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Doing More Together

信德集團有限公司年報
SHUN TAK HOLDINGS LIMITED ANNUAL REPORT
2018

信德集團
SHUN TAK HOLDINGS

STOCK CODE 股份代號：242

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of operation of the Group as set out in this Annual Report are historical in nature and past performance is not a guarantee of future performance. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual result may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

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Doing More Together

At Shun Tak, we believe in the power of partnership. When businesses and people share the same visions and goals, more can be achieved for the common good. That is why, for over 50 years, an integral part of our success rests with the collaboration between business and people with complementing skills and strength, to deliver products and services with our signature mark of distinction.

When we come together, we do more together.

Corporate Information

CHAIRMAN EMERITUS

Dr. Stanley Ho

BOARD OF DIRECTORS

Ms. Pansy Ho
Group Executive Chairman and
Managing Director

Mr. Norman Ho
Independent Non-Executive Director

Mr. Charles Ho
Independent Non-Executive Director

Mr. Michael Wu
Independent Non-Executive Director

Mr. Kevin Yip
Independent Non-Executive Director

Ms. Daisy Ho
Deputy Managing Director

Ms. Maisy Ho
Executive Director

Mr. David Shum
Executive Director

Mr. Rogier Verhoeven
Executive Director

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Angela Tsang

REGISTERED OFFICE

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
E-mail: enquiry@shuntakgroup.com

AUDITOR

PricewaterhouseCoopers

SOLICITOR

Norton Rose Fulbright

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Bank of China, Macau Branch
Hang Seng Bank Limited
China Construction Bank (Asia)
Corporation Ltd
Crédit 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

SHARE LISTING

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

Corporate Profile

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

PROPERTY

The Group has a prominent and successful track record in the Macau and Hong Kong property markets. The Group owns one of the largest developable floor areas in Macau among Hong Kong listed companies. It is an important player in Macau's property market with a host of property development projects, and has growing presence in the Greater China real estate market with investments in Tongzhou and Dong Zhi Men in Beijing, Minhang and Qiantan in Shanghai, Hengqin in Zhuhai, Xiqing in Tianjin and Chenggong in Kunming.

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

One Central, the Group's joint venture with Hongkong Land Holdings Limited, is located on a prime waterfront site in Macau Peninsula. The project comprises 7 prestigious residential towers, a luxurious flagship shopping mall, a 5-star Mandarin Oriental Hotel and serviced apartments managed by the same hotel group.

Nova City in Taipa is one of the largest luxury developments in Macau. The project comprises upscale residential units, world-class landscaping and clubhouse facilities. Sales of 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 – Nova Grand, which will sit above a large-scale lifestyle shopping centre with a gross floor area over 655,000 square feet. The Group formed a joint venture with HIP Company Limited, a wholly-owned subsidiary of the Abu Dhabi Investment Authority to co-invest in the shopping centre. It will become an activity hub serving the Taipa community upon opening.

The Group plays a prominent role in the Hong Kong property market with a portfolio comprising commercial, residential and retail property ventures. The Group's signature residential projects in Hong Kong include The Belcher's, liberté and Chatham Gate.

Its property management branch currently offers professional property and facility management services to residential development, clubhouse, office tower, shopping mall and carpark across Hong Kong and Macau.

The Group made its foray into the Northern China property market through an investment in the Beijing Tongzhou Integrated Development. The complex will be developed into an iconic landmark comprising retail, office and serviced apartments all amalgamated under one prime address along the famous Grand Canal.

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

Hengqin Integrated Development is a joint development 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 an extension of the Guangzhou-Zhuhai Intercity Rail as well as the Hengqin and Macau light rails in the future. It will be developed into an integrated landmark which comprises office, retail, hotel and serviced apartments.

Mixed Development at Qiantan, Shanghai is a 50:50 joint venture project with Shanghai Lujiazui (Group) Company Limited. When completed, the 133,500 square metres of total gross floor area will encompass offices, retail space, a 5-star hotel, and an arts and cultural centre. Upon completion, Artyzen Hospitality Group will take over the management of the hotel component of the development.

In 2018, the Group ventured into China's healthcare sector through a strategic partnership with Perennial Real Estate Limited, under which it will develop predominantly healthcare mixed-use complex sited close to high-speed railway stations. The first two cornerstone projects will be located in the Xiqing district of Tianjin and Chenggong district of Kunming.

Beyond its Greater China home base, the Group is diligently investing in the Singapore market with a number of acquisitions that hold excellent potentials. 111 Somerset Road is a premium commercial development strategically located within the Orchard Road precinct, surrounded by a prime shopping, entertainment and tourism belt with direct MRT access. It comprises approximately a gross floor area of 766,550 square feet of office units, medical suites and 2 levels of retail podium.

In June 2018, the Group successfully won the bid of two plots of prime residential redevelopment sites in downtown Singapore, namely Park

House and 14 & 14A Nassim Road. Situated close to Singapore's famous shopping and entertainment hub of Orchard Road as well as renowned Central Business Districts, the two properties will be redeveloped into luxury residential condominiums for sale.

TRANSPORTATION

The Group's origin dates back to 1962 with the inauguration of a passenger ferry service between Hong Kong and Macau. In a strategic move in 1999 to strengthen its shipping business and expand its market share, the Group successfully merged its shipping operation with that of China Travel International Investment Hong Kong Limited to create a combined entity under the brand name "TurboJET". TurboJET, operated and managed by Shun Tak – China Travel Shipping Investments Limited and its subsidiaries, offers passengers speedy, reliable and comfortable sea travel services across major destinations within the Pearl River Delta ("PRD"), developing a well-connected sea transportation network linking major cities and airports in the region such as Hong Kong, Macau, Zhuhai, Shenzhen and Shekou.

In 2003, TurboJET launched "TurboJET Airport Routes" (previously known as 'TurboJET Sea Express'), a unique inter-regional multimodal connection of air-sea network comprising a ferry service that links major international airports in the PRD. The bonded service connects air transit passengers of the Hong Kong International Airport with Macau and various destinations in the PRD region, further strengthening connectivity amongst PRD cities and world destinations.

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

On land, the Group's 55.1% owned joint venture, Shun Tak & CITS Coach (Macao) Limited, has an operating fleet of 138 vehicles, providing local and cross-boundary coach services between various mainland cities and Macau.

The division is one of the participating parties in a consortium that has succeeded in the tender of the sole right to operate cross-border shuttle bus on the Hong Kong-Zhuhai-Macau (HZM) Bridge. The service has started operation in October 2018 to coincide with the HZM bridge opening.

Leveraging its profound experience in passenger sea travel and understanding of regional tourism trends, the Group launched 'Macau Cruise' in 2018. It provides customised cruise services in specially liveried tour ferries around the coastline of Macau and Hengqin, taking in some of the most spectacular sights of the city and vicinity.

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, boasting fine elegance and bespoke services. The 208-room Grand Coloane Resort, formerly Westin Resort Macau, is a lavish boutique resort on the beautiful shores of Coloane Island overlooking the Hac Sa Wan and the South China Sea.

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

No. 9 Cuscaden Road, Singapore is the Group's first foray into the hotel market in Singapore. Sited close to the local central business district and major tourism belt, the property will be developed into 5-star luxury hotel of no fewer than 90 room keys, along with four floors of boutique office spaces for lease.

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

In 2013, the Group founded Artyzen Hospitality Group ("AHG") to offer hotel management solutions to hotel owners and developers, as well as manage its own portfolio of luxury hotel brands, characterized by unique Asian art and cultural offerings. This strategic expansion not only strengthens the Group's presence in hotel services, but also seizes the extensive opportunities in the burgeoning Asian tourism landscape, especially for the increasingly affluent, discerning and mobile travelers in China. AHG is currently operating two Artyzen branded hotels and four non-branded hotels. The Artyzen branded hotels are Artyzen Habitat Dongzhimen Beijing and Artyzen Habitat Shanghai Hongqiao in Shanghai MixC. The non-branded hotels are the Grand Coloane Resort and the Grand Lapa in Macau and two hotels in Maui, Hawaii, namely the Ka'anapali Beach Hotel, and The Plantation Inn.

Artyzen Habitat Dongzhimen Beijing, AHG's own-branded hotel with 138 rooms, opened its doors in September 2017. The hotel nestles in a vibrant area within Beijing's old fortress walls in Dongzhimen but also just 25 minutes' drive from the airport and is close to rail links.

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

Also situated in the Shanghai MixC complex, citizenM Shanghai Hongqiao is wholly owned by the Group but operated by citizenM, a global hospitality group based in the Netherlands. With 303 rooms, the hotel caters to a new generation of modern travellers looking for superior service on an affordable budget.

Partnering 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%. STDM in turn owns approximately 54.1% 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. "Toys"R"Us" operates a flagship store at Macau Tower and a second outlet in Macau's city centre near Senado Square.

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

Management Profile

MS. PANSY HO

JP
Group Executive Chairman
and Managing Director
aged 56

Ms. Ho Chiu King, Pansy Catilina ("Ms. Pansy Ho") joined the Group as an executive director in 1995, and was appointed the managing director in 1999 and the group executive chairman in 2017 to oversee the Group's overall strategic development and management. She is also the chairman of the executive committee, a member of the remuneration committee and nomination committee of the Company; and a director of a number of subsidiaries of the Company.

Ms. Pansy Ho is the 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 Megaprosper 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 of Hong Kong Limited (the "Stock Exchange")).

Ms. Pansy Ho was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region on 1 July 2015.

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

Ms. Pansy Ho holds a Bachelor's degree in marketing and international business management from 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 received an honorary fellowship from The Hong Kong Academy for Performing Arts in June 2014 and an honorary university fellowship from the University of Hong Kong in September 2015.

Ms. Pansy Ho is a sister of Ms. Daisy Ho and Ms. Maisy Ho, who are the deputy managing director and an executive director of the Company respectively.

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

MR. NORMAN HO

F.C.P.A., B.A., A.C.A.
Independent Non-Executive Director
aged 63

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 an independent non-executive director of a subsidiary of the Company.

Mr. Norman Ho is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company, Limited and has over 30 years of experience in management and property development.

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

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

MR. CHARLES HO

G.B.M.
Independent Non-Executive Director
aged 69

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

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

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

MR. MICHAEL WU

Independent Non-Executive Director
aged 60

Mr. Wu Zhi Wen, Michael (former name: Ng Chi Man, