2020

信德集團有限公司年報

Shun Tak Holdings Limited Annual Report

信德集團
SHUN TAK HOLDINGS

STOCK CODE 股份代號：242

一徹萬融

POWER OF HARMONY

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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Power of Harmony

As the proverb says, "Where Water Flows, a Channel Will Form."
Like the tenacity of water, Shun Tak Group has evolved with pragmatism and perseverance, gaining trust step by step, mile by mile, and every little makes a mickle. The synergy between us and our partners allows the Group to expand into new frontiers with the views of creating values for the shareholders, promoting regional integration and contributing to the continual development of the nation.

CORPORATE INFORMATION

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
Executive Director and Deputy Managing Director

Ms. Maisy Ho
Executive Director

Mr. David Shum
Executive Director

Mr. Rogier Verhoeven
Executive Director

Audit and Risk Management Committee

Mr. Norman Ho (Chairman)
Mr. Michael Wu
Mr. Kevin Yip

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Ms. Angela Tsang

Registered Office and Contact Details

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor

Solicitor

Norton Rose Fulbright

Principal Bankers

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Bank of China, Macau Branch
DBS Bank, Singapore
OCBC Bank, Singapore
The Hong Kong and Shanghai Banking Corporation Limited
China Construction Bank (Asia) Corporation Ltd.
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

Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

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, Minhang, Qiantan and Jingan in Shanghai, Hengqin in Zhuhai, Xiqing in Tianjin and Chenggong in Kunming.

The Group has also recently entered the Singapore market through the acquisition of premium properties in the prime locations around central business district, building a well-rounded portfolio spanning hotel, commercial and residential developments.

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 5-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 first four phases have generated strong public response. The final phase of Nova City – Nova Grand, sits above a large-scale lifestyle shopping centre with a gross floor area over 655,000 square feet. The massive Nova Mall, a joint venture partnership formed with Abu Dhabi Investment Authority to co-invest in the shopping centre, is set to become a retail hub serving the Taipa community upon opening.

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.

In December 2020, the Group acquired the remaining 30% interest in Hengqin Integrated Development and became its sole owner. Hengqin Integrated Development, located in Zhuhai of Guangdong Pilot Free Trade Zone and being under the orbit of the Greater Bay Area boasts an unparalleled connectivity, with direct access to the port and commercial facilities at the Macau border It is also serviced by an extension of the Guangzhou-Zhuhai Intercity Rail since August 2020, and to be serviced by the Hengqin and Macau light rails in the future. It will be developed into an integrated landmark which comprises office, retail, hotel and apartments.

New Bund 31 at Qiantan, Shanghai is a 50:50 joint venture project with Shanghai Lujiazui (Group) Company Limited. This cultural and community hub in Shanghai spans 140,500 square metres of total gross floor area, bringing together

offices, retail space, basement retail, and a 5-star hotel offering around 200 rooms, to be managed by Artyzen Hospitality Group. Moreover, an art and cultural centre featuring a concert hall and other multi-purpose halls with a capacity of 4,000 spectators will be incorporated.

In 2018, the Group ventured into China's healthcare sector through a strategic partnership with Perennial Holdings Private Limited, under which the two will jointly develop mixed-use healthcare complexes close to high-speed railway stations. The first two cornerstone projects – Tianjin South HSR Integrated Development and Kunming South HSR Integrated Development, will be developed into one-stop regional healthcare and commercial hubs offering medical, healthcare and eldercare facilities, while also incorporating hospitality and retail components.

In December 2019, the Group entered into agreements to acquire 40% effective interest in a mixed use project located in Suhe Bay Area in Shanghai's Jingan District, and formed a strategic partnership with China Resources Land Limited to jointly develop the project The development comprises four land plots with a total site area of approximately 65,692 square metres and a total developable gross floor area of approximately 329,000 square metres. Situated in close proximity to major tourism destinations and central business precincts such as the Bund and Lujiazui, it is planned to encompass residential, office, commercial and cultural components, as well as an underground shopping mall and a central green park. In January 2021, the Group acquired a further 10% effective interest in the project and holds a 50% effective interest in the project afterwards.

Beyond its Greater China home base, the Group is diligently investing in the Singapore market with a number of acquisitions that hold excellent potentials.

111 Somerset is a premium commercial development strategically located within the Orchard Road precinct, surrounded by a prime shopping, entertainment and tourism belt with direct MRT access. It comprises approximately a gross floor area of 766,550 square feet of office units, medical suites and 2 levels of retail podium.

In 2018, the Group acquired two plots of prime residential redevelopment sites in downtown Singapore, to be developed into Park Nova at 18 Tomlinson Road and Les Maisons Nassim at 14, 14A, 14B and 14C Nassim Road. Situated close to Singapore's famous shopping and entertainment hub of Orchard Road as well as renowned Central Business Districts, the two properties will be redeveloped into luxury residential condominiums for sale.

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.

CORPORATE PROFILE

In line with Macau Government's tourism policy for new tourism products, the Group launched 'Macau Cruise' in 2018, leveraging our profound experience in passenger sea travel and understanding of regional tourism trends to further diversify the tourism experience in Macau. It 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 July 2020, the Group completed an important shareholding restructure exercise in association with China Travel International Investment Hong Kong Limited ("CTII"). As a result, Shun Tak - China Travel Shipping Investments Limited became a 50/50 owned company, taking the twenty years' partnership further with the vision of solidifying a multi-modal transportation platform in Greater Bay Area and sharing resources and experiences in cross border sea and land transportation industries in order to capitalize upon surging traffic flow within the region.

In supporting the National Government's initiative to enhance the connectivity and integration within the Greater Bay Area, the division has cooperated with veteran cross-boundary land transport operators to participate in the operation of "Hong Kong-Zhuhai-Macau Bridge Shuttle Bus" services, popularly known as "Golden Bus", and also the "HK-MO Express", "TurboJET Cross Border Limo", and "Macau HK Airport Direct" services, a strategic move to further strengthen our multi-modal transportation platform with expanded cross boundary land transportation services across the 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 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.

No. 9 Cuscaden Road, Singapore is the Group's first foray into the hotel market in Singapore. Sited close to the local central business district and major tourism belt, the property will be developed into 5-star luxury hotel of no fewer than 142 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 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. 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 operating fourArtyzen branded hotels and three non-branded hotels. The Artyzen branded hotels are Artyzen Grand Lapa Macau (formerly

Grand Lapa Hotel), Artyzen Habitat Dongzhimen Beijing, Artyzen Habitat Hongqiao Shanghai and YaTi by Artyzen Honqiao Shanghai. The non-branded hotels are Grand Coloane Resort in Macau, as well as Ka'anapali Beach Hotel and The Plantation Inn in Maui, Hawaii.

Artyzen Habitat Dongzhimen Beijing is a 138-key hotel opened in 2017. The hotel nestles in a vibrant area within Beijing's old fortress walls in Dongzhimen but also just 25 minutes' drive from the airport and is close to rail links.

Opened in 2018 in the new Shanghai MixC complex, the 188-key Artyzen Habitat Hongqiao Shanghai is situated in one of the city's latest and best shopping destinations, conveniently located for numerous entertainment hotspots and is close to Shanghai Hongqiao International Airport and the Hongqiao Railway Station.

Also situated in the Shanghai MixC complex, YaTi by Artyzen Hongqiao Shanghai, formerly citizenM Shanghai Hongqiao, offers 303 rooms catering to a new generation of modern travelers looking for superior service on an affordable budget.

Artyzen Club is a well-appointed private business membership club introduced by the Group in 2018. The Club provides a variety of dining venues and recreational and fitness facilities, as well as multifunctional spaces ideal for corporate and private events.

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 15.8%. STDM in turn owns approximately 53.93% of SJM Holdings Limited ("SJM Holdings"), a listed company in Hong Kong. SJM Holdings is effectively entitled to a 100% economic interest in Sociedade de Jogos de Macau S.A., one of six gaming concessionaries licensed by the Macau SAR Government to operate casinos in Macau.

Retail Matters Company Limited, rebranded from Macau Matters Company Limited, is the Group's retail arm and the license holder of "Toys'R'Us" in Macau. "Toys'R'Us" operates a flagship store at Macau Tower and a second outlet in Macau's city centre near Senado Square. It has also recently acquired "Stecco Natura" from Italy to become the worldwide owner of this gelato brand, which further strengthens the Company's retail portfolio.

The Group, through a three-way consortium with business partners, was awarded a contract comprising of a 10-year tenancy agreement of the 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

S.B.S., JP
Group Executive Chairman and Managing Director
aged 58

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 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 vice chairman, chief executive officer and a director of the board of Shun Tak - China Travel Shipping Investments Limited and the chairman of its executive committee, and is directly in charge of the Group's transportation businesses, which include ferry and coach operations. 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, a 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")), and the chairman of the board of directors of Estoril-Sol, SGPS, S.A. which is a Portuguese listed gaming company.

Ms. Pansy Ho was appointed as a Justice of the Peace and was awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region on 1 July 2015 and 1 October 2020 respectively.

In China, Ms. Pansy Ho is a standing committee member of Beijing Municipal Committee of the Chinese People's Political Consultative Conference, an executive president of China Chamber of Tourism and a vice president of China Women's Chamber of Commerce under All-China Federation of Industry & Commerce. In Hong Kong, she is the chairperson of Hong Kong Federation of Women. In Macau, she is the 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 Committee of Cultural Industries, the chairperson of Global Tourism Economy Research Centre, and the vice chairman and secretary-general of Global Tourism Economy Forum. She was bestowed the Medal of Merit – Tourism by the Government of Macau SAR in September 2019. Internationally, she is also an executive committee member of World Travel & Tourism Council and was appointed as a tourism ambassador by the United Nations World Tourism Organization in October 2018.

Ms. Pansy Ho holds a Bachelor's degree in marketing and international business management from Santa Clara University 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 an executive director and 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 65

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 and risk management 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 71

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 62

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 and risk management 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 56

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 and risk management committee of the Company with effect from 11 January 2017; and a member of the nomination committee and remuneration committee of the Company with effect from 27 March 2019.

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 is also a non-executive director and a member of the audit committee of VCREDIT Holdings Limited which is listed on the Main Board of the Stock Exchange.

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

Executive Director and
Deputy Managing Director
aged 56

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 the chairman of Sociedade de Jogos de Macau, S.A., and the chairman and executive director of its holding company, 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 committee of Ladies Committee of The Chinese General Chamber of Commerce, a life member and executive member of Ladies

MS. MAISY HO

B.B.S.
Executive Director
aged 53

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 Po Leung Kuk, Chairman of Hong Kong Ballet, Chairman cum Director of University of Toronto (Hong Kong) Foundation Limited and Chairman of its Scholarship Selection Committee, Chair of International Dean's Advisory Board of Joseph L. Rotman School of Management – University of Toronto, World Fellow of The Duke of Edinburgh's Award World Fellowship, Honorary Vice President of The Hong Kong Girl Guides Association, Honorary President of Hong Kong Federation of Women and Member of Advisory Council of the Canadian International School of Hong Kong.

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. 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. She is also responsible for the operations of the Group's property development projects in China.

Ms. Maisy Ho is a director of Shun Tak Shipping Company, Limited*. She is also 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 has been appointed as the member of Equal Opportunities Commission and member of Committee on the Promotion of Civic Education since 2017. She has been appointed as council member of The Hong Kong Academy for Performing Arts since January 2018.

In Hong Kong, Ms. Maisy Ho is a member of Hospital Governing Committee of Tung Wah Hospital, Tung Wah Eastern Hospital, Tung Wah Group of Hospitals Fung Yiu King Hospital, Kwong Wah Hospital, Tung Wah Group of Hospitals Wong Tai Sin Hospital and Queen Elizabeth Hospital, past president of Hong Kong Institute of Real Estate Administrators, member of Chartered Institute of Housing Asian Pacific Branch, standing 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, school supervisor of Tung Wah Group of Hospitals Chen Zao Men College, executive vice chairman of Hong Kong Volunteers Federation, executive vice president of Hong Kong Poverty Alleviation Association Limited and executive vice chairman of The Hong Kong Island Federation. 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 supervisory board of Macao International Brand Enterprise Commercial Association, standing committee member and deputy chief of Ladies Committee of Macao Chamber of Commerce, committee member of Kiang Wu Hospital Charitable Association and vice chairman of board of directors of Global Tourism Economy Research Centre. She has been appointed as the Honorary Consul of the United Republic of Tanzania to Macao Special Administrative Region of the People's Republic of China since September 2020.

MANAGEMENT PROFILE

In China, she is a standing committee member of the Chinese People's Political Consultative Conference of Liaoning Province and vice president of the 13th Executive Committee of Guangdong Women's Federation.

Ms. Maisy Ho holds a double degree of Bachelor in telecommunications and psychology from Pepperdine University, the United States. She received an honorary university fellowship from the University of Hong Kong in October 2018.

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

* *Shun Tak Shipping Company, Limited is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*

MR. DAVID SHUM

Executive Director
aged 66

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 a director of Shun Tak Shipping Company, Limited* and 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.

* *Shun Tak Shipping Company, Limited is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*

MR. ROGIER VERHOEVEN

Executive Director
aged 58

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 the strategic business development and asset management of the real estate, mixed use and hospitality investments for the Group's integrated hospitality management company (Artyzen Hospitality Group). He also oversees various other business units and related operations within the Hospitality Division.

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 CALENDAR

Financial Highlights 2020

	2020	2019
	HK$'000	HK$'000
Revenue	**4,190,309**	14,649,184
Profit attributable to owners of the Company	**262,440**	3,455,796
Total equity	**37,915,549**	40,460,592
Earnings per share (HK cents)		
— basic	**8.7**	114.3
— diluted	**8.7**	114.3
Dividends per share (HK cents)	**-**	18.0
Net asset value per share (HK$)	**12.5**	13.4

The calculation of basic earnings per share is based on the weighted average number of 3,021,479,785 shares (2019: 3,023,427,363 shares) in issue during the year. Basic and fully diluted earnings per share are the same as the share options of the Company has an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2020 (2019: same).

Financial Calendar 2021

Announce 2020 annual results	26 March 2021
For determining shareholders' eligibility to attend and vote at Annual General Meeting	
Deadline for lodgement of all transfers	4:30 p.m. on 25 May 2021
Closure of register of members	26 May 2021 to 1 June 2021, both days inclusive
Record date	1 June 2021
Annual General Meeting	1 June 2021
Announce 2021 interim results	August 2021

SIGNIFICANT EVENTS

March:

- The Group completed an acquisition of a 40% effective interest in the Suhe Bay Area mixed-use development project in March.

- The Group announced a shareholding restructuring of Shun Tak - China Travel Shipping Investments Limited in association with China Travel International Investment Hong Kong Limited. ("CTII").

May:

- Founder of Shun Tak Holdings Limited, Dr. Stanley Ho GBM, Medalha de Honra Grande Lótus, passed away at the age of 98.

- The Group acquired the remaining 30% interest in the property at 111 Somerset Road, Singapore and became the sole owner of the property.

June:

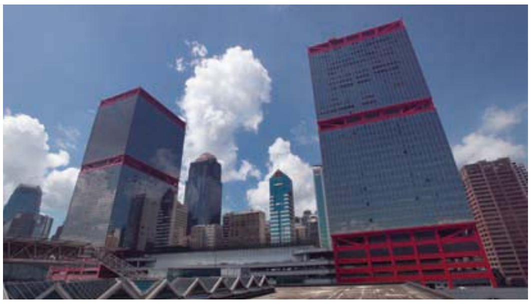
- The Group completed an acquisition of 45% interest in certain assets from the New World group comprising 213,786 square feet of total lettable retail area, 13,827 square feet of gross office area and 85 parking spaces in Shun Tak Centre. Upon completion of the acquisition, the Group now has a 55% effective interest in those assets.

- The Group's retail division, Macau Matters Company Limited, was rebranded as "Retail Matters Company Limited".

- Toys'R'Us Macau opened the largest Toys'R'Us store. The third flagship outlet at NOVA Mall spans over 20,000 square feet and features a "FunPark" entertainment zone.

- Two residential towers of Shanghai Suhe Bay Area Mixed-use Development Project were launched for presale.

- TurboJET operated special charters between Hong Kong International Airport and Macau, to keep critical international links open for returning Macau residents and students.



2020

July:

- The restructure of Shun Tak - China Travel Shipping Investments Limited, a 50/50 owned company between the Group and CTII, was completed in July.
- The Group's cross border coach services between Macau and Guangdong Province resumed operation.

August:

- Hengqin Integrated Development launched its presale of residential apartments, with 99% of the units sold on the first day.
- Hong Kong SkyCity Marriott Hotel was named "Winner of Travelers' Choice Awards 2020" by TripAdvisor.

September:

- citizenM Shanghai Hongqiao was rebranded as YaTi by Artyzen Hongqiao Shanghai, with Artyzen Habitat Hongqiao Shanghai team taking over the hotel's management for market penetration and cost efficiency.
- TurboJET "Macau-Shekou" ferry service resumed operation.

November:

- The Group entered into sales and purchase agreement to acquire a further of 10% effective interest in the Shanghai Suhe Bay Area Mixed-use Development Project. The Group's effective interest in the project increased from 40% to 50% upon the completion of the transaction.

December:

- Grand Coloane Resort was awarded "Regional Winner in Luxury Family Beach Resort" by World Luxury Awards.
- Grand Lapa Macau was rebranded as Artyzen Grand Lapa Macau.
- The Group acquired the remaining 30% interest in Hengqin Integrated Development and become a sole owner.
- The Group divested its effective 19.35% interest in Phase 2 of Beijing Tongzhou Project.

CHAIRMAN'S STATEMENT

Dear Shareholders,

It's been a year like no other for Shun Tak, just as it has been for the wider world. The COVID-19 pandemic presented unprecedented challenges for all businesses but perhaps most critical for the tourism and hospitality industries, disrupted by border closure and quarantine measures that forced the grounding of our transportation division, and shook travel and leisure consumption to its core. Our businesses responded rapidly to reduce their cost base with the objective of protecting jobs to the best of our efforts. As we entered the last months of 2020, glimmers of recovery started to return as Individual Visitor Scheme between China and Macau was reinstated and China's domestic market began to warm up. Nonetheless, entering 2021, Hong Kong is still sidelined with cycles of pandemic outbreaks, with no foreseeable timeline of border reopening which will continue to be a significant stagger to the Group's performance.

It is under such difficult circumstances that I am announcing profit attributable to shareholders of the Group for the year ended 31 December 2020 amounted to HK$262 million (2019: HK$3,456 million). Basic earnings per share were HK8.7 cents (2019: HK114.3 cents). Taking shareholders' returns into consideration, alongside the Company's profitability, cash flow level and capital needs for future development, the Board does not recommend the payment of any final dividend (2019: HK18.0 cents per share) in respect of the year ended 31 December 2020. No interim dividend was declared by the Board during the year ended 31 December 2020.

During the year, our Property division benefited from sales proceeds from a number of residential projects. In Macau, profit from the sales of 164 units at Nova Grand was recognized within the year, with 80% of all available units sold as of 31 December 2020. The much anticipated Nova Mall, being the largest lifestyle neighborhood shopping hub in Macau, opened its doors with occupancy at close to 60% as of year-end. In China, the residential component of our Hengqin Integrated Development was launched for presale in August with 422 out of 426 units sold within the first two days. Additionally, 221 out of 224 residential units at Shanghai Suhe Bay Area Mixed-use Development Project were sold in June. These encouraging results highlight homebuyers' confidence in our Group's quality developments and long term values of the properties. Despite varying degrees of construction delays are experienced by our pipeline projects in China under the pandemic, the Group will have major projects in Beijing Tongzhou, Qiantan Shanghai, Tianjin and Kunming completing in phases between 2021 to 2023 which are expected to significantly contribute to long term recurrent rental income. Our strategy of entering new markets with leading local partners have proven to be immensely successful, whereby our Group's experience in hospitality and tourism services are highly complementary to our partners' respective strengths.

Looking ahead, rental income from our investment properties will remain subject to pressure under the weak office and retail rental markets. Concessionary terms will continue to be offered in order to retain tenants and help them navigate through the prevailing headwinds. Meanwhile, we will also be focusing sales efforts on two upmarket residential projects, namely Park Nova and Les Maisons Nassim, scheduled for pre-sale in the latter part of 2021. Given the resilient Singapore real estate market and the ultra-prime locations of these properties, the Group believes their launches will attract favourable interests despite pandemic stresses.

The Group's Transportation division has been challenged by a multitude of factors for an extended period, including a shift in travel patterns with the opening of the Hong Kong-Zhuhai-Macau (HZM) Bridge in 2018 and sociopolitical unrest in Hong Kong which dampened visitor arrivals in 2019. Nonetheless, none has been as detrimental as the full-year suspension of ferry services which resulted from maritime border closure under the COVID-19 pandemic. Although we have adopted stringent cost control measures, substantial overhead and maintenance costs necessitated a more profound transformation program to help us protect the future of the company. These include rightsizing the business, as well as pivoting the division's capacity to better cater to the paradigm changes in regional travel patterns. In July 2020, Shun Tak - China Travel Shipping Investments Limited became a 50/50 owned company between our Group and China Travel International Investment Hong Kong Limited. This will allow us to further integrate our ferry and cross-border coach bus businesses, setting up the operation for recovery in what we know will be a different market post-COVID, and become an integral part of a transportation network serving the robust Greater Bay Area once demand returns.

As global tourism is left in the doldrums, our Hospitality division suffered drastic decline in visitor arrivals and massive cancellations. Hotels quickly shifted to harness domestic markets all the while upgrading health and protection measures to safeguard the well- being and restore confidence in visitors. As the majority of hotels owned by the Group are located in China and Macau, these properties benefited from a lukewarm rebound in occupancy over the latter half of 2020 due to improved pandemic situation, and the lifting of quarantine requirements for travelers between these regions further supported demand. Artyzen Hospitality Group currently operates 7 hotels and has a portfolio of 12 properties under development to be launched in the next two years. The division will continue to streamline pre-opening expenses in order to navigate through the exceptionally challenging environment.

Throughout the global pandemic our first priority was to protect the health and safety of our people and the communities in which we operate. I am immensely proud of the way our team have responded to the COVID-19 crisis and built resilience into our business which enabled us to safeguard our customers, our tenants, our passengers and our workforce. During this crisis, we have faced some very difficult decisions, and I am grateful for the patience and perseverance from the board, our investors and our staff, which has enabled us to meander through the uncertainty with confidence and rigour. 2021 will continue to be a trying one, but the solid fundamentals we built over the years have prepared us to meet any challenges. I look forward to emerge from the pandemic as a stronger and more competitive company with your support.

By order of the Board

Pansy Ho
Group Executive Chairman and Managing Director

26 March 2021

Life of Harmony

PROPERTY

With foresight and innovation, we bring new living concepts to life. Apart from constructing the infrastructures, we build the neighbourhoods and communities taking into account of residents' happiness and wellbeing.

REVIEW OF OPERATIONS

PROPERTY

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

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

PROPERTY DEVELOPMENTS

PROJECTS COMPLETE WITH RECENT SALES

In Macau

Nova Park
(Group interest: 100%)
Nova Park, Phase 4 of Nova City, is a striking urban park-side residential development with an unimpeded view of the stunning Taipa Central Park, set in the heart of the thriving Taipa community. Its three residential towers cover a gross floor area of approximately 680,000 square feet and offer 620 residential units in total. During the year, 6 units were transacted. As at 31 December 2020, 96% of total units have been sold.

Nova Grand
(Group interest: residential: 71%)
Nova Grand is the final phase of the Group's flagship Nova City development comprising approximately 1,700 residential units in eight towers. During the year, 164 units have been handed over to homebuyers and 52 units were further contracted. As of 31 December 2020, 80% of total units has been sold. With the pandemic situation well contained in Macau and the opening of Nova Mall, it is expected that the remaining units will be launched for sale in 2021 contingent upon market conditions.

In Hong Kong

Chatham Gate
(Group interest: 51%)
The luxurious development consists of two residential towers with a 350,000 square feet appending shopping arcade. Sales for the last available duplex unit was completed in August 2020.

In Singapore

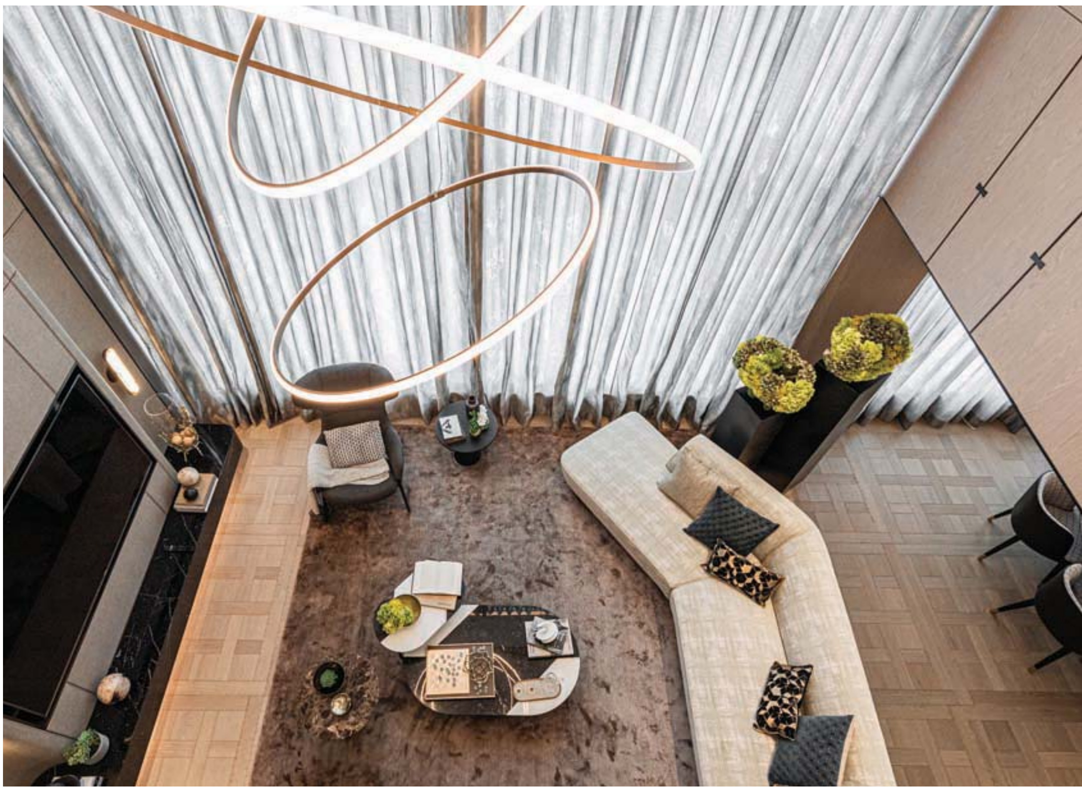
111 Somerset Road, Singapore
(Group interest: 100%)
This 17-storey integrated property offering a gross floor area of approximately 766,550 square feet is located within the venerable Orchard Road precinct immediately adjacent to the Somerset MRT station. It comprises two office towers, a 2-level retail podium and a 2-level basement carpark, which underwent an overhaul renovation in 2020. In May, the Group acquired the remaining 30% interest and became the sole owner of the property with formal takeover anticipated for April 2021. Rental performance remained strong despite the pandemic, and greater control over future management strategies is expected to result in improved returns.

PROJECTS UNDER DEVELOPMENT

In Northern China

Tongzhou Integrated Development, Beijing
(Group interest: Phase 1 – 24%)
Situated in Tongzhou Beijing, the new capital for Beijing Central Government headquarters and state-owned enterprises, this iconic development is sited on the Grand Canal, with its Phase 1 expected to complete in 2023. The integrated community will feature 127,000 square metres of retail space, 119,000 square metres of office space, and 50,000 square metres of residential units. Its retail podium will be directly linked to the currently operating metro line M6, which connects to the Beijing city centre. Substructure works are currently in progress. Pre-sale of apartments is expected in second half of 2021.

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



REVIEW OF OPERATIONS

NEW BUND 31, Qiantan, Shanghai
(Group interest: 50%)
This cultural and community hub in Shanghai spans 140,500 square metres of total gross floor area, bringing together offices, retail space, basement retail, and a 5-star hotel offering around 200 rooms, to be managed by Artyzen Hospitality Group. Moreover, an art and cultural centre featuring a concert hall and other multi-purpose halls with a capacity of 4,000 spectators will be incorporated.

