

信德集團

SHUN TAK HOLDINGS

STOCK CODE 股份代號：242



Road to
Excellence

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2023

信德集團有限公司中期業績報告

Shun Tak Holdings Limited Interim Report

宏容通泰

Road to Excellence

The pandemic has brought an immense impact to the world. During the predicament, Shun Tak faces the challenge with imperturbability. Meanwhile, the Group proactively expands its business while strategically formulating a long-term development plan.

In the post-pandemic era, Shun Tak is poised to create shared value with its strategic partners in the property, transportation, hospitality and investment sectors, jointly promoting national development and progressing along the road to excellence.

在全球飽受疫情衝擊之際，信德集團沉著應對挑戰，積極擴展多元業務，亦適時制定長遠發展戰略。

在後疫情年代，集團蓄勢待發，與地產、運輸、酒店及消閒、投資業務的合作策略夥伴，創造共享價值，攜手助力國家發展，一同踏上通往安泰之路。



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GROUP RESULTS

The board of directors (the "Board") of Shun Tak Holdings Limited (the "Company") announces the unaudited consolidated interim results for the six months ended 30 June 2023 of the Company and its subsidiaries (the "Group").

The unaudited loss attributable to owners of the Company for the period was HK\$425 million (2022: profit of HK\$229 million). Underlying loss attributable to the owners which principally adjusted for unrealised fair value changes on investment properties would be HK\$274 million (2022: profit of HK\$458 million). Basic loss per share was HK14.1 cents (2022: basic earnings per share HK7.6 cents).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2023 (2022: nil).

PROPERTY

The regional economy is picking up slower than expected despite the relaxation of anti-pandemic measures and border reopening. Although property launches were reactivated, consumer confidence wavered in the first half of 2023 under the environment of hawkish US monetary policy, weak economic recovery in China, new sets of cooling measures in Singapore, as well as expanding Sino-US trade tensions. Against the challenging backdrop, the property division recorded a profit of HK\$223 million (1H 2022: HK\$601 million) with profit recognition from Park Nova and Les Maisons Nassim in Singapore, and Nova Grand in Macau.

Property Developments

Projects completed with recent sales

In Macau

Nova Park (Group interest: 100%)

Nova Park is the fourth phase of the Group's landmark project, Nova City. Sitting at the core of Taipa, Nova Park covers a gross floor area of around 680,000 square feet. In the first half of 2023, one residential unit was sold. The development has proven to be a success as 98% of its 620 residential units have been sold as of 30 June 2023.

Nova Grand (Group interest: 71%)

Nova Grand, the final phase of Nova City, features eight towers containing more than 1,700 residential units. During the first half of 2023, 24 units were transacted and six units were recognized. As of 30 June 2023, 88% of the units were sold, a testimony to the project's popularity with local residents in Macau.

Business Review

In Southern China

Hengqin Integrated Development (Group interest: 100%)

Strongly supported by the Central Government, the Hengqin-Guangdong-Macao In-Depth Cooperation Zone (the “Zone”) aims to promote economic diversification and attract high-end talents. Hengqin Integrated Development is located within the Zone, conveniently connected to the Hengqin Port – a cross-border facility operating 24 hours a day. It also sits at the intersection of the Guangzhou-Zhuhai Intercity Railway and the future Macau Light Rapid Transit station.

While Hengqin rolled out preferential policies for Macau-funded enterprises and rental subsidies for the finance industry, the office leasing segment picked up gradually during the post-pandemic period. Meanwhile, the mall is expected to open in the third quarter of 2024, and pre-leasing is progressing as planned. To cater for local families and tourists, the mall will focus on a leisure-themed tenant mix with specialty and casual dining.

As of 30 June 2023, a total of 422 residential units were sold, of which 421 units were handed over to homebuyers. The remaining four show flats are expected to be sold within 2023.

Scheduled to open in the first quarter of 2024, the 230-room Artyzen Habitat Hotel featuring vibrant social areas will further support the emergence of the development as a prime residence and travel destination.

In Singapore

111 Somerset (Group interest: 100%)

Located in the commercial district of Orchard Road near the Somerset MRT station, 111 Somerset is a 17-storey integrated development featuring two office towers, a two-level retail podium and a two-level basement car park, covering a gross floor area of approximately 766,550 square feet. The recovery of the overall business environment in Singapore remained resilient, as of 30 June 2023, the development achieved an overall committed occupancy rate at 94% across all sectors including business, retail, medical and office zones.

Projects under development

In Northern China

Tongzhou Integrated Development, Beijing (Group interest – Phase 1: 24%)

Tongzhou Beijing is the new home for the headquarters of Beijing's Central Government and many state-owned enterprises. Strategically located on the Grand Canal in Tongzhou Beijing, the iconic Tongzhou Integrated Development is set to offer 127,000 square meters of retail space, 119,000 square meters of office space, and 50,000 square meters of apartment units. The retail podium will link with the M6 metro line to offer direct connection to the heart of Beijing. The first stage of the project is scheduled to complete in 2025, while presales of its apartments are expected to begin in the end of 2023 once the presale consent is granted by the government.

Business Review

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

The 77,000-square-meter site of Tianjin South HSR Integrated Development was acquired in 2018 – as part of a strategic partnership between the Group and Singapore-based Perennial Holdings Private Limited (“Perennial”). Positioned as a state-of-the-art “health city” adjacent to the Tianjin South High-Speed Railway Station, the development is set to meet the growing demand for quality medical care in the fast-growing “Jing-Jin-Ji” megalopolis. In addition to a modern general hospital and elder care facilities, the development will offer retail and hospitality services with a hotel over a commercial area spanning 330,000 square meters. The development’s electrical, mechanical and facade works are in progress, while operations are expected to begin in phases from the last quarter of 2023.

In Eastern China

NEW BUND 31, Qiantan, Shanghai (Group interest: 50%)

NEW BUND 31 is a 50/50 joint venture between the Group and Shanghai Lujiazui (Group) Company Limited. The mixed development comprises a 140,500-square-meter cultural and community hub featuring offices, retail space, a 202-room five-star hotel to be managed by Artyzen Hospitality Group, and the inspiring Performing Arts Center which houses a 2500-seat concert hall and a multi-purpose Black Box Arts Space – offering a total capacity of 4,000 spectators altogether. The project has been awarded Silver Award by China Real Estate & Design Award (CREDAWARD) and Gold Award by GBE Mixed-Development Award. The construction and fit-out works for the entire project are fully completed and leasing is in progress. All facilities are under testing and getting prepared for the opening in the last quarter of 2023.

Shanghai Suhe Bay Area Mixed-use Development Project (Group interest: 50%)

Developed jointly with China Resources Land Limited, this mega integrated development is located alongside the Suhe Creek in the buoyant commercial hub of Jingan. It comprises the grade A office Suhe Centre, two residential towers, three commercial blocks, as well as the premium shopping mall MixC World. Encompassing the heritage retail lane Shen Yu Lane and the Tin Hau Temple, Shanghai Suhe Bay as a whole contains more than 82,000 square meters of aboveground gross floor areas for sales, while its leasing space exceeds 158,000 square meters of gross floor areas.

All of the project's residential units have been handed over to individual buyers. Meanwhile, MixC World – the lifestyle destination shopping complex built around heritage buildings embedded within central Jingan's largest park – achieved 91% occupancy in the first half of 2023. It features a diverse mix of tenants, from industry-leading boutiques and fashion stores to gourmet restaurants and chic cafés. Leasing of Suhe Centre is in progress, with several multinational tenants already moved in.

In Western China

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

Like the Group's Tianjin project, the 65,000-square-meter Kunming South HSR Integrated Development was acquired by the Group in partnership with Perennial in December 2018. Located near a high-speed railway station, the development is positioned to become a regional healthcare and commercial hub featuring modern hospitality, medical care, elder care, MICE and retail spaces across a gross floor area of approximately 550,000 square meters. Superstructure works are in progress, and operations are scheduled to begin in 2024.

Business Review

In Singapore

Park Nova (Group interest: 100%)

Situated in Singapore's upscale residential area near the famed Orchard Road shopping belt, Park Nova is a 21-storey residential tower featuring a strata area of approximately 125,000 square feet with 51 simplex units and three penthouses. Towering above Orchard Boulevard, the exclusive residence offers panoramic views above lush greenery. Each unit is served by a private lift lobby to deliver residents a bespoke urban, luxury lifestyle.

Sales and construction of the 43,356-square-foot development is progressing as planned and expected to be completed in 2024. Presales, which began in May 2021, have proven resilient to the pandemic. In the first half of 2023, four units were transacted. As of 30 June 2023, 48 units including the three penthouses have been sold.

Imbued with a biophilic design philosophy, Park Nova epitomizes the Group's pioneering concept of "smart new urban homes" in harmony with the local environment. Its innovative design has been honoured by some of the most esteemed awards in the industry, including the five-star "Best Apartment/Condominium Singapore" by Asia Pacific Property Awards 2022, and "Best Condo Architectural Design (Asia)" at 2022 PropertyGuru Asia Property Awards.

Les Maisons Nassim (Group interest: 100%)

Located in one of Singapore's most exclusive districts, the prestigious site of Les Maisons Nassim is set to become the city's "Bungalow-in-the-Sky". Spanning approximately 110,000 square feet and situated near other prestigious bungalows in the district, this majestic development will feature a total of 14 luxurious units, including nine simplex apartments, two duplexes and three penthouses. Each residence is equipped with a private lift and comes with personal parking space, while large avenues surrounded by luxuriant plants exude subtle luxury and sophistication defining the exclusive enclave. Construction is scheduled to be completed within 2023. During the first half of 2023, three units were transacted. As of 30 June 2023, a total of 12 units have been sold.

Projects under planning

In Macau

Harbour Mile

The Group will, upon receiving notice from the Macau SAR Government regarding the allotment of the land parcels, set out the most appropriate development strategy for the site.

Property Investments

In Hong Kong

liberté place (Group interest: 64.56%)

Located at Lai Chi Kok MTR station in West Kowloon, the mall has proven to be a consistent source of income growth for the Group. In the first half of 2023, the leasing team reshuffled the tenant mix by upgrading shop subdivisions and re-configuring the layout, to diversify the property's retail portfolio and maximize its income potential. As of 30 June 2023, the occupancy rate stood at 98%.

The Westwood (Group interest: 51%)

Having undergone a full renovation in July 2021, the Westwood, a prominent shopping destination on Hong Kong Island's Western District, is focused on reinforcing its family-oriented positioning. A sizable portion of the mall is currently occupied by a supermarket and a major entertainment tenant, serving to engage with families, kids and youngsters. Meanwhile, more educational institutions were recruited to cater to families' needs. As of 30 June 2023, the Westwood recorded an 89% occupancy rate.

Chatham Place (Group interest: 51%)

This three-storey arcade adjoining Chatham Gate is dedicated to becoming an educational hub. During the first half of 2023, the mall witnessed a resurgence of interest from educational institutions. Meanwhile, the leasing team continues to explore potential prospects spanning various trades, creating a more diverse retail experience. As of 30 June 2023, the property recorded a 44% occupancy rate.

Business Review

Shun Tak Centre Portfolio

The Group owns a 100% interest of Shop 402 and, overall, a 55% interest in a collection of assets at Shun Tak Centre, which comprises 213,786 square feet of retail area, 13,827 square feet of gross office area and 85 parking spaces.

Following the resumption of ferry services after border reopening with Macau and Mainland China in early 2023, tenants particularly in food and beverage have shown obvious improvement in business performance. Meanwhile, the renovation on the third and fourth floors were completed. To strengthen the Group's retail portfolio, the tenant mix will be refined in anticipation of the final phase of the mall revamp to complete by early 2024.

For the Shop 402 owned by the Group, the fencing academy and exhibition hall remain the anchor tenants. The Group is currently studying the possibility of dedicating the space previously occupied by an indoor golf club to food and beverage outlets to increase customer footfall of upper floors.

In Macau

Nova Mall (Group interest: 50%)

Located at the heart of Taipa's Nova residential community, Nova Mall is a one-stop shopping destination in Macau dedicated to serving the daily needs of local shoppers. In the first half of 2023, the leasing team successfully retained all anchor tenants as the initial tenancy agreements were set to expire, contributing to 88% in the occupancy rate. Meanwhile, the division is committed to recalibrating the trade mix, to better cater to the diverse needs of customers and residents.

One Central Shopping Mall (Group interest: 51%)

A joint venture with Hongkong Land Holdings Limited, One Central is a prominent shopping destination – home to around 400,000 square feet of spaces occupied by some of the world's most iconic luxury brands. The mall is readjusting its tenant mix with top selling brands invited to open new and even flagship stores in this unique location. With increasing tourist arrivals, tenant sales experienced a strong recovery. As of 30 June 2023, the occupancy rate stood at 88%.

Shun Tak House (Group interest: 100%)

Located at the heart of Macau's major tourist locale, this 28,000-square-foot property is predominantly occupied by two anchor tenants and maintained full occupancy as of 30 June 2023.

In China

Shun Tak Tower Beijing (Group interest: 100%)

Shun Tak Tower is located at Dong Zhi Men in Beijing, next to the airport highway and near Beijing's thriving downtown and embassy area. It comprises an office area of approximately 240,000 square feet (22,273 square meters) and houses the 138-room Artyzen Habitat Hotel. With the lifting of pandemic-related measures and the gradual resumption of business traffic, the property experienced recovery in both the office and hotel segments. Office occupancy stood at 67% as of 30 June 2023.

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

A 32-storey office tower atop a six-storey shopping mall, this development in Guangzhou maintained an average occupancy rate of 78% as of 30 June 2023.

Business Review

Property Services

The division offers professional property and facility management services in Hong Kong and Macau with a portfolio of over 16 million square feet of gross floor area. The property services division also offers professional cleaning and laundry services in Macau. Going forward, the division is committed to capturing the resumption of normalcy and exploring new opportunities to further expand the business.

TRANSPORTATION

Cross-border transportation services has gradually resumed operation since early 2023, as the borders between Hong Kong, Macau and Mainland China reopened. The transportation division saw a pent-up regional travel demand during the Chinese New Year holidays which was further sustained by Macau government's half-year tourism promoting initiatives. Despite uncertainties still clouding the pace of overall recovery, the division has been well placed in the recovery trajectory riding on its continuous strategic planning that sharpens its competitiveness in playing a significant role in the multi-modal transportation network in the region. The overall business performance of the transportation division took a favorable turn in the first half of 2023, posting a share of profit of HK\$9 million (1H 2022: share of loss HK\$94 million).

Shun Tak – China Travel Shipping Investments Limited

Shun Tak – China Travel Shipping Investments Limited ("STCTSI") became a 50/50 company co-owned by the Company and China Travel International Investment Hong Kong Limited ("CTII") through a shareholding restructuring exercise in July 2020 with an aim to further strengthen and widen its multi-modal transportation platform for seizing the business opportunities in the Greater Bay Area ("GBA") by consolidating both sea and land transportation resources as well as network advantages under STCTSI.

In the first half of 2023, the division's cross-border transportation services connecting Hong Kong, Macau and the GBA has resumed operation after almost three years of suspension, marking a resurgence of cross-border travelers. TurboJET, the key operating arm of the Group's transportation division, resumed its ferry services between Hong Kong and Macau and has been continuously gearing up efforts to restore its capacity during the period. As of the report date, TurboJET's sailing capacity between the ferry terminals in Hong Kong and Macau has been restored to approximately half of pre-pandemic levels. In addition, TurboJET also participated in "Macao Treat", a two-phase travel promotional campaign launched by the Macao Government Tourism Office offering a complimentary return ticket to eligible overnight visitors from Hong Kong, Taiwan and overseas, which successfully propelled Macau's tourist arrivals.

On other cross-border ferry services under the company's management, Macau-Shekou and Macau-Shenzhen routes have also resumed operation. To seize the growth opportunities from the tourism recovery in the GBA, the division has also extended management of ferry services from Hong Kong-Macau Ferry Terminal and China Ferry Terminal to Zhuhai operated by Zhuhai's high-speed ferry operators.

Business Review

In respect of the company's cross-border land transportation businesses, "TurboJET Cross Border Limo", "HK-MO Express", "Macau HK Airport Direct" and "Golden Bus" gradually resumed operation in January 2023. Echoing the Macau government's incentive in boosting tourist arrivals, Golden Bus also offered complimentary return tickets to eligible overnight visitors from Hong Kong during the first quarter of 2023. Overall, the land transportation businesses recorded a steady recovery in business performance, while it will continue to restore its full capacity through deploying new vehicles and new hires. As of 30 June 2023, popular lines in Guangdong took up around 60% of the company's land transport services.

As one of the division's new business endeavors, Turbojet Shipyard Limited, the wholly-owned subsidiary operating two shipyards, continued to provide vessel repair and maintenance services to local ferry operators. It has also become one of the authorized contractors to provide vessel maintenance for the HKSAR Government.

Looking ahead, the division will closely review the transforming travel landscape, including passenger traffic and patterns in the GBA cities. It will strive to offer diversified traveling options to passengers in the region, and strengthen its multi-modal transportation platform with cross-boundary land transport operators in future.

HOSPITALITY

Subsequent to border reopening, the tourism and hospitality sectors of Hong Kong, Macau and Mainland China were able to pick up gradually in the first half of 2023. During the period under review, many hotels owned or managed by the Group demonstrated an improvement in business performance with higher occupancy rates, while the return of MICE events and banquets added impetus to business recovery. However, the pace of economic recovery is still uncertain and there are challenges such as labor shortage. As a result, the performance of the hospitality division posted a profit of HK\$6 million in the first half of 2023 (1H 2022: loss of HK\$103 million).

Hotels owned by the Group

Hong Kong SkyCity Marriott Hotel (Group interest: 70%)

Strategically located adjacent to the AsiaWorld-Expo ("AWE") – Hong Kong's largest convention and exhibition center – and in close proximity to the Hong Kong International Airport, Hong Kong SkyCity Marriott is a 658-room airport hotel boasting a well-established reputation for hosting major MICE events attendees and serving the airline corporate market.

Following the lifting of the closed-loop arrangements for air crews at the end of 2022, the hotel has resumed its normal business activities. With an increasing number of tourists in the first six months of 2023 and the comeback of AWE events planned for the second half of the year, the hotel has refocused on the MICE and group segments targeting exhibitions and airlines to establish a base demand for its businesses. However, the growing room inventory in the airport and Tung Chung areas has exerted pressure on the room rates, affecting the hotel's business performance. As of 30 June 2023, the average occupancy rate stood at 56%.

