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信德集團

SHUN TAK HOLDINGS

SHUN TAK HOLDINGS LIMITED
信 德 集 團 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 242)

Website: http://www.shuntakgroup.com

2021 Annual Results Announcement

GROUP RESULTS

The board of directors (the "Board") of Shun Tak Holdings Limited (the "Company") announces the consolidated annual results for the year ended 31 December 2021 of the Company and its subsidiaries (the "Group").

Consolidated profit attributable to owners of the Company for the year was HK$962 million (2020: HK$262 million). Underlying profit attributable to the owners which was principally adjusted for unrealised fair value changes on investment properties would be HK$1,052 million (2020: HK$1,089 million). Basic earnings per share was HK31.9 cents (2020: HK8.7 cents).

DIVIDENDS

The Board does not recommend the payment of any final dividend (2020: nil) in respect of the year ended 31 December 2021. No interim dividend was declared by the Board during the year ended 31 December 2021 (2020: nil).

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021**	2020
		HK$'000	*HK$'000*
Revenue	*3*	**4,829,794**	4,190,309
Other income		**147,461**	281,809
		4,977,255	4,472,118
Other gains, net	*4*	**254,411**	944,074
Cost of inventories sold and services provided		**(2,178,174)**	(1,440,799)
Staff costs		**(554,348)**	(816,382)
Depreciation and amortisation		**(168,652)**	(188,022)
Other costs		**(590,806)**	(775,102)
Fair value changes on investment properties		**177,833**	(449,248)
Operating profit	*3, 5*	**1,917,519**	1,746,639
Finance costs	*6*	**(328,237)**	(382,391)
Share of results of joint ventures		**108,915**	(429,734)
Share of results of associates		**(61,451)**	8,796
Profit before taxation		**1,636,746**	943,310
Taxation	*7*	**(455,919)**	(310,276)
Profit for the year		**1,180,827**	633,034
Attributable to:			
Owners of the Company		**962,431**	262,440
Non-controlling interests		**218,396**	370,594
Profit for the year		**1,180,827**	633,034
Earnings per share *(HK cents)*	*9*		
— basic		**31.9**	8.7
— diluted		**31.9**	8.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	HK$'000	*HK$'000*
Profit for the year	**1,180,827**	633,034
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss:		
Debt instruments at fair value through other comprehensive income:		
Changes in fair value	**239**	119
Cash flow hedges:		
Changes in fair value, net of tax	**—**	(19,240)
Transfer to profit or loss	**—**	7,518
Reversal of asset revaluation reserve upon sales of properties, net of tax	**(58,577)**	(61,404)
Release of reserves upon disposal of interests in subsidiaries	**—**	730
Release of exchange reserve upon disposal of an associate	**—**	70,034
Currency translation differences	**96,404**	296,336
Share of currency translation difference of joint ventures	**250,415**	402,985
Share of currency translation difference of associates	**66,391**	135,798
Share of other comprehensive (loss)/income of an associate	**(24)**	3,948
Items that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	**—**	70,928
Equity instruments at fair value through other comprehensive income:		
Changes in fair value	**(1,027,761)**	(100,733)
Other comprehensive (loss)/income for the year, net of tax	**(672,913)**	807,019
Total comprehensive income for the year	**507,914**	1,440,053
Attributable to:		
Owners of the Company	**282,543**	1,049,902
Non-controlling interests	**225,371**	390,151
Total comprehensive income for the year	**507,914**	1,440,053

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

	Note	**2021**	2020
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**3,306,674**	3,147,271
Right-of-use assets		**836,211**	864,285
Investment properties		**10,918,849**	7,979,780
Joint ventures		**12,480,418**	12,644,111
Associates		**6,627,519**	6,075,468
Intangible assets		**2,832**	3,055
Financial assets at fair value through other comprehensive income		**2,440,904**	3,446,728
Financial assets at fair value through profit or loss		**544,985**	—
Deferred tax assets		**100,504**	66,982
Other non-current assets		**434,886**	2,771,866
		37,693,782	36,999,546
Current assets			
Properties for or under development		**3,697,292**	4,025,958
Inventories		**9,511,267**	13,454,845
Financial assets at fair value through other comprehensive income		**—**	36,433
Trade and other receivables, deposits paid and prepayments	*10*	**833,342**	903,450
Taxation recoverable		**1,003**	70,684
Cash and bank balances		**7,818,628**	5,446,129
		21,861,532	23,937,499
Current liabilities			
Trade and other payables, and deposits received	*10*	**1,883,575**	1,902,831
Contract liabilities		**283,681**	927,213
Lease liabilities		**34,763**	47,144
Bank borrowings		**1,544,374**	2,928,476
Provision for employee benefits		**7,752**	5,886
Taxation payable		**357,616**	226,465
Loans from non-controlling interests		**60,361**	60,361
		4,172,122	6,098,376
Net current assets		**17,689,410**	17,839,123
Total assets less current liabilities		**55,383,192**	54,838,669

	2021	2020
	HK$'000	*HK$'000*
Non-current liabilities		
Contract liabilities	**39,219**	32,028
Lease liabilities	**30,244**	49,258
Bank borrowings	**16,184,082**	15,011,070
Deferred tax liabilities	**911,833**	973,122
Other non-current liabilities	**—**	857,642
	17,165,378	16,923,120
Net assets	**38,217,814**	37,915,549
Equity		
Share capital	**9,858,250**	9,858,250
Other reserves	**25,506,538**	25,226,644
Equity attributable to owners of the Company	**35,364,788**	35,084,894
Non-controlling interests	**2,853,026**	2,830,655
Total equity	**38,217,814**	37,915,549

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all the subsidiary undertakings (within the meanings of Schedule 1 to Cap. 622) in the Company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 "Consolidated Financial Statements" so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provision of Section 380(6), the Company has departed from Section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in the notes to the 2021 annual consolidated financial statements. The subsidiaries excluded subsidiary undertakings of the Group are disclosed in the 2021 annual consolidated financial statements.

The financial information relating to the years ended 31 December 2021 and 31 December 2020 included in this preliminary announcement of annual results for the year ended 31 December 2021 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company had delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor had reported on those consolidated financial statements of the Group for both years. For the year ended 31 December 2021, the auditor's report was qualified; did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap.622). For the year ended 31 December 2020, the auditor's report was qualified and contained a statement under section 407(3) of the Hong Kong Companies Ordinance (Cap.622) and did not contain a statement under sections 406(2) or 407(2) of the Hong Kong Companies Ordinance (Cap. 622). For details, please refer to section "EXTRACT OF INDEPENDENT AUDITOR'S REPORT" in this preliminary announcement.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the 2021 annual consolidated financial statement.

2 IMPACT OF NEW OR REVISED HKFRS

(a) Amendments to standards adopted by the Group

The following amendments to standards are relevant to the Group's operations and first effective for the Group's financial year beginning on 1 January 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9, and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 (amendments)

The adoption of the above amendments to standards did not have any significant impact to the Group's results for the year ended 31 December 2021 and the Group's financial position as at 31 December 2021.

The Group has early adopted Amendments to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021", which does not have significant impact on the Group.

