



信德集團  
SHUN TAK HOLDINGS

# The Shun Tak Signature

精工細琢 · 冶煉精華

SHUN TAK HOLDINGS LIMITED ANNUAL REPORT

信德集團有限公司年報

2014

Stock Code 股份代號: 242

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# The Shun Tak Signature

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

# Corporate Information

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## BOARD OF DIRECTORS

**Dr. Stanley Ho**  
*Group Executive Chairman*

**Sir Roger Lobo**  
*Independent Non-Executive Director*

**Mr. Norman Ho**  
*Independent Non-Executive Director*

**Mr. Charles Ho**  
*Independent Non-Executive Director*

**Mr. Michael Ng**  
*Independent Non-Executive Director*

**Dato' Dr. Cheng Yu Tung**  
*Non-Executive Director*

**Mrs. Louise Mok**  
*Non-Executive Director*

**Ms. Pansy Ho**  
*Managing Director*

**Ms. Daisy Ho**  
*Deputy Managing Director*

**Ms. Maisy Ho**  
*Executive Director*

**Mr. David Shum**  
*Executive Director*

**Mr. Rogier Verhoeven**  
*Executive Director*

## AUDIT COMMITTEE

**Mr. Norman Ho** (*Chairman*)  
**Sir Roger Lobo**  
**Mrs. Louise Mok**  
**Mr. Michael Ng**

## REMUNERATION COMMITTEE

**Sir Roger Lobo** (*Chairman*)  
**Mr. Norman Ho**  
**Mr. Charles Ho**  
**Ms. Pansy Ho**  
**Ms. Daisy Ho**

## NOMINATION COMMITTEE

**Mr. Charles Ho** (*Chairman*)  
**Sir Roger Lobo**  
**Mr. Norman Ho**  
**Ms. Pansy Ho**  
**Ms. Daisy Ho**

## COMPANY SECRETARY

**Ms. Angela Tsang**

## REGISTERED OFFICE

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

## AUDITOR

PricewaterhouseCoopers

## SOLICITOR

Norton Rose

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of China, Macau Branch  
Hang Seng Bank Limited  
Credit Agricole Corporate &  
Investment Bank  
The Bank of Nova Scotia  
Nanyang Commercial Bank, Ltd.

## SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## ADR DEPOSITARY

The Bank of New York Mellon

## SHARE LISTING

The Company's shares are listed on  
The Stock Exchange of Hong Kong Limited  
and traded in the form of American  
Depositary Receipts on the OTC market in  
the United States of America.

# Corporate Profile

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*Shun Tak Holdings Limited (the “Company”) and its subsidiaries (the “Group”) is a leading listed conglomerate with core businesses in property, transportation, hospitality and investment sectors. Established in 1972, the Company (HKSE 242) has been listed on the Hong Kong Stock Exchange since 1973.*

## PROPERTY

The Group has a prominent and successful track record in the Macau and Hong Kong property markets. The Group owns one of the largest developable floor areas in Macau among Hong Kong listed companies. It is an important player in Macau’s property market with a host of property development projects, and has recently expanded its footprint in the Greater China real estate market through investments in Tongzhou and Dong Zhi Men in Beijing, as well as Hengqin in Zhuhai.

One Central, the Group’s joint venture with Hongkong Land Holdings Limited, is located on a prime waterfront site in Macau Peninsula. The project comprises 7 prestigious residential towers, a luxurious flagship shopping mall, a five-star Mandarin Oriental Hotel and serviced apartments managed by the same hotel group.

Nova City in Taipa is one of the largest luxury developments in Macau. The project comprises upscale residential units, world-class landscaping and clubhouse facilities. Sales of the first four phases have generated strong public response. Joint development partner, China State Construction International Holdings Limited, has been introduced to co-develop the residential portion of Phase 5, which will sit above a large-scale lifestyle shopping centre with a gross floor area over 650,000 square feet. The shopping centre will become an activity hub serving the Taipa community upon completion.

The Group plays a prominent role in the Hong Kong property market with a portfolio comprising commercial, residential and retail property ventures. Chatham Gate is the Group’s latest residential project; consisting approximately 370,000 square feet of residential and retail space.

In 2012, the Group made its foray into the Northern China property market through an investment in Beijing Tongzhou Integrated Development Phase 1. Following this strategic move, the same consortium undertook to acquire Phase 2 of the project, which contributed to a

larger combined site for retail, office, hotel and serviced apartments development fronting the scenic Grand Canal.

Shun Tak Tower, the Group’s wholly-owned property in Beijing Dong Zhi Men near East 2nd Ring Road, is located next to the airport highway, serviced by a convenient network of major metro lines and bus routes. The 63,000-square-foot site comprises both office and hospitality components and is close to Beijing downtown, embassy area, and YanSha district.

Hengqin Integrated Development is a joint venture between the Group and Perennial Hengqin Investment Group Pte. Ltd.. The site boasts unparalleled connectivity, with direct access to the port and commercial facilities at the border to Macau, to be serviced by the Hengqin and Macau light rails as well as the extension of Guangzhou-Zhuhai Intercity Rail in the future. It is set to be developed into an integrated landmark which comprises office, hotel, commercial, and serviced apartments.

The Group currently provides property management services to over 26 million square feet of residential, commercial and industrial properties across Hong Kong and Macau.

## TRANSPORTATION

The Group’s origin dates back to 1961 with the inauguration of a passenger ferry service between Hong Kong and Macau. In a strategic move in 1999 to strengthen its shipping business and expand its market share, the Group successfully merged its shipping operation with that of CTS Parkview Holdings Limited to create a combined entity under the brand name “TurboJET”. TurboJET, operated and managed by Shun Tak – China Travel Shipping Investments Limited, offers passengers speedy, reliable and comfortable sea travel services across major destinations within the Pearl River Delta (“PRD”), linking major cities such as Hong Kong, Macau, Nansha and Shekou.

In 2003, TurboJET launched a unique inter-regional air-sea network titled “TurboJET Airport Routes” comprising a





PROPERTY



TRANSPORTATION



HOSPITALITY



INVESTMENT



ferry service that links major international airports in the PRD (previously known as ‘TurboJET Sea Express’). The bonded service connects air transit passengers of the Hong Kong International Airport with Macau and various destinations in the PRD region, further strengthening connectivity amongst PRD cities and world destinations.

Following the successful acquisition of New World First Ferry Services (Macau) in September 2011, TurboJET has become the world’s largest fleet of high speed passenger ferries; further reinforcing its market-leader position within the region. The strategic move also reinforced the Group’s commitment in weaving a seamless sea network for the PRD.

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

In June 2013, the Group has taken an equal third share in Jetstar Hong Kong Airways Limited with Qantas Group and China Eastern Airlines as its partners. The launch of Jetstar Hong Kong is subject to regulatory approvals.

On land, the Group’s joint venture company, Shun Tak & CITS Coach (Macao) Limited, has an operating fleet of 144 vehicles, providing local and cross-boundary coach services between various mainland cities and Macau.

In building a comprehensive air-sea-land network, the Group creates a unique and strategic international multimodal transportation platform to capitalize upon passenger traffic in the PRD and other parts of Asia.

## HOSPITALITY

The Group was a pioneer in introducing top-tier hotel services to Macau through its investments in the former Mandarin

Oriental Macau and former Westin Resort Macau in the late 1980s.

As part of the Group’s One Central development project, the new Mandarin Oriental Hotel comprising 213 guest rooms was opened in June 2010. The Group also has plans to invest in a number of luxury hotels in the Cotai tourism epicenter upon Macau government approval.

The award-winning Macau Tower Convention & Entertainment Centre (“Macau Tower”) managed by the Group, is a major MICE venue and tourist destination in Macau. Apart from MICE business, it offers eclectic dining choices, the best observation spot in town, shopping attractions, as well as the world’s highest commercial Bungy Jump.

The Group holds a 70% interest in the Hong Kong SkyCity Marriott Hotel, a 658-room facility located minutes away from the Hong Kong International Airport and AsiaWorld-Expo.

In 2013, the Group founded Artyzen Hospitality Group to offer hotel management solutions to hotel owners and developers, as well as manage its own portfolio of luxury hotel brands, characterized by unique Asian art and cultural offerings. It has also partnered with the widely popular European citizenM hotel brand for its Asian launch. This strategic expansion not only strengthens the Group’s presence in hotel services, but also seizes the extensive opportunities in the burgeoning Asian tourism landscape, especially for the increasingly affluent, discerning and mobile travelers in China. In 2014, Artyzen Hospitality Group further secured three management agreements to bring into its portfolio Grand Lapa, Macau, Grand Coloane Resort and a future citizenM hotel in Taipei to be opened in 2017, setting the stage for continued expansion of its commercial reach.

In partnership with Shanghai International Port (Group) Co. Limited, the Group holds interest in the Sea Palace Floating Restaurant in Shanghai, the largest floating

restaurant in the city with a capacity of 1,100 seats.

With a full China MICE license obtained in 2009, Shun Tak Travel manages to capture a variety of event hospitality opportunities in the mainland through providing one-stop and innovative travel and MICE solutions to corporate clients, travel partners as well as individual travelers. It has serviced many large enterprises and leading brands, and is making a name in tailored corporate hospitality solution in China.

## INVESTMENT

The Group owns diversified valuable investment in Macau and Hong Kong. It possesses an effective interest in Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”) of approximately 11.5%, which in turn owns approximately 53.93% of SJM Holdings Limited (“SJM Holdings”), a listed company in Hong Kong. SJM Holdings owns the entire shareholding interests of Sociedade de Jogos de Macau S.A., one of six gaming concessionaries licensed by the Macau SAR Government to operate casinos in Macau. Macau Matters Company Limited, the Group’s retail arm, operates Toys “R” Us catering to the demand of local youngsters and tourists. In addition to its flagship store at Macau Tower, it opened a second Toys “R” Us outlet in Macau’s bustling city centre in December 2014.

The Group, through a three-way consortium with business partners, was awarded a contract comprising of a 10-year tenancy agreement of the up-coming new Kai Tak Cruise Terminal. The facility is designed to accommodate the new class of mega-cruisers and instrumental in developing Hong Kong into an international cruise hub.

# Management Profile

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## DR. STANLEY HO

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

Group Executive Chairman  
aged 93

The Group's founder and executive chairman, Dr. Ho Hung Sun, Stanley ("Dr. Stanley Ho"), has been a director of the Company since its incorporation in 1972.

Dr. Stanley Ho is a director of Shun Tak Shipping Company, Limited\*. He is also the chairman and an executive director of SJM Holdings Limited which is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the chairman of the board of directors of Estoril-Sol, SGPS, S.A. which is listed on the Euronext Lisbon.

Dr. Stanley Ho is currently the honorary life president of The Real Estate Developers Association of Hong Kong. He is also the honorary lifetime chairman of The University of Hong Kong Foundation for Educational Development and Research, an honorary member of The Hong Kong Polytechnic University Court, as well as the honorary life chairman of The Hong Kong Polytechnic University Foundation.

Dr. Stanley Ho is a vice patron of the Community Chest of Hong Kong and a patron of The Society of the Academy for Performing Arts.

Dr. Stanley Ho was awarded the Grand Bauhinia Medal and the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2010 and 2003 respectively.

In Macau, Dr. Stanley Ho is the managing director of Sociedade de Turismo e Diversões de Macau, S.A. and a director of Sociedade de Jogos de Macau, S.A. ("SJM SA"). He was the Managing Director of SJM SA from 2001 to 2010. Dr. Stanley

Ho is the co-chairman of the Advisory Committee of Industrial and Commercial Bank of China (Macau) Limited, and the chairman of the board of directors of Macau Horse Racing Company, Limited. He is also a member of the Economic Development Council of the Government of the Macau Special Administrative Region, a member of the University Assembly of the University of Macau and an honourable patron of the University of Macau Development Foundation.

Dr. Stanley Ho was awarded the Grand Lotus Medal of Honour and the Golden Lotus Medal of Honour by the Government of the Macau Special Administrative Region in 2007 and 2001 respectively.

Dr. Stanley Ho was a Standing Committee member of the 9th, 10th and 11th National Committee of the Chinese People's Political Consultative Conference.

Dr. Stanley Ho is the father of Ms. Pansy Ho, the managing director of the Company, Ms. Daisy Ho, the deputy managing director of the Company, and Ms. Maisy Ho, an executive director of the Company. He is also the brother of Mrs. Louise Mok, a non-executive director of the Company.

\* *Shun Tak Shipping Company, Limited is a company which has an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*



**SIR ROGER LOBO***C.B.E., L.L.D., J.P.**Independent Non-Executive Director  
aged 91*

Sir Rogerio Hyndman Lobo (also known as Sir Roger Lobo) (“Sir Roger Lobo”) has been an independent non-executive director of the Company since 1994. He is also the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company. He is a vice-patron of The Community Chest of Hong Kong and The Society of Rehabilitation and Crime Prevention, Hong Kong. He is also a member of the Board of Trustees of Business and Professionals Federation of Hong Kong, a council member of Caritas Hong Kong and the honorary commissioner of Civil Aid Services.

Sir Roger Lobo is an independent non-executive director of Melco International Development Limited (which is listed on the Main Board of the Stock Exchange) and a director of Johnson & Johnson (Hong Kong) Limited.

In the past three years, Sir Roger Lobo was an independent non-executive director of HKT Trust and HKT Limited (“HKT”) (a company listed on the Main Board of the Stock Exchange) and retired from the board of directors of HKT with effect from the conclusion of HKT’s annual general meeting held on 8 May 2014.

**MR. NORMAN HO***F.C.P.A., B.A., A.C.A.**Independent Non-Executive Director  
aged 59*

Mr. Ho Hau Chong, Norman (“Mr. Norman Ho”) has been an independent non-executive director of the Company since 2004. He is also the chairman of the audit committee and a member of the remuneration committee and nomination committee of the Company. He is also a director of a subsidiary of the Company.

Mr. Norman Ho is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company, Limited and has over 20 years of experience in management and property development.

Mr. Norman Ho is also an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited and Lee Hing Development Limited and an executive director of Miramar Hotel and Investment Company, Limited and Vision Values Holdings Limited, which are listed on the Main Board of the Stock Exchange.

In the past three years, he was also an independent non-executive director of Starlight International Holdings Limited (now known as Shihua Development Company Limited) up to 25 August 2013, which is listed on the Main Board of the Stock Exchange.

He is a member of the Institute of Chartered Accountants in England and Wales, and a fellow member of the Hong Kong Institute of Certified Public Accountants.

**MR. CHARLES HO***Independent Non-Executive Director  
aged 65*

Mr. Ho Tsu Kwok, Charles (“Mr. Charles Ho”) has been an independent non-executive director of the Company since 2006. He is also the chairman of the nomination committee and a member of the remuneration committee of the Company.

Mr. Charles Ho is the chairman and an executive director of Sing Tao News Corporation Limited (which is listed on the Main Board of the Stock Exchange). Mr. Charles Ho contributes much to public affairs. He is a member of the Standing Committee of the Chinese People’s Political Consultative Conference National Committee and an economic consultant of Shandong Provincial Government of the PRC. He is an honorary trustee of Peking University and a trustee of University of International Business and Economics in the PRC. He is also an honorary general committee member of The Chinese Manufacturers’ Association of Hong Kong.

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

**MR. MICHAEL NG**

*Independent Non-Executive Director  
aged 56*

Mr. Ng Chi Man, Michael (“Mr. Michael Ng”) was appointed as an executive director of the Company in 2009 and was then re-designated as a non-executive director of the Company in July 2010. Mr. Michael Ng has been re-designated as an independent non-executive director of the Company and appointed as a member of the audit committee of the Company both with effect from 20 December 2012.

Mr. Michael Ng is a fellow member of the Hong Kong Institute of Certified Public Accountants. He holds a Master’s degree in business administration from St. John’s University in New York, the U.S.A.

Mr. Michael Ng is currently the chairman and chief executive officer of Mizzi Lifestyle Holdings Limited, a holding company developing a lifestyle brand and developing a premium lifestyle cafe network in China.

Mr. Michael Ng has substantial experience in corporate and financial management of listed companies in Hong Kong. In the past, he was an executive director and chief executive officer of Viva China Holdings Limited, which is listed on the Growth Enterprise Market of the Stock Exchange, up to 30 August 2012. Mr. Michael Ng was also an executive director of HKC (Holdings) Limited and China Travel International Investment Hong Kong Limited, which are listed on the Main Board of the Stock Exchange.

**DATO’ DR. CHENG YU TUNG**

*G.B.M., D.P.M.S., L.L.D. (Hon),  
D.B.A. (Hon), D.S.Sc. (Hon)  
Non-Executive Director  
aged 89*

Dato’ Dr. Cheng Yu Tung (“Dr. Cheng”) has served as a non-executive director of the Company since 1982. Dr. Cheng is also a director of Shun Tak Shipping Company, Limited\*.

Dr. Cheng is the chairman of Melbourne Enterprises Limited and the non-executive chairman of Lifestyle International Holdings Limited, both of which are listed on the Main Board of the Stock Exchange.

Dr. Cheng is the honorary chairman of Chow Tai Fook Jewellery Group Limited and the chairman emeritus of New World Development Company Limited. Both companies are listed on the Main Board of the Stock Exchange. Dr. Cheng is also the chairman of Chow Tai Fook Enterprises Limited.

In the past three years, Dr. Cheng was the chairman and executive director of New World Development Company Limited and was retired on 1 March 2012. On 1 December 2012, Dr. Cheng retired as a non-executive director of Chow Tai Fook Jewellery Group Limited. Dr. Cheng ceased to act as the non-executive director of SJM Holdings Limited (“SJM”) upon his retirement from the board of directors of SJM at the conclusion of its annual general meeting held on 31 May 2013. All the companies are listed on the Main Board of the Stock Exchange.

Dr. Cheng was granted the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2008.

\* *Shun Tak Shipping Company, Limited is a company which has an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.*

**MRS. LOUISE MOK**

*Non-Executive Director  
aged 86*

Mrs. Mok Ho Yuen Wing, Louise (“Mrs. Louise Mok”) has been a non-executive director of the Company since 1999. She is also a member of the audit committee of the Company.

Mrs. Louise Mok is the sister of Dr. Stanley Ho, the Group Executive Chairman. She is also the aunt of Ms. Pansy Ho, the managing director of the Company, Ms. Daisy Ho, the deputy managing director of the Company, and Ms. Maisy Ho, an executive director of the Company.

**MS. PANSY HO**

*Managing Director  
aged 52*

Ms. Ho Chiu King, Pansy Catilina (“Ms. Pansy Ho”) joined the Group as an executive director in 1995, and was appointed the managing director in 1999 to oversee the Group’s overall strategic development and management. She is also the chairman of the executive committee, a member of the remuneration committee and nomination committee of the Company; and a director of a number of subsidiaries of the Company.

Ms. Pansy Ho is the chairman, chief executive officer and a director of Shun Tak – China Travel Shipping Investments Limited and is directly in charge of the Group’s shipping business. She is a director of Shun Tak Shipping Company, Limited\*, Renita Investments Limited\*, Oakmount Holdings Limited\*, Beeston Profits Limited\*, Classic Time Developments Limited\* and Megaprospers Investments Limited\*, the chairman of Macau Tower Convention & Entertainment Centre, an executive director of Air Macau Company Limited and vice-chairman of the board of directors of Macau International Airport Co. Ltd. She is also the co-chairperson and an executive director of MGM China Holdings Limited and an independent non-executive director of Sing Tao News Corporation Limited (both of which are listed on the Main Board of the Stock Exchange).

In the past three years, Ms. Pansy Ho was a non-executive director of Qin Jia Yuan Media Services Company Limited (now known as SMI Culture Group Holdings Limited) up to 27 May 2012, which is listed on the Main Board of the Stock Exchange.

In China, Ms. Pansy Ho is a standing committee member of Beijing Municipal Committee of the Chinese People’s Political Consultative Conference, Vice President of Chamber of Women of All-China

Federation of Industry & Commerce, a standing committee member of All-China Federation of Industry & Commerce and a vice president of its Chamber of Tourism, and a vice chairperson of China Society for Promotion of the Guangcai Program. In Macau, she is Vice President of the Board of Directors of Macao Chamber of Commerce, the Vice Chairperson of Macao Convention & Exhibition Association, a member of the Government of Macau SAR Tourism Development Committee, the Chairperson of Global Tourism Economy Research Centre, and the Vice Chairman and Secretary-General of Global Tourism Economy Forum. Internationally, she is also an executive committee member of World Travel & Tourism Council.

Ms. Pansy Ho holds a Bachelor’s degree in marketing and international business management from the University of Santa Clara in the United States. She received an Honorary Doctorate Degree in Business Administration from the Johnson and Wales University in May 2007. She was appointed as Honorary Professor of School of Political Communication by the School of Political Communication of Central China Normal University in November 2013. She also received an honorary fellowship from The Hong Kong Academy for Performing Arts in June 2014.

Ms. Pansy Ho is the daughter of Dr. Stanley Ho, the Group Executive Chairman, as well as the sister of Ms. Daisy Ho and Ms. Maisy Ho, who are the deputy managing director and an executive director of the Company respectively. She is also a niece of Mrs. Louise Mok, a non-executive director of the Company.

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

**MS. DAISY HO**

*Deputy Managing Director  
aged 50*

Ms. Ho Chiu Fung, Daisy (“Ms. Daisy Ho”) joined the Group in 1994 and was appointed an executive director of the Company that year. She became the Group’s deputy managing director and chief financial officer in 1999. Ms. Daisy Ho is a member of the executive committee, remuneration committee and nomination committee of the Company and a director of a number of the Company’s subsidiaries.

In addition to participating in the Group’s strategic planning and development, Ms. Daisy Ho is also responsible for the Group’s overall financial activities, as well as property development, sales and investments.

Ms. Daisy Ho is a director of Shun Tak Shipping Company, Limited\*, Renita Investments Limited\*, Oakmount Holdings Limited\* and Megaprospers Investments Limited\*.

Ms. Daisy Ho is Vice President and an executive committee member of The Real Estate Developers Association of Hong Kong, a member of the Hong Kong Institute of Real Estate Administrators, a Vice President of Macao Association of Building Contractors and Developers, a life member of Macao Chamber of Commerce, a fellow of The Hong Kong Institute of Directors, Head of Governor of Council of The Canadian Chamber of Commerce in Hong Kong, Chief Commissioner of The Hong Kong Girl Guides Association, Chairman of The Hong Kong Ballet Ltd, Chairman cum Director of University of Toronto (Hong Kong) Foundation Limited and Chairman of its Scholarship Selection Committee, Director of Po Leung Kuk, Dean’s International Advisory Committee Member of Joseph L.

Rotman School of Management - University of Toronto and Member of Advisory Council of the Canadian International School of Hong Kong.

Ms. Daisy Ho has been appointed as a committee member of the Chinese People’s Political Consultative Conference of Tianjin in 2008.

Ms. Daisy Ho holds a Master of business administration degree in finance from the University of Toronto and a Bachelor’s degree in marketing from the University of Southern California.

Ms. Daisy Ho is the daughter of Dr. Stanley Ho, the Group Executive Chairman, and the sister of Ms. Pansy Ho, the managing director of the Company, and Ms. Maisy Ho, an executive director of the Company. She is also a niece of Mrs. Louise Mok, a non-executive director of the Company.

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



**MS. MAISY HO**

*Executive Director  
aged 47*

Ms. Ho Chiu Ha, Maisy (“Ms. Maisy Ho”) joined the Group in 1996 and has been an executive director of the Company since 2001. She is also a member of the executive committee of the Company and a director of a number of the Company’s subsidiaries.

Since joining the Group, she has been responsible for overseeing the strategic planning and operations of the property management division, as well as retail and merchandising division of the Company.

Ms. Maisy Ho is the chairman and an executive director of Chanceton Financial Group Limited (which is listed on the Growth Enterprise Market of the Stock Exchange).

In Hong Kong, Ms. Maisy Ho is 1st vice-chairman of Tung Wah Group of Hospitals and will be its chairman commencing from 1 April 2015. She is also member of Hospital Governing Committee of Queen Elizabeth Hospital, honorary vice chairman of Hong Kong United Youth Association, president of Hong Kong Institute of Real Estate Administrators, committee member and vice chairman of Young Executive Committee of The Chinese General Chamber of Commerce, vice chairman of Hong Kong Junior Police Call Honorary President Council for Central District, honorary vice president of The Hong Kong Girl Guides Association and member of board of trustees of New Asia College, The Chinese University of Hong Kong. Ms. Maisy Ho is also a holder of Estate Agent’s Licence (Individual).

In Macau, Ms. Maisy Ho is an executive vice president of Property Management Business Association Macao, vice chairman of Macao International Brand

Enterprise Commercial Association, deputy chief of Ladies Committee of Macao Chamber of Commerce and committee member of Kiang Wu Charitable Association.

In China, she is a standing committee member of the Chinese People’s Political Consultative Conference of Liaoning Province, a standing committee member of Beijing Youth Federation, and vice-chairman of Liaoning Youth Federation.

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

Ms. Maisy Ho is the daughter of Dr. Stanley Ho, the Group Executive Chairman, and the sister of Ms. Pansy Ho, the managing director of the Company, and Ms. Daisy Ho, the deputy managing director of the Company. She is also a niece of Mrs. Louise Mok, a non-executive director of the Company.

**MR. DAVID SHUM**

*Executive Director  
aged 60*

Mr. Shum Hong Kuen, David (“Mr. David Shum”) joined the Group in 1992 and has been an executive director of the Company since 2004. He is also a member of the executive committee of the Company and a director of a number of the Company’s subsidiaries. He is responsible for the investment activities of the Group.

Mr. David Shum is an executive director of SJM Holdings Limited (which is listed on the Main Board of the Stock Exchange).

Mr. David Shum holds a Master’s degree in business administration from the University of California, Berkeley, the United States.

**MR. ROGIER VERHOEVEN**

*Executive Director  
aged 52*

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

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

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

# Financial Highlights and Dividend Schedule

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## FINANCIAL HIGHLIGHTS

|  | 2014<br>(HK\$'000) | 2013<br>(HK\$'000) |
|--|--------------------|--------------------|
| Turnover                                     | 9,538,561          | 3,575,726          |
| Profit attributable to owners of the Company | 4,452,909          | 1,406,447          |
| Total equity                                 | 31,111,666         | 24,516,073         |
| Earnings per share ( <i>HK cents</i> )       |                    |                    |
| – basic                                      | 147.0              | 47.0               |
| – diluted                                    | 143.5              | 46.3               |
| Dividends per share ( <i>HK cents</i> )      | 21.5               | —                  |
| Net asset value per share ( <i>HK\$</i> )    | 10.2               | 8.2                |

The calculation of basic earnings per share is based on the weighted average number of 3,028,195,718 shares (2013: 2,992,880,719 shares) in issue during the year. The calculation of diluted earnings per share is based on the weighted average number of 3,127,695,419 shares (2013: 3,125,769,750 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

## DIVIDEND SCHEDULE

|  |  |
|--|--|
| Announcement of final dividend and special dividend  | 26 March 2015  |
| Deadline for lodgement of all transfers  | 4:30 p.m. on 12 June 2015                            |
| Closure of register of members<br>(for determining shareholders' eligibility to attend and vote at Annual General Meeting) | 15 June 2015 to 19 June 2015,<br>both days inclusive |
| Annual General Meeting   | 19 June 2015   |
| Deadline for lodgement of all transfers  | 4:30 p.m. on 25 June 2015                            |
| Closure of register of members<br>(for determining shareholders' entitlements to the final dividend and special dividend)  | 26 June 2015 to 30 June 2015,<br>both days inclusive |
| Expected posting date of dividend warrants to shareholders   | 10 July 2015   |

# Significant Events

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## 2014



### Jan

The Group entered into a joint venture agreement with Perennial Hengqin Investment Group Pte. Ltd. to develop on Hengqin Island in Zhuhai an integrated landmark comprising office, hotel, commercial and serviced apartments.

TurboJET received “The 4th Hong Kong Outstanding Corporate Citizenship Awards – Merit Award in Enterprise Category” from Hong Kong Productivity Council and Committee on the Promotion of Civic Education.



### Feb

Artyzen Hospitality Group took over the management of Grand Lapa, Macau.

TurboJET received “Hong Kong Premier Service Brand” from Hong Kong Brand Development Council.



### May

Hong Kong SkyCity Marriott Hotel received “Winner Certificate of Excellence 2014” from Trip Advisor and daodao.com.



### Jun

Westin Resort Macau was rebranded as “Grand Coloane Resort” with Artyzen Hospitality Group appointed as the new management.

Grand Coloane Resort and Grand Lapa, Macau received “Green Hotel Award 2013 - Silver Medal” from Macau Environmental Protection Bureau.



### Jul

The Group sold Taipa Hills Memorial Garden and its related funeral service.





## Sep

The Group continues to be one of the constituents of Hang Seng Corporate Sustainability Benchmark Index for the fourth year.

Macau Tower named the “Best Business & Incentive Venue (Hong Kong & Macau) of the Year” jointly organized by Travel Weekly and Events magazines.

Artyzen Hospitality Group announced the signing of a management agreement to operate and manage citizenM’s first hotel in Asia Pacific region in Taipei, Taiwan.

TurboJET received “HKMA Award for Excellence in Training 2014 – Development Category: Excellence Award” and “Societe Generale Citation for Youth Mentorship” from the Hong Kong Management Association.



## Oct

Hong Kong SkyCity Marriott Hotel was awarded the “2014 Asia’s Leading Airport Hotel” by the “World Travel Awards”.



## Dec

Toys “R” Us Macau opened its 2nd store at Ginza Plaza.

TurboJET launched a limited edition E-Ticket in celebration of the 15th anniversary of the establishment of the Macau SAR.

TurboJET received “Hong Kong Green Awards - Environmental, Health and Safety Award (Corporate) - Silver Award” from Green Council.



# 2015

## Feb

Premier Jetfoil fleet size increased to 8 vessels.

Mandarin Oriental, Macau was awarded “Triple Five Star for Hotel, Restaurant and Spa” by Forbes Travel Guide 2015.





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*With the wealth  
of experience we  
have on board  
and the solid  
foundations in  
place, I trust that  
2015 will be a  
challenging yet a  
rewarding one.*  
—

# Chairman's Statement

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Dear Shareholders,

I am delighted to report that fiscal 2014 has been a remarkable year across all pillars of the Group's business, propelled by renewed momentum in both Hong Kong and Macau residential markets, further complemented by robust regional tourism demands within the Pearl River Delta. Despite looming concerns over weakening Macau gaming performance in the second half of year, the Group was able to deliver strong earnings results, with profit attributable to shareholders for the year ended 31 December 2014 amounting to HK\$4,453 million (2013: HK\$1,406 million). Basic earnings per share were HK147 cents (2013: HK47 cents). Subject to approval by our shareholders at the 2015 Annual General Meeting, the Directors recommend a final dividend of HK2.0 cents per share (2013: nil) and a special dividend of HK14.5 cents per share (2013: nil).

Following a period of subdued property transactions in 2013, the market has regained confidence in 2014 and significant buying power has been unleashed. The Group capitalized upon the opportunity and successfully sold 94 Chatham Gate residential units in Hong Kong and a cumulative sum of 493 Nova Park residential units in Macau at encouraging prices. The launches were met with popular demand, a positive reflection of homebuyers' preference in our property brand, quality and potentials.

Moreover, the Group has monetized upon a number of long term investment assets during the period which generated outstanding returns. Taipa Hills Memorial Garden, along with its related funeral services, were sold to a third party for a consideration of HK\$660 million; while parking bays at Chatham Gate and The Belcher's have also contributed solidly to the profits of the Group. These sales represent a strategic effort to consolidate our portfolio and redeploy resources in order to optimize future growth potentials.

As 2015 unfolds with increased concern over heightening interest rates and a contracting gaming market, the Group will stay responsive to market sentiment

in order to flexibly adjust its sales strategy accordingly.

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

TurboJET has completed an overall upgrade program in phases over the past years, starting with the introduction of Premier Grand services, followed by renovation of terminal facilities, enhanced online sales channels and expanded handling capacities. In the process, it has firmly consolidated its leadership position in regional sea travel. Encouraging growth has resulted, particularly evident in the luxury market segment.

TurboJET's next strategic focus will be on reinforcing its network advantage by adding sailings and routes within the Pearl River Delta. TurboJET now manages three important ports within the region, including SkyPier, Shenzhen Airport Fuyong Ferry Terminal and Macau Maritime Ferry Terminal, representing important bases for it to grow its catchment. Furthermore, TurboJET is solidifying operational plans for the future permanent Taipa Ferry Terminal, with target readiness by early 2016.

The hospitality division continued to turn in compelling results on the back of strong regional tourism demand. In particular, our hotel portfolio contributed solid earnings to the Group in 2014, with Hong Kong SkyCity Marriott Hotel and Mandarin Oriental, Macau achieving growth in all key metrics. Our new hotel management company, Artyzen Hospitality arm, signed three hotel management contracts within the year, namely Grand Lapa hotel, the rebranded Grand Coloane Resort, and citizenM Taipei. These are important milestones and the properties will embody our philosophy

of creating a distinctively oriental brand with offers tailored for Asian travelers. Under the Shun Tak banner, our hospitality businesses are driving significant synergy between each other, and we are delighted that the Group has evolved into a leading non-gaming tourism brand popularized by its all-rounded services.

In 2014, the investment division registered outstanding performance underscored by significant dividend payments from Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"). Nonetheless, following years of skyrocketing growth, the Macau gaming market encountered major setbacks in the second half of year, impacted by the far-reaching effect of Central Government's anti-graft and anti-corruption campaigns. It is therefore expected that the same high level of returns on our investment in STDM may recede in coming terms.

As we enter 2015 facing a number of headwinds, it is not without bright spots. Total visitor arrivals have sustained at high levels, while growth catalysts including cross-regional infrastructure projects and new attractions in Cotai are firmly on the roadmap. Going forward, the Group will remain focused upon strengthening its operational fundamentals, brand appeal and customer loyalty, in order to navigate through uncertainties and capitalize upon new opportunities.

Taking this occasion, I would like to thank everyone in the Group whose commitment to excellence have contributed to a remarkable year of 2014. I also thank our shareholders for their unwavering confidence and support in our management. With the wealth of experience we have on board and the solid foundations in place, I trust that 2015 will be a challenging yet a rewarding one.

By order of the Board

**Stanley Ho**  
Group Executive Chairman

26 March 2015







# Appreciating Value

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PROPERTY

With acute foresight and innovation, we bring new living concepts to life. Apart from building houses, we build homes, communities and environments that blend in perfect harmony.

# Review of Operations

## Property

*The property division contributed solid earnings to the Group in 2014, underscored by stellar performance in residential property sales of Chatham Gate and Nova Park. Three of the Group's signature integrated development projects in China are progressing on track.*

The property division registered a profit of HK\$2,487 million (2013: HK\$80 million), with the improved performance driven by restored confidence in the real estate market in 2014. Revaluation gain also increased to HK\$941 million (2013: HK\$577 million). The encouraging performance is underscored by accrual of profits from the pre-launch and popular sales of Nova City Phase 4, complemented by successful re-launch of remaining units at Chatham Gate. Monetization of assets from the disposal of Taipa Hills Memorial Garden also contributed to the solid earnings.

### PROPERTY DEVELOPMENTS

#### PROJECTS COMPLETED WITH RECENT SALES

##### IN MACAU

#### One Central (Group interest: 51%)

One Central is an exemplary integrated development located on the Macau Peninsula waterfront, a benchmark-setting property jointly developed with Hongkong Land Holdings Limited. All residential units at One Central Residences and The Residences and Apartments at Mandarin Oriental, Macau have been sold and the final five units were handed over to homebuyers. The last triplex unit at The Residences and Apartments at Mandarin Oriental, Macau was sold in February 2014 at record breaking market price.

##### IN HONG KONG

#### Chatham Gate (Group interest: 51%)

The development comprises two grand residential towers offering units from studio to four-bedroom configurations. In 2014, 94 residential units and 76 private car parks have been sold, contributing solidly to the profits of the Group. As of 31 December 2014, the cumulative number of residential units sold was 331 out of a total of 334 units. A shopping arcade with a developable gross floor area of 61,000 square feet opened in January 2014 to provide everyday conveniences to the neighboring community and registered 89% in occupancy as of year end.

#### ASSETS MONETIZATION

##### IN MACAU

#### Taipa Hills Memorial Garden (Group interest: 79%)

On 31 July 2014, the Group and its joint venture partner completed the respective sales agreements with a third party to dispose the entire property, along with its value-adding services developed by the Group for a gain (net of transaction costs) of approximately HK\$18 million. The third party continues with the operation of Taipa Hills Memorial Garden, while the Group has successfully monetized the assets with favorable returns during the investment period.



## IN HONG KONG

**Car Parks at The Belcher's**  
(Group interest: 51%)

The Group completed the disposal of 257 private car parks and 3 motorcycles car parks in 2014, after identifying a favorable opportunity to capitalize upon a substantial valuation gain on these long term investments located at The Belcher's. Based on total sales proceeds of approximately HK\$796 million, the Group recognized a net gain of approximately HK\$338 million, including a fair value gain in 2014. This is a strategic step to consolidate resources leading to improvements in portfolio return for the future.

**PROJECT UNDER DEVELOPMENT WITH RECENT SALES**

## IN MACAU

**Nova Park**  
(Group interest: 100%)

Nova Park, Phase 4 of Nova City, is a striking urban park-side residential development set at the heart of the thriving Taipa community with an unimpeded view of the stunning Taipa Central Park. Its three residential towers cover a gross floor area of approximately 680,000 square feet and offer 620 residential units in total. As of 31 December 2014, a total of 80% of units has been sold. We have successfully set benchmark pricing for the Taipa district during our various launches.

The last recorded average selling price for the batch launched in November 2014 reached around HK\$12,000 per square foot. Sales launch for remaining units is scheduled for the first half of 2015. Superstructure works have been completed and fitting out works are in progress. Occupation permit was issued in December 2014, with handover of units scheduled for the first half of 2015.

**PROJECTS UNDER DEVELOPMENT**

## IN MACAU

**Nova City Phase 5**  
(Group interest: residential - 71%; commercial - 100%)

A joint residential development with China State Construction International Holdings Limited, this next phase of Nova City will comprise over 2.3 million square feet of residential units in eight towers. These towers will sit above a large-scale lifestyle shopping centre spanning over 650,000 square feet solely developed by the Group. It will house a diverse range of tenants catering to the locals' needs, including supermarkets, dining outlets, leisure retail and entertainment. The mall is expected to become the largest convenience shopping hub in Taipa, serving its residents and neighboring communities. Foundation works have been completed and substructure works have commenced with project completion scheduled for 2018.

**Harbour Mile**

(Group interest: 100%)

The premium residential site in Nam Van adjoining the Macau Tower Convention & Entertainment Centre ("Macau Tower") is under planning. The Macau SAR Government is continuing to review the Master Plan of Nam Van area, and is anticipated to need more time to finalize the Master Plan.

**Hotel Development at Cotai Site**  
(Group interest: 100%)

The Group has made application for land grant and is in discussion with the Macau SAR Government on its plan to develop hospitality facilities on the site.

## IN HONG KONG

**Luxury Mansions at Chung Hom Kok**  
(Group interest: 100%)

This development comprises five luxury residential houses in a premium and tranquil location at Chung Hom Kok. Superstructure works were completed and fitting out works are in progress. The Group is currently planning for its sales launch in the latter half of 2015.