Mandarin Oriental, Macau (Group interest: 51%)

Globally renowned for its exceptional hospitality and impeccable bespoke services, Mandarin Oriental, Macau is a mainstay of the global luxury travel circuit.

The Macao SAR Government lifted all COVID-19 travel restrictions for travelers from Hong Kong and Mainland China in early January 2023, followed by the gradual resumption of international flights and ferry services between Macau, Hong Kong and the GBA, as well as bus services across the Hong Kong-Zhuhai-Macao Bridge. As tourists returned, the hotel recorded a steady improvement in its revenues from room bookings, MICE, Spa and F&B segments in the first half of 2023. As of 30 June 2023, the average occupancy rate stood at 56%.

Recognized for the 13th year with a Triple Five Star rating for Hotel, Restaurant and Spa by the 2023 Forbes Travel Guide, Mandarin Oriental was ranked first in Macau for the first time by "Travel + Leisure Luxury Awards Asia Pacific 2023", and awarded the Best Hotel Spa in Macau by Haute Grandeur Global Spa Awards 2023.

Business Review

Artyzen Hospitality Group

Artyzen Hospitality Group Limited ("AHG"), a hotel management subsidiary of the Group, is headquartered in Hong Kong with regional offices in Macau, Shanghai and Singapore. Since its establishment, AHG has created a range of premium proprietary brands tailored to meet the rising aspirations of the fast-changing Asian and millennial markets. Dedicated to fusing local art with heritage and traditions, it seeks to craft a unique, contemporary and luxury experience for discerning travelers in search of authenticity. AHG is recognized as the Most Anticipated Lifestyle Brand 2023 by GoGoShanghai, and named the New Lifestyle Brand of the Year Award by The Bund D.E.S.I.G.N Hotels Award.

In the second half of 2023, AHG plans to launch two new hotels in Mainland China, namely Artyzen NEW BUND 31 in Shanghai and Artyzen Habitat Yuelai Chongqing. It will boast a prominent footprint in Shanghai with 10 properties by end of the year. Meanwhile, AHG is working on two hotel projects with Singapore-based Perennial Holdings Private Limited, and will play an asset management role for a 982-room hotel in Tianjin via Nexus Hospitality Management Limited, an AHG joint venture. AHG will also continue sourcing new projects throughout the GBA and across other promising locations, while Artyzen Habitat Hengqin is slated for opening in 2024.

Artyzen Singapore will debut in the Lion City in the year, helping to deepen AHG's market penetration in the global hospitality sector. AHG also offers management services to hotels in Beijing, Macau and Singapore, creating cross-selling opportunities across different markets. Looking ahead, AHG will continue to harness the power of social media to enhance brand awareness and renewal.

Hotels owned by the Group and managed by Artyzen Hospitality Group

Grand Coloane Resort (Group interest: 34.9%)

An exclusive resort nestling by the secluded Hac Sa Beach in Coloane, Grand Coloane Resort, managed by Artyzen Hospitality Group, offers guests a tantalizingly luxurious and carefree environment perfect for leisure and relaxation. After operating as a medical observation hotel during the pandemic, the resort reopened to the public at the end of December 2022. The average occupancy rate stood at 51% in the first half of 2023. During the year, the hotel received Traveler's Choice Award 2023 by TripAdvisor, and Travel Awards 2023 by KAYAK.

Artyzen Habitat Dongzhimen Beijing (Group interest: 100%)

The 138-room Artyzen Habitat Dongzhimen Beijing blends contemporary design with cultural heritage to deliver an immersive old-meets-new experience for discerning travelers. As the tourism industry has been recovering significantly, the hotel's average occupancy climbed to 77% as of 30 June 2023.

Artyzen Habitat Hongqiao Shanghai (Group interest: 100%)

Enjoying close proximity to Shanghai's National Exhibition and Convention Center, Artyzen Habitat Hongqiao Shanghai has been favored by senior executives from around the world and other parts of China. Located at the buoyant retail and leisure hub Shanghai MixC complex, the 188-room hotel exudes a dynamic urban vibe, while offering an attractive combination of social, dining and event spaces to inspire close connections between travelers in search of an authentic experience. Over the first half of 2023, the hotel's average occupancy rose to 57%, especially benefitting from a strong rebound in the exhibition industry.

Business Review

YaTi by Artyzen Hongqiao Shanghai (Group interest: 100%)

Located within Shanghai's MixC complex, YaTi by Artyzen Hongqiao Shanghai is a 303-room stylish budget hotel. The hotel reopened in 2022 after a year-long rebranding, attracting the patronage of many domestic travelers. The occupancy rate reached 40% as of 30 June 2023.

Hotels managed by Artyzen Hospitality Group

Artyzen Grand Lapa Macau

Set in the heart of Macau, Artyzen Grand Lapa Macau is a 426-room upscale lifestyle urban city resort hotel, offering a window into the city's culturally rich and remarkable heritage. The hotel's food and beverage outlets offer innovative culinary dishes serving Portuguese, Macanese, Chinese, and Thai cuisines, as well as eclectic bar offerings and stylish function facilities. The hotel's resort features a large variety of leisure facilities including pools, fitness, tennis and spa surrounded by lush gardens. Upon the reopening of the Macau border from the end of 2022, the hotel's average occupancy grew steadily to 62% over the first half of 2023, as fueled by leisure, MICE and corporate market segments.

Artyzen, Artyzen Habitat and Eature Residences Lingang

Encapsulating premium modern lifestyle, the three properties are strategically located in Shanghai's Lingang Special Area, and within walking distance to the Shanghai Astronomy Museum and Shanghai Haichang Ocean Park. In addition, Shanghai Disneyland is just a 40-minute drive away.

Artyzen Lingang's 305 well-appointed guestrooms fuse with tradition and modern elegance, with some rooms overlooking the spectacular Dishui Lake. Artyzen Habitat Lingang offers 364 contemporary rooms with modern facilities providing a warm and welcoming experience for social and business travellers. These two hotels were opened in March 2023.

Launched in December 2021, Eature Residences Lingang is a hotel-apartment property providing 128 units.

Artyzen Habitat Qiantan Shanghai and The Shàng by Artyzen

Located a mere 20 minutes away from the heart of Shanghai and a short 40-minute ride to the Pudong and Hongqiao international airports, Artyzen Habitat Qiantan Shanghai and The Shàng are strategically located in an emerging hub for business, entertainment, residences, as well as world-class sporting facilities. Featuring 246 rooms and 210 rooms respectively, the two hotels commenced operation in September 2022.

Artyzen Habitat Yuelai Chongqing

Close to Yuelai International Convention and Exhibition City, Artyzen Habitat Yuelai Chongqing is situated at the core of Liangjiang New Area in Yubei District. The area has been developed to integrate with international business, exhibitions, conferences, leisure tourism and cultural creativity. Touted as a “lifestyle sanctuary” catering to the upscale market, the 377-room hotel houses the brand’s hallmark social space Townsquare that is designed to become the center of work, leisure, dining and pop-up retail activities. The hotel is expected to open in the second half of 2023.

Hotels under planning and development

Artyzen Habitat Hotel Hengqin Zhuhai (Group interest: 100%)

Seated next to the port facility connecting to Macau and Zhuhai, Artyzen Habitat Hotel Hengqin Zhuhai is located minutes from Macau’s Cotai area and only 15 minutes away from the popular Hengqin Chimelong Ocean Kingdom. The 230-guestroom property is scheduled to open in the first quarter of 2024.

Artyzen NEW BUND 31 (Group interest: 50%)

Adjacent to the NEW BUND 31 Performing Arts Center, the largest indoor theater in Shanghai, NEW BUND 31 embodies Artyzen Hotels and Resorts’ philosophy of commitment and dedication to art, culture and authenticity. The 202-room lifestyle hotel will be the flagship of the “Artyzen” brand in China and is slated to open in October 2023.

Business Review

Artyzen Singapore (Group interest: 100%)

Located in the heart of Singapore's iconic downtown Orchard area, the 142-room Artyzen Singapore is set to become Artyzen Hotels and Resort's flagship and top-of-the-line property in the Group's hotel portfolio. The hotel features a high-end restaurant and bar, a rooftop dining area, an outdoor swimming pool, a gym and other wellness facilities. The hotel's groundbreaking design has earned itself multiple awards, such as the "Best Hospitality Interior Design (Asia)" and "Best Hospitality Architectural Design (Singapore)" in the 2022 PropertyGuru Asia Property Awards. It is scheduled to open in November 2023.

Tourism Facility Management

One of Macau's most iconic tourist attractions, the Macau Tower Convention & Entertainment Centre ("Macau Tower") is the first non-gaming attraction and international standard MICE venue in Macau. In the first half of 2023, Macau has seen a significant increase in tourist numbers from Hong Kong and Mainland China as the city reopened its borders since early January. Macau Tower was able to improve its revenues from various business segments, including the observation deck, food and beverages and MICE, as a result of a rebound in visitor numbers especially during peak seasons of the Chinese New Year and the Labor Day holiday. However, there are still challenges from staffing and the uncertainty in the pace of economic recovery. Macau Tower will continue to optimize its operation model and implement cost control, while partnering with airlines and hotels to draw more visitors from different Asian markets.

Membership Club

Artyzen Club, a subsidiary of the Group, is a contemporary networking and dining venue in Central for business executives and professionals. Its haute Asian, Portuguese and Western cuisines, outdoor swimming pool, sports and wellness amenities and versatile event facilities are popular among its 476 members.

Embracing an economic recovery in the post-pandemic era, the Club has been proactively promoting its exclusive membership schemes in the bustling business and office areas, especially in its neighborhood. Leveraging its prime location at Shun Tak Centre with high accessibility, it is planning to target business groups and start-ups in the GBA. To make use of the Group's expansive hospitality networks, the Club has also been arranging activities in different spots of Hong Kong and Macau, while its members can enjoy exclusive benefits through special hospitality arrangements provided by the Club.

INVESTMENTS

Being a long-term investor in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), the Group held an approximately 15.8% effective interest in the company as at 30 June 2023. Incorporated in 1962 in Macau, STDM is the second largest shareholder of Macau International Airport Company Limited. It has also built and owns the renowned tourism and MICE landmark, Macau Tower. STDM had a shareholding of around 54.81% in SJM Holdings Limited as at 30 June 2023, whereas the latter is effectively entitled to a 100% economic interest in SJM Resorts, Limited (formerly known as "Sociedade de Jogos de Macau, S.A."), which is one of the six gaming concessionaires awarded a new gaming license by the Macau SAR Government in 2022. During the first half of 2023, a dividend of HK\$56 million was received (1H 2022: HK\$46 million) from STDM, representing a 24% increase year on year.

Kai Tak Cruise Terminal

The Group operates and manages Kai Tak Cruise Terminal in partnership with Worldwide Flight Services Holding SA and Royal Caribbean Cruises Ltd. During the first half of 2023, the terminal was resuming its normal business activities given the gradual return of cruises to Hong Kong. It has also received new ISO certificates and industry awards in recognition of its outstanding ESG (environment, social and governance) performance.

Business Review

Retail Matters Company Limited

Retail Matters Company Limited holds the Macau franchise for the international toy brand "Toys'R'Us", and globally owns Italian gelato brand "Stecco Natura Gelaterie". The company is operating three Toys'R'Us outlets in Macau, located at Macau Tower, Senado Square and Nova Mall where a 22,000-square-foot flagship store offers an immersive retail-entertainment experience for customers with the amusement center FunPark.

During the first half of 2023, the company's overall business performance improved as sales increased considerably. Toys'R'Us has been resuming in-store activities to the delight of families and children in Macau, while Stecco Natura Gelaterie extended its business into Macau by opening its first gelato café in the city at Nova Mall, as well as introducing its products to Macau Tower. It is also planning to land in Shanghai in the second half of 2023, as the company continues to explore business opportunities across Hong Kong, Macau and Mainland China.

Recent Developments and Prospects

During the first half of 2023, the Group's key markets, including Hong Kong, Macau, Mainland China and Singapore, reopened their borders, adding fresh impetus to the recovery of both the regional economy and the tourism industry. Notably, the Group maintained its momentum in selling units at properties located in its Macau and Singapore projects. Driven by the swift resurgence in tourist numbers, the transportation and hospitality divisions also displayed signs of business improvement. Riding the wave of tourism recovery, the Group is set to launch two flagship properties in the second half of the year.

Resilient throughout the pandemic, the property division will continue to develop new high-quality integrated properties. In the fourth quarter of 2023, it will launch NEW BUND 31 in Shanghai, a landmark project developed in collaboration with Shanghai Lujiazui (Group) Company Limited. This visionary venture aspires to become a vibrant hub that seamlessly blends tourism with art and culture in the bustling area of Qiantan in Shanghai. Moreover, the Group's Tongzhou Integrated Development in Beijing is poised to pre-sell its apartments in the end of the year once it receives presale consent from the government. Meanwhile, the property division will continue to monitor various metrics – including rising interest rates, persistent inflation, developments in Mainland China's property market and the impact of Singapore's property market cooling measures – and will remain prudent as it explores development opportunities in its key markets.

Welcoming back travelers following the reopening of borders in the region, the hospitality division is experiencing a steady recovery. AHG, the division's hotel management arm, is poised to open two flagship hotels in the fourth quarter of 2023: Artyzen NEW BUND 31 and the award-winning Artyzen Singapore. These new hotels will embody AHG's brand philosophy of commitment and dedication to art. By the end of the year, AHG will have laid the foundation for growth in Shanghai, where it will be operating 10 properties. Additionally, Artyzen Habitat Yuelai will be opening its doors in Chongqing in the second half of 2023, further solidifying the brand's presence across Mainland China.

Recent Developments and Prospects

Since January 2023, the transportation division has also made strides towards recovery with the resumption of cross-border transportation services. Throughout the first half of the year, the capacity of the ferry terminals in Hong Kong and Macau has been restored to approximately half of its pre-pandemic levels. At the same time, the division's joint ventures have been awarded new contracts from the Airport Authority Hong Kong, further strengthening its multi-modal transportation platform that seamlessly connects cities in the GBA to the world via Hong Kong International Airport ("HKIA"). By the third quarter of 2023, the division with its joint venture partners will start operating cross-boundary bonded bus services between Macau/Zhuhai and transiting to and from HKIA via the Hong Kong-Zhuhai-Macao Bridge. With its extensive experience in inter-modal transit operation, the division's joint venture at SkyPier will also participate in the provision of cross-boundary bonded bus passenger and baggage handling services at HKIA, further enhancing convenience and connectivity for travelers in the region.

In the future, both the hospitality and transportation divisions are expected to continue their gradual recovery, buoyed by the anticipation of an influx of tourists during major holidays and events, including China's National Day Golden Week holidays, the "70th Macau Grand Prix" and "Light Up Macao 2023". While the backdrop appears promising, the pace of tourism resurgence is still uncertain while other challenges like labor shortages remain. In light of these circumstances, the two divisions are resolute in their commitment to optimizing their operational models through cost-saving strategies to strike a balance between service enhancement and expense control to ensure a sustainable growth.

Looking ahead, the Group is committed to fostering even stronger synergy among its property, hospitality, and transportation divisions by implementing "Tourism Plus", a growth strategy which entails infusing fresh elements, such as art and culture, across the Group's integrated properties to enrich the overall guest experience. With the prospect of economic and tourism recovery drawing near, the Group is devoted to continuing its business growth. Embracing a culture of innovation and adaptability, the Group will seize strategic opportunities in order to deliver sustainable business results to its shareholders, while upholding its core values.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's bank balances and deposits amounted to HK\$7,097 million as at 30 June 2023, representing an increase of HK\$559 million as compared with the position as at 31 December 2022. 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 30 June 2023 amounted to HK\$21,177 million, of which HK\$4,558 million remained undrawn. The principal amount of Group's bank borrowings outstanding at the period end amounted to HK\$16,619 million.

Based on net borrowings of approximately HK\$9,459 million at the interim period end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to owners of the Company) was 29.7% (31 December 2022: 28.3%). 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
25%	43%	31%	1%	100%

MATERIAL ACQUISITIONS, DISPOSALS AND COMMITMENTS

There was no material acquisition or disposal of the Group during the period.

As at 30 June 2023, the Group has outstanding commitments of approximately HK\$43 million for development of hotel properties in Singapore and Hengqin.

Financial Review

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 30 June 2023, the Group has an outstanding commitment to contribute capital of approximately US\$88 million (equivalent to approximately HK\$688 million) to HC Co.

CHARGES ON ASSETS

At the period end, bank loans with principal amount of approximately HK\$6,539 million (31 December 2022: HK\$6,859 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK\$13,840 million (31 December 2022: HK\$14,371 million). Out of the above secured bank loans, an aggregate principal amount of HK\$563 million (31 December 2022: HK\$664 million) was also secured by pledges of shares in certain subsidiaries.

CONTINGENT LIABILITIES

The Company has provided a corporate guarantee for securing a banking facility granted to an associate. As at 30 June 2023, the bank loan balance proportionate to the Company's shareholding amounted to HK\$161 million (31 December 2022: HK\$175 million).

FINANCIAL RISK

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 RMB266 million and SGD984 million, the Group's outstanding borrowings at the period end are not denominated in foreign currencies. Approximately 65% 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 Singapore dollar ("SGD") and 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 also denominated in USD, MOP, SGD and RMB. The Group will from time-to-time review its foreign exchange and market conditions to determine if hedging is required.

HUMAN RESOURCES

The Group, including subsidiaries but excluding joint ventures and associates, employed approximately 1,550 employees at the period 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.

