信德集團

SHUN TAK HOLDINGS

SHUN TAK HOLDINGS LIMITED
信德集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 242)

Website: http://www.shuntakgroup.com

2018 Annual Results Announcement

GROUP RESULTS

The board of directors (the "Board") of Shun Tak Holdings Limited (the "Company") announces the consolidated annual results for the year ended 31 December 2018 of the Company and its subsidiaries (the "Group").

Consolidated profit attributable to owners of the Company for the year was HK$4,647 million (2017: HK$1,450 million). Underlying profit attributable to the owners which was principally adjusted for unrealised fair value changes on investment properties would be HK$2,529 million (2017: HK$1,242 million). Basic earnings per share was HK153.4 cents (2017: HK47.7 cents).

DIVIDENDS

The Board has recommended a final dividend of HK10.0 cents per share (2017: HK6.0 cents per share) and a special dividend of HK6.0 cents per share (2017: nil) for the year ended 31 December 2018. No interim dividend was declared by the Board during the year ended 31 December 2018 (2017: HK6.0 cents per share). The total dividends for the year amounted to HK16.0 cents per share (2017: HK12.0 cents per share).

Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the proposed final dividend and special dividend are expected to be paid on 16 July 2019 to shareholders of the Company whose names appear on the register of members of the Company on 5 July 2019.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenue	*2*	**6,591,582**	6,388,505
Other income		**324,530**	252,944
		6,916,112	6,641,449
Other gains, net	*3*	**1,344,735**	24,753
Cost of inventories sold and services provided		**(2,488,414)**	(2,753,760)
Staff costs		**(1,420,581)**	(1,412,886)
Depreciation and amortisation		**(176,979)**	(155,631)
Other costs		**(731,260)**	(603,735)
Fair value changes on investment properties		**212,520**	178,165
Operating profit	*2, 4*	**3,656,133**	1,918,355
Finance costs	*5*	**(317,434)**	(226,562)
Share of results of joint ventures		**1,445,314**	200,629
Share of results of associates		**793,761**	8,966
Profit before taxation		**5,577,774**	1,901,388
Taxation	*6*	**(236,262)**	(203,243)
Profit for the year		**5,341,512**	1,698,145
Attributable to:			
Owners of the Company		**4,647,326**	1,450,160
Non-controlling interests		**694,186**	247,985
Profit for the year		**5,341,512**	1,698,145
Earnings per share *(HK cents)*	*8*		
— basic		**153.4**	47.7
— diluted		**153.4**	47.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 *HK$'000*	2017 *HK$'000*
Profit for the year	**5,341,512**	1,698,145
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss:		
Debt instruments at fair value through other comprehensive income:		
Changes in fair value	**(1,010)**	—
Available-for-sale investments:		
Changes in fair value	—	29,367
Cash flow hedges:		
Changes in fair value, net of tax	**(3,576)**	(5,427)
Transfer to profit or loss	**(29,632)**	(36,556)
Reversal of asset revaluation reserve upon sales of properties, net of tax	**(322,214)**	(20,515)
Currency translation differences	**(275,271)**	444,676
Share of currency translation difference of joint ventures	**(77,404)**	92,336
Share of currency translation difference of associates	**(77,680)**	79,428
Items that will not be reclassified to profit or loss:		
Equity instruments at fair value through other comprehensive income:		
Changes in fair value	**(16,700)**	—
Other comprehensive (loss)/income for the year, net of tax	**(803,487)**	583,309
Total comprehensive income for the year	**4,538,025**	2,281,454
Attributable to:		
Owners of the Company	**3,905,245**	1,964,815
Non-controlling interests	**632,780**	316,639
Total comprehensive income for the year	**4,538,025**	2,281,454

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	2018	2017
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**3,251,417**	2,836,564
Investment properties		**8,342,001**	8,232,314
Prepaid premium for land lease and land use rights		**680,844**	302,841
Joint ventures		**8,476,142**	6,887,540
Associates		**2,958,282**	1,476,977
Intangible assets		**2,525**	36,427
Financial assets at fair value through other comprehensive income	*9*	**1,379,023**	—
Available-for-sale investments	*9*	—	1,021,729
Derivative financial instruments		**6,746**	107
Mortgage loans receivable		**1,925**	3,914
Deferred tax assets		**8,119**	2,476
Other non-current assets		**1,474,036**	704,067
		26,581,060	21,504,956
Current assets			
Properties for or under development		**5,631,404**	13,872,138
Inventories		**17,034,801**	7,626,127
Trade and other receivables, deposits paid and prepayments	*10*	**1,179,675**	1,141,722
Derivative financial instruments		—	16,927
Taxation recoverable		**10,695**	11,356
Cash and bank balances		**14,317,651**	12,665,880
		38,174,226	35,334,150
Assets held for sale		**36,625**	—
		38,210,851	35,334,150

	Note	2018	2017
		HK$'000	*HK$'000*
Current liabilities			
Trade and other payables, and deposits received	*10*	**1,832,808**	2,473,841
Deposits received from sale of properties		**—**	3,453,424
Contract liabilities		**4,621,996**	—
Bank borrowings		**5,170,760**	5,212,254
Provision for employee benefits		**12,289**	13,010
Derivative financial instruments		**21,763**	—
Taxation payable		**321,696**	141,131
Loans from non-controlling interests		**799,122**	1,215,733
		12,780,434	12,509,393
Liabilities directly associated with assets held for sale		**506**	—
		12,780,940	12,509,393
Net current assets		**25,429,911**	22,824,757
Total assets less current liabilities		**52,010,971**	44,329,713
Non-current liabilities			
Contract liabilities		**10,527**	—
Bank borrowings		**10,133,675**	6,829,789
Medium term notes		**3,184,001**	3,172,788
Deferred tax liabilities		**1,123,431**	1,308,380
Loans from non-controlling interests		**393,737**	—
		14,845,371	11,310,957
Net assets		**37,165,600**	33,018,756
Equity			
Share capital		**9,858,250**	9,858,250
Other reserves		**20,740,426**	17,372,796
Proposed dividends		**484,070**	181,864
Equity attributable to owners of the Company		**31,082,746**	27,412,910
Non-controlling interests		**6,082,854**	5,605,846
Total equity		**37,165,600**	33,018,756

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance except for the departure of HKFRS 9, "Financial Instruments" in relation to the fair value measurement of one of its equity investments as detailed in 2018 annual consolidated financial statement. 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 the notes to 2018 annual consolidated financial statements. The subsidiaries excluded subsidiary undertakings of the Group are disclosed in the 2018 annual consolidated financial statements.

The financial information relating to the years ended 31 December 2018 and 31 December 2017 included in this preliminary announcement of annual results for the year ended 31 December 2018 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company had delivered the consolidated financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor had reported on those consolidated financial statements of the Group for both years. For the year ended 31 December 2017, the auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap.622). For the year ended 31 December 2018, the auditor's report was qualified and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance. For details, please refer to section "EXTRACT OF INDEPENDENT AUDITOR'S REPORT" in this preliminary announcement.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the 2018 annual consolidated financial statements.