(b) Amendments to standards not yet adopted

The HKICPA has issued amendments to standards which are relevant to the Group's operations but are not yet effective for the Group's financial year beginning on 1 January 2021 and have not been early adopted:

Amendments to HKFRS 3[(1)]	Business Combinations
Amendments to HKAS 16[(1)]	Property, Plant and Equipment
Amendments to HKAS 37[(1)]	Provisions, Contingent Liabilities and Contingent Assets
Annual Improvements to HKFRS 2018-2020 Cycle[(1)]	
Amendments to HKAS 1[(2)]	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1 and HKFRS Practice Statement 2[(2)]	Disclosure of Accounting Policies
Amendments to HKAS 8[(2)]	Disclosure of Accounting Estimates
Amendments to HKAS 12[(2)]	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HK Interpretation 5 (2020)[(2)]	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKFRS 10 and HKAS 28[(3)]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

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

3 SEGMENT INFORMATION

(a) The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different products or services and requires different marketing strategies.

The Group currently has four reportable segments namely property, transportation, hospitality and investment. The segmentations are based on the internal reporting information in respect of the operations of the Group that management reviews regularly to make decisions on allocation of resources between segments and to assess segment performance.

The principal activities of each reportable segment are as follows:

Property	—	property development and sales, leasing and management services
Transportation	—	passenger transportation services
Hospitality	—	hotel and club operations, hotel management and travel agency services
Investment	—	investment holdings 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 2020.

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 the notes to the consolidated financial statements.

As detailed in the note to the consolidated financial statement, the Group has completed its restructuring in its transportation businesses on 16 July 2020. Subsequent to the completion of the transaction, the results and assets and liabilities of Shun Tak-China Travel Shipping Investments Limited ("STCT") would continue to be presented under the transportation segment but under the lines "Share of results of associates" and "Associates" respectively for the purpose of segment reporting.

2021

	Property HK$'000	Transportation HK$'000	Hospitality HK$'000	Investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Revenue and other income						
External revenue *(note d)*						
Revenues from contracts with customers						
— Recognised at a point in time	2,971,939	—	103,408	35,233	—	3,110,580
— Recognised over time	985,055	—	247,609	—	—	1,232,664
	3,956,994	—	351,017	35,233	—	4,343,244
Revenues from other sources						
— Rental income	424,133	—	—	368	—	424,501
— Dividend income	—	—	—	62,049	—	62,049
	424,133	—	—	62,417	—	486,550
	4,381,127	—	351,017	97,650	—	4,829,794
Inter-segment revenue	1,235	—	1,269	22,564	(25,068)	—
Other income (external income and excluding interest income)	34,967	—	13,629	7,864	—	56,460
	4,417,329	—	365,915	128,078	(25,068)	4,886,254
Segment results	1,854,392[(i)]	—	(140,705)[(ii)]	63,947[(iii)]	—	1,777,634
Fair value changes on investment properties	177,833	—	—	—	—	177,833
Interest income						91,001
Unallocated income						194
Unallocated expense						(129,143)
Operating profit						1,917,519
Finance costs						(328,237)
Share of results of joint ventures	140,108	—	(31,193)	—	—	108,915
Share of results of associates	(41,322)	(304,203)	(9,687)	293,761	—	(61,451)
Profit before taxation						1,636,746
Taxation						(455,919)
Profit for the year						1,180,827

Notes:

(i) *Amount includes gain on transfer of inventories to investment properties of HK$210,829,000 as detailed in note 4.*

(ii) *Amount includes gain on disposal of an associate of HK$20,135,000 as detailed in note 4.*

(iii) *Amount includes gain on share exchange contract of HK$23,351,000.*

2021

	Property *HK$'000*	Transportation *HK$'000*	Hospitality *HK$'000*	Investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Assets						
Segment assets	29,104,116	175,218	4,488,508	3,038,792	—	36,806,634
Joint ventures	12,870,123	—	(389,705)	—	—	12,480,418
Associates	5,047,604	626,976	136,690	816,249	—	6,627,519
Unallocated assets						3,640,743
Total assets						59,555,314
Liabilities						
Segment liabilities	1,987,804	5	191,878	18,681	—	2,198,368
Unallocated liabilities						19,139,132
Total liabilities						21,337,500
Other information						
Additions to non-current assets (other than financial instruments and deferred tax assets)	58,478	31,582	176,767	520,061	—	786,888
Depreciation						
— property, plant and equipment	7,275	—	83,686	5,373	—	96,334
— right-of-use assets	9,780	—	29,164	9,177	—	48,121
Amortisation						
— intangible assets	—	—	160	63	—	223
Impairment losses provided						
— trade receivables, net	1,055	—	—	—	—	1,055

2020

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue and other income						
External revenue *(note d)*						
Revenues from contracts with customers						
— Recognised at a point in time	2,454,340	2,040	62,148	32,790	—	2,551,318
— Recognised over time	750,506	85,006	192,243	—	—	1,027,755
	3,204,846	87,046	254,391	32,790	—	3,579,073
Revenues from other sources						
— Rental income	429,302	227	—	438	—	429,967
— Dividend income	—	—	—	181,269	—	181,269
	429,302	227	—	181,707	—	611,236
	3,634,148	87,273	254,391	214,497	—	4,190,309
Inter-segment revenue	1,295	215	1,943	—	(3,453)	—
Other income (external income and excluding interest income)	30,686	55,101	33,756	7,760	—	127,303
	3,666,129	142,589	290,090	222,257	(3,453)	4,317,612
Segment results	2,467,580[(iv)]	95,315[(v)]	(547,901)	166,414	—	2,181,408
Fair value changes on investment properties	(449,248)	—	—	—	—	(449,248)
Interest income						142,252
Unallocated income						12,254
Unallocated expense						(140,027)
Operating profit						1,746,639
Finance costs						(382,391)
Share of results of joint ventures	(375,489)	(1,026)	(53,219)	—	—	(429,734)
Share of results of associates	96,576	(76,362)	(15,997)	4,579	—	8,796
Profit before taxation						943,310
Taxation						(310,276)
Profit for the year						633,034

Notes:

(iv) *Amount includes gain on disposal of an associate of HK$562,694,000 as detailed in note 4.*

(v) *Amount includes gain on disposal of a subsidiary of HK$395,542,000 as detailed in note 4.*

2020

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

(c) Geographical information

	Hong Kong	Macau	PRC	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2021					
Revenue and other income from external customers	**411,542**	**2,272,659**	**1,350,785**	**851,268**	**4,886,254**
Non-current assets*	**5,706,186**	**998,507**	**6,649,634**	**1,710,239**	**15,064,566**
2020					
Revenue and other income from external customers	733,405	2,674,218	747,449	162,540	4,317,612
Non-current assets*	5,710,739	1,107,628	3,604,010	1,572,014	11,994,391

* *Amount excluded joint ventures, associates, financial instruments, deferred tax assets and other non-current assets.*

(d) External revenue

External revenue comprises revenue by each reportable segment and dividend income from financial assets at FVOCI.

4 OTHER GAINS, NET

	2021	2020
	HK$'000	*HK$'000*
Net gain on disposal of subsidiaries	**—**	382,088
Gain on disposal of an associate	**20,135**	562,694
Gain on share exchange contract	**23,351**	—
Net gain/(loss) on disposal of property, plant and equipment	**96**	(708)
Gain on transfer of inventories to investment properties	**210,829**	—
	254,411	944,074

In 2020, net gain on disposal of subsidiaries included a gain of HK$395,542,000 for disposal of STCT.

Gain on disposal of an associate for 2021 represented the gain resulting from the disposal of interests in FDH (Thailand) Limited. In 2020, gain on disposal of an associate represented the gain resulting from the disposal of interests in Perennial Tongzhou Holdings Pte. Limited.