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

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

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

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

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

Tianjin South HSR Integrated Development
(Group interest: 30%)
This 77,000 square metres site was acquired by the Group in 2018 through a strategic partnership with Singapore-based Perennial Holdings Private Limited ("Perennial"), a well-established developer with extensive footprint in China's healthcare industry. The project involves establishing a world-class "health city" adjacent to the Tianjin South High-Speed Railway Station in fulfillment of elevating demands of quality medical care within the fast-growing "Jing-Jin-Ji" megalopolis. The masterplan currently comprises a general hospital, eldercare facilities and serviced apartments, as well as commercial elements such as retail and hospitality components covering around 330,000 square metres. Superstructure works are in progress, with operations expected to begin in 2023.

In Western China

Kunming South HSR Integrated Development
(Group interest: 30%)
Similar to the Tianjin project, the Kunming South HSR Integrated Development was also acquired in partnership with Perennial, in December 2018. The Group intends to develop this 65,000 square metre site into a regional healthcare and

commercial hub comprising hospitality, medical care, eldercare, MICE, and retail components across a proposed gross floor area of approximately 550,000 square metres. Like the Tianjin site, the Kunming South HSR Integrated Development is located next to a high-speed railway station, facilitating convenient regional access. Construction began in Q4 2020, with the site expected to become operational in 2024.

In Southern China

Hengqin Integrated Development
(Group interest: 100%)
This development is immediately adjacent to the newly operational Border Crossing facility at Macau Lotus Bridge and comprises approximately 42,300 square metres of office space, 43,000 square metres of retail facilities, 15,600 square metres of hotel, and 33,400 square metres of apartments complemented by a 1,250-square-metre clubhouse and a 1,300-space car park.

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

In Singapore

Park Nova
(Group interest: 100%)
Located in Singapore's prestigious residential district and within walking distance to the world-renowned Orchard Road Shopping Belt, design and planning work of this 46,084 square foot site has progressed well on track within the period. The 21-storey residential tower will feature a maximum gross floor area of approximately 142,000 square feet and will have 51 simplex units and 3 penthouses. The building is lifted high above Orchard Boulevard on elliptical columns to create unobstructed private views above the lush greenery. Each unit is served by a private lift, catered for upmarket buyers seeking an exclusive yet central urban lifestyle at the heart of actions. The project is scheduled for launch in the first half of 2021 and is expected to complete in 2023.

Les Maisons Nassim
(Group interest: 100%)
This majestic development standing on a 66,452 square feet prime site located at one of the most coveted addresses in town, will be developed into approximately 102,000 square feet of Bungalow-in-the-Sky. Nestled in the ultra-luxurious heritage mansion district, this epic development will have a total of 14 units comprising 8 simplex units, 4 duplex units and 2 penthouses, slated for launch in 2021 with expected completion in early 2023. Each residence is fitted with its own dedicated private lobby and lift, and features a grand arrival experience with verdant landscape which speaks subtle luxury and sophistication.

PROJECTS UNDER PLANNING

In Macau

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

PROPERTY INVESTMENTS

In Hong Kong

liberté place
(Group interest: 64.56%)
This mall is located at Lai Chi Kok MTR Station in West Kowloon. As a neighborhood mall offering everyday household conveniences to the four largest residential developments in Kowloon West, business has been relatively less affected under the impact of COVID-19 in comparison with other retail facilities under the Group's portfolio. As of the end of 2020, the mall maintained an occupancy rate of 99%.

The Westwood
(Group interest: 51%)
With 158,000 square feet of leasable area across five storeys, The Westwood is a prominent shopping destination serving the Western District on Hong Kong Island. The mall is currently undergoing major renovation with expected completion by mid-2021. With the current headwinds faced by the retail industry, the Group is proactively implementing tenant retention measures to support retailers with their business, and shall gradually optimize its tenancy program to better serve the local community in the future. As of 31 December 2020, the mall maintained an occupancy rate of 89%.

Chatham Place
(Group interest: 51%)
This 3-storey shopping arcade appending to Chatham Gate is positioned as an educational hub with a major kindergarten as its key anchor tenant complemented by a host of children learning centres. With the extended period of school closures and social distancing orders under the pandemic, the Group has offered special concessions to support its tenants. As of 31 December 2020, the mall posted an average occupancy of 47%.

REVIEW OF OPERATIONS

Shun Tak Centre Portfolio

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

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

In Macau

Nova Mall
(Group interest: 50%)
The long anticipated Nova Mall made its debut in April 2020 as its largest anchor tenant IKEA opened its first shop in Macau, followed by a number of other retailers at B1 level. As the first shopping destination in Macau created with local needs in mind, the Mall immediately gained wide popularity despite under an exceptionally challenging retail environment. As of 31 December 2020, close to 60% of space has opened for business and close to 90% of floor area has been leased out. Prospective tenants remain confident in entering the Macau market despite slight delays to their original plans. It is expected that the property will generate strong rental income for the Group, as well as bring new vitality to Macau's retail economy.

One Central Shopping Mall
(Group interest: 51%)
Widely known for its premium flagship stores and international designer brands, One Central is a prominent shopping destination housing around 400,000 square feet of shops and services. It maintained a satisfactory average occupancy of 92% during the year under lease relief programs extended by landlord. The average retail rent in 2020 decreased to MOP$120 per square feet from MOP$207 per square feet in 2019 due to temporary rent relief.

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

In China

Shun Tak Tower Beijing
(Group interest: 100%)
Shun Tak Tower is situated in Beijing Dong Zhi Men, conveniently located next to the airport highway and enjoys proximity to Beijing downtown and the embassy area. The site spans 63,000 square feet (5,832 square meters), with a gross floor area of approximately 419,000 square feet (38,900 square meters) rising 21 levels aboveground, and 182,000 square feet (16,900 square meters) in 4 underground levels. The property also houses a 138-room Artyzen Habitat Hotel. Under the competitive leasing market and deflating office demand, landlord is offering concessionary terms for renewing tenants. The property posted an average office occupancy rate of 84% in 2020.

Guangzhou Shun Tak Business Centre
(Group interest: 60%)
This development in Guangzhou, a 32-storey office tower over a six-storey shopping mall, generated steady revenue for the Group in the year. Its average occupancy rate over the year was 95%.

PROPERTY SERVICES

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

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

Flow of Harmony

TRANSPORTATION

Combining our wealth of experience and resources, we spearhead a seamless cross-modal transportation network to bring people and business together across the region, forming the basis of synergistic growth.

REVIEW OF OPERATIONS

TRANSPORTATION

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

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

SHUN TAK - CHINA TRAVEL SHIPPING INVESTMENTS LIMITED

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

In July 2020, the Group completed an important shareholding restructure exercise in association with China Travel International Investment Hong Kong Limited ("CTII"). As a result, Shun Tak - China Travel Shipping Investments Limited became a 50/50 owned company, taking the twenty years partnership further with the vision of solidifying a multi-modal transportation platform in

Greater Bay Area and sharing resources and experiences in cross border sea and land transportation industries in order to capitalize upon surging traffic flow within the region.

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

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

Vigours of Harmony

HOSPITALITY

The Group is committed to cultural and heritage preservation, constantly reinventing and redefining contemporary travel by bringing new hotel and recreational concepts to life, while respecting traditional values indigenous to destinations.

REVIEW OF OPERATIONS

HOSPITALITY

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

HOTELS IN OPERATION

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

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

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

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

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

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

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

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

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

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

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

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

REVIEW OF OPERATIONS

HOTELS UNDER PLANNING AND DEVELOPMENT

No. 9 Cuscaden Road, Singapore
At one of the most premium site in downtown Orchard area, the Group is developing a 5-star luxury hotel with no fewer than 142 rooms to be branded as Artyzen Hotels and Resorts. It will comprise a high-end restaurant and bar, a rooftop dining area, an outdoor swimming pool, a gym and other wellness facilities Superstructure work has been commenced with topping out scheduled for Q2 2021. Under the impact of COVID-19, construction has been delayed and scheduled opening has been pushed back to mid-2022.

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

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

Artyzen New Bund 31
This 202-room high end lifestyle hotel will be the first keystone for the "Artyzen" brand in China upon completion in year 2023.

ARTYZEN HOSPITALITY GROUP

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

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

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

TOURISM FACILITY MANAGEMENT

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

MEMBERSHIP CLUB

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

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

Convergence of Harmony

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 to drive value for investors and stakeholders.

INVESTMENTS

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

KAI TAK CRUISE TERMINAL

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

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

RETAIL MATTERS COMPANY LIMITED

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

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

RECENT DEVELOPMENTS AND PROSPECTS

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

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

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

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

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

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

Community of Harmony

CORPORATE SOCIAL RESPONSIBILITY

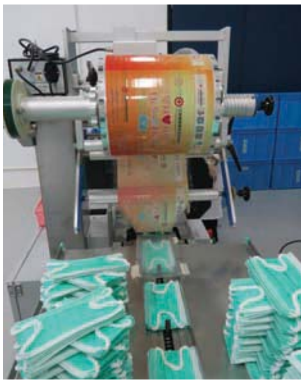
Thinking and growing as one with our cities and communities, the Group is a strong advocate of corporate social responsibility and actively builds integration and harmony.

CORPORATE SOCIAL RESPONSIBILITY

The COVID-19 pandemic has created unprecedented challenges around the world, negatively affecting every segment of society like businesses, employment, healthcare, education, food security, etc. As a committed corporate citizen, the Group recognises its responsibilities towards society in good times and bad times, and the actions it needs to take to achieve a positive impact on society.

MANAGING CRISIS – PROTECTING PEOPLE'S HEALTH AND SAFETY

Recognising each crisis as nature's way of testing one's strength, challenging one's preparedness to overcome difficult situations, and checking one's ability to turn adversities into opportunities, the Group swiftly established emergency plans and measures at the onset of the pandemic to protect the health and safety of people within its circle of influence. The Group also mobilised its workforce and inspired employee volunteerism and giving, and intensified its collaboration with its local and overseas partners, local non-governmental organisations ("NGOs") and local authorities to deliver help.



Surgical Face Masks

In response to the shortage of protective masks following the outbreak of the pandemic, the Group donated HK$3 million to The Hong Kong Federation of Trade Unions in March 2020 to manufacture urgently-needed surgical face masks for frontline healthcare workers, low-income families and disadvantaged groups.

The Group also donated masks to its long-time NGO partners Hong Kong Federation of Women, Po Leung Kuk and Tung Wah Group of Hospitals for distribution to those in need.

Together with its business partner in Singapore, the Group donated 5 million surgical face masks to the Social Service Sector in Singapore through Community Chest Singapore in support of the various vulnerable groups in that country.

Food and Daily Necessities

The Group empowers its employees to leverage corporate resources to do good and supports their passion for giving and volunteerism.

During the pandemic, the Group's employees made donations to support Po Leung Kuk's "Boundless Compassion · Solidarity in Action" COVID-19 Response Programme, and contributed to the provision of free food packs or hot meals for the disadvantaged groups and grassroots families. Partnering with Tung Wah Group of Hospitals Wu Ki Lim Neighbourhood Elderly Centre, the Group's employees volunteered to visit and deliver daily necessities and food to seniors living alone in their homes in Yiu Tung Estate.

The Group's Macau Office donated 1,000 kilograms of food items to the food bank of Caritas Macau to support the needy. Employees in that office contributed to Oxfam Actions Against COVID-19 rice distribution programme to low income families in Macau.


CORPORATE SOCIAL RESPONSIBILITY

Token of Love

In support of Po Leung Kuk's "Boundless Compassion · Solidarity in Action" COVID-19 Response Programme, the Group's employees created handwoven bags and hand-written cards filled with blessings, encouraging words and children drawings, to be included in Po Leung Kuk's distribution packs of food and anti-pandemic supplies to seniors and underprivileged children.

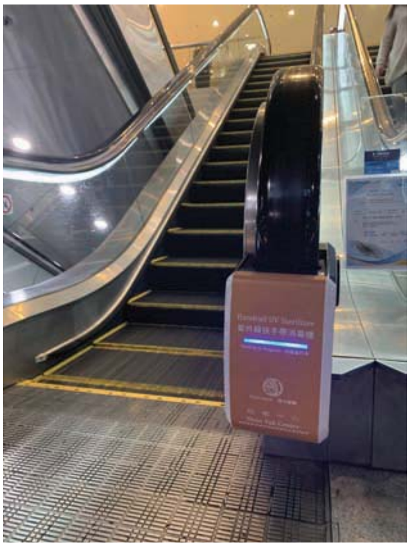
The Group was keenly aware of the devastating effects of the pandemic on mental health, particularly that of the elderly and the vulnerable who likely experienced intensified sense of isolation, loneliness and fear during these difficult times. As such, the Group continued without hesitation its long-established tradition of fund-raising and awareness-raising for worthy social causes in activities such as flag day, charity run, World Autism Awareness Day, Knit for Charity, learning tours for tourism students and disabled students, arts and culture events.

Safety Measures

When the pandemic hit, the Group immediately put in place precautionary measures to minimise the spread of COVID-19 at its workplace and on its residential and commercial properties.

At the workplace, the Group provided surgical face masks to its staff; enforced mask wearing protocol at all times; adopted split teamwork and work-from-home arrangements; implemented online meeting plans; suspended business travel; imposed restrictions on visits from external parties, etc. In response to the mandatory quarantine requirement, the Group's Macau Office provided 6 months of free accommodation to around 230 frontline employees who are residents in China but employed in Macau.

At the workplace and on the residential and commercial premises, the Group applied rigorous disinfection and sterilisation protocols to keep its stakeholders safe. Additional preventive actions carried out in the residential estates and shopping malls included temperature checking; installation of automatic hand sanitiser dispensers; frequent and increased disinfection of high-touch surfaces such as handrails, lifts, glass doors, handles and stair handles; and limitation on the number of occupants and visitors using the lifts during rush hours.



TURNING CHALLENGES INTO OPPORTUNITIES

Despite the interruptions in business operations brought by government emergency measures such as social distancing guidelines, quarantines and border closures, the Group ensured progress continues in its projects at hand and in the works. The Group also strategically reorganised and reprioritised its business operations in order to get a head start when normalcy resumes.

On the governance front, the Group established the Sustainable Procurement Policy and Supplier Code of Conduct to extend its sustainability commitment towards our supply chain. The Sustainable Procurement Policy outlines the environmental and social sustainability principles for our procurement practices, and green specifications for our suppliers. The Supplier Code of Conduct defines our sustainability standards and expectations of our suppliers.

On the environment front, the Group continued its group-wide initiatives to minimise energy consumption, reduce waste, conserve resources, encourage recycling and promote green building. The Group's Hengqin Integrated Development successfully adopted the "Sponge City" concept and was awarded 3-star (highest rating) by China's Green Building Evaluation Label, also known as Three Star. The Group also pledged support of the Task Force on Climate-related Financial Disclosures, identified its climate-related risks and explored mitigation measures.

BUILDING RESILIENCE

The Group believes resilience is a sum total of an optimistic mindset and positive thinking, belief in one's ability to adapt in the face of adversity, persistence in finding solutions to difficult situations, insistence in building and enhancing relationships with all of its stakeholders, and courage to make changes and be creative.

Hang Seng Corporate Sustainability Index Series Member 2020-2021

10th Consecutive Year as a constituent stock of Hang Seng Corporate Sustainability Benchmark Index

15 years+ 商界展關懷 caringcompany Awarded by The Hong Kong Council of Social Service 香港社會服務聯會頒發

15 Years Plus Caring Company Logo awarded by The Hong Kong Council of Social Service

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 2020	Estimated Completion Date
Hong Kong						
Chatham Gate No. 388 Chatham Road North, Kowloon	32 motor car parking spaces (Note 1)		Carpark	51%	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)	3,832 (Note 2)	5,426	Residential	100%	Completed	—
	93 motor car parking spaces (Note 2)		Carpark	100%	Completed	—
Phase V - Nova Grand (Taipa Lot BT2/3)	61,691 (Note 2)	23,843	Residential	71%	Completed	—
	664 motor car parking spaces (Note 2)		Carpark	71%	Completed	—
	143 motorcycle parking spaces (Note 2)		Carpark	71%	Completed	—

	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 2020	Estimated Completion Date
PRC						
Lot 31-01,Code Z000801, Qiantan Dislrict, the South Extension of Huangpu River, Pudong New Area, Shanghai	140,542 (Note 3)	26,707	Commercial (with Art & Cultural Centre)/ Office/ Hotel	50%	Superstructure works in progress	2023 2021 2023
Plots 13, 14-1 and 14-2 Tongzhou District, Beijing	299,661 (Note 4)	38,926	Commercial/ Office/ Serviced Apartment	24%	Substructure works in progress	2023
Plots Zhu Heng Guo Tu Chu No. 2013-04 Hengqin New District, Zhuhai	135,659	23,834	Commercial/ Office/ Apartment/ Hotel	100%	Development completed and Fitting out works in progress	—
Plots Jin Xi Qing (挂)No. 2018-09, 2018-10 and 2018-11 Zhang Jia Wo Zhen, Xi Qing District, Tianjin	325,032 (Note 7)	76,988	Hotel/ Commercial/ Medical/ Eldercare	30%	Superstructure works in progress	2023
Plots KCC2018-6-A1 and KCC2018-6-A2 Chenggong District, Kunming, Yunnan	552,308 (Note 7)	65,054	Hotel/ Commercial/ Medical/ Eldercare/ MICE	30%	Substructure works in progress	2023
Plots 33-02, 44-01, 46-01 and 46-02 Jing An District, Shanghai	328,983 (Note 7)	65,692	Residential/ Office/ Commercial	40%	Mainly superstructure works in progress	2022
Singapore						
TripleOne Somerset 111 Somerset Road	47,647 (Note 1)	10,166	Commercial/ Office/ Medical Suite	100%	Asset enhancement works was completed	—
9 Cuscaden Road	11,048	2,391	Hotel	100%	Superstructure works in progress	2021
Park Nova 18 Tomlinson Road	13,187 (Note 8)	4,281	Residential	100%	Substructure works in progress	2023
Les Maisons Nassim 14, 14A, 14B and 14C Nassim Road	9,507 (Note 8)	6,174	Residential	100%	Substructure works in progress	2023

SCHEDULE OF MAJOR PROPERTIES

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 2020	Estimated Completion Date
Macau						
Harbour Mile (Note 5)	110,204 (Note 6)	12,960 (Note 6)	Commercial/ Residential/ Hotel	100%	Land bank	—

PROPERTIES UNDER PLANNING

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2020	Year of Lease Expiry
Thailand						
Rawai Beach, Phuket, Thailand	—	36,800	Hotel	50%	Land bank	Freehold

PROPERTIES HELD BY THE GROUP FOR OWN USE

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2020	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	50%	—	2051
Macau						
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
Shun Tak Centre Shopping Mall, B/M, G/F - 4/F and flat roofs on 4/F, 7/F and 8/F 200 Connaught Road Central, Hong Kong	—	—	Commercial	55%	19,861	2055

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
3801-6 and 3812 on 38/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong	1,285	—	Office	55%	—	2055
Shun Tak Centre, 5/F - 6/F, 200 Connaught Road Central, Hong Kong	85 parking spaces	—	Carpark	55%	—	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
Macau						
Macau International Centre, Macau 2/F to 4/F (whole floor) and Flats A, B, C of 5/F, Block 12	2,894	—	Residential	100%	—	2026 renewable to 2049
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
Nova Mall Avenida de Kwong Tung, Taipa	60,900		Commercial	50%	38,698	2031
	609 motor car parking spaces		Carpark	50%	—	2031

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Approx. Lettable Floor Area (Sq.m)	Year of Lease Expiry
PRC						
Shun Tak Business Centre, 246 Zhongshan Si Road, Guangzhou, PRC	28,453	—	Office	60%	28,453	2045
	5,801	—	Commercial Shopping Arcade	60%	5,801	2035
	51 motor car parking spaces	—	Carpark	60%	—	2035
Shun Tak Tower No. 1. Xiangheyuan Road, Dongcheng District, Beijing	22,273	5,832	Office	100%	22,273	2057
	56 motor car parking spaces		Carpark	100%	—	2057
Artyzen Habitat Dongzhimen Beijing	33,566		Hotel	100%	—	2047
Artyzen Habitat Hongqiao Shanghai No.3999-5 Hongxin, Minhang District, Shanghai	16,594	3,561	Hotel/ Commercial	100%	720 (Note 9)	2049
YaTi by Artyzen Hongqiao Shanghai No.3999-6 Hongxin, Minhang District, Shanghai	12,686	1,910	Hotel/ Commercial	100%	480 (Note 9)	2049

Notes:

(1) Remaining saleable area or number of car parking spaces for sale as at 31 December 2020.

(2) Remaining gross floor area or number of car parking spaces for sale as at 31 December 2020.

(3) The gross floor area, which includes basement area, shall be subject to the PRC Government approval.

(4) The gross floor area, which includes basement area but excludes carpark and mechanical areas, shall be subject to the PRC Government approval and 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) The Group is awaiting the Macau SAR Government to advice the lands parcels to be allotted and will review its arrangements for the allotted site and plan strategically for the most productive use of the land in the long term.

(7) The gross floor area shall be subject to the PRC Government approval and design development.

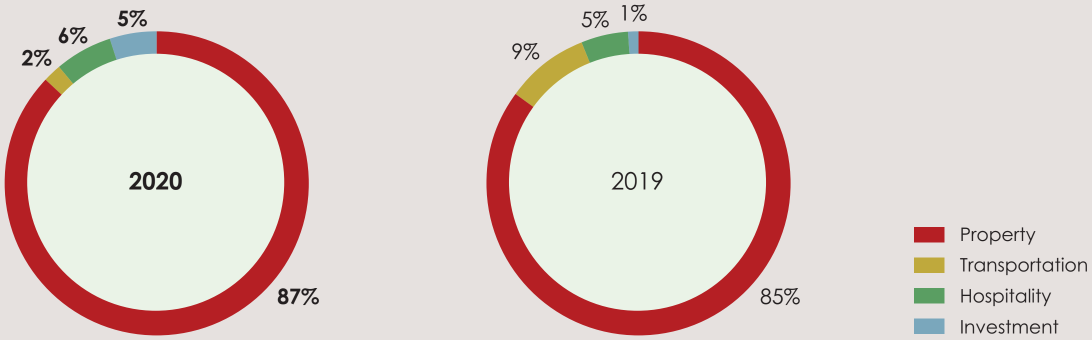
(8) The gross floor area shall be subject to the Singapore Government approval and design development.

(9) Lettable commercial floor area as at 31 December 2020.

GROUP FINANCIAL REVIEW

REVENUE ANALYSIS

Revenue by Division



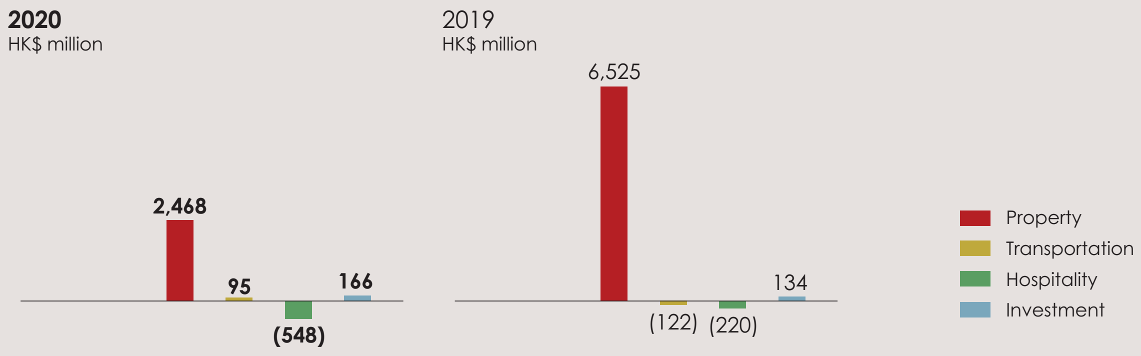
(HK$ million)	2020	2019	Variance	Change	Remarks
Property	**3,634**	12,369	(8,735)	-71%	The decrease was mainly attributable to reduced property sales recognised for residential units at Nova Grand.
Transportation	**87**	1,340	(1,253)	-94%	The decrease in ferry ticket revenue was mainly due to closure of sea-route borders from early February 2020 between Hong Kong and Macau under the impact of COVID-19.
Hospitality	**254**	786	(532)	-68%	The decrease was mainly attributable to lower room occupancy rate under the impact of COVID-19 pandemic.
Investment	**215**	154	61	+40%	The increase was mainly attributable to more dividend income from STDM.
Total	**4,190**	14,649	(10,459)	-71%	

Revenue by Geographical Area

(HK$ million)	2020	2019	Variance	Change	Remarks
Hong Kong	**652**	1,303	(651)	-50%	The decrease was mainly attributable to drop in ferry ticket revenue due to closure of sea-route borders from early February 2020 between Hong Kong and Macau under the impact of COVID-19.
Macau	**2,637**	12,240	(9,603)	-78%	The decrease was mainly attributable to reduced property sales recognised for residential units at Nova Grand.
Mainland China	**740**	214	526	+246%	The increase was mainly attributable to the property sales recognised for Hengqin project.
Others	**161**	892	(731)	-82%	The decrease was mainly due to reduced property sales in Singapore.
Total	**4,190**	14,649	(10,459)	-71%	

PROFIT AND LOSS ANALYSIS

Segment results by Division



(HK$ million)	2020	2019	Variance	Change	Remarks
Property	**2,468**	6,525	(4,057)	-62%	The decrease was mainly attributable to lower property sales recognised for residential units at Nova Grand.
Transportation	**95**	(122)	217	+178%	The increase was mainly due to gain arising from the restructuring of Shun Tak - China Travel Shipping Investments Limited ("STCT") which became an associate of the Group in July 2020. The gain was offset by the loss due to decrease in ferry ticket revenue as a result of closure of sea route borders between Hong Kong and Macau from early February 2020 under the impact of COVID-19.
Hospitality	**(548)**	(220)	(328)	-149%	The decrease was mainly attributable to decline in room occupancy rate due to impact of COVID-19 pandemic.
Investment	**166**	134	32	+24%	The variance was mainly attributable to more dividend income from STDM.
Unallocated net income	**14**	150	(136)	-91%	The decrease was mainly due to lower interest income and reduced in fixed deposits during the year.
Fair value changes on investment properties	**(449)**	(182)	(267)	-147%	The fair value loss on investment properties reflected the performance of our portfolio in the property market.

GROUP FINANCIAL REVIEW

(HK$ million)	2020	2019	Variance	Change	Remarks
Operating profit	**1,746**	6,285	(4,539)	-72%	
Finance costs	**(382)**	(617)	235	+38%	The variance was mainly attributable to the decrease in interest rates and maturity of the medium term notes in March 2020.
Share of results of joint ventures	**(430)**	39	(469)	-1203%	The decrease was mainly due to its attributable share of the fair value loss of investment properties under the impact of COVID-19 in 2020.
Share of results of associates	**9**	173	(164)	-95%	The decrease reflected attributable share of the results from associates and that of STCT Group from 16 July 2020 after its restructuring.
Profit before taxation	**943**	5,880	(4,937)	-84%	
Taxation	**(310)**	(771)	461	+60%	The decrease was mainly attributable to reduced taxable profit from property sales.
Profit for the year	**633**	5,109	(4,476)	-88%	
Profit attributable to non-controlling interests	**(371)**	(1,653)	1,282	+78%	The variance was mainly attributable to reduced profit shared by non-controlling interests in property division.
Profit attributable to owners of the Company	**262**	3,456	(3,194)	-92%	

+/- 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 2020, the Group's total net assets decreased by $2,545 million over last year to HK$37,916 million. Cash and liquidity position remains strong and healthy. During the year, net cash from operating activities amounted to HK$1,027 million. Major cash inflow of investing activities included HK$1,352 million for decrease in bank deposits with maturities over three months. The major cash outflow of investing activities consisted of HK$1,074 million from acquisition of joint ventures and HK$795 million capital contribution to associates. Net cash used in financing activities of HK$5,863 million was mainly attributable to the composite effect from repayment of loans and medium term notes, drawdown of new bank loans, payment of finance cost and dividend paid to shareholders and non-controlling interests.

Cash Flow Variance Analysis (HK$ million)	2020	2019	Variance
Operating activities	**1,027**	5,811	(4,784)
Investing activities	**(667)**	(1,468)	801
Financing activities	**(5,863)**	(3,214)	(2,649)
Net (decrease)/increase in cash and cash equivalents	**(5,503)**	1,129	(6,632)

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

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

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

Maturity Profile

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

Material Acquisitions, Disposals and Commitments

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

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

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

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

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

GROUP FINANCIAL REVIEW

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

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

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

Charges on Assets

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

Contingent Liabilities

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

Human Resources

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

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 2020.

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 2020 and the state of affairs of the Company and of the Group as at that date are shown in the financial statements on pages 111 to 210.

DIVIDEND

No interim dividend was declared by the board of directors (the "Board") during the year ended 31 December 2020 (2019: nil).

The Board does not recommend the payment of any final dividend (2019: HK18.0 cents per share) in respect of the year ended 31 December 2020.

DIVIDEND POLICY

The delivery of stable and sustainable returns to shareholders is a key goal of the Company which endeavours to maintain its stable dividend policy (the "Dividend Policy"). In implementing this important goal, the Company takes into account a number of factors including its anticipated consolidated annual profits; the Group's financial, working capital and cash flow positions; operations, earnings and investment returns; development pipeline and future funding requirements; capital and other reserve requirements and surplus; and other conditions or factors set out in the Dividend Policy which the Board deems to be relevant and appropriate.

BUSINESS REVIEW

A review of the Group's business for the year ended 31 December 2020 and discussion of its future development are provided in Chairman's Statement, Review of Operations, and Recent Developments and Prospects on pages 16 to 41.

A description of the principal risks and uncertainties that the Group may be facing is provided in the Audit and Risk Management Committee Report on pages 90 to 101.

REPORT OF THE DIRECTORS

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, 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 integrating sustainability into its business operations. Its Sustainability Policy sets out an overarching approach to manage and minimise environmental impact of our operations. To further incorporate sustainable practice into our business operations and to monitor our supply chain's sustainability performance, the Group introduced the Sustainable Procurement Policy in 2020.

In addition, the Group identified its climate-related risks and explored mitigation measures, referencing the recommendations from the Task Force on Climate-related Financial Disclosures ("TCFD"), an international organisation which has developed a set of voluntary climate-related financial risk disclosures. Our continued effort to improve energy, water and waste performance has resulted in the reduction of our carbon footprint across our operations.

RELATIONSHIPS WITH STAKEHOLDERS

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

The Group regards its employees as one of its most important assets, and is committed to providing them with a work environment that is healthy and safe, fair and inclusive, and conducive to personal growth and career development. The Group encourages its employees to pursue continuous education and promotes work-life balance.

The Group strives for excellence in service across its business activities. The Group values customer engagement, safeguards customer health, safety and privacy, and upholds business transparency.

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. In 2020, the Group implemented the Supplier Code of Conduct, which defines minimum standards of business conduct the Group expects from its suppliers.

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 Company'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 page 211.

PARTICULARS OF PROPERTIES

Particulars regarding the properties and property interests held by the Group are shown in the Schedule of Major Properties on pages 48 to 53.

SHARES ISSUED

No shares were issued during the year ended 31 December 2020.

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 2020, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$6,063,690,000 (2019: HK$6,985,674,000).

DONATIONS

During the year, the Group made donations of HK$15,665,000 (2019: HK$901,000) for charitable and community purposes.

DEBENTURES

No debentures were issued during the year ended 31 December 2020.

Details of medium term notes of the Group are shown in note 30 to the financial statements.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company disclosed 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 28 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

During the year, less than 30% of the Group's total turnover was attributable to the Group's five largest customers combined. 48% of the Group's total purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 29% of the Group's total purchases.

None of the Directors, their close associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) or shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued shares) held interest, at any time during the year, in the Group's five largest suppliers.

DIRECTORS

(a) Directors of the Company

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

Executive Directors:
Ms. Pansy Ho *(Group Executive Chairman and Managing Director)*
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

REPORT OF THE DIRECTORS

In accordance with Articles 83 and 84 of the Company's Articles of Association, Ms. Maisy Ho, Mr. Rogier Verhoeven and Mr. Michael Wu 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 8 to 12.

(b) Directors of the Company's subsidiaries

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

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 by the Group in the normal course of business during the year ended 31 December 2020 are set out in note 37 to the financial statements.

The transactions disclosed in sub-paragraph 1 below under the heading of "Directors' Interests in Transactions, Arrangements or Contracts and Connected Transactions", fall under the definition of continuing 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. 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"). Ms. Pansy Ho and Mr. David Shum are directors of STDM. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, which is a corporate director of STDM. Ms. Maisy Ho is an appointed representative of the Company, which is a corporate director of STDM.

   During the year, 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. Ms. Daisy 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"):

   The master products and services agreement (setting out a framework for the provision of products and services by the Group to the STDM Group, and vice versa, from time to time on a non-exclusive basis) was first entered into between the Company and STDM on 14 December 2015 and expired on 31 December 2018. On 22 February 2019, the Company and STDM entered into a renewed master products and services agreement (the "Renewed Master Products and Services Agreement") to continue to set out a framework to provide for the provision of products and services below by the Group to the STDM Group, and vice versa, from time to time on a non-exclusive basis. The Renewed Master Products and Services Agreement is for a term of 3 years from 1 January 2019 to 31 December 2021. Subject to compliance with the Listing Rules, the Renewed Master Products and Services 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) sale of travel and transportation products and provision of travel agency services, including but not limited to hotel accommodation, cruise, taxi services and ticketing;

  (iii) provision of management and operation services to hotels and other hospitality properties and business owned by the STDM Group including but not limited to the Grand Lapa Hotel (now rebranded as Artyzen Grand Lapa Macau), the Grand Coloane Resort and Macau Tower Convention & Entertainment Centre;

  (iv) provision of other property related services including but not limited to property management, sale, leasing, project management, cleaning and other services to various properties owned by the STDM Group; and

  (v) provision of business support services including but not limited to laundry, company secretarial services, promotion and advertising, office administrative services and concierge services.

- provision of the products and services by the STDM Group to the Group including the following:

  (vi) sale of travel products including but not limited to hotel accommodation, tourist spot tickets, local tour and helicopter tickets to the travel agency arm of the Group; and

  (vii) provision of business support services including but not limited to towage and associated marine operation services.

As disclosed in the Company's announcement dated 22 February 2019, annual caps for the Ferry Ticket Transactions (item (i) above) between STDM Group and Shun Tak - China Travel Shipping Investments Limited ("STCTSI"), a then indirect non-wholly-owned subsidiary of the Company until 16 July 2020, for the three years ended 31 December 2019, 2020 and 2021 were set for HK$128.8 million, HK$135.2 million and HK$142.0 million respectively. No annual cap was set for the discount on 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%.

Upon completion of the Proposed Restructuring (as defined in sub-paragraph 3 below and disclosed in the Company's announcement dated 6 March 2020 and the Company's circular titled "Major and Connected Transaction in relation to a Cross Boundary Transportation Joint Venture Company" dated 26 March 2020) on 16 July 2020, STCTSI had ceased to be a subsidiary of the Company and became an associate of the Group since then. Accordingly, the Ferry Ticket Transactions between STDM Group and STCTSI under the Renewed Master Products and Services Agreement are no longer subject to any of the reporting, annual review and announcement requirements thereafter.

In addition, STDM was during the year a substantial shareholder of a non-wholly-owned subsidiary of the Company until 23 October 2020, when STDM disposed of its interest in that subsidiary. As such, STDM ceased to be a connected person (as defined under the Listing Rules) of the Company with effect from 23 October 2020 and the transactions of other categories (items (ii) – (vii) above) under the Renewed Master Products and Services Agreement are no longer subject to any of the reporting, annual review and announcement requirements thereafter.

During the period from 1 January 2020 to 16 July 2020, HK$7.3 million of ferry tickets were sold to the STDM Group under the Renewed Master Products and Services Agreement.

REPORT OF THE DIRECTORS

2. Melco Crown Entertainment Limited ("MCE") (now known as Melco Resorts & Entertainment Limited) became a subsidiary of Melco International Development Limited ("MID") under the Listing Rules on 9 May 2016. MID is a majority-controlled company (as defined in the Listing Rules) of Mr. Ho, Lawrence Yau Lung, a family member of Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho (all being Directors). As a result, 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"), which was a wholly-owned subsidiary of STCTSI and was then an indirect non-wholly-owned subsidiary of the Company until 16 July 2020, entered into a ferry ticket sales framework agreement (the "Ticketing Agreement") with MPEL Services Limited (now known as Melco Resorts Services Limited ("MRSL")), a wholly-owned subsidiary of MCE. The Ticketing Agreement regulates the sale of tickets for ferry services to and from Macau operated by STCTSI and its subsidiaries ("Ferry Tickets") 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 those 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. The Ticketing Agreement expired on 31 December 2018.

   On 14 December 2018, STCTSML and MRSL entered into a renewed ferry ticket sales framework agreement (the "Renewed Ticketing Agreement") to set out the principal terms and conditions upon which from time to time STCTSML may sell to Melco International Development Limited and its subsidiaries (the "MID Group") and the MID Group may purchase from STCTSML, the Ferry Tickets for a further 3 years from 1 January 2019 to 31 December 2021. Further details of the Renewed Ticketing Agreement were disclosed in the Company's announcement dated 14 December 2018.

   As mentioned in sub-paragraph 1 above, STCTSI had ceased to be a subsidiary of the Company and became an associate of the Group since 16 July 2020. Accordingly, the transactions contemplated under the Renewed Ticketing Agreement are no longer subject to any of the reporting, annual review and announcement requirements thereafter.

   During the period from 1 January 2020 to 16 July 2020, HK$1.9 million of ferry tickets were sold to the MID Group under the Renewed Ticketing Agreement.

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 6 March 2020, the Company and China Travel International Investment Hong Kong Limited ("CTII") through their respective subsidiaries entered into the following agreements to implement the proposed restructuring for transforming STCTSI into a new transportation platform for the provision of cross boundary transportation services in the Greater Pearl River Delta Region (including the Greater Bay Area) by combining the respective existing ferry and coach businesses of the Company and CTII:

   (i) a sale and purchase agreement entered into between Interdragon Limited ("Interdragon") and Dalmore Investments Limited ("Dalmore") in relation to the disposal of 2,100 ordinary shares of STCTSI, representing 21% of the issued share capital of STCTSI by Interdragon to Dalmore for a cash consideration of HK$437 million (subject to adjustment) (the "Target Disposal");

   (ii) a sale and purchase agreement entered into between CTII and the STCTSI in relation to the proposed acquisition of one ordinary share of China Travel Tours Transportation Development (HK) Limited ("CTTT"), representing the entire issued share capital of CTTT and the shareholder's loan due and owing to CTII by CTTT in the sum of approximately HK$160 million by STCTSI from CTII for a cash consideration of HK$508 million (subject to adjustment) (the "CTTT Acquisition"); and

   (iii) a sale and purchase agreement entered into between Shun Tak Tourism Investment Holdings Limited ("STTI", a wholly-owned subsidiary of the Company) and STCTSI in relation to the disposal of one ordinary share of Jointmight Investments Limited (a wholly-owned subsidiary of the Company) by STTI to STCTSI for a cash consideration of HK$55 million (subject to adjustment)(the "Jointmight Disposal").

   The proposed restructuring comprises the Target Disposal, CTTT Acquisition and Jointmight Disposal (collectively the "Proposed Restructuring").

   As Dalmore is a subsidiary of CTII, which is a substantial shareholder of STCTSI, each of Dalmore and CTII is a connected person of the Company at the subsidiary level. As such, each of the Target Disposal and CTTT Acquisition constitutes a connected transaction of the Company. The Proposed Restructuring was completed on 16 July 2020.

   Further details of the Proposed Restructuring were disclosed in the Company's announcement dated 6 March 2020 and the Company's circular titled "Major and Connected Transaction in relation to a Cross Boundary Transportation Joint Venture Company" dated 26 March 2020.

4. On 16 April 2020, Simply Swift Limited, an indirect wholly-owned subsidiary of the Company ("Simply Swift") and Perennial Singapore Investment Holdings Pte. Ltd. (the "Vendor", which owned 30% equity interest in Perennial Somerset Investors Pte. Ltd. (the "Target Company")) entered into a sale and purchase agreement (the "SPA") pursuant to which Simply Swift conditionally agreed to purchase and the Vendor conditionally agreed to sell (i) 687,000 issued ordinary shares of the Target Company (the "Target Ordinary Shares"); and 687,000 issued redeemable preference shares of the Target Company (the "Target Preference Shares"), representing 30% of the total issued Target Ordinary Shares and 30% of the total issued Target Preference Shares; and (ii) the bearer bonds comprising S$229 million junior bonds issued by the Target Company (the "Target Junior Bonds") for any aggregate principal amount of S$68.7 million (equivalent to approximately HK$376.8 million), representing 30% of the total issued Target Junior Bonds, at the consideration of S$155.1 million (equivalent to approximately HK$850.8 million) subject to post-completion accounts adjustment in cash.

REPORT OF THE DIRECTORS

The Target Company (being the owner of a 17-storey development known as 111 Somerset situated at 111 Somerset Road, Singapore) was an indirect non-wholly-owned subsidiary of the Company owned as to 70% by the Group. As the Vendor was a substantial shareholder of the Target Company and therefore a connected person of the Company at the subsidiary level, the entering into of the SPA constituted a connected transaction of the Company.

Further details of the SPA were disclosed in the Company's announcement dated 16 April 2020.

5. On 29 September 2020, Zhuhai Hengqin Shun Tak Property Development Co. Ltd., an indirect non-wholly-owned subsidiary of the Company at that date (the "Vendor") and each of Ms. Pansy Ho and Ms. Maisy Ho (collectively the "Purchasers") separately entered into the respective sale and purchase agreement (collectively the "Agreements") to purchase property units of the residential portion of Hengqin Integrated Development in Hengqin New District, Zhuhai, the People's Republic of China for consideration as follows:

Purchaser	**Property unit**	**Consideration**
		RMB
Ms. Pansy Ho	Unit 02, 51st Floor	12,013,090
Ms. Maisy Ho	Unit 01, 51st Floor	11,662,466

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

Further details of the Agreements were disclosed in the Company's announcement dated 29 September 2020.

Upon completion of the acquisition as described in the Company's announcements dated 22 December 2020 and 4 January 2021 respectively, the Vendor had become a wholly-owned subsidiary of the Company on 28 December 2020.

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 Agrexement") with MGM Grand Paradise Limited ("MGM"), a company in which Ms. Pansy Ho holds 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 (the "MGM Group") 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 renewable for successive terms of 3 years by mutual agreement in writing. The Renewed MGM Agreement expired on 31 December 2019.

On 27 December 2019, the Company and MGM entered into a further renewed master service agreement (the "Further Renewed MGM Agreement") to replace and renew the Renewed MGM Agreement for a further 3 years from 1 January 2020 to 31 December 2022 and may be renewed for a three-year term upon mutual agreement in writing. The Further Renewed MGM Agreement governs the terms for the provision of products and services, including but not limited to, ferry tickets, travel products and rental of hotel rooms between the MGM Group and the Group.

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.

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.

Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are directors of Shun Tak Centre Limited which is also engaged in the business of property investment.

Ms. Pansy Ho and Mr. David Shum 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. Ms. Maisy Ho 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 2020, the interests or short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept 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

		Number of shares held				Approximate percentage of total issued shares
Name of Director	**Nature of Interests**	**Personal interests**		**Corporate interests**		
			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		373,620,627	(iv)	17.86%
	Interests in issued shares	—		65,040,000	(vi)	2.15%
	Interests in unissued shares	—		148,883,374	(iii)	4.93%
Ms. Daisy Ho	Interests in issued shares	89,496,345		134,503,471	(v)	7.41%
	Interests in issued shares	—		65,040,000	(vi)	2.15%
	Interests in unissued shares	—		148,883,374	(iii)	4.93%
Ms. Maisy Ho	Interests in issued shares	38,901,203		31,717,012	(vii)	2.34%
Mr. David Shum	Interests in issued shares	5,660,377		—		0.19%

REPORT OF THE DIRECTORS

Notes:

(i) As at 31 December 2020, the total number of issued shares of the Company was 3,021,479,785.

(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 373,620,627 shares in which Ms. Pansy Ho was deemed to hold interests under the SFO, comprised 189,396,066 shares held by Beeston Profits Limited ("BPL") and 184,224,561 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.

(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 2020, 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 2020.

(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 options have been granted. Subsisting options granted before the 2002 Share Option Scheme expired 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 2020**	**At 31 December 2020**	
			HK$			Note
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)
Total				2,264,248	2,264,248	

Notes:

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

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

Save as disclosed above, as at 31 December 2020, 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 9.9% of the Company's total number of issued shares as at the date of this annual report. The Company has 3,021,479,785 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 2020, 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) or information available to 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	16.57%
Oakmount Holdings Limited ("Oakmount")	(ii)	Interests in issued shares	Beneficial owner	Long position	396,522,735	13.12%
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	12.36%
Beeston Profits Limited ("BPL")	(iv)	Interests in issued shares	Beneficial owner	Long position	189,396,066	6.27%
Classic Time Developments Limited ("CTDL")	(iv)	Interests in issued shares	Beneficial owner	Long position	184,224,561	6.10%
Megaprosper Investments Limited ("MIL")	(v)	Interests in issued shares	Interest of controlled corporation	Long position	65,040,000	2.15%
	(vi)	Interests in unissued shares	Interest of controlled corporation	Long position	148,883,374	4.93%

Notes:

(i) As at 31 December 2020, the total number of issued shares of the Company was 3,021,479,785.

(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, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum hold beneficial interests in, and are directors of, 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, as at 31 December 2020, 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 or according to information available to the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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 2020 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, 26 March 2021

CORPORATE GOVERNANCE REPORT

A. 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, 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.

The Listing Rules require every listed company to report how it applies the principles in the CG Code and to confirm that it complies with 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 2020, except for Code provision A.2.1, which requires the roles of Chairman and Chief Executive to be separate and not to be performed by the same individual. The Board is of the view that since all major decisions have been made in discussion among Board members and appropriate Board committees ("Board Committee"), 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 ("INEDs") 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 Company and its subsidiaries (the "Group"), assumes her dual capacity.

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 for Directors' securities transactions. All Directors expressly confirmed that they had fully complied with the Model Code during the year ended 31 December 2020.

Board Composition

The key principles of good governance require the Company to have an effective Board with collective responsibility for its success, values and enhancement of Shareholders' value. Non-executive Directors 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 INEDs 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 executive committee ("Executive Committee"), remuneration committee ("Remuneration Committee"), nomination committee ("Nomination Committee") and audit and risk management committee ("Audit and Risk Management Committee", formerly known as 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.

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

The 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 are set out in "Management Profile" in this annual report.

The Company has four INEDs who comprise more than one-third of the Board. Two INEDs 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 noted that Mr. Charles Ho (an INED of the Company) is the chairman and an executive director of Sing Tao News Corporation Limited (stock code: 1105) in which Ms. Pansy Ho (the Group Executive Chairman and Managing Director of the Company) is also an independent non-executive director. Taking into consideration his roles in the business activities of, and the relationship between the two companies, the Nomination Committee does not consider that such cross-directorship relationship will affect Mr. Charles Ho in performing his duties as an INED. The Nomination Committee is also of the view that all other 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.

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.

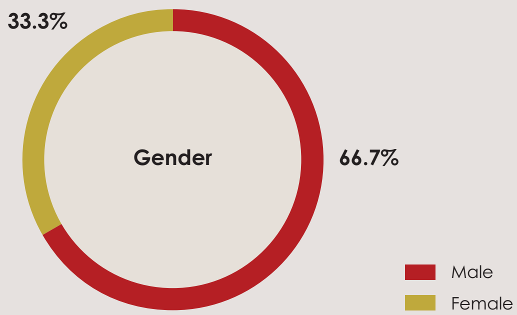
CORPORATE GOVERNANCE REPORT

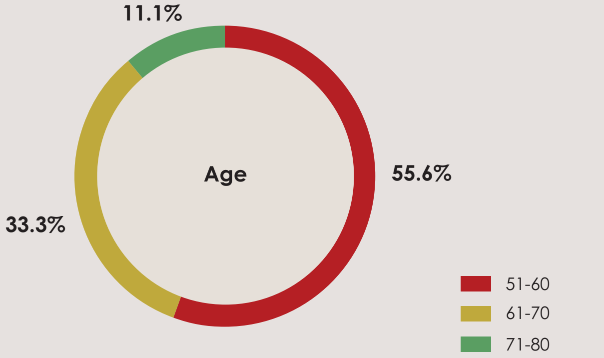
Management is delegated by the Board for carrying out the Group's day-to-day operations. The Group Executive Chairman and Managing Director together with the Deputy Managing Director, working with other Executive Directors and the executive management team, are responsible for managing the Group's businesses; 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 when necessary.

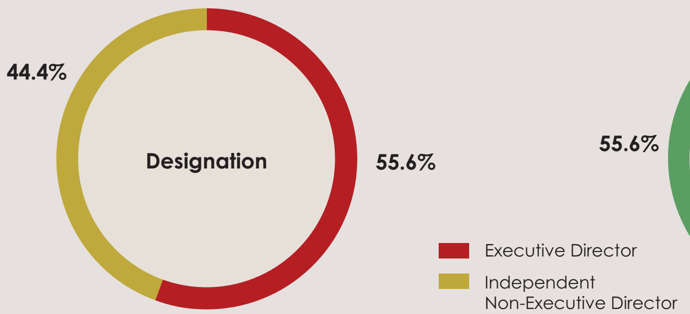
Board Diversity

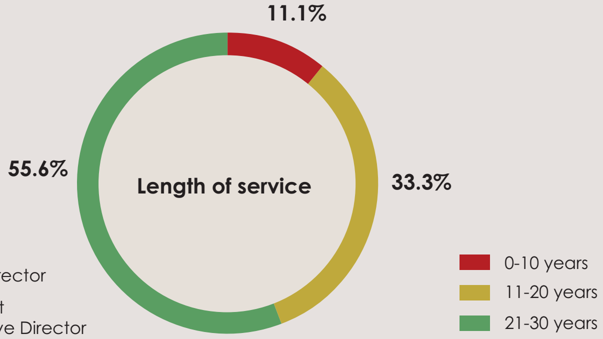
In 2013, the Board adopted a board diversity policy (the "Board Diversity Policy") to achieve a diverse Board and enhance performance quality. "Diversity" would be considered from various aspects, including gender, age, cultural and educational background, professional experience, skills, knowledge and length of service, etc. Board appointments are based on merit and candidates will be assessed against objective criteria, with due regard for the benefits of diversity. The Nomination Committee will monitor implementation of the policy and, to ensure its effectiveness, it will review the policy and recommend 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.





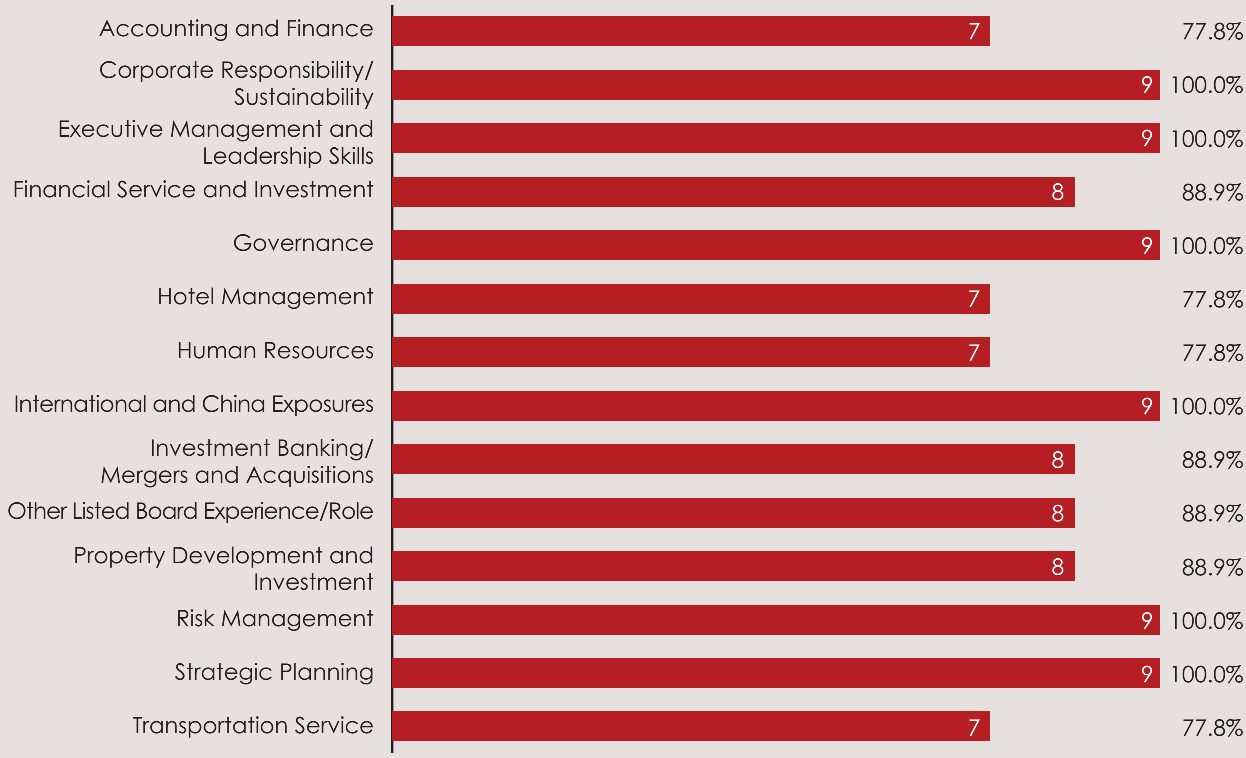




Directors are from diverse and complementary backgrounds. The valuable experience and expertise they bring to our business are critical for the long-term growth of the Company. The Nomination Committee reviewed the composition of the Board under diversified perspectives and monitored the implementation of the Board Diversity Policy and considered that the Board Diversity Policy is effective.

The current composition of the Board under diversified perspectives is summarised as follows:

Skills, Knowledge and Professional Experience



Note: The perspectives selected above have been identified as attributes of a director in alignment with the Company's nature of business.

Board Practice

To ensure that the Board works effectively and performs 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 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 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.

CORPORATE GOVERNANCE REPORT

An open atmosphere exists for Directors to contribute alternative views at meeting. 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.

Board Activities

Board activities are structured to assist the Board in achieving its goal to support and advise management on the delivery of the Group's strategy within a transparent governance framework. The diagram below shows the key areas of focus for the Board and the main activities during 2020.

Board Activities

Financial and Operational Performance

- Considered the financial performance and treasury position
- Reviewed and approved 2019 annual results & annual report and 2020 interim results & interim report
- Reviewed and approved funding activities
- Reviewed and discussed financial forecast
- Declared dividends

Strategy and Risks

- Discussed the Group's position and the challenges the Group will be facing
- Discussed business plans, as well as long-term directional strategy for the growth of the Group
- Evaluated and determined the nature and extent of the risks the Group is willing to take in achieving strategic objectives

Governance and Sustainability

- Reviewed the Company's corporate governance practices
- Reviewed the Company's Board Diversity Policy and Nomination Policy
- Considered and approved the rename of Audit Committee as Audit and Risk Management Committee
- Reviewed the continuing connected transactions
- Reviewed and approved the 2019 Sustainability Report
- Reviewed and approved the amended terms of reference of Sustainability Steering Committee
- Establishment of Sustainable Procurement Policy and Supplier Code of Conduct
- Reviewed and evaluated the Directors' fees
- Considered the re-election of Directors and re-appointment of external auditor for approval at the 2020 AGM

Others

- Considered business development opportunities and, where appropriate, approved the related projects
- Considered and, where appropriate, approved ad hoc projects including shareholding restructuring of Shun Tak - China Travel Shipping Investments Limited in association with China Travel International Investment Hong Kong Limited, acquisition of 45% interest in certain assets of Shun Tak Centre Limited from New World Hotels (Holdings) Limited, and acquisition of the remaining 30% interest in Hengqin Integrated Development
- Reviewed the appropriateness and effectiveness of the risk management and internal control systems

During the year, a total of four Board meetings were held primarily to review quarterly business performance and strategy in the business or other relevant areas.

Directors are expected to attend all meetings of the Board and the Board Committees on which they serve and to devote sufficient time to the Company to perform their duties. Where directors are unable to attend a meeting, they receive papers for that meeting giving them the opportunity to raise any issues with the Chairman in advance of the meeting. At each scheduled meeting, the Board receives updates from the relevant business/supporting units on the financial and operational performance of the Group and any specific developments in their areas of the businesses for which they are directly responsible and of which the Board should be aware. Chairpersons of the respective Board Committees would also report on matters discussed and/or approved at the relevant Board Committees' meetings held prior to the Board meetings.

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 annual general meeting ("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 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 covering topics of the Stock Exchange's new Environmental, Social and Governance ("ESG") requirements, leadership role and accountability in ESG, Connected Transaction and Notifiable Transaction Rules, 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
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, C
Mr. Michael Wu	A, B
Mr. Kevin Yip	A, B, C
Deputy Managing Director	
Ms. Daisy Ho	A, B, C
Executive Directors	
Ms. Maisy Ho	A, B, C
Mr. David Shum	A, B, C
Mr. Rogier Verhoeven	A, B

A: Reading materials and/or attending briefing/training session provided/organised by the Company or other corporations

B: Access to web-based e-learning courses launched by the Stock Exchange for directors of listed companies

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 2020, the Board held four meetings, and the Group Executive Chairman and Managing Director held one meeting with INEDs without the presence of Executive Directors.