Impact of new or revised Hong Kong Financial Reporting Standards

New standards, amendments to standards and interpretation adopted by the Group

The following new standards, amendments to standards and interpretation have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2018:

Amendments to HKFRS 2	Share-based Payment
HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvement to HKFRSs 2014-2016 Cycle	

Except as described below, the adoption of the above new standards, amendments to standards and interpretation does not have any significant impact to the Group's results. The changes in accounting policies and the impacts of changes in accounting policies are summarised below.

HKFRS 9, "Financial instruments"

Effects of changes in accounting policies – Financial assets

Following the adoption of HKFRS 9, the Group has made changes to its accounting policies in the classification, measurement and impairment of its financial assets.

While the new policies are generally required to be applied retrospectively, the Group has taken transitional provisions in HKFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative balances have not been restated. Differences in the carrying amounts resulting from the adoption of HKFRS 9 are recognised as adjustments to the opening consolidated balance sheet on 1 January 2018.

The Group's debt securities were reclassified from available-for-sale investments to financial assets at fair value through other comprehensive income ("FVOCI"), as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. There was no change to the carrying amount of its debt securities at date of adoption on 1 January 2018.

The Group has elected to account for its listed and unlisted equity securities as FVOCI at adoption of the standard. Under FVOCI model, any gains or losses realised on the sale of equity financial assets at FVOCI is no longer be transferred to the consolidated income statement, but instead reclassify from "investment revaluation reserve" to "retained profits". In addition, no more impairment losses required to be charged to the consolidated income statement under the new guidance. Accordingly, previously accumulated impairment losses from prior years would require a reclassification from "retained profits" to "investment revaluation reserve" for the relevant FVOCI equity investments.

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

The Group's financial assets at amortised costs (such as trade receivables), debt instruments at FVOCI are subject to the new expected credit loss ("ECL") model.

For trade receivables, the Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which requires the use of the lifetime expected losses for all trade receivables. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any material impact to the carrying value of trade receivables as at 1 January 2018.

For debt instruments at FVOCI, management considers that the credit risk has not increased significantly since initial recognition as the debt issuers have low credit risk of default and have strong capacity to meet contractual cash flows. As such, the impairment provision is determined based on the 12-month ECL which is close to zero.

The table below shows the adjustments recognised in the opening balances of each individual financial statement line item. Line items that were not affected by the changes have not been included.

Consolidated balance sheet (extract)

	At 31 December 2017, as previously stated *HK$'000*	Effects of adoption of HKFRS 9 *HK$'000*	At 1 January 2018 *HK$'000*
Non-current assets			
Available-for-sale investments	1,021,729	(1,021,729)	—
Financial assets at fair value through other comprehensive income	—	1,021,729	1,021,729
Equity			
Investment revaluation reserve	102,178	(82,508)	19,670
Retained profits	16,385,674	82,508	16,468,182

The amount by which each financial statement line item is affected by the application of HKFRS 9 as compared to HKAS 39 (previously in effect) is as follows:

Consolidated balance sheet (extract)

	At 31 December 2018		
	Before adoption of HKFRS 9 *HK$'000*	Effects of adoption of HKFRS 9 *HK$'000*	As reported *HK$'000*
Non-current assets			
Available-for-sale investments	1,379,023	(1,379,023)	—
Financial assets at fair value through other comprehensive income	—	1,379,023	1,379,023
Equity			
Investment revaluation reserve	85,313	(82,508)	2,805
Retained profits	21,000,083	82,508	21,082,591

HKFRS 15, "Revenue from Contracts with Customers"

Effects of changes in accounting policies – Revenue

Following the adoption of the new standard, the Group has made changes to its accounting policies in revenue recognition and assets/liabilities arising from contracts with customers.

The Group has elected the modified retrospective approach for transition to the new revenue standard. However, there is no significant impact on the Group's accounting with respect to the timing of revenue recognition and allocation of the transaction price to performance obligations identified, except for changes in terminology under HKFRS 15. Accordingly, opening balance of retained profits at 1 January 2018 is not adjusted and the impact to the reclassification changes in the terminology used under HKFRS 15 at prior year and current year are set out below:

- Contract liabilities for progress billing recognised in relation to property development activities were previously presented as deposits received on sale of properties.

- Contract liabilities for various advance receipts from customers in relation to the transportation, hospitality and property investment business were previously presented as "trade and other creditors, deposits and accrued charges" within "trade and other payables, and deposits received".

The table below shows the adjustments recognised in the opening balances of each individual financial statement line item. Line items that were not affected by the changes have not been included.

Consolidated balance sheet (extract)

	At 31 December 2017, as previously stated	**Effects of adoption of HKFRS 15**	**At 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables, and deposits received	2,473,841	(55,688)	2,418,153
Deposits received from sale of properties	3,453,424	(3,453,424)	—
Contract liabilities	—	3,509,112	3,509,112

The amount by which each financial statement line item is affected by the application of HKFRS 15 as compared to HKAS 18 (previously in effect) is as follows:

Consolidated balance sheet (extract)

	At 31 December 2018		
	Before adoption of HKFRS 15	**Effects of adoption of HKFRS 15**	**As reported**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables, and deposits received	1,880,303	(47,495)	1,832,808
Deposits received from sale of properties	4,574,501	(4,574,501)	—
Contract liabilities	—	4,621,996	4,621,996
Non-current liabilities			
Other non-current liabilities	10,527	(10,527)	—
Contract liabilities	—	10,527	10,527

Consolidated cash flow statement (extract)

	At 31 December 2018		
	Before adoption of HKFRS 15	**Effects of adoption of HKFRS 15**	**As reported**
	HK$'000	*HK$'000*	*HK$'000*
Net cash from operating activities			
Changes in working capital:			
— Decrease in trade and other payables and deposits received	(613,395)	58,022	(555,373)
— Increase/(decrease) in deposits received from sale of properties	1,867,121	(4,690,545)	(2,823,424)
— Increase in contract liabilities	—	4,632,523	4,632,523

The adoption of HKFRS 15 has no impact to the investing and financing activities on the consolidated cash flow statement.

New standard, amendments to standards and interpretation not yet adopted

The HKICPA has issued new standard, amendments to standards and interpretation which are relevant to the Group's operations but are not yet effective for the Group's financial year beginning on 1 January 2018 and have not been early adopted:

HK (IFRIC) Interpretation 23[(1)]	Uncertainty over Income Tax Treatments
HKFRS 16[(1)]	Leases
Annual Improvement to HKFRSs 2015-2017 Cycle[(1)]	
Amendments to HKAS 28[(1)]	Long-term interests in Associates and Joint Ventures
Amendments to HKFRS 3[(2)]	Definition of a Business
Amendments to HKAS 1 and HKAS 8[(2)]	Amendments to Definition of Material
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 2019
(2) Effective for annual periods beginning 1 January 2020
(3) Effective date to be determined

The Group has already commenced an assessment of the impact of these new standard, amendments to standards and interpretation. The Group's assessment of the impact is set out below.

HKFRS 16 "Leases"

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. Upon the initial recognition of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted at 1 January 2019.

Some of the commitments may be covered by the exception for short-term and low-value leases under HKFRS 16.

The Group estimates the above impact does not have a material effect to the Group.

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 transactions.

2 SEGMENT INFORMATION

(a) 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 2017.

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.