## IN NORTHERN CHINA

### Beijing Tongzhou Integrated Development

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

An iconic landmark in Tongzhou, a district which is poised to become the new Central Business District and new municipal government administration office of Beijing, this integrated development will comprise retail, office and serviced apartments in one prime address along the famous Grand Canal on a 1.3 million square feet (123,000 square meters) site with a combined developable gross floor area of about 6.8 million square feet (634,200 square meters). The complex enjoys direct connectivity to the M6 subway line which has launched for operation in 2014, and the S6 subway line which is currently under planning. It is also conveniently connected to bus interchange stations. The project is slated for completion in 2017.

### Shun Tak Tower

(Group interest: 100%)

The project is a wholly-owned property in the Beijing Dong Zhi Men near East 2nd Ring Road, comprising both office and hospitality components. The site spans 63,000 square feet (5,832 square meters), with a developable gross floor area of approximately 419,000 square feet (38,900 square meters) rising 21 levels

aboveground, and 182,000 square feet (16,900 square meters) in 4 underground levels. It commands a prominent location next to the airport highway and enjoys close proximity to Beijing downtown, embassy area, and YanSha district.

Handover of the property was completed in June 2014 and fitting out works are in progress. Pre-lease preparations for the office units are in progress while its hospitality component is scheduled for completion in 2016.

## IN SOUTHERN CHINA

### Hengqin Integrated Development

(Group interest: 70%)

In January 2014, the Group entered into a strategic partnership with Perennial Hengqin Investment Group Pte. Ltd. to develop an integrated landmark in Hengqin that will comprise one office tower, one serviced apartment and hotel tower, as well as a commercial podium. The 257,000 square-foot site (23,834 square meters) has a developable gross floor area of 1,410,000 square feet (131,000 square meters), and enjoys unparalleled connectivity located immediately adjacent to the port and commercial facilities at the border to Macau and only a few minutes' drive away from the Cotai strip. In the future, it will be connected locally by the Hengqin and Macau light rails, and regionally by the Guangzhou-Zhuhai Intercity Rail. Foundation works

is in progress and project completion is scheduled for 2018.

## INVESTMENT PROPERTIES

### IN MACAU

#### One Central Shopping Mall

(Group interest: 51%)

One of the defining attributes of One Central is a 400,000 square feet premium shopping mall, which houses a top notch collection of international designer brands and their flagship stores. Its popularity demonstrates the Group's vision and strength in creating projects appealing to major international tenants. The retail mall posted an average occupancy rate of 96% over the year, yielding encouraging income for the Group, with average rents increased by around 7%.

#### Shun Tak House

(Group interest: 100%)

The property, situated in a busy tourist locale at the heart of the Macau Peninsula, covers over 28,000 square feet of leasable area and consistently maintains 100% occupancy with two major retail anchor tenants. As tourism in Macau develops rapidly, the property has achieved substantial revaluation gain and has attained promising rental revisions upon lease renewal.



## IN HONG KONG

### **Shun Tak Centre, Shop No. 402** (Group interest: 100%)

The Group purchased this 33,387 square feet property from The Open University of Hong Kong in January 2013, along with a lease contract with the institution which has expired in September 2013. The undertaking represents a vision to capitalize upon the strong cross-border foot traffic, strengthen tenant mix and unleash its yield potential. Lease negotiations are ongoing with popular interests received.

### **The Westwood** (Group interest: 51%)

The Westwood, a 5-storey shopping centre at The Belcher's with approximately 158,000 square feet of leasable area, is the largest shopping destination in the Western Mid-Levels. It is home to a wide selection of retail chains and educational institutions providing daily conveniences to West Island. With the launch of the MTR West Island Line in December 2014, visitor numbers have significantly improved and occupancy has consistently maintained above 97%.

### **Liberté Place** (Group interest: 64.56%)

Liberté Place, the shopping podium of Liberté which connects directly to the Lai Chi Kok MTR Station, offers a wide variety

of dining and household conveniences to residents of the West Kowloon community, including the neighboring Banyan Garden and The Pacifica. Occupancy consistently stands over 90%.

## IN CHINA

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

The Guangzhou Shun Tak Business Centre, a 32-storey office tower on a 6-storey shopping arcade, recorded satisfactory leasing revenue and maintained an occupancy rate of around 80% over the year.

## PROPERTY SERVICES

Shun Tak Property Management Limited ("STPML"), the Group's wholly-owned subsidiary, offers professional property management service in Hong Kong and Macau, with a portfolio of over 26 million square feet of properties, including the 10 million square-foot University of Macau Hengqin Campus, which is progressively taking in over 10,000 students in its first year. STPML also operates complementing businesses including Shun Tak Macau Services Limited, a property cleaning service company; and Clean Living (Macau) Limited which offers both retail and institutional laundry services.





# Making Waves

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TRANSPORTATION

Combining the wealth of experience from our team and extensive resources, we spearhead a seamless cross-modal transportation network for the region to bring people and business together.



## Transportation

*The division has been dedicated to refining its legacy services and elevating customer experience through product innovation. TurboJET has undertaken a number of initiatives to upgrade its fleet and terminal facilities while introducing various value-adding services to spur new demand in luxury sea travel.*

2014 has been a solidly profitable year for the transportation division as momentum for regional tourism builds at an encouraging pace. Over the 12 months, TurboJET has serviced over 14 million passengers on its Hong Kong-Macau routes, representing a 2% year-on-year increase. Driven by steady market demand, effective yield and cost management, as well as effective product improvement and diversification strategies, the transportation division posted a 43% year-on-year improvement in profit at HK\$236 million (2013: HK\$165 million), demonstrating favorable results from consistent investments in innovation and value-creation.

### SHUN TAK - CHINA TRAVEL SHIPPING INVESTMENTS LIMITED

TurboJET registered three consecutive years of profit growth as it continues to transform through service innovation catering to a new generation of travelers. A fare increment approved by the Macau SAR Government on services between Macau and Hong Kong in October 2014 and the Pearl River Delta in December 2014 also enabled the company to continue reinvesting in its sustainability plans and upgrading schemes.

TurboJET currently operates six Premier vessels and has completed its upgrading

scheme by February 2015. During which time, the fleet will comprise eight Premier vessels, consistently offering Premier Grand service at 30-minutes' intervals. The upgrade scheme has enabled TurboJET to enrich its product spectrum, develop and foster new market demand in the changing landscape of cross-regional transportation. Demand for Premier Grand class service has increased by 45% in year 2014, representing the fastest growing market segment.

Committed to the creation of a total travel experience, TurboJET has redefined and elevated its services through various online and offline programs. A range of electronic-based ticketing tools ranging from web and mobile apps, etickets and stored value cards have been introduced to achieve greater convenience and flexibility to passengers. In 2014, sales through electronic channels recorded a year-on-year growth of more than 47%. In addition, all fleet is newly equipped with cross-boundary complimentary Wi-Fi access so passengers can stay connected throughout their journeys. Moreover, the company has strengthened its passenger handling capability at the Macau Maritime Ferry Terminal through an overhaul renovation, increasing ticket counters from 17 to 29, self-service ticketing kiosks from 3 to 12, and airport route check-in counters from 6 to 10. Moreover, TurboJET has extended its seamless connectivity from





the sea to land, launching a value-adding service for its Premier Grand passengers complimentary transit to any destination of choice in Macau, as well as between Hong Kong Macau Ferry Terminal and Hong Kong International Airport.

In January 2014, Shun Tak – China Travel Ship Management Limited took up the management of Shenzhen Airport Fuyong Ferry Terminal, a strategically important foothold for TurboJET network of alliances with mainland operators in the development of a seamless multimodal transportation network within the Pearl River Delta. In the first year of its management, passenger traffic at the Shenzhen Airport Fuyong Ferry Terminal has increased by 21%.

SkyPier recorded a passenger throughput of 2.8 million in 2014, representing a 3% year-on-year growth. In spite of

the uptrend, growth is expected to be restrictive in ensuing years as it may be impacted by the construction of the third runway at Hong Kong International Airport, which may impose new operational constraints such as vessel speed restrictions and re-routing.

**SHUN TAK & CITS COACH (MACAO) LIMITED**

The land transportation arm, Shun Tak & CITS Coach (Macao) Limited, continued to deliver strong returns through its cross-border and local rental business. As at 31 December 2014, it operated a fleet of 144 vehicles, and recorded HK\$100 million (2013: HK\$92 million) in revenue over the year.



Left to Right

“HKMA Award for Excellence in Training 2014 – Development Category: Excellence Award”

“Societe Generale Citation for Youth Mentorship” from the Hong Kong Management Association





# Serving with Pride

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## HOSPITALITY

As a forerunner in hotel investments, hospitality and MICE services, the Group is entering the hotel management business and expanding its footprint in major gateway cities across Asia.



## Hospitality

*Benefiting from strong tourism traffic, the Group's hotel portfolio led the division's performance and posted solid results. The new hotel management arm, Artyzen Hospitality Group, signed three hotel management contracts and began to expand its regional footprint.*

Fiscal 2014 has been another record-setting year for Hong Kong and Macau tourism in terms of visitor arrivals. Benefiting from the strong traffic, the Group's hotel portfolio led the division's performance and posted solid results. The new hotel management arm, Artyzen Hospitality Group, signed three hotel management contracts and began to extend its regional footprint. Collectively, the hospitality division concluded the year with a profit of HK\$92 million in 2014 (2013: HK\$70 million), representing a year-on-year growth of 31%.

### HOTELS

In Hong Kong, the 658-room Hong Kong SkyCity Marriott Hotel is directly connected to Asia World-Expo and located in close proximity to Hong Kong International Airport and SkyPier. It is 20 minutes away from downtown via Airport Express, and well complemented by a number of key attractions in Lantau Island. Catering to an international mix of business and transient clients, the hotel has grown in popularity over the years, posting an average occupancy rate of 85% and registering HK\$400 million in revenue in 2014 which represents 7% year-on-year growth. It was conferred the title of "Asia's Leading Airport Hotel" by World Travel Awards 2014, and "Winner Certificate of Excellence 2014" by Trip Advisor and daodao.com.

Mandarin Oriental, Macau is one of the leading luxury hotels in Macau renowned for its bespoke services and fine elegance. It achieves market-leading average room rates and occupancy among non-gaming establishments through a strong recurrent customer base and high brand loyalty. In 2014, the hotel recorded an all-time highest average occupancy rate of 81%, and a revenue of MOP254 million (equivalent to HK\$247 million). It is prestigiously named "Five Star Hotel & Five Star Spa" by Forbes Travel Guide 2014 and "Asia's Top 5 Leisure Hotels" by Now Travel Asia Awards 2014.

Rebranded as the Grand Coloane Resort in mid-2014, the 208-room hotel offers rooms and suites each opening to a private and spacious terrace with an uninterrupted picturesque view of the beach. The resort completed a room upgrade program in the first half of year and continues to be a favorite among holidaymakers who prefer a uniquely idyllic and relaxing experience in a non-gaming environment. The property achieved a 72% occupancy rate in 2014 and received the "Macau Green Hotel Award" from Macau Environmental Protection Bureau. Adjacent to the resort, the renowned 18-hole Macau Golf & Country Club completed a course revamp and successfully hosted the 16th Macau Open attended by many celebrity players.





### ARTYZEN HOSPITALITY GROUP

Rooted in a culture to extend the best hospitality services, the Group announced the Artyzen Hospitality Group in July 2013 to provide hotel management solutions to hotel owners and developers. Through a suite of originally created luxury hotel brands characterized by distinctive Asian offerings, it appeals to the burgeoning China outbound tourist market. Moreover, it has partnered with the widely popular European citizenM hotel brand for its Asian launch. The group secured a management agreement for a 267-room citizenM hotel in Taipei to be opened by June 2017, and started managing two operating hotels in Macau, namely, the Grand Lapa hotel with over 400 rooms and the 208-room Grand Coloane Resort. The group will continue to focus on securing management agreements and extending its brand distribution across key cities in 2015.

### HOSPITALITY MANAGEMENT

The Group has a solid track record in tourism facility management with the success of Macau Tower being an exemplary precedence that demonstrates the strength of its international perspective and sales outreach. In 2014, Macau Tower registered a 4% increase in paid visitors to its observation levels. AJ Hackett-Macau Tower continued to be a signature component of Macau Tower, attracting a

huge number of international customers and media over the year. In 2014, the operation experienced a 31% increase in profit with 16,060 visitors challenging the World's Highest Commercial Bungy Jump under Guinness World Record.

### TRAVEL AND MICE

Shun Tak Travel is a key wholesaler in Macau tourism products and a recognized leader in event hospitality management. Its highly customizable quality services have become widely popular among corporate clients.

Facing headwinds including China's anti-graft policy and austerity measures, as well as tightened visa control to Macau, Shun Tak Travel managed to maintain comparable revenue as last year through the successful bidding of various sizable high level events, including the APEC — Tourism Ministerial Meeting and Macao International Trade and Investment Fair. However, gross profit decreased by 8% under a more competitive market and rising costs.

Shun Tak MICE Services Company Limited has been gaining industry recognition as a professional hospitality and event management company. In 2014, it has strengthened its reputation in Shanghai and Beijing, having handled a number of high end brand launches and eminent wedding banquets.









# Cultivating Growth

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## I N V E S T M E N T

At the pulse of dynamic growth across the Pearl River Delta, the Group is investing in a balanced business portfolio with sharp acumen and prudent strategies in contribution to the region's development.



## Investment

*In 2014, the investment division registered an outstanding performance with promising return mainly attributable to dividend payouts from Sociedade de Turismo e Diversões de Macau, S.A.. Macau Matters Company Limited opened its second Toys “R” Us store in Macau’s bustling city centre, further expanding its retail business.*

The investment division posted a profit of HK\$379 million in 2014 (2013: HK\$172 million), with the promising return mainly attributable to dividend payouts from Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”).

The Group owns an effective interest in STDM of approximately 11.5%, which in turn owns approximately 53.93% effective shareholding in SJM Holdings Limited, a listed company in Hong Kong. SJM Holdings Limited owns the entire shareholding interests of Sociedade de Jogos de Macau, S.A., one of six gaming concessionaires licensed by the Macau SAR Government to operate casinos in Macau.

The Group, through a three-way consortium with Worldwide Flight Services Holding SA and Royal Caribbean Cruises Ltd., was awarded a 10-year tenancy management agreement of the Kai Tak Cruise Terminal (“KTCT”) in year 2012. The terminal soft opened to welcome the first cruise ship in June 2013, while a second berth has started operation in the second half of 2014. KTCT comprises approximately 5,600 square meters of commercial space, of which about 87%

has been leased in 2014. In addition to regular recurrent rental income, KTCT is gradually gaining popularity as a world class venue for performances, events and exhibitions attracting notable events such as the Dome Festival and various luxurious car launches.

Macau Matters Company Limited is the Group’s retail arm operating Toys “R” Us Macau. In addition to its flagship store at Macau Tower, the company opened a second outlet in December 2014 near Senado Square, a bustling tourist hub. The company is currently the largest single brand toy store in Macau.







# Recent Developments and Prospect

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The Group concluded 2014 on a positive note, with the year characterized by promising growth in property sales, strengthened passenger and tourist spending, as well as high dividend income generated through investments. While results have been promising, the Group will adopt a more conservative approach entering 2015, as businesses are subject to underlying headwinds including rising interest rates, a slowdown in China economic growth, continuation of anti-graft and austerity drive, and setbacks in Macau gaming market performance.

The property division contributed solid earnings to the Group in 2014, underscored by stellar performance in residential property sales with the closing of 94 Chatham Gate residential units in Hong Kong and a cumulative sum of 493 Nova Park residential units in Macau. One-off extraordinary income from the disposal of Taipa Hills Memorial Garden, as well as sales of parking bays at Chatham Gate and The Belcher's, further strengthened the division's balance sheet.

In 2015, the property division will continue to build a well balanced real estate portfolio of sales and leasing properties. Efforts will be geared towards the preparation of sales launch for five luxury mansions at Chung Hom Kok in Hong Kong. In China, the Group will continue to harness its forte in developing integrated complexes with three large scale projects progressing on track, namely, the Beijing Tongzhou Integrated Development, Hengqin Integrated Development and Shun Tak Tower, Beijing. Leasing of offices for the latter is currently being planned.

Over the past years, TurboJET has been dedicated to refining its legacy services and elevating customer experience in anticipation of changing regional travel

demands. With the completion of an upgrade program for its Premier fleet and facilities at Macau Maritime Ferry Terminal, it has successfully spurred new demand in the luxury market segment and built foundational strength to ensure long term sustainable growth. In addition, a land transit service, offered on a complimentary basis to all Premier Grand passengers, has been introduced in March 2015. The service aims to complete the company's commitment to a totally seamless journey, and will further enhance its competitiveness by leveraging its network advantage.

The division currently manages a network of ports that are strategic anchors to a multimodal transportation network within the Pearl River Delta. Passenger throughput at SkyPier, Shenzhen Airport Fuyong Ferry Terminal and Macau Maritime Ferry Terminal experienced a year-on-year increase of 3%, 21% and 2.6% respectively, testifying to the Group's integral role in effectively driving regional connectivity. Cooperating with its mainland partners, TurboJET has plans to reinforce service frequencies between Macau, Shenzhen and Shekou, with the objective of introducing sailings every half an hour. Furthermore, TurboJET is solidifying operational plans for the future permanent Taipa Ferry Terminal, with target readiness by early 2016.

The Group has been determinedly focused on forging a well-rounded tourism brand with a full spectrum of services that comprises hotel investments, hotel management, destination management, retail ticketing, MICE and event planning. All hotels under the Group delivered financial results in line with expectations, both in terms of revenue and occupancy, despite a weakened Macau gaming market in the second half of year. The Group's

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*Entering 2015 with volatility and uncertainties plaguing the market, it will invest with continued discipline in order to balance profitability and well-paced expansion.*

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newly established hotel management company, Artyzen Hospitality Group, secured three hotel management agreements in 2014, bringing into its portfolio Grand Lapa hotel, Grand Coloane Resort and a future citizenM hotel in Taipei currently under development. These will set the stage for continued execution and expansion of its commercial reach in order to prepare for further growth.

Under investment division, Macau Matters Company Limited opened its second Toys “R” Us store in the bustling old city centre with the objective of capitalizing upon tourist traffic.

In the second half of 2014, Macau gaming revenue began to contract as it is adversely

affected by China’s anti-corruption campaigns and tightened visa policies. It is expected that future returns on investments in Sociedade de Turismo e Diversões de Macau, S.A. will be impacted.

As foundations laid in previous years have translated into real results in 2014, the Group will remain intently focused on executing its key strategies and maintaining the same high standards in all its properties, transportation services and hospitality offers as the public has grown to expect. Entering 2015 with volatility and uncertainties plaguing the market, it will invest with continued discipline in order to balance profitability and well-paced expansion.



# Reaching Out



C O R P O R A T E   S O C I A L  
R E S P O N S I B I L I T Y

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





# Corporate Social Responsibility

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*The Group firmly believes success is not only measured by financial performance, but also its commitment to enhancing community and environment well-being. We strive to weave our CSR philosophy into our day-to-day operation by encouraging staff's engagement in social service and environmental initiatives.*

## FOR A BRIGHTER TOMORROW

In 2014, the Company continues to be one of the constituents of Hang Seng Corporate Sustainability Benchmark Index for the fourth consecutive year. It has also been awarded the "HKQAA CSR Plus Mark" in the newly-launched "HKQAA CSR Index Plus Scheme" by Hong Kong Quality Assurance Agency.

## OUR EMPLOYEES

Employees are our greatest assets. They are the building blocks that define the company. It is therefore a priority to ensure that a safe, healthy and indiscriminating work environment can be offered, where our staff can perform to their best ability and maintain a good work-life balance. In 2014, the Group supported a number of health-related seminars and workshops on common cancers, eye and tooth health and healthy eating to improve the well-being of our colleagues; as well as regular interest classes, hobby groups and outings in enhancing quality of life. The Group believes there is no end to learning and there is always room to grow. Over the year, the Group contributed towards the training fund and sponsored more than 120 staff to attend various work-related courses.

## OUR COMMUNITY

Giving back to the community behind the success of the Group is an integral part of our corporate culture. With the full support of the Group, our employees devote their time and efforts to reaching out to our community and helping the needy. TurboJET participated in myriads of charity and welfare works in 2014. In March, it organized a trip to Macau for the children from Precious Blood Children's Village along with volunteers. It also offered donations and assistance to Ronald McDonald House Open Day Charity Stroll in December. Two gatherings were held for the elders at Ta Kwu Ling Village and HKYWCA Wan Wah Care and Attention Home for the Elderly in July and November respectively. Apart from contributing donations to support Macau Special Olympics, Ronald McDonald House Charities, Orbis HK, St. James' Settlement People's Food Bank and Community Chest Walks for Millions in Macau, TurboJET sponsored The Salvation Army O! Day as well as the Ocean Park Halloween Fest - HK Girl Guide Association Charity Day.

On the Group level, our staff shared the festive spirit with those in need by supporting Community Chest Mooncakes for Charity and donating mooncakes to



Yang Memorial Methodist Social Service. In November 2014, our volunteers accompanied and assisted 50 elders to visit Hong Kong Disneyland, and organized a Fun Day with specially designed educational programs for children at Po Leung Kuk. A group of 26 volunteers visited more than 50 singleton elders and brought gifts of hand-knitted scarves and other necessities in December 2014, delivering warmth to senior citizens. Besides, a joyful Christmas party was held for children from low-income families and ethnic minorities. The Group also supported other fund-raising activities including Community Chest Walks for Millions, Community Chest Dress Casual Day, TWGHs Corporate Flag Day and the Central Rat Race for the MINDSET.

#### OUR ENVIRONMENT

Our CSR activities for community go beyond volunteer works and sponsorship. Recognizing the importance of building sustainability into business in order not to compromise the natural environment through our operations, each operational division is bound by a list of environmental objectives. Apart from guiding internal processes, these policies also set standards for external contractors and suppliers. Working with various external consultants, the Group implemented changes to

reduce carbon footprint, save resources and promote eco-friendly practices. Responding to calls for environmental conservation, the Group and TurboJET supported recycling programs organized by The Salvation Army and World Vision Hong Kong; and donated office equipment, toys as well as cartons of used books to the needy. In 2014, TurboJET continued to join the International Coastal Cleanup and collected 160 kilograms of rubbish in Ma Wan Tung Wan Beach; and encouraged staff to perform organic farming at the penthouse of shipyards, where a planting area was set up under its self-initiated “Green Roof Programme” in collaboration with HKYWCA. These divisions also participated in the Earth Hour campaign organized by World Wide Fund for Nature to promote energy conservation.

The green efforts dedicated by different divisions have also been recognized by professional bodies. The shipping division has renewed its Hong Kong Awards for Environmental Excellence Wastewi\$e Label and was bestowed with the “Environmental, Health and Safety Award (Corporate) - Silver Award” in the Hong Kong Green Awards 2014. Property management division has also clinched numerous green awards in properties within its portfolio, including Excellent Class Indoor Air Quality (IAQ) Certificate,

the Certificate of Programme on Source Separation of Commercial and Industrial Waste, Certificate of Quality Water Recognition Scheme for Buildings to name just a few.

#### OUR FUTURE

For the 8th consecutive year, the Group participated in a School-Company-Parent program organized by the Young Entrepreneurs Development Council. 23 students were invited to gain first-hand insights on commercial operations and an understanding of entrepreneurial spirit through 5 workshops and a visit to TurboJET shipyard. TurboJET continued to offer its annual scholarship in support of students who have opted for maritime or transportation studies. The Group was honored with the “Best Performance of School-Company Partnership 2013-2014” for its dedication towards nurturing the young generation.

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



# Schedule of Major Properties

## Properties for Development and/or Sale

|  | Approx.<br>Total Gross<br>Floor Area for<br>the Project<br>(Sq.m)   | Approx.<br>Total Site<br>Area for<br>the Project<br>(Sq.m) | Primary<br>Use                                    | Group's<br>Interest | Development<br>Progress as<br>of Dec 2014 | Estimated<br>Completion<br>Date  |
|--|---|--|---|---------------------|---|--|
| <b>Hong Kong</b>   |   |  |   |                     |   |  |
| Chatham Gate<br>No. 388 Chatham Road North,<br>Kowloon                   | 719<br>(Note 1)   | 3,786  | Residential                                       | 51%                 | Completed                                 | —  |
|  | 38 motor car<br>parking spaces<br>(Note 1)                          |  | Carpark   |                     | Completed                                 | —  |
| Nos. 44-50 Chung Hom Kok Road  | 2,223   | 2,964  | Residential                                       | 100%                | Fitting out<br>works in progress          | 2015   |
| <b>Macau</b>   |   |  |   |                     |   |  |
| One Central<br>One Central Residences                                    | 561 motor car<br>parking spaces<br>141 motorcycle<br>parking spaces | 18,344   | Carpark   | 51%                 | Completed                                 | —  |
|  |   |  | Carpark   |                     | Completed                                 | —  |
| The Residences & Apartments<br>at Mandarin Oriental Macau                | —<br>(Note 1)   |  | Residential                                       |                     | Completed                                 | —  |
| <b>Nova City</b>   |   |  |   |                     |   |  |
| Phase IV - Nova Park<br>(Taipa Lot BT35)                                 | 12,322<br>(Note 1)  | 5,426  | Residential<br>Carpark                            | 100%                | Fitting out<br>works in progress          | 2015   |
|  | 251 motor car<br>parking spaces                                     |  |   | 100%                | Fitting out<br>works in progress          | 2015   |
| Phase V<br>(Taipa Lot BT2/3)   | 214,915   | 23,843   | Residential/                                      | 71%                 | Substructure<br>works in progress         | 2018   |
|  | 60,900  |  | Commercial  | 100%                | Substructure<br>works in progress         | 2018   |
| <b>PRC</b>   |   |  |   |                     |   |  |
| Plots 13, 14-1 and 14-2<br>Tongzhou District, Beijing                    | 334,065<br>(Note 2)   | 38,926   | Commercial/<br>Office/Serviced<br>Apartment       | 24%                 | Foundation<br>works in progress           | 2017   |
| Plots 10, 11 and 12<br>Tongzhou District, Beijing                        | 300,120<br>(Note 2)   | 84,024   | Commercial/<br>Office/Serviced<br>Apartment       | 19.35%              | Foundation<br>works in progress           | 2017   |
| No. 1 Xiangheyuan Road,<br>Dongcheng District, Beijing                   | 55,839  | 5,832  | Office/<br>Hotel/Serviced<br>Apartment            | 100%                | Fitting out<br>works in progress          | 2015<br>(Office portion)<br>2016<br>(Hotel/Serviced<br>Apartment<br>portion) |
| Plots Zhu Heng Guo Tu Chu<br>No. 2013-04<br>Hengqin New District, Zhuhai | 131,089<br>(Note 3)   | 23,834   | Commercial/<br>Office/Serviced<br>Apartment/Hotel | 70%                 | Foundation<br>works in progress           | 2018   |

**Properties Under Acquisition**

|                       | Approx.<br>Total Gross<br>Floor Area for<br>the Project<br>(Sq.m) | Approx.<br>Total Site<br>Area for<br>the Project<br>(Sq.m) | Primary<br>Use | Group's<br>Interest | Development<br>Progress<br>as of Dec 2014 | Estimated<br>Completion<br>Date |
|-----------------------|---|--|----------------|---------------------|---|---------------------------------|
| <b>Macau</b>          |   |  |                |                     |   |                                 |
| Harbour Mile (Note 4) | 401,166<br>(Note 5)   | 63,409<br>(Note 5)   | Residential    | 100%                | Land bank                                 | —                               |

**Properties Under Planning**

|  | Approx.<br>Total Gross<br>Floor Area<br>(Sq.m) | Approx.<br>Total<br>Site Area<br>(Sq.m) | Primary<br>Use | Group's<br>Interest | Development<br>Progress<br>as of Dec 2014 | Year of<br>Lease Expiry |
|--|--|---|----------------|---------------------|---|-------------------------|
| <b>Macau</b>   |  |   |                |                     |   |                         |
| Baia de Nossa<br>Senhora de Esperança,<br>Taipa, Macau (Notes 6 & 7) | 200,000  | 80,656                                  | Hotel          | 100%                | Land bank                                 | 2049                    |
| <b>Thailand</b>  |  |   |                |                     |   |                         |
| Rawai Beach, Phuket, Thailand  | —  | 36,800                                  | Hotel          | 50%                 | Land bank                                 | Freehold                |

**Properties Held by the Group for Own Use**

|  | Approx.<br>Total Gross<br>Floor Area<br>(Sq.m) | Approx.<br>Total Site<br>Area<br>(Sq.m) | Primary<br>Use     | Group's<br>Interest | Development<br>Progress<br>as of Dec 2014 | Year of<br>Lease Expiry  |
|--|--|---|--------------------|---------------------|---|--|
| <b>Hong Kong</b>   |  |   |                    |                     |   |  |
| Penthouse 39/F, West Tower,<br>Shun Tak Centre,<br>200 Connaught Road Central,<br>Hong Kong            | 1,823  | —                                       | Office<br>Premises | 100%                | —   | 2055<br>renewable<br>to 2130   |
| 83 and 95 Hing Wah Street West,<br>Kowloon   | 20,602   | 19,139                                  | Shipyards          | 42.6%               | —   | 2051   |
| <b>Macau</b>   |  |   |                    |                     |   |  |
| Macau International Centre, Macau<br>2/F to 4/F (whole floor)<br>and Flats A, B, C<br>of 5/F, Block 12 | 2,894  | —                                       | Staff<br>Quarters  | 100%                | —   | 10 years<br>commencing<br>on 20 Mar<br>2006 and<br>renewable<br>for further<br>terms<br>until 2049 |
| Edificio Industrial Fu Tai, Macau<br>Unit A4 on 4/F  | 350  | —                                       | Plant              | 100%                | —   | 2013<br>renewable<br>to 2049   |



# Schedule of Major Properties

## Investment and Hotel Properties

|  | Approx.<br>Total Gross<br>Floor Area<br>(Sq.m) | Approx.<br>Total Site<br>Area<br>(Sq.m) | Primary<br>Use | Group's<br>Interest | Approx.<br>Lettable<br>Floor Area<br>(Sq.m) | Year of<br>Lease Expiry |
|--|--|---|----------------|---------------------|---|-------------------------|
| <b>Hong Kong</b>   |  |   |                |                     |   |                         |
| The Westwood,<br>8 Belcher's Street, Hong Kong                         | 20,616   | —                                       | Commercial     | 51%                 | 14,682                                      | 2030                    |
| The Belcher's,<br>89 Pok Fu Lam Road, Hong Kong                        | 315 motor car<br>parking spaces                | —                                       | Carpark        | 51%                 | —   | 2030                    |
|  | 30 motorcycle<br>parking spaces                | —                                       | Carpark        | 51%                 | —   | 2030                    |
| Chatham Place,<br>388 Chatham Road North,<br>Kowloon                   | 5,679  | —                                       | Commercial     | 51%                 | 4,410                                       | 2030                    |
| Chatham Place,<br>388 Chatham Road North,<br>Kowloon                   | 24 motor car<br>parking spaces                 | —                                       | Carpark        | 51%                 | —   | 2030                    |
|  | 3 motorcycle<br>parking spaces                 | —                                       | Carpark        | 51%                 | —   | 2030                    |
| Liberté Place,<br>833 Lai Chi Kok Road, Kowloon                        | 5,600  | —                                       | Commercial     | 64.56%              | 3,942                                       | 2049                    |
| Liberté,<br>833 Lai Chi Kok Road, Kowloon                              | 515 motor car<br>parking spaces                | —                                       | Carpark        | 64.56%              | —   | 2049                    |
|  | 140 lorry<br>parking spaces                    | —                                       | Carpark        | 64.56%              | —   | 2049                    |
|  | 45 motorcycle<br>parking spaces                | —                                       | Carpark        | 64.56%              | —   | 2049                    |
| Seymour Place, LG/F & G/F,<br>60 Robinson Road,<br>Hong Kong           | 974  | —                                       | Commercial     | 100%                | 822   | 2858                    |
| Seymour Place, G/F, 1/F - 3/F,<br>60 Robinson Road,<br>Hong Kong       | 26 parking<br>spaces                           | —                                       | Carpark        | 100%                | —   | 2858                    |
| Monmouth Place, L1 - L4,<br>9L Kennedy Road,<br>Hong Kong              | 18 parking<br>spaces                           | —                                       | Carpark        | 100%                | —   | 2047                    |
| Shop 402, Shun Tak Centre,<br>200 Connaught Road Central,<br>Hong Kong | 3,102  | —                                       | Commercial     | 100%                | —   | 2055                    |

|  | Approx.<br>Total Gross<br>Floor Area<br>(Sq.m) | Approx.<br>Total Site<br>Area<br>(Sq.m) | Primary<br>Use                   | Group's<br>Interest | Approx.<br>Lettable<br>Floor Area<br>(Sq.m) | Year of<br>Lease Expiry      |
|--|--|---|----------------------------------|---------------------|---|------------------------------|
| Hong Kong SkyCity Marriott Hotel<br>1 Sky City Road East,<br>Hong Kong International Airport,<br>Lantau, Hong Kong | 42,616   | 13,776                                  | Hotel                            | 70%                 | —   | 2047                         |
| <b>Macau</b>   |  |   |                                  |                     |   |                              |
| Mandarin Oriental Macau  | 30,094   | 18,344                                  | Hotel                            | 51%                 | —   | 2031<br>Renewable<br>to 2049 |
| One Central Retail Complex, Macau  | 37,017   | —                                       | Commercial                       | 51%                 | 18,586                                      | 2031<br>Renewable<br>to 2049 |
| One Central Retail Carpark, Macau  | 243 motor car<br>parking spaces                | —                                       | Carpark                          | 51%                 | —   | 2031<br>Renewable<br>to 2049 |
|  | 102 motorcycle<br>parking spaces               | —                                       | Carpark                          | 51%                 | —   | 2031<br>Renewable<br>to 2049 |
| Shun Tak House,<br>11 Largo do Senado, Macau   | 2,731  | —                                       | Commercial                       | 100%                | 2,673                                       | Freehold                     |
| Grand Coloane Resort<br>and Macau Golf & Country Club<br>Hac Sa Beach, Coloane,<br>Macau                           | 42,285   | 767,373                                 | Hotel/<br>Golf Course            | 34.9%               | —   | 2023<br>renewable<br>to 2049 |
| <b>PRC</b>   |  |   |                                  |                     |   |                              |
| Shun Tak Business Centre,<br>246 Zhongshan Si Road,<br>Guangzhou, PRC  | 28,453   | —                                       | Office                           | 60%                 | 28,453                                      | 2045                         |
|  | 5,801  | —                                       | Commercial<br>Shopping<br>Arcade | 60%                 | 5,801                                       | 2035                         |
|  | 51 motor car<br>parking spaces                 | —                                       | Carpark                          | 60%                 | —   | 2035                         |

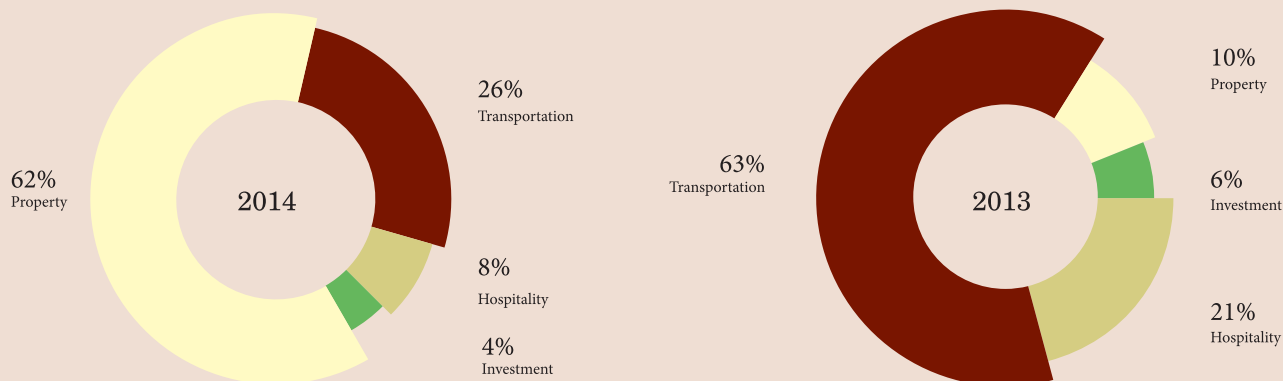
## Notes:

- (1) Remaining gross floor area or number of car parking spaces for sale as at 31 December 2014.
- (2) The gross floor area, which includes basement area, shall be subject to the PRC Government approval and design development.
- (3) The gross floor area, which excludes basement area, shall be subject to design development.
- (4) Completion date of the acquisition is extended to on or before 31 December 2016 because the Macau SAR Government is still in process of reviewing the Master Plan for the Nam Van District before the development plans for Harbour Mile can be finalized.
- (5) Subject to the finalization of the Master Plan for the Nam Van District by the Macau SAR Government, the site area and gross floor area of the project, to be approved, may be less than the area as stated.
- (6) Subject to agreement with the Macau SAR Government for replacement of another site having the same gross floor area in Macau.
- (7) The hotel development at Cotai Site with proposed gross floor area of approximately 248,488m<sup>2</sup> is under application and subject to the Macau SAR Government's approval. The gross floor area of the project may be less than the area as stated.

