Somerset Investors Pte. Ltd. and its subsidiaries ("Perennial Somerset") from Unified Elite Limited which is owned by Ms. Pansy Ho. Details of the acquisition of Perennial Somerset can be referred to note 42.

(vi) Net receivable from STDM Group comprises trade and other receivables and payables.

Notes to the Financial Statements

37 **Significant related party transactions** (Continued)

Notes: (Continued)

(vii) 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$22,606,000(2016: HK$60,686,000) carries interest at HIBOR plus 3% (2016: HIBOR plus 3%) per annum.

(viii) Amounts due by associates and amounts due to associates are unsecured, non-interest bearing and with no fixed term of repayment.

(ix) 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.

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 2017.

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.

(x) 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 (2016: 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 2017 were HK$56,131,000 (2016: HK$56,668,000). 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$17,660,000 (2016: HK$17,549,000).

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	**2017**	2016
		HK$'000	HK$'000
Contracted but not provided for			
Property, plant and equipment	(i)	**408,376**	649,254
Investment properties		**—**	122
		408,376	649,376
Capital contribution to			
A joint venture	(ii)	**299,875**	1,125,595
An associate		**19,224**	17,611
		319,099	1,143,206

Notes:

(i) It mainly included the outstanding commitments of approximately HK$294 million (2016: HK$545 million) for acquiring a property in Shanghai Hongqiao Town, Minhang District at a consideration of RMB700 million.

(ii) As at 31 December 2017, the Group has an outstanding commitment to contribute capital of RMB250 million (2016: RMB1,500 million) to a joint venture for jointly developing a land located in Shanghai Qiantan. As at 31 December 2016, deposits of RMB487 million (equivalent to approximately HK$567 million) was paid (note21(c)).

39 Commitments (Continued)

(b) Lease commitments

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

	2017	2016
	HK$'000	HK$'000
Within one year	**56,632**	42,498
In the second to fifth year inclusive	**58,947**	26,403
	115,579	68,901

Pursuant to the Sub-lease Agreement as detailed in note 14(b), 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$22,570,000 (2016: HK$23,097,000) is included in the consolidated income statement (note 14(b)).

(c) Future minimum lease payments receivable

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

	2017	2016
	HK$'000	HK$'000
Within one year	**380,994**	217,114
In the second to fifth year inclusive	**410,813**	261,843
Over five years	**49,119**	27,145
	840,926	506,102

(d) Property development commitments

The Group had outstanding commitments of HK$2,377 million (2016: HK$4,909 million) under various contracts for property development projects.

In addition to the above, the Group had commitments of payment up to HK$250 million (2016: HK$250 million) in cash and issue of up to 148,883,374 (2016: 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) (ix)).

Notes to the Financial Statements

40 Reconciliation of liabilities arising from financing activities

	Bank borrowings	Finance costs payable	Medium term notes	Cross-currency swaps held to hedge against currency risk of medium term notes	Dividend payable to shareholders	Loans from non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2017	7,629,346	3,861	3,144,979	(22,903)	3,875	775,089	11,534,247
Cash flows	361,092	(241,593)	(177,221)	—	(182,408)	—	(240,130)
Fair value change	—	—	—	22,796	—	—	22,796
Foreign exchange adjustments	220,030	—	23,789	—	—	55,601	299,420
Acquisition of subsidiaries	3,831,575	—	—	—	—	541,518	4,373,093
Finance costs	—	249,081	181,241	—	—	8,570	438,892
Dividends	—	—	—	—	182,548	—	182,548
Equity contribution from non-controlling interests	—	—	—	—	—	(165,045)	(165,045)
As at 31 December 2017	12,042,043	11,349	3,172,788	(107)	4,015	1,215,733	16,445,821

41 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 (2016: HK$2.4 million).

42 Business combination – acquisition of subsidiaries

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. The principal asset held by Perennial Somerset is a 17-storey commercial landmark development known as TripleOne Somerset located near Orchard Road in Singapore. The acquisition was completed on 31 March 2017 at a cash consideration of SGD347 million (approximately HK$1,915 million), which included 70% shareholders' loan of Perennial Somerset.

Net assets acquired:

	Perennial Somerset
	HK$'000
Property, plant and equipment	**70**
Trade and other receivables, deposits paid and prepayments	**26,454**
Inventories	**6,700,704**
Cash and bank balances	**150,343**
Trade and other payables, and deposits received	**(67,702)**
Taxation payable	**(2,834)**
Loans from non-controlling interests	**(541,518)**
Bank borrowings	**(3,831,575)**
Deferred tax liabilities	**(194,172)**
Fair value of net assets acquired	**2,239,770**
Total consideration satisfied by:	
Cash paid	**(1,914,826)**
	324,944
Non-controlling interests	**(292,868)**
Gain on bargain purchase (note 5)	**32,076**
Net cash outflow arising on acquisition:	
Cash consideration paid	**1,914,826**
Cash and bank balances acquired	**(150,343)**
	1,764,483

43 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

	2017	2016
	HK$'000	HK$'000
Mortgage loans receivable	**4,481**	5,576
Other non-current assets (excluding deposits, prepayments and club debentures)	**33,386**	72,555
Trade receivables, other receivables and deposits paid (excluding deposits and prepayments)	**282,580**	215,730
Derivative financial instruments	**17,034**	34,319
Cash and bank balances	**12,665,880**	13,275,396
	13,003,361	13,603,576

43 Financial instruments (Continued)

Financial risk management (Continued)

(a) Credit risk (Continued)

As at 31 December 2017 and 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 41, 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$23 million (2016: HK$63 million). The Group has concentration of credit risk on amount due by a joint venture of HK$23 million (2016: HK$63 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 2017 and 2016.

(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 into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

Notes to the Financial Statements

43 Financial instruments (Continued)

Financial risk management (Continued)

(b) Liquidity risk (Continued)

2017

	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	5,425,698	7,088,367	—	12,514,065	12,042,043
Medium term notes	178,131	3,392,296	—	3,570,427	3,172,788
Trade and other payables	2,414,020	—	—	2,414,020	2,414,020
Loans from non-controlling interests	1,225,769	—	—	1,225,769	1,215,733
	9,243,618	10,480,663	—	19,724,281	18,844,584

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

43 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

	2017	2016
	HK$'000	HK$'000
Variable-rate financial assets/(liabilities)		
Mortgage loans receivable	**4,481**	5,576
Amounts due by joint ventures	**22,606**	60,686
Bank balances and deposits	**12,176,375**	12,932,271
Bank borrowings	**(12,042,043)**	(7,629,346)
	161,419	5,369,187
Fixed-rate financial assets/(liabilities)		
Available-for-sale investments	**16,250**	16,146
Medium term notes	**(3,172,788)**	(3,144,979)
	(3,156,538)	(3,128,833)
Net interest-bearing (liabilities)/assets	**(2,995,119)**	2,240,354

Sensitivity analysis

As at 31 December 2017, if interest rates had been 50 basis points (2016: 50 basis points) higher/lower with all other variables held constant, the Group's profit after taxation and equity (2016: loss after taxation and equity) after taking into account the impact of finance costs capitalised in properties under development would increase by HK$32.1 million (2016: decrease by HK$56.3 million)/decrease by HK$24.9 million (2016: increase by HK$50.1 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.

43 Financial instruments (Continued)

Financial risk management (Continued)

(c) Market risk (Continued)

(ii) Currency risk

The Group is exposed to currency risk on financial assets and liabilities that are denominated in United States dollar ("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 relatively 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 2017, if HKD weakened 10% (2016: 10%) against RMB and SGD with all other variable held constant, the Group's profit after taxation (2016: loss after taxation) would decrease by HK$12.4 million (2016: decrease by HK$53.8 million) and increase by HK$81.0 million (2016: decrease by HK$0.1 million) respectively. Conversely, if HKD had strengthened 10% (2016: 10%) against RMB and SGD with all other variables held constant, the Group's profit after taxation (2016: loss after taxation) would increase by HK$12.4 million (2016: increase by HK$53.8 million) and decrease by HK$81.0 million (2016: increase by HK$0.1 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.

43 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

	2017	2016
	HK$'000	HK$'000
Financial assets, at fair value		
Available-for-sale investments	**206,132**	179,666
Financial assets, at cost less impairment losses		
Available-for-sale investments	**815,597**	815,597
	1,021,729	995,263

Sensitivity analysis

The Group's equity investments amounting to 89% (2016: 85%) 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% (2016: 10%) increase in stock prices as at 31 December 2017 would increase the equity by HK$18.3 million (2016: HK$15.3 million). An equal change in the opposite direction would decrease the equity by HK$18.3 million (2016: HK$15.3 million).

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

Notes to the Financial Statements

43 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 2017, around 15% of the anticipated fuel consumption for 2018 (2016: around 15% of the anticipated fuel consumption for 2017) was hedged at the balance sheet date.

Summary quantitative data

	2017	2016
	HK$'000	HK$'000
Financial assets, at fair value		
Fuel swap contracts	**16,927**	11,416

Sensitivity analysis

As at 31 December 2017, if the fuel price increased by 10% (2016: 10%) with all other variables held constant, the Group's equity would increase by HK$7.2 million (2016: HK$6.3 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% (2016: 10%) with all other variables held constant, the Group's equity would decrease by HK$7.2 million (2016: HK$6.3 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.