During the year ended 31 December 2021, there was a transfer from inventories to investment properties at fair value amounted to HK$2,676,357,000 with the related gain on transfer of HK$210,829,000 being recognised.

5 OPERATING PROFIT

	2021	2020
	HK$'000	*HK$'000*
After crediting:		
Rental income from investment properties	**249,842**	286,418
Less: Direct operating expenses arising from investment properties	**(38,276)**	(37,507)
	211,566	248,911
Dividend income from listed investments	**8,847**	8,531
Dividend income from unlisted investments	**53,202**	172,738
Wage, salary and other subsidies from government under COVID-19	**3,708**	99,347
After charging:		
Cost of inventories sold		
— properties	**1,987,659**	1,204,592
— fuel	**—**	46,278
— others	**40,617**	38,809
	2,028,276	1,289,679
Impairment losses recognised		
— property, plant and equipment	**—**	318,794
— trade receivables, net	**1,055**	4,855

6 FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on bank borrowings and overdrafts	**298,527**	382,442
Interest on medium term notes	**—**	32,979
Interest on lease liabilities	**4,092**	3,903
Other finance costs	**47,031**	51,344
Total finance costs	**349,650**	470,668
Less: Amount capitalised in properties for or under development and hotel building under construction	**(21,413)**	(88,277)
	328,237	382,391

During the year, finance costs have been capitalised at weighted average rate of its general borrowings of 1.32% (2020: 2.00%) per annum for hotel building under construction.

7 TAXATION

	2021	2020
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**4,074**	40,297
Non-Hong Kong taxation	**543,418**	261,223
Deferred taxation	**(91,573)**	8,756
Total tax expenses	**455,919**	310,276

Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits for the year. Non-Hong Kong taxation is calculated at tax rates applicable to jurisdictions in which the Group operates, mainly in Macau, the PRC and Singapore at 12%, 25% and 17% (2020: 12%, 25% and 17%) respectively.

8 DIVIDENDS

The Board does not recommend the payment of any final dividend (2020: nil) in respect of the year ended 31 December 2021. No interim dividend was declared by the Board during the year ended 31 December 2021 (2020: nil).

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK$962,431,000 (2020: HK$262,440,000) and the weighted average number of 3,020,898,141 shares (2020: 3,021,479,785 shares) in issue during the year.

Basic and fully diluted earnings per share are the same as the share options of the Company has an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2021 (2020: same).

10 TRADE RECEIVABLES AND PAYABLES

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

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

	2021	2020
	HK$'000	*HK$'000*
0 — 30 days	**64,201**	73,612
31 — 60 days	**14,974**	18,920
61 — 90 days	**6,822**	13,365
Over 90 days	**18,948**	14,489
	104,945	120,386

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

	2021	2020
	HK$'000	*HK$'000*
0 — 30 days	**290,099**	477,744
31 — 60 days	**2,214**	1,637
61 — 90 days	**166**	217
Over 90 days	**631**	446
	293,110	480,044

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the Group's consolidated financial statements for the year ended 31 December 2021.

Our qualified opinion

In our opinion, except for the possible effects on the comparability of the current year's figures and the corresponding figures of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Comparability of the current year's figures and the corresponding figures for the year ended 31 December 2020 in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity

The Group holds a number of associates which are accounted for using the equity method of accounting. The Group previously held approximately 38.7% equity interests in an associated company named Perennial Tongzhou Holdings Pte. Ltd. ("PT") which, in turn, held 50% effective interests in three project companies that were engaged in property development for sales in China (collectively the "project companies"). The Group disposed of its interest in PT and the disposal was completed on 28 December 2020 ("date of Disposal").

During the year ended 31 December 2020, the Group relied on the financial information provided by PT management to equity account for the Group's share of result and share of net assets of PT. However, since the books and records of the underlying project companies were kept by the other shareholder holding the remaining 50% interests in the project companies, management of PT did not have sufficient access to the books and records of the project companies, and therefore they were not able to provide to the Group adequate supporting information and explanations with respect to the financial performance and financial position of the project companies up to the date of Disposal. Our access to the underlying records and explanations sought were also denied. We therefore previously qualified our opinion in respect of the Group's consolidated financial statements for the year ended 31 December 2020 due to limitation of scope as we were unable to obtain sufficient appropriate evidence we considered necessary with respect to the financial performance and financial position of PT, and there were no other satisfactory procedures that we could perform to determine whether any adjustments to the Group's share of losses of HK$201,000 and share of currency translation gains in other comprehensive income of HK$15,633,000 in respect of PT from 1 January 2020 to the date of Disposal, as well as a release of exchange reserve to profit or loss upon disposal of HK$70,034,000 and a gain on disposal of HK$562,694,000 (included in Other gains, net) in respect of the disposal of PT were necessary.

Because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2020 in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity, our opinion on the consolidated financial statements for the year ended 31 December 2021 is therefore qualified.

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

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

THE VIEW OF THE AUDIT AND RISK MANAGEMENT COMMITTEE ON THE QUALIFIED OPINION

The audit and risk management committee of the Company understood that both the Company and its auditor were unable to obtain necessary supporting information and explanations from the Company's approximately 38.7% owned associate, Perennial Tongzhou Holdings Pte. Ltd. ("PT"), in relation to PT's 50% effective interests in three property project companies in China during 2020. As such, the auditor issued a qualified opinion in respect of the Group's consolidated financial statements for the year ended 31 December 2020 due to the scope limitation.

The audit and risk management committee of the Company believes that the issues underlying the auditor's qualified opinion in 2020 have been resolved upon the disposal its investment in PT by the Company on 28 December 2020. The audit and risk management committee acknowledges that the auditor has issued a qualified opinion for the year ended 31 December 2021 because of the possible effects of the scope limitation in 2020 on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2020 in the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity. The audit and risk management committee also understands that, except for the basis of qualification as mentioned above, the auditor is of the view that the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance. On that basis, the audit and risk management committee has accepted the auditor's qualified opinion for the year ended 31 December 2021.

BUSINESS REVIEW

PROPERTY

2021 was in general a resilient year for properties. Despite lingering coronavirus concerns, the sustained low interest environment has underpinned residential transactions for years and strong liquidity in the market continued to support price and volume. In addition, the pandemic situation has largely been contained in China, Hong Kong and Macau, allowing daily lives to return to some normalcy. The overall retail rental correction has reached the cyclical bottom as domestic spending improved. Nonetheless, the tightening policies governing mainland capital financing for property developers and a number of adverse factors towards the end of year, including widespread outbreaks of Omicron, and cooling measures in the Singapore residential market have put a dampener on the performance of the Group's property portfolio. With the booking of earnings from the current year sales of the Hengqin Integrated Development, Nova Grand in Macau and Park Nova and Les Maisons Nassim in Singapore, the division posted a profit of HK$1,854 million, representing a 25% year-on-year decrease (2020: HK$2,468 million).

Property developments

Projects completed with recent sales

In Macau

Nova Park (Group interest: 100%)

Nova Park, Phase 4 of Nova City, is a striking urban park-side residential development with an unimpeded view of the stunning Taipa Central Park, set in the heart of the thriving Taipa community. Its three residential towers cover a gross floor area of approximately 680,000 square feet and offer 620 residential units in total. During the year 2021, 9 units were transacted. As at 31 December 2021, close to 98% of total units have been sold.