# Group Financial Review

## Turnover Analysis

### Turnover by Division



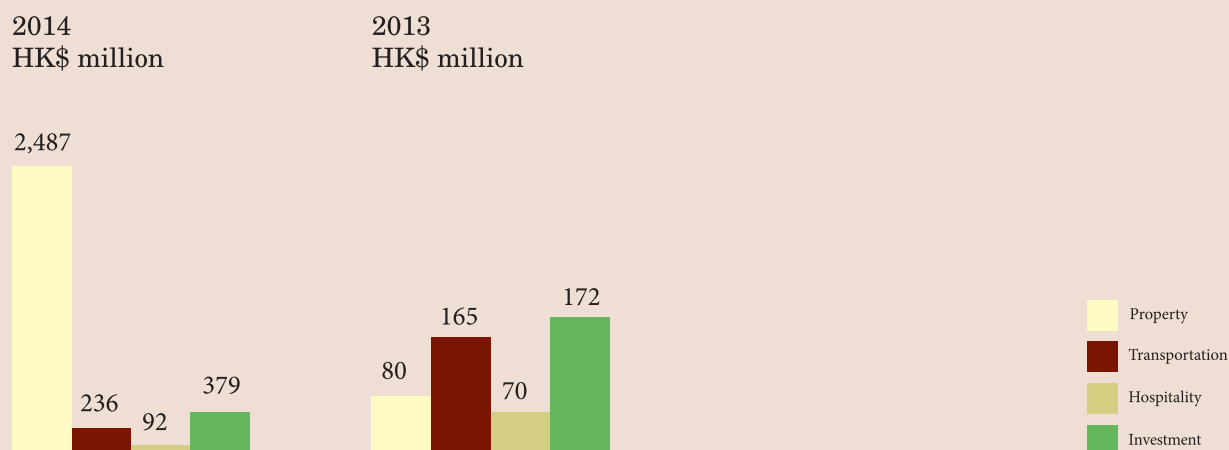
| (HK\$ million)        | 2014         | 2013  | Variance | %     | Remarks   |
|-----------------------|--------------|-------|----------|-------|---|
| <b>Property</b>       | <b>5,909</b> | 355   | 5,554    | 1,565 | The increase was mainly attributable to the sales recognised for residential units of Chatham Gate and Nova City Phase 4 .      |
| <b>Transportation</b> | <b>2,438</b> | 2,266 | 172      | 8     | Turnover rose for the year reflecting the effect of increase in number of passengers and fare increment for TurboJET operation. |
| <b>Hospitality</b>    | <b>773</b>   | 738   | 35       | 5     | The increase was mainly due to the growing popularity and improved performance of SkyCity Marriott Hotel.                       |
| <b>Investment</b>     | <b>419</b>   | 217   | 202      | 93    | The growth was mainly attributable to the increase in dividend income generated from STD.M.                                     |
| <b>Total</b>          | <b>9,539</b> | 3,576 | 5,963    | 167   |   |

### Turnover by Geographical Area

| (HK\$ million)   | 2014         | 2013  | Variance | %   | Remarks  |
|------------------|--------------|-------|----------|-----|--|
| <b>Hong Kong</b> | <b>4,017</b> | 1,910 | 2,107    | 110 | The increase was mainly attributable to the sales recognised for residential units of Chatham Gate.  |
| <b>Macau</b>     | <b>5,416</b> | 1,565 | 3,851    | 246 | Turnover rose for the year due to (i) sales recognised for the residential units of Nova City Phase 4; and (ii) dividend growth for STD.M. |
| <b>Others</b>    | <b>106</b>   | 101   | 5        | 5   | Turnover remained stable during the year.  |
| <b>Total</b>     | <b>9,539</b> | 3,576 | 5,963    | 167 |  |

## Profit and Loss Analysis

### Segment results by Division



| (HK\$ million)                              | 2014  | 2013 | Variance | %     | Remarks  |
|---|-------|------|----------|-------|--|
| Property                                    | 2,487 | 80   | 2,407    | 3,009 | The increase was mainly attributable to the profit recognised for the sales of residential units at Chatham Gate and Nova City Phase 4.  |
| Transportation                              | 236   | 165  | 71       | 43    | The improvement was mainly attributable to the increase in number of passengers and fare increment with lower fuel cost for TurboJET operation.  |
| Hospitality                                 | 92    | 70   | 22       | 31    | The increase was mainly attributable to improved performance from SkyCity Marriott Hotel with higher occupancy rate and room rate together with increased profit from bungy jump operation at Macau Tower. |
| Investment                                  | 379   | 172  | 207      | 120   | The dividend income growth from STDM continued to contribute to the profit improvement during the year.  |
| Unallocated net income/(expenses)           | 37    | (22) | 59       | 268   | The increase was mainly resulted from the combined effect of increased interest income of bank deposits and exchange difference during the year.   |
| Fair value changes on investment properties | 941   | 577  | 364      | 63    | The fair value gain on investment properties reflected the performance of our portfolio in the property market.  |



# Group Financial Review

| (HK\$ million)                                   | 2014  | 2013  | Variance | %     | Remarks   |
|--|-------|-------|----------|-------|---|
| Operating profit                                 | 4,172 | 1,042 | 3,130    | 300   |   |
| Finance costs                                    | (135) | (159) | 24       | 15    | The variance was mainly attributable to the combined effect of reduced interest on convertible bonds after its redemption in October 2014 and capitalisation of borrowing cost during the year. |
| Share of results of joint ventures               | 1,581 | 910   | 671      | 74    | The variance was mainly resulted from increased fair value gain of the 51% owned One Central shopping mall in Macau.  |
| Share of results of associates                   | 51    | 17    | 34       | 200   | The variance was mainly attributable to exchange gain arising from Tongzhou project.  |
| Profit before taxation                           | 5,669 | 1,810 | 3,859    | 213   |   |
| Taxation   | (405) | (92)  | (313)    | (340) | The increase was mainly related to the taxable profit generated from property sales.  |
| Profit for the year                              | 5,264 | 1,718 | 3,546    | 206   |   |
| Profit attributable to non-controlling interests | (811) | (312) | (499)    | (160) | The variance was mainly attributable to the combined effect on profit or loss shared by non-controlling shareholders in property and transportation divisions.                                  |
| Profit attributable to owners of the Company     | 4,453 | 1,406 | 3,047    | 217   |   |

### Liquidity, Financial Resources and Capital Structure

At 31 December 2014, the Group's total net assets increased by 27% over last year to HK\$31,112 million. Cash and liquidity position remains strong and healthy. During the year, net cash generated from operating activities amounted to HK\$2,602 million.

Major cash inflow of investing activities included HK\$786 million from disposal of investment properties and HK\$554 million from disposal of interest in subsidiaries. The major cash outflow of investing activities consisted of HK\$790 million balance payment for acquisition of a property located in Beijing and HK\$4,263 million from increase in bank deposits with a maturity over three months. Net cash inflow for financing activities of HK\$3,687 million was mainly attributable to the composite effect from drawdown and repayment of loans.

| Cash Flow Variance Analysis (HK\$ million) | 2014    | 2013  | Variance |
|--|---------|-------|----------|
| Operating activities                       | 2,602   | 141   | 2,461    |
| Investing activities                       | (2,879) | 24    | (2,903)  |
| Financing activities                       | 3,687   | 1,465 | 2,222    |
| Net increase in cash and cash equivalents  | 3,410   | 1,630 | 1,780    |

The Group's bank balances and deposits stood at HK\$15,809 million as at 31 December 2014. It is the Group's policy to secure adequate funding to match with cash flows required for working capital and investing activities. At 31 December 2014, total bank loan facilities available to the Group was HK\$17,255 million, of which HK\$8,064 million remained undrawn. The Group's bank borrowings outstanding at the year end amounted to HK\$9,191 million. Apart from the bank borrowings, the Group's borrowings also comprised the medium term notes ("MTN") of HK\$3,139 million.

On 22 October 2014, the Group fully redeemed the convertible bonds in the principal amount of HK\$833.8 million in accordance with its terms and conditions.

As the Group had a net cash balance at the year end, no gearing ratio is presented (at 31 December 2013: a gearing ratio of 3.5% expressed as a ratio of net borrowings to equity attributable to owners of the Company). The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to reduce its finance costs.

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

#### Maturity Profile

| Within 1 year | 1-2 years | 2-5 years | over 5 years | Total |
|---------------|-----------|-----------|--------------|-------|
| 23%           | 25%       | 25%       | 27%          | 100%  |

During the year, 45,585,066 new shares were issued upon exercise of share options granted by the Company.

#### Material Acquisitions, Disposal and Commitments

In January 2014, Fast Shift Investments Limited, an indirect wholly-owned subsidiary of the Company, issued non-voting class B share to City Universe Limited ("CUL"), an indirect wholly-owned subsidiary of China State Construction International Holdings Limited at a consideration of HK\$2,066 million. Upon the share subscription, CUL entitled to or bear 29% of the economic benefits in or losses arising from the residential portion of Nova City Phase V development. The Group recognised a gain of HK\$1,056 million directly in retained profits of the Group.

In June 2014, the Group completed the acquisition of a wholly-owned property project in the Beijing Dong Cheng District near East 2nd Ring Road, comprising both office and hospitality components at a consideration of RMB1,290 million.

In July 2014, the Group disposed its interests in the business of columbarium operation and the funeral service at a total consideration of HK\$660 million.

In May 2008, the Group agreed to acquire the land development right of Nam Van site in Macau at a consideration of HK\$3,145 million. The outstanding commitment of which at the year end amounted to about HK\$2,830 million.

# Group Financial Review

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## **Charges on Assets**

At the year end, bank loans to the extent of approximately HK\$2,941 million (2013: HK\$1,865 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK\$13,426 million (2013: HK\$11,206 million). Out of the above secured bank loans, an aggregate amount of HK\$2,245 million (2013: HK\$1,770 million) was also secured by pledges of shares in certain subsidiaries.

## **Contingent Liabilities**

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

## **Financial Risk**

The Group adopts a conservative policy in financial risk management with insignificant exposure to currency and interest rate risks. Except for the guaranteed MTN, all the funds raised by the Group are on a floating rate basis. Except for the MTN of US\$400 million and bank loan of RMB200 million, none of the Group's outstanding borrowings was denominated in foreign currency at the year end. Approximately 89% of the bank deposits, cash and bank balances are denominated in Hong Kong dollar, Macau Pataca and United States dollar with the remaining balance mainly in Renminbi. The Group's principal operations are primarily conducted in Hong Kong dollar so that the exposure to foreign exchange fluctuations is insignificant. While the Group has financial assets and liabilities denominated in the United States dollar and Macau pataca, they are continuously pegged to Hong Kong dollar and the exposure to currency risk for such currencies is insignificant to the Group. The Group engages in fuel hedging and currency swap activities to minimise its exposure to fluctuations in fuel prices and foreign exchange rate in accordance with the Group's approved treasury policies.

## **Human Resources**

The Group, including subsidiaries but excluding joint ventures and associates, employed approximately 3,370 employees at the year end. The Group adopts competitive remuneration packages for its employees. Promotion and salary increments are based on performance. Social activities are organised to foster team spirit amongst employees and they are encouraged to attend training classes that are related to the Group's businesses and developments.

# Report of the Directors

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The directors (the “Directors”) of Shun Tak Holdings Limited (the “Company”) have pleasure in submitting their report together with the financial statements for the year ended 31 December 2014.

## **Group Activities**

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, joint ventures and associates are set out in note 46 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the “Group”) during the year are shown in note 36 to the financial statements.

## **Group Financial Statements**

The profit of the Group for the year ended 31 December 2014 and the state of affairs of the Company and of the Group at that date are shown in the financial statements on pages 81 to 174. Commentary on the annual results is included in the Chairman’s Statement on pages 16 to 17 and Review of Operations on pages 18 to 35.

## **Particulars of Principal Subsidiaries, Joint Ventures and Associates**

Particulars regarding the principal subsidiaries, joint ventures and associates of the Company and of the Group are shown in note 46 to the financial statements.

## **Dividend**

An interim dividend of HK5.0 cents per share (2013: nil) for the six months ended 30 June 2014 was paid during the year.

The board of Directors (the “Board”) has recommended a final dividend of HK2.0 cents per share (2013: nil) and a special dividend of HK14.5 cents per share (2013: nil) in respect of the year ended 31 December 2014. Subject to shareholders’ approval at the forthcoming annual general meeting of the Company to be held on 19 June 2015 (“2015 AGM”), the proposed final dividend and special dividend are expected to be paid on 10 July 2015 to shareholders of the Company whose names appear on the register of members of the Company on 30 June 2015.

## **Property, Plant and Equipment, Investment Properties and Prepaid Premium for Land Lease and Land Use Rights**

The movements in property, plant and equipment of the Group and of the Company, investment properties and prepaid premium for land lease and land use rights of the Group during the year are set out in notes 12, 13 and 14 to the financial statements respectively.

## **Particulars of Properties**

Particulars regarding the properties and property interests held by the Group are shown in the schedule of major properties on pages 42 to 45.



# Report of the Directors

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## **Share Capital**

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

## **Reserves**

The movements in reserves of the Group and of the Company during the year are shown in note 35 to the financial statements and the consolidated statement of changes in equity on pages 86 to 87 respectively.

Distributable reserves of the Company as at 31 December 2014 amounted to HK\$2,183,167,000 (2013: HK\$2,356,819,000).

## **Donations**

During the year, the Group made donations for charitable and community purposes of HK\$128,000 (2013: HK\$54,000).

## **Convertible Bonds and Medium Term Notes**

Details of convertible bonds and medium term notes of the Group are shown in notes 30 and 31 to the financial statements respectively.

## **Bank Borrowings**

Details of the Group's bank borrowings are shown in note 28 to the financial statements.

## **Major Customers and Suppliers**

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

During the year, less than 30% of the Group's total turnover was attributable to the Group's five largest customers. 69.6% of the Group's total purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 25.1% of the Group's total purchases.

Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum have beneficial interests in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), one of the five largest customers and five largest suppliers of the Group. Save as disclosed, no other Directors, their associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) or shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) were interested, at any time during the year, in the Group's five largest customers or five largest suppliers.

## Directors

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

### Executive Directors:

Dr. Stanley Ho (*Group Executive Chairman*)

Ms. Pansy Ho (*Managing Director*)

Ms. Daisy Ho (*Deputy Managing Director*)

Ms. Maisy Ho

Mr. David Shum

Mr. Rogier Verhoeven

### Non-Executive Directors:

Dato' Dr. Cheng Yu Tung

Mrs. Louise Mok

### Independent Non-Executive Directors:

Sir Roger Lobo

Mr. Norman Ho

Mr. Charles Ho

Mr. Michael Ng

In accordance with the Company's Articles of Association, Sir Roger Lobo, Mr. Michael Ng, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Maisy Ho and Mr. Rogier Verhoeven will retire from office by rotation at 2015 AGM. Save for Dato' Dr. Cheng Yu Tung who has decided not to seek re-election, all the other retiring Directors, being eligible, will offer themselves for re-election at 2015 AGM.

The Company has received a confirmation of independence from each of the Independent Non-Executive Directors, namely Sir Roger Lobo, Mr. Norman Ho, Mr. Charles Ho and Mr. Michael Ng, and considers them to be independent.

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

### Service Contracts of Directors

None of the Directors proposed for re-election at 2015 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### Corporate Governance

The Company is committed to maintaining the highest standards of corporate governance. Information on the corporate governance practices adopted by the Company during the year ended 31 December 2014 is set out in the Corporate Governance Report on pages 66 to 78.

# Report of the Directors

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## Related Party Transactions

Details of significant related party transactions entered into by the Group in the normal course of business during the year ended 31 December 2014 are set out in note 37 to the financial statements. The transactions disclosed in the below sub-paragraphs 1 and 4 headed “Directors’ Interests in Contracts and Connected Transactions”, fall into the definitions of continuing connected transactions or connected transactions under Chapter 14A of the Listing Rules, also constitute related party transactions under the Hong Kong Financial Reporting Standards.

## Directors’ Interests in Contracts and Connected Transactions

1. Dr. Stanley Ho, Dato’ Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum have beneficial interests in STDM. STDM is a substantial shareholder of Interdragon Limited, in which the Company indirectly owns 60% of the total issued shares. Dr. Stanley Ho and Ms. Pansy Ho are directors of STDM. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, which is a corporate director of STDM. Mr. David Shum is an appointed representative of the Company, which is a corporate director of STDM. During the year, Dr. Stanley Ho and Mr. David Shum are directors of SJM Holdings Limited (“SJM”), a non wholly-owned subsidiary of STDM. The shares of SJM are listed on the Main Board of the Stock Exchange. Dr. Stanley Ho, Ms. Maisy Ho and Mr. David Shum are directors of Sociedade de Jogos de Macau, S.A., a subsidiary of SJM and one of the gaming concessionaires, which has been granted a concession by the Macau SAR Government to operate casinos in Macau.

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

- (a) Shun Tak - China Travel Shipping Investments Limited (“ST-CTSI”), a non wholly-owned subsidiary of the Company, purchased HK\$377.6 million of fuel from the STDM Group in Macau for its shipping operations. ST-CTSI is effectively owned as to 42.6% by the Company, 28.4% by STDM and 29% by China Travel International Investment Hong Kong Limited (“CTII”). Pursuant to a fuel arrangement agreement (the “Fuel Arrangement Agreement”) between ST-CTSI and STDM, STDM supplied and loaded fuel into ST-CTSI vessels at the Macau Outer Harbour Terminal. The cost of fuel was its market price plus a small handling charge.

On 25 October 2013, ST-CTSI signed an extension agreement to the Fuel Arrangement Agreement with STDM to continue the arrangement for 3 years from 1 January 2014 to 31 December 2016, which is thereafter renewable for a further period of 3 years or such other period as may be mutually agreed, unless early terminated by either party giving specified period of prior written notice. Further details of the extension agreement were disclosed in the Company’s circular dated 15 November 2013.

- (b) On 25 October 2013, ST-CTSI and STDM entered into a ticketing agreement (the “Ticketing Agreement”) to continue to sell to STDM Group the ferry tickets at a discount of 5% for a bulk purchase of ferry tickets by STDM Group for its own account for a period of 3 years from 1 January 2014 until 31 December 2016, which is thereafter renewable for a further period of 3 years or such other period as may be mutually agreed, unless early terminated by either party giving specified period of prior written notice. Further details of the Ticketing Agreement were disclosed in the Company’s announcement dated 25 October 2013.

During the year, HK\$143.1 million of ferry tickets were sold to STDM. A total discount of HK\$7.2 million was granted by ST-CTSI on bulk purchases of ferry tickets from STDM under the Ticketing Agreement.

- (c) On 20 December 2012, the Company entered into a master property services agreement (the “Master Property Services Agreement”) with STD M to set out a framework for the provision of property related services by the Group to the STD M Group on a mutually non-exclusive basis, including without limitation, sales, leasing, property management, property cleaning and other property related services for the properties as designated by the STD M Group and agreed by the Group from time to time.

The Master Property Services Agreement is for a term of 3 years from 1 January 2013 to 31 December 2015, which is thereafter renewable for successive terms of 3 years by mutual agreement in writing.

The then existing agreements (including the management agreement dated 14 December 2001 entered into between Shun Tak Management Services Group Limited (“STMSG”), an indirect wholly-owned subsidiary of the Company, and STD M in relation to the provision of operational and property management service for the Macau Tower Convention & Entertainment Centre (“Macau Tower”) by STMSG) shall remain in full force and effect notwithstanding the terms of the Master Property Services Agreement. New property services agreements made under the Master Property Services Agreement were for fixed terms of not more than 3 years. The property service fee was determined by reference to the prevailing market service fee.

During the year, the aggregate service fees received by the Group from the STD M Group under the Master Property Services Agreement (including service fees received for the operation and property management of the Macau Tower) amounted to HK\$16.5 million.

2. On 20 December 2012, ST-CTSI entered into an agreement (the “CTSHK Agreement”) for appointing China Travel Service (Hong Kong) Limited (“CTSHK”) as a non-exclusive joint general sales agent for the sale of ferry tickets for ST-CTSI ferry services. CTSHK is a subsidiary of CTIL, which is a substantial shareholder of ST-CTSI. CTSHK promotes and markets at its own costs the ST-CTSI ferry services.

For the provision of sales agency and business development services by CTSHK under the CTSHK Agreement, ST-CTSI shall pay a monthly commission based on a rate of 2% of the total net ticket sales received on all ST-CTSI routes (less any discounts and concessions on ferry tickets agreed by ST-CTSI, and any taxes, fees and levies paid thereon to any government or ferry terminal operator).

The CTSHK Agreement is for a term of 3 years from 1 January 2013 to 31 December 2015, which is thereafter renewable for a further period of 3 years by mutual agreement in writing, unless terminated by either party giving specified period of prior written notice.

During the year, ST-CTSI paid commission of HK\$47.4 million under the CTSHK Agreement to CTSHK.



# Report of the Directors

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3. On 25 March 2013, Shun Tak Properties Limited (“STP”), a wholly-owned subsidiary of the Company, which manages Shun Tak Centre (a commercial property and shopping mall in Sheung Wan, Hong Kong), entered into a consultancy agreement (the “Consultancy Agreement”) to continue to engage Kiu Lok Service Management Company Limited (“Kiu Lok”), as a consultant to advise and assist in the management of Shun Tak Centre. STP paid to Kiu Lok a consultancy fee based on 50% of its manager remuneration from Shun Tak Centre. Kiu Lok is beneficially owned as to more than 50% by Dato’ Dr. Cheng Yu Tung and his family members (including in-laws and descendants thereof) on aggregate (direct or indirect) basis, and hence a connected person of the Company.

The Consultancy Agreement is for the period from 4 March 2013 to 3 March 2016. Further details of the Consultancy Agreement were disclosed in the Company’s announcement dated 25 March 2013.

During the year, the total consultancy fees paid by STP to Kiu Lok under the Consultancy Agreement amounted to HK\$5.1 million.

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraphs 1 to 3 above constituted continuing connected transactions of the Company for the year which require disclosures in the annual report of the Company.

The Independent Non-Executive Directors have confirmed that the continuing connected transactions mentioned in sub-paragraphs 1 to 3 above were entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company’s shareholders as a whole.

The Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions mentioned in sub-paragraphs 1 to 3 above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

The Company confirms that it has complied with the disclosure requirements of Chapter 14A of the Listing Rules in relation to the continuing connected transactions mentioned in sub-paragraphs 1 to 3 above.

4. On 11 November 2004, Shun Tak Nam Van Investment Limited (“Shun Tak Nam Van”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Sai Wu Investment Limited (“Sai Wu”), a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by independent third parties, to acquire the interest in the land development right of property sites adjacent to the Macau Tower in Nam Van, Macau. A refundable deposit of HK\$500 million was paid by Shun Tak Nam Van to Sai Wu to extend the completion date of the acquisition without changing the consideration or its other terms of the acquisition. On 31 December 2014, the completion date of the acquisition was further extended from 31 December 2014 to on or before 31 December 2016.

Under Chapter 14A of the Listing Rules, the transaction mentioned in sub-paragraph 4 above constituted a connected transaction of the Company for the year which requires disclosures in the annual report of the Company.

5. The Group granted financial assistance to Shun Tak Cultural Centre Limited, a company owned as to 60% by the Group and 40% by a company in which Dr. Stanley Ho has beneficial interest. The shareholders' loan was granted by both shareholders in proportion to their respective shareholdings on an interest-free basis. As at 31 December 2014, the total outstanding sum of the shareholders' loan was HK\$130.2 million.
6. On 24 December 2013, the Company entered into a master service agreement (the "MGM Master Service Agreement") with MGM Grand Paradise Limited ("MGM"), a company in which Ms. Pansy Ho has indirect beneficial interest. The MGM Master Service Agreement set out a framework for products and/or services which may be provided/demanded by the Group to/from MGM and/or its subsidiaries (the "MGM Group") from time to time on a non-exclusive basis.

The MGM Master Service Agreement is for a term of 3 years from 1 January 2014 to 31 December 2016 and is thereafter renewable for successive terms of 3 years by mutual agreement in writing.

Save for the transactions mentioned in sub-paragraphs 1 to 6 above, there was no other contract of significance to which the Company or any of its subsidiaries was a party and in which a Director during the year had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

#### **Directors' Interests in Competing Businesses**

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

Dr. Stanley Ho is a director of and has beneficial interests in Shun Tak Centre Limited ("STC") which is also engaged in the business of property investment. Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are also directors of STC.

Dr. Stanley Ho and Ms. Pansy Ho are directors of STDM which is also engaged in the businesses of property investment, property development and/or hospitality. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, a corporate director of STDM. Mr. David Shum is an appointed representative of the Company, a corporate director of STDM.

Dr. Stanley Ho is a director of Hong Kong Express Airways Limited which is engaged in the business of low cost airline.

Dato' Dr. Cheng Yu Tung is a director of Chow Tai Fook Enterprises Limited, Melbourne Enterprises Limited and Lifestyle International Holdings Limited together with its respective group of companies, which are also engaged in the businesses of property investment, property development, transportation services and/or hospitality.

The above-mentioned competing businesses are managed by separate entities with independent management and administration. The Directors are of the view that the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities. When making decisions, the relevant Directors, in performance of their duties as Directors of the Company, have acted and will continue to act in the best interests of the Group.

Save as disclosed above, none of the Directors or their respective associates had any interest in any company or business which competes or may compete with the business of the Group during the year.



- (iv) These 363,798,627 shares, in which Ms. Pansy Ho was deemed to be interested by virtue of the SFO, comprised 184,396,066 shares held by Beeston Profits Limited (“BPL”) and 179,402,561 shares held by Classic Time Developments Limited (“CTDL”). Both BPL and CTDL are wholly-owned by Ms. Pansy Ho.
- (v) These 134,503,471 shares, in which Ms. Daisy Ho was deemed to be interested by virtue of the SFO, were held by St. Lukes Investments Limited, which is wholly-owned by Ms. Daisy Ho.
- (vi) These 65,040,000 shares, in which Ms. Pansy Ho and Ms. Daisy Ho were deemed to be interested by virtue of the SFO, were the same parcel of shares, held by MIL through its wholly-owned subsidiary, Business Dragon Limited.
- (vii) These 31,717,012 shares, in which Ms. Maisy Ho was deemed to be interested by virtue of the SFO, were held by LionKing Offshore Limited, which is wholly-owned by Ms. Maisy Ho.

**(b) Interests of the Directors in Shares and Underlying Shares of Subsidiaries of the Company**

| Name of Director | Name of company                  | Corporate interests | Percentage of total issued shares |
|------------------|----------------------------------|---------------------|-----------------------------------|
| Dr. Stanley Ho   | Shun Tak Cultural Centre Limited | 4 ordinary shares   | Note (i)<br>40.00%                |

Note:

- (i) As at 31 December 2014, there was a total of 10 ordinary shares of Shun Tak Cultural Centre Limited in issue.

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

| Name of Director     | Name of company   | Corporate interests | Approximate percentage of total issued shares |
|----------------------|---|---------------------|---|
| Ms. Pansy Ho         | Shun Tak & CITS Coach (Macao) Limited   | 750 shares          | Note (i)<br>15.00%                            |
| Mr. Rogier Verhoeven | Shun Tak Magsaysay China Recruitment and Training Limited (in members' voluntary liquidation) | 1,900 shares        | Note (ii)<br>9.86%                            |

Notes:

- (i) As at 31 December 2014, there was a total of 5,000 shares of Shun Tak & CITS Coach (Macao) Limited in issue.
- (ii) As at 31 December 2014, there was a total of 19,273 shares of Shun Tak Magsaysay China Recruitment and Training Limited (in members' voluntary liquidation) in issue.



# Report of the Directors

All the interests disclosed in sub-paragraphs (1)(a) to (1)(c) 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) to (1)(c) above, none of the Directors or chief executive of the Company or any of their associates had or were deemed to have any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2014.

## (2) Share Options

At the annual general meeting of the Company held on 6 June 2012, the shareholders of the Company passed a resolution for the adoption of a new share option scheme (the “2012 Share Option Scheme”) under which the Directors may grant options to eligible persons to subscribe for the Company’s shares subject to the terms and conditions as stipulated therein. Details of the 2012 Share Option Scheme are set out below.

The share option scheme approved by the shareholders of the Company on 31 May 2002 (the “2002 Share Option Scheme”) expired on 30 May 2012. Thereafter, no further option has been granted under the 2002 Share Option Scheme but the subsisting options granted thereunder prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2002 Share Option Scheme.

No share options was granted under the 2012 Share Option Scheme. Details of share options granted to the Directors under the 2002 Share Option Scheme and outstanding share options as at the beginning and end of the year were as follows:

| Name of director        | Date of grant                | Exercise period                        | Exercise price per share | Number of share options |                           |                     |
|-------------------------|------------------------------|--|--------------------------|-------------------------|---------------------------|---------------------|
|                         |                              |  |                          | At 1 January 2014       | Exercised during the year | At 31 December 2014 |
|                         | Note                         |  | HK\$                     |                         |                           |                     |
| Dr. Stanley Ho          | (i) & (v) 25 May 2004        | 25 May 2004 to 24 May 2014             | 2.78                     | 1,798,559               | (1,798,559)               | —                   |
| Sir Roger Lobo          | (ii) 29 March 2011           | 29 March 2011 to 27 March 2021         | 3.86                     | 1,132,124               | —                         | 1,132,124           |
| Mr. Norman Ho           | (ii) 29 March 2011           | 29 March 2011 to 27 March 2021         | 3.86                     | 1,132,124               | —                         | 1,132,124           |
| Mr. Charles Ho          | (ii) 29 March 2011           | 29 March 2011 to 27 March 2021         | 3.86                     | 1,132,124               | —                         | 1,132,124           |
| Mr. Michael Ng          | (iii) 1 February 2010        | 1 April 2010 to 31 January 2015        | 4.13                     | 2,832,930               | —                         | 2,832,930           |
|                         | (iv) 1 February 2010         | 1 April 2011 to 31 January 2015        | 4.13                     | 2,832,930               | —                         | 2,832,930           |
| Dato’ Dr. Cheng Yu Tung | (ii) 29 March 2011           | 29 March 2011 to 27 March 2021         | 3.86                     | 1,132,124               | —                         | 1,132,124           |
| Mrs. Louise Mok         | (ii) 29 March 2011           | 29 March 2011 to 27 March 2021         | 3.86                     | 1,132,124               | —                         | 1,132,124           |
| Ms. Pansy Ho            | (i) & (vi) 25 May 2004       | 25 May 2004 to 24 May 2014             | 2.78                     | 11,509,669              | (11,509,669)              | —                   |
| Ms. Daisy Ho            | (i) & (vii) 25 May 2004      | 25 May 2004 to 24 May 2014             | 2.78                     | 13,775,856              | (13,775,856)              | —                   |
| Ms. Maisy Ho            | (i) & (viii) 25 May 2004     | 25 May 2004 to 24 May 2014             | 2.78                     | 12,840,605              | (12,840,605)              | —                   |
| Mr. David Shum          | (i) & (ix) 22 September 2004 | 22 September 2004 to 21 September 2014 | 3.71                     | 5,660,377               | (5,660,377)               | —                   |
| <b>Total</b>            |                              |  |                          | <b>56,911,546</b>       | <b>(45,585,066)</b>       | <b>11,326,480</b>   |

## Notes:

- (i) These share options at the respective exercise price were exercised by the Directors.
- (ii) These share options were vested on 29 March 2011.
- (iii) These share options were vested on 1 April 2010.
- (iv) These share options were vested on 1 April 2011.
- (v) The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$3.70.
- (vi) The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$4.37.
- (vii) The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$4.36.
- (viii) The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$3.98.
- (ix) The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$4.03.
- (x) During the year, no share options under the 2012 Share Option Scheme and the 2002 Share Option Scheme were cancelled or lapsed.

Save as disclosed above, as at 31 December 2014, none of the Directors or their spouses or children under 18 years of age were granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations under the 2012 Share Option Scheme and 2002 Share Option Scheme.

A summary of the 2012 Share Option Scheme disclosed in accordance with the Listing Rules is set out below:

- (i) **Purpose of the 2012 Share Option Scheme** To recognise, motivate and incentivise the participants whom the Board considers to have made contributions, or will make contributions, to the Company; attract, retain or maintain ongoing relationship with the participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Company's business.

# Report of the Directors

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|--|--|
| (ii) Participants of the 2012 Share Option Scheme  | <ul style="list-style-type: none"> <li>(a) any person employed by the Company or its affiliates; any officer or director of the Company or its affiliates; or a person seconded to work for the Company or its affiliates;</li> <li>(b) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of the Company or its affiliates;</li> <li>(c) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to the Company or its affiliates;</li> <li>(d) any person who provides goods and services to the Company or its affiliates;</li> <li>(e) an associate of any of the foregoing persons; or</li> <li>(f) any supplier, customer, strategic alliance partner or adviser to the Company or its affiliates.</li> </ul> |
| (iii) Total number of shares available for issue under the 2012 Share Option Scheme and percentage on issued shares as at the date of this annual report | No share option has been granted under the 2012 Share Option Scheme as at the date of this annual report. The total number of shares available for issue under the 2012 Share Option Scheme is 298,688,071, representing approximately 10.00% of the Company's total number of issued shares as at the date of this annual report. The Company has 3,042,465,785 shares in issue as at the date of this annual report.   |
| (iv) Maximum entitlement of each participant under the 2012 Share Option Scheme  | <p>In any 12-month period:</p> <ul style="list-style-type: none"> <li>— 1% of the issued share capital (excluding substantial shareholders and Independent Non-Executive Directors)</li> <li>— 0.1% of the issued share capital and not exceeding HK\$5 million in aggregate value (for substantial shareholders and Independent Non-Executive Directors)</li> </ul>   |

- |   |   |
|---|---|
| (v) The period within which the shares must be taken up under an option   | The Board may at its absolute discretion determine save that such period shall not expire later than 10 years from the date of grant.   |
| (vi) The minimum period for which an option must be held before it can be exercised   | There is no such minimum holding period prescribed in the 2012 Share Option Scheme, but the Board may at its absolute discretion impose a vesting period on an option.  |
| (vii) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid | An offer for the grant of an option may be accepted within 15 business days from the date of the offer and HK\$1.00 is payable on acceptance of the grant of an option.   |
| (viii) The basis of determining the subscription price  | <p>The subscription price is determined by the Board and shall be at least the highest of:</p> <ul style="list-style-type: none"> <li>— the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of offer; and</li> <li>— the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer.</li> </ul> |
| (ix) The remaining life of the 2012 Share Option Scheme   | The 2012 Share Option Scheme shall remain in force until 7 June 2022.   |



# Report of the Directors

### (3) Substantial Shareholders' and Other Persons' Interests

As at 31 December 2014, according to the register of interests or short positions in shares required to be kept by the Company under Section 336 of the SFO, other than the interests of the Directors and chief executive of the Company, the following shareholders were interested in 5% or more of the issued share capital of the Company:

| Name of shareholder   | Nature of interests               | Capacity   | Long position/<br>short position | Number of shares/<br>underlying shares held | Approximate percentage of total issued shares |
|---|-----------------------------------|--|----------------------------------|---|---|
|   | Note                              |  |                                  |   | Note (i)                                      |
| Renita Investments Limited ("Renita") and its subsidiary        | (ii) Interests in issued shares   | Beneficial owner and interests of controlled corporation | Long position                    | 500,658,864                                 | 16.46%  |
| Oakmount Holdings Limited ("Oakmount")                          | (ii) Interests in issued shares   | Beneficial owner   | Long position                    | 396,522,735                                 | 13.03%  |
| Shun Tak Shipping Company, Limited ("STS") and its subsidiaries | (iii) Interests in issued shares  | Beneficial owner and interests of controlled corporation | Long position                    | 373,578,668                                 | 12.28%  |
| Beeston Profits Limited ("BPL")                                 | (iv) Interests in issued shares   | Beneficial owner   | Long position                    | 184,396,066                                 | 6.06%   |
| Classic Time Developments Limited ("CTDL")                      | (iv) Interests in issued shares   | Beneficial owner   | Long position                    | 179,402,561                                 | 5.90%   |
| Megaprosper Investments Limited ("MIL")                         | (v) Interests in issued shares    | Interest of controlled corporation                       | Long position                    | 65,040,000                                  | 2.14%   |
|   | (vi) Interests in unissued shares | Interest of controlled corporation                       | Long position                    | 148,883,374                                 | 4.89%   |

#### Notes:

- (i) As at 31 December 2014, the total number of issued shares of the Company was 3,042,465,785.
- (ii) These 500,658,864 shares comprised 396,522,735 shares held by Oakmount, which is wholly-owned by Renita. Accordingly, part of the interests of Renita in the Company duplicate the interests of Oakmount in the Company. Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho have beneficial interests in Renita and Oakmount.
- (iii) Dr. Stanley Ho is a director of STS. Dato' Dr. Cheng Yu Tung, Ms. Pansy Ho and Ms. Daisy Ho have beneficial interests in and are directors of STS. Mrs. Louise Mok, Ms. Maisy Ho and Mr. David Shum have beneficial interests in STS.
- (iv) Ms. Pansy Ho has 100% interests in BPL and CTDL.
- (v) MIL is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho. These 65,040,000 shares were held by Business Dragon Limited, a wholly-owned subsidiary of MIL.
- (vi) These 148,883,374 unissued shares represented shares to be issued by Alpha Davis Investments Limited ("ADIL") upon completion of the acquisition as described in the Company's circular dated 17 December 2004. ADIL is owned as to 47% by Innowell Investments Limited ("IIL") and 53% by MIL. IIL is wholly-owned by Dr. Stanley Ho.

Save as disclosed above, no other person (other than the Directors or the chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO as at 31 December 2014.

### **Purchase, Sale or Redemption of Listed Securities**

On 22 October 2014, being the maturity date of the 3.3% guaranteed convertible bonds due 2014 with the remaining outstanding aggregate principal amount of HK\$833,800,000 issued by Joyous King Group Limited, an indirect wholly-owned subsidiary of the Company, were redeemed in full.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

### **Arrangement to Purchase Shares or Debentures**

Save as disclosed in the above sub-paragraphs headed "Directors' Interests" and "Share Options", at no time during the year was the Company or any of its subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors or their nominees to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **Management Contract**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

### **Sufficiency of Public Float**

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

### **Summary of the Results, Assets and Liabilities**

A summary of the results, and the assets and liabilities of the Group for the last five financial years is shown on page 175.

### **Auditor**

The financial statements for the year ended 31 December 2011 were audited by H.C. Watt & Company Limited. PricewaterhouseCoopers was appointed by the Board as the auditor of the Company with effect from 24 October 2012 to fill the casual vacancy arose from the resignation of H. C. Watt & Company Limited on 20 September 2012, and audited the financial statements for the years ended 31 December 2012 and 2013. At the annual general meeting of the Company held on 10 June 2014, PricewaterhouseCoopers was re-appointed as the auditor of the Company.

The financial statements for the year ended 31 December 2014 were audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers will be proposed at 2015 AGM.

On behalf of the Board

**Pansy Ho**

*Managing Director*

Hong Kong, 26 March 2015

# Corporate Governance Report

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## Corporate Governance Practices

The board of directors (the “Board” or the “Directors”) of Shun Tak Holdings Limited (the “Company”) is committed to the principles of good corporate governance standards and procedures. This report addresses the status of the Company in applying the principles and complying with the code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is committed to maintaining high standards of corporate governance. The Company has been one of the constituent stocks of the Hang Seng Corporate Sustainability Benchmark Index (Asia’s first benchmark series to track the performance of leading companies in corporate sustainability, with focus on environmental, social and corporate governance aspects) since its first launch in 2011. Hong Kong Quality Assurance Agency (“HKQAA”), being the project partner with Hang Seng Indexes Company Limited starting from 2014, has awarded the Company with an “A” grade for recognising the Company’s sustainability achievement. The Company has also been accredited the HKQAA CSR Plus Mark by HKQAA which showcases the Company’s satisfactory sustainability performance.

The Listing Rules require every listed company to report how it applies the principles in the CG Code and to confirm that it complies with the code provisions in the CG Code or to provide an explanation where it does not. As corporate governance requirements change from time to time, the Board periodically reviews the corporate governance practices of the Company to meet rising expectations of the shareholders of the Company (the “Shareholders”) and complies with the increasingly stringent regulatory requirements. A corporate governance policy which outlines the Company’s corporate governance framework and practices has been adopted by the Board in 2012.

The Board is of the opinion that the Company has applied the principles and complied with all code provisions in the CG Code throughout the year ended 31 December 2014, except for deviation from the first part of code provision E.1.2, which states that the chairman of the Board should attend annual general meeting. In the absence of the Group Executive Chairman (the “Chairman”) at the Company’s annual general meeting held on 10 June 2014 (“2014 AGM”), the Managing Director (who is also chairman of the executive committee) and the Deputy Managing Director, together with the chairmen/members of the audit, nomination, remuneration and executive committees and other Directors, made themselves available to answer the Shareholders’ questions regarding the activities of the Company and various Board committees.

## Model Code for Securities Transactions

Code provision A.6.4 requires directors to comply with their obligations set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the “Model Code”).

The Company has adopted the Model Code 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 year ended 31 December 2014.