Condensed Consolidated Income Statement

For the six months ended 30 June

	Note	(Unaudited) 2023	(Unaudited) 2022
		HK\$'000	HK\$'000
Revenue	3	1,495,148	1,889,517
Other income		188,407	79,983
		1,683,555	1,969,500
Other (losses)/gains, net	4	(272,092)	10,968
Cost of inventories sold and services provided		(752,419)	(859,932)
Staff costs		(282,120)	(257,368)
Depreciation and amortisation		(77,034)	(80,935)
Other costs		(283,901)	(281,891)
Fair value changes on investment properties		(132,767)	(153,703)
Operating (loss)/profit	3, 5	(116,778)	346,639
Finance costs	6	(299,878)	(152,879)
Share of results of joint ventures		(10,845)	378,948
Share of results of associates		11,108	(205,437)
(Loss)/profit before taxation		(416,393)	367,271
Taxation	7	(1,356)	(61,567)
(Loss)/profit for the period		(417,749)	305,704
Attributable to:			
Owners of the Company		(424,732)	228,557
Non-controlling interests		6,983	77,147
(Loss)/profit for the period		(417,749)	305,704
(Loss)/earnings per share (HK cents)	9		
— basic		(14.1)	7.6
— diluted		(14.1)	7.6

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June

	(Unaudited) 2023	(Unaudited) 2022
	HK\$'000	HK\$'000
(Loss)/profit for the period	(417,749)	305,704
Other comprehensive loss		
Items that may be reclassified to profit or loss:		
Debt instruments at fair value through other comprehensive income:		
Changes in fair value	179	(494)
Reversal of asset revaluation reserve upon sales of properties, net of tax	(3,728)	(19,249)
Currency translation differences	(324,320)	(344,506)
Share of currency translation difference of joint ventures	(225,300)	(295,163)
Share of currency translation difference of associates	(71,961)	(123,202)
Share of other comprehensive loss of associates	(449)	—
Item that will not be reclassified to profit or loss:		
Equity instruments at fair value through other comprehensive income:		
Changes in fair value	(475,366)	(546,051)
Other comprehensive loss for the period, net of tax	(1,100,945)	(1,328,665)
Total comprehensive loss for the period	(1,518,694)	(1,022,961)
Attributable to:		
Owners of the Company	(1,514,705)	(1,088,168)
Non-controlling interests	(3,989)	65,207
Total comprehensive loss for the period	(1,518,694)	(1,022,961)

Condensed Consolidated Balance Sheet

	Note	(Unaudited) 30 June 2023	(Audited) 31 December 2022
		HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	10	3,693,328	3,581,707
Right-of-use assets		708,317	746,310
Investment properties	11	10,001,075	10,180,737
Joint ventures		10,729,018	11,980,319
Associates		5,620,758	5,650,658
Intangible assets		2,165	2,610
Financial assets at fair value through other comprehensive income	12	1,745,962	2,221,619
Financial assets at fair value through profit or loss	12	30,522	302,613
Deferred tax assets		81,278	96,013
Other non-current assets		421,625	387,483
		33,034,048	35,150,069
Current assets			
Properties for or under development		2,406,669	2,838,621
Inventories		9,036,322	9,201,380
Financial assets at fair value through other comprehensive income	12	14,728	14,549
Trade and other receivables, deposits paid and prepayments	13	1,084,899	973,528
Contract assets		444,398	305,117
Taxation recoverable		174	656
Cash and bank balances		7,097,192	6,538,029
		20,084,382	19,871,880
Current liabilities			
Trade and other payables, and deposits received	13	1,073,969	1,892,158
Contract liabilities		113,439	149,508
Lease liabilities		21,606	31,044
Bank borrowings		4,119,272	4,266,508
Provision for employee benefits		7,962	7,084
Taxation payable		186,274	176,439
Loans from non-controlling interests		50,361	60,361
		5,572,883	6,583,102
Net current assets		14,511,499	13,288,778
Total assets less current liabilities		47,545,547	48,438,847

	Note	(Unaudited) 30 June 2023	(Audited) 31 December 2022
		HK\$'000	HK\$'000
Non-current liabilities			
Contract liabilities		40,289	39,414
Lease liabilities		42,143	27,988
Bank borrowings		12,437,127	11,705,945
Deferred tax liabilities		834,847	886,665
		13,354,406	12,660,012
Net assets		34,191,141	35,778,835
Equity			
Share capital	14	9,858,250	9,858,250
Other reserves		22,019,356	23,534,061
Equity attributable to owners of the Company		31,877,606	33,392,311
Non-controlling interests		2,313,535	2,386,524
Total equity		34,191,141	35,778,835

Pansy Ho
Director

Daisy Ho
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 (unaudited)

	Equity attributable to owners of the Company								Non-controlling interests	Total equity			
	Share capital	Capital reserve	Legal reserve	Special reserve	Investment revaluation reserve	Hedging reserve	Asset revaluation reserve	Exchange reserve			Retained profits	Total	
At 1 January 2023	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
	9,658,290	11,231	64,396	(151,413)	933,637	4,265	226,737	(414,607)	22,857,815	33,392,311	2,386,524	35,778,835	
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(424,732)	(424,732)	6,983	(417,749)	
Items that may be reclassified to profit or loss:													
Debt instruments at fair value through other comprehensive income:													
Changes in fair value	-	-	-	-	179	-	-	-	-	179	-	179	
Reversal of asset revaluation reserve upon sales of properties, net of tax	-	-	-	-	-	-	(3,728)	-	-	(3,728)	-	(3,728)	
Currency translation differences:													
Share of currency translation difference of joint ventures	-	-	-	-	-	-	-	(313,348)	-	(313,348)	-	(324,320)	
Share of currency translation difference of associates	-	-	-	-	-	-	-	(225,300)	-	(225,300)	-	(225,300)	
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	(71,961)	-	(71,961)	-	(71,961)	
Item that will not be reclassified to profit or loss:													
Equity instruments at fair value through other comprehensive income:													
Changes in fair value	-	-	-	-	(475,346)	-	-	-	-	(475,346)	-	(475,346)	
Other comprehensive loss for the period, net of tax	-	(449)	-	-	(475,187)	-	(3,728)	(610,609)	-	(1,089,973)	(10,972)	(1,100,945)	
Total comprehensive loss for the period	-	(449)	-	-	(475,187)	-	(3,728)	(610,609)	(424,732)	(1,514,705)	(3,989)	(1,518,694)	
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(69,000)	(69,000)	
Transfers	-	-	723	-	-	-	-	-	(723)	-	-	-	
	-	-	723	-	-	-	-	-	(723)	-	(69,000)	(69,000)	
At 30 June 2023	10,782	65,119	(151,413)	458,450	4,265	225,009	(1,025,216)	22,494,360	31,877,406	2,313,535	34,191,141		

For the six months ended 30 June 2022 (unaudited)

	Equity attributable to owners of the Company								Non-controlling interests	Total equity		
	Share capital	Capital reserve	Legal reserve	Special reserve	Investment revaluation reserve	Hedging reserve	Asset revaluation reserve	Exchange reserve			Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2022	9,888,250	10,869	63,292	(151,413)	1,137,954	4,265	250,095	772,335	23,419,141	35,364,788	2,853,026	38,217,814
Profit for the period	—	—	—	—	—	—	—	—	228,557	228,557	77,147	305,704
Items that may be reclassified to profit or loss:												
Debt instruments at fair value through other comprehensive income:												
Changes in fair value	—	—	—	—	(494)	—	—	—	—	(494)	—	(494)
Reversal of asset revaluation reserve upon sales of properties, net of tax	—	—	—	—	—	—	(19,249)	—	—	(19,249)	—	(19,249)
Currency translation differences	—	—	—	—	—	—	—	(332,566)	—	(332,566)	(11,940)	(344,506)
Share of currency translation differences of joint ventures	—	—	—	—	—	—	—	(295,163)	—	(295,163)	—	(295,163)
Share of currency translation differences of associates	—	—	—	—	—	—	—	(123,202)	—	(123,202)	—	(123,202)
Item that will not be reclassified to profit or loss:												
Equity instruments at fair value through other comprehensive income:												
Changes in fair value	—	—	—	—	(546,051)	—	—	—	—	(546,051)	—	(546,051)
Other comprehensive loss for the period, net of tax	—	—	—	—	(546,545)	—	(19,249)	(750,931)	—	(1,316,725)	(11,940)	(1,328,665)
Total comprehensive (loss)/income for the period	—	—	—	—	(546,545)	—	(19,249)	(750,931)	228,557	(1,088,168)	65,207	(1,022,961)
Dividend to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(324,000)	(324,000)
Transfers	—	—	628	—	—	—	—	—	(628)	—	—	—
	—	—	628	—	—	—	—	—	(628)	—	(324,000)	(324,000)
At 30 June 2022	9,888,250	10,869	63,920	(151,413)	591,409	4,265	230,846	21,404	23,647,070	34,276,620	2,594,233	36,870,853

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June

	(Unaudited) 2023	(Unaudited) 2022
	HK\$'000	HK\$'000
Operating activities		
Cash generated from operations	498,069	647,966
Income tax paid	(12,983)	(69,946)
Net cash from operating activities	485,086	578,020
Investing activities		
Addition to property, plant and equipment	(125,376)	(111,377)
Addition to investment properties	—	(18,518)
Advance to a joint venture	(26,000)	(180)
Advance to an associate	(4,512)	(10,029)
Payment for investment in associates	(47,098)	(805,211)
Prepayment for purchasing of property, plant and equipment	(13,765)	—
(Increase)/decrease in bank deposits with maturities over three months	(1,349,124)	1,358,290
Interest received	86,029	37,765
Dividends received from financial assets at fair value through other comprehensive income	58,195	47,749
Dividends received from an associate	15,698	1,181
Cash inflows from other investing activities	321	234
Net cash (used in)/from investing activities	(1,405,632)	499,904

	(Unaudited) 2023	(Unaudited) 2022
	HK\$'000	HK\$'000
Financing activities		
Drawdown of new bank loans	3,493,255	2,417,832
Repayments of bank loans	(2,848,638)	(1,640,893)
Repayment of a loan from non-controlling interest	(10,000)	—
Advance from a joint venture	—	216,413
Payment for lease liabilities (including interest)	(13,300)	(31,568)
Finance costs (including interests and bank charges) paid	(331,592)	(152,056)
Dividends paid to shareholders	—	(3)
Dividends paid to non-controlling interests	(69,000)	(324,000)
Net cash from financing activities	220,725	485,725
Net (decrease)/increase in cash and cash equivalents	(699,821)	1,563,649
Effect of foreign exchange rate changes	(90,139)	(61,191)
Cash and cash equivalents at 1 January	5,475,910	6,281,357
Cash and cash equivalents at 30 June	4,685,950	7,783,815
Analysis of cash and cash equivalents		
Cash and bank balances	7,097,192	7,962,796
Bank deposits with maturities over three months	(2,411,242)	(178,981)
Cash and cash equivalents at 30 June	4,685,950	7,783,815

Major Non-cash Transaction

During the period, an amount due to a joint venture of RMB900,000,000 was settled by the capital reduction of the joint venture.

Notes to the Condensed Consolidated Interim Financial Statements

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of Shun Tak Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies and methods of recognition and presentation used in the preparation of the condensed consolidated interim financial statements are consistent with those described in the 2022 annual financial statements except as stated in note 2 below.

The financial information relating to the year ended 31 December 2022 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company had delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The Company's auditor had reported on the financial statements for the year ended 31 December 2022. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

The preparation of the condensed consolidated interim 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 were significant to the Group's consolidated financial statements were detailed in the 2022 annual financial statements and note 19 to these condensed consolidated interim financial statements.

2 IMPACT OF NEW AMENDMENTS TO HKFRS

(a) New 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 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Disclosure of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The adoption of the above amendments to standards did not have any significant impact to the Group's results for the six months ended 30 June 2023 and the Group's financial position as at 30 June 2023.

Notes to the Condensed Consolidated Interim Financial Statements

2 IMPACT OF NEW AMENDMENTS TO HKFRS (Continued)

(b) Amendments to standards and interpretation not yet adopted

The HKICPA has issued amendments to standards and interpretation which are relevant to the Group's operations but are not yet effective for the Group's financial year beginning on 1 January 2023 and have not been early adopted:

Amendments to HKAS 1 ⁽¹⁾	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1 ⁽¹⁾	Non-current Liabilities with Covenants
Amendments to HKFRS 16 ⁽¹⁾	Lease Liability in a Sale and Leaseback
HK Interpretation 5 (Revised) ⁽¹⁾	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7 ⁽¹⁾	Supplier Finance Arrangements
Amendments to HKFRS 10 and HKAS 28 ⁽²⁾	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

⁽¹⁾ Effective for annual periods beginning 1 January 2024

⁽²⁾ Effective date to be determined

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

3 SEGMENT INFORMATION

(a) Description of segments

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 and hotel management
Investment	—	investment holding and others

Notes to the Condensed Consolidated Interim Financial Statements

3 SEGMENT INFORMATION (Continued)

(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, interest income and unallocated net corporate 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 2022.

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.

3 SEGMENT INFORMATION (Continued)

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

For the six months ended 30 June 2023

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue and other income						
External revenue						
Revenue from contracts with customers						
— Recognised at a point in time	175,165	—	64,888	13,725	—	253,778
— Recognised over time	783,519	—	165,373	—	—	948,892
	958,684	—	230,261	13,725	—	1,202,670
Revenue from other sources						
— Rental income	226,682	—	—	165	—	226,847
— Dividend income	—	—	—	65,631	—	65,631
	226,682	—	—	65,796	—	292,478
	1,185,366	—	230,261	79,521	—	1,495,148
Inter-segment revenue	332	—	615	—	(947)	—
Other income (external income and excluding interest income)	7,946	—	79,353 ⁽ⁱ⁾	415	—	87,714
	1,193,644	—	310,229	79,936	(947)	1,582,862
Segment results	223,171	—	5,941	(220,793) ⁽ⁱⁱ⁾	—	8,319
Fair value changes on investment properties	(132,767)	—	—	—	—	(132,767)
Interest income						100,693
Unallocated net corporate expenses						(93,023)
Operating loss						(116,778)
Finance costs						(299,878)
Share of results of joint ventures	(4,266)	—	(6,579)	—	—	(10,845)
Share of results of associates	28,750	8,800	(7,085)	(19,357)	—	11,108
Loss before taxation						(416,393)
Taxation						(1,356)
Loss for the period						(417,749)

Notes:

- (i) Amount included hotel management contract termination income of HK\$75,353,000.
- (ii) Amount included fair value loss on financial assets at fair value through profit or loss of HK\$272,091,000 (note 4).

Notes to the Condensed Consolidated Interim Financial Statements

3 SEGMENT INFORMATION (Continued)

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

For the six months ended 30 June 2022

	Property HK\$'000	Transportation HK\$'000	Hospitality HK\$'000	Investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue and other income						
External revenue						
Revenue from contracts with customers						
— Recognised at a point in time	680,710	—	29,539	14,179	—	724,428
— Recognised over time	813,516	—	87,537	—	—	901,053
	1,494,226	—	117,076	14,179	—	1,625,481
Revenue from other sources						
— Rental income	208,196	—	—	166	—	208,362
— Dividend income	—	—	—	55,674	—	55,674
	208,196	—	—	55,840	—	264,036
	1,702,422	—	117,076	70,019	—	1,889,517
Inter-segment revenue	507	—	715	448	(1,670)	—
Other income (external income and excluding interest income)	24,860	—	12,358	4,066	—	41,284
	1,727,789	—	130,149	74,533	(1,670)	1,930,801
Segment results	601,041	—	(103,313)	49,854	—	547,582
Fair value changes on investment properties	(153,703)	—	—	—	—	(153,703)
Interest income						38,699
Unallocated net corporate expenses						(85,939)
Operating profit						346,639
Finance costs						(152,879)
Share of results of joint ventures	402,004 ⁽ⁱⁱⁱ⁾	—	(23,056)	—	—	378,948
Share of results of associates	(62,463)	(94,393)	(3,297)	(45,284)	—	(205,437)
Profit before taxation						367,271
Taxation						(61,567)
Profit for the period						305,704

Notes:

- (iii) Amount included share of gain arising from transfer of inventories to investment properties in a joint venture, net of tax, of HK\$501,087,000.

3 SEGMENT INFORMATION (Continued)

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

As at 30 June 2023

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets						
Segment assets	26,192,833	225,201	4,626,991	1,840,969	—	32,885,994
Joint ventures	11,169,977	—	(440,959)	—	—	10,729,018
Associates	4,399,772	396,532	122,141	702,313	—	5,620,758
Unallocated assets						3,882,660
Total assets						53,118,430
Liabilities						
Segment liabilities	988,892	20	256,242	8,357	—	1,253,511
Unallocated liabilities						17,673,778
Total liabilities						18,927,289

As at 31 December 2022

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets						
Segment assets	26,824,288	225,199	4,618,113	2,580,644	—	34,248,244
Joint ventures	12,414,699	—	(434,380)	—	—	11,980,319
Associates	4,413,013	386,260	129,115	722,270	—	5,650,658
Unallocated assets						3,142,728
Total assets						55,021,949
Liabilities						
Segment liabilities	1,819,161	20	263,684	10,436	—	2,093,301
Unallocated liabilities						17,149,813
Total liabilities						19,243,114

Notes to the Condensed Consolidated Interim Financial Statements

4 OTHER (LOSSES)/GAINS, NET

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Net gain/(loss) on disposal of property, plant and equipment	4	(4)
Net loss on disposal of a subsidiary	(5)	—
Fair value (loss)/gain on financial assets at fair value through profit or loss (note 12)	(272,091)	10,972
	(272,092)	10,968

5 OPERATING (LOSS)/PROFIT

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
After crediting:		
Interest income from bank deposits and others	100,714	38,721
Rental income from investment properties	112,224	113,968
Dividend income from listed investments	9,207	9,985
Dividend income from unlisted investments	56,424	45,689
Wage, salary and other subsidies from governments under COVID-19	—	16,816
After charging:		
Cost of inventories sold		
— properties	699,163	803,400
— others	20,690	13,422
	719,853	816,822

6 FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interest on bank borrowings	321,951	144,219
Interest on lease liabilities	1,577	1,356
Other finance costs	12,479	21,195
Total finance costs	336,007	166,770
<i>Less: Amount capitalised in hotel building under construction</i>	(36,129)	(13,891)
	299,878	152,879

7 TAXATION

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	3,645	3,507
Non-Hong Kong taxation	24,417	67,368
	28,062	70,875
Deferred taxation		
Origination and reversal of temporary differences	(26,706)	(9,308)
	1,356	61,567

Hong Kong profits tax is calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the period. Non-Hong Kong taxation is calculated at tax rates applicable to jurisdictions in which the Group operates, mainly in Macau, the PRC and Singapore at 12%, 25% and 17% (2022: 12%, 25% and 17%) respectively.