Nova Grand (Group interest: residential: 71%)

Nova Grand is the final phase of the Group's flagship Nova City development comprising approximately 1,700 residential units in eight towers. During the year, 116 units have been transacted, primarily driven by local end-user market. 123 units have been handed over. As of 31 December 2021, 86% of total units have been sold.

In Southern China

Hengqin Integrated Development (Group interest: 100%)

This development is sited immediately adjacent to the Hengqin Port, a 24-hour cross-border facility launched for operation in August 2020. It enjoys tremendous nodal convenience at the intersection of the Guangzhou-Zhuhai Intercity Rail and the future Macau Light Rail. The Hengqin Pilot Zone, heavily backed and supported by national policy, is still in its fledgling stage but is rapidly building a world class tourism cluster.

421 residential units of the project were being sold. In August 2021, the Group started handing over the sold units to their homebuyers. The remaining 5 units, including 4 showflats, are targeted to be sold next year.

In the first quarter of 2022, approximately 42,300 square metres of Grade A office, a 43,000 square metres shopping mall are expected to be completed following moderate construction delays. Leasing efforts are currently underway, targeting to draw interests from the professional sector for offices. For retail, tenants in lifestyle, special F&B, wellness and entertainment, are being invited to offer holistic experiences to family tourists and the local community. In addition, a 230-room Artyzen Habitat Hotel with an expansive social space is expected to open in first half of 2023.

In Singapore

111 Somerset Road, Singapore (Group interest: 100%)

This 17-storey integrated property offering a gross floor area of approximately 766,550 square feet is located within the venerable Orchard Road precinct immediately adjacent to the Somerset MRT station. It comprises two office towers, a 2-level retail podium and a 2-level basement carpark, which completed a comprehensive asset enhancement initiative in 2020.

During the year, leasing performance remained resilient, with an average committed occupancy rate of approximately 70% for offices and above 80% for retail as at 31 December 2021. As Singapore embraces a "live with the virus" strategy, it is expected that economic activities will gradually rebound in 2022 and improvements in returns can be yielded.

Projects Under Development

In Northern China

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

Situated in Tongzhou Beijing, the new capital for Beijing Central Government headquarters and state-owned enterprises, this iconic development is sited on the Grand Canal, with its Phase 1 expected to complete in 2023. The integrated community will feature 127,000 square metres of retail space, 119,000 square metres of office space, and 50,000 square metres of apartment units. Its retail podium will be directly linked to the currently operating metro line M6, which connects to the Beijing city centre. Renovation of sales office and show flats are underway, with pre-sale of apartments expected in 2023.

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

This 77,000 square metres site was acquired by the Group in 2018 through a strategic partnership with Singapore-based Perennial Holdings Private Limited ("Perennial"), a well-established developer with extensive footprint in China's healthcare industry. The project involves establishing a world-class "health city" adjacent to the Tianjin South High-Speed Railway Station in fulfillment of elevating demands of quality medical care within the fast-growing "Jing-Jin-Ji" megalopolis. The masterplan currently comprises a general hospital, eldercare facilities and commercial elements including retail and hotel, covering around 330,000 square metres. Superstructure works are in progress, with the eldercare towers and the hotel topped out in 2021. Construction is expected to complete in the third quarter of 2022, and operation is expected to begin in 2023.

In Eastern China

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

This cultural and community hub in Shanghai spans 140,500 square metres of total gross floor area, bringing together offices, retail space, basement retail, and a 5-star hotel offering 202 rooms, to be managed by Artyzen Hospitality Group. The project also features a Performing Arts Center ("PAC") housing a concert hall and other multi-purpose halls with a capacity of 4,000 spectators.

The project is a 50/50 joint venture with Shanghai Lujiazui (Group) Company Limited. Construction for offices was completed in the end of 2021, and leasing is currently underway. Retail, hotel and PAC will complete in 2023. Upon completion, it is expected to become a prominent cultural icon in Shanghai.

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

In January 2021, the Group acquired an additional 10% effective interest in this 186,500 square metres multiplex located in Shanghai Suhe Bay Area in Jingan District, to raise its shareholding to 50% alongside its co-developer China Resources Land Limited ("CR Land").

Situated in one of the core commercial areas of Shanghai, the project is close to major tourist destinations such as the Bund and the People's Square, as well as established central business districts including Nanjing West Road and Lujiazui.

On the Northern parcel, two office blocks and all 224 residential units were sold in 2020 and 2021. The Group is targeting to sell a remaining office tower in 2022. The project was completed in October 2021.

On the Southern parcel, retail is scheduled to launch in mid-2022 under the brand MixC World. Pre-leasing for a 42-storey office tower will commence from 2022 as construction is expected to complete in June 2022.

In Western China

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

Similar to the Tianjin project, the Kunming South HSR Integrated Development was also acquired in partnership with Perennial in December 2018. The Group intends to develop this 65,000 square metres site into a regional healthcare and commercial hub comprising hospitality, medical care, eldercare, MICE, and retail components across a proposed gross floor area of approximately 550,000 square metres. Like the Tianjin site, the Kunming South HSR Integrated Development is located next to a high-speed railway station, facilitating convenient regional access. Superstructure works are in progress, with the site expected to become operational in 2024.

In Singapore

Park Nova (Group interest: 100%)

Located in Singapore's prestigious residential district and within walking distance to the world-renowned Orchard Road Shopping Belt, sales and construction of this 43,356 square foot site has progressed well on track within 2021. The 21-storey residential tower will feature a strata area of approximately 125,000 square feet and will have 51 simplex units and 3 penthouses. The building is lifted high above Orchard Boulevard on elliptical columns to create unobstructed private views above the lush greenery. Each unit is served by a private lift, catered for upmarket buyers seeking an exclusive yet central urban lifestyle at the heart of actions. Construction works are underway and it is expected to complete in 2023.

The project was launched for sale in May 2021 with satisfactory results but the momentum was dampened by an outbreak of local pandemic. As of 31 December 2021, 31 units were sold including the 3 penthouses. In December 2021, the local government introduced extra stamp duty on residential property in an effort to curb inflation in residential prices. This will significantly raise the cost of home ownership, particularly among foreign buyers, and become hindrance for 2022 sales.

Les Maisons Nassim (Group interest: 100%)

This majestic development standing on a 66,452 square feet prime site located at one of the most coveted addresses in town, will be developed into approximately 110,000 square feet of Bungalow-in-the-Sky. Nestled in the ultra-luxurious heritage Good Class Bungalow district, this epic development will have a total of 14 units comprising 8 simplex units, 4 duplex units and 2 penthouses. Each residence is fitted with its own dedicated private lift and carparks, and features a grand arrival experience with verdant landscape which speaks subtle luxury and sophistication. Construction is underway with expected completion by 2023. As of 31 December 2021, 2 units have been transacted, and 3 units have been granted with Option To Purchase in early 2022.

Projects Under Planning

In Macau

Harbour Mile

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

Property investments

In Hong Kong

liberté place (Group interest: 64.56%)

This mall is located at Lai Chi Kok MTR Station in West Kowloon. As a neighborhood mall offering everyday household conveniences to the four largest residential developments in Kowloon West, business and rental income remain strong and unscathed by the pandemic, maintaining 98% occupancy.

The Westwood (Group interest: 51%)

With 158,000 square feet of leasable area across five storeys, The Westwood is a prominent shopping destination serving the Western District on Hong Kong Island. The mall completed a major renovation in June 2021, and its major anchor supermarket introduced a flagship concept store at this location which draws increased footfall. Another anchor tenant offering fun and entertainment will launch business in 2022, reinforcing the mall's position as a family oriented destination. As of 31 December 2021, the mall registered an occupancy rate of 83%.