2018

	Property *HK$'000*	Transportation *HK$'000*	Hospitality *HK$'000*	Investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue and other income						
External revenue *(note c)*						
Revenues from contracts with customers						
— Recognised at a point in time	2,876,482	49,398	117,482	27,907	—	3,071,269
— Recognised over time	142,351	2,106,928	684,461	—	—	2,933,740
	3,018,833	2,156,326	801,943	27,907	—	6,005,009
Revenues from other sources						
— Rental income	473,352	3,977	—	482	—	477,811
— Dividend income	—	—	—	108,762	—	108,762
	473,352	3,977	—	109,244	—	586,573
	3,492,185	2,160,303	801,943	137,151	—	6,591,582
Inter-segment revenue	2,682	1,849	44,356	—	(48,887)	—
Other income (external income and excluding interest income)	73,806	35,396	8,814	6,738	—	124,754
	3,568,673	2,197,548	855,113	143,889	(48,887)	6,716,336

2018

	Property HK$'000	Transportation HK$'000	Hospitality HK$'000	Investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment results	3,112,370	245,765	(35,281)	97,010	—	3,419,864
Fair value changes on investment properties	212,520	—	—	—	—	212,520
Interest income						199,776
Unallocated expense						(176,027)
Operating profit						3,656,133
Finance costs						(317,434)
Share of results of joint ventures	1,464,437	9,151	(28,274)	—	—	1,445,314
Share of results of associates	784,947	485	87	8,242	—	793,761
Profit before taxation						5,577,774
Taxation						(236,262)
Profit for the year						5,341,512
Assets						
Segment assets	37,732,009	5,018,663	3,834,292	1,414,575	(36,138)	47,963,401
Joint ventures	8,668,400	63,466	(255,724)	—	—	8,476,142
Associates	2,728,085	28,756	193,964	7,477	—	2,958,282
Unallocated assets						5,394,086
Total assets						64,791,911
Liabilities						
Segment liabilities	5,894,299	370,926	219,056	4,263	(36,138)	6,452,406
Unallocated liabilities						21,173,905
Total liabilities						27,626,311
Other information						
Additions to non-current assets (other than financial instruments and deferred tax assets)	2,560,409	49,163	1,011,125	78	—	3,620,775
Depreciation	22,419	78,488	58,461	282	—	159,650
Amortisation						
— prepaid premium for land lease and land use rights	—	—	12,322	—	—	12,322
— intangible assets	—	—	538	89	—	627
Impairment losses reversed						
— trade receivables, net	—	—	76	—	—	76

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 c)*						
Revenues from contracts with customers*						
— Recognised at a point in time	2,546,361	35,712	109,086	27,008	—	2,718,167
— Recognised over time	144,013	2,306,158	673,596	—	—	3,123,767
	2,690,374	2,341,870	782,682	27,008	—	5,841,934
Revenues from other sources*						
— Rental income	403,759	518	—	531	—	404,808
— Dividend income	—	—	—	141,763	—	141,763
	403,759	518	—	142,294	—	546,571
	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 income 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

* Certain comparative figures on the above table have been reclassified to conform with current year's presentation upon adoption of HKFRS 15.

2017

	Property *HK$'000*	Transportation *HK$'000*	Hospitality *HK$'000*	Investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'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

(b) Geographical information

	Hong Kong	Macau	Mainland China	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2018					
Revenue and other income from external customers	1,891,427	4,382,901	178,240	263,768	6,716,336
Non-current assets	6,650,977	1,213,342	3,528,294	884,174	12,276,787
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

(c) External revenue

External revenue comprises revenue by each reportable segment and dividend income from financial assets at FVOCI (2017: available-for-sale investments).

3 OTHER GAINS, NET

	2018	*2017*
	HK$'000	*HK$'000*
Net gain on disposal of subsidiaries	**1,347,007**	322
Loss on disposal of a joint venture	**(798)**	—
Loss on disposal of an associate	**(3)**	—
Net loss on disposal of property, plant and equipment	**(1,471)**	(7,645)
Gain on bargain purchase	**—**	32,076
	1,344,735	24,753

Gain on disposal of subsidiaries included an amount of HK$1,348,298,000 arising from the disposal of 50% interests in Nova Mall in Macau at an aggregate cash consideration of HK$3,150,000,000 pursuant to the sale and purchase agreement entered into with HIP Company Limited in June 2016. Subsequent to the completion of disposal in December 2018, the Group's economic interest in Nova Mall decreased from 100% to 50% and the Group has accounted for the retained interests as an investment in a joint venture.

4 OPERATING PROFIT

	2018	*2017*
	HK$'000	*HK$'000*
After crediting:		
Rental income from investment properties	**317,822**	294,905
Less: Direct operating expenses arising from investment properties	**(34,819)**	(38,645)
	283,003	256,260
Dividend income from listed investments	**8,175**	7,405
Dividend income from unlisted investments	**100,587**	134,358
After charging:		
Cost of inventories sold		
— properties	**1,346,156**	1,497,436
— fuel	**647,565**	537,336
— others	**121,645**	152,974
	2,115,366	2,187,746
Impairment losses (reversed)/recognised		
— trade receivables, net	**(76)**	1,459

5 FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings and overdrafts	**339,726**	214,601
Interest on medium term notes	**181,836**	181,241
Interest on loans from non-controlling interests	**9,234**	8,569
Other finance costs	**38,822**	34,481
Total finance costs	**569,618**	438,892
Less: Amount capitalised in properties for or under development, inventories and hotel building under construction	**(252,184)**	(212,330)
	317,434	226,562

During the year, finance costs have been capitalised at weighted average rate of its general borrowings of 3.10% (2017: 2.89%) per annum for properties for or under development and hotel building under construction (2017: properties for or under development).

6 TAXATION

	2018	2017
	HK$'000	*HK$'000*
Hong Kong profits tax	**51,932**	84,953
Overseas taxation	**262,252**	94,766
Deferred taxation	**(77,922)**	23,524
	236,262	203,243

Hong Kong profits tax is calculated at 16.5% (2017: 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.

7 DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Interim dividend: nil (2017: HK6 cents on 3,042,465,785 shares)	—	182,548
Proposed final dividend of HK10 cents on 3,025,435,785 shares (2017: HK6 cents on 3,031,065,785)	**302,544**	181,864
Proposed special dividend of HK6 cents on 3,025,435,785 shares (2017: nil)	**181,526**	—
	484,070	364,412

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

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK$4,647,326,000 (2017: HK$1,450,160,000) and the weighted average number of 3,029,728,333 shares (2017: 3,042,465,785 shares) in issue during the year.

Basic and fully diluted earnings per share are the same as the share options of the Company has an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2018 (2017: same).

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

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

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

Details of the changes in accounting policies and impacts are disclosed in note 1 of this announcement.

10 TRADE RECEIVABLES AND PAYABLES – AGEING ANALYSIS

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:

	2018	2017
	HK$'000	*HK$'000*
0 — 30 days	**103,649**	133,200
31 — 60 days	**35,414**	30,577
61 — 90 days	**5,547**	2,046
over 90 days	**6,111**	5,767
	150,721	171,590

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

	2018	2017
	HK$'000	*HK$'000*
0 — 30 days	**1,052,393**	1,485,720
31 — 60 days	**6,494**	29,804
61 — 90 days	**1,472**	1,910
over 90 days	**6,645**	1,248
	1,067,004	1,518,682

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the Group's consolidated financial statements for the year ended 31 December 2018.