## Board Composition

The key principles of good governance require the Company to have an effective Board which is collectively responsible for its success. The Board is also responsible for setting the Company's values and aims to enhance the Shareholders' value. Non-Executive Directors have particular responsibility in overseeing the development of the Company, scrutinizing management performance, and advising on critical business issues. The Board is satisfied that it has met these requirements.

The Company has a balanced Board of Executive and Non-Executive Directors so that no individual or a small group can dominate the Board's decision-making process. Committees of the Board (the "Board Committees"), including a remuneration committee (the "Remuneration Committee"), a nomination committee (the "Nomination Committee"), an executive committee (the "Executive Committee") and an audit committee (the "Audit Committee"), have been established pursuant to the Articles of Association of the Company, each of which is to assist the Board in discharging its duties and making decisions in respect of a particular aspect of the affairs of the Company. Other Board Committees may also be formed from time to time to deal with and make decisions for particular transactions. Further details about the Board Committees are discussed in the later part of this report.

As at the date of this report, the Board consists of a total of 12 members with the following composition:

### **Executive Directors (representing 50% of the total number of Directors)**

Dr. Stanley Ho (*Chairman*)

Ms. Pansy Ho (*Managing Director*)

Ms. Daisy Ho (*Deputy Managing Director*)

Ms. Maisy Ho

Mr. David Shum

Mr. Rogier Verhoeven

### **Non-Executive Directors (representing 16.67% of the total number of Directors)**

Dato' Dr. Cheng Yu Tung

Mrs. Louise Mok

### **Independent Non-Executive Directors (representing 33.33% of the total number of Directors)**

Sir Roger Lobo

Mr. Charles Ho

Mr. Norman Ho

Mr. Michael Ng

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



# Corporate Governance Report

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The Company has four Independent Non-Executive Directors, representing one-third of the Board, and two of whom possess professional accounting qualifications. The Company has received a confirmation from each of the Independent Non-Executive Directors confirming his independence pursuant to Rule 3.13 of the Listing Rules and the Nomination Committee is of the view that all the Independent Non-Executive Directors are independent in accordance with the Listing Rules.

The roles of the Chairman and the Managing Director are separated, with Dr. Stanley Ho being the Chairman and mainly responsible for the leadership of the Board, while Ms. Pansy Ho, the Managing Director, is responsible for the overall performance of the Company and its subsidiaries (the “Group”).

The Board is responsible for overseeing the Company’s strategic development and setting appropriate policies to manage risks in pursuit of the Company’s strategic objectives as well as scrutinizing operational and financial performance.

Management is delegated with authority by the Board and is principally responsible for the day-to-day operations of the Group. The Managing Director and the Deputy Managing Director, working with other Executive Directors and the executive management team, are responsible for (i) managing the business of the Group; (ii) formulating policies for consideration by the Board; (iii) carrying out and implementing the strategies adopted by the Board; (iv) making recommendations on strategic planning, operating plans, major projects and business proposals; and (v) assuming full accountability to the Board for the operations of the Group. The Executive Directors conduct regular meetings with the management of the Group and associated companies during which operational issues and financial performance are reviewed. The Executive Directors report back to the Board regularly and on ad hoc basis as appropriate.

## Board Practices

To ensure the Board works effectively and discharges its responsibilities, Board members are provided with monthly updates on the Company’s performance, financial position and prospects. In addition, they have full and timely access to relevant information and are properly briefed on issues considered at Board meetings. The duty of preparing meeting agenda is delegated to the company secretary of the Company (the “Company Secretary”) and each Director may request inclusion of items on the agenda.

Comprehensive information packages containing analysis and explanatory materials of the agenda items are circulated to each Director not less than three days in advance of a Board meeting to enable the Directors to make informed decisions. The Directors also have full access to the Company Secretary who has the responsibility to keep the Directors informed of corporate governance issues and changes in the regulatory environment and ensure that Board procedures follow the relevant code provisions in the CG Code and other applicable statutory requirements. The Board is provided with sufficient resources to discharge its duties and, if required, individual Director may engage independent professional advisers at the Company’s expenses to provide advice on any specific matter.

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

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

The Company has arranged appropriate directors’ and officers’ liabilities insurance in respect of legal action against the Directors.

**Appointments and Re-election of Directors**

All the Non-Executive Directors (including all the Independent Non-Executive Directors) are appointed for a specific term of three years. In accordance with the Articles of Association of the Company, every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years at the annual general meetings of the Company. Any Director appointed by the Board is subject to re-election by the Shareholders at the next following annual general meeting after his or her appointment. Those Directors who are subject to retirement and re-election at the forthcoming annual general meeting of the Company are set out in the section headed “Report of the Directors” of this annual report.

**Directors’ Induction, Business Development and Training**

Each newly appointed Director is offered training on key areas of business operations and practices of the Company. Meanwhile, newly appointed Directors are offered orientation materials that set out the duties and responsibilities of directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. Also all the Directors are provided with “A Guide on Directors’ Duties” issued by the Hong Kong Companies Registry and “Guidelines for Directors” issued by Hong Kong Institute of Directors (“HKIoD”) as guidelines on the general principles of duties of directors. All the Independent Non-Executive Directors are provided with “Guide for Independent Non-Executive Directors” issued by HKIoD.

The Company encourages the Directors to participate in relevant professional training and development courses to continually enhance their relevant knowledge and skills. The Company also constantly updates Directors in respect of the latest development on Listing Rules and other applicable laws and regulations, to ensure compliance and to facilitate Directors’ awareness of good corporate governance practices. The Executive Committee is responsible for reviewing and monitoring the training and continuous professional developments of Directors and senior management. During the year, the Company had provided certain laws and regulations update materials to the Directors as well as organised a training session on “Cybersecurity” for them.

# Corporate Governance Report

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

| Directors                                  | Type of Trainings |
|--|-------------------|
| <b>Group Executive Chairman</b>            |                   |
| Dr. Stanley Ho                             | A                 |
| <b>Non-Executive Directors</b>             |                   |
| Dato' Dr. Cheng Yu Tung                    | A                 |
| Mrs. Louise Mok                            | A                 |
| <b>Independent Non-Executive Directors</b> |                   |
| Sir Roger Lobo                             | A                 |
| Mr. Norman Ho                              | A, B, C           |
| Mr. Charles Ho                             | A, B              |
| Mr. Michael Ng                             | A                 |
| <b>Managing Director</b>                   |                   |
| Ms. Pansy Ho                               | A, B, C           |
| <b>Deputy Managing Director</b>            |                   |
| Ms. Daisy Ho                               | A, C              |
| <b>Executive Directors</b>                 |                   |
| Ms. Maisy Ho                               | A, C              |
| Mr. David Shum                             | A, B              |
| Mr. Rogier Verhoeven                       | A                 |

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

### Board and Board Committee Meetings

Regular Board meetings are held at least four times every year at approximately quarterly intervals. Additional Board meetings are held when required by circumstances. During the year ended 31 December 2014, six Board meetings were held.

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

| Name of Director                                 | Board | Audit     | Remuneration | Nomination | Annual  |
|--|-------|-----------|--------------|------------|---------|
|  |       | Committee | Committee    | Committee  | General |
|  |       | Note 2    |              |            | Note 2  |
| (Number of Meetings Attended/Entitled to Attend) |       |           |              |            |         |
| <b>Group Executive Chairman</b>                  |       |           |              |            |         |
| Dr. Stanley Ho                                   | 2/6   | n/a       | n/a          | n/a        | 0/1     |
| <b>Non-Executive Directors</b>                   |       |           |              |            |         |
| Dato' Dr. Cheng Yu Tung (Note 1)                 | 0/6   | n/a       | n/a          | n/a        | 0/1     |
| Mrs. Louise Mok                                  | 5/6   | 2/2       | n/a          | n/a        | 1/1     |
| <b>Independent Non-Executive Directors</b>       |       |           |              |            |         |
| Sir Roger Lobo                                   | 4/6   | 2/2       | 0/1          | 0/1        | 0/1     |
| Mr. Norman Ho                                    | 5/6   | 2/2       | 1/1          | 1/1        | 1/1     |
| Mr. Charles Ho                                   | 4/6   | n/a       | 1/1          | 1/1        | 1/1     |
| Mr. Michael Ng                                   | 3/6   | 2/2       | n/a          | n/a        | 1/1     |
| <b>Managing Director</b>                         |       |           |              |            |         |
| Ms. Pansy Ho                                     | 6/6   | n/a       | 1/1          | 1/1        | 1/1     |
| <b>Deputy Managing Director</b>                  |       |           |              |            |         |
| Ms. Daisy Ho                                     | 6/6   | n/a       | 1/1          | 1/1        | 1/1     |
| <b>Executive Directors</b>                       |       |           |              |            |         |
| Ms. Maisy Ho                                     | 5/6   | n/a       | n/a          | n/a        | 1/1     |
| Mr. David Shum                                   | 6/6   | n/a       | n/a          | n/a        | 1/1     |
| Mr. Rogier Verhoeven                             | 6/6   | n/a       | n/a          | n/a        | 1/1     |

Note 1: Dato' Dr. Cheng Yu Tung was unable to attend meetings due to health reason.

Note 2: Representatives of the external auditor participated in every Audit Committee Meeting and Annual General Meeting.



# Corporate Governance Report

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## Board Committees

Each of the Remuneration Committee, the Nomination Committee, the Executive Committee and the Audit Committee has defined duties and responsibilities as set out in its own written terms of reference which, if applicable, are no less exacting terms than those set out in the CG Code. The written terms of reference will be regularly reviewed and updated in response to any regulatory changes or as the Board may deem appropriate. Other Board Committee for approving particular transaction is delegated with specific duties and authorities by the Board when it is formed. All Board Committees are provided with sufficient resources to discharge their duties.

## Remuneration Committee

As at the date of this report, the Remuneration Committee consists of five members, namely, Sir Roger Lobo, Mr. Norman Ho and Mr. Charles Ho (being the Independent Non-Executive Directors), Ms. Pansy Ho (Managing Director) and Ms. Daisy Ho (Deputy Managing Director). Sir Roger Lobo is the chairman of the Remuneration Committee.

The principal role of the Remuneration Committee is to set the remuneration and incentive policy of the Company as a whole, review and approve the remuneration proposals for the Executive Directors and senior management. The emoluments of the Directors, including basic salary and performance bonus, are based on each Director's skills, knowledge and involvement in the Company's affairs, the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions. No Director has taken part in setting his or her own remuneration.

According to its written terms of reference, a copy of which is posted on the websites of the Company and the Stock Exchange, the Remuneration Committee shall meet at least once a year. Additional meetings may be held as required. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2014, one Remuneration Committee meeting was held whereby the Remuneration Committee had reviewed and recommended to the Board (for Independent Non-Executive Directors) and approved (for Executive Directors, senior management and staff) the respective remuneration packages.

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

## Nomination Committee

As at the date of this report, the Nomination Committee consists of five members, namely, Sir Roger Lobo, Mr. Norman Ho and Mr. Charles Ho (being the Independent Non-Executive Directors), Ms. Pansy Ho (Managing Director) and Ms. Daisy Ho (Deputy Managing Director). Mr. Charles Ho is the chairman of the Nomination Committee.

The Nomination Committee is responsible for (i) formulating policy and making recommendations to the Board on nomination and appointment of Directors and on the Board's succession planning; and (ii) monitoring the implementation of the board diversity policy (the "Board Diversity Policy") as adopted by the Board in 2013 and reviewing the same and recommending any revision to the Board for consideration. The Nomination Committee develops selection procedures for candidates and will consider different criteria including appropriate professional knowledge and industry experience, and the standards set forth in Rules 3.08 and 3.09 of the Listing Rules. The Nomination Committee also reviews the structure, size and composition of the Board annually to ensure that it has balanced skills and expertise to provide effective leadership to the Company and assess the independence of the Independent Non-Executive Directors according to the criteria set out in Rule 3.13 of the Listing Rules.

According to the Board Diversity Policy, Board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will monitor the implementation of the Board Diversity Policy and, for the purpose of ensuring its effectiveness, the Nomination Committee will review this Board Diversity Policy and recommend any revisions to the Board for consideration and approval, when necessary.

According to its written terms of reference, a copy of which is posted on the websites of the Company and the Stock Exchange, the Nomination Committee shall meet as required by its work. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2014, the Nomination Committee reviewed the independence of Independent Non-Executive Directors, and reviewed and made recommendations to the Board for putting forward Directors, who were subject to retirement by rotation, for re-appointment at 2014 AGM, by way of written resolutions signed by all members; and one Nomination Committee meeting was held at which the Nomination Committee had reviewed the structure, size, composition and diversity of the Board as well as the Board Diversity Policy.

### **Executive Committee**

As at the date of this report, the Executive Committee consists of five members, namely, Ms. Pansy Ho (Managing Director), Ms. Daisy Ho (Deputy Managing Director) and the other three Executive Directors, Ms. Maisy Ho, Mr. David Shum and Mr. Rogier Verhoeven. Ms. Pansy Ho is the chairman of the Executive Committee. The duties and responsibilities of the Executive Committee are set out in its written terms of reference. There is no minimum number of meetings to be held each year. Meetings are held as required by its work.

For more efficient operation of the Board, the Executive Committee was established mainly (i) to make recommendations on the strategic aims, objectives and priorities of the Company; and (ii) to consider and approve matters relating to the day-to-day operations of the Group.

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

To oversee the Group's strategies and development on sustainability and corporate responsibilities, the Executive Committee was delegated by the Board to establish a sustainability steering committee (the "Sustainability Steering Committee") to promote corporate sustainability. Following the establishment of the Sustainability Steering Committee, a sustainability policy setting out the Company's commitment on environmental, social and governance aspects for sustainable business growth and development has been adopted by the Executive Committee in 2014. The Sustainability Steering Committee has been working closely with the external advisers aiming at issuing the first sustainability report of the Company in 2015.

As at the date of this report, the Company has adopted a policy and procedure on disclosure of inside information (the "Inside Information Policy") aims at setting out the Group's general practice and procedure in handling inside information in order to ensure equal and timely dissemination of such information for compliance with the requirements under Part XIVA of the Securities and Futures Ordinance and the Listing Rules. The Executive Committee was delegated by the Board with the authorities including (i) the monitoring of the Inside Information Policy; and (ii) assessing the nature and materiality of relevant information and determining the appropriate course of actions. In addition, an Inside Information Taskforce has been set up to assist the Executive Committee with regard to matters concerning disclosure. The Group will provide appropriate training to officers and employees who are likely to be in possession of inside information.

# Corporate Governance Report

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## **Audit Committee**

As at the date of this report, the Audit Committee consists of four members, namely, Sir Roger Lobo, Mr. Norman Ho and Mr. Michael Ng (being the Independent Non-Executive Directors) and Mrs. Louise Mok (Non-Executive Director). Mr. Norman Ho is the chairman of the Audit Committee. The Board is satisfied that members of the Audit Committee collectively possess adequate relevant financial experience to properly discharge its duties and responsibilities. Both Mr. Norman Ho and Mr. Michael Ng have the professional accounting qualifications required by Rule 3.10(2) of the Listing Rules, details of which are set out in their biographies in the section headed “Management Profile” of this annual report.

The Audit Committee’s primary responsibilities include reviewing the Company’s financial reports, the system of internal controls, risk management and the effectiveness and objectivity of the audit process.

According to its written terms of reference, a copy of which is posted on the websites of the Company and the Stock Exchange, the Audit Committee shall meet at least twice a year. Decision may also be made by circulation of written resolutions accompanied by explanatory materials. During the year ended 31 December 2014, two Audit Committee meetings were held at which the Audit Committee reviewed the Company’s interim and year-end financial reports, particularly judgemental areas before submission to the Board, the internal audit programme (including findings and management’s responses); reviewed PricewaterhouseCoopers’ (“PwC”) confirmation of independence, its report for the Audit Committee and management’s letter of representation; considered the annual audit and non-audit services fees for the year ended 31 December 2013 and recommended the re-appointment of the Company’s external auditor. The Audit Committee also reviewed and approved the terms of engagement of PwC as the Company’s external auditor for the year ended 31 December 2014 as well as terms of engagement of PwC for (a) reviewing the preliminary results announcement of the Company for the year ended 31 December 2014; and (b) reporting the continuing connected transactions as disclosed in this annual report. As at the date of this report, the Audit Committee also approved the annual audit and non-audit services fees for the year ended 31 December 2014 and recommended the re-appointment of PwC (being the retiring auditor at the forthcoming annual general meeting) as the Company’s external auditor.

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

## **Auditor’s Remuneration**

For the year ended 31 December 2014, the fees paid/payable by the Group to its external auditors in respect of audit and non-audit services provided by them amounted to approximately HK\$9.1 million and HK\$4.6 million respectively. The non-audit services mainly included interim review, taxation and other related services.

## **Accountability and Audit**

The Directors acknowledge their responsibility for preparing the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit and cash flows of the Group for the year in accordance with Hong Kong Financial Reporting Standards, the Hong Kong Companies Ordinance and the Listing Rules. In preparing the financial statements for the year ended 31 December 2014, the Directors have selected suitable accounting policies and applied them consistently. The Directors also made judgements and estimates that are prudent and reasonable and prepared the financial statements on a going concern basis. The Company announced its interim and annual results in a timely manner after the end of the relevant periods as required by the Listing Rules.

The statement from the external auditor of the Company about the auditor’s reporting responsibilities on the financial statements of the Company is set out in the section headed “Independent Auditor’s Report” of this annual report.

## Internal Control

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

The key procedures established by the Board to provide effective risk management and internal controls include (i) setting core values and beliefs which form the basis of the Group's overall risk philosophy and appetite; (ii) a defined management structure with clear lines of responsibility and limits of authority which holds individuals accountable for their risk management and internal control responsibilities in the pursuit of objectives; (iii) an appropriate organisational structure which adequately provides the necessary information flow for risk analysis and management decision making; (iv) proper budgetary and management accounting control to ensure efficient allocation of resources and provision of timely financial and operational performance indicators for managing business activities and risks; (v) effective financial reporting control to ensure the recording of complete, accurate and timely accounting and management information; and (vi) assurance through the Audit Committee that appropriate risk management and internal control procedures are in place and functioning effectively.

Through the Audit Committee, the Board continues to review the effectiveness of the risk management and internal control systems which include financial, operational, compliance, risk identification and assessment and risk response implementation controls. The review process consists of (i) assessment of risk management and internal control systems by the Group Internal Audit Department; (ii) operational management's assurance of their maintenance of effective risk management systems and internal controls; and (iii) identification of control issues by the external auditor during statutory audit. The Audit Committee, supported by the Group Internal Audit Department, reviews the adequacy of resources, qualifications, experiences and training requirements of staff responsible for accounting, financial reporting, treasury, financial analysis and internal audit functions.

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

The Group Internal Audit Department reviews risk management and internal controls by (i) evaluating the control environment and the risk identification and assessment processes; (ii) assessing the adequacy of risk response measures and internal controls; and (iii) testing the implementation of such measures and the functioning of key controls through audit sampling. During each audit, the qualifications and experience of staff as well as manpower plans and training budgets are reviewed to ensure that sufficient competent staff are available to maintain effective risk management and internal control systems. In addition, operational management of key processes is required to review its control framework with reference to the integrated framework of internal control recommended by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and to confirm that the risk management and the internal control systems are functioning as intended. An audit report incorporating the identified control deficiencies and management's rectification plans is issued for each internal audit.

The Group Internal Audit Department reports to the Audit Committee quarterly on the results of the assessment of risk management and internal control systems and status of implementation of follow-up actions on control deficiencies. In addition, the head of Group Internal Audit Department attends Audit Committee meetings twice a year to report the progress in achieving the strategic audit plan and gives a summary of the results of the audit activities during the period.

# Corporate Governance Report

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

## Proactive Investor Relations

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

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

The Company has maintained a corporate website ([www.shuntakgroup.com](http://www.shuntakgroup.com)) which provides the Shareholders, investors and the public with timely and updated information on the Group's development and activities. Corporate information in relation to the Group's businesses will also be distributed to the registered mailing list by email. Registration on the mailing list is available on the Company's website. The Company Secretary and the Investor Relations Department serve as the major channels of communication between the Directors and the Shareholders, investors and the public. The public is encouraged to contact the Group as appropriate.

Shareholders may at any time send their enquiries to the Board in writing to the Company Secretarial Department or Investor Relations Department with their contact details set out below:

|                   |   |  |
|-------------------|---|--|
| Registered Office | : | Penthouse 39th Floor, West Tower, Shun Tak Centre<br>200 Connaught Road Central<br>Hong Kong   |
| Telephone         | : | (852) 2859 3111  |
| Facsimile         | : | (852) 2857 7181  |
| E-mail            | : | <a href="mailto:enquiry@shuntakgroup.com">enquiry@shuntakgroup.com</a><br><a href="mailto:ir@shuntakgroup.com">ir@shuntakgroup.com</a> |

In relation to enquiries on the shareholding matters of the Company, Shareholders could send enquiries to the Share Registrar with its contact details set out below:

|           |   |   |
|-----------|---|---|
| Address   | : | Shops 1712-1716, 17th Floor, Hopewell Centre<br>183 Queen's Road East<br>Wanchai, Hong Kong |
| Telephone | : | (852) 2862 8555   |
| Facsimile | : | (852) 2865 0990   |
| E-mail    | : | <a href="mailto:hkinfo@computershare.com.hk">hkinfo@computershare.com.hk</a>                |



## 2014 Annual General Meeting

The notice of the 2014 AGM which setting out details of each proposed resolution and other relevant information as set out in the circular were distributed to all Shareholders more than 20 clear business days prior to the date of the 2014 AGM. Separate resolutions were proposed at the 2014 AGM on each substantially separate issue, including the re-election of each individual Director. In strict compliance with Rule 13.39(4) of the Listing Rules, the Articles of Association of the Company stated that all resolutions proposed in a general meeting will be decided on poll except for procedural or administrative matters. The Share Registrar, was appointed as scrutineer for vote-taking at the 2014 AGM. Procedures for conducting a poll were explained by the Share Registrar before commencement of poll voting at the 2014 AGM.

The 2014 AGM was held at Grand Ballroom, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 10 June 2014 at 3:00 p.m. at which all resolutions were duly passed including (i) receipt of the audited financial statements for the year ended 31 December 2013 and the reports of Directors and the independent auditor; (ii) re-election of Dr. Stanley Ho, Ms. Daisy Ho and Mr. Norman Ho as Directors of the Company; (iii) approval of the directors' fees and authorisation to the Board to fix other directors' remuneration; (iv) re-appointment of PwC as auditor of the Company and authorisation to the Board to fix its remuneration; (v) granting of the general mandate to the Board to repurchase the Company's shares; (vi) granting of the general mandate to Board to issue new shares of the Company; and (vii) authorisation to the Board to extend the general mandate to issue new shares by adding the number of shares repurchased.

The poll results were posted on the websites of the Company and the Stock Exchange in accordance with the Listing Rules as soon as after the closure of the 2014 AGM.

## Shareholders' Rights

### Procedures for Shareholders to Convene a General Meeting

In accordance with section 566 of the Hong Kong Companies Ordinance (Chapter 622) (the "Ordinance"), Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings can make a requisition to convene a general meeting. The requisition must state the objects of the meeting, and must be signed by the Shareholders concerned and deposited at the registered office of the Company for the attention of the Company Secretary. The requisition must also (a) state the name(s) of the requisitioner(s), (b) the contact details of the requisitioner(s) and (c) the number of ordinary shares of the Company held by the requisitioner(s).

### Procedures for Shareholders to Put Forward Proposals at General Meeting

According to the Ordinance, Shareholder(s) representing at least 2.5% of the total voting rights of all Shareholders who have a relevant right to vote; or at least 50 Shareholders who have a relevant right to vote can submit a written request to move a resolution at the general meeting of the Company. The written request must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by the relevant Shareholder(s) and deposited at the registered office of the Company.

# Corporate Governance Report

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## **Company Secretary**

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has taken no less than 15 hours of relevant professional training.

## **Constitutional Documents**

During the year ended 31 December 2014, no amendment has been made to the Memorandum and Articles of Association (the "M&A") of the Company. The latest version of the M&A of the Company is available on the websites of the Company and the Stock Exchange.

Resolution for the adoption of a new Articles of Association of the Company, with amendments made mainly to align with the requirements under the Ordinance which came into effect on 3 March 2014, will be proposed for adoption at the forthcoming annual general meeting for the Shareholders' approval.

## **Looking Forward**

The Company will continue to review its corporate governance practices on a timely basis and take necessary and appropriate actions to ensure compliance with the required practices and standards including the code provisions in the CG Code.

Hong Kong, 26 March 2015

# Independent Auditor's Report



羅兵咸永道

## TO THE SHAREHOLDERS OF SHUN TAK HOLDINGS LIMITED

*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Shun Tak Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 81 to 174, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

# Independent Auditor's Report

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## **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 26 March 2015

# Consolidated Income Statement

For the year ended 31 December 2014

|  | Note | 2014        | 2013        |
|--|------|-------------|-------------|
|  |      | HK\$'000    | HK\$'000    |
| <b>Turnover</b>                                | 4    | 9,538,561   | 3,575,726   |
| Other income                                   | 4    | 257,198     | 140,265     |
|  |      | 9,795,759   | 3,715,991   |
| Other gains, net                               | 5    | 22,713      | 383         |
| Cost of inventories sold and services provided |      | (4,669,794) | (1,561,101) |
| Staff costs                                    |      | (1,234,493) | (1,090,939) |
| Depreciation and amortisation                  |      | (155,387)   | (192,539)   |
| Other costs                                    |      | (528,003)   | (407,007)   |
| Fair value changes on investment properties    |      | 941,420     | 576,790     |
| <b>Operating profit</b>                        | 6    | 4,172,215   | 1,041,578   |
| Finance costs                                  | 8    | (135,408)   | (158,639)   |
| Share of results of joint ventures             |      | 1,581,224   | 910,133     |
| Share of results of associates                 |      | 50,801      | 16,903      |
| <b>Profit before taxation</b>                  |      | 5,668,832   | 1,809,975   |
| Taxation                                       | 9(a) | (404,999)   | (91,732)    |
| <b>Profit for the year</b>                     |      | 5,263,833   | 1,718,243   |
| <b>Attributable to:</b>                        |      |             |             |
| Owners of the Company                          |      | 4,452,909   | 1,406,447   |
| Non-controlling interests                      |      | 810,924     | 311,796     |
| <b>Profit for the year</b>                     |      | 5,263,833   | 1,718,243   |
| <b>Earnings per share (HK cents)</b>           | 11   |             |             |
| – basic  |      | 147.0       | 47.0        |
| – diluted                                      |      | 143.5       | 46.3        |

Details of the dividends proposed for the year are disclosed in note 10.



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

|  | 2014             | 2013             |
|--|------------------|------------------|
|  | HK\$'000         | HK\$'000         |
| <b>Profit for the year</b>   | <b>5,263,833</b> | <b>1,718,243</b> |
| <b>Other comprehensive (loss)/income</b>                                   |                  |                  |
| Items that may be reclassified to profit or loss:                          |                  |                  |
| Available-for-sale investments:  |                  |                  |
| Changes in fair value  | (570)            | (12,020)         |
| Reversal of reserve upon disposal of available-for-sale investments        | 11               | (787)            |
| Cash flow hedges:  |                  |                  |
| Changes in fair value, net of tax  | (138,539)        | (2,698)          |
| Transfer to profit or loss   | 47,590           | 4,911            |
| Reversal of asset revaluation reserve upon sales of properties, net of tax | (164,288)        | —                |
| Currency translation differences   | (36,563)         | (23,386)         |
| <b>Other comprehensive loss for the year, net of tax</b>                   | <b>(292,359)</b> | <b>(33,980)</b>  |
| <b>Total comprehensive income for the year</b>                             | <b>4,971,474</b> | <b>1,684,263</b> |
| <b>Attributable to:</b>  |                  |                  |
| Owners of the Company  | 4,234,592        | 1,368,571        |
| Non-controlling interests  | 736,882          | 315,692          |
| <b>Total comprehensive income for the year</b>                             | <b>4,971,474</b> | <b>1,684,263</b> |

# Consolidated Balance Sheet

As at 31 December 2014

|  | Note | 2014              | 2013              |
|--|------|-------------------|-------------------|
|  |      | HK\$'000          | HK\$'000          |
| <b>Non-current assets</b>                          |      |                   |                   |
| Property, plant and equipment                      | 12   | 2,197,556         | 2,067,927         |
| Investment properties                              | 13   | 7,686,004         | 6,471,180         |
| Prepaid premium for land lease and land use rights | 14   | 347,784           | 8,170             |
| Joint ventures                                     | 16   | 5,990,068         | 4,738,077         |
| Associates   | 17   | 1,583,049         | 1,519,039         |
| Intangible assets                                  | 18   | 37,270            | 37,047            |
| Available-for-sale investments                     | 19   | 996,367           | 999,070           |
| Derivative financial instruments                   | 25   | 8,133             | —                 |
| Mortgage loans receivable                          | 20   | 9,640             | 14,480            |
| Deferred tax assets                                | 9(c) | 26,753            | 12,890            |
| Other non-current assets                           | 21   | 240,908           | 813,042           |
|  |      | <b>19,123,532</b> | <b>16,680,922</b> |
| <b>Current assets</b>                              |      |                   |                   |
| Properties for or under development                | 22   | 7,930,387         | 9,292,429         |
| Inventories  | 23   | 2,090,492         | 2,136,386         |
| Trade and other receivables, and deposits paid     | 24   | 2,500,969         | 2,170,633         |
| Derivative financial instruments                   | 25   | —                 | 8,113             |
| Taxation recoverable                               |      | 1,142             | 3,498             |
| Cash and bank balances                             | 26   | 15,808,605        | 8,138,435         |
|  |      | <b>28,331,595</b> | <b>21,749,494</b> |
| <b>Current liabilities</b>                         |      |                   |                   |
| Trade and other payables, and receipts in advance  | 27   | 1,802,281         | 1,943,117         |
| Deposits received from sale of properties          |      | —                 | 730,529           |
| Bank borrowings                                    | 28   | 2,887,000         | 670,000           |
| Convertible bonds                                  | 30   | —                 | 827,279           |
| Derivative financial instruments                   | 25   | 115,871           | —                 |
| Provision for employee benefits                    | 29   | 15,166            | 17,059            |
| Taxation payable                                   |      | 384,610           | 17,861            |
| Loans from non-controlling shareholders            | 32   | 681,719           | 1,158,114         |
|  |      | <b>5,886,647</b>  | <b>5,363,959</b>  |
| <b>Net current assets</b>                          |      | <b>22,444,948</b> | <b>16,385,535</b> |
| <b>Total assets less current liabilities</b>       |      | <b>41,568,480</b> | <b>33,066,457</b> |

# Consolidated Balance Sheet

As at 31 December 2014

|   | Note  | 2014              | 2013              |
|---|-------|-------------------|-------------------|
|   |       | HK\$'000          | HK\$'000          |
| <b>Non-current liabilities</b>                      |       |                   |                   |
| Receipts in advance                                 | 27    | —                 | 49,435            |
| Bank borrowings                                     | 28    | 6,304,045         | 4,245,000         |
| Medium term notes                                   | 31    | 3,138,755         | 3,134,161         |
| Derivative financial instruments                    | 25    | —                 | 4,556             |
| Deferred tax liabilities                            | 9(c)  | 1,014,014         | 1,117,232         |
|   |       | <b>10,456,814</b> | <b>8,550,384</b>  |
| <b>Net assets</b>                                   |       |                   |                   |
|   |       | <b>31,111,666</b> | <b>24,516,073</b> |
| <b>Equity</b>                                       |       |                   |                   |
| Share capital: nominal value                        | 33    | —                 | 749,220           |
| Other statutory capital reserves                    | 33    | —                 | 8,977,057         |
| Share capital and other statutory capital reserves  | 33    | 9,858,250         | 9,726,277         |
| Other reserves                                      | 35(a) | 16,051,919        | 11,411,830        |
| Proposed dividends                                  |       | 502,007           | —                 |
| <b>Equity attributable to owners of the Company</b> |       | <b>26,412,176</b> | <b>21,138,107</b> |
| Non-controlling interests                           |       | 4,699,490         | 3,377,966         |
| <b>Total equity</b>                                 |       | <b>31,111,666</b> | <b>24,516,073</b> |

**Pansy Ho**  
Director

**Daisy Ho**  
Director

# Balance Sheet

As at 31 December 2014

|  | Note  | 2014              | 2013              |
|--|-------|-------------------|-------------------|
|  |       | HK\$'000          | HK\$'000          |
| <b>Non-current assets</b>                          |       |                   |                   |
| Property, plant and equipment                      | 12    | 913               | 982               |
| Subsidiaries                                       | 15    | 630,805           | 630,805           |
| Associates   | 17    | 250               | 250               |
| Available-for-sale investments                     | 19    | 233,679           | 233,679           |
| Other non-current assets                           | 21    | 10,334,276        | 11,807,060        |
|  |       | <b>11,199,923</b> | <b>12,672,776</b> |
| <b>Current assets</b>                              |       |                   |                   |
| Trade and other receivables, and deposits paid     | 24    | 43,095            | 11,538            |
| Cash and bank balances                             | 26    | 8,633,574         | 3,484,911         |
|  |       | <b>8,676,669</b>  | <b>3,496,449</b>  |
| <b>Current liabilities</b>                         |       |                   |                   |
| Trade and other payables, and receipts in advance  | 27    | 7,803,354         | 4,054,391         |
| Provision for employee benefits                    | 29    | 3,788             | 3,705             |
|  |       | <b>7,807,142</b>  | <b>4,058,096</b>  |
| <b>Net current assets/(liabilities)</b>            |       | <b>869,527</b>    | <b>(561,647)</b>  |
| <b>Net assets</b>                                  |       | <b>12,069,450</b> | <b>12,111,129</b> |
| <b>Equity</b>                                      |       |                   |                   |
| Share capital: nominal value                       | 33    | —                 | 749,220           |
| Other statutory capital reserves                   | 33    | —                 | 8,977,057         |
| Share capital and other statutory capital reserves | 33    | <b>9,858,250</b>  | 9,726,277         |
| Other reserves                                     | 35(b) | <b>1,709,193</b>  | 2,384,852         |
| Proposed dividends                                 |       | <b>502,007</b>    | —                 |
| <b>Total equity</b>                                |       | <b>12,069,450</b> | <b>12,111,129</b> |

Pansy Ho  
Director

Daisy Ho  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

|  | Equity attributable to owners of the Company |               |                            |                 |                                  |               |                 |                                |                 |                           |                  | Non-controlling interests | Total equity |                  |                    |            |
|--|--|---------------|----------------------------|-----------------|----------------------------------|---------------|-----------------|--------------------------------|-----------------|---------------------------|------------------|---------------------------|--------------|------------------|--------------------|------------|
|  | Share capital                                | Share premium | Capital redemption reserve | Capital reserve | Convertible bonds equity reserve | Legal reserve | Special reserve | Investment revaluation reserve | Hedging reserve | Asset revaluation reserve | Exchange reserve |                           |              | Retained profits | Proposed dividends | Total      |
|  | HK\$'000                                     | HK\$'000      | HK\$'000                   | HK\$'000        | HK\$'000                         | HK\$'000      | HK\$'000        | HK\$'000                       | HK\$'000        | HK\$'000                  | HK\$'000         | HK\$'000                  | HK\$'000     | HK\$'000         | HK\$'000           | HK\$'000   |
| At 1 January 2014  | 749,220                                      | 8,876,887     | 100,170                    | 28,048          | 43,248                           | 10,560        | (151,413)       | 89,213                         | (1,672)         | 1,179,563                 | 49,752           | 10,164,531                | —            | 21,138,107       | 3,377,966          | 24,516,073 |
| Profit for the year  | —  | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | 4,452,909                 | —            | 4,452,909        | 810,924            | 5,263,833  |
| Items that may be reclassified to profit or loss:                          |  |               |                            |                 |                                  |               |                 |                                |                 |                           |                  |                           |              |                  |                    |            |
| Available-for-sale investments:  |  |               |                            |                 |                                  |               |                 |                                |                 |                           |                  |                           |              |                  |                    |            |
| Changes in fair value  | —  | —             | —                          | —               | —                                | —             | (570)           | —                              | —               | —                         | —                | —                         | —            | (570)            | —                  | (570)      |
| Reversal of reserve upon disposal of available-for-sale investments        | —  | —             | —                          | —               | —                                | —             | 11              | —                              | —               | —                         | —                | —                         | —            | 11               | —                  | 11         |
| Cash flow hedges:  |  |               |                            |                 |                                  |               |                 |                                |                 |                           |                  |                           |              |                  |                    |            |
| Changes in fair value, net of tax  | —  | —             | —                          | —               | —                                | —             | —               | (51,735)                       | —               | —                         | —                | —                         | —            | (51,735)         | (86,804)           | (138,539)  |
| Transfer to profit or loss   | —  | —             | —                          | —               | —                                | —             | —               | 20,215                         | —               | —                         | —                | —                         | —            | 20,215           | 27,375             | 47,590     |
| Reversal of asset revaluation reserve upon sales of properties, net of tax | —  | —             | —                          | —               | —                                | —             | —               | —                              | (164,288)       | —                         | —                | —                         | —            | (164,288)        | —                  | (164,288)  |
| Currency translation differences   | —  | —             | —                          | —               | —                                | —             | —               | —                              | —               | (21,950)                  | —                | —                         | —            | (21,950)         | (14,613)           | (36,563)   |
| Other comprehensive loss for the year                                      | —  | —             | —                          | —               | —                                | —             | (559)           | (31,520)                       | (164,288)       | (21,950)                  | —                | —                         | —            | (218,317)        | (74,042)           | (292,359)  |
| Total comprehensive income/(loss) for the year                             | —  | —             | —                          | —               | —                                | —             | (559)           | (31,520)                       | (164,288)       | (21,950)                  | 4,452,909        | —                         | —            | 4,234,592        | 736,882            | 4,971,474  |
| Exercise of share options  | 131,991                                      | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | —                         | —            | 131,991          | —                  | 131,991    |
| Redemption of convertible bonds  | —  | —             | —                          | —               | (43,248)                         | —             | —               | —                              | —               | —                         | —                | 43,248                    | —            | —                | —                  | —          |
| 2014 interim dividend  | —  | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | (152,123)                 | —            | (152,123)        | —                  | (152,123)  |
| 2014 final dividend  | —  | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | (60,849)                  | 60,849       | —                | —                  | —          |
| 2014 special dividend  | —  | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | (441,158)                 | 441,158      | —                | —                  | —          |
| Dividend to non-controlling shareholders                                   | —  | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | —                         | —            | —                | (27,961)           | (27,961)   |
| Transfer of reserve  | —  | —             | —                          | —               | —                                | 125           | —               | —                              | —               | —                         | —                | (345)                     | —            | (220)            | 220                | —          |
| Share of reserve movement a joint venture                                  | —  | —             | —                          | —               | —                                | 259           | —               | —                              | —               | —                         | —                | (259)                     | —            | —                | —                  | —          |
| Share of reserve movement of an associate                                  | —  | —             | —                          | —               | —                                | 28            | —               | —                              | —               | —                         | —                | (28)                      | —            | —                | —                  | —          |
| Transition to no-par value regime on 3 March 2014                          | 8,977,057                                    | (8,876,887)   | (100,170)                  | —               | —                                | —             | —               | —                              | —               | —                         | —                | —                         | —            | —                | —                  | —          |
| Share issue expenses   | (18)   | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | —                         | —            | (18)             | —                  | (18)       |
| Sale of interests in subsidiaries without change of control (note 41(b))   | —  | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | 1,059,847                 | —            | 1,059,847        | 765,321            | 1,825,168  |
| Disposal of a subsidiary (note 41(a))                                      | —  | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | —                         | —            | —                | (152,938)          | (152,938)  |
| At 31 December 2014  | 9,109,030                                    | (8,876,887)   | (100,170)                  | —               | (43,248)                         | 412           | (151,413)       | 88,654                         | (33,192)        | 1,015,275                 | 27,802           | 15,065,773                | 502,007      | 26,412,176       | 584,642            | 1,624,119  |
|  | 9,858,250                                    | —             | 28,048                     | —               | —                                | 10,972        | (151,413)       | 88,654                         | (33,192)        | 1,015,275                 | 27,802           | 15,065,773                | 502,007      | 26,412,176       | 4,699,490          | 31,111,666 |