Chatham Place (Group interest: 51%)

This 3-storey shopping arcade appending to Chatham Gate is positioned as an educational hub with a major kindergarten as its key anchor tenant complemented by a host of children learning centres. Under the impact of COVID-19 and mandatory school closures, lease performance significantly deteriorated. As of 31 December 2021, the mall posted an average occupancy of 37%.

Shun Tak Centre Portfolio

The Group owns 100% interest of Shop 402 and another 55% interest in a collection of assets at Shun Tak Centre, which comprises of 213,786 square feet of retail area, 13,827 square feet of gross office area and 85 parking spaces. With the closure of sea borders and a collapse of tourist traffic, the property took the opportunity to commence major renovation. Shop 402 is to be transformed into an exhibition and event space, targeting businesses from the corporate, associations, digital and art related spheres.

In Macau

Nova Mall (Group interest: 50%)

Located at the heart of the Nova residential community in Taipa, Nova Mall is the first shopping destination in Macau dedicated to serving locals' daily needs. Since its launch, the Mall has quickly become a robust community hub in Taipa. With the opening of the last anchor tenant in December, footfall has further increased. As of 31 December 2021, over 90% of lettable space has been leased. Additional local brands will be launched in the first quarter of 2022, bringing overall occupancy to over 85%.

One Central Shopping Mall (Group interest: 51%)

Widely known for its premium flagship stores, One Central is a prominent shopping destination housing around 400,000 square feet of leading luxury brands. The mall is undergoing a tenancy reshuffling exercise, with top selling brands introducing new or flagship stores to this location. Average occupancy for the year stood at approximately 90%. Tenant sales rebounded strongly in 2021 compared to the prior year.

Shun Tak House (Group interest: 100%)

This 28,000 square foot property situated at the heart of Macau's major tourist locale is predominantly occupied by two anchor tenants. The property maintained a 100% occupancy rate during the year. With the significant decline in tourist arrivals, tenants suffered substantial loss in business and the Group continued to extend concessionary relief to these long term tenants as support to weather the downturn.

In China

Shun Tak Tower Beijing (Group interest: 100%)

Shun Tak Tower is situated in Beijing Dong Zhi Men, conveniently located next to the airport highway and enjoys proximity to Beijing downtown and the embassy area. The site spans 63,000 square feet (5,832 square metres), with a gross floor area of approximately 419,000 square feet (38,900 square metres) rising 21 levels above ground, and 182,000 square feet (16,900 square metres) in 4 underground levels. The property also houses a 138-room Artyzen Habitat Hotel.

In an effort to improve occupancy under the competitive market, new incentive schemes for agents and tenants were introduced. The property posted an average office occupancy rate of 78% in 2021.

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

This development in Guangzhou, a 32-storey office tower over a six-storey shopping mall, generated steady revenue for the Group, posting an average occupancy rate of 94% in 2021.

PROPERTY SERVICES

The division offers property and facility management service to a substantial portfolio across the Greater Bay Area. In Hong Kong, 2021 was a stable year with the team streamlining its structure and exploring new business opportunities. In comparison, its Macau operation faced formidable challenges as newly enacted regulations require all properties to form owners' organizations and empowered them to appoint their own management. Such led to pressure to reduce remuneration and changeover of management in some situations. However, the growing portfolio of Group related properties, including Nova Mall and Nova Grand, as well as new projects in Hengqin, Shanghai and Beijing, offer new growth potentials for the division.

With the stabilization of the COVID-19 crisis, both cleaning and laundry businesses recovered and exhibited healthy growth. It is expected that new capacities will be introduced in 2022 to pave way for expansion.

TRANSPORTATION

Under the stranglehold of COVID-19 which instigated radical disruptions to travel and stymied regional tourism, the division maintained its focus on rationalizing its overall transportation portfolio, including land and sea networks, to stay nimble and evolve with future recovery needs. Following almost two years of ferry service suspension with all maritime borders closed off, Shun Tak – China Travel Shipping Investments Limited suffered a substantial share of loss of HK$304 million in 2021 (2020: HK$300 million loss before the restructuring and a shared loss of HK$134 million after the restructuring). Critical measures to conserve liquidity and restructure operation were implemented, resulting in a reduction in operating cost by 54% in 2020, and a further 58% in 2021. As new virus variants flared up across the region during the last quarter, border reopening plans between China and the two SARs were upended and outlook remains grim. Nonetheless, the Group stays committed to its long-term vision of building a cross-border multi-modal platform in support of Central Government's policy of creating a world class Greater Bay Area, and is constantly reviewing its strategy to rebalance its resources in response to the health crisis and market demands. It is also leveraging its tourism experience and operational excellence to diversify its offerings, such as local cruises, coach rental and ferry management services.

Shun Tak – China Travel Shipping Investments Limited

Following a shareholding restructure in association with China Travel International Investment Hong Kong Limited ("CTII") in July 2020, Shun Tak – China Travel Shipping Investments Limited became a 50/50 owned company. The two partners, both leaders in regional cross border transportation, consolidated their fleets of cross border ferries and coaches and network advantages to drive concerted development in the Greater Bay Area, one of the most affluent and fastest-growing regions in China. Once the pandemic stabilizes and a regional travel bubble can be established, the company will be in a competitive position to capitalize upon pent-up demand and spending power to make strong recovery.

In Hong Kong, with a complete standstill in ferry service, the company early terminated a tenancy agreement with regards to the operation of Tuen Mun Ferry Terminal in June 2021 as part of its efforts to refocus resources.

In Macau, since the company launched a sea-borne sightseeing service "Macau Cruise" in 2018, it has become immensely popular among tourists and locals alike. The cruise service offers a unique viewpoint of Macau and immersive travel experience, capturing the vibrant cityscape and Macau's many iconic landmarks and featuring various heritage points of interest and walking tours in the city. A new route connecting Barra and Coloane was introduced in July 2021 as the new Barra Pier was launched. The business performed satisfactorily in the corporate charter and special event segments, and joint promotions with hotels and F&B brands were well received.

During the year, in addition to the agency arrangement with Shekou and Shenzhen ferry operators on routes between Macau and Shekou / Shenzhen, the company entered into agency agreements with Zhuhai ferry operators to manage routes between Zhuhai and the two SARs upon port reopening and service resumption.

On land, cross boundary services including "TurboJET Cross Border Limo" service, "HK-MO Express" and "Macau HK Airport Direct" were suspended, while the "Golden Bus" traversing the Hong Kong-Zhuhai-Macau Bridge only operated with restricted frequency. With the suspension of its core business, the CTG Bus has maintained and developed Macau local shuttle bus service and corporate leasing business. Our cross-border coach services between Guangdong Province and Macau have also resumed operations since July 2020.

The health crisis will continue to exert severe threats and financial pressure upon the division until borders progressively open and quarantine restrictions lifted. Despite the emerging outbreaks of Omicron, governments of Guangdong, Hong Kong and Macau are continuing to actively lay the ground works for quarantine-free travels, including the introduction of compatible Health Code Systems. The division is constantly staying ahead of reopening plans to ensure it can swiftly relaunch in response to authorities' notice and maintain the highest standards in terms of capacity, safety and health requirements for a seamless and secure recovery.