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

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

Note: Representatives of the external auditor participated in two Audit and Risk Management Committee Meetings held in March and August 2020, and also attended the Annual General Meeting.

CORPORATE GOVERNANCE REPORT

B. BOARD COMMITTEES

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

The current composition of the Board Committees is as follows:

Board

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

Each of the Board Committees has defined duties and responsibilities set out in their respective terms of reference which are no less exacting than those in the CG Code and which are regularly reviewed and updated upon 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.

Board of Directors

Key responsibilities
- Oversee the Group's strategic development
- Set appropriate policies to manage risks in pursuit of the Group's strategic objectives
- Scrutinise operational and financial performance

Executive Committee

Key responsibilities
- 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

Remuneration Committee

Key responsibilities
- Set the Company's remuneration and incentive policy as a whole, and review and approve remuneration proposals for Executive Directors and senior management

Nomination Committee

Key responsibilities
- Monitor the implementation of policies and formulate policy and make recommendations to the Board on nomination and appointment of Directors and the Board's succession planning

Audit and Risk Management Committee

Key responsibilities
- Review the Company's financial reports, risk management and internal control systems, and effectiveness and objectivity of the audit process

Executive Committee

Composition

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.

Duties and Responsibilities

To operate more efficiently, 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 duties and responsibilities of the Executive Committee are set out in its terms of reference. Meetings are held as required by its work.

The Executive Committee was delegated by the Board to perform corporate governance functions set out in Code provision D.3.1 of the CG Code 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, 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 ("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. The Sustainability Steering Committee reports to the Board through the Executive Committee on the Company's ESG issues on a regular basis.

Details of the Remuneration Committee, Nomination Committee and Audit and Risk Management Committee, including their composition, duties and responsibilities, annual work summary and applicable policies are set out in the separate reports on pages 88 to 101 of this annual report.

Auditor's Remuneration

For the year ended 31 December 2020, the fees paid/payable by the Group to PwC for their audit and non-audit services amounted to approximately HK$11.6 million and HK$5.4 million respectively, while the audit and non-audit fees paid/payable by the Group to other auditors were HK$0.1 million and HK$0.3 million respectively. The non-audit services mainly included interim review, taxation, due diligence and other services.

CORPORATE GOVERNANCE REPORT

Accountability and Audit

For each financial year, the Directors acknowledge their responsibility for preparing the financial statements which give a true and fair view of the state of affairs, profit and cash flow of the Company and the Group 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 2020, 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 the "Independent Auditor's Report" in this annual report.

C. INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for ensuring that appropriate and effective risk management and internal control systems are established and maintained. The Executive Committee assists the Board in designing, implementing and monitoring the Group's risk management and internal control systems. Through the Audit and Risk Management Committee, the Board is responsible for the continuous review of the effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance, information technology and security, fraud detection 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. 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. Further information about the Group's risk management and internal control framework and process are set out in the "Audit and Risk Management Committee Report" on pages 90 to 101 of this annual report.

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 appropriate actions. An Inside Information Taskforce has also 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.

D. 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 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, post-results analyst briefings, investor conferences and international non-deal roadshows. Our Investor Relations Department also actively provides the investment community with the Company's latest news and developments as they arise through other channels such as IR Newsletters.

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

CORPORATE GOVERNANCE REPORT

E. DETAILS OF SHAREHOLDERS

Shareholding of the Company

Shareholding distribution based on the Company's register of members as at 31 December 2020 is shown below:

Size of Registered Shareholding	Number of Shareholders		Percentage of Shareholders	Number of shares held		Percentage of shares in issue
1 to 2,000	966		58.30%	420,393		0.02%
2,001 to 10,000	294		17.74%	1,573,585		0.05%
10,001 to 100,000	338		20.40%	10,373,455		0.34%
100,001 to 500,000	38		2.29%	7,169,231		0.24%
500,001 or above	21		1.27%	3,001,943,121		99.35%
Total	1,657	(Note 2)	100.00%	3,021,479,785	(Note 1)	100.00%

Notes:

1. 76.03% of the Company's shares in issue were held through Central Clearing and Settlement System of Hong Kong ("CCASS").

2. Actual number of Shareholders is much bigger as many shares are held through intermediaries including CCASS.

Details of the Last Shareholders' Meeting

The last Shareholders' meeting was the Company's 2020 AGM held at Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Wednesday, 24 June 2020 at 2:00 p.m.. The notice for the 2020 AGM setting out details of each proposed resolution and other relevant information in the circulars were distributed to all Shareholders more than 20 clear business days before the date of the 2020 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 2020 AGM. Procedures for conducting a poll were explained by the Share Registrar before commencement of poll voting at the 2020 AGM.

All resolutions at the 2020 AGM were duly passed including (i) receipt of the audited financial statements of the Company for the year ended 31 December 2019 and the reports of Directors and the independent auditor; (ii) declaration of 2019 final dividend; (iii) re-election of Ms. Pansy Ho and Mr. Norman Ho as Directors of the Company; (iv) approval of the Directors' fees; (v) re-appointment of PwC as auditor of the Company and authorisation to the Board to fix its remuneration; (vi) granting of the general mandate to the Board to buy back the Company's shares; (vii) granting of the general mandate to the Board to issue new shares of the Company; and (viii) authorisation to the Board to extend the general mandate to issue new shares by adding the number of shares bought back.

The poll results were posted on the websites of the Company and the Stock Exchange in accordance with the Listing Rules as soon as after the closure of the 2020 AGM.

Important Shareholders' Dates

Important Shareholders' dates in the financial year 2021 are set out in "Financial Highlights and Calendar" in this annual report.

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 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.

F. 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.

G. OTHERS

Constitutional Documents

During the year ended 31 December 2020, 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, 26 March 2021

REMUNERATION COMMITTEE REPORT

COMPOSITION

The Remuneration Committee consists of six members, namely, Mr. Norman Ho, Mr. Charles Ho, Mr. Michael Wu and Mr. Kevin Yip (all being INEDs), Ms. Pansy Ho (Group Executive Chairman and Managing Director) and Ms. Daisy Ho (Executive Director and Deputy Managing Director). Mr. Michael Wu is the chairman of the Remuneration Committee.

DUTIES AND RESPONSIBILITIES

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.

ANNUAL WORK SUMMARY

During the year ended 31 December 2020, one Remuneration Committee meeting was held. 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 approved the Remuneration Committee Report as incorporated in the 2019 Annual Report.

REMUNERATION POLICY

The remuneration policy of the Company (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". Particulars regarding Directors' emoluments and the five highest paid individuals are set out in "Notes to the Financial Statements" in this annual report.

Michael Wu
Chairman of Remuneration Committee

Hong Kong, 26 March 2021

NOMINATION COMMITTEE REPORT

COMPOSITION

The Nomination Committee consists of six members, namely, Mr. Norman Ho, Mr. Charles Ho, Mr. Michael Wu and Mr. Kevin Yip (all being INEDs), Ms. Pansy Ho (Group Executive Chairman and Managing Director) and Ms. Daisy Ho (Executive Director and Deputy Managing Director). Mr. Charles Ho is the chairman of the Nomination Committee.

DUTIES AND RESPONSIBILITIES

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 nomination policy (the "Nomination Policy") and reviewing the same and recommending any revisions to the Board for consideration. The Nomination Committee develops selection procedures for candidates and will consider different criteria including relevant 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.

ANNUAL WORK SUMMARY

During the year ended 31 December 2020, one Nomination Committee meeting was held. The Nomination Committee reviewed the structure, size, composition and diversity of the Board; the Directors' involvement in the Company's affairs; the Board Diversity Policy and Nomination Policy; 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 2020 AGM; and approved the Nomination Committee Report as incorporated in the 2019 Annual Report.

NOMINATION POLICY

In December 2018, the Company adopted the Nomination Policy which sets out the nomination procedures and the process and criteria to select and recommend candidates for directorship. The Nomination Committee would select the candidates based on the objective criteria, including without limitation, educational background, professional experience, skills, knowledge, personal qualities and the benefit of diversity as set out under the Board Diversity Policy. The Nomination Committee would also take into account whether the candidate can demonstrate his/her commitment, competence and integrity required for the position, and in case of INEDs, the independence requirements under the Listing Rules and their time commitment to the Company. The Nomination Committee monitors the implementation of the Nomination Policy and will review and recommend any revisions to the Board for consideration and approval, when necessary, to enhance effectiveness.

Charles Ho
Chairman of Nomination Committee

Hong Kong, 26 March 2021

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION

The Audit and Risk Management Committee (formerly known as 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 and Risk Management Committee. The Board is satisfied that the Audit and Risk Management 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.

DUTIES AND RESPONSIBILITIES

The Audit and Risk Management 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 and Risk Management Committee shall meet at least twice a year. Decisions may be made by circulating written resolutions accompanied by explanatory materials.

ANNUAL WORK SUMMARY

During the year ended 31 December 2020, two Audit and Risk Management Committee meetings were held to review, inter alia, (i) the Company's interim and year-end financial reports, particularly areas requiring judgement, 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 and Risk Management Committee and management's letter of representation; (v) the fees for annual audit and non-audit services for the year ended 31 December 2019 and recommendations regarding re-appointment of the Company's external auditor; and (vi) the adequacy of resources, qualifications, experiences and training requirements of staff responsible for accounting, financial reporting, treasury, financial analysis and internal audit functions; approve the Audit Committee Report and Risk Management and Internal Control Report as incorporated in the 2019 Annual Report; and propose for the change of name of Audit Committee to Audit and Risk Management Committee.

The Audit and Risk Management Committee also reviewed continuing connected transactions; reviewed and approved PwC's terms of engagement as the Company's external auditor for the year ended 31 December 2020, and its further engagement to (a) review the Company's preliminary results announcement for the year ended 31 December 2020; and (b) report on continuing connected transactions as disclosed in this annual report. As at the date of this report, the Audit and Risk Management Committee also approved the fees for annual audit and non-audit services for year ended 31 December 2020, 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 Group's whistleblowing policy (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 and Risk Management Committee was delegated with the overall responsibility for monitoring and reviewing the effectiveness of the Whistleblowing Policy.

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

The Company's auditor expressed a qualified opinion on the Group's consolidated financial statements for the year ended 31 December 2020 as they were unable to obtain sufficient appropriate audit evidence in relation to (i) the Company's share of loss of Perennial Tongzhou Holdings Pte. Ltd. (the "Associate"); (ii) share of currency translation differences of the Associate in other comprehensive income; (iii) release of exchange reserve to profit or loss upon disposal of the Associate; and (iv) gain on disposal of the Associate recognised for the year ended 31 December 2020 (the "Qualification"), as the Associate's management did not have sufficient access to the books and records of its three 50%-owned project companies (collectively, "Onshore JV") and were therefore unable to provide to the Group and its auditor adequate supporting information and explanation with respect to the financial information of the Onshore JV.

The Board wishes to provide the background to and details on the formation of the Associate and the Onshore JV to enable Shareholders to better understand the Qualification and its impact on the Company's financial position.

Background

The Company formed the Associate with Perennial Real Estate Holdings Pte. Ltd. ("Perennial") and other independent financial investors in 2013 which, in turn, formed project companies in the PRC with a local property developer (the "PRC Partner") to acquire three pieces of land in Tongzhou, PRC for development (the "Relevant Properties"). The Company held a 38.70% interest in the Associate prior to the Disposal (as defined below). The PRC Partner is responsible for the books and records of the Onshore JV.

Due diligence

The Company performed a number of due diligence steps with respect to its investment in the Associate including, among others, (i) reviewing public tender documents for acquiring the Relevant Properties; (ii) performing site visit to and desktop searches on the Relevant Properties; (iii) performing background search on the PRC Partner; (iv) reviewing the asset management agreement in respect of the Relevant Properties; and (v) reviewing joint venture agreements with respect to the Associate and the Onshore JV (the "JVAs"). Based on the above and having considered the past performance of and relationship with Perennial and the PRC Partner in their earlier joint venture, the Company did not identify any cause for concern.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Insufficient access to the Onshore JV's books and records and steps taken to address the Qualification in 2020

Given the PRC Partner was in charge of the books and records of the Onshore JV, the Associate and the Company were only provided with the management accounts of the Onshore JV, but not its underlying financial information and supporting documentation (the "Relevant Information") which the PRC Partner is required to prepare and distribute pursuant to the terms of the JVAs. In this connection, the Company took various follow-up actions including, among others, (i) seeking advice from Singapore and PRC counsels as to its rights to access the Relevant Information; (ii) instructing Perennial, as asset manager of the Associate, to exercise the Associate's entitlement to access the Relevant Information under applicable laws; and (iii) directly approaching the PRC Partner to request the Relevant Information. Despite repeated requests from Perennial and the Company, the PRC Partner failed to respond.

In light of the above and given the relatively small scale investment, alternative procedures including (i) review of land searches on the Relevant Properties; (ii) review of external valuation reports on the Relevant Properties as prepared by an independent valuer; and (iii) site visits to the Relevant Properties, were performed. Ultimately, upon arm's length negotiation with Perennial and another independent buyer, the Company disposed all of its interest in the Associate at the end of 2020 (the "Disposal") primarily to realise the accumulated capital appreciation of the Relevant Properties in order to deploy its resources elsewhere, as disclosed in its announcement dated 22 December 2020. Since the Disposal also served to address the Qualification, it will mitigate future potential risk in order to protect minority Shareholders' interests.

Taking account of the Company's minority interest in the Associate and its inability to directly inspect the Relevant Information, the Board is of the view that the Company has used reasonable efforts in performing the due diligence exercise and taking follow-up actions as stated above, which are sufficient in the circumstances. As the Disposal was completed before the end of 2020, ongoing access to the Relevant Information is no longer necessary.

Impact on the Company's financial position, management's position and view of the Audit and Risk Management Committee

Given that the Company no longer held any interest in the Associate as at 31 December 2020 as a result of the Disposal, the Board and management agree with the auditor's view that the Qualification is limited to specific line items appearing in the Group's consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2020, due to insufficient supporting documentation to confirm the Company's share of loss and currency translation difference in other comprehensive income of the Associate and the consequential gain on the Disposal. The Qualification does not have any impact on the Group's consolidated balance sheet as at 31 December 2020 and the Group's consolidated profit for the year then ended.

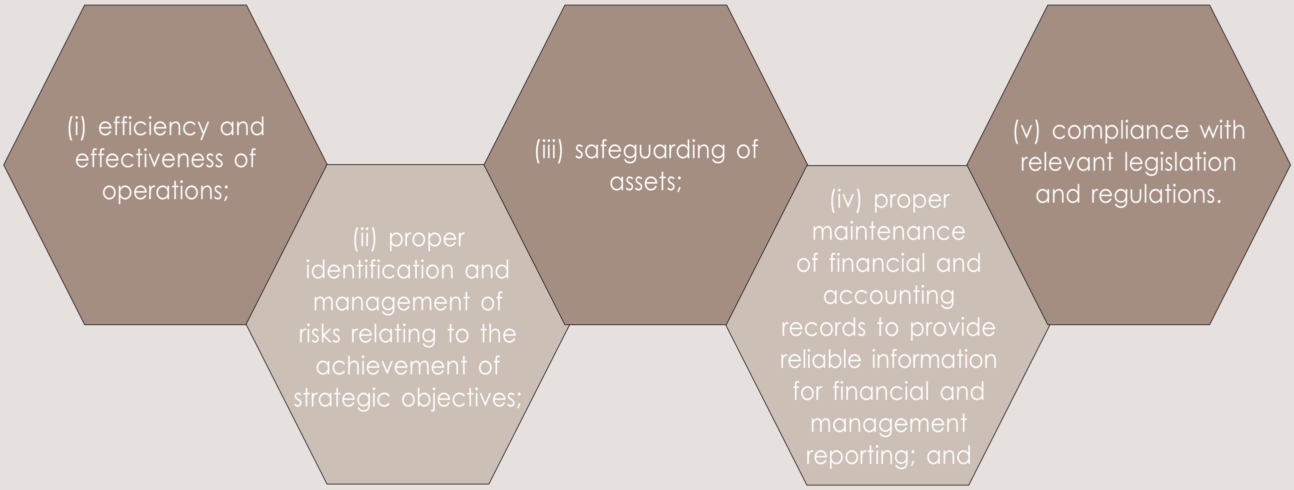
As disclosed in the Company's interim report for the six months ended 30 June 2020, the Audit and Risk Management Committee requested management to continue to take all necessary actions to resolve the matter as soon as practicable. Despite continued efforts from the Company and its management, difficulties remained in gaining access to the Relevant Information. Having reviewed and considered the circumstances, the Audit and Risk Management Committee agrees with the Board's and management's position and concurs with the auditor's view as stated above.

The lack of access to the Relevant Information may give rise to a qualified opinion on the Group's consolidated financial statements for the year ending 31 December 2021 due to its potential effect on the comparability of the FY2021 figures and the corresponding figures in FY2020.

RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities of the Board and Management

Shun Tak Group's risk management and internal control responsibilities reside at all levels within the Group, from the Board down to heads of business and supporting units as well as the general staff. The Board has overall responsibility for ensuring that appropriate and effective risk management and internal control systems are established and maintained. The Executive Committee assists the Board in designing, implementing and monitoring the Group's risk management and internal control systems which have been designed to ensure:



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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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 the Executive Committee's policies and procedures on risk management, implementing risk mitigation measures and reviewing risk management results; and

(viii) through the Audit and Risk Management Committee, ensuring that appropriate risk management and internal control procedures are in place and function effectively.

ONGOING AND ANNUAL REVIEW

Through the Audit and Risk Management Committee, the Board continues to review the effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance, information technology and security, fraud detection and risk management controls. Such process encompasses 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 and Risk Management 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 and Risk Management Committee's approval. Ad-hoc reviews will also be conducted if areas of concern are identified by the Audit and Risk Management 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.

GIAD also assists the Audit and Risk Management Committee in its reviews of 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 also reviewed to ensure competent staff are in place to maintain effective risk management and internal control systems. An audit report incorporating control deficiencies and management's rectification plans is issued for each audit.

The GIAD reports quarterly to the Audit and Risk Management Committee on the results of its assessment of the 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 and Risk Management Committee meetings twice a year to report its progress.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The process used to identify, evaluate and manage risks

Risk management is integrated into the Group's culture and day-to-day activities. With reference to International Standard on Risk Management-Principles and Guidelines ("ISO31000"), policies and procedures on risk management have been established to ensure a consistent approach to identify and address risks in business processes. The Board has established a well-defined Risk Appetite to guide employees on the level of risk permitted. 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 its potential impact or consequences.

Risk treatment options and mitigation controls are identified, analysed, implemented and reviewed. Risk management results are reported to the Executive Committee and the Audit and Risk Management Committee twice a year.

RISK MANAGEMENT PROCESS

PRINCIPAL RISK FACTORS

The Group's financial performance, operations and prospects for growth may be affected by risks and uncertainties, both direct and indirect. Based on the Group's risk assessment procedures, key risk factors are identified and are set out below (For the risks relating to climate change, please refer to the Group's sustainability report which was separately issued in April 2021) but they are not exhaustive or comprehensive and there may be additional risks not yet known to the Group or known risks whose significance will appear only in the future:

1	Outbreaks of Contagious Disease, Civil Unrest, Natural Disasters or Any Non-controllable Events	**What are the risks?** Outbreaks of contagious disease, civil unrest, severe weather conditions, natural disasters, terrorist attacks, disastrous events or travel security measures may lead to disruption of normal community life, reduction of passenger traffic and personal/business travels, suspension of operations and delay of property development schedules.	**What are the possible impacts of occurrence?** The outbreak of coronavirus disease ("COVID-19") since January 2020 has infected more than 100 million people globally and crippled the world economy. International travel has almost come to a halt as many countries are enforcing lockdowns. Ferry services between Hong Kong and Macau have been suspended since February 2020 as a result of the closure of borders by the Hong Kong and Macau SAR Governments. The social distancing rules, compulsory closure of venues, travel restrictions, tightened quarantine and hygiene measures have disruptive effects on the revenue of the Group's transportation, tourism-related, hospitality, MICE and property leasing businesses. Maintaining business continuity during the pandemic are challenging and costly which led to further deterioration of the Group's profitability.

2	Macroeconomic Environment	**What are the risks?** Changes in domestic, regional or global economic conditions may negatively affect consumer sentiment and lead to fluctuations in property prices and affect the value of properties owned or under development. Any continuous negative conditions such as the recent resurgence of COVID-19 pandemic, historically high unemployment rates, depressed stock or property prices, reduced disposable income, exchange rates fluctuations, etc. would significantly and adversely impact tourism and business spending patterns or reduce demand for leisure or business travel and hospitality businesses. Geopolitical tensions in Asia and/or around the world may create uncertainty in the regional and global economic outlook.	**What are the possible impacts of occurrence?** The global economy has plunged into recession as a result of the COVID-19 pandemic. The uncertainty arising from the China-US tensions further dampens investment and consumer sentiment and leads to a downturn in consumer demand. The Group derives a substantial portion of its revenue and operating profits from its property development, investments and property management services segments. The Group's performance is therefore dependent on economic conditions and performance of property markets in Hong Kong, Macau, PRC and Singapore. A sluggish macroeconomic environment is likely to adversely affect consumer sentiment and private consumption, and consequential downward pressure on room rates and occupancy levels of the Group's hotels, and likely reduce demand for the Group's travel, transportation and hospitality-related services such as restaurants, tourism facilities, MICE and retail businesses, all leading to a decline in revenue.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

3	Government Policies, Regulations and Approvals	**What are the risks?** Property, transportation and hospitality businesses are subject to extensive legal compliance requirements, grant of licenses or concessions, safety, hygiene, environmental, minimum wage and other necessary government approvals. Any breaches, incidents, or failure to receive licenses, concessions or approvals from relevant governments may cause suspensions of operations, loss of rights to operate or 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. Contravention of the European Union ("EU")'s General Data Protection Regulation, applicable to organizations offering goods or services to EU subjects, may result in penalties up to the higher of Euro20 million or 4% of total world-wide annual turnover.	**What are the possible impacts of occurrence?** Changes in government policies and increasingly stringent regulatory requirements may delay the Group in securing the required approvals, start and completion of its property projects and affect profits. Hospitality operations are subject to a wide variety of laws and regulations and policies including healthcare, hygiene, personal data privacy, taxation, environmental, safety, fire, food preparation, building and security etc. Increases in minimum wages could cause higher operations costs and lower profits. Policies taken by governments to mitigate the spread of COVID-19 such as lockdown of cities, travel restriction, cessation of dine-in services and quarantine measures have resulted in tremendous decline in the Group's hospitality and transportation revenue. The renewal of approvals at various operational stages of ferry operations must comply with conditions set by government authorities or shipping classification societies. Increases in departure tax or changes in visa approvals or entry restrictions may reduce passenger traffic and adversely affect revenue.

4	Competition	**What are the risks?** The Group's owned or managed hotels are subject to intense competition from large, multi-branded hotel chains, emerging regional "life style" brands and competition from new alternative suppliers such as Airbnb and HomeAway. New integrated resorts which offer greater variety pose a threat to the traditional hotels. The Hong Kong-Zhuhai-Macau Bridge opens up land transportation to Macau which directly competes with the Group's Hong Kong-Macau ferry service.	**What are the possible impacts of occurrence?** If the Group's owned or managed hotels cannot compete successfully, the operating margins, market share and earnings may be diminished. Revenue from the Group's ferry traffic has been substantially reduced after opening of the bridge. Rental income from the major source of patron flow at Shun Tak Centre – Macau ferry commuters, has been negatively impacted.

5	Reliance on Technology and Automated Systems	**What are the risks?** Cyberattacks, outdated technology, inadequate security measures may lead to failure of automated systems and causes disruption of operations, loss of important data, leakage of personal data and payment information etc.	**What are the possible impacts of occurrence?** The recent pandemic has heightened cyber risks due to a remote workforce and use of videoconferencing platforms. The sudden increase in online activity could have implications on system stability, network robustness and data security. Our businesses require the use of sophisticated technology and automated systems such as property management, sales and leasing, hospitality related systems, ticketing and reservation, navigation and telecommunication, payment and accounting, etc. Failure of such systems could result in suspension of operations, breach of data privacy regulations, damage of reputation and loss of revenues and may give rise to uninsured liabilities.

6	Counterparty, Legal & Compliance, Employee Misconduct, Negligence and Fraud Risks	**What are the risks?** Business counterparties may fail to enforce standards and contractual terms and this may give rise to disagreements. Any premature termination of, or inability to renew, management or franchise agreements may cause suspension of operations, loss of business or increase in operational costs. Risks may also arise from employees' misconduct or negligence such as non-compliance with rules and regulations, internal policies and procedures, corruption, fraud and other malpractices. The Group may itself become involved in investigations and regulatory proceedings for breach of rules and regulations, improper business conduct, market abuse or bribery, etc.	**What are the possible impacts of occurrence?** The Group's bankers, joint venture partners, buyers, tenants, contractors, debtors, suppliers, etc. may potentially fail to honour their contractual, financial or operational obligations or other disagreements may cause the Group to delay its growth plans, service initiatives, or lose revenue, incur litigation costs or other liabilities and damage of reputation. Potential claims may arise for breach and negligence resulting from employee misconduct and fraud. Substantial legal liability could materially and adversely affect the Group's business and financial results or cause reputational harm.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

7	Availability of Labour, Resources and Materials	**What are the risks?** 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. Other factors which may increase the Group's cost, impact operations or cause construction delays include late delivery, adverse quality, shortages or increased costs of materials, contractor services, parts and components to maintain our fleet, properties and hospitality facilities.	**What are the possible impacts of occurrence?** COVID-19 is highly infectious and it can be spread several days before they have any noticeable symptoms. Business continuity will not be possible if the workforce or key leadership management is infected. The global supply chains, from raw materials to finish products have been significantly impacted amid COVID-19 pandemic. Suppliers and service providers may be facing business continuity issues. Mandated closure of factories and inward and logistic services may cause shortages of supplies and delay of the schedule of goods delivery. The Group relies upon affordable supplies of building materials and experienced and skillful contractors for its property project and, if unavailable, may lead to delays in completion, increase in costs and reduced profitability.
8	Strategic, Decision Making and Integration Risks	**What are the risks?** The results of the Group's strategic decisions or business plans may fall short of expectations due to unsatisfactory implementation of plans or an inability to adapt to adverse business conditions.	**What are the possible impacts of occurrence?** The Group may face challenges from establishing new businesses or acquiring ones with existing operations, managing them in markets where it possesses limited experience and failure to generate synergies, and this may drain or overstretch the Group's management and capital resources.
9	Financial Risk	**What are the risks?** Foreign exchange rate and interest rate fluctuations may result in losses or significantly increase the cost of financing.	**What are the possible impacts of occurrence?** The Group adopts a prudent approach to financial risk management to minimise currency exposure and interest rate risks. Majority of funds raised by the Group are on a floating rate basis. Except for bank loans with principal amount of RMB1,804 million and SGD1,169 million, the Group's outstanding borrowings at year-end were not denominated in foreign currencies. Approximately 66% of the bank deposits, cash and bank balances are denominated in Hong Kong dollar ("HKD"), Macau pataca ("MOP") and US dollar ("USD") and the remaining balance mainly in Renminbi ("RMB"). MOP and USD are pegged to HKD. The Group's principal operations are primarily conducted in HKD while its financial assets and liabilities are denominated in USD, MOP, Singapore dollar and RMB. The Group will from time-to-time review its foreign exchange and market conditions to determine if hedging is required.

MITIGATION MEASURES

The Group's risk management and internal control systems ensure the proper identification, management and mitigation of risks. The Executive Committee, together with a panel of senior management and working groups experienced in business development, fuel hedging, crisis management, safety health and environmental protection, business continuity and information technology, closely monitor potential risks to minimize their impact (if any) on the Group; and explore ways to develop and enhance services and products, reduce cost and generate income for the Group.

Norman Ho
Chairman of Audit and Risk Management Committee

Hong Kong, 26 March 2021

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

QUALIFIED 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 111 to 210, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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, including a summary of significant accounting policies.