Our qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As disclosed in notes 2(b), 19 and 46 to the consolidated financial statements, the Group held an unlisted equity investment in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") through the Company and its subsidiary with a carrying amount of HK$813,016,000 as at 31 December 2018 which was classified as financial assets at fair value through other comprehensive income ("FVOCI") upon adoption of Hong Kong Financial Reporting Standard ("HKFRS") 9 "Financial Instruments" issued by the HKICPA. The Group has adopted the transitional provisions in HKFRS 9 which allows not restating comparative information of prior year.

The equity investment in STDM is stated at cost and not at fair value as required under HKFRS 9. Pursuant to the reasons stated in notes 2(b), 19 and 46, management did not conduct a fair value assessment for the Group's investment in STDM. Accordingly, we were unable to quantify the impact of this departure on HKFRS 9. Any adjustments to the fair value of equity investment in STDM would have an impact on the carrying value of the Group's FVOCI, other reserves and non-controlling interests as at 1 January 2018 and 31 December 2018 and the Group's other comprehensive income for the year ended 31 December 2018.

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

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

THE VIEWS OF THE AUDIT COMMITTEE ON THE QUALIFIED OPINION

The audit committee of the Company is of the view that detailed financial information from STDM has not been accessible to the Company given STDM is a private company. As such, it is understandable that the Company is unable to obtain sufficient information of STDM for fair value assessment. However, the Qualified Opinion will not have any impact on the consolidated income statement of the Company.

UPDATES ON THE ACTION PLAN

The Company has been considering an appropriate valuation methodology for assessing the fair value of its STDM Investments and in active discussions with the Company's auditor with a view to removing the qualified opinion as soon as practicable. The Company will update its shareholders if there are any changes to such action plan.

BUSINESS REVIEW

PROPERTY

Many of the Group's Property projects in 2018 were at the initial investment and development stage. During the year, the majority of property sales were connected with a single development – Nova Grand in Macau, while a number of units at Nova Park with long completion have also been booked for profit. This combination of recognised sales of residential units along with the disposal gain of a 50% stake in the Nova Mall, generated significant profits for the Group.

Property Developments

Projects Completed With Recent Sales

In Macau

Nova Grand [Phase 5 of Nova City] (Group interest: residential 71%)

Nova Grand, Phase 5 of the Group's large-scale Nova City project, is a residential development across eight towers comprising around 1,700 residential units in total. A total of 346 residential units in Nova Grand were sold in 2018, representing approximately 19% of the total number of units in the development. By the end of 2018, around 75% of all residential units for sale at Nova Grand had been contracted, with the remainder of the units set to be sold in 2019 and 2020.

In Singapore

111 Somerset Road, Singapore (Group interest 70%)

With 766,550 square feet of gross floor area, this development consists of offices, medical suites and a retail podium. The property has been undergoing an asset enhancement programme, which is scheduled for full completion by the end of 2019. The retail podium, which soft-opened in March 2019, is gradually taken up by a diverse range of tenants including restaurants, health and wellness brands, a supermarket, and other facilities. In 2018, a total of 5 office units and 1 medical suite were sold and the profits recognised.

Projects Under Development

In Northern China

Beijing Tongzhou Integrated Development (Group interest: Phase 1 — 24%, Phase 2 — 19.35%)

With Tongzhou set to become an important business district in Beijing, this development in which the Group holds a partial interest will deliver an important multi-facility business complex for the city, superbly located on the Grand Canal. Currently, work is proceeding in phases. Construction was carried out smoothly in 2018, and completion is planned for 2021 and 2022 respectively for each Phase. The final development will combine 250,000 square metres of prime retail space with 211,000 square metres of office space, supplemented by a further 117,000 square metres of serviced apartments.

Mixed Development at Qiantan, Shanghai (Group interest: 50%)

Development and substructure construction has begun on this mixed-use project, being carried out as a 50:50 joint venture project with Shanghai Lujiazui (Group) Company Limited. The 140,500 square metres of total gross floor area will include offices, retail space, basement retail, a hotel component, and an arts and cultural centre (including the provision of a concert hall and other multi-purpose halls that will seat around 4,000 attendants). The hotel component of the site will comprise a 5-star hotel offering approximately 200 rooms. Superstructure construction for the office and retail zones will begin by the third quarter of 2019, with completion scheduled for end of 2021. Upon completion, Artyzen Hospitality Group will take over the management of the hotel component of the development.

In Southern China

Hengqin Integrated Development (Group interest: 70%)

This development is located on the border of Macau and Hengqin, in close proximity to both the Lotus Bridge border facilities and the planned future extension of the Guangzhou-Zhuhai Intercity Rail. The attractiveness of the location has recently been enhanced by the Macau Government's decision to relocate its Cotai Frontier to the Hengqin Border, a move which is expected to enhance the overall business development of the Special Economic Zone. Construction is well underway at the large 23,834 square metre site, which will be comprised of office developments

(42,300 square metres), retail facilities (45,500 square metres), hotel space (16,700 square metres), and serviced apartments (32,800 square metres), along with 1,311 car parking spaces. Currently completion is targeted for 2020, and presale will begin in 2019.

Projects Under Planning

In Macau

Harbour Mile

This Group's plans for this site have been affected by the decision of the Macau SAR Government to review its Master Plan for the Nam Van area where the site is situated. In view of uncertainties surrounding the Government's plans for the area, the Group has continued to review its arrangements for the site and plan strategically for the most productive use of the land in the long term.

In Singapore

Park House (Group interest: 100%)

This address was acquired in June 2018. Strategically situated close to Singapore's famous shopping and entertainment hub of Orchard Road, Park House is being developed as a luxury residential condominium for affluent homebuyers wanting to live close to the heart of the city. This 46,084 square foot site, purchased for SG$375.5 million, is expected to yield a maximum gross floor area of around 129,037 square feet. Currently, design and planning are underway.

14 & 14A Nassim Road (Group interest: 100%)

Acquired by the Group in June 2018, this address is centrally located within walking distance of the famous Orchard Road shopping district. Seeing a demand for luxury accommodation in this highly sought-after area, the Group intends to develop the 66,452 square foot site into a luxury residential condominium of approximately 93,033 square feet. The purchase price was SG$218 million.

In China

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

Acquired in July 2018 as part of a strategic partnership with Perennial Real Estate Limited, in which the Group holds a 30% interest, this development consists of three plots of land in the Xiqing district of Tianjin adjacent to the Tianjin South High Speed Railway Station. The total tender price was RMB718 million, and the total land area acquired was 76,900 square metres. Leveraging Perennial's strong experience in the healthcare industry, the plans for this site are to develop a 'health city' that will include a range of health facilities alongside related retail and hospitality outlets. The medical facilities will include general and geriatric hospitals, a women's and children's hospital, eldercare facilities and apartments. Eventually, the development will be a major one-stop regional healthcare and commercial hub of approximately 291,000 square metres of gross floor area. It is well-positioned to function as a regional medical and commercial hub as a result of Tianjin's strategic position within the rapidly developing 'Jing-Jin-Ji' megalopolis.