HOSPITALITY

Since the pandemic first started in 2020, tourism has continued to be the hardest hit of all industries, as border closures and containment measures significantly decimated global travels. Despite the availability of vaccination, sporadic resurgence of Delta and the rampant spread of Omicron in the latter months led governments to reimpose stringent controls under the zero tolerance COVID-19 policy, eradicating any recovery in momentum gained earlier in the year. Quarantine-free travel between Guangdong and Macau was disrupted since summer 2021 with an uptick of cases in the region, while reopening of borders between China and Hong Kong remained up in the air. In China, the Group's hotel portfolio benefited from the resilient domestic market and performed moderately well over most parts of the year before lockdowns in multiple provinces began in the last quarter. Amid the pandemic volatility, the division posted a loss of HK$141 million (2020: HK$548 million).

Hotels in Operation

Hong Kong SkyCity Marriott Hotel

This 658-room airport hotel is located adjacent to the AsiaWorld-Expo ("AWE"), Hong Kong's largest convention and exhibition centre, and in close proximity to the Hong Kong International Airport. With its strategic location, the hotel has traditionally specialized in MICE and airline corporate markets.

In 2021, MICE at AWE dwindled to near zero as it was transformed into a makeshift community treatment facility commissioned by the government. The resulting loss in business opportunities was further amplified by many international airlines' decision to suspend or drastically reduce operations into Hong Kong given the city's stringent flight crew curbs. Airport passenger volume plunged 85% year-on-year. In December 2021, the hotel signed on as an exclusive quarantine hotel for air crews in order to secure its baseline revenue.

During the year, the hotel was recognized as Hong Kong's Leading Airport Hotel 2021 by World Travel Awards, and Hong Kong Luxury Airport Hotel 2021 by the World Luxury Hotel Awards.

Mandarin Oriental, Macau

The prestigious Mandarin Oriental, Macau has established a solid foothold in the luxury travel market with its exceptional hospitality and bespoke services. Over the first half of 2021, tourist arrivals showed steady growth, but later outbreaks within Guangdong Province in June and subsequent local cases from August onward dealt a heavy blow to summer and Golden Week business. China market contributed 80% of hotel revenue, while the recovery in local staycations, events, spa and F&B business made up the remaining 20%.

The hotel was proud recipient of Triple Five Star rating for Hotel, Restaurant and Spa from Forbes Travel Guide 2021 Star Awards, and recognized as Top 20 Hotels in China by Conde Nast Traveller 2021 – Reader's Choice Awards.

Grand Coloane Resort

Managed by Artyzen Hospitality Group, this resort offers a tranquil upmarket environment for leisure and relaxation. Facing Hac Sa beach in Coloane and nestled among greenery, the resort stands out from other establishments for its serene landscape and attentive services.

In 2021, the property continued to serve as a medical observation hotel in support of Macau SAR Government's pandemic control measures. It is widely reputed for its scenic room views, personal butler service and in-house dining offers, making it the preferred observation hotel for Hong Kong and Taiwan inbound travelers. The hotel achieved a yearly average occupancy of 78%.

The resort will remain an observation hotel throughout 2022.

Artyzen Habitat Dongzhimen Beijing

This 138-key hotel located within Beijing's old fortress wall, offers a unique blend of contemporary designs amid the traditional local community, and the perfect balance of old and new for travelers seeking authentic local experiences.

Since the start of the pandemic, the capital city has been subject to the tightest containment measures and mobility restrictions. These have further heightened since June 2021, after a relatively healthy first six months, as pockets of outbreaks began to threaten several neighboring provinces, closely preceding Beijing's hosting of the Winter Olympics in February 2022. As a result, significant cancellations in hotel bookings have been recorded in the second half of year, with full year occupancy slipped to an average of 57%.

Artyzen Habitat Hongqiao Shanghai

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

Close to the national exhibition centre, the hotel has a strong footing in the corporate segment. Despite a collapse in international business travel, China's MICE market fared relatively stable over the traditional trade fair seasons with domestic demand driving growth. The hotel recorded a full year average occupancy of 60%.

YaTi by Artyzen Hongqiao Shanghai

The 303-room stylish budget hotel located in the Shanghai MixC complex is wholly-owned by the Group. After a year of rebranding and repositioning, the property experienced an uptick in the second quarter with local support. However, with the government control measures in family group traveling during the summer holidays and successive COVID-19 outbreaks, family business declined substantially. The hotel recorded 27% in average occupancy over the year.

Eature Residences Lingang

This 128-unit hotel room apartment operated by the Group was launched in December 2021. It is located in the Lingang Special Area of Shanghai Pilot Free Trade Zone, earmarked to take the lead nationwide in frontier technology industries and new finance, trade and economy. With a clear roadmap from the government and preferential policies enacted, it is expected that Lingang will become a magnet for international talents and demand for housing will take off once the pandemic situation stabilizes.

Hotels Under Planning and Development

Artyzen Habitat Qiantan Shanghai and The Shàng by Artyzen

The 246-key Artyzen Habitat Qiantan Shanghai and 210-key The Shàng, a select service hotel, are located in the up-and-coming hub for business, entertainment, residential and worldclass sporting facilities. They are located 20 minutes from the centre of Shanghai and are situated 40 minutes' away from Pudong and Hongqiao International Airport. These soon-to-be-opened properties are scheduled for opening in the first quarter of 2022.

Artyzen Habitat Hotel Hengqin Zhuhai

The hotel is sited adjacent to the port facility connecting Macau and Zhuhai. It is minutes from Macau Cotai area, and only 15 minutes away from the renowned Hengqin Chimelong Ocean Kingdom. The 230-guestroom property is scheduled for opening in the first half of 2023.

Artyzen New Bund 31

This 202-room high end lifestyle hotel will be the first keystone for the "Artyzen" brand in China upon completion in year 2023. Located next to the NEW BUND 31 Performing Arts Center which is poised to become the largest in-door theatre in China upon completion, the hotel will fully embrace art and culture to epitomize the Artyzen philosophy.

Artyzen Singapore

This 142-room flagship Artyzen Hotels and Resort, located at the heart of downtown Orchard area, is poised to become the top-of-line property in the Group's hotel portfolio. It will comprise a high-end restaurant and bar, a rooftop dining area, an outdoor swimming pool, a gym and other wellness facilities. Under the impact of COVID-19, construction progress has been delayed with opening expected in mid-2023.

Artyzen Hospitality Group

The Group's subsidiary, Artyzen Hospitality Group Limited ("AHG"), is a hotel management company which crafted a range of original brands catered for the fast-evolving Asian and millennial markets. Headquartered in Hong Kong with regional offices in Macau, Shanghai and Singapore, the company pioneered a premium lifestyle brand experience beyond luxurious spaces to encompass unique immersion into local art, heritage and traditions, which aims to deliver a contemporary and culturally rewarding experience for its guests.

AHG had a busy 2021 engaging in pre-launch preparations for 5 new hotels scheduled to open in 2022. As at 31 December 2021, it manages 8 operating hotels, with the Eature Residences Lingang being its latest addition. The 2022 pipeline of properties are predominantly located in China where a robust recovery in the hospitality sector is evident. These include Lingang Artyzen, Lingang Artyzen Habitat, Qiantan Artyzen Habitat, The Shàng and Suzhou Artyzen Habitat. By the end of 2022, AHG will have established a significant foothold in the key city of Shanghai with its 7 properties, creating significant brand visibility from the cluster strategy.