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

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

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

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

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

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 judgement, 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. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

- Valuation of investment in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM")
- Valuation of investment properties held by the Group, its joint ventures and associates
- Carrying values of properties held for sale and properties for or under development
- Carrying values of hotel properties

INDEPENDENT AUDITOR'S REPORT

Key audit matter	*How our audit addressed the key audit matter*
Valuation of investment in STDM *Refer to notes 3(b), 19 and 44(e) to the consolidated financial statements.* The Group has equity interests in STDM which is accounted for as financial asset at fair value through other comprehensive income. Management has performed valuation assessment for the investment in STDM. As at 31 December 2020, the fair value of investment in STDM was HK$3,029 million. STDM is an unlisted company with no quoted market price in an active market and the fair value is determined by using market approach which is calculated based on dividend income expected from STDM capitalised by a capitalisation rate. The key assumptions used, such as expected future dividend income and capitalisation rate, require significant management's judgement. Management estimates the future dividend from STDM with reference to the Group's forecast results of STDM, the historical dividend distribution amount from STDM and the sustainability of such distribution. The capitalisation rate adopted is derived with reference to dividend yields of comparable listed companies with similar business nature. We focused on this area because of the financial significance of the balances, subjectivity of judgements and estimation uncertainty involved.	Our audit procedures in relation to management's valuation of the investment in STDM included: • Understanding management's processes for determining the valuation of investment in STDM and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. • Involving our in-house valuation specialist in assessing the appropriateness and consistency of the methodologies used in the valuation model. • Checking the mathematical accuracy of the underlying calculations in the valuation. • Assessing the reasonableness of the key inputs and assumptions by (1) comparing the management's expected future dividend income from STDM to the historical trend in light of available information of STDM; and by (2) comparing the applied capitalisation rate to market information of dividend yields of comparable listed companies. • Considering the results of sensitivity analysis on reasonably possible changes in the key assumptions adopted. We considered the judgements made and the assumptions used in the valuation of investment in STDM to be supportable based on the evidence gathered.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of investment properties held by the Group, its joint ventures and associates *Refer to notes 2(g), 3(a), 14, 16 and 17 to the consolidated financial statements.* The Group's investment properties are stated at fair value. As at 31 December 2020, the fair value of investment properties held through the Group's subsidiaries was HK$7,980 million. The Group also has interests in a number of investment properties held through its joint ventures and associates. The fair value was determined by the Group with reference to the valuations performed by independent professional valuers ("Valuers"). For completed investment properties, 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. For investment properties under construction, fair value was derived using the residual method by deducting development costs and developer's profit from items such as the estimated fair value of the proposed development assuming completed as at the date of valuation under income capitalisation approach and discounted cash flow model. We focused on this area because of the financial significance of the balances, subjectivity of judgements and estimation uncertainty involved.	Our audit procedures in relation to the valuation of investment properties included: • Understanding management's processes for determining the valuation of investment properties and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. • Evaluating the competence, capabilities and objectivity of the Valuers, and reading valuation reports of all investment properties. • Involving our in-house valuation specialists in assessing the appropriateness of the methodologies used in the valuation of each property. • Testing, on a sample basis, the accuracy of property specific information such as location, building age and occupancy status. • Assessing the reasonableness of the judgement and key assumptions used in the valuations, including market rents, discount rates and recent transacted prices of comparable transactions, by conducting independent market research. • Assessing the reasonableness of estimated costs to complete and developer's profit for properties under construction by comparing them to the market construction costs and developer's profit of similar properties. We found the valuation methodologies being appropriate and the key assumptions used in the valuation of investment properties were supportable in light of available evidence.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	***How our audit addressed the key audit matter***
Carrying values of properties held for sale and properties for or under development *Refer to notes 2(l), 2(m), 3(c), 3(d), 21 and 22 to the consolidated financial statements.* As at 31 December 2020, the Group had properties held for sale and properties for or under development with carrying values totalling HK$13,444 million and HK$4,026 million respectively, which were stated at lower of cost and net realisable value. The calculation of the net realisable value of both properties held for sale and properties for or under development used assumptions such as the estimated selling price, whereas estimated cost of completion is also considered when calculating the net realisable value of properties for or under development. The use of such assumptions and estimates required management's judgement, taking into consideration of future market environment on a project by project basis. We focused on this area because of the financial significance of the balances, subjectivity of judgements and estimation uncertainty involved.	Our audit procedures in relation to the carrying values of properties held for sale and properties for or under development included: • Understanding management's processes for determining the net realisable values of properties held for sale and properties for or under development and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. • Understanding, evaluating and validating on a sample basis, the key controls relating to the determination of expected selling price and costs to completion. • Assessing, on a sample basis, the reasonableness of the judgement and key assumptions by comparing the management's expected selling price to current market price of comparable properties. • Assessing, on a sample basis, the reasonableness of the expected cost to completion of properties for or under development by comparing the expected costs of the projects to the market forecast on construction costs of similar properties. • Considering the results of sensitivity analysis on reasonably possible changes in the assumptions adopted. We found the judgements and assumptions used by management in determining the carrying values of properties held for sale and properties for or under development were reasonable based on the available evidence.

Key audit matter	*How our audit addressed the key audit matter*
Carrying values of hotel properties *Refer to note 2(f), 12 and 13 to the consolidated financial statements.* The Group holds a number of hotel properties in Hong Kong, PRC and Singapore with carrying amounts included in property, plant and equipment of HK$3,051 million and right-of-use assets of HK$770 million as at 31 December 2020. Management performs an impairment assessment of its hotel properties at the separate cash-generating unit ("CGU") level, where impairment indicators exist, to determine the recoverable amounts of the hotel properties. The recoverable amounts are determined as the higher of the CGU's value-in-use and fair value less costs to sell. In determining the fair value less costs to sell, Valuers are engaged by the Group to perform the valuation of the hotel properties. Based on the impairment assessments carried out by management, a provision for impairment of hotel properties of HK$319 million was recognised in the consolidated income statement for the year ended 31 December 2020. The impairment assessment involves significant judgements and estimation uncertainty in respect of future business performance and key assumptions including discount rates, occupancy rates, average daily room rates, etc. We focused on this area because of the financial significance of the balances, subjectivity of judgements and estimation uncertainty involved.	Our audit procedures in relation to management's assessment of the carrying values of the hotel properties included: • Understanding and reviewing management's impairment assessment process, including the identification of indicators of impairment and appropriateness of the valuation models used, the assessment of the future impact of COVID-19 and inspection of the operating results of the respective hotels and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. • Where there were indicators of impairment, assessing the appropriateness of methodologies and key assumptions used by the Valuers and management in the calculations of the recoverable amounts. This included the involvement of our in-house valuation specialists to assess the discount rate and capitalisation rate with reference to market data. The reasonableness of other key assumptions, such as occupancy rates and average daily room rates applied in the forecasts, were also assessed by comparing them to historic results and latest economic and industry forecasts. • Where Valuers were involved, evaluating the competence, capabilities and objectivity of the Valuers, and reading the valuation reports. • Evaluating management's future cash flow forecasts and the processes by which they were drawn up, including testing the underlying calculations and comparing them to the latest Board approved budgets and the actual results of the prior period. • Carrying out sensitivity analyses by making adjustments to the key assumptions in management's impairment assessments and considering whether any reasonably possible adjustments, in isolation or as a combination, would result in material change in recoverable amounts. We found the significant judgements and estimates adopted by management in the impairment assessments were supportable based on our work and the evidence obtained.

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. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence we considered necessary about the Group's share of results and share of currency translation differences in OCI in respect of PT from 1 January 2020 to the date of disposal, as well as the release of exchange reserve to profit or loss upon disposal and the gain on disposal of PT for the year ended 31 December 2020. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

RESPONSIBILITIES OF DIRECTORS AND AUDIT AND RISK MANAGEMENT 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 and Risk Management 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 judgement and maintain professional scepticism 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 and Risk Management 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 and Risk Management 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, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON OTHER MATTERS UNDER SECTION 407(3) OF THE HONG KONG COMPANIES ORDINANCE

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Sung Lai, Arthur.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	2020	2019
		HK$'000	HK$'000
Revenue	4	**4,190,309**	14,649,184
Other income	4	**281,809**	406,281
		4,472,118	15,055,465
Other gains, net	5	**944,074**	8,737
Cost of inventories sold and services provided		**(1,440,799)**	(6,161,386)
Staff costs		**(816,382)**	(1,323,725)
Depreciation and amortisation		**(188,022)**	(273,968)
Other costs		**(775,102)**	(838,377)
Fair value changes on investment properties		**(449,248)**	(182,401)
Operating profit	6	**1,746,639**	6,284,345
Finance costs	8	**(382,391)**	(616,727)
Share of results of joint ventures		**(429,734)**	39,384
Share of results of associates		**8,796**	172,935
Profit before taxation		**943,310**	5,879,937
Taxation	9(a)	**(310,276)**	(770,988)
Profit for the year		**633,034**	5,108,949
Attributable to:			
Owners of the Company		**262,440**	3,455,796
Non-controlling interests		**370,594**	1,653,153
Profit for the year		**633,034**	5,108,949
Earnings per share (HK cents)	11		
— basic		**8.7**	114.3
— diluted		**8.7**	114.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	2020	2019
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	12	**3,147,271**	3,652,657
Right-of-use assets	13	**864,285**	855,823
Investment properties	14	**7,979,780**	8,132,054
Joint ventures	16	**12,644,111**	12,734,445
Associates	17	**6,075,468**	3,141,999
Intangible assets	18	**3,055**	2,320
Financial assets at fair value through other comprehensive income	19	**3,446,728**	3,586,492
Deferred tax assets	9(c)	**66,982**	46,503
Other non-current assets	20	**2,771,866**	1,458,116
		36,999,546	33,610,409
Current assets			
Properties for or under development	21	**4,025,958**	6,765,078
Inventories	22	**13,454,845**	11,569,353
Financial assets at fair value through other comprehensive income	19	**36,433**	—
Trade and other receivables, deposits paid and prepayments	23	**903,450**	1,080,100
Derivative financial instruments	24	**—**	16,503
Taxation recoverable		**70,684**	6,489
Cash and bank balances	25	**5,446,129**	12,280,902
		23,937,499	31,718,425
Current liabilities			
Trade and other payables, and deposits received	26	**1,902,831**	2,733,511
Contract liabilities	27	**927,213**	666,084
Lease liabilities		**47,144**	47,278
Bank borrowings	28	**2,928,476**	7,295,263
Provision for employee benefits	29	**5,886**	11,231
Medium term notes	30	**—**	3,170,586
Taxation payable		**226,465**	1,021,385
Loans from non-controlling interests	31	**60,361**	896,536
		6,098,376	15,841,874
Net current assets		**17,839,123**	15,876,551
Total assets less current liabilities		**54,838,669**	49,486,960

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	2020	2019
		HK$'000	HK$'000
Non-current liabilities			
Contract liabilities	27	**32,028**	24,164
Lease liabilities		**49,258**	69,830
Bank borrowings	28	**15,011,070**	8,019,423
Deferred tax liabilities	9(c)	**973,122**	912,951
Other non-current liabilities	32	**857,642**	—
		16,923,120	9,026,368
Net assets		**37,915,549**	40,460,592
Equity			
Share capital	33	**9,858,250**	9,858,250
Other reserves	35	**25,226,644**	25,358,119
Proposed dividends		**—**	543,866
Equity attributable to owners of the Company		**35,084,894**	35,760,235
Non-controlling interests		**2,830,655**	4,700,357
Total equity		**37,915,549**	40,460,592

Pansy Ho
Director

Daisy Ho
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	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 2020	9,858,250	14,465	12,201	(151,413)	2,257,130	2,486	299,148	(516,948)	23,441,050	543,866	35,760,235	4,700,357	40,460,592
Profit for the year	–	–	–	–	–	–	–	–	262,440	–	262,440	370,594	633,034
Items that may be reclassified to profit or loss:													
Debt instruments at fair value through other comprehensive income:													
Changes in fair value	–	–	–	–	119	–	–	–	–	–	119	–	119
Cash flow hedges:													
Changes in fair value, net of tax	–	–	–	–	–	(9,320)	–	–	–	–	(9,320)	(9,920)	(19,240)
Transfer to profit or loss	–	–	–	–	–	3,202	–	–	–	–	3,202	4,316	7,518
Reversal of asset revaluation reserve upon sales of properties, net of tax	–	–	–	–	–	–	(61,404)	–	–	–	(61,404)	–	(61,404)
Release of reserves upon disposal of interests in subsidiaries	–	–	(2,902)	–	–	3,632	–	–	–	–	730	–	730
Release of exchange reserve upon disposal of an associate	–	–	–	–	–	–	–	70,034	–	–	70,034	–	70,034
Currency translation differences	–	–	–	–	–	–	–	274,231	–	–	274,231	22,105	296,336
Share of currency translation difference of joint ventures	–	–	–	–	–	–	–	402,985	–	–	402,985	–	402,985
Share of currency translation difference of associates	–	–	–	–	–	–	–	135,798	–	–	135,798	–	135,798
Share of other comprehensive (loss)/income of an associate	–	–	–	–	(317)	4,265	–	–	–	–	3,948	–	3,948
Items that will not be reclassified to profit or loss:													
Revaluation of property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	–	–	–	–	–	–	70,928	–	–	–	70,928	–	70,928
Equity instruments at fair value through other comprehensive income:													
Changes in fair value	–	–	–	–	(103,789)	–	–	–	–	–	(103,789)	3,056	(100,733)
Disposal	–	–	–	–	(4,539)	–	–	–	4,539	–	–	–	–
Other comprehensive (loss)/income for the year, net of tax	–	–	(2,902)	–	(108,526)	1,779	9,524	883,048	4,539	–	787,462	19,557	807,019
Total comprehensive (loss)/income for the year	–	–	(2,902)	–	(108,526)	1,779	9,524	883,048	266,979	–	1,049,902	390,151	1,440,053
2019 final dividend	–	–	–	–	–	–	–	–	–	(543,866)	(543,866)	–	(543,866)
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(1,932,980)	(1,932,980)
Transfers	–	–	2,735	–	–	–	–	–	(2,735)	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(416,036)	(416,036)
Acquisition of interests in subsidiaries without change of control	–	–	–	–	16,390	–	–	–	(1,197,767)	–	(1,181,377)	89,163	(1,092,214)
	–	–	2,735	–	16,390	–	–	–	(1,200,502)	(543,866)	(1,725,243)	(2,259,853)	(3,985,096)
As at 31 December 2020	9,858,250	14,465	12,034	(151,413)	2,164,994	4,265	308,672	366,100	22,507,527	–	35,084,894	2,830,655	37,915,549

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 2019	9,858,250	14,465	13,926	(151,413)	2,805	(31,311)	666,188	(372,755)	20,598,521	484,070	31,082,746	6,082,854	37,165,600
Restatement	–	–	–	–	1,813,329	–	–	–	–	–	1,813,329	670,397	2,483,726
Restated balance as at 1 January 2019	9,858,250	14,465	13,926	(151,413)	1,816,134	(31,311)	666,188	(372,755)	20,598,521	484,070	32,896,075	6,753,251	39,649,326
Profit for the year	–	–	–	–	–	–	–	–	3,455,796	–	3,455,796	1,653,153	5,108,949
Items that may be reclassified to profit or loss:													
Debt instruments at fair value through other comprehensive income:													
Changes in fair value	–	–	–	–	311	–	–	–	–	–	311	–	311
Cash flow hedges:													
Changes in fair value, net of tax	–	–	–	–	–	14,593	–	–	–	–	14,593	8,504	23,097
Transfer to profit or loss	–	–	–	–	–	19,204	–	–	–	–	19,204	2,634	21,838
Reversal of asset revaluation reserve upon sales of properties, net of tax	–	–	–	–	–	–	(367,040)	–	–	–	(367,040)	–	(367,040)
Currency translation differences	–	–	–	–	–	–	–	(58,132)	–	–	(58,132)	(9,383)	(67,515)
Share of currency translation difference of joint ventures	–	–	–	–	–	–	–	(33,190)	–	–	(33,190)	–	(33,190)
Share of currency translation difference of associates	–	–	–	–	–	–	–	(51,354)	–	–	(51,354)	–	(51,354)
Items that that will not be reclassified to profit or loss:													
Equity instruments at fair value through other comprehensive income:													
Changes in fair value	–	–	–	–	(218,861)	–	–	–	–	–	(218,861)	(56,724)	(275,585)
Disposal	–	–	–	–	59,207	–	–	–	(59,207)	–	–	–	–
Other comprehensive (loss)/income for the year, net of tax	–	–	–	–	(159,343)	33,797	(367,040)	(142,676)	(59,207)	–	(694,469)	(54,969)	(749,438)
Total comprehensive (loss)/income for the year	–	–	–	–	(159,343)	33,797	(367,040)	(142,676)	3,396,589	–	2,761,327	1,598,184	4,359,511
2018 final dividend	–	–	–	–	–	–	–	–	–	(302,266)	(302,266)	–	(302,266)
2018 special dividend	–	–	–	–	–	–	–	–	–	(181,526)	(181,526)	–	(181,526)
Dividends on shares bought-back	–	–	–	–	–	–	–	–	278	(278)	–	–	–
2019 final dividend	–	–	–	–	–	–	–	–	(543,866)	543,866	–	–	–
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(3,016,037)	(3,016,037)
Transfers	–	–	710	–	600,339	–	–	–	(710)	–	600,339	(600,339)	–
Buy-back of shares (note 33)	–	–	–	–	–	–	–	–	(12,197)	–	(12,197)	–	(12,197)
Disposal of a joint venture	–	–	(2,435)	–	–	–	–	(2,072)	2,435	–	(2,072)	–	(2,072)
Disposal of subsidiaries	–	–	–	–	–	–	–	555	–	–	555	(34,702)	(34,147)
	–	–	(1,725)	–	600,339	–	–	(1,517)	(554,060)	59,796	102,833	(3,651,078)	(3,548,245)
As at 31 December 2019	9,858,250	14,465	12,201	(151,413)	2,257,130	2,486	299,148	(516,948)	23,441,050	543,866	35,760,235	4,700,357	40,460,592

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	2020	2019
	HK$'000	HK$'000
Operating activities		
Profit before taxation	943,310	5,879,937
Adjustments for:		
Depreciation and amortisation	188,022	273,968
Fair value changes on investment properties	449,248	182,401
Finance costs	382,391	616,727
Interest income	(142,343)	(322,142)
Dividend income from financial assets at fair value through other comprehensive income	(181,269)	(125,979)
Share of results of joint ventures	429,734	(39,384)
Share of results of associates	(8,796)	(172,935)
Realisation of asset revaluation reserve upon sale of properties	(69,777)	(417,091)
Net loss on disposal of property, plant and equipment	708	67
Net gain on disposal of subsidiaries	(382,088)	(8,483)
Gain on disposal of a joint venture	—	(321)
Gain on disposal of an associate	(562,694)	—
Impairment losses on property, plant and equipment	318,794	153,535
Impairment losses recognised on trade and other receivables, deposits paid and prepayments, net	4,855	132
Operating profit before working capital changes	1,370,095	6,020,432
Decrease in properties for or under development and inventories of properties, excluding net finance costs capitalised	653,258	4,424,117
Decrease/(increase) in other inventories	12,956	(12,276)
(Increase)/decrease in trade and other receivables, deposits paid and prepayments	(72,377)	60,288
Decrease in trade and other payables, and deposits received	(43,897)	(470,988)
Increase/(decrease) in contract liabilities	272,740	(3,942,275)
Decrease in provision for employee benefits	(2,957)	(1,058)
Cash generated from operations	2,189,818	6,078,240
Income tax paid	(1,163,034)	(266,752)
Net cash generated from operating activities	1,026,784	5,811,488

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	Note	2020	2019
		HK$'000	HK$'000
Investing activities			
Addition to property, plant and equipment		**(100,645)**	(796,682)
Addition to investment properties		**(70,035)**	(12,825)
Addition to intangible assets		**(937)**	—
Capital contribution to joint ventures		**—**	(4,440,986)
Capital contribution to associates		**(794,549)**	(72,957)
Advances to joint ventures		**(14,191)**	(5,009)
Repayments from joint ventures		**—**	22,835
Advances to associates		**(133,882)**	(1,736)
Prepayment for acquisition of interests in joint ventures		**(1,073,547)**	—
Acquisition of financial assets at fair value through other comprehensive income		**—**	(15,754)
Repayments of mortgage loans		**329**	938
Capital refund from an investment fund		**763**	530
Proceeds from disposal of property, plant and equipment		**1,062**	849
Proceeds from disposal of financial assets at fair value through other comprehensive income		**1,954**	15,689
Net proceeds from disposal of equity interest in subsidiaries (net of cash disposed)		**(214,454)**	10,326
Proceeds from disposal of interest in a joint venture		**—**	22,034
Decrease in bank deposits with maturities over three months		**1,352,169**	3,161,504
Interest received		**171,505**	341,300
Dividends received from financial assets at fair value through other comprehensive income		**181,269**	125,979
Dividends received from joint ventures		**9,000**	165,092
Dividends received from associates		**17,037**	10,821
Net cash used in investing activities		**(667,152)**	(1,468,052)
Financing activities			
Drawdown of new bank loans	42	**10,944,826**	5,862,759
Repayments of bank loans	42	**(8,451,446)**	(5,882,480)
Loans from non-controlling interests	42	**35,987**	—
Repayments of loans from non-controlling interests	42	**(425,576)**	(331,225)
Acquisition of interest in subsidiaries	17(b), 41	**(427,724)**	—
Redemption of medium term notes	42	**(3,078,455)**	—
Payment for lease liabilities (including interest)	42	**(58,412)**	(56,611)
Buy-back of shares	42	**—**	(12,197)
Finance costs (including interests and bank charges) paid	42	**(556,682)**	(663,596)
Dividends paid to shareholders	42	**(543,627)**	(483,585)
Dividends paid to non-controlling interests	42	**(3,301,483)**	(1,647,534)
Net cash used in financing activities		**(5,862,592)**	(3,214,469)
Net (decrease)/increase in cash and cash equivalents		**(5,502,960)**	1,128,967
Effect of foreign exchange rates changes		**20,356**	(4,680)
Cash and cash equivalents as at 1 January		**10,182,848**	9,058,561
Cash and cash equivalents as at 31 December		**4,700,244**	10,182,848
Analysis of cash and cash equivalents			
Cash and bank balances	25	**5,446,129**	12,280,902
Bank deposits with maturities over three months		**(745,885)**	(2,098,054)
Cash and cash equivalents as at 31 December		**4,700,244**	10,182,848

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 "Listing Rules").

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (Continued)

Impact of new or revised HKFRS

(i) Amendments to standards adopted by the Group

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

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

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

(ii) Amendments to standard early adopted by the Group

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

Amendments to HKFRS 16	COVID-19-Related Rent Concessions

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (Continued)

(iii) Amendments to standards not yet adopted

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

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Subsidiaries (Continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

All intra-group transactions, balances and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated unless the transaction provides evidence of an impairment of transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

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

(iii) Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iv) Disposal of subsidiaries

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

(v) Associates

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(vi) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangement. Under HKFRS 11 Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Operating segments

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (Continued)

(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 instruments denominated in a foreign currency and classified as financial asset through fair value through other comprehensive income 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 FVOCI, 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.

NOTES TO THE FINANCIAL STATEMENTS

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties

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

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

(h) Intangible assets

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets

I. Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value, and
- those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income

The classification of debt financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

II. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets (Continued)

II. Measurement (Continued)

Debt instruments *(Continued)*

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

All equity investments shall subsequently measured at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

III. Impairment

The Group assesses on a forward looking basis for the expected credit loss ("ECL") associated with its financial assets carried at amortised cost and debt instruments at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

IV. 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.

(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 economic 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Derivative financial instruments (Continued)

For cash flow hedge, where instruments are designated to hedge against a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in OCI. 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 consolidated 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 properties held for sale

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

(n) Trade and other receivables

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

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other receivables, the Group assesses on a forward looking basis for the ECL under 12 months expected losses method. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Contract related assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in profit or loss exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in profit or loss.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfies its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets under "other debtors, deposits and prepayments", if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses.

(p) 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.

(q) 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.

(r) 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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.

(t) 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.

(u) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Taxation (Continued)

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 also 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.

The deferred tax liabilities in relation to investment properties in the PRC or Macau that are measured at fair value are determined assuming the property will be recovered entirely through sale.

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(v) Employee benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) 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.

(x) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Contingent liabilities

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

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

(z) Revenue and other income 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 it satisfies the identified performance obligation by transfer the promised good or service to the customer; and when specific criteria have been met for each of the Group's activities, as described below. Goods and services are transferred when or as the customer obtain control of them. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the asset 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 asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue and other income recognition (Continued)

Revenue from sales of properties is recognised over time when the Group's performance under the sale contract 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; otherwise revenue from sales of property is recognised at point in time.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction (excluding land cost and borrowing cost) costs incurred up to the end of reporting period as a percentage of total estimated construction costs for each contract.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the buyer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Proceeds received from purchasers prior to meeting the revenue recognition criteria are included in pre-sales proceeds in the consolidated balance sheet under current liabilities.

Revenue from passenger transportation services is recognised over time upon the transportation services are rendered. Revenue from sale of fuel is recognised at a point in time upon delivery to customers.

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

Revenue from hotel operation and management and club operations are recognised over time 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Leases

A lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable

— variable lease payment that are based on an index or a rate

— amounts expected to be payable by the lessee under residual value guarantees

— the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

— payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

To determine the incremental borrowing rate, the Group:

— where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

— uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Group, which does not have recent third party financing, and

— makes adjustments specific to the lease, e.g. term, country, currency and security.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

— the amount of initial measurement of the lease liability

— any lease payments made at or before the commencement date less any lease incentives received

— any initial direct costs, and

— restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

(ab) Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

(ac) 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

In preparing the consolidated financial statements, the Group has made accounting related estimates based on assumptions about current and, for some estimates, future economic and market conditions and in particular has assumed that the current market conditions as a result of the COVID-19 pandemic is not a long-term norm. Although our estimates and assumptions contemplate current and, as applicable, expected future conditions that the Group considers are relevant and reasonable, including but not limited to the potential impacts to our operations arising from the COVID-19 pandemic and different monetary, fiscal and government policy responses aimed at reviving the economies, it is reasonably possible that actual conditions could differ from our expectations. In particular, a number of estimates have been and will continue to be affected by the ongoing COVID-19 outbreak. The severity, magnitude and duration, as well as the economic consequences of the COVID-19 pandemic, are uncertain, rapidly changing and it is currently impossible to predict. As a result, our accounting estimates and assumptions may change over time in response to how market conditions develop. In addition, actual results could differ significantly from those estimates and assumptions.

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 applied 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 14.

(b) Valuation of financial assets at fair value through other comprehensive income

The fair value of the unlisted equity investment in STDM which is not traded in an active market is estimated using valuation technique. The Group uses its judgement to apply the market approach as the valuation method and use significant judgements to make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of the key assumptions used and the impact of changes to these assumptions are disclosed in note 44(e).

NOTES TO THE FINANCIAL STATEMENTS

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

The Group's properties for or under development 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 net realisable value is less than the carrying amount.

(d) Estimated net realisable value of properties held for sale

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). Allowance was made reference to the latest market value of those inventories identified.

(e) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are regularly reviewed for impairment whenever there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is higher than its estimated recoverable amount. The recoverable amounts of property, plant and equipment have been determined based on the higher of their fair values less costs of disposal and value in use, taking into account the latest market information and past experience.

In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

Details of the judgements and assumptions made were further disclosed in note 12.

(f) Useful lives of property, plant and equipment

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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(g) 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.

Land Appreciation Tax ("LAT") is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including land costs, borrowing costs and all property development expenditure.

Property development business of the Group in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these tax liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the tax expense and provisions for LAT in the period in which such determination is made.

(h) Revenue recognition

Revenue from property development activities is recognised over time when 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. Otherwise, revenue is recognised at a point in time. The properties contracted for pre-sale to customers have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue should be recognised over time depends on the terms of each contract and the relevant laws that apply to that contract. Judgement is required in such determination.

For property development revenue that is recognised over time, the Group recognises such property development revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Judgements are required in the determination in these estimates, such as the accuracy of the budgets, the extent of the costs incurred and the allocation of costs to each property unit.

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE AND OTHER INCOME

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

	2020	2019
	HK$'000	HK$'000
Revenue		
Revenue from sales of properties	3,018,519	11,707,070
Revenue from passenger transportation services	83,583	1,370,677
Revenue from hotel operation	185,301	484,531
Rental income	429,967	491,761
Management fees and others	287,808	421,732
Revenue from sale of fuel	1,723	24,358
Revenue from travel agency services	2,048	22,938
Interest income from mortgage loans receivable	91	138
Dividend income from financial assets at FVOCI	181,269	125,979
	4,190,309	14,649,184
Other income		
Interest income from:		
— Bank deposits	138,840	319,344
— Others	3,412	2,660
Wage, salary and other subsidies from government under COVID-19	93,743	—
Others	45,814	84,277
	281,809	406,281
Revenue and other income	4,472,118	15,055,465

5 OTHER GAINS, NET

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

Notes:

(a) Net gain on disposal of subsidiaries included a gain of HK$395,542,000 for disposal of Shun Tak - China Travel Shipping Investments Limited ("STCT") (Note 40).