## For the year ended 31 December 2013

|   |  | Equity attributable to owners of the Company |               |                            |                 |                                  |               |                 |                                |                 |                           |                  |                  |                    |            |                           |              |
|---|--|--|---------------|----------------------------|-----------------|----------------------------------|---------------|-----------------|--------------------------------|-----------------|---------------------------|------------------|------------------|--------------------|------------|---------------------------|--------------|
|   |  | Share capital                                | Share premium | Capital redemption reserve | Capital reserve | Convertible bonds equity reserve | Legal reserve | Special reserve | Investment revaluation reserve | Hedging reserve | Asset revaluation reserve | Exchange reserve | Retained profits | Proposed dividends | Total      | Non-controlling interests | Total equity |
|   |  | HK\$'000                                     | HK\$'000      | HK\$'000                   | HK\$'000        | HK\$'000                         | HK\$'000      | HK\$'000        | HK\$'000                       | HK\$'000        | HK\$'000                  | HK\$'000         | HK\$'000         | HK\$'000           | HK\$'000   | HK\$'000                  | HK\$'000     |
| At 1 January 2013   |  | 746,720                                      | 8,851,587     | 100,170                    | 28,048          | 43,248                           | 9,958         | (151,413)       | 102,020                        | —               | 1,179,563                 | 73,149           | 8,759,793        | 253,885            | 19,996,728 | 3,031,199                 | 23,027,927   |
| Profit for the year   |  | —  | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | 1,406,447        | —                  | 1,406,447  | 311,796                   | 1,718,243    |
| Items that may be reclassified to profit or loss:                   |  |  |               |                            |                 |                                  |               |                 |                                |                 |                           |                  |                  |                    |            |                           |              |
| Available-for-sale investments:                                     |  |  |               |                            |                 |                                  |               |                 |                                |                 |                           |                  |                  |                    |            |                           |              |
| Changes in fair value   |  | —  | —             | —                          | —               | —                                | —             | —               | (12,020)                       | —               | —                         | —                | —                | —                  | (12,020)   | —                         | (12,020)     |
| Reversal of reserve upon disposal of available-for-sale investments |  | —  | —             | —                          | —               | —                                | —             | —               | (787)                          | —               | —                         | —                | —                | —                  | (787)      | —                         | (787)        |
| Cash flow hedges:   |  |  |               |                            |                 |                                  |               |                 |                                |                 |                           |                  |                  |                    |            |                           |              |
| Changes in fair value, net of tax                                   |  | —  | —             | —                          | —               | —                                | —             | —               | —                              | 1,268           | —                         | —                | —                | —                  | 1,268      | (3,966)                   | (2,698)      |
| Transfer to profit or loss  |  | —  | —             | —                          | —               | —                                | —             | —               | (2,940)                        | —               | —                         | —                | —                | —                  | (2,940)    | 7,851                     | 4,911        |
| Currency translation differences                                    |  | —  | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | (23,397)         | —                | —                  | (23,397)   | 11                        | (23,386)     |
| Other comprehensive (loss)/income for the year                      |  |  |               |                            |                 |                                  |               |                 |                                |                 |                           |                  |                  |                    |            |                           |              |
|   |  | —  | —             | —                          | —               | —                                | —             | —               | (12,807)                       | (1,672)         | —                         | (23,397)         | —                | —                  | (37,876)   | 3,896                     | (33,980)     |
| Total comprehensive (loss)/income for the year                      |  | —  | —             | —                          | —               | —                                | —             | —               | (12,807)                       | (1,672)         | —                         | (23,397)         | 1,406,447        | —                  | 1,368,571  | 315,692                   | 1,684,263    |
| Exercise of share options   |  | 2,500  | 25,300        | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | —                | —                  | 27,800     | —                         | 27,800       |
| 2012 final dividend   |  | —  | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | (850)            | (253,885)          | (254,735)  | —                         | (254,735)    |
| Dividend to a non-controlling shareholder                           |  | —  | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | —                | —                  | —          | (3,884)                   | (3,884)      |
| Contribution from a non-controlling shareholder                     |  | —  | —             | —                          | —               | —                                | —             | —               | —                              | —               | —                         | —                | —                | —                  | —          | 34,702                    | 34,702       |
| Transfer of reserve   |  | —  | —             | —                          | —               | —                                | 297           | —               | —                              | —               | —                         | —                | (554)            | —                  | (257)      | 257                       | —            |
| Share of reserve movement of joint ventures                         |  | —  | —             | —                          | —               | —                                | 305           | —               | —                              | —               | —                         | —                | (305)            | —                  | —          | —                         | —            |
| At 31 December 2013   |  | 749,220                                      | 8,876,887     | 100,170                    | 28,048          | 43,248                           | 10,560        | (151,413)       | 89,213                         | (1,672)         | 1,179,563                 | 49,752           | 10,164,531       | (253,885)          | 21,138,107 | 3,377,966                 | 24,516,073   |

# Consolidated Cash Flow Statement

For the year ended 31 December 2014

|  | Note  | 2014             | 2013           |
|--|-------|------------------|----------------|
|  |       | HK\$'000         | HK\$'000       |
| <b>Operating activities</b>  |       |                  |                |
| Profit before taxation   |       | 5,668,832        | 1,809,975      |
| Adjustments for:   |       |                  |                |
| Depreciation and amortisation  |       | 155,387          | 192,539        |
| Finance costs  |       | 135,408          | 158,639        |
| Interest income  |       | (197,467)        | (102,895)      |
| Dividend income from available-for-sale investments  |       | (386,377)        | (188,977)      |
| Share of results of joint ventures   |       | (1,581,224)      | (910,133)      |
| Share of results of associates   |       | (50,801)         | (16,903)       |
| Realisation of asset revaluation reserve upon sale of properties   |       | (164,288)        | —              |
| Net loss on disposal of property, plant and equipment  |       | 408              | 1,135          |
| Net gain on disposal of investment properties  |       | (4,239)          | —              |
| Net gain on disposal of subsidiaries   | 41(a) | (18,351)         | —              |
| (Gain)/loss on disposal of available-for-sale investments<br>and other financial instruments   |       | (520)            | 3,962          |
| Impairment loss on amounts due by a joint venture  |       | —                | 9,186          |
| Impairment (reversed)/loss on amounts due by an associate  |       | (339)            | 339            |
| Impairment losses on trade receivables   |       | 44               | 13             |
| Fair value changes on investment properties  |       | (941,420)        | (576,790)      |
| Operating profit before working capital changes  |       | 2,615,053        | 380,090        |
| Decrease/(increase) in properties for or under development<br>and inventories of properties, excluding net finance costs capitalised |       | 775,470          | (700,303)      |
| Increase in other inventories  |       | (12,036)         | (12,491)       |
| (Increase)/decrease in trade receivables, other receivables and deposits paid  |       | (357,462)        | 264,070        |
| Increase in trade and other payables, and receipt in advance   |       | 337,856          | 74,840         |
| (Decrease)/increase in deposits received from sale of properties   |       | (730,529)        | 233,088        |
| Decrease in provision for employee benefits  |       | (1,858)          | (956)          |
| Cash generated from operations   |       | 2,626,494        | 238,338        |
| Total income taxes paid  |       | (24,470)         | (97,722)       |
| <b>Net cash from operating activities</b>  |       | <b>2,602,024</b> | <b>140,616</b> |

|  | Note  | 2014               | 2013          |
|--|-------|--------------------|---------------|
|  |       | HK\$'000           | HK\$'000      |
| <b>Investing activities</b>  |       |                    |               |
| Purchase of property, plant and equipment  |       | (56,069)           | (27,257)      |
| Purchase of investment properties  |       | —                  | (729,575)     |
| Purchase of intangible assets  |       | (485)              | —             |
| Advances to joint ventures   |       | —                  | (1,066)       |
| Repayments from joint ventures   |       | 360,294            | 510,235       |
| Capital contributions to joint ventures  |       | (19,732)           | (248,540)     |
| Advances to an associate   |       | (27,333)           | (2,003)       |
| Capital contributions to an associate  |       | (12,740)           | (578,762)     |
| Increase in mortgage loan receivable   |       | —                  | (4,108)       |
| Repayments of mortgage loans   |       | 5,196              | 3,385         |
| Payment for acquisition of a property  |       | (790,001)          | (418,182)     |
| Proceeds from disposal, redemption or maturity of available-for-sale investments and other financial instruments |       | 626                | 2,155         |
| Capital refund from an investment fund   |       | 2,040              | 3,691         |
| Proceeds from disposal of property, plant and equipment  |       | 150                | 28,947        |
| Proceeds from disposal of investment properties  |       | 786,239            | —             |
| Proceeds from disposal of interest in subsidiaries   | 41(a) | 553,554            | —             |
| (Increase)/decrease in bank deposits with maturities over three months   |       | (4,262,509)        | 1,176,273     |
| Interest received  |       | 171,645            | 114,114       |
| Dividends received from available-for sale investments   |       | 386,377            | 188,977       |
| Dividends received from joint ventures   |       | 17,107             | 4,242         |
| Dividends received from associates   |       | 6,755              | 1,750         |
| <b>Net cash (used in)/from investing activities</b>  |       | <b>(2,878,886)</b> | <b>24,276</b> |

# Consolidated Cash Flow Statement

For the year ended 31 December 2014

|   | Note  | 2014              | 2013             |
|---|-------|-------------------|------------------|
|   |       | HK\$'000          | HK\$'000         |
| <b>Financing activities</b>   |       |                   |                  |
| Drawdown of new loans   |       | 4,546,546         | 1,845,175        |
| Repayments of loans   |       | (1,557,649)       | (3,523,510)      |
| Net proceeds from issue of shares   |       | 131,973           | 27,800           |
| Redemption of convertible bonds   |       | (833,800)         | —                |
| Net proceeds from issue of medium term notes                                    |       | —                 | 3,076,415        |
| Deposit received for partial disposal of a subsidiary                           |       | —                 | 500,000          |
| Proceeds from disposal of interests in subsidiaries to non-controlling interest | 41(b) | 1,900,269         | —                |
| Finance costs (including interests and bank charges) paid                       |       | (320,389)         | (202,418)        |
| Dividends paid to shareholders  |       | (152,016)         | (254,580)        |
| Dividends paid to non-controlling shareholders                                  |       | (27,960)          | (3,884)          |
| <b>Net cash from financing activities</b>                                       |       | <b>3,686,974</b>  | <b>1,464,998</b> |
| <b>Net increase in cash and cash equivalents</b>                                |       | <b>3,410,112</b>  | <b>1,629,890</b> |
| <b>Effect of foreign exchange rates changes</b>                                 |       | <b>(2,451)</b>    | <b>2,939</b>     |
| <b>Cash and cash equivalents at 1 January</b>                                   |       | <b>7,210,813</b>  | <b>5,577,984</b> |
| <b>Cash and cash equivalents at 31 December</b>                                 |       | <b>10,618,474</b> | <b>7,210,813</b> |
| <b>Analysis of cash and cash equivalents</b>                                    |       |                   |                  |
| Cash and bank balances  | 26    | 15,808,605        | 8,138,435        |
| Bank deposits with maturities over three months                                 |       | (5,190,131)       | (927,622)        |
| <b>Cash and cash equivalents at 31 December</b>                                 |       | <b>10,618,474</b> | <b>7,210,813</b> |

# Notes to the Financial Statements

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## 1 General information

Shun Tak Holdings Limited (the “Company”) is a public listed company incorporated in Hong Kong with limited liability. The address of the registered office and principal place of business of the Company is Penthouse 39th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong. The Company has its shares listed on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

The principal activity of the Company is investment holding while the activities of its principal subsidiaries, joint ventures and associates are set out in note 46.

## 2 Summary of significant accounting policies

### (a) Accounting policies

A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as the “Group”) is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (b) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit” as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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



# Notes to the Financial Statements

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## 2 Summary of significant accounting policies (*Continued*)

### (b) Basis of preparation (*Continued*)

#### Impact of new or revised Hong Kong Financial Reporting Standards

##### Adoption of new standards

The Group has adopted the following relevant new or revised HKFRSs for the first time for the current year's financial statements.

|  |  |
|--|--|
| Amendments to HKAS 32                                  | Offsetting Financial Assets and Financial Liabilities        |
| Amendments to HKAS 36                                  | Recoverable Amount Disclosures for Non-Financial Assets      |
| Amendments to HKAS 39                                  | Novation of Derivatives and Continuation of Hedge Accounting |
| Amendments to HKFRS 10,<br>HKFRS 12 and HKAS 27 (2011) | Investment Entities  |
| HK(IFRIC) — Int 21                                     | Levies   |

The adoption of the above does not have any significant impact to the Group's results for the year ended 31 December 2014 and the Group's financial position as at 31 December 2014.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

## 2 Summary of significant accounting policies (*Continued*)

### (b) Basis of preparation (*Continued*)

**The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective**

A number of new standards and amendments to standards and interpretations, that are relevant to the Group, are issued but not yet effective for financial periods beginning on 1 January 2014, and have not been applied in preparing these consolidated financial statements.

|   |   |
|---|---|
| Amendment to HKAS 1 <sup>(2)</sup>                            | Presentation of Financial Statements  |
| Amendments to HKAS 19 (2011) <sup>(1)</sup>                   | Defined Benefit Plans: Employee Contributions   |
| Amendments to HKAS 27 (2011) <sup>(2)</sup>                   | Equity Method in Separate Financial Statements  |
| Amendments to HKFRS 10 and HKAS 28 <sup>(2)</sup>             | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 <sup>(2)</sup>   | Investment Entities: Applying the Consolidation Exception                             |
| Annual improvement to HKFRSs 2010 — 2012 Cycle <sup>(1)</sup> |   |
| Annual improvement to HKFRSs 2011 — 2013 Cycle <sup>(1)</sup> |   |
| Annual improvement to HKFRSs 2012 — 2014 Cycle <sup>(2)</sup> |   |
| Amendments to HKFRS 11 <sup>(2)</sup>                         | Accounting for Acquisition of Interest in Joint Operations                            |
| Amendments to HKAS 16 and HKAS 38 <sup>(2)</sup>              | Clarification of Acceptable Methods of Depreciation and Amortisation                  |
| HKFRS 15 <sup>(3)</sup>                                       | Revenue from Contracts with Customers   |
| HKFRS 9 (2014) <sup>(4)</sup>                                 | Financial Instruments   |

<sup>(1)</sup> Effective for annual periods beginning 1 July 2014

<sup>(2)</sup> Effective for annual periods beginning 1 January 2016

<sup>(3)</sup> Effective for annual periods beginning 1 January 2017

<sup>(4)</sup> Effective for annual periods beginning 1 January 2018

# Notes to the Financial Statements

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## 2 Summary of significant accounting policies (*Continued*)

### (b) Basis of preparation (*Continued*)

**The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective (*Continued*)**

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

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

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different from that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

## 2 Summary of significant accounting policies (*Continued*)

### (c) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

All intra-group transactions, balances and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

# Notes to the Financial Statements

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## 2 Summary of significant accounting policies (*Continued*)

### (c) Basis of consolidation (*Continued*)

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

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

#### (iii) Separate financial statements

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

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

#### (iv) Disposal of subsidiaries

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

#### (v) Associates

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

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

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



## 2 Summary of significant accounting policies (*Continued*)

### (c) Basis of consolidation (*Continued*)

#### (v) Associates (*Continued*)

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

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

#### (vi) Joint arrangements

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

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

### (d) Operating segments

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

# Notes to the Financial Statements

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## 2 Summary of significant accounting policies (*Continued*)

### (e) Foreign currency transactions

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Changes in the fair value of debt securities denominated in a foreign currency and classified as available-for-sale investments are analysed between exchange differences resulting from changes in amortised cost of the investment and other changes in the carrying amount of the investment. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

#### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
2. income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
3. all resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

### (f) Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for own use (classified as finance leases) are stated at cost less accumulated depreciation and any accumulated impairment losses.

Land and buildings comprise mainly offices. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

## 2 Summary of significant accounting policies (*Continued*)

### (f) Property, plant and equipment (*Continued*)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following annual rates:

|  |   |
|--|---|
| Hotel buildings                          | 2% or over the remaining lease terms, if shorter          |
| Leasehold land held under finance leases | Over the remaining lease terms                            |
| Leasehold buildings                      | 1.7% - 2.3% or over the remaining lease terms, if shorter |
| Vessels and pontoons                     | 5% - 6.7%   |
| Other assets                             | 5% - 25%  |

The residual values and useful lives of items of property, plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(i)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains, net' in the income statement.

No depreciation is provided on properties for or under development.

### (g) Investment properties

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

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

### (h) Intangible assets

#### (i) Licences, franchises and royalties

Separately acquired licences, franchises and royalties are classified as intangible assets and stated at historical cost less accumulated amortisation and any accumulated impairment losses. For licences, amortisation is provided using the straight-line method over the estimated useful lives of 3 to 16.3 years. For franchises and royalties, amortisation is provided either over the estimated finite useful lives of 8 to 13 years using the straight-line method.

# Notes to the Financial Statements

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## 2 Summary of significant accounting policies (*Continued*)

### (h) Intangible assets (*Continued*)

#### (ii) Brand use right

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

Brand use right impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of brand use right is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### (i) Impairment of non-financial assets

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

### (j) Financial assets

#### (i) Classification

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

##### 1. Financial assets at FVTPL

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

##### 2. Loans and receivables

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

##### 3. Available-for-sale investments

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

## 2 Summary of significant accounting policies (*Continued*)

### (j) Financial assets (*Continued*)

#### (ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and financial assets at FVTPL are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in fair value of the financial assets at FVTPL are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains or losses from investments.

Interest on available-for-sale investments calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity investments are recognised in the income statement when the Group's right to receive payments is established.

#### (iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### (iv) Impairment

##### 1. Assets carried at amortised cost

The Group assesses at the end of balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or loss events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

# Notes to the Financial Statements

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## 2 Summary of significant accounting policies (*Continued*)

### (j) Financial assets (*Continued*)

#### (iv) Impairment (*Continued*)

##### 1. Assets carried at amortised cost (*Continued*)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

##### 2. Assets classified as available for sale

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

### (k) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.



## 2 Summary of significant accounting policies *(Continued)*

### (k) **Derivative financial instruments *(Continued)***

For cash flow hedge, where instruments are designated to hedge against a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

### (l) **Properties for or under development for sale**

Properties for or under development for sale are classified under current assets and stated at the lower of cost and net realisable value. Costs include the acquisition cost of land, aggregate cost of development, other direct expenses and where applicable borrowing costs. Net realisable value represents the estimated selling price less estimated costs of completion and estimated selling expenses.

### (m) **Inventories and completed properties for sale**

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

### (n) **Trade and other receivables**

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

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

### (o) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

# Notes to the Financial Statements

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## 2 Summary of significant accounting policies (*Continued*)

### (p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (q) Trade and other payables

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### (s) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (t) Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the bonds into equity, is included in convertible bonds equity reserve.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised or expired.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

## 2 Summary of significant accounting policies (*Continued*)

### (u) Taxation

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

### (v) Employee benefits

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

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

# Notes to the Financial Statements

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## 2 Summary of significant accounting policies (*Continued*)

### (w) Share-based payments

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

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

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

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

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

### (x) Provisions

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

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

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

### (y) Contingent liabilities

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

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

## 2 Summary of significant accounting policies (*Continued*)

### (z) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sale of properties is recognised upon the later of the completion of the properties and the sale and purchase contracts, where the significant risks and rewards of ownership of properties are transferred to the purchasers. Deposits and instalments received from purchasers prior to the stage of revenue recognition are included in current liabilities.

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

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

Revenue from hotel operation and management is recognised on a basis that reflects the timing, nature and value when the relevant services, facilities or goods are provided.

Rental income is recognised on a straight-line basis over the period of the lease.

Management fee for services rendered for columbarium niches sold are recognised as revenue on straight-line basis over the remaining period of leasehold land.

Dividend income is recognised when the right to receive payment is established.

Interest income is accrued on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

### (aa) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

### (ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

# Notes to the Financial Statements

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## 3 Critical accounting estimates and judgements

The Group makes estimates, assumptions and judgements as appropriate in the preparation of the financial statements. These estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

### (a) Valuation of investment properties

The fair value of each investment property is individually determined at each balance sheet date by independent professional valuers based on a market value assessment. The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. The valuers have relied on the discounted cash flow analysis and the capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. Further details of the judgements and assumptions made were disclosed in note 13. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

### (b) Useful lives of property, plant and equipment and brand use right

The Group's management determines the estimated useful lives and related depreciation for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Management is of the view that the brand use right has indefinite useful life because it is granted for use at a perpetual basis and there is no foreseeable limit to the period over which the brand use right to generate net cash inflows for the Group. Hence, no amortisation has been charged for the year.

### (c) Income taxes

The Group is subject to income taxes in certain jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcomes of these matters is different from the amounts that initially recorded, such differences will impact the current tax and deferred tax provision in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

### (d) Impairment of available-for-sale investments

The Group follows the guidance of HKAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.



### 3 Critical accounting estimates and judgements (*Continued*)

**(e) Estimate of fair values of unlisted available-for-sale investments**

Certain available-for-sale investments of the Group, including an unlisted equity investment in Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”), are not stated at fair value but at cost because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant for these investments and the probabilities of the various estimates cannot be reasonably assessed. The directors of the Company are of the opinion that it is appropriate to state these available-for-sale investments at cost less any identified impairment loss at the balance sheet date.

**(f) Impairment of receivables**

The Group makes provision for impairment of receivables based on an assessment of the collectability of the receivables. Provisions for impairment are applied to the receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed.

**(g) Estimated net realisable value of inventories**

In determining whether allowances should be made for the Group’s inventories of properties and properties for or under development for sale, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price, less estimated costs of selling expenses) less estimated costs to completion of the properties in the case of properties for or under development for sale. An allowance is made if the estimated market value less than the carrying amount. For spare parts and other inventories, management reviews the inventories listing and identifies obsolete and slow moving inventory items which are no longer suitable for use or diminution in net realisable value.

Allowance was made by reference to the latest market value for those inventories identified. In addition, management carries out an inventory review and makes the necessary write-down for obsolete items.

# Notes to the Financial Statements

## 4 Turnover and other income

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

|   | Group            |                  |
|---|------------------|------------------|
|   | 2014             | 2013             |
|   | HK\$'000         | HK\$'000         |
| <b>Revenue</b>                                      |                  |                  |
| Revenue from sales of properties                    | 5,583,488        | 55,812           |
| Revenue from passenger transportation services      | 2,560,238        | 2,425,941        |
| Revenue from sale of fuel                           | 29,430           | 28,641           |
| Revenue from travel agency services                 | 44,283           | 44,252           |
| Revenue from hotel operation                        | 400,342          | 374,771          |
| Rental income                                       | 197,388          | 191,794          |
| Interest income from mortgage loans receivable      | 804              | 987              |
| Management fees and others                          | 336,211          | 264,551          |
|   | <b>9,152,184</b> | <b>3,386,749</b> |
| Dividend income from available-for-sale investments | 386,377          | 188,977          |
|   | <b>9,538,561</b> | <b>3,575,726</b> |
| <b>Turnover</b>                                     |                  |                  |
| <b>Other income</b>                                 |                  |                  |
| Interest income from:                               |                  |                  |
| – Bank deposits                                     | 186,490          | 86,060           |
| – Others  | 10,173           | 15,848           |
| Others  | 60,535           | 38,357           |
|   | <b>257,198</b>   | <b>140,265</b>   |
| <b>Turnover and other income</b>                    | <b>9,795,759</b> | <b>3,715,991</b> |

## 5 Other gains, net

|   | Group         |            |
|---|---------------|------------|
|   | 2014          | 2013       |
|   | HK\$'000      | HK\$'000   |
| Net gain on disposal of subsidiaries (note 41(a))             | 18,351        | —          |
| Net loss on disposal of property, plant and equipment         | (408)         | (1,135)    |
| Net gain on disposal of investment properties                 | 4,239         | —          |
| Net (loss)/gain on disposal of available-for-sale investments | (12)          | 779        |
| Others  | 543           | 739        |
|   | <b>22,713</b> | <b>383</b> |

## 6 Operating profit

|  | Group     |           |
|--|-----------|-----------|
|  | 2014      | 2013      |
|  | HK\$'000  | HK\$'000  |
| <b>After crediting:</b>  |           |           |
| Rental income from investment properties                           | 195,517   | 190,171   |
| Less: Direct operating expenses arising from investment properties | (20,089)  | (13,361)  |
|  | 175,428   | 176,810   |
| Dividend income from listed investments                            | 8,802     | 7,888     |
| Dividend income from unlisted investments                          |           |           |
| – STDM   | 374,896   | 176,326   |
| – others   | 2,679     | 4,763     |
| Exchange (loss)/gain, net  | (39,790)  | 24,106    |
| <b>After charging:</b>   |           |           |
| Cost of inventories  |           |           |
| – properties   | 2,983,509 | 29,592    |
| – fuel   | 929,463   | 954,207   |
| – others   | 137,912   | 149,129   |
|  | 4,050,884 | 1,132,928 |
| Depreciation of property, plant and equipment (note 12)            | 154,881   | 192,046   |
| Amortisation   |           |           |
| – intangible assets (note 18)                                      | 262       | 249       |
| – prepaid premium for land lease and land use rights (note 14)     | 244       | 244       |
| Auditors' remuneration   |           |           |
| – audit services   | 9,125     | 8,085     |
| – non-audit services   | 4,199     | 4,403     |
| Minimum lease payments of properties under operating leases        | 46,795    | 34,890    |
| Contingent rental payment (note 12(c))                             | 18,142    | 11,243    |
| (Write-back of impairment)/impairment losses                       |           |           |
| – amounts due by a joint venture                                   | —         | 9,186     |
| – amounts due by an associate                                      | (339)     | 339       |
| – trade receivables, net (note 24(a))                              | (45)      | (78)      |
| Staff costs  |           |           |
| – salaries and wages   | 1,148,467 | 1,010,233 |
| – provident fund contributions                                     | 50,261    | 48,113    |
| – directors' emoluments (note 7)                                   | 35,765    | 32,593    |

# Notes to the Financial Statements

## 7 Directors' emoluments and five highest paid individuals

The emoluments of the Company's Directors are as follows:

### Group

|  | Fees         | Salaries,<br>allowances<br>and benefits | Performance<br>bonus | Provident<br>fund<br>contributions | Total         |
|--|--------------|---|----------------------|------------------------------------|---------------|
|  | HK\$'000     | HK\$'000                                | HK\$'000             | HK\$'000                           | HK\$'000      |
| <b>2014</b>                                |              |   |                      |                                    |               |
| <b>Executive Directors</b>                 |              |   |                      |                                    |               |
| Dr. Stanley Ho                             | 50           | —                                       | —                    | —                                  | 50            |
| Ms. Pansy Ho                               | 110          | 8,645                                   | 3,795                | 539                                | 13,089        |
| Ms. Daisy Ho                               | 110          | 5,242                                   | 873                  | 262                                | 6,487         |
| Ms. Maisy Ho                               | 110          | 3,931                                   | 655                  | 197                                | 4,893         |
| Mr. David Shum                             | 110          | 2,985                                   | 498                  | 149                                | 3,742         |
| Mr. Rogier Verhoeven                       | 50           | 5,179                                   | 313                  | 212                                | 5,754         |
| <b>Non-Executive Directors</b>             |              |   |                      |                                    |               |
| Dato' Dr. Cheng Yu Tung                    | 50           | —                                       | —                    | —                                  | 50            |
| Mrs. Louise Mok                            | 50           | 100                                     | —                    | —                                  | 150           |
| <b>Independent Non-Executive Directors</b> |              |   |                      |                                    |               |
| Sir Roger Lobo                             | 300          | 110                                     | —                    | —                                  | 410           |
| Mr. Norman Ho                              | 300          | 130                                     | —                    | —                                  | 430           |
| Mr. Charles Ho                             | 300          | 10                                      | —                    | —                                  | 310           |
| Mr. Michael Ng                             | 300          | 100                                     | —                    | —                                  | 400           |
|  | <b>1,840</b> | <b>26,432</b>                           | <b>6,134</b>         | <b>1,359</b>                       | <b>35,765</b> |

## 7 Directors' emoluments and five highest paid individuals (Continued)

### Group

|  | Fees     | Salaries,<br>allowances<br>and benefits | Performance<br>bonus | Provident<br>fund<br>contributions | Total    |
|--|----------|---|----------------------|------------------------------------|----------|
|  | HK\$'000 | HK\$'000                                | HK\$'000             | HK\$'000                           | HK\$'000 |
| <b>2013</b>                                |          |   |                      |                                    |          |
| <b>Executive Directors</b>                 |          |   |                      |                                    |          |
| Dr. Stanley Ho                             | 50       | —                                       | —                    | —                                  | 50       |
| Ms. Pansy Ho                               | 110      | 8,318                                   | 1,971                | 517                                | 10,916   |
| Ms. Daisy Ho                               | 110      | 5,016                                   | 752                  | 251                                | 6,129    |
| Ms. Maisy Ho                               | 110      | 3,762                                   | 564                  | 188                                | 4,624    |
| Mr. David Shum                             | 110      | 2,870                                   | 431                  | 144                                | 3,555    |
| Mr. Rogier Verhoeven                       | 50       | 5,014                                   | 301                  | 204                                | 5,569    |
| <b>Non-Executive Directors</b>             |          |   |                      |                                    |          |
| Dato' Dr. Cheng Yu Tung                    | 50       | —                                       | —                    | —                                  | 50       |
| Mrs. Louise Mok                            | 50       | 100                                     | —                    | —                                  | 150      |
| <b>Independent Non-Executive Directors</b> |          |   |                      |                                    |          |
| Sir Roger Lobo                             | 300      | 110                                     | —                    | —                                  | 410      |
| Mr. Norman Ho                              | 300      | 130                                     | —                    | —                                  | 430      |
| Mr. Charles Ho                             | 300      | 10                                      | —                    | —                                  | 310      |
| Mr. Michael Ng                             | 300      | 100                                     | —                    | —                                  | 400      |
|  | 1,840    | 25,430                                  | 4,019                | 1,304                              | 32,593   |

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

Among the five highest paid individuals in the Group, four are directors (2013: four are directors) of the Company and the details of their emoluments have been disclosed above. The emoluments of the individual not included above consisted of salaries, allowances and benefits of HK\$4,972,000 (2013: HK\$4,683,000).

## 8 Finance costs

|   | Group     |           |
|---|-----------|-----------|
|   | 2014      | 2013      |
|   | HK\$'000  | HK\$'000  |
| Interest on bank borrowings and overdraft wholly repayable within 5 years | 109,732   | 79,308    |
| Interest on convertible bonds wholly repayable within 5 years (note 30)   | 34,036    | 41,415    |
| Interest on medium term notes   | 180,036   | 147,495   |
| Interest on loans from non-controlling shareholders                       | 1,377     | 5,108     |
| Other finance costs   | 9,195     | 5,009     |
| Total interest expenses   | 334,376   | 278,335   |
| Less: Amount capitalised in properties for or under development           | (198,968) | (119,696) |
|   | 135,408   | 158,639   |

Finance costs have been capitalised at weighted average rate of its general borrowings of 3.26% (2013: 3.31%) per annum for properties for or under development.

# Notes to the Financial Statements

## 9 Taxation

### (a) Taxation in the consolidated income statement represents:

|   | Group          |               |
|---|----------------|---------------|
|   | 2014           | 2013          |
|   | HK\$'000       | HK\$'000      |
| <b>Current taxation</b>                           |                |               |
| Hong Kong profits tax                             |                |               |
| – tax for the year                                | 99,947         | 15,659        |
| – over-provision in respect of prior years        | (376)          | (596)         |
| Overseas taxation                                 |                |               |
| – tax for the year                                | 300,221        | 14,967        |
| – over-provision in respect of prior years        | (2,545)        | (2,848)       |
|   | <b>397,247</b> | <b>27,182</b> |
| <b>Deferred taxation</b>                          |                |               |
| Origination and reversal of temporary differences | 7,752          | 64,550        |
| <b>Total tax expenses</b>                         | <b>404,999</b> | <b>91,732</b> |

Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year. Overseas taxation is calculated at tax rates applicable to jurisdictions in which the Group operates.

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

|  | Group            |                  |
|--|------------------|------------------|
|  | 2014             | 2013             |
|  | HK\$'000         | HK\$'000         |
| <b>Profit before taxation</b>  | <b>5,668,832</b> | <b>1,809,975</b> |
| Less: Share of results of joint ventures and associates                        | (1,632,025)      | (927,036)        |
|  | <b>4,036,807</b> | <b>882,939</b>   |
| Tax at the applicable tax rate of 16.5% (2013: 16.5%)                          | 666,073          | 145,685          |
| Income not subject to tax  | (218,777)        | (108,893)        |
| Expenses not deductible for tax purposes                                       | 36,905           | 50,584           |
| Utilisation of tax losses and deductible temporary differences                 |                  |                  |
| not previously recognised  | (13,351)         | (5,150)          |
| Tax losses and deductible temporary differences not recognised                 | 38,524           | 24,592           |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (97,840)         | (16,209)         |
| Over-provision in respect of prior years                                       | (2,921)          | (3,444)          |
| Others   | (3,614)          | 4,567            |
| <b>Total tax expenses</b>  | <b>404,999</b>   | <b>91,732</b>    |



## 9 Taxation (Continued)

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

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

#### Deferred tax assets

|                                      | Accelerated<br>accounting<br>depreciation | Tax losses | Cash flow<br>hedges | Others   | Total    |
|--------------------------------------|---|------------|---------------------|----------|----------|
|                                      | HK\$'000                                  | HK\$'000   | HK\$'000            | HK\$'000 | HK\$'000 |
| <b>Group</b>                         |   |            |                     |          |          |
| At 1 January 2013                    | 323                                       | 117,737    | —                   | 12,435   | 130,495  |
| (Charge)/credit to income statement  | (123)                                     | (20,993)   | —                   | 492      | (20,624) |
| At 31 December 2013                  | 200                                       | 96,744     | —                   | 12,927   | 109,871  |
| Charge to income statement           | (63)                                      | (23,811)   | —                   | (10,315) | (34,189) |
| Credit to other comprehensive income | —   | —          | 19,122              | —        | 19,122   |
| At 31 December 2014                  | 137                                       | 72,933     | 19,122              | 2,612    | 94,804   |
| <b>Company</b>                       |   |            |                     |          |          |
| At 1 January 2013                    | —   | 155        | —                   | —        | 155      |
| Charge to income statement           | —   | (8)        | —                   | —        | (8)      |
| At 31 December 2013                  | —   | 147        | —                   | —        | 147      |
| Charge to income statement           | —   | (9)        | —                   | —        | (9)      |
| At 31 December 2014                  | —   | 138        | —                   | —        | 138      |

# Notes to the Financial Statements

## 9 Taxation (Continued)

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

#### Deferred tax liabilities

|                                       | Accelerated<br>tax<br>depreciation | Revaluation<br>of investment<br>properties | Cash flow<br>hedges | Fair value<br>adjustments<br>on business<br>combination | Total     |
|---------------------------------------|------------------------------------|--|---------------------|---|-----------|
|                                       | HK\$'000                           | HK\$'000                                   | HK\$'000            | HK\$'000  | HK\$'000  |
| <b>Group</b>                          |                                    |  |                     |   |           |
| At 1 January 2013                     | 244,972                            | 140,017                                    | —                   | 780,261   | 1,165,250 |
| Exchange adjustment                   | 1,451                              | 2,249                                      | —                   | —   | 3,700     |
| Charge/(credit) to income statement   | 4,332                              | 42,506                                     | —                   | (2,912)   | 43,926    |
| Charge to other comprehensive income  | —                                  | —  | 1,337               | —   | 1,337     |
| At 31 December 2013                   | 250,755                            | 184,772                                    | 1,337               | 777,349   | 1,214,213 |
| Exchange adjustment                   | (1,447)                            | (2,130)                                    | —                   | —   | (3,577)   |
| Charge/(credit) to income statement   | 10,257                             | 38,634                                     | —                   | (75,328)  | (26,437)  |
| Credit to other comprehensive income  | —                                  | —  | (1,337)             | (22,403)  | (23,740)  |
| Disposal of subsidiaries (note 41(a)) | —                                  | —  | —                   | (78,394)  | (78,394)  |
| At 31 December 2014                   | 259,565                            | 221,276                                    | —                   | 601,224   | 1,082,065 |
| <b>Company</b>                        |                                    |  |                     |   |           |
| At 1 January 2013                     | 155                                | —  | —                   | —   | 155       |
| Credit to income statement            | (8)                                | —  | —                   | —   | (8)       |
| At 31 December 2013                   | 147                                | —  | —                   | —   | 147       |
| Credit to income statement            | (9)                                | —  | —                   | —   | (9)       |
| At 31 December 2014                   | 138                                | —  | —                   | —   | 138       |

## 9 Taxation (Continued)

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

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

|                                     | Group       |             | Company  |          |
|-------------------------------------|-------------|-------------|----------|----------|
|                                     | 2014        | 2013        | 2014     | 2013     |
|                                     | HK\$'000    | HK\$'000    | HK\$'000 | HK\$'000 |
| Deferred tax assets recognised      | 26,753      | 12,890      | —        | —        |
| Deferred tax liabilities recognised | (1,014,014) | (1,117,232) | —        | —        |
|                                     | (987,261)   | (1,104,342) | —        | —        |

### (d) Deferred tax assets unrecognised

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

|                                  | Group     |           | Company  |          |
|----------------------------------|-----------|-----------|----------|----------|
|                                  | 2014      | 2013      | 2014     | 2013     |
|                                  | HK\$'000  | HK\$'000  | HK\$'000 | HK\$'000 |
| Tax losses                       | 1,410,493 | 1,168,132 | 733,185  | 600,992  |
| Deductible temporary differences | 135,829   | 125,530   | —        | —        |
|                                  | 1,546,322 | 1,293,662 | 733,185  | 600,992  |

Included in the unrecognised tax losses of the Group are losses of HK\$49,357,000 (2013: HK\$43,017,000) that will expire on various dates through to 2019 (2013: 2018) from the balance sheet date. Other tax losses and deductible temporary differences of the Group may be carried forward indefinitely. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

## 10 Dividends

|   | 2014     | 2013     |
|---|----------|----------|
|   | HK\$'000 | HK\$'000 |
| Interim dividend, paid of HK5.0 cents on 3,042,465,785 shares (2013: nil)     | 152,123  | —        |
| Proposed final dividend of HK2.0 cents on 3,042,465,785 shares (2013: nil)    | 60,849   | —        |
| Proposed special dividend of HK14.5 cents on 3,042,465,785 shares (2013: nil) | 441,158  | —        |
|   | 654,130  | —        |

# Notes to the Financial Statements

## 11 Earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$4,452,909,000 (2013: HK\$1,406,447,000) and the weighted average number of 3,028,195,718 shares (2013: 2,992,880,719 shares) in issue during the year. The calculation of diluted earnings per share is based on profit attributable to owners of the Company of HK\$4,486,946,000 (2013: HK\$1,447,862,000) and the weighted average number of 3,127,695,419 shares (2013: 3,125,769,750 shares) in issue after adjusting for the effects of all dilutive potential ordinary shares.

A reconciliation of the data used in calculating basic and diluted earnings per share is as follows:

|  | Profit attributable to<br>owners of the Company |           | Weighted average<br>number of shares |               |
|--|---|-----------|--------------------------------------|---------------|
|  | 2014  | 2013      | 2014                                 | 2013          |
|  | HK\$'000  | HK\$'000  |                                      |               |
| Profit/number of shares for the purpose<br>of basic earnings per share   | 4,452,909                                       | 1,406,447 | 3,028,195,718                        | 2,992,880,719 |
| Effect of dilutive potential ordinary shares                             |   |           |                                      |               |
| – share options  | —   | —         | 4,639,706                            | 15,772,726    |
| – convertible bonds  | 34,037  | 41,415    | 94,859,995                           | 117,116,305   |
| Profit/number of shares for the purpose<br>of diluted earnings per share | 4,486,946                                       | 1,447,862 | 3,127,695,419                        | 3,125,769,750 |

## 12 Property, plant and equipment

### Group

|  | Hotel<br>buildings    | Leasehold<br>land and<br>buildings | Vessels and<br>pontoons | Other assets     | Total            |
|--|-----------------------|------------------------------------|-------------------------|------------------|------------------|
|  | HK\$'000<br>(note 14) | HK\$'000                           | HK\$'000                | HK\$'000         | HK\$'000         |
| <b>Cost</b>                            |                       |                                    |                         |                  |                  |
| At 1 January 2013                      | 801,112               | 990,494                            | 2,467,257               | 996,783          | 5,255,646        |
| Exchange adjustment                    | —                     | —                                  | —                       | 274              | 274              |
| Additions                              | —                     | —                                  | —                       | 27,257           | 27,257           |
| Disposals                              | —                     | —                                  | (30,733)                | (38,883)         | (69,616)         |
| At 31 December 2013                    | <b>801,112</b>        | <b>990,494</b>                     | <b>2,436,524</b>        | <b>985,431</b>   | <b>5,213,561</b> |
| Exchange adjustment                    | —                     | —                                  | —                       | (676)            | (676)            |
| Additions                              | <b>237,352</b>        | —                                  | —                       | <b>49,209</b>    | <b>286,561</b>   |
| Disposals                              | —                     | —                                  | —                       | (17,693)         | (17,693)         |
| Disposal of subsidiaries (note 41 (a)) | —                     | —                                  | —                       | (3,738)          | (3,738)          |
| At 31 December 2014                    | <b>1,038,464</b>      | <b>990,494</b>                     | <b>2,436,524</b>        | <b>1,012,533</b> | <b>5,478,015</b> |
| <b>Accumulated depreciation</b>        |                       |                                    |                         |                  |                  |
| At 1 January 2013                      | 83,863                | 396,037                            | 1,714,206               | 798,838          | 2,992,944        |
| Exchange adjustment                    | —                     | —                                  | —                       | 178              | 178              |
| Charge for the year                    | 21,629                | 16,497                             | 81,656                  | 72,264           | 192,046          |
| Disposals                              | —                     | —                                  | (6,282)                 | (33,252)         | (39,534)         |
| At 31 December 2013                    | <b>105,492</b>        | <b>412,534</b>                     | <b>1,789,580</b>        | <b>838,028</b>   | <b>3,145,634</b> |
| Exchange adjustment                    | —                     | —                                  | —                       | (262)            | (262)            |
| Charge for the year                    | <b>20,765</b>         | <b>16,496</b>                      | <b>79,401</b>           | <b>38,219</b>    | <b>154,881</b>   |
| Disposals                              | —                     | —                                  | —                       | (17,135)         | (17,135)         |
| Disposal of subsidiaries (note 41 (a)) | —                     | —                                  | —                       | (2,659)          | (2,659)          |
| At 31 December 2014                    | <b>126,257</b>        | <b>429,030</b>                     | <b>1,868,981</b>        | <b>856,191</b>   | <b>3,280,459</b> |
| <b>Net book value</b>                  |                       |                                    |                         |                  |                  |
| At 31 December 2014                    | <b>912,207</b>        | <b>561,464</b>                     | <b>567,543</b>          | <b>156,342</b>   | <b>2,197,556</b> |
| At 31 December 2013                    | 695,620               | 577,960                            | 646,944                 | 147,403          | 2,067,927        |

# Notes to the Financial Statements

## 12 Property, plant and equipment (*Continued*)

### Company

|                                 | Other assets |
|---------------------------------|--------------|
|                                 | HK\$'000     |
| <b>Cost</b>                     |              |
| At 1 January 2013               | 3,865        |
| Additions                       | 274          |
| Disposals                       | (533)        |
| At 31 December 2013             | <b>3,606</b> |
| Additions                       | <b>305</b>   |
| Disposals                       | <b>(253)</b> |
| At 31 December 2014             | <b>3,658</b> |
| <b>Accumulated depreciation</b> |              |
| At 1 January 2013               | 2,811        |
| Charge for the year             | 338          |
| Disposals                       | (525)        |
| At 31 December 2013             | <b>2,624</b> |
| Charge for the year             | <b>373</b>   |
| Disposals                       | <b>(252)</b> |
| At 31 December 2014             | <b>2,745</b> |
| <b>Net book value</b>           |              |
| At 31 December 2014             | <b>913</b>   |
| At 31 December 2013             | 982          |

### Notes:

- (a) Other assets of the Group comprised mainly furniture, fixtures and office equipment, plant and machinery of the hotel, show rooms, operating supplies and equipment of the hotel and repairable spare parts of vessels.
- (b) Leasehold land of the Group with a net book value of HK\$364,583,000 (2013: HK\$375,000,000) is subject to agreement with the Macau SAR Government for replacement of another site in Macau.
- (c) Contingent rental payment amounting to approximately HK\$18,142,000 (2013: HK\$11,243,000) relating to the lease of hotel buildings is included in the consolidated income statement (note 6).



## 12 Property, plant and equipment (Continued)

The analysis of net book value of hotel buildings, leasehold land and buildings is as follows:

|   | Group            |                  |
|---|------------------|------------------|
|   | 2014             | 2013             |
|   | HK\$'000         | HK\$'000         |
| <b>Hong Kong</b>                                |                  |                  |
| Long-term lease – leases of over 50 years       |                  |                  |
| Leasehold land and buildings                    | 12,044           | 12,425           |
| Medium-term lease – leases of 10-50 years       |                  |                  |
| Hotel buildings                                 | 674,855          | 695,620          |
| Leasehold land and buildings                    | 173,987          | 179,363          |
|   | <b>860,886</b>   | <b>887,408</b>   |
| <b>Outside Hong Kong</b>                        |                  |                  |
| Medium-term lease – leases of 10-50 years       |                  |                  |
| Leasehold land and buildings                    | 611,701          | 385,056          |
| Short-term lease – leases of less than 10 years |                  |                  |
| Leasehold land and buildings                    | 1,084            | 1,116            |
|   | <b>612,785</b>   | <b>386,172</b>   |
|   | <b>1,473,671</b> | <b>1,273,580</b> |

Certain property, plant and equipment of net book value of HK\$1,369,909,000 (2013: HK\$1,186,923,000) were pledged to banks as securities for bank borrowings granted to certain subsidiaries of the Group (note 28).

## 13 Investment properties

|                                 | Group            |                  |                  |
|---------------------------------|------------------|------------------|------------------|
|                                 | 2014             |                  |                  |
| Completed investment properties | Hong Kong        | Others           | Total            |
|                                 | HK\$'000         | HK\$'000         | HK\$'000         |
| <b>At valuation</b>             |                  |                  |                  |
| At 1 January                    | 4,808,262        | 1,662,918        | 6,471,180        |
| Addition                        | —                | 1,074,767        | 1,074,767        |
| Disposal                        | (782,000)        | —                | (782,000)        |
| Exchange adjustment             | —                | (19,363)         | (19,363)         |
| Fair value changes              | 667,285          | 274,135          | 941,420          |
| At 31 December                  | <b>4,693,547</b> | <b>2,992,457</b> | <b>7,686,004</b> |
| Freehold properties             |                  |                  | <b>1,100,000</b> |
| Leasehold properties            |                  |                  | <b>6,586,004</b> |

# Notes to the Financial Statements

## 13 Investment properties (Continued)

| Completed investment properties | Group     |           |           |
|---------------------------------|-----------|-----------|-----------|
|                                 | Hong Kong | Others    | Total     |
|                                 | HK\$'000  | HK\$'000  | HK\$'000  |
| <b>At valuation</b>             |           |           |           |
| At 1 January                    | 3,735,799 | 1,314,145 | 5,049,944 |
| Addition                        | 822,183   | 1,068     | 823,251   |
| Exchange adjustment             | —         | 21,195    | 21,195    |
| Fair value changes              | 250,280   | 326,510   | 576,790   |
| At 31 December                  | 4,808,262 | 1,662,918 | 6,471,180 |
| Freehold properties             |           |           | 870,000   |
| Leasehold properties            |           |           | 5,601,180 |

The analysis of carrying value of investment properties is as follows:

|   | Group     |           |
|---|-----------|-----------|
|   | 2014      | 2013      |
|   | HK\$'000  | HK\$'000  |
| <b>Hong Kong</b>                          |           |           |
| Long-term lease – leases of over 50 years | 176,000   | 172,000   |
| Medium-term lease – leases of 10-50 years | 4,517,547 | 4,636,262 |
|   | 4,693,547 | 4,808,262 |
| <b>Outside Hong Kong</b>                  |           |           |
| Medium-term lease – leases of 10-50 years | 1,892,457 | 792,918   |
| Freehold                                  | 1,100,000 | 870,000   |
|   | 2,992,457 | 1,662,918 |
|   | 7,686,004 | 6,471,180 |

### 13 Investment properties (*Continued*)

Investment properties of fair value of HK\$1,901,483,000 (2013: HK\$770,000,000) was pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (note 28).

The Group measures its investment properties at fair value. An independent valuation of the Group's investment properties was performed by the valuer, Savills Valuation and Professional Services Limited ("Savills") who hold a recognised relevant professional qualification and have recent experience in the locations of the investment properties being valued, to determine the fair value of the investment properties at 31 December 2014 and 2013. The Group employed Savills to value its commercial investment properties which are either freehold or held under leases with unexpired lease terms. The valuations, which conform to the Hong Kong Institute of Surveyors Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at by reference to the net income, allowing for reversionary potential, of each property.

The Group's investment properties carried at fair value of HK\$7,686,004,000 (2013: HK\$6,471,180,000) are valued by fair value measurements using significant unobservable inputs (level 3). The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

#### **Fair value measurements using significant unobservable inputs**

Fair values of completed commercial properties and carparks in Hong Kong and others are generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

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

The Group's policy is to recognise transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer.

# Notes to the Financial Statements

## 13 Investment properties (*Continued*)

### Information about fair value measurements using significant unobservable inputs

|  | Fair value at<br>31 December 2014 | Valuation method      | Range of significant unobservable inputs |                                |                                   |
|--|-----------------------------------|-----------------------|--|--------------------------------|-----------------------------------|
|  |                                   |                       | Prevailing market<br>rents per month     | Unit price                     | Capitalisation/<br>Discount rates |
|  | HK\$'000                          |                       |  |                                |                                   |
| Completed investment properties<br>located in<br>Hong Kong |                                   |                       |  |                                |                                   |
| - commercial   | 3,626,248                         | Income capitalisation | HK\$35 - HK\$109 psf                     | N/A                            | 3.0% - 4.2%                       |
| - carpark  | 278,899                           | Income capitalisation | HK\$180 - HK\$2,400                      | N/A                            | 4.0% - 4.5%                       |
| - carpark  | 788,400                           | Direct comparison     | N/A                                      | HK\$120,000 -<br>HK\$2,960,000 | N/A                               |
| Others   |                                   |                       |  |                                |                                   |
| - commercial   | 1,836,024                         | Income capitalisation | HK\$11 - HK\$116 psf                     | N/A                            | 2.0% - 6.5%                       |
| - commercial   | 1,131,483                         | Direct comparison     | N/A                                      | HK\$24 psf                     | N/A                               |
| - carpark  | 24,950                            | Direct comparison     | N/A                                      | HK\$487,000                    | N/A                               |

|   | Fair value at<br>31 December 2013 | Valuation method      | Range of significant<br>unobservable inputs |                                   |
|---|-----------------------------------|-----------------------|---|-----------------------------------|
|   |                                   |                       | Prevailing market<br>rents per month        | Capitalisation/<br>Discount rates |
|   | HK\$'000                          |                       |   |                                   |
| Completed investment<br>properties located in |                                   |                       |   |                                   |
| - Hong Kong                                   | 4,808,262                         | Income capitalisation | HK\$36 - HK\$109 psf                        | 3.0% - 4.5%                       |
| - Others                                      | 1,662,918                         | Income capitalisation | HK\$11 - HK\$120 psf                        | 2.0% - 6.5%                       |

Prevailing market rents are estimated based on Savills' view of recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

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

## 14 Prepaid premium for land lease and land use rights

|  | Group          |              |
|--|----------------|--------------|
|  | 2014           | 2013         |
|  | HK\$'000       | HK\$'000     |
| <b>Cost</b>                                    |                |              |
| At 1 January                                   | 10,000         | 10,000       |
| Addition                                       | 345,163        | —            |
| At 31 December                                 | 355,163        | 10,000       |
| <b>Accumulated amortisation</b>                |                |              |
| At 1 January                                   | 1,830          | 1,586        |
| Amortisation for the year                      |                |              |
| – charged to profit and loss (note 6)          | 244            | 244          |
| – capitalised to property, plant and equipment | 5,305          | —            |
| At 31 December                                 | 7,379          | 1,830        |
| <b>Net book value at 31 December</b>           | <b>347,784</b> | <b>8,170</b> |

Land use rights of HK\$339,858,000 (2013: nil) was pledged to banks as securities for bank borrowings granted to a subsidiary of the Group (note 28).

The analysis of net book value of prepaid premium for land lease and land use rights is as follows:

|   | Group          |              |
|---|----------------|--------------|
|   | 2014           | 2013         |
|   | HK\$'000       | HK\$'000     |
| <b>Hong Kong</b>                                |                |              |
| Medium-term lease – lease of 10-50 years (Note) | 7,926          | 8,170        |
| <b>Outside Hong Kong</b>                        |                |              |
| Medium-term lease – lease of 10-50 years        | 339,858        | —            |
|   | <b>347,784</b> | <b>8,170</b> |

Note:

Pursuant to an Agreement for Sub-lease (the “Sub-lease Agreement”) dated 26 June 2006, the Airport Authority Hong Kong has granted a subsidiary of the Group the right to construct a hotel on the land adjacent to the AsiaWorld-Expo located next to the Hong Kong International Airport. Upon the completion of the construction, the Airport Authority Hong Kong has granted the subsidiary of the Group the right to have the possession and enjoyment of the hotel up to the year of 2047. Under the Sub-lease Agreement, upon expiry of the sub-lease term in the year of 2047, the ownership of the hotel (note 12) and leasehold land will be transferred to the Airport Authority Hong Kong.

# Notes to the Financial Statements

## 15 Subsidiaries

|                          | Company  |          |
|--------------------------|----------|----------|
|                          | 2014     | 2013     |
|                          | HK\$'000 | HK\$'000 |
| Unlisted shares, at cost | 630,805  | 630,805  |

Particulars regarding the principal subsidiaries are set out in note 46.

### Subsidiaries with material non-controlling interests

Ranex Investments Limited (“Ranex”) and Shun Tak-China Travel Shipping Investments Limited and its subsidiaries (“STCT group”) are the subsidiaries with non-controlling interests that are material to the Group.

The total non-controlling interest as at year end is HK\$4,699,490,000 (2013: HK\$3,377,966,000), of which HK\$1,968,509,000 (2013: HK\$1,439,469,000) is for Ranex and HK\$805,308,000 (2013: HK\$776,164,000) is attributed to STCT group.

Set out below are the summarised financial information for these subsidiaries:

### Summarised balance sheet

|  | Ranex             |             | STCT group        |           |
|--|-------------------|-------------|-------------------|-----------|
|  | As at 31 December |             | As at 31 December |           |
|  | 2014              | 2013        | 2014              | 2013      |
|  | HK\$'000          | HK\$'000    | HK\$'000          | HK\$'000  |
| <b>Current</b>                         |                   |             |                   |           |
| Assets                                 | 1,487,455         | 2,063,305   | 1,214,195         | 957,176   |
| Liabilities                            | (437,969)         | (2,277,081) | (643,547)         | (388,359) |
| Total net current assets/(liabilities) | 1,049,486         | (213,776)   | 570,648           | 568,817   |
| <b>Non-current</b>                     |                   |             |                   |           |
| Assets                                 | 3,042,027         | 3,216,070   | 898,316           | 981,111   |
| Liabilities                            | (74,186)          | (64,641)    | (65,987)          | (197,726) |
| Total net non-current assets           | 2,967,841         | 3,151,429   | 832,329           | 783,385   |
| <b>Net assets</b>                      | 4,017,327         | 2,937,653   | 1,402,977         | 1,352,202 |



## 15 Subsidiaries (Continued)

**Summarised income statement**

|  | Ranex                          |          | STCT group                     |           |
|--|--------------------------------|----------|--------------------------------|-----------|
|  | For the year ended 31 December |          | For the year ended 31 December |           |
|  | 2014                           | 2013     | 2014                           | 2013      |
|  | HK\$'000                       | HK\$'000 | HK\$'000                       | HK\$'000  |
| Revenue  | 2,112,587                      | 87,269   | 2,702,380                      | 2,536,726 |
| Profit before taxation   | 1,171,560                      | 270,710  | 255,074                        | 174,162   |
| Taxation   | (91,886)                       | (4,464)  | (22,765)                       | (18,538)  |
| Other comprehensive income                                       | —                              | —        | (103,535)                      | 6,768     |
| Total comprehensive income                                       | 1,079,674                      | 266,246  | 128,774                        | 162,392   |
| Total comprehensive income allocated to non-controlling interest | 529,040                        | 130,461  | 73,916                         | 93,213    |
| Dividends paid to non-controlling interest                       | —                              | —        | 22,620                         | —         |

**Summarised cash flows**

|   | Ranex                          |             | STCT group                     |           |
|---|--------------------------------|-------------|--------------------------------|-----------|
|   | For the year ended 31 December |             | For the year ended 31 December |           |
|   | 2014                           | 2013        | 2014                           | 2013      |
|   | HK\$'000                       | HK\$'000    | HK\$'000                       | HK\$'000  |
| <b>Cash flows from operating activities</b>                 |                                |             |                                |           |
| Cash generated from operations                              | 1,888,572                      | 1,121,598   | 380,934                        | 331,803   |
| Income tax paid   | —                              | (62,744)    | (13,295)                       | (12,998)  |
| Net cash generated from operating activities                | 1,888,572                      | 1,058,854   | 367,639                        | 318,805   |
| Net cash generated from/(used in) investing activities      | 789,858                        | 6,229       | (363,715)                      | (56,007)  |
| Net cash used in financing activities                       | (1,917,141)                    | (1,300,027) | (115,424)                      | (271,051) |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | 761,289                        | (234,944)   | (111,500)                      | (8,253)   |
| Cash and cash equivalents at 1 January                      | 577,767                        | 812,711     | 590,042                        | 598,295   |
| Cash and cash equivalents at 31 December                    | 1,339,056                      | 577,767     | 478,542                        | 590,042   |

# Notes to the Financial Statements

## 16 Joint ventures

|                     | Group            |                  |
|---------------------|------------------|------------------|
|                     | 2014             | 2013             |
|                     | <b>HK\$'000</b>  | HK\$'000         |
| Share of net assets | 5,990,068        | 4,690,894        |
| Goodwill            | —                | 47,183           |
|                     | <b>5,990,068</b> | <b>4,738,077</b> |

Particulars regarding the principal joint ventures are set out in note 46.

### Summarised financial information of material joint venture

Basecity Investments Limited (“Basecity”) is a joint venture which was material to the Group as at 31 December 2014. Basecity engaged in property investment and hotel operating businesses in Macau.

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

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

### Summarised balance sheet

|  | As at 31 December |                  |
|--|-------------------|------------------|
|  | 2014              | 2013             |
|  | <b>HK\$'000</b>   | HK\$'000         |
| <b>Current</b>                                       |                   |                  |
| Cash and cash equivalents                            | 85,961            | 150,122          |
| Other current assets (excluding cash)                | 709,655           | 982,053          |
| Total current assets                                 | 795,616           | 1,132,175        |
| Financial liabilities (excluding trade payables)     | (548,024)         | (853,727)        |
| Other current liabilities (including trade payables) | (205,335)         | (270,229)        |
| Total current liabilities                            | (753,359)         | (1,123,956)      |
| <b>Non-current</b>                                   |                   |                  |
| Assets   | 12,361,952        | 9,211,515        |
| Financial liabilities                                | —                 | —                |
| Other liabilities                                    | (1,288,680)       | (842,048)        |
| Total non-current liabilities                        | (1,288,680)       | (842,048)        |
| <b>Net assets</b>                                    | <b>11,115,529</b> | <b>8,377,686</b> |

## 16 Joint ventures (Continued)

## Summarised statement of comprehensive income

|                                 | For the year ended 31 December |                  |
|---------------------------------|--------------------------------|------------------|
|                                 | 2014                           | 2013             |
|                                 | HK\$'000                       | HK\$'000         |
| Revenue                         | 1,079,748                      | 1,180,245        |
| Depreciation and amortisation   | (60,427)                       | (69,428)         |
| Interest income                 | 384                            | 678              |
| Interest expense                | (19,567)                       | (30,112)         |
| Others                          | 2,853,604                      | 1,018,611        |
| <b>Profit before taxation</b>   | <b>3,853,742</b>               | <b>2,099,994</b> |
| Taxation                        | (466,645)                      | (252,123)        |
| Profit for the year             | 3,387,097                      | 1,847,871        |
| Other comprehensive income      | —                              | —                |
| Total comprehensive income      | 3,387,097                      | 1,847,871        |
| Dividend received from Basecity | 331,119                        | —                |

## Reconciliation of summarised financial information

|                                   | 2014       | 2013      |
|-----------------------------------|------------|-----------|
|                                   | HK\$'000   | HK\$'000  |
| Opening net assets 1 January      | 8,377,686  | 6,529,815 |
| Profit for the year               | 3,387,097  | 1,847,871 |
| Dividend paid                     | (649,254)  | —         |
| Closing net assets 31 December    | 11,115,529 | 8,377,686 |
| Interests in joint venture at 51% | 5,668,920  | 4,272,620 |
| Others                            | 135,400    | 144,689   |
|                                   | 5,804,320  | 4,417,309 |

# Notes to the Financial Statements

## 16 Joint ventures (Continued)

Aggregate information of joint ventures that are not individually material:

|  | 2014      | 2013     |
|--|-----------|----------|
|  | HK\$'000  | HK\$'000 |
| Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements | 185,748   | 320,768  |
| Aggregate amounts of the Group's share of those joint ventures'  |           |          |
| Loss for the year  | (136,908) | (18,783) |
| Other comprehensive income/(loss)  | 842       | (737)    |
| Total comprehensive loss   | (136,066) | (19,520) |

## 17 Associates

|                          | Group     |           | Company  |          |
|--------------------------|-----------|-----------|----------|----------|
|                          | 2014      | 2013      | 2014     | 2013     |
|                          | HK\$'000  | HK\$'000  | HK\$'000 | HK\$'000 |
| Unlisted shares, at cost | —         | —         | 250      | 250      |
| Share of net assets      | 1,582,912 | 1,518,902 | —        | —        |
| Goodwill                 | 137       | 137       | —        | —        |
|                          | 1,583,049 | 1,519,039 | 250      | 250      |

Aggregate information of associates that are not individually material:

|  | 2014      | 2013      |
|--|-----------|-----------|
|  | HK\$'000  | HK\$'000  |
| Aggregate carrying amount of individually immaterial associates in the consolidated financial statements | 1,583,049 | 1,519,039 |
| Aggregate amounts of the Group's share of those associates'  |           |           |
| Profit for the year  | 50,801    | 16,903    |
| Other comprehensive income/(loss)  | 7,224     | (37,239)  |
| Total comprehensive income/(loss)  | 58,025    | (20,336)  |

Particulars regarding the principal associates are set out in note 46.

## 18 Intangible assets

### Group

|                                    | Licences     | Franchises<br>and royalties | Brand use right | Total         |
|------------------------------------|--------------|-----------------------------|-----------------|---------------|
|                                    | HK\$'000     | HK\$'000                    | HK\$'000        | HK\$'000      |
| <b>Cost</b>                        |              |                             |                 |               |
| At 1 January 2013                  | 2,999        | 4,617                       | —               | 7,616         |
| Addition                           | —            | —                           | 34,702          | 34,702        |
| At 31 December 2013                | <b>2,999</b> | <b>4,617</b>                | <b>34,702</b>   | <b>42,318</b> |
| Addition                           | 485          | —                           | —               | 485           |
| Disposal                           | —            | (3,453)                     | —               | (3,453)       |
| Disposal of subsidiaries           | (400)        | —                           | —               | (400)         |
| At 31 December 2014                | <b>3,084</b> | <b>1,164</b>                | <b>34,702</b>   | <b>38,950</b> |
| <b>Accumulated amortisation</b>    |              |                             |                 |               |
| At 1 January 2013                  | 986          | 4,036                       | —               | 5,022         |
| Amortisation for the year (note 6) | 160          | 89                          | —               | 249           |
| At 31 December 2013                | <b>1,146</b> | <b>4,125</b>                | <b>—</b>        | <b>5,271</b>  |
| Amortisation for the year (note 6) | 173          | 89                          | —               | 262           |
| Disposal                           | —            | (3,453)                     | —               | (3,453)       |
| Disposal of subsidiaries           | (400)        | —                           | —               | (400)         |
| At 31 December 2014                | <b>919</b>   | <b>761</b>                  | <b>—</b>        | <b>1,680</b>  |
| <b>Net book value</b>              |              |                             |                 |               |
| At 31 December 2014                | <b>2,165</b> | <b>403</b>                  | <b>34,702</b>   | <b>37,270</b> |
| At 31 December 2013                | 1,853        | 492                         | 34,702          | 37,047        |

# Notes to the Financial Statements

## 19 Available-for-sale investments

|   | Group    |          | Company  |          |
|---|----------|----------|----------|----------|
|   | 2014     | 2013     | 2014     | 2013     |
|   | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <b>Equity securities</b>                  |          |          |          |          |
| Unlisted                                  |          |          |          |          |
| Cost                                      | 892,345  | 892,910  | 233,679  | 233,679  |
| Impairment losses                         | (76,748) | (77,289) | —        | —        |
|   | 815,597  | 815,621  | 233,679  | 233,679  |
| Listed in Hong Kong, at fair value        | 160,453  | 158,735  | —        | —        |
| Listed outside Hong Kong, at fair value   | 7,693    | 9,581    | —        | —        |
|   | 983,743  | 983,937  | 233,679  | 233,679  |
| <b>Investment funds</b>                   |          |          |          |          |
| Listed outside Hong Kong, at market value | 14       | 14       | —        | —        |
| Unlisted, at fair value                   | 12,610   | 15,119   | —        | —        |
|   | 12,624   | 15,133   | —        | —        |
|   | 996,367  | 999,070  | 233,679  | 233,679  |

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

|                      | Group    |          | Company  |          |
|----------------------|----------|----------|----------|----------|
|                      | 2014     | 2013     | 2014     | 2013     |
|                      | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Hong Kong dollar     | 973,469  | 971,752  | 233,679  | 233,679  |
| United States dollar | 22,898   | 27,318   | —        | —        |
|                      | 996,367  | 999,070  | 233,679  | 233,679  |

The fair values of listed equity securities are determined on the basis of their quoted market prices at the balance sheet date. Investment funds are valued based on the net asset value per share as reported by the managers of such funds.

Certain available-for-sale investments of the Group, including an unlisted equity investment in STDMM, are not stated at fair value but at cost because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant for these investments and the probabilities of the various estimates cannot be reasonably assessed. The Directors of the Company are of the opinion that it is appropriate to state these available-for-sale investments at cost less any identified impairment loss at the balance sheet date.



## 20 Mortgage loans receivable

|                                 | Group    |          |
|---------------------------------|----------|----------|
|                                 | 2014     | 2013     |
|                                 | HK\$'000 | HK\$'000 |
| Mortgage loans receivable       | 10,425   | 15,621   |
| Less: Current portion (note 24) | (785)    | (1,141)  |
| Non-current portion             | 9,640    | 14,480   |

Mortgage loans receivable are secured by second mortgage of properties and interest bearing at prime rate to prime rate plus 2.75% (2013: prime rate to prime rate plus 2.75%) per annum.

The carrying amount of mortgage loans receivable approximates its fair value and is denominated in Hong Kong dollars.

## 21 Other non-current assets

|   | Group    |          | Company    |            |
|---|----------|----------|------------|------------|
|   | 2014     | 2013     | 2014       | 2013       |
|   | HK\$'000 | HK\$'000 | HK\$'000   | HK\$'000   |
| Amounts due by subsidiaries less provision (note a) | —        | —        | 10,334,276 | 11,807,060 |
| Amounts due by joint ventures (note b)              | 216,415  | 370,706  | —          | —          |
| Amounts due by associates (note c)                  | 24,353   | 24,014   | —          | —          |
| Club debentures                                     | 140      | 140      | —          | —          |
| Deposits  | —        | 418,182  | —          | —          |
|   | 240,908  | 813,042  | 10,334,276 | 11,807,060 |

Notes:

- Amounts due by subsidiaries are unsecured and with no fixed terms of repayment. An amount of HK\$226,695,000 (2013: HK\$233,082,000) is interest bearing at prime rate (2013: prime rate) per annum while the remaining balances are non-interest bearing. The balances are denominated in Hong Kong dollars.
- Amounts due by joint ventures of HK\$212,433,000 (2013: HK\$360,568,000) are interest bearing at HIBOR plus 3% (2013: HIBOR plus 3%) per annum on loan principal. In 2013, HK\$1,070,000 was interest bearing at LIBOR plus 2% per annum. The remaining balances are non-interest bearing and are denominated in Hong Kong dollars.
- Amounts due by associates are unsecured, non-interest bearing and with no fixed terms of repayment. The balances were denominated in Hong Kong dollars.
- The maximum exposure to credit risk at balance sheet date is the carrying amounts, which approximate their fair values.

# Notes to the Financial Statements

## 22 Properties for or under development

|  | Group            |           |
|--|------------------|-----------|
|  | 2014             | 2013      |
|  | <b>HK\$'000</b>  | HK\$'000  |
| Properties for or under development, at cost | <b>7,930,387</b> | 9,292,429 |

The analysis of carrying value of leasehold land included in properties for or under development is as follows:

|  | Group            |           |
|--|------------------|-----------|
|  | 2014             | 2013      |
|  | <b>HK\$'000</b>  | HK\$'000  |
| <b>Hong Kong</b>                           |                  |           |
| Long-term lease – leases of over 50 years  | —                | 782,384   |
| <b>Outside Hong Kong</b>                   |                  |           |
| Long-term lease – leases for over 50 years | <b>926,415</b>   | —         |
| Medium-term lease – leases of 10-50 years  | <b>5,522,613</b> | 6,906,799 |
|  | <b>6,449,028</b> | 7,689,183 |

The amount of properties for or under development expected to be completed and recovered after more than one year is HK\$7,930,387,000 (2013: HK\$6,249,914,000).

Properties for or under development of HK\$6,929,678,000 (2013: HK\$8,931,840,000) were pledged to banks as securities for bank borrowings granted to certain subsidiaries of the Group (note 28).

## 23 Inventories

|                          | Group            |           |
|--------------------------|------------------|-----------|
|                          | 2014             | 2013      |
|                          | <b>HK\$'000</b>  | HK\$'000  |
| Properties held for sale | <b>1,914,445</b> | 1,970,723 |
| Spare parts              | <b>162,605</b>   | 153,554   |
| Others                   | <b>13,442</b>    | 12,109    |
|                          | <b>2,090,492</b> | 2,136,386 |

## 23 Inventories (Continued)

The analysis of carrying value of leasehold land included in properties held for sale is as follows:

|  | Group            |                  |
|--|------------------|------------------|
|  | 2014             | 2013             |
|  | HK\$'000         | HK\$'000         |
| <b>Hong Kong</b>                           |                  |                  |
| Long-term lease – leases for over 50 years | 782,384          | —                |
| Medium-term lease – leases of 10-50 years  | 52,415           | 765,073          |
|  | <b>834,799</b>   | <b>765,073</b>   |
| <b>Outside Hong Kong</b>                   |                  |                  |
| Medium-term lease – leases of 10-50 years  | 255,867          | 407,384          |
|  | <b>1,090,666</b> | <b>1,172,457</b> |

## 24 Trade and other receivables, and deposits paid

|  | Group            |                  | Company       |               |
|--|------------------|------------------|---------------|---------------|
|  | 2014             | 2013             | 2014          | 2013          |
|  | HK\$'000         | HK\$'000         | HK\$'000      | HK\$'000      |
| Trade receivables (note a)   | 1,353,828        | 135,832          | —             | —             |
| Less: Provision for impairment of trade receivables                        | (497)            | (4,322)          | —             | —             |
|  | <b>1,353,331</b> | <b>131,510</b>   | <b>—</b>      | <b>—</b>      |
| Amount due by an associate (note b)  | 24,487           | —                | —             | —             |
| Current portion of mortgage loans receivable (note 20)                     | 785              | 1,141            | —             | —             |
| Deposits for acquisitions of interests in land development rights (note c) | 814,542          | 814,542          | —             | —             |
| Deposit for land acquisition (note d)                                      | —                | 922,071          | —             | —             |
| Other debtors, deposits and prepayments                                    | 307,824          | 301,369          | 43,095        | 11,538        |
|  | <b>2,500,969</b> | <b>2,170,633</b> | <b>43,095</b> | <b>11,538</b> |

# Notes to the Financial Statements

## 24 Trade and other receivables, and deposits paid (*Continued*)

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

|                      | Group            |                  | Company       |               |
|----------------------|------------------|------------------|---------------|---------------|
|                      | 2014             | 2013             | 2014          | 2013          |
|                      | HK\$'000         | HK\$'000         | HK\$'000      | HK\$'000      |
| Hong Kong dollar     | 2,422,770        | 2,137,681        | 33,890        | 11,538        |
| Macau pataca         | 26,118           | 15,967           | 44            | —             |
| Renminbi             | 18,770           | 10,351           | 7,910         | —             |
| United States dollar | 32,494           | 6,580            | 1,251         | —             |
| Others               | 817              | 54               | —             | —             |
|                      | <b>2,500,969</b> | <b>2,170,633</b> | <b>43,095</b> | <b>11,538</b> |

Notes:

### (a) Trade receivables

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

|              | Group            |                |
|--------------|------------------|----------------|
|              | 2014             | 2013           |
|              | HK\$'000         | HK\$'000       |
| 0 - 30 days  | 1,323,516        | 103,504        |
| 31 - 60 days | 22,151           | 23,208         |
| 61 - 90 days | 5,140            | 4,327          |
| over 90 days | 3,021            | 4,793          |
|              | <b>1,353,828</b> | <b>135,832</b> |

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

Notes: (Continued)

### (a) Trade receivables (Continued)

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

|                 | Group          |               |
|-----------------|----------------|---------------|
|                 | 2014           | 2013          |
|                 | HK\$'000       | HK\$'000      |
| Past due up to: |                |               |
| 0 - 30 days     | 93,634         | 40,652        |
| 31 - 60 days    | 9,536          | 5,884         |
| 61 - 90 days    | 821            | 744           |
| over 90 days    | 2,478          | 426           |
|                 | <b>106,469</b> | <b>47,706</b> |

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

|  | Group      |              |
|--|------------|--------------|
|  | 2014       | 2013         |
|  | HK\$'000   | HK\$'000     |
| At 1 January                               | 4,322      | 4,400        |
| Impairment loss recognised during the year | 44         | 13           |
| Impairment loss reversed during the year   | (89)       | (91)         |
| Uncollectible amount written off           | (3,780)    | —            |
| At 31 December                             | <b>497</b> | <b>4,322</b> |

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

(b) Amount due by an associate is unsecured, non-interest bearing and repayable within one year.

(c) Deposits for acquisitions of interests in land development rights

These represent refundable deposits paid by the Group for acquiring interests in land development rights from a third party and a related company in Macau. Upon completion of the acquisition, the balances will be reclassified to properties for or under development. The transaction is further disclosed in significant related party transactions (note 37(viii)).

(d) Deposit for land acquisition

In 2013, the amount represented the land price for a piece of land located in Hengqin New Area, Zhuhai, the PRC. During the year, HK\$922,071,000 is transferred to property for or under development upon obtaining the ownership certificate.

# Notes to the Financial Statements

## 25 Derivative financial instruments

|                                | Group    |          |
|--------------------------------|----------|----------|
|                                | 2014     | 2013     |
|                                | HK\$'000 | HK\$'000 |
| <b>Non-current assets</b>      |          |          |
| Cross-currency swaps (note a)  | 8,133    | —        |
| <b>Current assets</b>          |          |          |
| Fuel swap contracts (note b)   | —        | 8,113    |
| <b>Non-current liabilities</b> |          |          |
| Cross-currency swaps (note a)  | —        | 4,556    |
| <b>Current liabilities</b>     |          |          |
| Fuel swap contracts (note b)   | 115,871  | —        |

The derivative financial instruments are denominated in United States dollar.

Notes:

- (a) The Group uses cross-currency swaps to hedge against the foreign currency risk in respect of medium term notes (note 31) denominated in United State dollar with aggregate principal amount of US\$400 million at 31 December 2014.

The gain (2013: loss) in fair value of cross-currency swap contracts that are designated and qualified as cash flow hedges amounting to HK\$12,689,000 (2013: HK\$4,556,000) are recognised in hedging reserve in equity for the year ended 31 December 2014. Under cash flow hedges, the amount of HK\$102,000 was transferred from hedging reserve to profit and loss for the year (2013: nil) in the consolidated income statement.

Hedging reserve arose from gain (2013: loss) in fair value of the cross-currency swap contracts qualified as cash flow hedge was HK\$8,031,000 as at 31 December 2014 (2013: HK\$4,556,000).

As at December 2014, the Group had two (2013: two) outstanding currency swap contracts. These contracts will expire in March 2020.