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

Pursuing its new strategic vision of acquiring and developing large scale integrated mixed-use developments with a healthcare focus in mainland China in close proximity to high speed railway stations, in December 2018 the Group acquired two plots of land in the Chenggong district of Kunming, in Yunnan Province. This is the second acquisition as part of the partnership in which the Group holds a 30% stake, after the site acquired in Tianjin described above. The total tender price was RMB341.5 million. Covering a land area of approximately 65,000 square metres and with a maximum developable gross floor area of approximately 596,000 square metres, the site is earmarked for development as a regional healthcare and commercial hub, and is sited next to the Kunming South High Speed Railway Station. The site will capitalise on growth in Yunnan Province and its regional accessibility by including hospitality, medical care, eldercare, MICE, and retail components in the final development.

Property Investments

In Hong Kong

liberté place (Group interest: 64.56%)

This upmarket shopping mall at Lai Chi Kok MTR Station in West Kowloon maintained an occupancy rate of 100% for much of the year, indicating its popularity in the area it serves (which includes residents of nearby estates such as Banyan Garden, The Pacifica, and Aquamarine). To further diversify the range of shops at liberté place, the Group carried out a shop sub-division and downsizing programme in 2018 which expanded the number of retail outlets available for lease. The result was an influx of new shops to the mall, and an overall enhancement to rental income.

The Westwood (Group interest: 51%)

This 5-storey shopping centre, which contains around 158,000 square feet of leasable area, maintained an average occupancy rate of 95% or above across the year. It is the largest shopping mall in Hong Kong's Western District, and hence attracts many retail chain stores. Currently, the Group is planning to carry out some carefully timed renovations to enhance the shopping ambience and maintain the mall's premier status in the district.

Chatham Place (Group interest: 51%)

Throughout 2018, the Group carried out a trade mix reshuffling exercise designed to enhance the attractiveness of this 3-storey shopping arcade below Chatham Gate. Part of this exercise involved transitioning some space in Chatham Place for the use of a new anchor tenant, a renowned kindergarten group, which began operations in the third quarter. These factors affected the occupancy rate for the first half of year, but they have also enabled the Group to shape a distinctive character for Chatham Gate, with a focus on children's education and entertainment supplemented with quality F&B outlets.

Shun Tak Centre 402 (Group interest: 100%)

This space within Shun Tak Centre has been largely occupied by an anchor tenant, an indoor golf club. Currently the lease renewal is being negotiated. The Group is currently exploring suitable tenant mix for the remaining vacant area in order to maximise the potential of this space.

In Macau

Nova Mall (Group interest: 50%)

During 2018, the Group disposed of a 50% stake in Nova Mall to HIP Company Limited, a wholly-owned subsidiary of the Abu Dhabi Investment Authority in a deal that brought it a one-off disposal gain of HK$1.3 billion.

A major focus of the Group in 2018 was on preparing all aspects of Nova Mall for its planned opening in 2019. Anchor tenants have been finalised, while the general leasing exercise for retail and F&B tenants is in progress. The commitments made by several major anchor tenants have enabled the Group to solidify its positioning as a leading community hub and provided traction for its general leasing activities. Currently, a soft opening for the mall is targeted for the fourth quarter of 2019, when the G/F and B1 levels will be fully ready for launch. The Group aims to achieve around 85% occupancy by the end of 2019 in its first phase of operation.

One Central Shopping Mall (Group interest: 51%)

This large-scale mall of around 400,000 square feet hosts a number of premium stores, and includes a notable collection of international designer brand outlets. It enjoyed a strong average retail occupancy rate of 92% for 2018, unchanged from 2017. The average rent for the year was MOP213 per square foot, up from MOP200 per square foot in the previous year, although rental reversions were negative.

Shun Tak House (Group interest: 100%)

Well situated in a popular tourist area, Shun Tak House includes two major anchor retail tenants in its 28,000 square feet of leasable space. For 2018, the property maintained a 100% occupancy rate.

In China

Shun Tak Tower Beijing (Group interest: 100%)

The Shun Tak Tower is a 63,000 square foot (5,832 square metre) site in Beijing Dong Zhi Men, comprising office spaces and an Artyzen hotel over approximately 419,000 square feet (38,900 square metres) of gross floor area. The year saw pleasing occupancy rates along with a steady rise in rental levels for the office component of Shun Tak Tower. The average office occupancy rate across 2018 was 91%, and the Group is optimistic that this will rise further in the year ahead due to the excellent location of the Tower, next to the airport highway and close to several major areas of Beijing.

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

This office tower in Guangzhou, rising 32 storeys above a six-storey shopping mall, has remained popular among business tenants and continues to generate steady leasing revenue. Its occupancy rate for the year was 94%.

Property Services

Shun Tak Property Management Limited ("STPML") is a wholly-owned subsidiary of the Group that provides property and facility management services for a range of property types, primarily in Macau and Hong Kong. It also runs certain related businesses such as Shun Tak Macau Services Limited, which specialises in property cleaning; and Clean Living (Macau) Limited, which offers retail and institutional laundry services.

In 2018, STPML performed well, achieving a satisfactory financial performance. In Macau, management contracts achieved in 2018 included those for the management of Nova Grand and Nova Mall in December. Meanwhile, the Company's cleaning operations were awarded cleaning contracts for Nova Grand, Nova Mall & the Macau Outer Harbour Ferry Terminal, which represent a substantial growth in business volume in the coming year.

Developments in China have included consultancy roles being taken on for the Group's ongoing Beijing (Dongcheng District) project, and for the Hengqin project which is nearing completion. The Company expects to continue utilising this consultancy business model as it grows its business in China, specifically by helping to organise and monitor property management services provided by professional agents for the greenfield development projects undertaken by the Group and related parties.

TRANSPORTATION

In 2018, the Group's TurboJET ferry services continued to play an important role in support of the multi-modal transportation platform being developed in the Greater Bay Area. From October, a further connecting link was added when the Group together with its partners began to operate a new cross-boundary shuttle bus service, widely known as Golden Bus, across the Hong Kong-Zhuhai-Macau ("HZM") Bridge. In terms of performance, the Transportation division registered a drop in operating profit due largely to a significant rise in fuel prices year-on-year, combined with a drop in passenger numbers due to the diversion of some traffic to the HZM Bridge. Despite this, the Group has been active in enhancing the quality and coverage of its regional transportation offerings, seeking out new markets, and adjusting its services to match new trends and preferences among the travelling public. Behind all its activities has been an unwavering commitment to enhancing regional integration and accessibility for the Greater Bay Area as it develops.

Shun Tak – China Travel Shipping Investments Limited

The Group's TurboJET Hong Kong-Macau operations posted a 20% decline in operating profit year-on-year, to HK$246 million (2017: HK$307 million), primarily due to an upward swing in fuel prices and a decline in overall passenger volume for the year of approximately 10%, to 13 million from 14.5 million in 2017.

The opening of the HZM Bridge has launched a new era for the cross boundary transportation network in the Greater Bay Area, triggering a record high number of cross boundary passengers and injecting new impetus into tourism development for the region. Recognising the changing travel patterns of passengers, in 2018 TurboJET continued to implement a carefully planned strategy of service innovation and enhancement to improve the total travel experience of its passengers. In particular, it introduced a new eBoarding service in the year (via mobile app booking) which has been welcomed by a wide range of passengers for its convenience and environmental friendliness.