The Group is developing two joint venture hotel projects with Perennial, the asset management role for the 982 room hotel in Tianjin will be taken up by Nexus Hospitality Management Limited, a subsidiary of AHG.

AHG is currently providing management services to three hotel properties in its independent collection, including Artyzen Grand Lapa in Macau, Ka'anapali Beach Hotel and The Plantation Inn in Hawaii. The former was recently rebranded to be marketed under the Artyzen umbrella so as to drive organic synergy, while the latter two achieved encouraging increase in room sales after a renovation overhaul.

The COVID-19 pandemic has brought about formidable challenges and uncertainties. Travel recovery and hotel construction have been affected to varying degrees in different markets. AHG will continue to implement careful cost control and reinforce new promotion channels to capitalize on an expected release of pent-up demand in tourism and travel.

Tourism Facility Management

The Macau Tower Convention & Entertainment Centre ("Macau Tower") is an iconic tourist and MICE venue in Macau. Despite a gradual recovery in inbound tourist arrivals since September 2020 with the establishment of a Guangdong-Macau travel bubble, subsequent waves of outbreak continued to weigh on business revival. In 2021, F&B remained the best performing division backed by strong domestic demand. Observation deck, banquet and MICE suffered year-on-year declines. However, through streamlining operation and reinforcing local sales strategy, the Macau Tower narrowed its overall net loss and is preparing to capitalize on a substantial recovery once the pandemic stabilizes.

Membership Club

Artyzen Club is an exclusive networking hub located in the central business district of Hong Kong. Its contemporary and classic ambience, haute Asian and Western cuisines, sports and wellness amenities and versatile event facilities are highly popular among its members. Since its opening, its membership base has been growing at a steady pace, registering 452 members as at 31 December 2021.

Under the shadow of the pandemic, patronage remained suppressed with government mandated social distancing restrictions. In an effort to attract a younger crowd, the Club expanded its facilities to include a karaoke and an expanded gym to drive after-dusk business. The Club is also partnering with credit card companies to promote membership referral programs among premium clients.

INVESTMENTS

The Group is a long-term investor in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), and holds 15.8% effective interest in the company as at 31 December 2021. STDM in turn owns an effective shareholding of approximately 53.9% in SJM Holdings Limited, which is effectively entitled to a 100% economic interest in SJM Resorts, Limited (formerly known as "Sociedade de Jogos de Macau, S.A."), one of six gaming concessionaires licensed by the Macau SAR Government to operate casinos in Macau. In 2021, dividends received amounted to HK$52 million (2020: HK$173 million), representing a significant decline of approximately 70% year on year, reflecting the profound impact induced by the COVID-19 crisis on the tourism economy of Macau.

KAI TAK CRUISE TERMINAL

The Group operates and manages Kai Tak Cruise Terminal Hong Kong in partnership with Worldwide Flight Services Holding SA and Royal Caribbean Cruises Ltd. After suffering a full year of suspension, the government allowed the resumption of "cruise-to-nowhere" in July 2021. The itineraries were enthusiastically received by locals, only the rebound was short-lived with the fifth wave of pandemic hitting the city in December. In spite of formidable headwinds, the Group maintains its support to the tourism development and enhancement of the offerings and attractiveness of Hong Kong as a top tourist destination.

RETAIL MATTERS COMPANY LIMITED

The Group's retail division, Retail Matters Company Limited, is the franchise holder of the international toy brand "Toys'R'Us" in Macau, and worldwide owner of the Italian gelato brand "Stecco Natura Gelaterie".

Toys'R'Us currently operates three outlets in Macau located at Macau Tower, Senado Square and Nova Mall. The latter represents its newest 22,000 square-foot flagship store, which opened for business in June 2020. In 2021, an entertainment centre "FunPark" was added to the location, extending a retail-entertainment experience for shoppers which successfully drove foot traffic to the store. Local demand remained resilient despite seismic tourism performance, with the three stores posting over HK$30 million revenue in total.

Adjusting to market needs, Stecco Natura Gelaterie pivoted its growth strategy by focusing on pop-up operations during peak summer seasons, and adding dine-in capacities to its permanent stores. It operated kiosks at Olympian City and Discovery Bay throughout the summer months, and established its presence in Ocean Park. Moreover, a new gelato store was introduced at Tai Kwun during Christmas 2021, while a first outlet in Macau is slated to open at Nova Mall in summer 2022. The brand has plans to enter the Greater China market as its long-term vision.

Phoenix Media Investment (Holdings) Limited

In June 2021, the Group completed an acquisition of approximately 16.93% equity interest in Phoenix Media Investment (Holdings) Limited ("Phoenix Media") at a cash consideration of approximately HK$516 million. Phoenix Media operates popular global channels for audiences worldwide and is involved in omni-media business such as animated comics, games, digital technologies, creative cultural, cloud technology services, education and exhibitions, among others.

WM Motor Holdings Limited

In 2021, the Group invested in approximately 2.0% interests in WM Motor Holdings Limited ("WMMH") through entering into of a share purchase agreement and a share exchange agreement with WMMH. WMMH (through its subsidiaries) is principally engaged in the manufacturing and sales of electric vehicles in China.

RECENT DEVELOPMENTS AND PROSPECTS

2021 marks the second year of the health crisis. Over the first half of year, the economy underwent steady rebound with a waning of disruptions generated by the COVID-19 shock. Despite prolonged border closure, societies regained some normalcy as social distancing measures attenuated, driving retail recovery and unemployment down. In contrast, the latter half of year became increasingly challenging under the combined menace of Delta and Omicron. From pockets of sporadic outbreaks across China to a full-fledged fifth wave in Hong Kong since December, many sectors of the economy face bleak outlook.

Performance of the Group's property division improved year-on-year, underscored by residential sales from a number of overseas projects. During the year, 14 units at Nova Park and 123 units at Nova Grand were being recognized. The Group started handing over the 421 sold residential units of the Hengqin Integrated Development to their homebuyers. In Singapore, 31 units were sold including 3 penthouses from Park Nova, and 2 units from Les Maisons Nassim. The Group's investment portfolio recorded satisfactory improvement in rental income, as recessionary pressure recedes in light of an uptick in commercial activities. Looking ahead, 2022 is anticipated to be a challenging year for residential sales. The combined impact of Omicron threats, interest hike cycle, cooling measures in the Singapore residential market and tightened lending for the property development sector in China, all constitute major headwinds that can steer the gradual recovery off course.

The Omicron variant which rampaged through Hong Kong and Southern China since late December drove another nail to the already frail hospitality and tourism sector. Following a steady rebound in the beginning of 2021, sporadic resurgence in various Chinese provinces led government to advocate "staying put" for holidays. Such calls led to substantial cancellations in anticipated peak seasons, including summer bookings in Macau and winter bookings in Beijing coinciding with the Winter Olympics, with inter-provincial travels grounded. Amid the challenging situation, Artyzen Hospitality Group ("AHG") continued to streamline hotel operations and rationalize overhead to mitigate losses. AHG added the Eature Residences Lingang to its portfolio in December 2021, and is ushering in another 5 new hotels in 2022. With 4 of these new additions located in the vibrant city of Shanghai, AHG planned to leverage this cluster advantage to enhance its brand recognition across China. It is envisaged that domestic travel will be first to rebound in key cities such as Shanghai, and AHG will be well positioned to capitalize upon the recovery.