Notes to the Condensed Consolidated Interim Financial Statements

8 INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2023 (2022: nil).

9 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on loss attributable to owners of the Company of HK\$424,732,000 (2022: profit of HK\$228,557,000) and the weighted average number of 3,020,379,785 shares (2022: 3,020,379,785 shares) in issue during the period.

Basic and diluted loss per share were the same as the Company had no potentially dilutive ordinary shares in issue for the period ended 30 June 2023 (2022: same).

10 PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment mainly comprised hotel land and buildings of HK\$13,186,000 and hotel buildings under construction of HK\$192,554,000 (2022: hotel land and buildings of HK\$7,346,000 and hotel buildings under construction of HK\$115,120,000). In the same period, net book value of property, plant and equipment disposed of amounted to HK\$97,000 (2022: HK\$55,000).

11 INVESTMENT PROPERTIES

Revaluations of all investment properties were performed on 30 June 2023 by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of net income. The revaluations of the Group's investment properties were conducted by Savills Valuation and Professional Services Limited and Knight Frank Petty Limited, independent professional valuers, in accordance with the Hong Kong Institute of Surveyors Valuation Standards issued by the Hong Kong Institute of Surveyors.

Notes to the Condensed Consolidated Interim Financial Statements

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND THROUGH PROFIT OR LOSS

Financial assets at fair value through other comprehensive income

	30 June 2023	31 December 2022
	HK\$'000	HK\$'000
Equity securities		
Unlisted	1,480,719	1,889,605
Listed		
— In Hong Kong	253,933	323,122
— Outside Hong Kong	11,310	8,892
	265,243	332,014
Debt securities		
Listed in Hong Kong	14,728	14,549
	1,760,690	2,236,168
<i>Less: current portion</i>	(14,728)	(14,549)
Non-current portion	1,745,962	2,221,619

Financial assets at fair value through profit or loss

	30 June 2023	31 December 2022
	HK\$'000	HK\$'000
Debt securities		
Unlisted	30,522	302,613

13 TRADE RECEIVABLES AND PAYABLES

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 receivables by invoice date is as follows:

	30 June 2023	31 December 2022
	HK\$'000	HK\$'000
0 — 30 days	227,198	143,128
31 — 60 days	17,414	16,436
61 — 90 days	4,933	6,838
over 90 days	10,462	25,335
	260,007	191,737

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

	30 June 2023	31 December 2022
	HK\$'000	HK\$'000
0 — 30 days	423,879	265,804
31 — 60 days	21,731	5,263
61 — 90 days	484	40
over 90 days	2,723	2,131
	448,817	273,238

Notes to the Condensed Consolidated Interim Financial Statements

14 SHARE CAPITAL

	30 June 2023		31 December 2022	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Issued and fully paid ordinary shares	3,020,379,785	9,858,250	3,020,379,785	9,858,250

15 CHARGES ON ASSETS

As at 30 June 2023, bank borrowings to the extent of approximately HK\$6,524 million (31 December 2022: HK\$6,843 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK\$13,840 million (31 December 2022: HK\$14,371 million). Out of the above secured bank borrowings, an aggregate amount of HK\$560 million (31 December 2022: HK\$662 million) was also secured by pledges of shares of certain subsidiaries.

16 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Note	For the six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
STDM Group	(i)		
Dividend income from STDM		56,402	45,574
Fees received from			
STDM Group for provision of hospitality management and related services		9,691	7,007
Fees received from			
STDM Group for provision of property related services		8,912	8,622
Fees received from			
STDM Group for provision of business support services		834	513
Rental and related expenses paid to STDM Group		7,288	7,111
Amount reimbursed by			
STDM Group for staff expenses and administrative resources shared		14,241	15,035
Joint ventures			
Management and consultancy fee received from joint ventures		10,164	10,334
Sanitation/cleaning service income received from a joint venture		6,602	6,626
Associates			
Rental and related expenses paid to an associate		4,805	5,097
Insurance premium paid to an associate		2,716	2,438
Management fee received from an associate		4,615	4,200
Key management personnel			
Directors' emoluments			
— Salaries and other short-term employee benefits		14,990	14,948
— Provident fund contributions		574	574
Marketing expenses paid	(ii)	2,074	601

Notes to the Condensed Consolidated Interim Financial Statements

16 SIGNIFICANT RELATED PARTY TRANSACTIONS

(Continued)

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

	Note	30 June 2023	31 December 2022
		HK\$'000	HK\$'000
STDM Group	(i)		
Net receivable from STDM Group	(iii)	5,299	16,171
Joint ventures			
Amounts due by joint ventures	(iv)	146,043	121,074
Amounts due to joint ventures	(iv)	201,461	1,225,842
Associates			
Amounts due by associates	(v)	240,125	237,171
Key management personnel			
Deposit paid by a subsidiary to Sai Wu Investment Limited ("Sai Wu")	(vi)	500,000	500,000
Contract assets recognised for sale of properties	(vii)	19,223	24,640

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, Director of the Company, has beneficial interest in Occasions Asia Pacific Limited ("Occasions"). Occasions and its subsidiaries provided brand marketing and consultancy services to the Group from time to time on a non-exclusive basis.
- (iii) Net receivable from STDM Group comprises trade and other receivables and payables.
- (iv) Amounts due by joint ventures and amounts due to joint ventures are unsecured and non-interest bearing. Amount due to a joint venture of RMB185,000,000 (2022: RMB1,085,000,000) is repayable within one year from the respective transaction date. The remaining balances are with no fixed term of repayment.

16 SIGNIFICANT RELATED PARTY TRANSACTIONS

(Continued)

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

(Continued)

Notes: (Continued)

(v) Amounts due by associates are unsecured. An amount of HK\$150,882,000 (2022: HK\$150,882,000), carries interest at HIBOR plus 2% per annum on loan principal and is repayable on demand. The related interest income for the period amounted to HK\$5,349,000 (2022: HK\$1,541,000). An amount of HK\$33,000,000 (2022: HK\$33,000,000) carries interest at 2.8% per annum on loan principal and repayable by 15 December 2025. The related interest income for the period amounted to HK\$458,000 (2022: nil). An amount of RMB8,200,000 (2022: RMB8,200,000), carries interest at 6.5% per annum on loan principal and is repayable by 4 January 2024. An amount of RMB4,000,000 (2022: nil), carries interest at 5% per annum on loan principal and is repayable by 31 January 2025. The remaining balances are non-interest bearing and with no fixed term of repayment.

(vi) 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 now beneficially owned by the late Dr. Stanley Ho, to acquire the interest in the land development right. A refundable deposit of HK\$500,000,000 was paid by Shun Tak Nam Van to Sai Wu. Further 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 replacement rights (the "Target Companies") and the assignment of relevant promissory land replacement 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 replacement 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.

(vii) During the year ended 31 December 2022, Ms. Pansy Ho, Director of the Company, entered into a sale and purchase agreement with the Group to purchase a residential unit at Les Maisons Nassim in Singapore developed by the Group at a total consideration of S\$34,612,500, equivalent to HK\$197,279,000. As at 30 June 2023, the excess of cumulative revenue recognised in profit or loss over the cumulative billings for sale of the property of HK\$19,223,000 (31 December 2022: HK\$24,640,000) was recognised as contract assets.

During the period ended 30 June 2023, revenue amounting to HK\$4,851,000 (2022: HK\$77,206,000) was recognised in the consolidated income statement in relation to this sale and purchase agreement.

Notes to the Condensed Consolidated Interim Financial Statements

17 COMMITMENTS

(a) Capital commitments

	Note	30 June 2023	31 December 2022
		HK\$'000	HK\$'000
Contracted but not provided for			
Property, plant and equipment	(i)	48,447	210,431
Investment properties		9,046	31,310
		57,493	241,741
Capital contribution to			
An associate	(ii)	687,897	732,187

Notes:

- (i) As at 30 June 2023, the outstanding commitments mainly include approximately HK\$16 million and HK\$27 million (31 December 2022: HK\$165 million and HK\$43 million) for development of hotel properties in Singapore and Hengqin respectively.
- (ii) As at 30 June 2023, the outstanding commitment mainly includes capital contribution of approximately USD88 million (31 December 2022: USD94 million) to an associate for investing in real estate projects in the PRC for healthcare usage, with hotel and/or retail components, complemented by healthcare-related amenities and mixed-use properties.
- (iii) The Group's share of capital commitments of joint ventures is HK\$273 million as at 30 June 2023 (31 December 2022: HK\$311 million).

17 COMMITMENTS (Continued)

(b) Property development commitments

The Group had outstanding commitments of HK\$674 million (31 December 2022: HK\$661 million) under various contracts for property development projects.

In addition to the above, the Group had commitments of payment up to HK\$250 million (31 December 2022: HK\$250 million) in cash and of issue of 148,883,374 (31 December 2022: 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.

18 CONTINGENT LIABILITIES

The Company has provided a corporate guarantee for securing a banking facility granted to an associate. As at 30 June 2023, the bank loan balance proportionate to the Company's shareholding amounted to HK\$161 million (31 December 2022: HK\$175 million).