In order to enhance its market penetration and tap into the needs of many travellers not previously well-served by ferries, TurboJET has been investing in its Tuen Mun Ferry Terminal (opened in 2016), transforming it into an integral part of the major multi-modal transportation hub developing in Tuen Mun that is connecting the Northwest New Territories and Western Guangdong. These efforts helped maintain steady passenger volumes through the Tuen Mun Ferry Terminal in 2018. In Macau, this was the second year of operations for the permanent Taipa Ferry Terminal, in which the Group has been allotted two berths. Targeted efforts have been made to more closely tailor the services provided to the terminal with the growing demand for resorts and attractions in the Cotai Strip, Coloane and Hengqin.

In terms of service developments, TurboJET has also focused on enhancing and expanding its range of high-value services, to deliver premium travel options that other forms of regional transportation are unable to match. For example, enhancements to its high-value Premier Grand services, including its Premier Plus, Premier Lounge and Travel Planning Hotline Centre services, led to an increase of 3% in Premier Grand class passengers year-on-year.

TurboJET is an integral part of many people's perception of Macau as a leisure destination. Building on this strong association and many years of collaboration with the Macau SAR Government, during the year TurboJET began involvement in certain ventures to further diversify the tourism experience in Macau. One was the launch of the 'Macau Cruise' service, a new marine tourism project developed in accordance with the 2016 Policy Address of Macau SAR, and one which has also been included in the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, unveiled in February 2019 as one of the major projects to be supported by the Central Government. Macau Cruise provides customised cruise services in specially liveried tour ferries around the coastline of Macau and Hengqin, taking in some of the most spectacular sights of the city and vicinity. In partnership with the Macau Government Tourist Office, with which it has been working since 2015, TurboJET also played a leading part in the large-scale campaign run in 2018 in celebration of Macau's designation as a UNESCO Creative City of Gastronomy, and in the 8th Macao Shopping Festival, run in November and December.

Shun Tak & CITS Coach (Macao) Limited

This part of the Group's Transportation division is being developed in response to the expanding road network infrastructure being developed to open up the Greater Bay Area, leading to closer regional integration in the long run. A major first step was the opening of the HZM Bridge in October. To play its part in this enterprise, the Group and its joint venture partners are operating the Golden Bus shuttle bus service and a cross boundary coach service between Hong Kong and Macau across the Bridge. Revenue of Shun Tak & CITS Coach (Macao) Limited of HK$177 million representing year-on-year growth of 7% was recorded for the year. As at 31 December 2018, a fleet of 138 vehicles was in operation.

HOSPITALITY

The Group's hotels have worked hard to adapt to changing patterns of travel and leisure across the region in 2018, while remaining wholly committed to excellence in their service quality and facilities. Overall, the performance of the Hospitality division has been sound, although offset by pre-opening expenditure on new Artyzen hotels and the setting up and opening of the Artyzen Club. The final result for the year from the Hospitality division was a full-year loss of HK$35 million, against a profit of HK$46 million in 2017.

Hotels In Operation

Hong Kong SkyCity Marriott Hotel

The Hong Kong SkyCity Marriott Hotel sits adjacent to Hong Kong's AsiaWorld-Expo ("AWE"), and close by Hong Kong International Airport, making it an ideal destination for corporate visitors and business travellers. It has also established a strong reputation at the luxury end of the market. Its 658 rooms achieved an occupancy rate of 78% for the year, a drop from 2017 that mainly reflects the lower number of guest rooms available due to a refurbishment programme that began in April 2018 and will run to August 2019. Against this, the hotel achieved a higher average room rate for the year compared with 2017. Following up on several awards received in the first half of the year, the hotel went on in the second half-year to scoop accolades as 'Best Luxury Urban Escape in China' at the World Luxury Spa Award 2018, 'Best Airport Hotel' at the 29th Annual TTG Travel Awards 2018, 'Best Spa Destination in Hong Kong' at the Haute Grandeur Global Awards, and 'East Asia Luxury Airport Hotel' at the 2018 World Luxury Hotel Awards.

Mandarin Oriental Macau

The prestige high-end Mandarin Oriental, Macau has continued to emphasize its credentials as a luxury hospitality service provider, taking advantage of steady tourist arrivals to achieve a higher average occupancy rate of 73% for the year and an average room rate of MOP2,160 despite heavy competition from large resort hotels. Following on from the prestigious awards mentioned earlier in the Interim Report, in the second half of 2018 the Mandarin Oriental was named 2018 Asia's Most Excellent Contemporary Hotel at the Asia Awards of Excellence, and was recognised at the World Travel Awards as being 'Macau's Leading Hotel Suite 2018'. In November, its highly acclaimed Vida Rica restaurant was named a 2018 Michelin Guide Recommended Restaurant, and in December the international TripAdvisor site placed Vida Rica sixth among 70 fine dining restaurants recommended to its users.

Grand Coloane Resort

Managed by Artyzen Hospitality Group, the luxury 208-room Grand Coloane Resort is situated in a peaceful green location away from the urban bustle of Macau. In 2018, the hotel's revenue was up by 7% over 2017, as the hotel maintained a satisfactory average room occupancy rate of 80% but also managed to improve its average room rate. The good performance was boosted by the completion of energy optimisation projects, along with various other efforts to tighten control over operating costs. Unstinting in quality, the hotel was proud to receive two prestigious awards in 2018: named ‘Luxury Resort of the Year 2018’ by Luxury Travel Guide Asia & Australasia in March, and awarded the Haute Grandeur Hotel Award as ‘Best relaxation retreat in China’ in July.

Artyzen Habitat Dongzhimen Beijing

This branded 138-key Artyzen-branded hotel opened its doors in September 2017, and has now completed its first full year of performance. Given it is a new hotel establishing a niche in the market, its average occupancy rate of 74.7% for the year is satisfactory. The hotel has quickly gained a good customer base due to its favoured position in a vibrant area within Beijing’s old fortress walls in Dongzhimen. Under the tagline ‘Live like a local’, it has captured customers looking to base themselves in a neighbourhood with a local feel, providing them with a refreshing sanctuary of clean contemporary design. At the same time, the hotel is located close to rail links and just 25 minutes’ drive from the airport.

Artyzen Habitat Hongqiao Shanghai

This, the latest of the Artyzen own-brand hotels to be launched, opened in September 2018 in the new Shanghai MixC complex, an ultra-modern retail and leisure space. The upmarket 188-key hotel achieved an average occupancy rate of 36.4% for the two months of 2018 that it was open, a figure that will continue to rise as the hotel establishes itself in the market and the new MixC complex becomes a citywide leisure destination. Ideally situated in one of the city’s latest and best shopping destinations, the hotel is also conveniently located for numerous entertianment hotspots and is close to Shanghai Hongqiao International Airport and the Hongqiao Railway Station.

citizenM Shanghai Hongqiao

This new hotel is situated in the Shanghai MixC complex where Artyzen Habitat Hongqiao Shanghai is also located, with the two hotels targeting different markets. Wholly owned by the Group but operated by citizenM, a global hospitality group based in the Netherlands, the hotel had a soft opening in December 2018. With 303 rooms, the hotel targets travellers looking for superior service on an affordable budget, and gives guests close access to the wide range of retail and leisure facilities available in the MixC complex.

Hotels Under Planning And Development

No.9 Cuscaden Road, Singapore

This site, the Group's first foray into the hotel market in Singapore, will be developed into a 5-star luxury hotel of not less than 90 rooms, along with four floors of boutique office spaces for lease. In keeping with its intended 5-star status, the hotel will include facilities such as a high-end restaurant and bar, rooftop dining, an outdoor swimming pool, a gym and wellness facilities as well as a multi-functional business centre.

Site formation works were completed in 2018 following provisional permission for development being obtained from the Government in January 2018. Written permission for the development was obtained in February 2019, and piling work is currently in progress. Once the appropriate permissions and approvals are gained in 2019, the Group aims to begin basement and superstructure work in the third quarter, with targeted completion of construction in mid-2021.

Tourism Facility Management

The Group's management of the Macau Tower Convention & Entertainment Centre has faced challenges due to intense competition from new hotel and resort attractions. As a result, the number of visitors coming to the Observation Decks in 2018 decreased by 13% to 683,000 (2017: 785,000), while banquet and MICE business also declined year-on-year. Overall, profitability was down from 2017, and the Group is now exploring promotional strategies to reverse this trend in the year ahead.

In Shenzhen, the Group is currently extending management service to the recently opened Observation Deck of the Ping An Financial Centre, the world's fourth tallest building, where the outlook from the Observation Deck is a significant tourist draw.

Artyzen Hospitality Group

The Group's hotel management solutions provider Artyzen Hospitality Group (AHG) was active in 2018 in managing a broad portfolio of hotel properties. These included hotels under the Artyzen brand, together with a range of other branded and non-branded hotels in Asia. In the year it launched one brand-new Artyzen branded hotel in Shanghai, and continued with its planning and preparations for the launch of several more Artyzen hotels over the next four years.

In 2018, AHG was involved in a joint venture partnership with hotel group citizenM, a global hotel brand based in the Netherlands, under which it was responsible for managing the portfolio of citizenM Asia including citizenM hotels in Taipei and Shanghai. In a strategic realignment agreed between the parties, from 2 January 2019 AHG handed back management of citizenM Asia hotels to the parent company. The two parties will continue to work together on potential investment opportunities in the region as they arise.

Excluding the citizenM hotels, as at 31 December 2018 AHG was operating two Artyzen branded hotels and four non-branded hotels. The Artyzen branded hotels are the 138-room Artyzen Habitat Dongzhimen Beijing, which opened in September 2017, and the 188-room Artyzen Habitat Shanghai MixC in Shanghai, which opened in September 2018. The non-branded hotels are the Grand Coloane Resort and the Grand Lapa in Macau and two hotels in Maui, Hawaii, namely the Ka'anapali Beach Hotel, and The Plantation Inn.

As a new player in the competitive hospitality industry, AHG and its Artyzen brand have made a significant mark since their establishment. In March 2018 the brand was recognised as "The Best New Prominent Hotel Brand" at the China Hotel Starlight Award. Building on early success, AHG is preparing to expand its portfolio of Artyzen branded hotels in China, with a further eight hotels planned for opening in China from 2021 to 2023, and further hotels under discussion. An Artyzen Hotel is also planned to be opened in Singapore in 2022.

Membership Club

The new Artyzen Club, located in an elegantly appointed space in Hong Kong's Shun Tak Centre, underwent an initial pre-opening period between April and December 2018 in which it recruited members and fine-tuned its range of services. The Club offers comprehensive business and recreational facilities unparalleled by other clubs in downtown Central and Sheung Wan, including a restaurant and bar, a number of well-equipped function rooms for hire, a fitness centre, swimming pool, therapy rooms, a tennis court, a soccer field and a basketball court. Full members also have access to concierge services on an as-needed, when-needed basis. Over 100 members had signed up for the club by year-end, making for an excellent start.

TRAVEL AND MICE

Shun Tak Travel is a full-service travel company with a focus on serving corporate travellers and MICE organisers. Services include integrated ticketing and reservations, logistics handling, and hospitality services among others. Offices are maintained in Hong Kong, Macau, Beijing, Shanghai, Guangzhou and Shenzhen. Its combined travel and MICE businesses generated revenue of HK$48 million in 2018 (2017: HK$53 million).

With greater connectivity across the region, Shun Tak Travel has been developing a number of new opportunities and harnessing the synergies between different parts of the Group's business to expand and enhance the services it offers. Shun Tak Travel is licensed to sell High Speed Rail tickets for the Express Rail Link, and this, in connection with its access to the Group's own ferry and bus services and hotel network in the region, have given the company a strong basis for providing clients and partners with highly integrated regional travel solutions. In 2018, this has led to important collaboration with major partners including the multinational luxury brands Hermes, Mercedes Benz and Ferrari for projects and events held in the region, and with the Macau SAR Government.

INVESTMENT

The Group received annual investment revenue as dividends due to its effective interest of approximately 11.5% in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"). STDM in turn owns an effective shareholding of approximately 54.1% in SJM Holdings Limited, a listed company in Hong Kong, which itself 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.

In 2018, this division recorded a profit of HK$97 million (2017: HK$135 million), representing a decrease of 28% year on year.

The Group operates and manages the Kai Tak Cruise Terminal Hong Kong in partnership with Worldwide Flight Services Holding SA and Royal Caribbean Cruises Ltd. Usage of the terminal is gradually expanding and there remains scope for substantial further growth. In 2018, the terminal recorded 171 berthings, which made up a total of 81% of the cruise passenger throughput of Hong Kong for the year.

The Group's retail division, Macau Matters Limited, is based in Macau and to date has had a primary focus on the sale of toys through its rights to operate the international brand Toys 'R' Us in Macau. In 2018 it operated two Toys 'R' Us retail outlets in Macau, one located at Macau Tower and the other close to Senado Square. Sales from the two outlets showed a steady increase throughout 2018, resulting in an overall 3% increase in sales for the company year-on-year. A general retail slowdown which impacted the entire Macau retail industry from September caused a slowing in sales for the final quarter. Despite this, the overall performance for the year rose slightly by comparison with the previous year, by 14%.

In recent months, plans for the forthcoming launch of a third Toys 'R' Us store in Macau have made good progress. The new outlet will be operated as the flagship store for the brand in Macau, and will be located at the new Nova Mall shopping centre. This prestigious new mall in the heart of the Taipa area is expected to become an important shopping hub, and the presence of an expansive Toys 'R' Us store there will provide users with a full range of international toys and related entertainment options.

In 2018, the Group also began to make plans to diversify the retail range of Macau Matters through the launch of a complementary new business. Focused on the sale of Italian gelato ice-cream, 'Stecco Natura' plans to open stores in 2019 in Hong Kong and Macau. The Group expects to expand the brand into China in 2020.

RECENT DEVELOPMENTS AND PROSPECTS

A number of recent new developments undertaken by the Group in 2018 hold considerable significance for its future long-term prospects. They represent important new initiatives into both niche areas and untapped geographical markets.