The Group's transportation division is severely battered as sea borders have been closed since February 2020. Despite headwinds in the regional and international travel markets, TurboJET strengthened cooperation with PRC partners to manage the ferry service in Hong Kong and Macau for the development of the routes between Zhuhai and the two SARs. In addition, the division further directed its efforts towards developing local maritime leisure products, Macau Cruise. In July, Macau Cruise launched the "Barra-Coloane" route which offers a scenic and comfortable ride overlooking a series of key visitor attractions along the coastlines of Macau and Hengqin as well as featuring various walking tours and heritage points of interest in Macau which has since become highly popular. The division will continue to embrace its rigorous cost-saving programs in order to weather the downturn and prepare for service restart. At the same time, the division will consolidate its strategic partnership with China Travel International Investment Hong Kong Limited to optimize their joint land and sea resources to best serve the evolving regional transportation demands within the Greater Bay Area in the post-pandemic era.

Throughout the pandemic, the Group has demonstrated resilience and resolution, taking firm steps to ensure pipeline projects progress as scheduled and that existing operations are reinvented to become futureproof and positioned for sustainable growth. It is expected that the authorities will maintain a strict and cautious approach in combating the health crisis and that border closures will be extended for an uncertain period of time. The Group will continue to monitor market situations and pragmatically deploy resources in the best interest of the shareholders.

GROUP FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's bank balances and deposits amounted to HK$7,819 million as at 31 December 2021, representing an increase of HK$2,373 million as compared with the position as at 31 December 2020. It is the Group's policy to secure adequate funding to satisfy cash flows required for working capital and investing activities. Total bank loan facilities available to the Group as at 31 December 2021 amounted to HK$22,955 million, of which HK$5,142 million remained undrawn. The principal amount of Group's bank borrowings outstanding at the year end amounted to HK$17,813 million.

Based on a net borrowings of approximately HK$9,910 million at the year end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to owners of the Company) was 28.0% (2020: 35.6%). The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to reduce its finance costs.

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

Maturity Profile

Within 1 year	1-2 years	2-5 years	over 5 years	Total
9%	29%	49%	13%	100%

Material Acquisitions, Disposals and Commitments

In January 2021, the Group completed a further acquisition of an effective interest of 10% in a mixed-use development project located in Suhe Bay Area in Jingan District of Shanghai through a public tender at a consideration of RMB944.4 million. The Group increased its effective interest from 40% to 50% in the project upon completion of the acquisition.

In June 2021, the Group has completed the acquisition of approximately 16.93% equity interest of Phoenix Media Investment (Holdings) Limited ("Phoenix Media"), a leading Chinese satellite television broadcasting television operator broadcasting in the PRC as well as worldwide, from an independent third party at a cash consideration of approximately HK$516 million. Upon completion of the acquisition, Phoenix Media became an associate of the Group. A gain on bargain purchase of approximately HK$321 million was recognised within the share of results of associates during the year, representing the Group's share of the provisional fair values of the identifiable net assets acquired over the cost of investment.

In November 2018, the Group entered into a main contract for construction a hotel property in Singapore. As at 31 December 2021, the Group has an outstanding commitment of approximately HK$372 million.

In January 2018, the Group entered into an agreement with other partners to jointly invest in Perennial HC Holdings Pte. Ltd. ("HC Co"), which will invest in potential real estate projects in the PRC predominantly for healthcare usage, with hotel and/or with retails components, complemented by healthcare-related amenities and mixed use properties. The total committed capital for HC Co is US$500 million. The Group holds 30% equity interest in HC Co and thus has its share of commitment at US$150 million. As at 31 December 2021, the Group has an outstanding commitment to contribute capital of approximately US$94 million (equivalent to approximately HK$731 million) to HC Co.

Charges on Assets

At the year end, bank loans with principal amount of approximately HK$7,763 million (2020: HK$9,723 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK$15,159 million (2020: HK$19,349 million). Out of the above secured bank loans, an aggregate principal amount of HK$694 million (2020: HK$2,511 million) was also secured by pledges of shares in certain subsidiaries.

Contingent Liabilities

The Company has provided a corporate guarantee for securing a banking facility granted to an associate. As at 31 December 2021, the bank loan balance proportionate to the Company's shareholding amounted to HK$110 million (2020: nil).

Financial Risk

The Group adopts a prudent approach to financial risk management to minimise currency exposure and interest rate risks. Majority of funds raised by the Group are on a floating rate basis. Except for bank loans with principal amount of RMB288 million and SGD1,165 million, the Group's outstanding borrowings at year-end were not denominated in foreign currencies. Approximately 68% of the bank deposits, cash and bank balances are denominated in Hong Kong dollar ("HKD"), Macau pataca ("MOP") and US dollar ("USD") and the remaining balance mainly in Singapore dollar ("SGD") and Renminbi ("RMB"). MOP and USD are pegged to HKD. The Group's principal operations are primarily conducted in HKD while its financial assets and liabilities are denominated in USD, MOP, SGD and RMB. The Group will from time-to-time regularly review its foreign exchange and market conditions to determine if hedging is required.

Human Resources

The Group, including subsidiaries but excluding joint ventures and associates, employed approximately 1,500 employees at the year end. The Group adopts competitive remuneration packages for its employees. Promotion and salary increments are based on performance. Social activities are organised to foster team spirit amongst employees and they are encouraged to attend training classes that are related to the Group's businesses and developments.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2022 annual general meeting of the Company, the register of members of the Company will be closed. Details of such closure are set out below:

Latest time to lodge transfer documents for registration	4:30 p.m. on Wednesday, 22 June 2022
Closure of register of members	Thursday, 23 June 2022 to Wednesday, 29 June 2022 (both days inclusive)
Record date	Wednesday, 29 June 2022

During the above closure period, no transfer of shares will be registered. To be eligible to attend and vote at the 2022 annual general meeting of the Company, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than the aforementioned latest time.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is currently scheduled to be held on Wednesday, 29 June 2022 subject to any contingency measures which may be announced as appropriate. The notice of annual general meeting will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited and despatched to the shareholders of the Company in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, the Company bought back a total of 1,100,000 shares of the Company at an aggregate consideration of HK$2,642,750 (before expenses) on The Stock Exchange of Hong Kong Limited. All the shares bought back were subsequently cancelled. Particulars of the buy-back are as follows:

Month of buy-back	**Number of shares bought back**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate consideration paid (before expenses)**
		HK$	*HK$*	*HK$*
June 2021	1,100,000	2.42	2.39	2,642,750

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

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance and fostering sustainable business growth and development. The Board periodically reviews the Company's practices to ensure compliance with the increasingly stringent requirements and to meet rising expectations of the shareholders of the Company. The Board is of the opinion that the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2021, except for code provision C.2.1 (i.e. A.2.1 prior to 1 January 2022), which requires the roles of Chairman and Chief Executive to be separate and not to be performed by the same individual. The Board is of the view that since all major decisions have been made in discussion among Board members and appropriate Board committees, the allocation of power and authority within the corporate structure is adequately balanced to satisfy the objective of this code provision. In addition, there are four independent non-executive directors on the Board who offer their respective experience, expertise, and independent advice and views from different perspectives. Therefore, it is in the best interest of the Company that Ms. Pansy Ho, with her in-depth knowledge of the businesses and extensive experience in the operations of the Group, assumes her dual capacity.

REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE

The Group's consolidated financial statements for the year ended 31 December 2021 have been reviewed by the audit and risk management committee of the Company. The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021, as set out in the preliminary announcement, have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

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

Hong Kong, 25 March 2022

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