43 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:

	2017	2016
	HK$'000	HK$'000
Financial assets		
Loan and receivables (including cash and bank balances)	**12,986,327**	13,569,257
Available-for-sale investments (note)	**1,021,729**	995,263
Derivative financial assets	**17,034**	34,319
Financial liabilities		
Financial liabilities measured at amortised cost	**18,844,584**	13,135,474

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

(e) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Financial Statements

43 Financial instruments (Continued)

Financial risk management (Continued)

(e) Fair value estimation (Continued)

2017

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Derivatives used for hedging				
- cross-currency swaps	**—**	**107**	**—**	**107**
- fuel swap contracts	**—**	**16,927**	**—**	**16,927**
Available-for-sale investments				
- equity securities	**182,765**	**—**	**—**	**182,765**
- debt securities	**16,250**	**—**	**—**	**16,250**
- investment funds	**14**	**7,103**	**—**	**7,117**
Total assets	**199,029**	**24,137**	**—**	**223,166**

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

43 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

44 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 2017, the Group's strategy, which was unchanged from 2016, was to maintain a healthy net debt-to-adjusted capital ratio.

The net debt-to-adjusted capital ratio at 31 December 2017 and 2016 was as follows:

	2017	2016
	HK$'000	HK$'000
Bank borrowings (note 29)	**12,042,043**	7,629,346
Medium term notes (note 31)	**3,172,788**	3,144,979
Less: Cash and bank balances (note 26)	**(12,665,880)**	(13,275,396)
Net borrowing/(cash)	**2,548,951**	(2,501,071)
Equity attributable to owners of the Company	**27,412,910**	25,630,778
Add/(less): Hedging reserve (note 35)	**16,647**	(27,978)
Adjusted capital	**27,429,557**	25,602,800
Net debt-to-adjusted capital ratio	**9.3%**	N/A

45 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	2017	2016
	HK$'000	HK$'000
Non-current assets		
Property, plant and equipment	**1,038**	1,279
Subsidiaries	**630,805**	630,805
Associates	**250**	250
Available-for-sale investments	**233,679**	233,679
Other non-current assets	**14,129,823**	12,064,547
	14,995,595	12,930,560
Current assets		
Trade and other receivables, and deposits paid	**37,992**	50,399
Cash and bank balances	**4,874,942**	7,101,034
	4,912,934	7,151,433
Current liabilities		
Trade and other payables, and receipts in advance	**5,686,455**	6,049,125
Provision for employee benefits	**3,900**	3,962
	5,690,355	6,053,087
Net current (liabilities)/assets	**(777,421)**	1,098,346
Net assets	**14,218,174**	14,028,906
Equity		
Share capital	**9,858,250**	9,858,250
Other reserves (note (a))	**4,178,060**	4,170,656
Proposed dividends	**181,864**	—
Total equity	**14,218,174**	14,028,906

The balance sheet of the Company was approved by the Board of Directors on 27 March 2018 and was signed on its behalf.

Pansy Ho
Director

Daisy Ho
Director

Notes to the Financial Statements

45 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 2016	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**
Lapse of share option	**(1,797)**	**1,797**	**—**
Profit for the year	**—**	**371,816**	**371,816**
Dividends	**—**	**(182,548)**	**(182,548)**
As at 31 December 2017	**14,451**	**4,345,473**	**4,359,924**
Represented by:			
Proposed final dividends			**181,864**
Others			**4,178,060**
			4,359,924

46 Event after balance sheet date

On 3 January 2018, Wise Horizon Developments Limited ("WHDL"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with other partners to jointly invest in Perennial HC Holdings Pte. Ltd. ("HC Co"), which will invest in potential real estate projects in the PRC predominantly for healthcare usage, with hotel and/or retails components, complemented by healthcare-related amenities and mixed use properties.

The total committed capital for HC Co is US$500 million (equivalent to approximately HK$3,908 million). WHDL will hold 30% equity interest in HC Co with its share of commitment at US$150 million (equivalent to approximately HK$1,172 million).

47 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
			2017	2016	
Property – Hong Kong					
Goform Limited	Hong Kong	Ordinary shares: HK$2	**100**	100	Property investment
Grace Wealth Development Limited	Hong Kong	Ordinary shares: HK$606,605,381	**–** **(Note 1)**	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 2)**	51 (Note 2)	Property investment and hotel owning
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 3)** **(Note 4)**	100 (Note 3) (Note 4)	Investment holding
Nova Taipa – Urbanizações, Limitada ("NTUL")	Macau	Quota capital: MOP10,000,000	**(Note 4)**	(Note 4)	Property investment and development
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

Notes to the Financial Statements

47 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
			2017	2016	
Property – Mainland China					
Beijing Mega Hall Hotel Operating Management Co. Ltd. ᵝ	PRC	RMB380,000,000 @	**100**	100	Property investment and hotel development
Guangzhou Shun Tak Real Estate Company Limited ᵝ	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 *ᵝ 珠海橫琴信德房地產開發有限公司	PRC	RMB1,150,000,000 @	**70**	70	Property development
Shun Tak Qiantan (Shanghai) Cultural and Real Estate Company Limited*^Ω 信德前灘（上海）文化置業有限公司	PRC	RMB3,000,000,000 @	**50**	–	Property development
Property - Singapore					
Perennial Somerset Investors Pte. Ltd.	Singapore	Ordinary shares: S$343,501 Preference shares: S$95,607,500	**70**	–	Investment holding
Perennial (Somerset) Pte. Ltd.	Singapore	Ordinary shares: S$10,001	**70**	–	Property holding
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

47 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
			2017	2016	
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
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/ Hong Kong	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	Ordinary shares: HK$200 Non-voting deferred shares: HK$1,000,000	**42.6**	42.6	Ship management
Shun Tak - China Travel Shipping Investments Limited	British Virgin Islands/ Hong Kong	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

Notes to the Financial Statements

47 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
			2017	2016	
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 Property (Shanghai) Co., Ltd *β 信德置業(上海)有限公司	PRC	RMB880,000,000 @	**100**	–	Hotel development
Shun Tak Real Estate (Singapore) Pte. Ltd.	Singapore	Ordinary share: S$1	**100**	100	Hotel development
Shun Tak, Serviços Recreativos, S.A.	Macau	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	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

47 Principal subsidiaries, joint ventures and associates (Continued)

Notes:

1. On 3 January 2017, Grace Wealth Development Limited, a wholly-owned subsidiary of the Group was disposed. Details of the disposal can be referred to note 28(b) to the consolidated financial statements.

2. 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.

3. Non-voting Class B share (representing 100% non-voting Class B shares) with no par value.

4. 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.

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)

β Wholly-owned foreign enterprise (WOFE) registered under PRC law

Ω Equity joint venture registered under PRC law

* For identification purpose only

48 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2018.

Five-Year Financial Summary

	Note	**2017**	2016	2015	2014	2013
	Note	**(HK$ million)**	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)
Consolidated Income Statement						
Revenue		**6,389**	3,852	4,405	9,539	3,576
Profit/(loss) attributable to owners of the Company		**1,450**	(587)	745	4,453	1,406
Consolidated Balance Sheet						
Non-current assets		**21,505**	19,587	19,111	19,124	16,681
Current assets		**35,334**	26,740	28,275	28,332	21,749
Current liabilities		**(12,509)**	(4,456)	(6,873)	(5,887)	(5,364)
Non-current liabilities		**(11,311)**	(11,313)	(9,089)	(10,457)	(8,550)
Net assets		**33,019**	30,558	31,424	31,112	24,516
Share capital and other statutory capital reserve	1	**9,858**	9,858	9,858	9,858	9,726
Other reserves	1	**17,373**	15,773	16,438	16,052	11,412
Proposed dividends		**182**	—	61	502	—
Equity attributable to owners of the Company		**27,413**	25,631	26,357	26,412	21,138
Non-controlling interests		**5,606**	4,927	5,067	4,700	3,378
Total equity		**33,019**	30,558	31,424	31,112	24,516
Number of issued and fully paid shares (million)	2	**3,042**	3,042	3,042	3,042	2,997
Performance Data						
Earnings/(loss) per share (HK cents)						
– basic		**47.7**	(19.3)	24.5	147.0	47.0
– diluted		**47.7**	(19.3)	24.5	143.5	46.3
Dividends per share (HK cents)						
– interim		**6.0**	—	—	5.0	—
– final		**6.0**	—	2.0	2.0	—
– special		**—**	—	—	14.5	—
Dividend cover		**4.0**	N/A	12.3	6.8	N/A
Current ratio		**2.8**	6.0	4.1	4.8	4.1
Gearing (%)	3	**9.3**	N/A	N/A	N/A	3.5
Return on equity attributable to owners of the Company (%)		**5.3**	(2.3)	2.8	16.9	6.7
Net asset value per share (HK$)		**10.9**	10.0	10.3	10.2	8.2

	2017	2016	2015	2014	2013
Headcount by Division					
Head Office	**250**	255	253	257	245
Property	**503**	563	509	467	464
Transportation	**2,016**	2,056	2,092	2,099	2,151
Hospitality	**594**	511	511	518	491
Investment	**24**	24	29	27	35

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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