One of these is the Group's collaboration with Perennial Real Estate Holdings Limited in very specific property development ventures in China. The Group's experience in general residential and mixed development projects is being taken a step further, now that it has harnessed itself with an expert in the medical and healthcare market in China. The vision is to nurture a new type of development, focused around the healthcare needs of a city and wider surrounding region, bringing together a whole raft of facilities with strong transport connectivity. The Group believes that this unique development concept has much to offer. At this stage, the focus is on planning and construction in order that these projects can be rolled out without delay while being of the highest quality. This is a bold initiative that has the potential to add a major new income stream to the Group's portfolio.

Also in 2018, the Group continued with moves begun in the previous year to enlarge its presence in the Singapore real estate market. Its acquisition of a number of prime sites in the city-state signals the Group's confidence in Singapore's importance as a regional hub and a belief in its long-term economic growth potential. The Group's experience in high-end developments gives it a strong basis from which to proceed with the well-located sites it has acquired. This new initiative is part of a longer-term strategy of involvement in Singapore which the Group expects to deliver valuable fruits in due course.

Closer to home, the changes in the transportation links around the Greater Bay Area and the opening of the HZM Bridge in October 2018 are clearly leading to changing patterns of travel in the region. This situation is bringing both challenges and opportunities to the Group. Looking ahead, the Group will look to consolidate the position of its ferry network within the new transportation landscape. At the same time, new opportunities are arising for its travel and hospitality divisions as demand rises for integrated cross-border activities that require expert co-ordination of travel, accommodation and leisure options. The Group will be looking at ways of leveraging the synergies across its businesses to address and take advantage of this new demand.

In summary, amid the changing regional environment and at a time of global economic uncertainty, the Group is stepping in a number of new and carefully considered strategic directions. These are initiatives that involve a process of longer-term planning, investment and development. As such, the immediate year ahead remains a time of sowing seeds for the future, while continuing to leverage the solid returns from the Group's more traditional business ventures. The end result, it is believed, will be a better-rounded Group with a significant multi-level portfolio offering steadier and more predictable returns year on year.

GROUP FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's bank balances and deposits amounted to HK$14,318 million as at 31 December 2018, representing a increase of HK$1,652 million as compared with the position as at 31 December 2017. 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 2018 amounted to HK$21,727 million, of which HK$6,423 million remained undrawn. The Group's bank borrowings outstanding at the year end amounted to HK$15,304 million. The Group's borrowings also comprised the medium term notes ("MTN") of HK$3,184 million.

Based on a net borrowings of HK$4,171 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 13.4% (2017: 9.3%). The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to reduce its finance costs.

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

Maturity Profile

Within 1 year	1-2 years	2-5 years	over 5 years	Total
28%	50%	22%	—	100%

Material disposal and commitments

In December 2018, the Group recognised a gain of HK$1,348 million arising from the disposal of 50% interests in Nova Mall in Macau at an aggregate cash consideration of HK$3,150 million pursuant to the sale and purchase agreement entered into with HIP Company Limited in June 2016. Subsequent to the completion of disposal in December 2018, the Group's economic interest in Nova Mall decrease from 100% to 50% and the Group has accounted for the retained interests as an investment in a joint venture.

In November 2018, the Group entered into a main contract for construction a hotel property in Singapore. As at 31 December 2018, the Group has an outstanding commitment of approximately HK$579 million.

In January 2018, the Group entered into an agreement with other partners to jointly invest in Perennial HC Holdings Pte. Ltd. ("HC Co"), which will invest in potential real estate projects in the PRC predominantly for healthcare usage, with hotel and/or with retails components, complemented by healthcare-related amenities and mixed use properties. The total commited capital for HC Co is US$500 million. The Group holds 30% equity interest in HC Co and thus has its share of commitment at US$150 million. As at 31 December 2018, the Group has an outstanding commitment to contribute capital of approximately US$108 million (equivalent to approximately HK$850 million) to HC Co.

Charges on Assets

At the year end, bank loans to the extent of approximately HK$9,509 million (2017: HK$6,807 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK$29,294 million (2017: HK$25,729 million). Out of the above secured bank loans, an aggregate amount of HK$1,404 million (2017: HK$997 million) was also secured by pledges of shares in certain subsidiaries.

Contingent Liabilities

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

Financial Risk

The Group adopts a prudent approach 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 RMB872 million and SGD1,115 million, the Group's outstanding borrowings were not denominated in foreign currency at the year end. Approximately 95% 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 its financial assets and liabilities are denominated in USD, MOP, Singapore dollar and RMB. The Group will from time to time review its foreign exchange and market conditions 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.

Human Resources

The Group, including subsidiaries but excluding joint ventures and associates, employed approximately 3,530 employees at the year end. The Group adopts competitive remuneration packages for its employees. Promotion and salary increments are based on performance. Social activities are organised to foster team spirit amongst employees and they are encouraged to attend training classes that are related to the Group's businesses and developments.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2019 annual general meeting of the Company, and entitlement to the final dividend and special dividend, the register of members of the Company will be closed. Details of such closures are set out below:

(i) For determining shareholders' eligibility to attend and vote at the 2019 annual general meeting of the Company:

Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, 17 June 2019
Closure of register of members	Tuesday, 18 June 2019 to Monday, 24 June 2019 (both days inclusive)
Record date	Monday, 24 June 2019

(ii) For determining shareholders' entitlement to the final dividend and special dividend:

Latest time to lodge transfer documents for registration .... 4:30 p.m. on Tuesday, 2 July 2019

Closure of register of members .... Wednesday, 3 July 2019 to Friday, 5 July 2019 (both days inclusive)

Record date .... Friday, 5 July 2019

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2019 annual general meeting of the Company, and to qualify for the final dividend and special dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than the aforementioned latest time.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Monday, 24 June 2019. The notice of annual general meeting will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited and despatched to the shareholders of the Company in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company bought back a total of 17,030,000 shares of the Company at an aggregate consideration of HK$53,496,618 (before expenses) on The Stock Exchange of Hong Kong Limited. All the shares bought back were subsequently cancelled. Particulars of the buy-backs are as follows:

Month of buy-back	**Number of shares bought back**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate consideration paid (before expenses)** *HK$*
January 2018	1,750,000	3.26	3.23	5,691,875
February 2018	9,650,000	3.28	3.07	30,626,050
July 2018	5,630,000	3.11	3.00	17,178,693
	17,030,000			53,496,618

The Board considered that the above share buy-backs were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the net asset value and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board periodically reviews the Company's practices to ensure compliance with the increasingly stringent requirements and to meet rising expectations of the shareholders of the Company. The Board is of the opinion that the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2018, except for code provision A.2.1, which requires the roles of Chairman and Chief Executive to be separate and not to be performed by the same individual. The Board is of the view that since all major decisions have been made in discussion among Board members and appropriate Board committees, the allocation of power and authority within the corporate structure is adequately balanced to satisfy the objective of this code provision. In addition, there are four independent non-executive directors on the Board who offer their respective experience, expertise, and independent advice and views from different perspectives. Therefore, it is in the best interest of the Company that Ms. Pansy Ho, with her in-depth knowledge of the businesses and extensive experience in the operations of the Group, assumes her dual capacity.

REVIEW BY AUDIT COMMITTEE

The Group's consolidated financial statements for the year ended 31 December 2018 have been reviewed by the audit committee of the Company. The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018, as set out in the preliminary announcement, have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

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

Hong Kong, 27 March 2019

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