Notes to the Condensed Consolidated Interim Financial Statements

19 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 condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2022 annual financial statements.

There have been no changes in any risk management policies since the period end.

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).

19 FINANCIAL INSTRUMENTS (Continued)

Fair value estimation (Continued)

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 June 2023				
Assets				
Financial assets at fair value through other comprehensive income ("FVOCI")				
— equity securities	265,243	3,450	1,477,269	1,745,962
— debt securities	14,728	—	—	14,728
Financial assets at fair value through profit or loss ("FVPL")				
— debt securities	—	—	30,522	30,522
Total assets	279,971	3,450	1,507,791	1,791,212
At 31 December 2022				
Assets				
Financial assets at FVOCI				
— equity securities	332,014	3,761	1,885,844	2,221,619
— debt securities	14,549	—	—	14,549
Financial assets at FVPL				
— debt securities	—	—	302,613	302,613
Total assets	346,563	3,761	2,188,457	2,538,781

During the six months ended 30 June 2023, 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 same period.

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

Notes to the Condensed Consolidated Interim Financial Statements

19 FINANCIAL INSTRUMENTS (Continued)

Fair value estimation (Continued)

Investment in STDM classified as 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.

Information about fair value measurements using significant unobservable inputs

Fair value as at 30 June 2023	Valuation method	Range of significant unobservable inputs	
		Expected dividend stream per year	Dividend yield
HK\$'000 1,475,699	Market approach	HK\$65.6 million	4.44%

Fair value as at 31 December 2022	Valuation method	Range of significant unobservable inputs	
		Expected dividend stream per year	Dividend yield
HK\$'000 1,871,489	Market approach	HK\$96.7 million	5.17%

19 FINANCIAL INSTRUMENTS (Continued)

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

The determination of fair value of the investment using significant unobservable inputs involves a high degree of judgement and estimates. For illustration purpose, the sensitivity of the fair value of such investment at 30 June 2023 and 31 December 2022 to hypothetical changes in the significant principal assumptions (while holding all other assumptions constant) is as follows:

30 June 2023

	Change in assumptions	Impact on fair value and other comprehensive income	
		Positive impact	Negative impact
Expected dividend stream	Increase/decrease by 10% per year	Increase by HK\$148 million	Decrease by HK\$148 million
Dividend yield	Decrease/increase by 0.5%	Increase by HK\$187 million	Decrease by HK\$149 million

31 December 2022

	Change in assumptions	Impact on fair value and other comprehensive income	
		Positive impact	Negative impact
Expected dividend stream	Increase/decrease by 10% per year	Increase by HK\$187 million	Decrease by HK\$187 million
Dividend yield	Decrease/increase by 0.5%	Increase by HK\$200 million	Decrease by HK\$165 million

Notes to the Condensed Consolidated Interim Financial Statements

19 FINANCIAL INSTRUMENTS (Continued)

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

Investment in WM Motor Holdings Limited ("WMMH") classified as level 3 equity securities and debt securities are fair valued using market approach with the application of calibration technique, which is to adjust the fair value by performing trending analysis with reference to the latest recent financing of WMMH and the market capitalisation movement of comparable listed companies with similar business nature and business model, the analysis of the investees' financial position and results, risk profile, prospects, industry trend and other factors.

The movement of the carrying value of the unlisted investments which is categorised at Level 3 fair value hierarchy are as follows:

	Financial assets at FVOCI	Financial assets at FVPL	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	2,101,105	544,985	2,646,090
Change in fair value recognised in profit or loss	—	10,972	10,972
Change in fair value recognised in other comprehensive income	(591,100)	—	(591,100)
At 30 June 2022	1,510,005	555,957	2,065,962
At 1 January 2023	1,885,844	302,613	2,188,457
Change in fair value recognised in profit or loss	—	(272,091)	(272,091)
Change in fair value recognised in other comprehensive income	(408,575)	—	(408,575)
At 30 June 2023	1,477,269	30,522	1,507,791

Other Information

(1) DISCLOSURE OF DIRECTORS' INTERESTS

As at 30 June 2023, the interests or short positions of the directors ("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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Name of Director	Nature of interests	Number of shares held		Note	Approximate percentage of total issued shares
		Personal interests	Corporate interests		
Ms. Pansy Ho	Interests in issued shares	174,343,937	373,620,627	(iii)	18.14%
	Interests in issued shares	—	65,040,000	(v)	2.15%
	Interests in unissued shares	—	148,883,374	(ii)	4.93%
Ms. Daisy Ho	Interests in issued shares	89,496,345	134,503,471	(iv)	7.42%
	Interests in issued shares	—	65,040,000	(v)	2.15%
	Interests in unissued shares	—	148,883,374	(ii)	4.93%
Ms. Maisy Ho	Interests in issued shares	38,901,203	31,717,012	(vi)	2.34%
Mr. David Shum	Interests in issued shares	5,660,377	—		0.19%

Other Information

Notes:

- (i) *As at 30 June 2023, the total number of issued shares of the Company was 3,020,379,785.*
- (ii) *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 Megaprospere Investments Limited ("MIL") which in turn is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho.*
- (iii) *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.*
- (iv) *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.*
- (v) *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 (ii) above).*
- (vi) *The 31,717,012 shares in which Ms. Maisey Ho was deemed to hold interests under the SFO, were held by LionKing Offshore Limited, which is wholly-owned by Ms. Maisey Ho.*

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

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

Note:

(i) As at 30 June 2023, 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 30 June 2023.

Other Information

(2) SHARE OPTIONS

At the annual general meeting of the Company held on 29 June 2022, the shareholders of the Company passed a resolution to adopt a share option scheme (the "2022 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.

No share options were granted under the 2022 Share Option Scheme since its adoption.

(3) SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 30 June 2023, 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	Nature of interests	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of total issued shares
	Note				Note (i)
Renita Investments Limited ("Renita") and its subsidiary	(ii) Interests in issued shares	Beneficial owner and interests of controlled corporation	Long position	500,658,864	16.58%
Oakmount Holdings Limited ("Oakmount")	(ii) Interests in issued shares	Beneficial owner	Long position	396,522,735	13.13%
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	12.37%
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%
Megaproser 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%

Other Information

Notes:

- (i) As at 30 June 2023, the total number of issued shares of the Company was 3,020,379,785.*
- (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 30 June 2023, no other person (other than the Directors and 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 six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

The Board is of the opinion that the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2023, except for code provision C.2.1, which requires the roles of Chairman and Chief Executive to be separate and not to be performed by the same individual. The Board is of the view that since all major decisions have been made in discussion among Board members and appropriate Board committees, the allocation of power and authority within the corporate structure is adequately balanced to satisfy the objective of this code provision. In addition, there are four independent non-executive directors on the Board who offer their respective experience, expertise and independent advice and views from different perspectives. Therefore, it is in the best interest of the Company that Ms. Pansy Ho, with her in-depth knowledge of the businesses and extensive experience in the operations of the Group, assumes her dual capacity.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiry by the Company on each of them, that they had fully complied with the Model Code throughout the six months ended 30 June 2023.

Other Information

CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since 24 March 2023, the date to which the 2022 annual report of the Company was made up, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	Details of changes
Ms. Pansy Ho	<ul style="list-style-type: none"><li data-bbox="350 582 873 748">• Redesignated from co-chairperson to chairperson of MGM China Holdings Limited (which is listed on the Main Board of the Stock Exchange) on 25 May 2023.<li data-bbox="350 753 873 951">• Appointed as the independent non-executive director of the board of China Southern Airlines Company Limited (which is listed on the Main Board of the Stock Exchange) on 3 August 2023.<li data-bbox="350 957 873 1081">• Appointed as a general committee member of The Hong Kong General Chamber of Commerce on 19 May 2023.<li data-bbox="350 1086 873 1219">• Appointed as the executive vice president of the Federation of Hong Kong Beijing Organisations on 28 June 2023.<li data-bbox="350 1225 873 1321">• Appointed as the president of the General Association of Macau Beijing Organisations on 29 June 2023.<li data-bbox="350 1326 873 1424">• Appointed as a director of Friends of Hong Kong Association Limited on 29 June 2023.

Name of Director	Details of changes
Ms. Daisy Ho	<ul style="list-style-type: none"> Appointed as the Life Honorary President of Macau Retail and Management Association on 12 April 2023.
Ms. Maisy Ho	<ul style="list-style-type: none"> Ceased to be a member of Committee on the Promotion of Civic Education on 31 March 2023. Change of appointment from member to chairman of Hospital Governing Committee of Shatin Hospital on 1 April 2023. Ceased to be a member of Equal Opportunities Commission on 19 May 2023. Change of appointment from member to officer of executive committee of Hong Kong Federation of Women on 1 July 2023. Appointed as a member of the Board of Governors of Tung Wah College on 1 August 2023.
Mr. Charles Ho	<ul style="list-style-type: none"> Ceased to be a member of the Standing Committee of the Chinese People's Political Consultative Conference National Committee on 11 March 2023.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Other Information

REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 have been reviewed by the audit and risk management committee of the Company. At the request of the Directors, the Company's external auditor, PricewaterhouseCoopers, has carried out a review of the said unaudited condensed consolidated interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board

Pansy Ho

Group Executive Chairman and Managing Director

Hong Kong, 30 August 2023

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

信德集團

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