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

The loss (2013: gain) in fair value of fuel swap contracts that are designated and qualified as cash flow hedges amounting to HK\$64,424,000 (2013: HK\$5,824,000) are recognised in hedging reserve in equity for the year ended 31 December 2014. Under cash flow hedges, the amount of HK\$20,317,000 was transferred from profit and loss to hedging reserve for the year (2013: HK\$2,940,000 from hedging reserve to profit and loss) in the consolidated income statement.

Hedging reserve arose from loss (2013: gain) in fair value of the fuel swap contracts qualified as cash flow hedge was HK\$41,223,000 as at 31 December 2014 (2013: HK\$2,884,000).

As at December 2014, the Group had outstanding fuel swap contracts to buy approximately 360,000 (2013: 96,000) barrels of fuel. These contracts expire in December 2015 (2013: December 2014).



## 26 Cash and bank balances

|                        | Group             |           | Company          |           |
|------------------------|-------------------|-----------|------------------|-----------|
|                        | 2014              | 2013      | 2014             | 2013      |
|                        | HK\$'000          | HK\$'000  | HK\$'000         | HK\$'000  |
| Bank deposits          | 13,602,859        | 7,081,011 | 8,597,284        | 3,443,684 |
| Cash and bank balances | 2,205,746         | 1,057,424 | 36,290           | 41,227    |
|                        | <b>15,808,605</b> | 8,138,435 | <b>8,633,574</b> | 3,484,911 |

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

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

|                      | Group             |           | Company          |           |
|----------------------|-------------------|-----------|------------------|-----------|
|                      | 2014              | 2013      | 2014             | 2013      |
|                      | HK\$'000          | HK\$'000  | HK\$'000         | HK\$'000  |
| Hong Kong dollar     | 13,026,084        | 5,351,966 | 6,530,492        | 1,213,845 |
| Macau pataca         | 147,345           | 149,883   | 26,214           | 8,790     |
| Renminbi             | 1,707,491         | 1,243,523 | 1,370,755        | 891,215   |
| United States dollar | 827,226           | 1,273,401 | 607,091          | 1,252,518 |
| Singapore dollar     | 100,459           | 119,662   | 99,022           | 118,543   |
|                      | <b>15,808,605</b> | 8,138,435 | <b>8,633,574</b> | 3,484,911 |

The balance at the balance sheet date includes amount of HK\$1,118,902,000 (2013: HK\$238,860,000) held under charge in favour of banks in respect of bank loan facilities (note 28), of which, HK\$1,009,860,000 (2013: HK\$94,093,000) are property presale proceeds which can be utilised to settle relevant project construction cost payable. The remaining balance of HK\$109,042,000 (2013: HK\$144,767,000) can be utilised under specified conditions by the Group.

# Notes to the Financial Statements

## 27 Trade and other payables, and receipts in advance

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2014             | 2013             | 2014             | 2013             |
|   | HK\$'000         | HK\$'000         | HK\$'000         | HK\$'000         |
| Amounts due to subsidiaries (note a)                                  | —                | —                | 7,780,572        | 4,031,016        |
| Amount due to a joint venture (note a)                                | 212,226          | 331,695          | —                | —                |
| Amount due to an associate (note a)                                   | —                | 2,846            | —                | —                |
| Trade and other creditors, deposits and accrued charges (note b)      | 1,590,055        | 1,107,164        | 22,782           | 23,375           |
| Deposit received for partial disposal of a subsidiary (note 41(b)(i)) | —                | 500,000          | —                | —                |
| Current portion of receipts in advance (note c)                       | —                | 1,412            | —                | —                |
|   | <b>1,802,281</b> | <b>1,943,117</b> | <b>7,803,354</b> | <b>4,054,391</b> |
| Receipts in advance (note c)  | —                | 50,847           | —                | —                |
| Less: Current portion   | —                | (1,412)          | —                | —                |
| Non-current portion   | —                | 49,435           | —                | —                |

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

|                      | Group            |                  | Company          |                  |
|----------------------|------------------|------------------|------------------|------------------|
|                      | 2014             | 2013             | 2014             | 2013             |
|                      | HK\$'000         | HK\$'000         | HK\$'000         | HK\$'000         |
| Hong Kong dollar     | 1,128,116        | 1,617,938        | 7,803,354        | 4,054,391        |
| Macau pataca         | 395,741          | 248,777          | —                | —                |
| Renminbi             | 32,022           | 16,635           | —                | —                |
| United States dollar | 241,586          | 54,881           | —                | —                |
| Others               | 4,816            | 4,886            | —                | —                |
|                      | <b>1,802,281</b> | <b>1,943,117</b> | <b>7,803,354</b> | <b>4,054,391</b> |

Notes:

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

|              | Group          |                |
|--------------|----------------|----------------|
|              | 2014           | 2013           |
|              | HK\$'000       | HK\$'000       |
| 0 - 30 days  | 821,829        | 698,852        |
| 31 - 60 days | 2,864          | 3,735          |
| 61 - 90 days | 2,498          | 1,367          |
| over 90 days | 281            | 7,918          |
|              | <b>827,472</b> | <b>711,872</b> |

- (c) In 2013, the balance represents fee received in advance in respect of management services to be rendered for columbarium niches sold.

## 28 Bank borrowings

|  | Group              |           |
|--|--------------------|-----------|
|  | 2014               | 2013      |
|  | HK\$'000           | HK\$'000  |
| <b>Bank borrowings repayable as follows:</b> |                    |           |
| Not exceeding 1 year                         | 2,887,000          | 670,000   |
| More than 1 year but not exceeding 2 years   | 3,102,515          | 1,739,000 |
| More than 2 years but not exceeding 5 years  | 3,036,860          | 2,506,000 |
| More than 5 years                            | 164,670            | —         |
|  | <b>9,191,045</b>   | 4,915,000 |
| Less: Current portion                        | <b>(2,887,000)</b> | (670,000) |
| Non-current portion                          | <b>6,304,045</b>   | 4,245,000 |

Bank borrowings include secured bank borrowings of HK\$2,941,045,000 (2013: HK\$1,865,000,000), and are secured by the following pledged assets:

|   | Group             |            |
|---|-------------------|------------|
|   | 2014              | 2013       |
|   | HK\$'000          | HK\$'000   |
| Property, plant and equipment (note 12)       | 1,369,909         | 1,186,923  |
| Properties for or under development (note 22) | 6,929,678         | 8,931,840  |
| Land use rights (note 14)                     | 339,858           | —          |
| Investment properties (note 13)               | 1,901,483         | 770,000    |
| Cash and bank balances (note 26)              | 1,118,902         | 238,860    |
| Other assets                                  | 1,766,260         | 78,088     |
|   | <b>13,426,090</b> | 11,205,711 |

Out of the above secured bank borrowings, an aggregate amount of HK\$2,244,545,000 (2013: HK\$1,770,000,000) are also secured by pledges of shares of certain subsidiaries (note 46). The balance is secured by corporate guarantees of the Company and/or certain subsidiaries.

Bank borrowings to the extent of HK\$890,500,000 (2013: HK\$483,000,000) are repayable by instalments.

Bank borrowings are interest bearing at floating rates with the contractual interest repricing dates ranged within 6 months. As at 31 December 2014, the weighted average effective interest rate of the Group's bank borrowings was 1.8% (2013: 1.7%) per annum.

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

|                  | Group            |           |
|------------------|------------------|-----------|
|                  | 2014             | 2013      |
|                  | HK\$'000         | HK\$'000  |
| Hong Kong dollar | 8,941,545        | 4,915,000 |
| Renminbi         | 249,500          | —         |
|                  | <b>9,191,045</b> | 4,915,000 |

# Notes to the Financial Statements

## 29 Provision for employee benefits

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

|  | Group    |          | Company  |          |
|--|----------|----------|----------|----------|
|  | 2014     | 2013     | 2014     | 2013     |
|  | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January                             | 17,059   | 18,015   | 3,705    | 3,713    |
| Net amount provided during the year      | 507      | 338      | 83       | —        |
| Amount utilised and paid during the year | (2,335)  | (1,294)  | —        | (8)      |
| Disposal of subsidiaries (note 41(a))    | (65)     | —        | —        | —        |
| At 31 December                           | 15,166   | 17,059   | 3,788    | 3,705    |

## 30 Convertible bonds

|  | Group     |          |
|--|-----------|----------|
|  | 2014      | 2013     |
|  | HK\$'000  | HK\$'000 |
| As at 1 January                              | 827,279   | 813,379  |
| Imputed interest expense (note 8)            | 34,036    | 41,415   |
| Interest paid                                | (27,515)  | (27,515) |
| Derecognition of liabilities upon redemption | (833,800) | —        |
| As at 31 December                            | —         | 827,279  |

On 22 October 2009, Joyous King Group Limited (the “Issuer”), a wholly-owned subsidiary of the Group, issued guaranteed convertible bonds with an aggregate principal amount of HK\$1,550 million (the “Bonds”) to certain professional investors, pursuant to a convertible bond subscription agreement dated 17 September 2009. The Bonds bear an annual interest of 3.3% and will mature at the fifth anniversary of the issue date. The outstanding principal amount of the Bonds, if not converted or redeemed according to the terms or conditions of the Bonds, will be repaid on the maturity date at 100% of the outstanding amount.

The Bonds are convertible on or after 22 October 2010 up to and including 15 October 2014 into fully paid ordinary shares with a par value of HK\$0.25 each of the Company at the initial conversion price of HK\$8.18 per share. The conversion price was adjusted in accordance with the terms of the trust deed dated 22 October 2009 to HK\$7.89, HK\$7.17 and HK\$7.08 per share in June 2010, February 2012 and June 2013, respectively.

The holder has the right to require the Issuer to redeem the Bonds on 22 October 2012 and the Issuer may, after certain conditions of the Bonds are fulfilled, redeem the Bonds at any time after 22 October 2012 and prior to the maturity date of the Bonds.

The liability component is measured at amortised cost. The interest expense for the year is calculated by applying an effective interest rate of 5.05% to the liability component since the Bonds were issued.

On 22 October 2014, the Company fully redeemed the Bonds in the principal amount of HK\$833,800,000 at the redemption amount of HK\$847,558,000 (including the accrued and unpaid interest on its maturity) in accordance with the terms and conditions for the Bonds.

### 31 Medium term notes

The US\$400 million (approximately HK\$3,102,700,000) guaranteed medium term notes were issued by Joyous Glory Group Limited, a wholly-owned subsidiary of the Company, on 7 March 2013. The notes are unsecured and guaranteed by the Company as to repayment, carry an annual coupon of 5.7% per annum payable semi-annually and have a maturity term of 7 years. At 31 December 2014, the market value of the notes was HK\$3,227,615,000 (2013: HK\$3,138,803,000).

### 32 Loans from non-controlling shareholders

Loans from non-controlling shareholders are unsecured and expected to be repayable within one year or repayable on demand (2013: expected to be repayable within one year or repayable on demand). The Group has not provided any guarantee in favour of the non-controlling shareholders in respect of the loans advanced. At 31 December 2014, the loans are non-interest bearing (2013: The loans to the extent of HK\$331,072,000 are interest bearing at 1-month HIBOR plus 0.58% to 1-month HIBOR plus 1.8% per annum). The carrying amounts of loans from non-controlling shareholders approximate their fair value and are denominated in the following currencies:

|                  | Group          |                  |
|------------------|----------------|------------------|
|                  | 2014           | 2013             |
|                  | HK\$'000       | HK\$'000         |
| Hong Kong dollar | 357,993        | 1,158,114        |
| Renminbi         | 323,726        | —                |
|                  | <b>681,719</b> | <b>1,158,114</b> |

### 33 Share capital

|   | Note | 2014                 |                  | 2013             |           |
|---|------|----------------------|------------------|------------------|-----------|
|   |      | Number of shares     | HK\$'000         | Number of shares | HK\$'000  |
| Authorised:                                       | (a)  |                      |                  |                  |           |
| Ordinary shares of HK\$0.25 each                  | (b)  | —                    | —                | 6,000,000,000    | 1,500,000 |
| Issued and fully paid:                            |      |                      |                  |                  |           |
| Ordinary shares                                   |      |                      |                  |                  |           |
| At beginning of the year                          |      | 2,996,880,719        | 749,220          | 2,986,880,719    | 746,720   |
| Exercise of share options                         | (c)  | 45,585,066           | 131,991          | 10,000,000       | 2,500     |
| Transition to no-par value regime on 3 March 2014 | (d)  | —                    | 8,977,057        | —                | —         |
| Share issue expenses                              |      | —                    | (18)             | —                | —         |
| At end of the year                                |      | <b>3,042,465,785</b> | <b>9,858,250</b> | 2,996,880,719    | 749,220   |

# Notes to the Financial Statements

## 33 Share capital (Continued)

Notes:

- (a) Under the Hong Kong Companies Ordinance (Cap. 622), which came into effect on 3 March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders of the Company as a result of this transition.
- (c) During the year, share options (note 34) were exercised to subscribe for 45,585,066 (2013: 10,000,000) ordinary shares in the Company at a consideration of HK\$131,991,000 (2013: HK\$27,800,000).
- (d) In accordance with the transitional provisions set out in section 37 of the schedule 11 to Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital. Accordingly, share premium of HK\$8,876,887,000 and capital redemption reserve of HK\$100,170,000 become part of the Company's share capital since 3 March 2014.

## 34 Share option scheme

The share option scheme adopted by the Company on 31 May 2002 (the "2002 Share Option Scheme") was expired on 30 May 2012 and the share options granted prior to its expiration will continue to be valid and exercisable in accordance with the terms therein. The Company has currently a share option scheme (the "2012 Share Option Scheme") as approved by the shareholders of the Company at the annual general meeting of the Company held on 6 June 2012, whereby the board of directors of the Company may grant share options to eligible persons, including, among Directors and employees of the Company, to subscribe for ordinary shares in the Company, pursuant to the 2012 Share Option Scheme.

Details of the share options are as follows:

### 2014

| Date of grant                   | Exercise price | Number of share options |                           |                | Note     |
|---------------------------------|----------------|-------------------------|---------------------------|----------------|----------|
|                                 |                | At 1 January            | Exercised during the year | At 31 December |          |
| The 2002 Share Option Scheme    |                |                         |                           |                |          |
| 25 May 2004                     | HK\$2.78       | 39,924,689              | (39,924,689)              | —              | (i), (v) |
| 22 September 2004               | HK\$3.71       | 5,660,377               | (5,660,377)               | —              | (i)      |
| 1 February 2010                 | HK\$4.13       | 5,665,860               | —                         | 5,665,860      | (ii)     |
| 29 March 2011                   | HK\$3.86       | 5,660,620               | —                         | 5,660,620      | (iii)    |
|                                 |                | 56,911,546              | (45,585,066)              | 11,326,480     | (iv)     |
| Weighted average exercise price |                | HK\$3.11                | HK\$2.90                  | HK\$4.00       |          |

### 34 Share option scheme (*Continued*) 2013

| Date of grant                   | Exercise price | Number of share options |                           |                | Note     |
|---------------------------------|----------------|-------------------------|---------------------------|----------------|----------|
|                                 |                | At 1 January            | Exercised during the year | At 31 December |          |
| The 2002 Share Option Scheme    |                |                         |                           |                |          |
| 25 May 2004                     | HK\$2.78       | 49,924,689              | (10,000,000)              | 39,924,689     | (i), (v) |
| 22 September 2004               | HK\$3.71       | 5,660,377               | —                         | 5,660,377      | (i)      |
| 1 February 2010                 | HK\$4.13       | 5,665,860               | —                         | 5,665,860      | (ii)     |
| 29 March 2011                   | HK\$3.86       | 5,660,620               | —                         | 5,660,620      | (iii)    |
|                                 |                | 66,911,546              | (10,000,000)              | 56,911,546     | (iv)     |
| Weighted average exercise price |                | HK\$3.06                | HK\$2.78                  | HK\$3.11       |          |

## Notes:

- (i) The share options outstanding at 31 December 2014 and 31 December 2013 were granted to Directors of the Company and exercisable during a period of 10 years commencing on the date of each grant. These share options vested on the date of each respective grant.
- (ii) The 5,665,860 share options were granted to a Director of the Company. 50% of which vested on 1 April 2010 and the remaining 50% vested on 1 April 2011.
- The expiry date of the share options was 31 January 2015.
- (iii) The 5,660,620 share options were granted to Directors of the Company and exercisable during the period commencing on 29 March 2011 (i.e. date of grant) and expiring on 27 March 2021. These share options vested on the date of grant.
- (iv) The weighted average remaining contractual life for the share options outstanding at 31 December 2014 is 3.16 years (2013: 1.18 years).
- (v) During the year, 45,585,066 share options were exercised under the 2002 Share Option Scheme (2013: 10,000,000). The weighted average share price at the dates of exercise was HK\$4.16 (2013: HK\$4.03). No share options were granted under the 2012 Share Option Scheme; and no share options were cancelled or lapsed under the 2012 Share Option Scheme and 2002 Share Option Scheme during the years ended 31 December 2013 and 2014.



# Notes to the Financial Statements

## 35 Other Reserves

### (a) Group

|  | 2014              | 2013              |
|--|-------------------|-------------------|
|  | HK\$'000          | HK\$'000          |
| Capital reserve (note (i))                   | 28,048            | 28,048            |
| Convertible bonds equity reserve (note (ii)) | —                 | 43,248            |
| Legal reserve (note (iii))                   | 10,972            | 10,560            |
| Special reserve (note (iv))                  | (151,413)         | (151,413)         |
| Investment revaluation reserve               | 88,654            | 89,213            |
| Hedging reserve                              | (33,192)          | (1,672)           |
| Asset revaluation reserve (note (v))         | 1,015,275         | 1,179,563         |
| Exchange reserve                             | 27,802            | 49,752            |
| Retained profits                             | 15,065,773        | 10,164,531        |
|  | <b>16,051,919</b> | <b>11,411,830</b> |

Notes:

- (i) Capital reserve comprises (i) the portion of grant date fair value of unexercised share option granted to Directors of the Company; and (ii) the reserve is dealt with in accordance with the accounting policy adopted for share-based payments in note 2(w).
- (ii) The convertible bonds equity reserve represents the value of the unexercised equity component of convertible bonds issued by the Group. On 22 October 2014, the Group has redeemed the convertible bonds and the corresponding convertible bonds equity reserve was transferred to the retained profits.
- (iii) Legal reserve is a non-distributable reserve of certain subsidiaries, joint ventures and associates which is set aside from the profits of these companies in accordance with the Commercial Code of Macau Special Administrative Region or PRC laws whenever applicable.
- (iv) Special reserve represents the difference between the fair value and the carrying amount of the underlying assets and liabilities attributable to the additional interest in a subsidiary being acquired from non-controlling interests.
- (v) Asset revaluation reserve represents the fair value adjustment to the identifiable net assets acquired arising from step up acquisitions of subsidiaries, as related to the Group's previously held interests in them and is dealt with in accordance with the accounting policy adopted for business combination achieved in stages under the then HKFRS 3 "Business Combinations" (as issued in 2004).

### (b) Company

|                     | Capital reserve | Retained profits | Total            |
|---------------------|-----------------|------------------|------------------|
|                     | HK\$'000        | HK\$'000         | HK\$'000         |
| At 1 January 2013   | 28,033          | 2,477,594        | 2,505,627        |
| Profit for the year | —               | 133,960          | 133,960          |
| Dividends           | —               | (254,735)        | (254,735)        |
| At 31 December 2013 | <b>28,033</b>   | <b>2,356,819</b> | <b>2,384,852</b> |
| Loss for the year   | —               | (21,529)         | (21,529)         |
| Dividends           | —               | (152,123)        | (152,123)        |
| At 31 December 2014 | <b>28,033</b>   | <b>2,183,167</b> | <b>2,211,200</b> |
| Represented by:     |                 |                  |                  |
| Proposed dividends  |                 |                  | 502,007          |
| Others              |                 |                  | 1,709,193        |
|                     |                 |                  | <b>2,211,200</b> |

### 36 Segment information

- (a) The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different products or services and requires different marketing strategies.

The Group currently has four reportable segments namely, property, transportation, hospitality and investment. The segmentations are based on the internal reporting information about the operations of the Group that management reviews regularly to make decisions on allocation of resources between segments and to assess segment performance.

The principal activities of each reportable segment are as follows:

|                |   |
|----------------|---|
| Property       | – property development and sales, leasing and management services |
| Transportation | – passenger transportation services                               |
| Hospitality    | – hotel operation, hotel management and travel agency services    |
| Investment     | – investment holding and others                                   |

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

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

Inter-segment transactions have been entered into on terms agreed by the parties concerned. The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2013.

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

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

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

# Notes to the Financial Statements

## 36 Segment information (Continued)

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

#### Group

#### 2014

|   | Property  | Transportation | Hospitality | Investment | Eliminations | Consolidated |
|---|-----------|----------------|-------------|------------|--------------|--------------|
|   | HK\$'000  | HK\$'000       | HK\$'000    | HK\$'000   | HK\$'000     | HK\$'000     |
| <b>Turnover and other income</b>                      |           |                |             |            |              |              |
| External turnover (note e)                            | 5,909,420 | 2,437,768      | 772,758     | 418,615    | —            | 9,538,561    |
| Inter-segment turnover                                | 1,458     | 708            | 50,002      | —          | (52,168)     | —            |
| Other income (external and excluding interest income) | 12,053    | 43,142         | 3,359       | 1,981      | —            | 60,535       |
|   | 5,922,931 | 2,481,618      | 826,119     | 420,596    | (52,168)     | 9,599,096    |
| <b>Segment results</b>                                | 2,486,554 | 236,263        | 91,893      | 379,102    | —            | 3,193,812    |
| Fair value changes on investment properties           | 941,420   | —              | —           | —          | —            | 941,420      |
| Interest income                                       |           |                |             |            |              | 196,663      |
| Unallocated income                                    |           |                |             |            |              | 543          |
| Unallocated expense                                   |           |                |             |            |              | (160,223)    |
| Operating profit                                      |           |                |             |            |              | 4,172,215    |
| Finance costs   |           |                |             |            |              | (135,408)    |
| Share of results of joint ventures                    | 1,722,322 | (135,713)      | (5,385)     | —          | —            | 1,581,224    |
| Share of results of associates                        | 37,440    | 715            | 6,886       | 5,760      | —            | 50,801       |
| Profit before taxation                                |           |                |             |            |              | 5,668,832    |
| Taxation  |           |                |             |            |              | (404,999)    |
| Profit for the year                                   |           |                |             |            |              | 5,263,833    |

## 36 Segment information (Continued)

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

## Group

## 2014

|  | Property   | Transportation | Hospitality | Investment | Eliminations | Consolidated |
|--|------------|----------------|-------------|------------|--------------|--------------|
|  | HK\$'000   | HK\$'000       | HK\$'000    | HK\$'000   | HK\$'000     | HK\$'000     |
| <b>Assets</b>  |            |                |             |            |              |              |
| Segment assets   | 23,523,399 | 3,668,478      | 1,426,362   | 1,049,256  | (22,849)     | 29,644,646   |
| Joint ventures   | 5,986,743  | 111,681        | (108,356)   | —          | —            | 5,990,068    |
| Associates   | 1,373,451  | 4,351          | 200,751     | 4,496      | —            | 1,583,049    |
| Unallocated assets   |            |                |             |            |              | 10,237,364   |
| Total assets   |            |                |             |            |              | 47,455,127   |
| <b>Liabilities</b>   |            |                |             |            |              |              |
| Segment liabilities  | 1,279,044  | 380,521        | 133,146     | 12,044     | (21,845)     | 1,782,910    |
| Unallocated liabilities  |            |                |             |            |              | 14,560,551   |
| Total liabilities  |            |                |             |            |              | 16,343,461   |
| <b>Other information</b>   |            |                |             |            |              |              |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | 1,692,300  | 19,008         | 23,267      | 4,198      | —            | 1,738,773    |
| Depreciation   | 6,223      | 109,204        | 37,459      | 541        | —            | 153,427      |
| Amortisation   |            |                |             |            |              |              |
| – prepaid premium for land lease and land use rights                                       | —          | —              | 244         | —          | —            | 244          |
| – intangible assets  | —          | —              | 173         | 89         | —            | 262          |
| Impairment losses  |            |                |             |            |              |              |
| – trade receivables  | —          | —              | 44          | —          | —            | 44           |

# Notes to the Financial Statements

## 36 Segment information (*Continued*)

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

#### Group

2013

|  | Property | Transportation | Hospitality | Investment | Eliminations | Consolidated |
|--|----------|----------------|-------------|------------|--------------|--------------|
|  | HK\$'000 | HK\$'000       | HK\$'000    | HK\$'000   | HK\$'000     | HK\$'000     |
| <b>Turnover and other income</b>                         |          |                |             |            |              |              |
| External turnover (note e)                               | 355,287  | 2,265,831      | 737,701     | 216,907    | —            | 3,575,726    |
| Inter-segment turnover                                   | 669      | 620            | 49,241      | —          | (50,530)     | —            |
| Other income (external and<br>excluding interest income) | 2,872    | 31,238         | 3,047       | 1,200      | —            | 38,357       |
|  | 358,828  | 2,297,689      | 789,989     | 218,107    | (50,530)     | 3,614,083    |
| <b>Segment results</b>                                   | 79,766   | 164,904        | 70,125      | 171,955    | —            | 486,750      |
| Fair value changes<br>on investment properties           | 576,790  | —              | —           | —          | —            | 576,790      |
| Interest income  |          |                |             |            |              | 101,908      |
| Unallocated income                                       |          |                |             |            |              | 739          |
| Unallocated expense                                      |          |                |             |            |              | (124,609)    |
| Operating profit   |          |                |             |            |              | 1,041,578    |
| Finance costs  |          |                |             |            |              | (158,639)    |
| Share of results of joint ventures                       | 949,018  | (24,355)       | (14,530)    | —          | —            | 910,133      |
| Share of results of associates                           | 9,685    | 492            | 4,480       | 2,246      | —            | 16,903       |
| Profit before taxation                                   |          |                |             |            |              | 1,809,975    |
| Taxation   |          |                |             |            |              | (91,732)     |
| Profit for the year                                      |          |                |             |            |              | 1,718,243    |

## 36 Segment information (Continued)

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

## Group

2013

|  | Property   | Transportation | Hospitality | Investment | Eliminations | Consolidated      |
|--|------------|----------------|-------------|------------|--------------|-------------------|
|  | HK\$'000   | HK\$'000       | HK\$'000    | HK\$'000   | HK\$'000     | HK\$'000          |
| <b>Assets</b>  |            |                |             |            |              |                   |
| Segment assets   | 21,850,650 | 3,178,485      | 1,444,536   | 1,038,154  | (21,103)     | 27,490,722        |
| Joint ventures   | 4,575,778  | 261,754        | (99,455)    | —          | —            | 4,738,077         |
| Associates   | 1,318,893  | 4,296          | 193,864     | 1,986      | —            | 1,519,039         |
| Unallocated assets   |            |                |             |            |              | 4,682,578         |
| Total assets   |            |                |             |            |              | <u>38,430,416</u> |
| <b>Liabilities</b>   |            |                |             |            |              |                   |
| Segment liabilities  | 2,257,217  | 341,518        | 122,310     | 5,419      | (21,103)     | 2,705,361         |
| Unallocated liabilities  |            |                |             |            |              | 11,208,982        |
| Total liabilities  |            |                |             |            |              | <u>13,914,343</u> |
| <b>Other information</b>   |            |                |             |            |              |                   |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | 1,822,961  | 258,330        | 48,412      | 1,665      | —            | 2,131,368         |
| Depreciation   | 16,585     | 110,647        | 62,623      | 974        | —            | 190,829           |
| Amortisation   |            |                |             |            |              |                   |
| – prepaid premium for land lease and land use rights                                       | —          | —              | 244         | —          | —            | 244               |
| – intangible assets  | —          | —              | 160         | 89         | —            | 249               |
| Impairment losses  |            |                |             |            |              |                   |
| – trade receivables  | —          | —              | 13          | —          | —            | 13                |

# Notes to the Financial Statements

## 36 Segment information (Continued)

### (c) Geographical information

The following table set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets (other than joint ventures, associates, financial instruments, deferred tax assets and other non-current assets). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of non-current assets is based on the location of the assets, in the case of tangible assets. The geographical location of intangible assets and goodwill is based on the location of the operation to which they are located.

#### Group

|  | Hong Kong | Macau     | Others    | Consolidated |
|--|-----------|-----------|-----------|--------------|
|  | HK\$'000  | HK\$'000  | HK\$'000  | HK\$'000     |
| <b>2014</b>  |           |           |           |              |
| Turnover and other income<br>from external customers | 4,045,334 | 5,439,177 | 114,585   | 9,599,096    |
| Non-current assets                                   | 6,289,255 | 1,503,860 | 2,475,499 | 10,268,614   |
| <b>2013</b>  |           |           |           |              |
| Turnover and other income<br>from external customers | 1,929,371 | 1,583,181 | 101,531   | 3,614,083    |
| Non-current assets                                   | 6,517,346 | 1,271,483 | 795,495   | 8,584,324    |

### (d) Information about major customers

In 2014 and 2013, the revenue from the Group's largest external customer amounted to less than 10% of the Group's total revenue.

### (e) External turnover

External turnover comprises of revenue by each reportable segment and dividend income from available-for-sale investments (note 4).



### 37 Significant related party transactions

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

|  | Note  | 2014     | 2013     |
|--|-------|----------|----------|
|  |       | HK\$'000 | HK\$'000 |
| <b>STDM Group</b>  | (i)   |          |          |
| Dividend income from STDM  |       | 374,896  | 176,326  |
| Ferry tickets sold (after discount) to STDM Group  |       | 135,934  | 125,137  |
| Fees received from STDM Group for provision of property related services   |       | 16,461   | 15,303   |
| Fees received from STDM Group for provision of hotel management and related services   |       | 17,378   | —        |
| Rental and related expenses paid to STDM Group   |       | 21,768   | 17,466   |
| Fuel purchased from STDM Group for Macau shipping operations   |       | 377,581  | 424,800  |
| Amount reimbursed by STDM Group for staff expenses and administrative resources shared   |       | 36,303   | 36,253   |
| Revenue of duty free goods sold on board collected for STDM  |       | 12,910   | 12,159   |
| <b>Shun Tak Centre Limited (“STC”)</b>   | (ii)  |          |          |
| Rental and related expenses paid to STC  |       | 8,026    | 7,648    |
| <b>Joint ventures</b>  |       |          |          |
| Interest income from joint ventures  | (v)   | 9,979    | 15,654   |
| Ferry passengers handling fees received on behalf of a joint venture   |       | 32,785   | 35,058   |
| Amounts paid to a joint venture in respect of the Chatham Gate redevelopment project for related construction cost and preliminary works |       | 61,341   | 121,857  |
| <b>Associates</b>  |       |          |          |
| Insurance premium paid to an associate   |       | 44,194   | 41,218   |
| Fuel costs paid to an associate  |       | 79,094   | 73,383   |
| <b>Key management personnel</b>  |       |          |          |
| Directors' emoluments  | (iii) |          |          |
| – Salaries and other short-term employee benefits  |       | 34,406   | 31,289   |
| – Post-employment benefits   |       | 1,359    | 1,304    |

# Notes to the Financial Statements

## 37 Significant related party transactions (Continued)

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

|   | Note        | 2014     | 2013     |
|---|-------------|----------|----------|
|   |             | HK\$'000 | HK\$'000 |
| <b>STDM Group</b>   |             |          |          |
| Net receivable from STDM Group  | (i)<br>(iv) | 32,785   | 25,265   |
| <b>Joint ventures</b>   |             |          |          |
| Amounts due by joint ventures   | (v)         | 216,415  | 370,706  |
| Amount due to a joint venture   | (v)         | 212,226  | 331,695  |
| Construction costs payable to a joint venture   |             | 17,395   | 17,556   |
| <b>Associates</b>   |             |          |          |
| Amounts due by associates   | (vi)        | 48,840   | 24,014   |
| <b>Key management personnel</b>   |             |          |          |
| Non-controlling shareholder's loan from a company in<br>which Dr. Stanley Ho has beneficial interests | (vii)       | 52,118   | 52,118   |
| Deposit paid by a subsidiary to Sai Wu Investment Limited ("Sai Wu")                                  | (viii)      | 500,000  | 500,000  |

#### Notes:

- (i) Dr. Stanley Ho, Dato' Dr. Cheng Yu Tung, Mrs. Louise Mok, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum, Directors of the Company, have beneficial interests in STDM. Dr. Stanley Ho and Ms. Pansy Ho are directors of STDM. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, which is a corporate director of STDM. Mr. David Shum is an appointed representative of the Company, which is a corporate director of STDM.
- (ii) Dr. Stanley Ho is a director of and has beneficial interests in STC. Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are also directors of STC.
- (iii) Further details of Directors' emoluments are disclosed in note 7 to the consolidated financial statements.
- (iv) Net receivable from STDM Group comprises trade and other receivables and payables.
- (v) Amount due to a joint venture is unsecured, non-interest bearing and with no fixed term of repayment.  
Amounts due by joint ventures are unsecured. Amount of HK\$216,415,000 (2013: HK\$369,636,000) has no fixed term of repayment. In 2013, amount of HK\$1,070,000 was repayable on demand. Amount of HK\$212,433,000 (2013: HK\$360,568,000) carries interest at HIBOR plus 3% (2013: HIBOR plus 3%) per annum. In 2013, HK\$1,070,000 carried interest at LIBOR plus 2% per annum. The related interest income for the year amounted to HK\$9,979,000 (2013: HK\$15,654,000).
- (vi) Amounts due by associates are unsecured, non-interest bearing and with no fixed term of repayment.
- (vii) The subsidiary, Shun Tak Cultural Centre Limited, holding 100% interest in Shun Tak Business Centre in Guangzhou, and is owned as to 60% by the Group and 40% by a company in which Dr. Stanley Ho has beneficial interests. The subsidiary received loans from both shareholders. Shareholders' loans are unsecured, non-interest bearing and with no fixed term of repayment.
- (viii) The subsidiary, Shun Tak Nam Van Investment Limited ("Shun Tak Nam Van"), entered into a conditional sale and purchase agreement with Sai Wu, a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by other independent third parties, to acquire the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau (note 24(c)). The refundable deposit of HK\$500,000,000 was paid by Shun Tak Nam Van to Sai Wu in order to further extend the completion date of the acquisition without changing the consideration or other terms of the acquisition. The completion date of the acquisition was further extended to on or before 31 December 2016.
- (ix) The related party transactions disclosed above are conducted at terms mutually agreed between the transacted parties.

### 38 Retirement benefits schemes

The Group provides defined contribution provident fund schemes for its eligible employees in Hong Kong, including the Occupational Retirement (ORSO) scheme and the Mandatory Provident Fund (MPF) scheme.

The Group's contributions to the MPF scheme are based on fixed percentages of members' salaries, ranging from 5% of MPF relevant income to 10% of the basic salary depending on respective companies' scheme rules and the choice of the employees. Members' mandatory contributions are fixed at 5% of MPF relevant monthly income which is capped at HK\$30,000 (2013: HK\$25,000).

The Group also operates a defined contribution provident fund scheme for eligible employees in Macau. Contributions to the scheme are made either only by the employer ranging from 5% to 10% or by both employer and employees ranging from 5% to 10% of the employees' monthly basic salaries.

The assets held under the MPF scheme and the other provident fund schemes are managed by independent trustees. The Group's contributions charged to the consolidated income statement for the year ended 31 December 2014 were HK\$51,620,000 (2013: HK\$49,417,000). Under the provident fund schemes other than MPF scheme, no forfeiture of employer's contributions was applied to reduce the Group's contributions for both years. Up to the balance sheet date, forfeited contributions retained in the ORSO and other provident fund schemes were HK\$20,587,000 (2013: HK\$20,650,000).

### 39 Commitments

#### (a) Capital commitments

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

|  | Note | Group    |           |
|--|------|----------|-----------|
|  |      | 2014     | 2013      |
|  |      | HK\$'000 | HK\$'000  |
| Contracted but not provided for                                  |      |          |           |
| Property, plant and equipment                                    |      | 38,827   | 23,990    |
| Building   | (i)  | —        | 1,266,111 |
| Investment properties  |      | 67,758   | —         |
|  |      | 106,585  | 1,290,101 |
| Authorised but not contracted for                                |      |          |           |
| Property, plant and equipment                                    |      | 5,041    | 6,549     |
| Capital contribution to  |      |          |           |
| Joint ventures   | (ii) | 278,314  | 268,699   |
| An associate   |      | 19,320   | 20,134    |
|  |      | 297,634  | 288,833   |
| The share of capital commitment of the joint venture as follows: |      |          |           |
| Contracted but not provided for                                  |      | —        | 798,774   |

# Notes to the Financial Statements

## 39 Commitments (Continued)

### (a) Capital commitments (Continued)

Notes:

- (i) In 2013, the Group had an outstanding commitment of RMB990 million (equivalent to approximately HK\$1,266 million) to acquire a wholly-owned property project in the Dong Cheng District, Beijing, the PRC.
- (ii) The Group has an outstanding commitment to contribute capital of approximately HK\$269 million to a joint venture subject to the obtaining of all relevant applicable government and regulatory approvals for the operating of a Hong Kong airline.

### (b) Lease commitments

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

|                                       | Group         |               |
|---------------------------------------|---------------|---------------|
|                                       | 2014          | 2013          |
|                                       | HK\$'000      | HK\$'000      |
| Within one year                       | 40,433        | 34,176        |
| In the second to fifth year inclusive | 41,335        | 23,037        |
| Over five years                       | 143           | —             |
|                                       | <b>81,911</b> | <b>57,213</b> |

Pursuant to the Sub-lease Agreement as detailed in note 14, the subsidiary has to pay a contingent rent to the Airport Authority Hong Kong, commencing from 15 December 2008, computed at a rate of 0.1% per annum on gross sales receipts of the subsidiary for the first two years, 3% per annum for the third to fifth years, 4.4% per annum for the sixth year and 5.8% per annum for the remaining period until expiry of the sub-lease term.

Contingent rental payment for the year amounting to approximately HK\$18,142,000 (2013: HK\$11,243,000) relating to the lease of hotel buildings is included in the consolidated income statement.

### (c) Future minimum lease payments receivable

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

|                                       | Group          |                |
|---------------------------------------|----------------|----------------|
|                                       | 2014           | 2013           |
|                                       | HK\$'000       | HK\$'000       |
| Within one year                       | 103,846        | 110,921        |
| In the second to fifth year inclusive | 76,017         | 111,788        |
| Over five years                       | 30,075         | 30,843         |
|                                       | <b>209,938</b> | <b>253,552</b> |

### 39 Commitments (*Continued*)

#### (d) Property development commitments

The Group had outstanding commitments of HK\$5,813 million (2013: HK\$1,071 million) under various contracts for property development projects.

In addition to the above, the Group had commitments of payment of HK\$3,080 million (2013: HK\$3,080 million) in cash and issue of 148,883,374 (2013: 148,883,374) ordinary shares of the Company for the acquisitions of the interests in the land development rights in respect of the property sites adjoining the Macau Tower in Nam Van, Macau (notes 24(c) and 37(viii)).