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

6 OPERATING PROFIT

	2020	2019
	HK$'000	HK$'000
After crediting:		
Rental income from investment properties	**286,418**	303,406
Less: Direct operating expenses arising from investment properties	**(37,507)**	(37,780)
	248,911	265,626
Dividend income from listed investments	**8,531**	9,671
Dividend income from unlisted investments		
— STDM	**172,433**	115,887
— others	**305**	421
Wage, salary and other subsidies from government under COVID-19	**99,347**	—
After charging:		
Cost of inventories sold		
— properties	**1,204,592**	5,183,900
— fuel	**46,278**	493,001
— others	**38,809**	91,724
	1,289,679	5,768,625
Exchange gain, net	**(50,766)**	(13,429)
Depreciation		
— property, plant and equipment (note 12)	**115,004**	192,570
— right-of-use assets: leasehold land	**1,647**	3,113
— right-of-use assets: buildings	**49,043**	55,847
— right-of-use assets: prepaid premium for land lease and land use rights	**22,126**	22,233
Amortisation		
— intangible assets (note 18)	**202**	205
Auditors' remuneration		
— audit services	**11,677**	12,423
— non-audit services (note (a))	**4,723**	8,451
Expenses under short-term lease and low-value assets lease	**11,608**	73,746
Variable lease payment expense (note 13(c))	**9,751**	28,134
Impairment losses recognised		
— property, plant and equipment (note 12)	**318,794**	153,535
— trade receivables, net (note 23(a))	**4,855**	132
Staff costs		
— salaries and wages	**751,418**	1,232,017
— provident fund contributions	**31,706**	52,754
— directors' emoluments (note 7(a))	**33,258**	38,954

Note:

(a) Total non-audit fee is HK$5,703,000 (2019: HK$8,451,000), of which HK$980,000 (2019: nil) has been capitalised in the investment in an associate during the year.

NOTES TO THE FINANCIAL STATEMENTS

7 BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUAL

(a) Directors' emoluments

For the year ended 31 December 2020

	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						
Ms. Pansy Ho	**82**	**8,710**	**—**	**512**	**—**	**9,304**
Ms. Daisy Ho	**82**	**6,153**	**—**	**308**	**—**	**6,543**
Ms. Maisy Ho	**82**	**4,682**	**—**	**234**	**—**	**4,998**
Mr. David Shum	**82**	**3,558**	**—**	**—**	**—**	**3,640**
Mr. Rogier Verhoeven	**50**	**2,534**	**—**	**127**	**3,562**	**6,273**
Independent Non-Executive Directors						
Mr. Norman Ho	**500**	**180**	**—**	**—**	**—**	**680**
Mr. Charles Ho	**500**	**60**	**—**	**—**	**—**	**560**
Mr. Michael Wu	**500**	**160**	**—**	**—**	**—**	**660**
Mr. Kevin Yip	**500**	**100**	**—**	**—**	**—**	**600**
	2,378	**26,137**	**—**	**1,181**	**3,562**	**33,258**

For the year ended 31 December 2019

	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						
Ms. Pansy Ho	110	10,187	1,202	635	—	12,134
Ms. Daisy Ho	110	6,151	1,026	307	—	7,594
Ms. Maisy Ho	110	4,681	878	234	—	5,903
Mr. David Shum	110	3,555	740	178	—	4,583
Mr. Rogier Verhoeven	50	2,532	369	127	3,562	6,640
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	100	—	—	—	500
	2,090	27,606	4,215	1,481	3,562	38,954

7 BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUAL (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries.

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

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

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

On 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 holds 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 was for a term of 3 years from 1 January 2017 to 31 December 2019 and was renewable for successive terms of 3 years by mutual agreement in writing. Renewed MGM Agreement expired on 31 December 2019.

On 27 December 2019, the agreement was renewed for a term of three years from 1 January 2020 to 31 December 2022 and is thereafter renewable for successive term 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 individuals

Among the five highest paid individuals in the Group, four are directors (2019: all are directors) of the Company and the details of their emoluments have been disclosed above. During the year ended 31 December 2020, the emoluments of the individual not included above consisted of salaries, allowances and benefits of HK$4,244,000.

NOTES TO THE FINANCIAL STATEMENTS

8 FINANCE COSTS

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

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

9 TAXATION

(a) Taxation in the consolidated income statement represents:

	2020	2019
	HK$'000	HK$'000
Current taxation		
Hong Kong profits tax		
— tax for the year	35,463	26,527
— under/(over)-provision in respect of prior years	4,834	(692)
Non-Hong Kong taxation		
— tax for the year	197,201	943,727
— (over)/under-provision in respect of prior years	(1,529)	1,038
— withholding income tax (note (b))	65,551	—
	301,520	970,600
Deferred taxation		
Origination and reversal of temporary differences	8,756	(199,612)
Total tax expenses	310,276	770,988

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

9 TAXATION (CONTINUED)

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

	2020	2019
	HK$'000	HK$'000
Profit before taxation	**943,310**	5,879,937
Less: share of results of joint ventures and associates	**420,938**	(212,319)
	1,364,248	5,667,618
Tax at the applicable tax rate of 16.5% (2019: 16.5%)	**225,101**	935,157
Income not subject to tax	**(208,995)**	(95,551)
Expenses not deductible for tax purposes	**185,389**	178,106
Utilisation of tax losses and deductible temporary differences not previously recognised	**(1,128)**	(1,736)
Tax losses and deductible temporary differences not recognised	**38,603**	46,694
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(59,863)**	(293,074)
LAT (note i)	**77,053**	—
LAT deductible for calculation of income tax purpose (note i)	**(19,263)**	—
Withholding income tax on disposal of an associate	**65,551**	—
Under-provision in respect of prior years	**3,305**	346
Others	**4,523**	1,046
Total tax expenses	**310,276**	770,988

Note:

(i) The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

NOTES TO THE FINANCIAL STATEMENTS

9 TAXATION (CONTINUED)

(c) Deferred tax assets and liabilities recognised

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

Deferred tax assets

	Accelerated accounting depreciation	Tax losses	Cash flow hedges	Provision of assets	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2019	75	39,829	3,591	—	—	43,495
Exchange adjustment	—	—	—	—	62	62
Credit to income statement	692	34,625	—	—	14,379	49,696
Charge to other comprehensive income	—	—	(3,591)	—	—	(3,591)
As at 31 December 2019	**767**	**74,454**	**—**	**—**	**14,441**	**89,662**
Exchange adjustment	**—**	**—**	**—**	**2,165**	**470**	**2,635**
(Charge)/credit to income statement	**(99)**	**18,676**	**—**	**37,173**	**7,854**	**63,604**
Disposal of subsidiaries	**(655)**	**(39,289)**	**—**	**—**	**(904)**	**(40,848)**
As at 31 December 2020	**13**	**53,841**	**—**	**39,338**	**21,861**	**115,053**

Deferred tax liabilities

	Accelerated tax depreciation	Revaluation of investment properties	Cash flow hedges	Fair value adjustments on business combination	Recognition of revenue overtime	Provisions for LAT	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2019	316,579	252,107	—	587,612	—	—	2,509	1,158,807
Exchange adjustment	(1,896)	(2,527)	—	1,452	—	—	(3)	(2,974)
Charge/(credit) to income statement	18,305	95	—	(182,245)	—	—	13,929	(149,916)
Charge/(credit) to other comprehensive income	—	—	244	(50,051)	—	—	—	(49,807)
As at 31 December 2019	**332,988**	**249,675**	**244**	**356,768**	**—**	**—**	**16,435**	**956,110**
Exchange adjustment	**6,793**	**7,038**	**—**	**2,584**	**1,995**	**4,486**	**(8)**	**22,888**
Charge/(credit) to income statement	**16,849**	**(36,598)**	**317**	**(28,598)**	**34,242**	**77,053**	**9,095**	**72,360**
Charge/(credit) to other comprehensive income	**—**	**7,023**	**(2,246)**	**(8,373)**	**—**	**—**	**—**	**(3,596)**
Disposal of subsidiaries	**(28,254)**	**—**	**1,685**	**—**	**—**	**—**	**—**	**(26,569)**
As at 31 December 2020	**328,376**	**227,138**	**—**	**322,381**	**36,237**	**81,539**	**25,522**	**1,021,193**

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 consolidated balance sheet.

	2020	2019
	HK$'000	HK$'000
Deferred tax assets	66,982	46,503
Deferred tax liabilities	(973,122)	(912,951)
	(906,140)	(866,448)

(d) Deferred tax assets unrecognised

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

	2020	2019
	HK$'000	HK$'000
Tax losses	1,908,561	1,553,385
Deductible temporary differences	253	372
	1,908,814	1,553,757

Included in the unrecognised tax losses of the Group are losses of HK$166,545,000 (2019: HK$121,396,000) that will expire on various dates through to 2025 (2019: 2024) from 31 December 2020. 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

	2020	2019
	HK$'000	HK$'000
Proposed final dividend: nil (2019: HK18 cents on 3,021,479,785 shares)	—	543,866

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

11 EARNINGS PER SHARE

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

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

NOTES TO THE FINANCIAL STATEMENTS

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 2019	2,552,334	13,933	744,011	2,437,073	1,342,867	7,090,218
Exchange adjustment	(11,278)	117	(60)	—	(1,050)	(12,271)
Additions	637,799	104,973	—	—	115,557	858,329
Disposals	—	—	—	—	(68,742)	(68,742)
As at 31 December 2019	**3,178,855**	**119,023**	**743,951**	**2,437,073**	**1,388,632**	**7,867,534**
Exchange adjustment	**80,272**	**1,669**	**198**	**—**	**3,322**	**85,461**
Additions	**21,169**	**71,215**	**—**	**—**	**33,290**	**125,674**
Transfer from properties for or under development	**—**	**291,023**	**—**	**—**	**—**	**291,023**
Disposals	**—**	**—**	**—**	**—**	**(13,208)**	**(13,208)**
Disposal of subsidiaries	**—**	**—**	**(198,301)**	**(2,437,073)**	**(798,065)**	**(3,433,439)**
Transfer to investment properties	**—**	**—**	**(23,505)**	**—**	**—**	**(23,505)**
As at 31 December 2020	**3,280,296**	**482,930**	**522,343**	**—**	**613,971**	**4,899,540**
Accumulated depreciation and impairment						
As at 1 January 2019	238,536	—	656,304	2,081,777	963,460	3,940,077
Exchange adjustment	(3,177)	—	(10)	—	(292)	(3,479)
Charge for the year (note 6)	49,063	—	3,386	42,746	97,375	192,570
Impairment (note 6)	153,535	—	—	—	—	153,535
Disposals	—	—	—	—	(67,826)	(67,826)
As at 31 December 2019	**437,957**	**—**	**659,680**	**2,124,523**	**992,717**	**4,214,877**
Exchange adjustment	**25,523**	**1,734**	**55**	**—**	**1,751**	**29,063**
Charge for the year (note 6)	**43,309**	**—**	**1,617**	**7,813**	**62,265**	**115,004**
Impairment (note 6)	**263,129**	**55,665**	**—**	**—**	**—**	**318,794**
Disposals	**—**	**—**	**—**	**—**	**(11,438)**	**(11,438)**
Disposal of subsidiaries	**—**	**—**	**(142,486)**	**(2,132,336)**	**(632,696)**	**(2,907,518)**
Transfer to investment properties	**—**	**—**	**(6,513)**	**—**	**—**	**(6,513)**
As at 31 December 2020	**769,918**	**57,399**	**512,353**	**—**	**412,599**	**1,752,269**
Net book value						
As at 31 December 2020	**2,510,378**	**425,531**	**9,990**	**—**	**201,372**	**3,147,271**
As at 31 December 2019	2,740,898	119,023	84,271	312,550	395,915	3,652,657

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) Other assets of the Group comprised mainly furniture, fixtures and office equipment, plant and machinery, operating supplies and equipment of the hotel and repairable spare parts of vessels.

(b) Hotel land and buildings included freehold land in Singapore of net book value of HK$1,436,021,000 (2019: HK$1,509,614,000) and hotel buildings in Hong Kong and the PRC of net book value of HK$550,266,000 (2019: HK$571,031,000) and HK$524,091,000 (2019: HK$660,253,000) respectively.

(c) The financial performance of the Group's hotel business has been significantly impacted by the COVID-19 pandemic. In addition, the uncertainties brought about by the pro-long impact of COVID-19 pandemic to the global travel and hospitality industries gave rise to impairment indicators for the hotels in operation and under construction. Consequently, management has carried out impairment assessments on hotel land and buildings, hotel buildings under construction and other hotel-related assets in Hong Kong, PRC and Singapore in accordance with HKAS 36. The recoverable amounts are determined with reference to valuations performed by independent professional valuers, Savills Valuation and Professional Services Limited ("Savills") and Knight Frank Petty Limited ("Knight Frank").

For hotel properties in Hong Kong and PRC, valuer has adopted income approach. For hotel land and hotel building under construction in Singapore, valuer has adopted weighted average of direct comparison method and residual method to determine the fair value less cost of disposal.

Under the income approach, fair value is determined by discounting the projected cash flow streams with the properties using risk-adjusted discount rate. An exit or terminal value projected based on capitalisation rate is also included in the projection. Projection for a period of greater than five years and not more than ten years in general may be used on the basis that a longer projection period represents the long-dated nature of the hotel properties and is a more appropriate reflection of the future cash flows generated from the hotel operations.

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted.

Residual method is essentially a means of valuing the property by reference to its development potential by items such as development costs and developer's profit from the estimated fair value of the proposed development assuming completed as at the date of valuation. 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.

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (Continued)

(c) For the hotel land and building in Shanghai and hotel land and hotel building under construction in Singapore, the carrying amount of the property (before impairment loss) amounted to HK$844.8 million and HK$1,744 million respectively while the recoverable amount determined using fair value less cost of disposal amounted to HK$687.5 million and HK$1,571 million respectively. The fair value measurement of these hotel land and hotel buildings have used significant unobservable inputs.

For the hotel land and hotel building under construction in Singapore, the average unit price adopted for direct comparison method is SGD26,375 per square metre and the capitalisation rate adopted for residual method is 3.75%.

For the hotel land and building in Shanghai, the discount rate adopted for discounted cash flow method is 7.0%.

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

On the basis of this review, management concluded that an impairment loss of HK$170 million was required for the freehold hotel land and hotel buildings under construction in Singapore and an impairment loss of HK$149 million is required for a leasehold hotel land and building in Shanghai for the year ended 31 December 2020. (2019: impairment loss of HK$154 million is required for a leasehold hotel property in Beijing.)

Certain property, plant and equipment with net book value of HK$2,759,949,000 (2019: HK$2,503,298,000) were pledged to banks as securities for bank borrowings granted to certain subsidiaries of the Group (note 28).

13 RIGHT-OF-USE ASSETS

	2020	2019
	HK$'000	HK$'000
Leasehold land	**2,853**	98,163
Buildings	**91,428**	112,436
Prepaid premium for land leases and land use right (note c)	**770,004**	645,224
	864,285	855,823

(a) The Group obtains right to control the use of various leasehold land, buildings and prepaid premium of land leases and land use right for a period of time through lease arrangements. Lease arrangements for buildings are negotiated on an individual basis and obtain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 5 years.

(b) Additions to the right-of-use assets and lease liabilities during the year ended 31 December 2020 were HK$67,571,000 (2019: HK$73,679,000) and there was a transfer from property for or under development to land use right amounted to HK$106,200,000 (2019: nil).

13 RIGHT-OF-USE ASSETS (CONTINUED)

(c) 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$7,392,000 (2019: HK$22,829,000) is included in the consolidated income statement, which is charged with reference to revenue generated by the aforesaid subsidiary during the year.

(d) As at 31 December 2020, right-of-use assets with net book value of HK$376,605,000 (2019: HK$262,719,000) were pledged to banks as securities for bank borrowings granted to certain subsidiaries of the Group (note 28).

(e) During the year ended 31 December 2020, total cash outflow for leases amounted to HK$72,572,000 (2019: HK$158,491,000).

(f) Right-of-use assets related to hotel properties were tested for impairment as described in note 12(c).

14 INVESTMENT PROPERTIES

	2020		
Completed investment properties	**Hong Kong**	**Others**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
At valuation			
As at 1 January	**5,115,642**	**3,016,412**	**8,132,054**
Exchange adjustment	**—**	**127,709**	**127,709**
Addition	**68,470**	**1,565**	**70,035**
Transfer from property, plant and equipment and right-of-use assets	**—**	**99,230**	**99,230**
Fair value changes	**(251,601)**	**(197,647)**	**(449,248)**
As at 31 December	**4,932,511**	**3,047,269**	**7,979,780**
Freehold properties			**963,000**
Leasehold properties			**7,016,780**

	2019		
Completed investment properties	Hong Kong	Others	Total
	HK$'000	HK$'000	HK$'000
At valuation			
As at 1 January	5,245,557	3,096,444	8,342,001
Exchange adjustment	—	(40,371)	(40,371)
Addition	12,825	—	12,825
Fair value changes	(142,740)	(39,661)	(182,401)
As at 31 December	5,115,642	3,016,412	8,132,054
Freehold properties			1,060,000
Leasehold properties			7,072,054

NOTES TO THE FINANCIAL STATEMENTS

14 INVESTMENT PROPERTIES (CONTINUED)

Investment properties of fair value of HK$1,961,608,000 (2019: HK$2,006,018,000) was pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (note 28).

The Group measures its investment properties at fair value. An independent valuation of the Group's investment properties was performed by the valuer, 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 as at 31 December 2020 (2019: 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$7,979,780,000 (2019: HK$8,132,054,000) 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, residential 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.

14 INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using significant unobservable inputs

	Fair value as at 31 December 2020	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	**3,593,542**	**Income Capitalisation**	**HK$27 – HK$109 psf**	**N/A**	**3.0% – 4.0%**
— carpark	**466,769**	**Income Capitalisation**	**HK$220 – HK$3,490**	**N/A**	**3.5% – 4.0%**
— carpark	**872,200**	**Direct Comparison**	**N/A**	**HK$142,000 – HK$3,170,000**	**N/A**
Others					
— residential	**99,230**	**Direct Comparison**	**N/A**	**HK$5,400,000 – HK$5,900,000**	**N/A**
— commercial	**2,900,379**	**Income Capitalisation**	**HK$11 – HK$103 psf**	**N/A**	**2.0% – 6.0%**
— carpark	**47,660**	**Direct Comparison**	**N/A**	**HK$381,280 – HK$524,260**	**N/A**

	Fair value as at 31 December 2019	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	3,722,235	Income Capitalisation	HK$29 – HK$114 psf	N/A	3.0% – 4.0%
— carpark	475,807	Income Capitalisation	HK$220 – HK$3,550	N/A	3.5% – 4.0 %
— carpark	917,600	Direct Comparison	N/A	HK$148,000 – HK$3,350,000	N/A
Others					
— commercial	2,971,796	Income Capitalisation	HK$11 – HK$113 psf	N/A	2.0% – 6.0%
— carpark	44,616	Direct Comparison	N/A	HK$363,920 – HK$500,390	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.

NOTES TO THE FINANCIAL STATEMENTS

15 SUBSIDIARIES

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

Subsidiaries with material non-controlling interests

The residential portion of Nova City Phase V owned and developed by Nova Taipa – Urbanizações, Limitada, a subsidiary of the Group ("NC5 Residential") has non-controlling interest material to the Group as the holder of the non-voting Class B share of Fast Shift Investments Limited is entitled to 29% of the economic benefits in or losses arising from NC5 Residential.

Ranex Investments Limited ("Ranex") is the subsidiary with non-controlling interests that are also material to the Group, with shareholding held by non-controlling interests of 49%.

STCT and its subsidiaries ("STCT group") were the subsidiaries with material non-controlling interests in the year ended 31 December 2019. During the year ended 31 December 2020, STCT group had been disposed. Details can be referred to note 40.

Set out below are the summarised financial information for NC5 Residential and Ranex.

Summarised balance sheet

	As at 31 December			
	NC5 Residential		Ranex	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Assets	**4,232,660**	6,298,970	**653,890**	856,318
Liabilities	**(561,347)**	(1,752,707)	**(241,364)**	(266,107)
Total net current assets	**3,671,313**	4,546,263	**412,526**	590,211
Non-current				
Assets	**3,480**	1,337	**3,126,000**	3,228,000
Liabilities	**(126,812)**	(162,933)	**(101,859)**	(94,530)
Total net non-current (liabilities)/assets	**(123,332)**	(161,596)	**3,024,141**	3,133,470
Net assets	**3,547,981**	4,384,667	**3,436,667**	3,723,681

15 SUBSIDIARIES (CONTINUED)

Summarised statement of comprehensive income

	For the year ended 31 December			
	NC5 Residential		Ranex	
	2020	2019	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	2,152,005	11,004,285	344,332	93,456
Profit/(loss) before taxation	1,282,121	6,080,663	46,673	(13,851)
Taxation	(157,422)	(760,729)	(33,688)	(10,598)
Total comprehensive income/(loss)	1,124,699	5,319,934	12,985	(24,449)
Total comprehensive income/(loss) allocated to non-controlling interests	339,586	1,618,881	5,973	(11,247)
Dividends to non-controlling interests	550,994	1,594,994	—	—

Summarised cash flows

	For the year ended 31 December			
	NC5 Residential		Ranex	
	2020	2019	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000
Cash flows from/(used in) operating activities				
Cash generated from operations	1,657,340	6,711,346	244,428	91,505
Income tax paid	(927,065)	(219,871)	(28,376)	(50)
Net cash generated from operating activities	730,275	6,491,475	216,052	91,455
Net cash generated from/(used in) investing activities	26,882	14,819	(39,904)	(805)
Net cash used in financing activities	(1,899,980)	(7,970,463)	(300,000)	(100,000)
Net decrease in cash and cash equivalents	(1,142,823)	(1,464,169)	(123,852)	(9,350)
Cash and cash equivalents as at 1 January	1,857,071	3,321,240	730,720	740,070
Cash and cash equivalents as at 31 December	714,248	1,857,071	606,868	730,720

NOTES TO THE FINANCIAL STATEMENTS

16 JOINT VENTURES

	2020	2019
	HK$'000	HK$'000
Share of net assets	**12,644,111**	12,734,445

Particulars regarding the principal joint ventures are set out in 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 of accounting.

	2020	2019
	HK$'000	HK$'000
Current		
Cash and cash equivalents	**628,810**	516,884
Other current assets (excluding cash)	**319,074**	253,510
Total current assets	**947,884**	770,394
Financial liabilities (excluding trade payables)	**(292,710)**	(141,817)
Other current liabilities (including trade payables)	**(69,494)**	(276,418)
Total current liabilities	**(362,204)**	(418,235)
Non-current		
Investment properties	**9,170,000**	9,920,000
Other assets	**952,831**	1,002,864
Total non-current assets	**10,122,831**	10,922,864
Other liabilities	**(1,050,861)**	(1,125,941)
Total non-current liabilities	**(1,050,861)**	(1,125,941)
Net assets	**9,657,650**	10,149,082

16 JOINT VENTURES (CONTINUED)

Summarised statement of comprehensive income

	For the year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Revenue	**453,166**	646,575
Depreciation and amortisation	**(57,674)**	(74,086)
Interest income	**2,126**	2,674
Interest expense	**—**	(46)
Fair value changes on investment properties	**(750,000)**	(213,000)
Others	**(216,547)**	(269,863)
(Loss)/profit before taxation	**(568,929)**	92,254
Taxation	**77,497**	(12,056)
(Loss)/profit for the year	**(491,432)**	80,198
Other comprehensive income	**—**	—
Total comprehensive (loss)/income	**(491,432)**	80,198
Dividend income from joint venture	**—**	164,013

Reconciliation of summarised financial information

	2020	2019
	HK$'000	HK$'000
Opening net assets as at 1 January	**10,149,082**	10,390,479
(Loss)/profit for the year	**(491,432)**	80,198
Dividend	**—**	(321,595)
Closing net assets as at 31 December	**9,657,650**	10,149,082
Interests in joint venture at 51%	**4,925,402**	5,176,032

NOTES TO THE FINANCIAL STATEMENTS

16 JOINT VENTURES (CONTINUED)

Aggregate information of joint ventures that are not individually material:

	2020	2019
	HK$'000	HK$'000
Aggregate carrying amounts of individually immaterial joint ventures in the consolidated financial statements	**7,718,709**	7,558,413
Aggregate amounts of the Group's share of those joint ventures'		
Loss for the year	**(179,104)**	(1,517)
Other comprehensive income/(loss)	**402,985**	(33,190)
Total comprehensive income/(loss)	**223,881**	(34,707)

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

Note:

Shanghai Suzuan Investment Company Limited ("Suzuan") and Shanghai Tongxin Investment Company Limited ("Tongxin") were 80% owned joint ventures of the Group, which owns 50% interest in two property projects in Shanghai Suhe bay. On 13 November 2020, the Group succeed to acquire the remaining 20% interest in Suzuan and Tongxin at a total consideration of RMB944,400,000 through public tender. Upon the completion of acquisition in January 2021, Suzuan and Tongxin become 100% wholly-owned subsidiaries of the Group. As at 31 December 2020, prepayment of consideration amounting to RMB944,400,000 are included as "other non-current assets" (note 20).

During the year, the Group's share of individually immaterial joint ventures' profits include share of net fair value loss of investment properties, netted of deferred tax, amounting to HK$205,485,000 (2019: HK$7,918,000).

The fair values of investment properties under construction held by Suzuan were determined by CBRE Limited under residual method.

The fair values of completed investment properties held by Basecity and Nextor Holdings Limited were determined by Savills and Knight Frank under income approach or direct comparison method.

17 ASSOCIATES

	2020	2019
	HK$'000	HK$'000
Share of net assets	**6,075,468**	3,117,742
Contribution to an associate	**—**	24,120
Goodwill	**—**	137
	6,075,468	3,141,999

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

Aggregate information of associates that are not individually material:

	2020	2019
	HK$'000	HK$'000
Aggregate carrying amounts of individually immaterial associates in the consolidated financial statements	**6,075,468**	3,141,999
Aggregate amounts of the Group's share of those associates'		
Profit for the year (notes)	**8,796**	172,935
Other comprehensive income/(loss)	**139,746**	(51,354)
Total comprehensive income	**148,542**	121,581

Notes:

(a) On 29 June 2020, the Group entered into a sale and purchase agreement to acquire 450 Class A Shares and 450 Class B Shares of Shun Tak Centre Limited ("STCL") and its shareholder's loan at a total consideration of HK$2,387,200,000. The consideration is payable by instalments and will be fully paid in the year of 2022 (note 32). The transaction was completed on 30 June 2020. A bargain purchase on acquisition of HK$29,550,000 was included in the share of results in associates.

(b) On 22 December 2020, the Group entered into a sale and purchase agreement to dispose the entire 38.7% equity interest in Perennial Tongzhou Holdings Pte. Limited which holds 50% equity interest in a mixed-use development in Tongzhou, Beijing, at the total consideration of RMB978,197,000. The transaction was completed on 28 December 2020. Consideration of RMB913,074,000 was settled by consideration of acquisition of interests in a non-wholly owned subsidiary described in note 41(a) and the remaining consideration of RMB65,123,000 is receivable by the Group in 2023. A gain on disposal of HK$562,694,000 was recorded in "Other gains, net" in the consolidated income statement (note 5).

(c) On 16 July 2020, the Group has completed the restructuring of STCT group. Subsequent to the completion of the transaction, STCT group became an associate of the Group. A bargain purchase on acquisition of HK$59,080,000 was included in the share of results in associates. Details of the transaction can be referred to note 40.

NOTES TO THE FINANCIAL STATEMENTS

17 ASSOCIATES (CONTINUED)

Notes: (Continued)

(d) During the year, the Group's share of associates' profit included share of net fair value gain of investment properties, netted of deferred tax, amounting to HK$42,120,000 (2019: HK$60,347,000). The fair values of completed investment properties held by an associate of the Group were determined by Savills under income capitalisation method, while the fair values of investment properties under construction held by other associates of the Group were determined by CBRE Limited and Beijing Colliers International Real Estate Valuation Co., Ltd. under residual method.

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.