### 40 Contingency and financial guarantees

|  | Group    |          | Company   |           |
|--|----------|----------|-----------|-----------|
|  | 2014     | 2013     | 2014      | 2013      |
|  | HK\$'000 | HK\$'000 | HK\$'000  | HK\$'000  |
| Guarantees given by the Group to financial institutions on behalf of purchasers of flats           | 97       | 602      | 97        | 602       |
| Guarantees issued by the Company for credit facilities granted to subsidiaries                     | —        | —        | 8,198,546 | 4,330,000 |
| Guarantees issued by the Company for bank guarantees issued for the Group                          | —        | —        | 645       | 1,490     |
| Guarantee for convertible bonds issued by a subsidiary (note 30)                                   | —        | —        | —         | 833,800   |
| Guarantee given by the Company to the holders of guaranteed notes issued by a subsidiary (note 31) | —        | —        | 3,102,700 | 3,101,860 |

In addition to the above, the Group had provided guarantee to a third party in respect of the sum owing by a joint venture to the third party under a license agreement. At the balance sheet date, the Group's share of such contingent liabilities amounted to HK\$2.7 million (2013: HK\$2.2 million).

# Notes to the Financial Statements

## 41 Notes to Consolidated Cash Flow Statement

### (a) Disposal of subsidiaries

On 31 July 2014, the Group completed the disposal of 79% issued share capital of and shareholder loan due from Tin Wai Development Company, Limited (“Tin Wai”) at a consideration of HK\$657 million to a third party. On the same day, the Company also completed the disposal of the entire issued share capital of Joyous Park International Limited (“Joyous Park”) to that third party, at a consideration of HK\$3 million.

The net assets of Tin Wai and Joyous Park at the disposal date were as follows:

|   | Tin Wai   | Joyous Park | Total     |
|---|-----------|-------------|-----------|
|   | HK\$'000  | HK\$'000    | HK\$'000  |
| Property, plant and equipment (note 12)                 | 820       | 259         | 1,079     |
| Properties for or under development                     | 833,724   | —           | 833,724   |
| Inventories   | 41        | 12          | 53        |
| Trade and other receivables, and deposits paid          | 234       | 574         | 808       |
| Cash and bank balances                                  | 105,038   | 1,444       | 106,482   |
| Trade and other payables, and receipts in advance       | (58,438)  | (83)        | (58,521)  |
| Provision for employee benefits (note 29)               | (30)      | (35)        | (65)      |
| Taxation payable  | (3,060)   | (610)       | (3,670)   |
| Deferred tax liabilities (note 9(c))                    | (78,394)  | —           | (78,394)  |
| Net assets  | 799,935   | 1,561       | 801,496   |
| Less: Equity attributable to non-controlling interests  | (152,938) | —           | (152,938) |
| Loan from non-controlling shareholders                  | (15,048)  | —           | (15,048)  |
| Net assets disposed                                     | 631,949   | 1,561       | 633,510   |
| Net gain on disposal of subsidiaries (note 5)           | 16,912    | 1,439       | 18,351    |
|   | 648,861   | 3,000       | 651,861   |
| Satisfied by:   |           |             |           |
| Cash consideration received                             | 657,036   | 3,000       | 660,036   |
| Transaction costs directly attributable to the disposal | (8,175)   | —           | (8,175)   |
|   | 648,861   | 3,000       | 651,861   |

#### 41 Notes to Consolidated Cash Flow Statement (Continued)

##### (a) Disposal of subsidiaries (Continued)

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

|  | Tin Wai   | Joyous Park | Total     |
|--|-----------|-------------|-----------|
|  | HK\$'000  | HK\$'000    | HK\$'000  |
| Cash consideration   | 657,036   | 3,000       | 660,036   |
| Cash and bank balances disposed of   | (105,038) | (1,444)     | (106,482) |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | 551,998   | 1,556       | 553,554   |

##### (b) Sale of interests in subsidiaries without change of control

- (i) On 3 January 2014, Fast Shift Investments Limited ("Fast Shift"), an indirect wholly-owned subsidiary of the Company, issued a non-voting class B share (representing 100% non-voting class B share) to City Universe Limited ("CUL"), an indirect wholly-owned subsidiary of China State Construction International Holdings Limited. The total consideration for the share subscription and the transfer of shareholder loan by Ace Wonder Limited, the holding company of Fast Shift, was HK\$2,066 million of which HK\$500 million was received as deposit in 2013. Pursuant to the share subscription, CUL entitled to or bear 29% of the economic benefits in or losses arising from the residential portion of Nova City Phase V development. The transaction results in an increase in non-controlling interests of HK\$765 million and an increase in retained profits of HK\$1,056 million.
- (ii) On 8 January 2014, Shun Tak Development (China) Limited ("STDCL"), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement with Perennial Hengqin Investment Group Pte. Ltd. ("Investor") and Nation Mind Development Limited ("NMDL"), a wholly-owned subsidiary of STDCL, pursuant to which NMDL has allotted 300 shares to the Investor on 14 January 2014. According to the joint venture agreement, the Investor has paid an amount equivalent to approximately RMB263 million comprising (a) the share allotment to the Investor; and (b) the assignment to the Investor of 30% of the shareholder loan advanced by STDCL to NMDL, resulting in the Investor holding 30% of the equity interests in NMDL to develop a site located in Hengqin New Area, Zhuhai, the PRC. The transaction results in a decrease in non-controlling interests of HK\$0.1 million and an increase in retained profits of HK\$4 million.



# Notes to the Financial Statements

## 42 Financial instruments

### Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and price risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

#### (a) Credit risk

The Group is exposed to credit risk on financial assets, that a loss may incur if the counterparties fail to discharge their obligation, mainly including mortgage loans receivable, amounts due by joint ventures and associates, trade and other receivables, derivative financial assets, bank deposits and cash at banks.

Credit risk arises from cash and bank balances, derivative financial assets and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a sound credit rating are accepted. The Group manages credit risk arising from trade debtors in accordance with defined credit policies, dependent on market requirements and business which they operate. Subject to negotiation, credit is only available for major customers with well-established trading records. The Group offers general credit terms ranging from 0 day to 60 days to its customers, except for sales of properties the proceeds from which are receivable pursuant to the terms of the relevant agreements. In addition, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Management of the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment provisions are made for irrecoverable amounts.

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

#### Summary quantitative data

|   | Group      |           | Company    |            |
|---|------------|-----------|------------|------------|
|   | 2014       | 2013      | 2014       | 2013       |
|   | HK\$'000   | HK\$'000  | HK\$'000   | HK\$'000   |
| Mortgage loans receivable   | 10,425     | 15,621    | —          | —          |
| Other non-current assets (excluding deposits and club debentures)                           | 240,768    | 394,720   | 10,334,276 | 11,807,060 |
| Trade receivables, other receivables and deposits paid (excluding deposits and prepayments) | 1,449,013  | 167,087   | 42,683     | 11,166     |
| Derivative financial instruments  | 8,133      | 8,113     | —          | —          |
| Cash and bank balances  | 15,808,605 | 8,138,435 | 8,633,574  | 3,484,911  |
|   | 17,516,944 | 8,723,976 | 19,010,533 | 15,303,137 |

## 42 Financial instruments (*Continued*)

### Financial risk management (*Continued*)

#### (a) Credit risk (*Continued*)

At the balance sheet date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset. Except for the financial guarantees given by the Group as set out in note 40, the Group does not provide any other guarantees which would expose the Group or the Company to material credit risk.

Other non-current assets include amounts due by joint ventures amounting to HK\$216 million (2013: HK\$371 million). The Group has concentration of credit risk on amount due by a joint venture of HK\$216 million (2013: HK\$370 million). As the joint venture has a strong financial position, the Directors consider that the credit risk is minimal.

Exposure to credit risk of mortgage loans receivable is mitigated by the security of second mortgage of properties. Credit risk arising from the other financial instruments of the Group, which include mainly cash and bank balances, is limited because the counterparties are considered by the Directors to have high creditworthiness. The Directors assess the creditworthiness with reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the terms of financial assets which are past due or impaired have been renegotiated during the year ended 31 December 2014 and 2013.

#### (b) Liquidity risk

The Group is exposed to liquidity risk on financial liabilities. It is the Group's policy to regularly monitor its liquidity requirements and its compliance with any lending covenants, and to secure adequate funding and sufficient cash reserves to match with the cash flows required for working capital and investing activities. In addition, banking facilities have been put in place for contingency purposes. The table below analyses the Group's and the entity's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

# Notes to the Financial Statements

## 42 Financial instruments (Continued)

### Financial risk management (Continued)

#### (b) Liquidity risk (Continued)

##### 2014

|   | Less than<br>1 year | Later<br>than 1 year<br>and not later<br>than 5 years | More than<br>5 years | Total<br>undiscounted<br>cash flows | Carrying<br>amount at<br>31 December |
|---|---------------------|---|----------------------|-------------------------------------|--------------------------------------|
|   | HK\$'000            | HK\$'000  | HK\$'000             | HK\$'000                            | HK\$'000                             |
| <b>Group</b>                                |                     |   |                      |                                     |                                      |
| <b>Non-derivative financial liabilities</b> |                     |   |                      |                                     |                                      |
| Bank borrowings                             | 3,039,353           | 6,398,933   | 221,577              | 9,659,863                           | 9,191,045                            |
| Medium term notes                           | 176,854             | 707,415   | 3,191,127            | 4,075,396                           | 3,138,755                            |
| Trade and other payables                    | 1,758,924           | —   | —                    | 1,758,924                           | 1,758,924                            |
| Loans from non-controlling shareholders     | 681,719             | —   | —                    | 681,719                             | 681,719                              |
|   | <b>5,656,850</b>    | <b>7,106,348</b>                                      | <b>3,412,704</b>     | <b>16,175,902</b>                   | <b>14,770,443</b>                    |
| <b>Company</b>                              |                     |   |                      |                                     |                                      |
| Trade and other payables                    | 7,800,059           | —   | —                    | 7,800,059                           | 7,800,059                            |

##### 2013

|   | Less than<br>1 year | Later<br>than 1 year<br>and not later<br>than 5 years | More than<br>5 years | Total<br>undiscounted<br>cash flows | Carrying<br>amount at<br>31 December |
|---|---------------------|---|----------------------|-------------------------------------|--------------------------------------|
|   | HK\$'000            | HK\$'000  | HK\$'000             | HK\$'000                            | HK\$'000                             |
| <b>Group</b>                                |                     |   |                      |                                     |                                      |
| <b>Non-derivative financial liabilities</b> |                     |   |                      |                                     |                                      |
| Bank borrowings                             | 747,123             | 4,349,764   | —                    | 5,096,887                           | 4,915,000                            |
| Convertible bonds                           | 861,315             | —   | —                    | 861,315                             | 827,279                              |
| Medium term notes                           | 176,849             | 707,397   | 3,367,894            | 4,252,140                           | 3,134,161                            |
| Trade and other payables                    | 1,906,199           | —   | —                    | 1,906,199                           | 1,906,199                            |
| Loans from non-controlling shareholders     | 1,160,913           | —   | —                    | 1,160,913                           | 1,158,114                            |
|   | <b>4,852,399</b>    | <b>5,057,161</b>                                      | <b>3,367,894</b>     | <b>13,277,454</b>                   | <b>11,940,753</b>                    |
| <b>Company</b>                              |                     |   |                      |                                     |                                      |
| Trade and other payables                    | 4,051,095           | —   | —                    | 4,051,095                           | 4,051,095                            |

## 42 Financial instruments (Continued)

## Financial risk management (Continued)

## (c) Market risk

## (i) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities. It is the Group's policy to regularly monitor and manage its interest rate risk exposure, by maintaining an appropriate and comfortable level of mix between fixed and variable-rate financial assets and liabilities and by repaying and/or selling the relevant fixed and variable-rate financial assets and liabilities in case of significant unfavourable market interest rate movement.

## Summary quantitative data

## Group

|   | 2014               | 2013               |
|---|--------------------|--------------------|
|   | HK\$'000           | HK\$'000           |
| <b>Variable-rate financial assets/(liabilities)</b> |                    |                    |
| Mortgage loans receivable                           | 10,425             | 15,621             |
| Amounts due by joint ventures                       | 212,433            | 369,481            |
| Bank balances and deposits                          | 15,459,439         | 7,859,542          |
| Bank borrowings                                     | (9,191,045)        | (4,915,000)        |
| Loans from non-controlling shareholders             | —                  | (331,072)          |
|   | <b>6,491,252</b>   | <b>2,998,572</b>   |
| <b>Fixed-rate financial liabilities</b>             |                    |                    |
| Convertible bonds                                   | —                  | (827,279)          |
| Medium term notes                                   | (3,138,755)        | (3,134,161)        |
|   | <b>(3,138,755)</b> | <b>(3,961,440)</b> |
| Net interest-bearing assets/(liabilities)           | <b>3,352,497</b>   | <b>(962,868)</b>   |

## Company

|                                       | 2014             | 2013             |
|---------------------------------------|------------------|------------------|
|                                       | HK\$'000         | HK\$'000         |
| <b>Variable-rate financial assets</b> |                  |                  |
| Amounts due by subsidiaries           | 226,695          | 233,082          |
| Bank balances and deposits            | 8,618,979        | 3,467,562        |
|                                       | <b>8,845,674</b> | <b>3,700,644</b> |

# Notes to the Financial Statements

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## 42 Financial instruments (*Continued*)

### Financial risk management (*Continued*)

#### (c) Market risk (*Continued*)

##### (i) Interest rate risk (*Continued*)

###### Sensitivity analysis

At 31 December 2014, if interest rates had been 50 basis points (2013: 50 basis points) higher/lower with all other variables held constant, the Group's profit after taxation and equity after taking into account the impact of finance costs capitalised in properties under development would have been HK\$28.2 million higher (2013: HK\$40.2 million higher)/HK\$19.8 million lower (2013: HK\$1.2 million lower) arising mainly as a result of change in interest income, net on variable-rate financial assets/liabilities.

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

##### (ii) Currency risk

The Group's operations are mainly in Hong Kong, Macau and PRC. Entities within the Group is exposed to currency risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group closely manages its exposure to currency risk, by closely monitoring the movement of the foreign currency rates.

###### Sensitivity analysis

The Group's entities with functional currency of Hong Kong dollar ("HKD") is exposed to United States dollar ("USD"), Macau pataca ("MOP") and Renminbi ("RMB") currency risk. At 31 December 2014, if HKD weakened 10% (2013: 10%) against RMB with all other variable held constant, the Group's profit after taxation would have been HK\$99.4 million (2013: HK\$80.5 million) higher. Conversely, if HKD had strengthened 10% (2013: 10%) against RMB with all other variables held constant, the Group's profit after taxation would have been HK\$99.4 million (2013: HK\$80.5 million) lower.

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

## 42 Financial instruments (Continued)

### Financial risk management (Continued)

#### (c) Market risk (Continued)

##### (ii) Currency risk (Continued)

###### Sensitivity analysis (Continued)

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

##### (iii) Equity price risk

The Group is exposed to equity price risk on listed and unlisted equity securities.

The Group's policy is mainly to invest in financial assets with equity price risk by using its surplus funds in order to minimise the impact of the exposure to the Group's business operation and financial position and simultaneously, to enhance the return to the shareholders. The Group aims at holding the listed and unlisted equity securities for long term strategic purposes.

For its listed equity securities, the Group regularly monitors their performance by reviewing their share price and announcements, including interim and annual reports. These investments are selected based on their respective investment potential and prospect and are diversified in different industries. For its unlisted equity securities, the Group monitors their performance by reviewing their reports, including management reports and annual financial statements.

#### Summary quantitative data

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2014           | 2013           | 2014           | 2013           |
|   | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000       |
| <b>Financial assets, at fair value</b>                  |                |                |                |                |
| Available-for-sale investments                          | 180,770        | 183,449        | —              | —              |
| <b>Financial assets, at cost less impairment losses</b> |                |                |                |                |
| Available-for-sale investments                          | 815,597        | 815,621        | 233,679        | 233,679        |
|   | <b>996,367</b> | <b>999,070</b> | <b>233,679</b> | <b>233,679</b> |

# Notes to the Financial Statements

## 42 Financial instruments (Continued)

### Financial risk management (Continued)

#### (c) Market risk (Continued)

##### (iii) Equity price risk (Continued)

###### Sensitivity analysis

The Group's equity investments amounting to 93% (2013: 91.8%) of its financial assets carried at fair value are classified as available-for-sale investments with exposure to equity price risk and are listed on recognised stock exchanges in Hong Kong and the United States. A 10% (2013: 10%) increase in stock prices at 31 December 2014 would have increased the Group's equity by HK\$16.8 million (2013: HK\$16.8 million); an equal change in the opposite direction would have decreased the Group's equity by HK\$16.8 million (2013: HK\$16.8 million).

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

##### (iv) Fuel price risk

Fuel cost is a significant part of the Group's cost of inventories sold and service provided. Exposure to fluctuations in the fuel price is managed by hedging a percentage of its anticipated fuel consumption using fuel derivatives. In 2014, around 38% of the anticipated fuel consumption for 2015 (2013: around 10% of the anticipated fuel consumption for 2014) was hedged at the balance sheet date.

###### Summary quantitative data

|   | Group    |          |
|---|----------|----------|
|   | 2014     | 2013     |
|   | HK\$'000 | HK\$'000 |
| <b>Financial assets, at fair value</b>      |          |          |
| Fuel swap contracts                         | —        | 8,113    |
| <b>Financial liabilities, at fair value</b> |          |          |
| Fuel swap contracts                         | 115,871  | —        |

###### Sensitivity analysis

At 31 December 2014, if the fuel price increased by 10% (2013: 10%) with all other variables held constant, the Group's equity would have been HK\$16.9 million (2013: HK\$7.7 million) higher, representing the after-tax effect of change in fair value of fuel derivatives at the balance sheet date. Conversely, if the fuel price decreased by 10% (2013: 10%) with all other variables held constant, the Group's equity would have been HK\$16.9 million (2013: HK\$7.7 million) lower.

The sensitivity analysis has been prepared with the assumption that the change in fuel prices had occurred at the balance sheet date and had been applied to the exposure to fuel prices risk for the relevant financial instruments in existence at that date. The changes in prices at that date over the period until the next annual balance sheet date.



## 42 Financial instruments (Continued)

### Financial risk management (Continued)

#### (d) Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

|   | Group      |            | Company    |            |
|---|------------|------------|------------|------------|
|   | 2014       | 2013       | 2014       | 2013       |
|   | HK\$'000   | HK\$'000   | HK\$'000   | HK\$'000   |
| <b>Financial assets</b>                                 |            |            |            |            |
| Loan and receivables (including cash and bank balances) | 17,508,811 | 8,715,863  | 19,010,533 | 15,303,137 |
| Available-for-sale investments (note)                   | 996,367    | 999,070    | 233,679    | 233,679    |
| Derivative financial assets                             | 8,133      | 8,113      | —          | —          |
| <b>Financial liabilities</b>                            |            |            |            |            |
| Financial liabilities measured at amortised cost        | 14,770,443 | 11,940,753 | 7,800,059  | 4,051,095  |
| Derivative financial liabilities                        | 115,871    | 4,556      | —          | —          |

Note:

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

# Notes to the Financial Statements

## 42 Financial instruments (Continued)

### Financial risk management (Continued)

#### (e) Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

#### 2014

|  | Level 1        | Level 2         | Level 3  | Total         |
|--|----------------|-----------------|----------|---------------|
|  | HK\$'000       | HK\$'000        | HK\$'000 | HK\$'000      |
| <b>Assets/(liabilities)</b>            |                |                 |          |               |
| Derivatives used for hedging           |                |                 |          |               |
| – cross-currency swaps                 | —              | 8,133           | —        | 8,133         |
| – fuel swap contracts                  | —              | (115,871)       | —        | (115,871)     |
| Available-for-sale investments         |                |                 |          |               |
| – equity securities                    | 168,146        | —               | —        | 168,146       |
| – investment funds                     | 14             | 12,610          | —        | 12,624        |
| <b>Total assets/(liabilities), net</b> | <b>168,160</b> | <b>(95,128)</b> | <b>—</b> | <b>73,032</b> |

#### 2013

|                                | Level 1        | Level 2       | Level 3  | Total          |
|--------------------------------|----------------|---------------|----------|----------------|
|                                | HK\$'000       | HK\$'000      | HK\$'000 | HK\$'000       |
| <b>Assets/(liabilities)</b>    |                |               |          |                |
| Derivatives used for hedging   |                |               |          |                |
| – cross-currency swaps         | —              | (4,556)       | —        | (4,556)        |
| – fuel swap contracts          | —              | 8,113         | —        | 8,113          |
| Available-for-sale investments |                |               |          |                |
| – equity securities            | 168,316        | —             | —        | 168,316        |
| – investment funds             | 14             | 15,119        | —        | 15,133         |
| <b>Total assets, net</b>       | <b>168,330</b> | <b>18,676</b> | <b>—</b> | <b>187,006</b> |

## 42 Financial instruments (*Continued*)

### Financial risk management (*Continued*)

#### (e) Fair value estimation (*Continued*)

##### Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as available-for-sale.

##### Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

##### Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair values of derivative financial instruments are determined either by reference to mark-to-market values quoted by the independent financial institutions or the estimated future cash flows at the balance sheet date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

During the year, there were no significant transfers between financial instruments in level 1, level 2 and level 3.

# Notes to the Financial Statements

## 43 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure. The Group manages its capital structure and makes adjustments to it taking into account current and expected debt and equity capital market conditions, the Group's investment strategy and opportunities, projected operating cash flows and capital expenditures, and general market conditions. To maintain or adjust the capital structure, the Group may adjust the level of borrowings, the dividend payment to shareholders, issue new shares as well as the issue of new debt or repurchase of own shares.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. Net debt/cash is calculated as total debt, which includes current and non-current borrowings, less cash and bank balances. Adjusted capital comprises all components of equity attributable to owners of the Company less hedging reserve. During 2014, the Group's strategy, which was unchanged from 2013, was to maintain a healthy net debt-to-adjusted capital ratio.

The net debt-to-adjusted capital ratio at 31 December 2014 and 2013 was as follows:

|  | Group           |             |
|--|-----------------|-------------|
|  | 2014            | 2013        |
|  | <b>HK\$'000</b> | HK\$'000    |
| Bank borrowings (note 28)                    | 9,191,045       | 4,915,000   |
| Convertible bonds (note 30)                  | —               | 827,279     |
| Medium term notes (note 31)                  | 3,138,755       | 3,134,161   |
| Less: Cash and bank balances (note 26)       | (15,808,605)    | (8,138,435) |
| Net (cash)/debt                              | (3,478,805)     | 738,005     |
| Equity attributable to owners of the Company | 26,412,176      | 21,138,107  |
| Add: Hedging reserve (note 35)               | 33,192          | 1,672       |
| Adjusted capital                             | 26,445,368      | 21,139,779  |
| Net debt-to-adjusted capital ratio           | N/A             | 3.5%        |

## 44 Comparatives

The comparative figures of "Intangible assets", "Properties for or under development" and "Deferred tax liabilities" in the consolidated balance sheets as at 31 December 2013 and 2012 have been adjusted by a transfer from "Intangible assets" of HK\$362,453,000 to "Properties for or under development" of HK\$411,878,000 and "Deferred tax liabilities" of HK\$49,425,000. The adjustments are to adjust the fair value of the properties for or under development and the related deferred tax liabilities arising from an acquisition of additional equity interest in a then associate, which subsequently became a subsidiary of the Group in 2007. The adjustments do not have any impact on the net assets to the consolidated balance sheets and have no impact to the consolidated income statements in prior years.

## 45 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2015.

## 46 Principal subsidiaries, joint ventures and associates

|  | Place of incorporation/principal place of operation | Issued and paid up capital/registered capital | Percentage held by the Group |      | Principal activities                |
|--|---|---|------------------------------|------|-------------------------------------|
|  |   |   | 2014                         | 2013 |                                     |
| <b>Property - Hong Kong</b>                                |   |   |                              |      |                                     |
| Goform Limited   | Hong Kong   | Ordinary shares: HK\$2                        | 100                          | 100  | Property investment                 |
| Grace Wealth Development Limited                           | Hong Kong   | Ordinary share: HK\$1                         | 100                          | 100  | Property development                |
| Hocy Development Limited                                   | Hong Kong   | Ordinary shares: HK\$2                        | 100                          | 100  | Property investment                 |
| Iconic Palace Limited                                      | Hong Kong   | Ordinary shares: HK\$20                       | 100                          | 100  | Property investment                 |
| Megabright Investment Limited                              | Hong Kong   | Ordinary shares: HK\$2                        | 100                          | 100  | Investment holding and financing    |
| Ranex Investments Limited                                  | Hong Kong   | Ordinary shares: HK\$100                      | 51                           | 51   | Property investment and development |
| Sonata Kingdom Limited ^^                                  | Hong Kong   | Ordinary share: HK\$1                         | 100                          | 100  | Property investment                 |
| Shun Tak Development Limited                               | Hong Kong   | Ordinary shares:<br>HK\$27,840,000            | 100                          | 100  | Investment holding                  |
| Shun Tak Property Investment & Management Holdings Limited | Hong Kong   | Ordinary shares: HK\$2                        | 100                          | 100  | Property investment and management  |
| Shun Tak Property Management Limited                       | Hong Kong/<br>Hong Kong and Macau                   | Ordinary shares: HK\$2                        | 100                          | 100  | Property management                 |
| <b>Property - Macau</b>                                    |   |   |                              |      |                                     |
| Ace Wonder Limited   | British Virgin Islands/<br>Macau                    | Ordinary share : US\$1                        | 100                          | 100  | Investment holding                  |
| Basecity Investments Limited ^                             | British Virgin Islands/<br>Macau                    | Ordinary shares : US\$10,000                  | 51                           | 51   | Investment holding                  |
| Companhia de Investimento Shun Tak South Lake, Limitada    | Macau   | Quota capital : MOP25,000                     | 100                          | 100  | Property development                |
| Eversun Company Limited                                    | Hong Kong/Macau                                     | Ordinary shares : HK\$200                     | 100                          | 100  | Property investment                 |
| Fast Shift Investments Limited ("Fast Shift")              | British Virgin Islands                              | Ordinary share : US\$1                        | —                            | 100  | Investment holding                  |
|  |   | Ordinary Class A share: US\$1                 | 100                          | —    |                                     |
|  |   | Non-voting Class B share                      | (note 1)                     | —    |                                     |

# Notes to the Financial Statements

## 46 Principal subsidiaries, joint ventures and associates (Continued)

|  | Place of incorporation/principal place of operation | Issued and paid up capital/registered capital                     | Percentage held by the Group |      | Principal activities                      |
|--|---|---|------------------------------|------|---|
|  |   |   | 2014                         | 2013 |   |
| Nova Taipa - Urbanizações, Limitada ("NTUL") ^^                            | Macau   | Quota capital: MOP10,000,000                                      | (note 2)                     | 100  | Property investment and development       |
| Oriental Pride Group Limited   | British Virgin Islands/<br>Macau                    | Ordinary share: US\$1   | 100                          | 100  | Investment holding and financing          |
| Shun Tak Nam Van Investimento Limitada                                     | Macau   | Quota capital: MOP25,000  | 100                          | 100  | Property development                      |
| Companhia de Desenvolvimento Tin Wai Limitada                              | Macau   | Quota capital: MOP100,000   | —                            | 79   | Property investment and development       |
| Winning Reward Investments Limited   | British Virgin Islands/<br>Macau                    | Ordinary share : US\$1  | 100                          | 100  | Investment holding and financing          |
| <b>Property - Mainland China</b>   |   |   |                              |      |   |
| Guangzhou Shun Tak Real Estate Company Limited                             | PRC   | HK\$130,000,000 @   | 60                           | 60   | Property investment                       |
| Sonic City Limited   | Hong Kong   | Ordinary share: HK\$1   | 100                          | 100  | Property investment and development       |
| Shun Tak Cultural Centre Limited   | Hong Kong   | Ordinary shares: HK\$10   | 60                           | 60   | Investment holding                        |
| Perennial Tongzhou Development Pte. Ltd. #                                 | Singapore   | Ordinary shares: S\$388,778,402                                   | 31.6                         | 31.6 | Investment holding                        |
| Perennial Tongzhou Holdings Pte. Ltd. #                                    | Singapore   | Ordinary shares: S\$239,500,010                                   | 38.7                         | 38.7 | Investment holding                        |
| Zhuhai Hengqin Shun Tak Property Development Co. Ltd. *<br>珠海橫琴信德房地產開發有限公司 | PRC   | RMB1,050,000,000 @  | 70                           | 100  | Property development                      |
| Beijing Mega Hall Hotel Operating Management Co. Ltd.                      | PRC   | RMB380,000,000 @  | 100                          | —    | Property investment and hotel development |
| <b>Transportation</b>  |   |   |                              |      |   |
| Celeworld Limited  | Hong Kong   | Ordinary shares: HK\$10<br>Non-voting deferred shares: HK\$10,000 | 42.6                         | 42.6 | Marine fuel supply                        |
| Companhia de Serviços de Ferry STCT (Macau) Limitada                       | Macau   | Quota capital: MOP10,000,000                                      | 42.6                         | 42.6 | Shipping                                  |

#### 46 Principal subsidiaries, joint ventures and associates (Continued)

|  | Place of incorporation/principal place of operation | Issued and paid up capital/registered capital                                | Percentage held by the Group |       | Principal activities     |
|--|---|--|------------------------------|-------|--------------------------|
|  |   |  | 2014                         | 2013  |                          |
| Far East Hydrofoil Company, Limited  | Hong Kong/<br>Hong Kong and Macau                   | Ordinary shares: HK\$2,000<br>Non-voting deferred shares:<br>HK\$5,000,000   | 42.6                         | 42.6  | Shipping                 |
| Glowfield Group Limited  | British Virgin Islands                              | Ordinary shares: US\$27  | 42.6                         | 42.6  | Investment holding       |
| Hongkong Macao Hydrofoil Company, Limited  | Hong Kong/<br>Hong Kong and Macau                   | Ordinary shares:<br>HK\$10,000,000   | 42.6                         | 42.6  | Shipping                 |
| Interdragon Limited  | British Virgin Islands                              | Ordinary shares: US\$10,000  | 60                           | 60    | Investment holding       |
| Jetstar Hong Kong Airways Limited<br>("Jetstar Hong Kong") ^                       | Hong Kong   | Ordinary shares:<br>HK\$479,470,589<br>Non-voting shares:<br>HK\$254,119,414 | (note 3)                     | 33.33 | Aviation service         |
| Ocean Shipbuilding & Engineering Limited   | Hong Kong   | Ordinary shares: HK\$200<br>Non-voting deferred shares:<br>HK\$100,000       | 42.6                         | 42.6  | Shipbuilding and repairs |
| Shun Tak China Travel –<br>Companhia de Gestão<br>de Embarcações (Macau), Limitada | Macau   | Quota capital:<br>MOP10,000,000  | 42.6                         | 42.6  | Ship management          |
| Shun Tak–China Travel Ferries Limited  | British Virgin Islands                              | Ordinary shares: US\$2   | 42.6                         | 42.6  | Investment holding       |
| Shun Tak–China Travel Macau<br>Ferries Limited                                     | British Virgin Islands/<br>Hong Kong and Macau      | Ordinary share: US\$1  | 42.6                         | 42.6  | Shipping                 |
| Shun Tak–China Travel Ship<br>Management Limited                                   | Hong Kong/<br>Hong Kong and Macau                   | Ordinary shares: HK\$200<br>Non-voting deferred shares:<br>HK\$1,000,000     | 42.6                         | 42.6  | Ship management          |
| Shun Tak – China Travel Shipping<br>Investments Limited                            | British Virgin Islands                              | Ordinary shares: US\$10,000  | 42.6                         | 42.6  | Investment holding       |
| Shun Tak Ferries Limited   | Hong Kong   | Ordinary shares: HK\$2   | 100                          | 100   | Investment holding       |
| Sunrise Field Limited  | Hong Kong/<br>Hong Kong and Macau                   | Ordinary share: HK\$1  | 42.6                         | 42.6  | Shipping                 |
| Wealth Trump Limited   | Hong Kong/<br>Hong Kong and Macau                   | Ordinary share: HK\$1  | 42.6                         | 42.6  | Shipping                 |



# Notes to the Financial Statements

## 46 Principal subsidiaries, joint ventures and associates (Continued)

|  | Place of incorporation/principal place of operation | Issued and paid up capital/registered capital | Percentage held by the Group |      | Principal activities                          |
|--|---|---|------------------------------|------|---|
|  |   |   | 2014                         | 2013 |   |
| <b>Hospitality</b>                                     |   |   |                              |      |   |
| Artyzen Hospitality Group Limited                      | Hong Kong   | Ordinary share: HK\$1                         | 100                          | 100  | Hospitality management and auxiliary services |
| Shun Tak, Serviços Recreativos, S.A.                   | Macau   | Quota capital: MOP1,000,000                   | 100                          | 100  | Property holding                              |
| Shun Tak Travel Services Limited                       | Hong Kong   | Ordinary shares: HK\$2,000,000                | 100                          | 100  | Travel agency services                        |
| Sociedade de Turismo e Desenvolvimento Insular, S.A. # | Macau   | Quota capital: MOP200,000,000                 | 35                           | 35   | Hotel and golf club operations                |
| Union Sky Holdings Limited ^^                          | Hong Kong   | Ordinary shares: HK\$10,000                   | 70                           | 70   | Hotel owning and operation                    |
| <b>Finance</b>   |   |   |                              |      |   |
| Joyous King Group Limited                              | British Virgin Islands                              | Ordinary share: US\$1                         | 100                          | 100  | Financing                                     |
| Joyous Glory Group Limited                             | British Virgin Islands                              | Ordinary share: US\$1                         | 100                          | 100  | Financing                                     |
| Shun Tak Finance Limited                               | Hong Kong   | Ordinary shares: HK\$2                        | 100                          | 100  | Financing                                     |
| Step Ahead International Limited                       | British Virgin Islands/<br>Hong Kong                | Ordinary share: US\$1                         | 100                          | 100  | General investment                            |

### Notes:

1. Non-voting Class B share (representing 100% non-voting Class B shares) with no par value.
2. Save for one issued non-voting Class B share of Fast Shift which is held by a third party, the entire issued share capital of NTUL is owned by the Company indirectly through Shun Tak Development Limited, Nomusa Limited and Fast Shift. Pursuant to an investment agreement in relation to NTUL dated 3 January 2014, holder of the non-voting Class B share of Fast Shift is entitled to 29% of the economic benefits in or losses arising from the residential portion of Nova City Phase V owned and developed by NTUL.
3. Pursuant to the Restated and Amended Shareholders' Agreement in respect of Jetstar Hong Kong dated 20 January 2014, the Group's voting rights at shareholders' meetings of Jetstar Hong Kong has been increased to 51% with economic interest remaining at 33.33% and Jetstar Hong Kong will continue to be accounted for as a joint venture in the consolidated financial statements of the Company.
4. The above table lists the principal subsidiaries, joint ventures and associates of the Group which, in the opinion of the Directors, principally affect the results and net assets of the Group.
5. Except Shun Tak Ferries Limited, Shun Tak Development Limited, Shun Tak Property Investment & Management Holdings Limited and Winning Reward Investments Limited, which are 100% directly held by the Company, the interests in the remaining subsidiaries, joint ventures and associates and listed in the above table are held indirectly.

@ Registered capital

# Associates

^ Joint ventures

^^ Shares of subsidiaries were pledged to banks as securities for bank loans granted to certain subsidiaries of the Group (note 28).

\* For identification purpose only

# Five-Year Financial Summary

|  |      | 2014           | 2013           | 2012           | 2011           | 2010           |
|--|------|----------------|----------------|----------------|----------------|----------------|
|  | Note | (HK\$ million) | (HK\$ million) | (HK\$ million) | (HK\$ million) | (HK\$ million) |
| <b>Consolidated Income Statement</b>                       |      |                |                |                |                |                |
| Turnover   |      | 9,539          | 3,576          | 5,412          | 2,968          | 3,097          |
| Profit attributable to owners of the Company               |      | 4,453          | 1,406          | 2,563          | 781            | 867            |
| <b>Consolidated Balance Sheet</b>                          |      |                |                |                |                |                |
| Non-current assets   |      | 19,124         | 16,681         | 13,588         | 11,259         | 10,949         |
| Current assets   |      | 28,332         | 21,749         | 20,715         | 18,095         | 16,264         |
| Current liabilities  |      | (5,887)        | (5,364)        | (4,717)        | (4,271)        | (4,184)        |
| Non-current liabilities                                    |      | (10,457)       | (8,550)        | (6,558)        | (6,645)        | (5,340)        |
| Net assets   |      | 31,112         | 24,516         | 23,028         | 18,438         | 17,689         |
| Share capital and other statutory capital reserve          | 1    | 9,858          | 9,726          | 9,698          | 8,092          | 8,092          |
| Other reserves   | 1    | 16,052         | 11,412         | 10,045         | 7,693          | 7,067          |
| Proposed dividends   |      | 502            | –              | 254            | 120            | 130            |
| Equity attributable to owners of the Company               |      | 26,412         | 21,138         | 19,997         | 15,905         | 15,289         |
| Non-controlling interests                                  |      | 4,700          | 3,378          | 3,031          | 2,533          | 2,400          |
| Total equity   |      | 31,112         | 24,516         | 23,028         | 18,438         | 17,689         |
| Number of issued and fully paid shares (million)           | 2    | 3,042          | 2,997          | 2,987          | 2,172          | 2,172          |
| <b>Performance Data</b>                                    |      |                |                |                |                |                |
| Earnings per share (HK cents)                              | 3    |                |                |                | (restated)     |                |
| – basic  |      | 147.0          | 47.0           | 88.7           | 31.7           | 42.1           |
| – diluted  |      | 143.5          | 46.3           | 85.2           | 31.5           | 41.4           |
| Dividends per share (HK cents)                             |      |                |                |                |                |                |
| – interim  |      | 5.0            | –              | –              | –              | –              |
| – final  |      | 2.0            | –              | 8.5            | 4.0            | 6.0            |
| – special  |      | 14.5           | –              | –              | –              | –              |
| Dividend cover   |      | 6.8            | N/A            | 10.4           | 7.9            | 7.0            |
| Current ratio  |      | 4.8            | 4.1            | 4.4            | 4.2            | 3.9            |
| Gearing (%)  | 4    | N/A            | 3.5            | N/A            | 12.0           | 18.0           |
| Return on equity attributable to owners of the Company (%) |      | 16.9           | 6.7            | 12.8           | 4.9            | 5.7            |
| Net asset value per share (HK\$)                           |      | 10.2           | 8.2            | 7.7            | 8.5            | 8.1            |
| <b>Headcount by Division</b>                               |      |                |                |                |                |                |
| Head Office  |      | 257            | 245            | 213            | 210            | 201            |
| Property   |      | 467            | 464            | 399            | 385            | 411            |
| Transportation   |      | 2,099          | 2,151          | 2,158          | 1,839          | 1,587          |
| Hospitality  |      | 518            | 491            | 453            | 452            | 427            |
| Investment   |      | 27             | 35             | 43             | 44             | 51             |

## Notes:

- As the term “share capital” includes share premium and capital redemption reserve from the commencement date of Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014, but not before that date, presentation of “capital and reserves” has been revised in order to be consistent with the new terminology.
- Number of issued and fully paid shares is based on the number of shares in issue at the balance sheet date.
- Earnings per share for the year ended 31 December 2011 have been restated to reflect the effect of rights issue during the year ended 31 December 2012. Earnings per share for the year ended 31 December 2010 have not been restated.
- Gearing represents the ratio of net borrowings to equity attributable to owners of the Company.





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