18 INTANGIBLE ASSETS

	Licences and other operating rights	Franchises and royalties	Total
	HK$'000	HK$'000	HK$'000
Cost			
As at 1 January 2019 and 31 December 2019	8,442	1,164	9,606
Addition	**—**	**937**	**937**
Disposal	**(3,932)**	**—**	**(3,932)**
As at 31 December 2020	**4,510**	**2,101**	**6,611**
Accumulated amortisation and impairment			
As at 1 January 2019	5,962	1,119	7,081
Amortisation for the year (note 6)	160	45	205
As at 31 December 2019	**6,122**	**1,164**	**7,286**
Amortisation for the year (note 6)	**160**	**42**	**202**
Disposal	**(3,932)**	**—**	**(3,932)**
As at 31 December 2020	**2,350**	**1,206**	**3,556**
Net book value			
As at 31 December 2020	**2,160**	**895**	**3,055**
As at 31 December 2019	2,320	—	2,320

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	HK$'000	HK$'000
Equity securities		
Unlisted	**3,035,529**	3,097,810
Listed		
— In Hong Kong	**386,098**	426,072
— Outside Hong Kong	**9,382**	10,413
	395,480	436,485
Debt securities		
Listed in Hong Kong	**52,152**	52,197
	3,483,161	3,586,492
Less: current portion	**(36,433)**	—
Non-current portion	**3,446,728**	3,586,492

The financial assets at FVOCI are denominated in the following currencies:

	2020	2019
	HK$'000	HK$'000
Hong Kong dollar	**3,415,163**	3,516,280
United States dollar	**67,998**	70,212
	3,483,161	3,586,492

The fair values of listed equity and debt securities are determined on the basis of their quoted market prices at the balance sheet date.

Management has assessed the fair value of the Group's investment in STDM in accordance with the requirements under HKFRS 9. The key estimates and assumptions applied on the valuation of the unlisted equity investment in STDM (level 3) are set out in note 44(e) of the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

20 OTHER NON-CURRENT ASSETS

	2020	2019
	HK$'000	HK$'000
Amounts due by joint ventures (note a)	**1,395,727**	1,381,536
Amounts due by associates (note b)	**143,882**	10,000
Consideration receivable (note c)	**73,877**	—
Deposits and prepayments	**1,158,380**	66,580
	2,771,866	1,458,116

Notes:

(a) Amounts due by joint ventures are interest free and repayable on demand. The balances are denominated in Hong Kong dollar.

(b) Amounts due by associates are unsecured. HK$133,882,000 (2019: nil) is interest bearing at HIBOR plus 2% per annum on loan principal and repayable on demand. The remaining balance is non-interest bearing and with no fixed term of repayment. The balances are denominated in Hong Kong dollar.

(c) It represents the consideration receivables of RMB65,124,000 to be received in the year 2023 from the disposal of an associate (note 17(b)).

(d) The maximum exposure to credit risk as at 31 December 2020 is the carrying amounts, which approximate their fair values (2019: same).

21 PROPERTIES FOR OR UNDER DEVELOPMENT

	2020	2019
	HK$'000	HK$'000
Properties for or under development, at cost	**4,025,958**	6,765,078

The amount of properties for or under development expected to be recovered after more than one year is HK$4,025,958,000 (2019: HK$6,765,078,000).

Properties for or under development of HK$4,025,958,000 (2019: HK$6,765,078,000) were pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (note 28).

22 INVENTORIES

	2020	2019
	HK$'000	HK$'000
Properties held for sale	**13,443,732**	11,375,432
Spare parts	**—**	176,041
Others	**11,113**	17,880
	13,454,845	11,569,353

Properties held for sale of HK$9,142,302,000 (2019: HK$6,618,868,000) and other inventories of HK$635,000 (2019: HK$796,000) were pledged to banks as securities for bank borrowings granted to certain subsidiaries of the Group (note 28).

23 TRADE AND OTHER RECEIVABLES, DEPOSITS PAID AND PREPAYMENTS

	2020	2019
	HK$'000	HK$'000
Trade receivables (note a)	**120,386**	126,259
Less: Provision for impairment of trade receivables	**(8,573)**	(3,718)
	111,813	122,541
Amount due by an associate (note b)	**—**	110
Amounts due by joint ventures (note c)	**—**	957
Mortgage loans receivable	**355**	334
Deposits for acquisitions of interests in land development rights (note d)	**500,000**	500,000
Other debtors, deposits and prepayments (note e)	**291,282**	456,158
	903,450	1,080,100

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

	2020	2019
	HK$'000	HK$'000
Hong Kong dollar	**609,439**	819,209
Macau pataca	**58,705**	55,863
Renminbi	**78,540**	45,938
United States dollar	**2,731**	11,733
Singapore Dollar	**153,705**	147,357
Others	**330**	—
	903,450	1,080,100

NOTES TO THE FINANCIAL STATEMENTS

23 TRADE AND OTHER RECEIVABLES, DEPOSITS PAID AND PREPAYMENTS (CONTINUED)

Notes:

(a) Trade receivables

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

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

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables.

Movement in the loss allowance of trade debtors during the year is as follows:

	2020	2019
	HK$'000	HK$'000
As at 1 January	**3,718**	4,168
Impairment loss recognised during the year	**4,993**	240
Impairment loss reversed during the year	**(138)**	(108)
Uncollectible amount written off	**—**	(582)
As at 31 December	**8,573**	3,718

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 was unsecured, non-interest bearing and with no fixed term of repayment.

(c) Amounts due by joint ventures were unsecured, non-interest bearing and with no fixed term of repayment.

23 TRADE AND OTHER RECEIVABLES, DEPOSITS PAID AND PREPAYMENTS (CONTINUED)

Notes: (Continued)

(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 (2019: HK$500,000,000) in Macau. The transaction is further disclosed in note 37(b)(viii).

(e) Included within the balance of "other debtors, deposits and prepayments" as at 31 December 2020, the Group recognised an asset of HK$7,703,000 (2019: HK$43,845,000) in relation to sales commissions paid to obtain property sales contract. The Group capitalised the amount and amortised it when the property sales revenue or the forfeiture income from property sales deposits are recongised. During the year, HK$36,799,000 (2019: HK$178,232,000) are charged to the consolidated income statement.

24 DERIVATIVE FINANCIAL INSTRUMENTS

	2020	2019
	HK$'000	HK$'000
Current assets		
Cross-currency swaps (note a)	**—**	15,027
Fuel swap contracts (note b)	**—**	1,476
	—	16,503

The derivative financial instruments are denominated in United States dollar.

Notes:

(a) The Group used cross-currency swaps to hedge against the foreign currency risk in respect of medium term notes (the "Note") (note 30) denominated in United State dollar ("US$") with aggregate principal amount of US$400 million as at 31 December 2019.

In 2019, a gain in fair value of cross-currency swap contracts, that are designated and qualified as cash flow hedges, amounting to HK$8,281,000, was recognised in hedging reserve in equity for the year ended 31 December 2019. Under cash flow hedges, a loss of HK$17,251,000 was transferred from hedging reserve to consolidated income statement.

Hedging reserve arose from gain in fair value of the cross-currency swap contracts which qualified as cash flow hedge was HK$1,962,000 as at 31 December 2019.

On 7 March 2020, the cross-currency swap contracts matured upon the expiry of the Note. The cumulative loss in hedging reserves was then recycled to the consolidated income statement.

As at 31 December 2020, the Group had no (2019: two) outstanding currency swap contracts.

NOTES TO THE FINANCIAL STATEMENTS

24 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes: (Continued)

(a) The effects of the cross-currency swaps on the Group's financial position and performance as at 31 December 2019 are as follows:

	2019
Cross-currency swaps	
Notional amount (US$'000)	400,000
Maturity date	March 2020
Hedge ratio	100%

(b) In 2019, the Group used 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 in fair value of fuel swap contracts that are designated and qualified as cash flow hedges amounting to HK$6,312,000, were recognised in hedging reserve in equity for the year ended 31 December 2019. Under cash flow hedges, the loss of HK$1,953,000 was transferred from hedging reserve to consolidated income statement.

Hedging reserve arose from gain in fair value of the fuel swap contracts, qualified as cash flow hedge was HK$524,000 as at 31 December 2019.

As at 31 December 2020, the Group had no outstanding fuel swap after the completion of restructuring of its transportation businesses on 16 July 2020. In 2019, the Group had outstanding fuel swap contracts to buy approximately 36,000 barrels of fuel.

The effects of the fuel swap contracts on the Group's financial position and performance as at 31 December 2019 are as follows:

	2019
Fuel swap contracts	
Fuel type	Gasoil
Hedged quantity (barrel)	36,000
Maturity date	December 2020
Hedge ratio*	10%
Weighted average fixed price for the year (US$)	72.00

* Hedge ratio was estimated based on hedged quantity to estimated consumption for the coming year.

25 CASH AND BANK BALANCES

	2020	2019
	HK$'000	HK$'000
Bank deposits	**3,236,799**	11,138,678
Cash and bank balances	**2,209,330**	1,142,224
	5,446,129	12,280,902

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:

	2020	2019
	HK$'000	HK$'000
Hong Kong dollar	**2,591,617**	10,416,131
Macau pataca	**93,703**	143,474
Renminbi	**1,664,112**	578,031
United States dollar	**885,545**	964,633
Singapore dollar	**211,152**	178,633
	5,446,129	12,280,902

As at 31 December 2020, bank balances and bank deposits include amount of HK$1,053,412,000 (2019: HK$234,195,000) held under charge in favour of banks in respect of bank loan facilities (note 28). As at 31 December 2020, the balances can be utilised under specified conditions by the Group (2019: same).

26 TRADE AND OTHER PAYABLES, AND DEPOSITS RECEIVED

	2020	2019
	HK$'000	HK$'000
Amounts due to joint ventures (note a)	**1,657**	3,195
Amounts due to associates (note b)	**—**	3,498
Trade and other creditors, deposits and accrued charges (note c)	**1,121,971**	1,358,315
Dividend payable to non-controlling interests	**—**	1,368,503
Consideration payable (note d)	**779,203**	—
	1,902,831	2,733,511

NOTES TO THE FINANCIAL STATEMENTS

26 TRADE AND OTHER PAYABLES, AND DEPOSITS RECEIVED (CONTINUED)

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

	2020	2019
	HK$'000	HK$'000
Hong Kong dollar	1,056,607	1,783,559
Macau pataca	196,186	458,882
Renminbi	540,138	324,168
Singapore dollar	106,987	135,039
United States dollar	1,834	27,996
Others	1,079	3,867
	1,902,831	2,733,511

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 were unsecured, non-interest bearing and with no fixed term of repayment. The carrying amounts approximate their fair values.

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

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

(d) It represents the consideration payable for the acquisition of additional 45% equity interest in STCL (note 32).

27 CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	2020	2019
	HK$'000	HK$'000
Property sales (note a)	**923,319**	647,681
Passenger transportation	**—**	12,083
Hotel and club operations	**35,922**	30,484
	959,241	690,248
Less: non-current portion	**(32,028)**	(24,164)
Current portion	**927,213**	666,084

Notes:

(a) The Group received payments from customers based on billing schedule as established in contracts. Payments are usually received in advance before the transfer of property.

(b) The following table shows the amount of the revenue recognised in the current year that relates to contract liabilities balance at the beginning of the year:

	2020	2019
	HK$'000	HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
— Property sales	**561,099**	4,231,130
— Passenger transportation	**8,373**	32,588
— Hotel and club operations	**4,808**	14,907
	574,280	4,278,625

(c) The following table shows the amount of unsatisfied performance obligations resulting from fixed price contracts with an original expected timing of revenue recognition in more than one year:

	2020	2019
	HK$'000	HK$'000
Expected to be recognised within one year	**1,828,508**	1,870,664
Expected to be recognised after one year	**187,610**	271,407
	2,016,118	2,142,071

For all other contracts with an original expected duration of one year or less or are billed based on time incurred, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

NOTES TO THE FINANCIAL STATEMENTS

28 BANK BORROWINGS

	2020	2019
	HK$'000	HK$'000
Bank borrowings repayable as follows:		
Not exceeding 1 year	**2,928,476**	7,295,263
More than 1 year but not exceeding 2 years	**742,084**	1,325,377
More than 2 years but not exceeding 5 years	**12,024,920**	6,418,323
More than 5 years	**2,244,066**	275,723
	17,939,546	15,314,686
Less: Current portion	**(2,928,476)**	(7,295,263)
Non-current portion	**15,011,070**	8,019,423

As at 31 December 2020, the balance comprises total principal amounts of bank borrowings of HK$18,022,868,000 net of unamortised bank borrowing facilities fees of HK$83,322,000.

Bank borrowings include secured bank borrowings of HK$9,692,043,000 (2019: HK$9,039,686,000) and are secured by the following pledged assets:

	2020	2019
	HK$'000	HK$'000
Property, plant and equipment (note 12)	**2,759,949**	2,503,298
Properties for or under development (note 21)	**4,025,958**	6,765,078
Inventories (note 22)	**9,142,937**	6,619,664
Right-of-use assets (note 13)	**376,605**	262,719
Investment properties (note 14)	**1,961,608**	2,006,018
Cash and bank balances (note 25)	**1,053,412**	234,195
Other assets	**28,855**	43,166
	19,349,324	18,434,138

Out of the above secured bank borrowings, an aggregate amount of HK$2,507,214,000 (2019: HK$2,170,552,000) are also secured by pledges of shares of certain subsidiaries (note 47).

Bank borrowings amounting to HK$2,477,000,000 (2019: HK$2,136,229,000) 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 2020, the weighted average effective interest rate of the Group's bank borrowings is 1.7% (2019: 3.4%) per annum.

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

	2020	2019
	HK$'000	HK$'000
Hong Kong dollar	**8,967,471**	7,029,000
Renminbi	**2,142,033**	1,767,229
Singapore dollar	**6,830,042**	6,518,457
	17,939,546	15,314,686

29 PROVISION FOR EMPLOYEE BENEFITS

Provision for employee benefits represents cost of cumulative paid leaves that the Group expects to pay.

	2020	2019
	HK$'000	HK$'000
As at 1 January	11,231	12,289
Net amount provided during the year	352	1,244
Amount utilised and paid during the year	(3,309)	(2,302)
Disposal of subsidiaries	(2,388)	—
As at 31 December	5,886	11,231

30 MEDIUM TERM NOTES

The US$400 million (approximately HK$3,115,600,000) guaranteed medium term notes were issued by Joyous Glory Group Limited, a wholly-owned subsidiary of the Company, on 7 March 2013. The notes were unsecured and guaranteed by the Company as to repayment, carried an annual coupon rate of 5.7% per annum and were payable semi-annually. The notes had a term of 7 years. It matured and was repaid on 7 March 2020. As at 31 December 2019, the market value of the notes was approximately HK$3,141,740,000 and is within level 1 of the fair value hierarchy.

31 LOANS FROM NON-CONTROLLING INTERESTS

Loans from non-controlling interests are expected to be repayable on demand or repayable within one year. As at 31 December 2020, the loans amounting to HK$60,361,000 (2019: HK$499,708,000) were non-interest bearing and unsecured.

As at 31 December 2019, HK$396,828,000 was secured and bore interest at the lower of i) 10% per annum on loan principal and ii) profit shared by non-controlling interests for the year before interest on the shareholders' loan of that non-wholly owned subsidiary.

The Group did not provide any guarantee on loans from non-controlling interests in both years.

During the year ended 31 December 2020, Nation Mind Development Limited and Shun Tak Somerset Investors Pte. Ltd. became wholly-owned subsidiaries of the Group after further acquisition of non-controlling interest. Details of transaction can be referred to note 41.

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

	2020	2019
	HK$'000	HK$'000
Hong Kong dollar	60,361	60,361
Renminbi	—	384,813
Singapore dollar	—	451,362
	60,361	896,536

NOTES TO THE FINANCIAL STATEMENTS

32 OTHER NON-CURRENT LIABILITIES

On 29 June 2020, the Group entered into a sale and purchase agreement to acquire the 450 Class A Shares and 450 Class B Shares in the capital of STCL and the shareholder's loan of HK$23,587,000 for the total consideration of HK$2,387,200,000. The transaction was completed on 30 June 2020.

The second instalment of the shares consideration payable of HK$779,203,000 will be payable by 30 June 2021 and is included within trade and other payables under current liabilities, whereas the other non-current liabilities mainly represent the final instalment of shares consideration payable of HK$805,211,000 and shareholder's loan of HK$23,587,000, which will be payable by 30 June 2022. These share consideration payables are secured and bear interest at 2% per annum.

33 SHARE CAPITAL

	2020		2019	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Issued and fully paid ordinary shares				
At beginning of the year	**3,021,479,785**	**9,858,250**	3,025,435,785	9,858,250
Buy-back of shares	**—**	**—**	(3,956,000)	—
At end of the year	**3,021,479,785**	**9,858,250**	3,021,479,785	9,858,250

During the year ended 31 December 2019, the Company bought back its own shares through The Stock Exchange of Hong Kong Limited as follows:

Month of buy-back	Number of shares bought back	Price per share Highest	Price per share Lowest	Aggregate consideration
		HK$	HK$	HK$'000
May 2019	1,736,000	3.08	3.01	5,316
June 2019	560,000	3.12	3.10	1,745
July 2019	1,660,000	3.10	3.03	5,104
	3,956,000			12,165
		Total expenses on shares bought back		32
				12,197

The shares buy-back was governed by section 257 of the Hong Kong Companies Ordinance. The total amount incurred for the shares bought back of HK$12,197,000 was paid wholly out of the Company's retained profits. All the shares bought back were subsequently cancelled.

34 SHARE OPTION SCHEME

The share option scheme adopted by the Company on 31 May 2002 (the "2002 Share Option Scheme") and 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 currently has a share option scheme (the "2012 Share Option Scheme"), 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:

2020

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

2019

		Number of share options			
Date of grant	Exercise price	As at 1 January	Lapsed during the year	As at 31 December	Note
The 2002 Share Option Scheme					
29 March 2011	HK$3.86	2,264,248	—	2,264,248	(a), (b)
Weighted average exercise price		HK$3.86	—	HK$3.86	

Notes:

(a) 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 28 March 2021. These share options vested on the date of grant.

(b) The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 is 0.24 years (2019: 1.24 years).

(c) 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 2020 (2019: same).

NOTES TO THE FINANCIAL STATEMENTS

35 OTHER RESERVES

	2020	2019
	HK$'000	HK$'000
Capital reserve (note a)	**14,465**	14,465
Asset revaluation reserve (note b)	**308,672**	299,148
Legal reserve (note c)	**12,034**	12,201
Special reserve (note d)	**(151,413)**	(151,413)
Investment revaluation reserve (note e)	**2,164,994**	2,257,130
Hedging reserve	**4,265**	2,486
Exchange reserve	**366,100**	(516,948)
Retained profits	**22,507,527**	23,441,050
	25,226,644	25,358,119

Notes:

(a) Capital reserve comprises the portion of fair value on grant date of unexercised share option granted to Directors of the Company, and is accounted for in accordance with the accounting policy adopted for share-based payments in note 2(w).

(b) 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".

(c) 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 rules and regulations in Macau and the PRC.

(d) 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 acquired from non-controlling interests.

(e) Investment revaluation reserve represents the cumulative changes in fair value of financial assets at FVOCI and is accounted for in accordance with the accounting policy adopted in note 2(j).

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 in respect of the operations of the Group that management reviews regularly to make decisions on allocation of resources between segments and to assess segment performance.

The principal activities of each reportable segment are as follows:

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

(b) Segment results, assets and liabilities

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

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

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

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

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

As detailed in note 40, the Group has completed its restructuring in its transportation businesses on 16 July 2020. Subsequent to the completion of the transaction, the results and assets and liabilities of STCT would continue to be presented under the transportation segment but under the lines "Share of results of associates" and "Associates" respectively for the purpose of segment reporting.

NOTES TO THE FINANCIAL STATEMENTS

36 SEGMENT INFORMATION (CONTINUED)

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

2020

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

Notes:

(i) Amount includes gain on disposal of an associate of HK$562,694,000 as detailed in note 17(b).

(ii) Amount includes gain on disposal of a subsidiary of HK$395,542,000 as detailed in note 40.

36 SEGMENT INFORMATION (CONTINUED)

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

2020

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

NOTES TO THE FINANCIAL STATEMENTS

36 SEGMENT INFORMATION (CONTINUED)

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

2019

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

36 SEGMENT INFORMATION (CONTINUED)

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

2019

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

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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 tangible assets is based on the location of the 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
2020					
Revenue and other income from external customers	**733,405**	**2,674,218**	**747,449**	**162,540**	**4,317,612**
Non-current assets	**5,710,739**	**1,107,628**	**3,604,010**	**1,572,014**	**11,994,391**
2019					
Revenue and other income from external customers	1,323,974	12,289,743	225,960	893,784	14,733,461
Non-current assets	6,556,883	1,151,792	3,301,076	1,633,103	12,642,854

(d) Information about major customers

For the year ended 31 December 2020 and 2019, 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 financial assets at FVOCI (note 4).

37 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Note	2020	2019
		HK$'000	HK$'000
STDM Group	(i)		
Dividend income from STDM		**172,433**	115,887
Ferry tickets sold (after discount) to STDM Group		**6,894**	90,997
Fees received from STDM Group for provision of hospitality management and related services		**17,868**	36,158
Fees received from STDM Group for provision of property related services		**16,602**	5,222
Fees received from STDM Group for provision of business support services		**3,805**	18,223
Rental and related expenses paid to STDM Group		**15,658**	29,264
Fee paid to STDM Group for purchase of travel products		**1,004**	16,681
Fuel arrangement fee paid to STDM Group for Macau shipping operations		**964**	6,337
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		**42,586**	47,095
Revenue of duty free goods sold on board collected for STDM		**973**	11,972
Shun Tak Centre Limited	(ii)		
Rental and related expenses paid to STCL		**13,238**	19,171
Joint ventures			
Ferry passengers handling fees received on behalf of a joint venture		**673**	9,593
Sanitation/cleaning service income received from a joint venture		**10,018**	—
Associates			
Insurance premium paid to an associate		**24,472**	44,256
Fuel costs paid to an associate		**1,849**	37,421
Key management personnel			
Directors' emoluments	(iii)		
— Salaries and other short-term employee benefits		**31,957**	37,351
— Provident fund contributions		**1,301**	1,603
Consideration for sale of properties	(iv)	**37,490**	—
Marketing expenses paid		**7,170**	—

NOTES TO THE FINANCIAL STATEMENTS

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2020	2019
		HK$'000	HK$'000
STDM Group	(i)		
Net receivable from/(payable to) STDM Group	26, (v)	**19,176**	(1,343,097)
Joint ventures			
Amounts due by joint ventures	(vi)	**1,395,727**	1,382,493
Amounts due to joint ventures	(vi)	**1,657**	3,195
Associates			
Amounts due by associates	(vii)	**143,882**	10,110
Amounts due to associates	(vii)	**—**	3,498
Key management personnel			
Deposit paid by a subsidiary to Sai Wu Investment Limited ("Sai Wu")	(viii)	**500,000**	500,000
Deposits received for sale of properties	(iv)	**1,500**	—

Notes:

(i) Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum, Directors of the Company, have beneficial interests in STDM. Ms. Pansy Ho and Mr. David Shum are directors of STDM. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, which is a corporate director of STDM. Ms. Maisy Ho is an appointed representative of the Company, which is a corporate director of STDM.

(ii) Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are directors of STCL.

(iii) Further details of Directors' emoluments are disclosed in note 7 to the consolidated financial statements.

(iv) During the year ended 31 December 2020, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum, Directors of the Company entered into sale and purchase contracts with the Group to purchase certain residential units of Hengqin Integrated Development in Hengqin, Zuhai and carparks of Nova Grand in Taipa, Macau developed by the Group at a total consideration of HK$37,490,000. As at 31 December 2020, sale deposits of HK$1,500,000 was recognised as contract liabilities.

Revenue amounting to HK$26,815,000 was recognised in the consolidated income statement in relation to these sale and purchase contracts for the year ended 31 December 2020.

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

(v) Net receivable from/(payable to) STDM Group comprises trade and other receivables and payables.

(vi) Amounts due to joint ventures are unsecured, non-interest bearing and with no fixed term of repayment.

Amounts due by joint ventures are unsecured, non-interest bearing and repayable on demand.

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

Amounts due by associates are unsecured and with no fixed terms of repayment. An amount of HK$133,882,000 (2019: nil) is repayable on demand, carries interest art HIBOR plus 2% per annum on loan principal. The related interest income for the year amounted to HK$1,337,000 (2019: nil). The remaining balances are non-interest bearing.

(viii) 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 the late 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 23(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 "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 Transfer was completed in 2018.

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 Transfer and request Sai Wu to return the deposit paid by Shun Tak Nam Van under the SPA.

NOTES TO THE FINANCIAL STATEMENTS

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 (2019: 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 their payroll costs 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 2020 were HK$33,007,000 (2019: HK$54,357,000). 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$12,616,000 (2019: HK$18,037,000).

39 COMMITMENTS

(a) Capital commitments

Except for the commitments disclosed elsewhere in the consolidated financial statements, the Group held the following capital commitments as at year end:

	Note	**2020**	2019
		HK$'000	HK$'000
Contracted but not provided for			
Property, plant and equipment	(i)	**588,770**	515,787
Capital contribution to			
Joint ventures		**74,350**	69,601
Associates	(iii)	**754,777**	792,732
		829,127	862,333

Notes:

(i) As at 31 December 2020, the outstanding commitments mainly include approximately HK$459 million (2019: HK$501 million) for development of a hotel property in Singapore.

39 COMMITMENTS (CONTINUED)

(a) Capital commitments (Continued)

Notes: (Continued)

(ii) The Group's share of capital commitment of joint venture is HK$713 million as at 31 December 2020 (2019: HK$637 million).

(iii) As at 31 December 2020, the outstanding commitment mainly includes capital contribution of USD97 million (2019: USD99 million) to an associate for investing in real estate projects in the PRC for healthcare usage, with hotel and/or retails components, complemented by healthcare-related amenities and mixed use properties.

(b) Committed leases not yet commenced

As at 31 December 2020 and 2019, the total future lease payments for leases committed but not yet commenced are payable as follows:

Land and building

	2020	2019
	HK$'000	HK$'000
Within one year	**—**	1,637
In the second to fifth year inclusive	**—**	1,901
	—	3,538

(c) Future minimum lease payments receivable

The Group leases out properties under operating leases. The majority of the leases typically run for periods of 1 to 20 years. None of the leases include material contingent rentals.

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

	2020	2019
	HK$'000	HK$'000
Within one year	**352,726**	352,382
After 1 year but within 2 years	**181,742**	280,974
After 2 years but within 3 years	**106,931**	134,800
After 3 years but within 4 years	**46,304**	70,516
After 4 years but within 5 years	**12,087**	23,018
After 5 years	**18,827**	26,686
	718,617	888,376

NOTES TO THE FINANCIAL STATEMENTS

39 COMMITMENTS (CONTINUED)

(d) Property development commitments

The Group had outstanding commitments of HK$121 million (2019: HK$287 million) under various contracts for property development projects.

In addition to the above, the Group had commitments of payment up to HK$250 million (2019: HK$250 million) in cash and of issue of up to 148,883,374 (2019: 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 23(d) and 37(b)(viii)).

40 DISPOSAL OF SUBSIDIARIES

On 6 March 2020, the Company and China Travel International Investment Hong Kong Limited ("CTII") (through their respective subsidiaries) entered into sale and purchase agreements to implement the restructuring for the transformation of STCT, which is held as to 71% by Interdragon Limited ("Interdragon"), a non-wholly owned subsidiary of the Group, and 29% by Dalmore Investments Limited ("Dalmore"), a wholly-owned subsidiary of CTII, into a new transportation platform for the provision of cross boundary transportation services in the Greater Pearl River Delta Region. The restructuring comprises:

i. the disposal of 21% of the issued share capital of STCT by Interdragon to Dalmore at a cash consideration of HK$421,805,000;

ii. the acquisition of the entire issued share capital and shareholder loan of China Travel Tours Transportation Development (HK) Limited ("CTTT"), a wholly-owned subsidiary of CTII, by STCT from CTII, at a cash consideration of HK$495,687,000; and

iii. the acquisition of the entire issued share capital of Jointmight Investments Limited ("Jointmight"), a wholly-owned subsidiary of the Group, by STCT, at a cash consideration of HK$55,362,000.

Following the completion on 16 July 2020, the Group ceased to have control on STCT and the remaining interest is accounted for as investment in an associate. A gain on disposal of HK$395,542,000 is recognised in "Other gain, net" and a bargain purchase on acquisition of HK$59,080,000 is recognised in the share of results of associates in the consolidated income statement.

40 DISPOSAL OF SUBSIDIARIES (CONTINUED)

The net assets of STCT group and Jointmight at the disposal date were as follows:

	STCT Group	Jointmight	Total
	HK$'000	HK$'000	HK$'000
Property, plant and equipment	525,921	—	525,921
Right-of-use assets	107,226	—	107,226
Joint ventures	26,198	28,297	54,495
Associates	28,570	28,768	57,338
Deferred tax assets	29,084	—	29,084
Other non-current assets	4,063	—	4,063
Inventories	169,852	—	169,852
Trade and other receivables, deposits paid and prepayments	59,554	11,178	70,732
Taxation recoverable	3,306	—	3,306
Cash and bank balances	691,014	—	691,014
Trade and other payables, and deposits received	(155,887)	(4)	(155,891)
Provision for employee benefits	(2,388)	—	(2,388)
Derivative financial instruments	(10,215)	—	(10,215)
Contract liabilities	(3,747)	—	(3,747)
Lease liabilities	(13,656)	—	(13,656)
Taxation payable	(1,125)	—	(1,125)
Deferred tax liabilities	(14,805)	—	(14,805)
Net assets	1,442,965	68,239	1,511,204
Less: Equity attributable to non-controlling interest	(418,460)	—	(418,460)
Fair value of the retained interests in subsidiaries disposed of	(1,063,378)	—	(1,063,378)
Hedging reserve released upon disposal	6,056	—	6,056
Gain/(loss) on disposal of subsidiaries	395,542	(12,877)	382,665
Remeasurement gain of retained interest at fair value upon reclassification to an associate	59,080	—	59,080
	421,805	55,362	477,167
Satisfied by:			
Cash consideration received	421,805	55,362	477,167

NOTES TO THE FINANCIAL STATEMENTS

40 DISPOSAL OF SUBSIDIARIES (CONTINUED)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of STCT group and Jointmight is as follows:

	STCT Group	Jointmight	Total
	HK$'000	HK$'000	HK$'000
Cash consideration	421,805	55,362	477,167
Cash and bank balances disposed of	(691,014)	—	(691,014)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	(269,209)	55,362	(213,847)

41 ACQUISITION OF INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

(a) In December 2020, the Group acquired 30% equity interest and shareholder loans of a non-wholly owned subsidiary which owns mixed-use property development project in Zhuhai Hengqin, from Perennial China Investment Holdings Pte. Limited at a total consideration of RMB928,074,000 (equivalent to approximately HK$1,106,000,000). Consideration of RMB15,100,000 was paid upon completion after setting off with proceeds from disposal of an associate as described in note 17(b) and deducting related PRC tax withholding payables. Upon completion, it became a wholly-owned subsidiary of the Group.

(b) In April 2020, the Group conditionally agreed to purchase the remaining 30% issued ordinary shares, redeemable preference shares and junior bonds of a non-wholly subsidiary from Perennial Singapore Investment Holdings Pte. Limited at a total consideration of SGD157,000,000 (equivalent to approximately HK$854,000,000). Upon completion in May 2020, it became a wholly-owned subsidiary of the Group.

(c) In October 2020, a non-wholly owned subsidiary of the Group, repurchased its 40% shares from its non-controlling shareholder, at a consideration of HK$39,000,000, and thereafter it became a wholly-owned subsidiary of the Group.

42 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	Lease liabilities	Loans from non-controlling interests	Dividend payable to shareholders	Dividend payable to non-controlling interest	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 1 January 2020	**15,314,686**	**21,802**	**3,170,586**	**(15,027)**	**117,108**	**896,536**	**4,341**	**1,368,503**	**20,878,535**
Cash flows	**2,475,230**	**(426,339)**	**(3,190,648)**	**—**	**(58,412)**	**(389,589)**	**(543,627)**	**(3,301,483)**	**(5,434,868)**
Fair value change	**—**	**—**	**—**	**15,027**	**—**	**—**	**—**	**—**	**15,027**
Exchange adjustments	**214,802**	**—**	**(12,917)**	**—**	**—**	**3,045**	**—**	**—**	**204,930**
Finance costs	**—**	**414,224**	**32,979**	**—**	**3,903**	**—**	**—**	**—**	**451,106**
Dividends declared	**—**	**—**	**—**	**—**	**—**	**—**	**543,866**	**1,932,980**	**2,476,846**
Loan facilities fee	**(65,172)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(65,172)**
Addition to lease liabilities (note 13 (b))	**—**	**—**	**—**	**—**	**67,571**	**—**	**—**	**—**	**67,571**
Remeasurement of lease liabilities	**—**	**—**	**—**	**—**	**(20,112)**	**—**	**—**	**—**	**(20,112)**
Further acquisition of a subsidiary	**—**	**—**	**—**	**—**	**—**	**(449,631)**	**—**	**—**	**(449,631)**
Lease liabilities relating to disposal of a subsidiary	**—**	**—**	**—**	**—**	**(13,656)**	**—**	**—**	**—**	**(13,656)**
As at 31 December 2020	**17,939,546**	**9,687**	**—**	**—**	**96,402**	**60,361**	**4,580**	**—**	**18,110,576**

	Bank borrowings	Finance costs payable	Medium term notes	Cross-currency swaps held to hedge against currency risk of medium term notes	Lease liabilities	Loans from non-controlling interests	Dividend payable to shareholders	Dividend payable to non-controlling interest	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2019	15,304,435	15,135	3,184,001	(6,746)	—	1,192,859	4,134	—	19,693,818
Cash flows	(19,721)	(485,440)	(178,156)	—	(56,611)	(331,225)	(483,585)	(1,647,534)	(3,202,272)
Adoption of HKFRS 16	—	—	—	—	94,685	—	—	—	94,685
Fair value change	—	—	—	(8,281)	—	—	—	—	(8,281)
Exchange adjustments	29,972	—	(17,250)	—	—	(4,600)	—	—	8,122
Finance costs	—	492,107	181,991	—	5,491	39,502	—	—	719,091
Dividends declared	—	—	—	—	—	—	484,070	3,016,037	3,500,107
Dividends on shares bought-back	—	—	—	—	—	—	(278)	—	(278)
Addition to lease liabilities (note 13(b))	—	—	—	—	73,679	—	—	—	73,679
Remeasurement of lease liabilities	—	—	—	—	(136)	—	—	—	(136)
As at 31 December 2019	15,314,686	21,802	3,170,586	(15,027)	117,108	896,536	4,341	1,368,503	20,878,535

NOTES TO THE FINANCIAL STATEMENTS

43 CONTINGENCY AND FINANCIAL GUARANTEES

As at 31 December 2019, the Group has provided guarantee to a third party in respect of the sum owing by a joint venture to the third party under a license agreement. The Group's share of such contingent liabilities amounted to HK$1.9 million.

44 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 amounts due by joint ventures and associates, trade and other receivables, debt securities classified as financial assets at FVOCI, bank deposits and cash at banks.

Credit risk arises from cash and bank balances 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 the proceeds from sales of properties 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 trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group's investment in debt securities are considered to be low risk because of their high credit ratings. The credit ratings of the investments are monitored for credit deterioration.

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

	2020	2019
	HK$'000	HK$'000
Other non-current assets (excluding prepayments)	**1,643,139**	1,404,923
Trade receivables, other receivables and deposits paid (excluding prepayments)	**339,995**	434,201
Debt securities classified as financial assets at FVOCI	**52,152**	52,197
Cash and bank balances	**5,446,129**	12,280,902
	7,481,415	14,172,223

44 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

(a) Credit risk (Continued)

As at 31 December 2020 and 2019, 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 43, the Group does not provide any other guarantees which would expose the Group or the Company to material credit risk.

Credit risk arising from the other financial instruments of the Group, which include mainly cash and bank balances and debt securities classified as financial assets at FVOCI, 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.

Other non-current assets mainly include amounts due by joint ventures amounting to HK$1,396 million (2019: HK$1,382 million), which is contributed by three (2019: three) joint ventures, and amount due by associates amounting to HK$144 million (2019: HK$10 million), which is contributed by two (2019: one) associates. Directors consider the balances could be recovered by the operations of joint ventures and associates in the future and consider the loss given default is minimal.

For the trade receivables, management considers the credit risk of the counterparties is not high. The Group maintains frequent communications with these counterparties. Management has closely monitored the credit qualities and the collectability of these receivables and consider that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

The Directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the balance sheet date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated.

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the company's ability to meet its obligations;

- actual or expected significant changes in the operating results of the company; and

- significant changes in the expected performance and behavior of the company, including changes in the payment status of the third party.

As at 31 December 2020 and 2019, management consider other receivables, mortgage loan receivable, other non-current assets, debt securities classified as financial assets at FVOCI and cash and bank balances as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near future. The Group has assessed that the ECL for these balances are immaterial under 12 months expected losses method. Thus, the loss allowance recognised during the year for these balances is close to zero.

NOTES TO THE FINANCIAL STATEMENTS

44 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

(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.

2020

	Less than 1 year	**Later than 1 year and not later than 5 years**	**Later 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					
Lease liabilities	**50,125**	**50,964**	**—**	**101,089**	**96,402**
Bank borrowings	**3,223,100**	**13,400,075**	**2,460,037**	**19,083,212**	**17,939,546**
Trade and other payables	**1,902,831**	**—**	**—**	**1,902,831**	**1,902,831**
Loans from non-controlling interests	**60,361**	**—**	**—**	**60,361**	**60,361**
Other non-current liabilities	**—**	**905,174**	**—**	**905,174**	**857,642**
	5,236,417	**14,356,213**	**2,460,037**	**22,052,667**	**20,856,782**

2019

	Less than 1 year	Later than 1 year and not later than 5 years	Later 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					
Lease liabilities	53,855	72,759	1,725	128,339	117,108
Bank borrowings	7,691,906	8,398,703	434,308	16,524,917	15,314,686
Medium term notes	3,145,198	—	—	3,145,198	3,170,586
Trade and other payables	2,733,511	—	—	2,733,511	2,733,511
Loans from non-controlling interests	906,457	—	—	906,457	896,536
	14,530,927	8,471,462	436,033	23,438,422	22,232,427

44 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

	2020	2019
	HK$'000	HK$'000
Variable-rate financial assets/(liabilities)		
Trade and other receivables, deposits paid and prepayments	**355**	334
Other non-current asset	**134,719**	1,187
Bank balances and deposits	**5,043,959**	11,904,054
Bank borrowings	**(18,022,868)**	(15,314,686)
	(12,843,835)	(3,409,111)
Fixed-rate financial assets/(liabilities)		
Financial assets at FVOCI	**52,152**	52,197
Medium term notes	**—**	(3,170,586)
	52,152	(3,118,389)
Net interest-bearing liabilities	**(12,791,683)**	(6,527,500)

Sensitivity analysis

As at 31 December 2020, if interest rates had been 50 basis points (2019: 50 basis points) higher/lower with all other variables held constant, the Group's profit after taxation and equity after taking into account the impact of finance costs capitalised in properties for or under development, inventories and hotel buildings under construction would decrease by HK$44.4 million (2019: increase by HK$0.9 million)/increase by HK$49.2 million (2019: increase by HK$2.1 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.

NOTES TO THE FINANCIAL STATEMENTS

44 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 2020, if HKD weakened 10% (2019: 10%) against RMB and SGD with all other variable held constant, the Group's profit after taxation would increase by HK$24.6 million (2019: increase by HK$2.0 million) and decrease by HK$1.5 million (2019: increase by HK$89.4 million) respectively. Conversely, if HKD had strengthened 10% (2019: 10%) against RMB and SGD with all other variables held constant, the Group's profit after taxation would decrease by HK$24.6 million (2019: decrease by HK$2.0 million) and increase by HK$1.5 million (2019: decrease by HK$89.4 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.

44 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

	2020	2019
	HK$'000	HK$'000
Financial assets, at fair value		
Financial assets at FVOCI	**3,483,161**	3,586,492

Sensitivity analysis

The Group's equity investments amounting to 11% (2019: 12%) of its financial assets carried at fair value are classified as financial assets at FVOCI with exposure to equity price risk and are listed on recognised stock exchanges in Hong Kong and the United States. A 10% (2019: 10%) increase in stock prices as at 31 December 2020 would increase the equity by HK$39.5 million (2019: HK$43.6 million). An equal change in the opposite direction would decrease the equity by HK$39.5 million (2019: HK$43.6 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

44 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 2019, around 10% of the anticipated fuel consumption for 2020 was hedged at the balance sheet date. As at 31 December 2020, no fuel swap contract was entered by the Group.

Summary quantitative data

	2019
	HK$'000
Financial asset, at fair value	
Fuel swap contract	1,476

Sensitivity analysis

If the fuel price increased by 10% with all other variables held constant, the Group's profit after taxation for the year ended 31 December 2019 would decrease by HK$42.3 million, representing the after-tax effect of change in fuel price for the year and equity as at 31 December 2019 would increase by HK$1.8 million, representing the after-tax effect of change in fair value of fuel swap contracts at the balance sheet date. Conversely, if the fuel price decreased by 10% with all other variables held constant, the Group's profit after taxation for the year ended 31 December 2019 would increase by HK$42.3 million and equity as at 31 December 2019 would decrease by HK$1.8 million.

The sensitivity analysis has been prepared with the assumption that the change in fuel prices had occurred during the year and 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 represent management's assessment of a reasonably possible range at that date over the period until the next annual balance sheet date.

44 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:

	2020	2019
	HK$'000	HK$'000
Financial assets		
Financial assets measured at amortised cost (including cash and bank balances)	**7,429,263**	14,120,026
Financial assets at FVOCI	**3,483,161**	3,586,492
Derivative financial assets	**—**	16,503
Financial liabilities		
Financial liabilities measured at amortised cost	**20,856,782**	22,232,427

(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).

31 December 2020

	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Financial assets at FVOCI				
— equity securities	395,480	6,464	3,029,065	3,431,009
— debt securities	52,152	—	—	52,152
Total assets	447,632	6,464	3,029,065	3,483,161

NOTES TO THE FINANCIAL STATEMENTS

44 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

(e) Fair value estimation (Continued)

31 December 2019

	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Derivatives used for hedging				
— cross-currency swaps	—	15,027	—	15,027
— fuel swap contracts	—	1,476	—	1,476
Financial assets at FVOCI				
— equity securities	436,485	8,357	3,089,453	3,534,295
— debt securities	52,197	—	—	52,197
Total assets	488,682	24,860	3,089,453	3,602,995

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 and debt investments classified as FVOCI.

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.

Level 2 derivatives used for hedging comprise fuel swap contracts and cross-currency swaps. The fuel swap contracts have been fair valued using forward fuel prices that are quoted in an active market. The cross currency swaps are fair valued using forward interest rates extracted from observable yield curves and foreign exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives.

Level 2 equity securities are valued based on the net asset value per share.

44 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

(e) Fair value estimation (Continued)

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.

Level 3 equity securities are fair valued using market approach which is based on the capitalisation of the dividend income expected from the investment by a capitalisation rate, which is derived with reference to the dividend yields of comparable listed companies with similar business nature and business model, as well as the relative risk profile of the comparable listed companies and the investment itself.

During the year, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements. There were no significant changes in the business or economic circumstances that affect the fair values of the Group's financial assets and financial liabilities and there were no reclassifications of financial assets during the year.

Information about fair value measurements using significant unobservable inputs

		Range of significant unobservable inputs	
Fair value as at 31 December 2020 HK$'000	**Valuation method**	**Expected dividend stream per year**	**Dividend yield**
3,029,065	**Market approach**	**HK$96 million**	**3.17%**

		Range of significant unobservable inputs	
Fair value as at 31 December 2019 HK$'000	Valuation method	Expected dividend stream per year	Dividend yield
3,089,453	Market approach	HK$120 million	3.89%

NOTES TO THE FINANCIAL STATEMENTS

44 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

(e) Fair value estimation (Continued)

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

The determination of fair value of the investment using significant unobservable input involves a high degree of judgement and estimates. For illustration purpose, the sensitivity of the fair value of such investment as at 31 December 2020 and 2019 to hypothetical changes in the significant principal assumptions (while holding all other assumptions constant) is as follows:

31 December 2020

		Impact on fair value and other comprehensive income	
	Change in assumptions	**Positive impact**	**Negative impact**
Expected dividend stream	**Increase/decrease by 10% per year**	**Increase by HK$303 million**	**Decrease by HK$303 million**
Dividend yield	**Decrease/increase by 0.5%**	**Increase by HK$568 million**	**Decrease by HK$413 million**

31 December 2019

		Impact on fair value and other comprehensive income	
	Change in assumptions	Positive impact	Negative impact
Expected dividend stream	Increase/decrease by 10% per year	Increase by HK$309 million	Decrease by HK$309 million
Dividend yield	Decrease/increase by 0.5%	Increase by HK$456 million	Decrease by HK$352 million

The movement of the carrying value of the unlisted equity investment which is catogorised at Level 3 fair value hierarchy are as follows:

	HK$'000
As at 1 January 2019, as restated	3,296,742
Change in fair value recognised in other comprehensive income	(207,289)
As at 31 December 2019	3,089,453
Change in fair value recognised in other comprehensive income	(60,388)
As at 31 December 2020	3,029,065

45 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 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 borrowing 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 2020, the Group's strategy, which was unchanged from 2019, was to maintain a healthy net debt-to-adjusted capital ratio.

The net debt-to-adjusted capital ratio as at 31 December 2020 and 2019 was as follows:

	2020	2019
	HK$'000	HK$'000
Bank borrowings (note 28)	**17,939,546**	15,314,686
Medium term notes (note 30)	**—**	3,170,586
Less: Cash and bank balances (note 25)	**(5,446,129)**	(12,280,902)
Net borrowing	**12,493,417**	6,204,370
Equity attributable to owners of the Company	**35,084,894**	35,760,235
Less: Hedging reserve (note 35)	**(4,265)**	(2,486)
Adjusted capital	**35,080,629**	35,757,749
Net debt-to-adjusted capital ratio	**35.6%**	17.4%

NOTES TO THE FINANCIAL STATEMENTS

46 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	2020	2019
	HK$'000	HK$'000
Non-current assets		
Property, plant and equipment	**611**	841
Subsidiaries	**711,362**	1,695,916
Associate	**1,067,250**	250
Financial assets at fair value through other comprehensive income	**2,984,036**	3,043,527
Other non-current assets	**17,138,649**	15,324,744
	21,901,908	20,065,278
Current assets		
Trade and other receivables, and deposits paid	**19,192**	25,120
Cash and bank balances	**1,948,792**	4,733,472
	1,967,984	4,758,592
Current liabilities		
Trade and other payables, and receipts in advance	**7,247,554**	7,219,800
Provision for employee benefits	**3,186**	3,443
	7,250,740	7,223,243
Net current liabilities	**(5,282,756)**	(2,464,651)
Net assets	**16,619,152**	17,600,627
Equity		
Share capital	**9,858,250**	9,858,250
Other reserves (note (a))	**6,760,902**	7,198,511
Proposed dividends	**—**	543,866
Total equity	**16,619,152**	17,600,627

The balance sheet of the Company was approved by the Board of Directors on 26 March 2021 and was signed on its behalf

Pansy Ho
Director

Daisy Ho
Director

46 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Notes:

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

	Capital reserve	Investment revaluation reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Restated balance as at 1 January 2019	14,451	807,733	4,428,382	5,250,566
Profit for the year	—	—	3,053,281	3,053,281
Fair value changes of equity investments as financial assets at FVOCI	—	(65,481)	—	(65,481)
2018 final dividend	—	—	(302,440)	(302,440)
2018 special dividend	—	—	(181,630)	(181,630)
Dividends on shares bought-back	—	—	278	278
Buy-back of shares	—	—	(12,197)	(12,197)
As at 31 December 2019	**14,451**	**742,252**	**6,985,674**	**7,742,377**
Loss for the year	**—**	**—**	**(378,118)**	**(378,118)**
Fair value changes of equity investments as financial assets at FVOCI	**—**	**(59,491)**	**—**	**(59,491)**
2019 final dividend	**—**	**—**	**(543,866)**	**(543,866)**
As at 31 December 2020	**14,451**	**682,761**	**6,063,690**	**6,760,902**

NOTES TO THE FINANCIAL STATEMENTS

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 2020	Percentage held by the Group 2019	Principal activities
Property – Hong Kong					
Goform Limited	Hong Kong	Ordinary shares: HK$2	**100**	100	Property investment
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
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 provision of management services
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
Shun Tak Centre Limited# ("STCL")	Hong Kong	Ordinary Class A shares: HK$100,000 Ordinary Class B shares: HK$4,500 Ordinary Class C shares: HK$5,500	**(Note 1)**	(Note 1)	Property investment and investment holding
Property – Macau					
Ace Wonder Limited	British Virgin Islands	Ordinary share: US$1	**100**	100	Investment holding
Basecity Investments Limited^	British Virgin Islands	Ordinary shares: US$10,000	**51 (Note 2)**	51 (Note 2)	Investment holding
Properties Sub F, Limited^	Macau	MOP1,000,000	**51 (Note 2)**	51 (Note 2)	Property development, investment and trading and hotel management
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 development
Nextor Holdings Limited^	British Virgin Islands	Ordinary shares: US$10	**50**	50	Investment holding
Viver Taipa Limitada^	Macau	Quota capital: MOP25,000	**50**	50	Property investment
Shun Tak Nam Van Investimento Limitada	Macau	Quota capital: MOP25,000	**100**	100	Property development
Winning Reward Investments Limited holding	British Virgin Islands	Ordinary share: US$1	**100**	100	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 2020	2019	Principal activities
Property – Mainland China					
Beijing Mega Hall Hotel Operating Management Co. Ltd.* β 北京萬國城酒店運營管理有限公司	PRC	RMB465,000,000@	**100**	100	Property investment and hotel development
Guangzhou Shun Tak Real Estate Company Limitedβ	PRC	HK$130,000,000@	**60**	60	Property investment
Perennial HC Holdings Pte. Ltd.#	Singapore	Ordinary shares: US$175,480,000	**30**	30	Investment holding
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	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	Investment holding
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	RMB1,410,000,000@	**100**	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**	50	Property development
Shun Yin Limited	Hong Kong	Ordinary shares: HK$100	**100**	100	Investment holding
Tak Hope Limited	Hong Kong	Ordinary shares: HK$100	**100**	100	Investment holding
Shanghai Suzuan Investment Company Limited*^ 上海蘇鑽投資有限公司	PRC	RMB2,529,880,000@	**80 (Note 2)**	80 (Note 2)	Investment holding
Shanghai Tongxin Investment Company Limited*^ 上海潼信投資有限公司	PRC	RMB2,270,120,000@	**80 (Note 2)**	80 (Note 2)	Investment holding

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 2020	2019	Principal activities
Property – Singapore					
Shun Tak Somerset Investors Pte. Ltd. (formerly "Perennial Somerset Investors Pte. Ltd.")	Singapore	Ordinary shares: S$343,501 Preference shares: S$95,607,500	**100**	70	Investment holding
Shun Tak (Somerset) Pte. Ltd. (formerly "Perennial (Somerset) Pte. Ltd.")	Singapore	Ordinary shares: S$10,001	**100**	70	Property holding
Shun Tak Residential Development Pte. Ltd.	Singapore	Ordinary shares: S$1,000,000	**100**	100	Property development
Shun Tak Cuscaden Residential Pte. Ltd.	Singapore	Ordinary shares: S$2,000,000	**100**	100	Property development
Transportation					
Celeworld Limited#	Hong Kong	Ordinary shares: HK$10 Non-voting deferred shares: HK$10,000	**50 (note 5)**	42.6	Marine fuel supply
Companhia de Serviços de Ferry STCT (Macau) Limitada#	Macau	Quota capital: MOP10,000,000	**50 (note 5)**	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	**50 (note 5)**	42.6	Shipping
Glowfield Group Limited#	British Virgin Islands	Ordinary shares: US$27	**50 (note 5)**	42.6	Investment holding
Hongkong Macao Hydrofoil Company, Limited#	Hong Kong/Hong Kong and Macau	Ordinary shares: HK$10,000,000	**50 (note 5)**	42.6	Shipping
Interdragon Limited	British Virgin Islands	Ordinary shares: US$10,000	**100**	60	Investment holding
Ocean Shipbuilding & Engineering Limited#	Hong Kong	Ordinary shares: HK$200 Non-voting deferred shares: HK$100,000	**50 (note 5)**	42.6	Shipbuilding and repairs
Shun Tak China Travel – Companhia de Gestão de Embarcações (Macau), Limitada#	Macau	Quota capital: MOP10,000,000	**50 (note 5)**	42.6	Ship management
Shun Tak – China Travel Ferries Limited#	British Virgin Islands/ Hong Kong	Ordinary shares: US$2	**50 (note 5)**	42.6	Investment holding
Shun Tak – China Travel Macau Ferries Limited#	British Virgin Islands/ Hong Kong and Macau	Ordinary share: US$1	**50 (note 5)**	42.6	Shipping
Shun Tak–China Travel Ship Management Limited#	Hong Kong	Ordinary shares: HK$200 Non-voting deferred shares: HK$1,000,000	**50 (note 5)**	42.6	Ship management
Shun Tak - China Travel Shipping Investments Limited#	British Virgin Islands/ Hong Kong	Ordinary shares: US$10,000	**50 (note 5)**	42.6	Investment holding
Sunrise Field Limited#	Hong Kong	Ordinary share: HK$1	**50 (note 5)**	42.6	Shipping
Wealth Trump Limited#	Hong Kong	Ordinary share: HK$1	**50 (note 5)**	42.6	Shipping

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 2020	Percentage held by the Group 2019	Principal activities
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**	100	Hotel owning and operation
Shun Tak Real Estate (Singapore) Pte. Ltd.	Singapore	Ordinary share: S$1	**100**	100	Hotel development
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

NOTES TO THE FINANCIAL STATEMENTS

47 PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Notes:

1. On 30 June 2020, the Group further acquired 450 Class A Shares and 450 Class B Shares in the capital of STCL from New World Hotels (Holdings) Limited. The Group is entitled to the 55% profits and the net assets of the STCL group which comprises certain properties situated in Central, Hong Kong, and 100% assets of the STCL which are beneficially owned by the B Shares, respectively. The Group does not control STCL under the contractual agreement, the interest held is accounted for as an associate. As at 31 December 2019, the Group held 100 Class A Shares in STCL.

2. The Group holds more than 50% interests in these joint ventures. However, under the contractual agreements, the Group does not control these joint ventures 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. On 16 July 2020, the Group completed the restructuring of STCT group. Since then the Group does not control STCT group under the contractual agreement, the interest held is accounted for as an associate.

6. 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.

@ 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 28)
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 26 March 2021.

FIVE-YEAR FINANCIAL SUMMARY

	Note	2020	2019	(Restated) 2018	(Restated) 2017	2016
		(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)
Consolidated Income Statement						
Revenue		**4,190**	14,649	6,592	6,389	3,852
Profit/(loss) attributable to owners of the Company		**262**	3,456	4,647	1,450	(587)
Consolidated Balance Sheet						
Non-current assets		**37,000**	33,611	29,064	23,772	19,587
Current assets		**23,937**	31,718	38,211	35,334	26,740
Current liabilities		**(6,098)**	(15,842)	(12,781)	(12,509)	(4,456)
Non-current liabilities		**(16,923)**	(9,026)	(14,845)	(11,311)	(11,313)
Net assets		**37,916**	40,461	39,649	35,286	30,558
Share capital and other statutory capital reserve		**9,858**	9,858	9,858	9,858	9,858
Other reserves		**25,227**	25,358	22,554	19,029	15,773
Proposed dividends		**—**	544	484	182	—
Equity attributable to owners of the Company		**35,085**	35,760	32,896	29,069	25,631
Non-controlling interests		**2,831**	4,701	6,753	6,217	4,927
Total equity		**37,916**	40,461	39,649	35,286	30,558
Number of issued and fully paid shares (million)	1	**3,021**	3,021	3,025	3,042	3,042
Performance Data						
Earnings/(loss) per share (HK cents)						
— basic		**8.7**	114.3	153.4	47.7	(19.3)
— diluted		**8.7**	114.3	153.4	47.7	(19.3)
Dividends per share (HK cents)						
— interim		**—**	—	—	6.0	—
— final		**—**	18.0	10.0	6.0	—
— special		**—**	—	6.0	—	—
Dividend cover		**N/A**	6.4	9.6	4.0	N/A
Current ratio		**3.9**	2.0	3.0	2.8	6.0
Gearing (%)	2	**35.6**	17.3	12.7	8.8	N/A
Return on equity attributable to owners of the Company (%)		**0.7**	9.7	14.1	5.0	(2.3)
Net asset value per share (HK$)		**12.5**	13.4	13.1	11.6	10.0

	2020	2019	2018	2017	2016
Headcount by Division					
Head Office	**250**	250	255	250	255
Property	**640**	593	532	503	563
Transportation	**—**	1,587	1,948	2,016	2,056
Hospitality	**626**	755	766	594	511
Investment	**43**	38	25	24	24

Note:

1. Number of issued and fully paid shares is based on the number of shares in issue at the balance sheet date.

2. Gearing represents the ratio of net borrowings to equity attributable to owners of the Company.

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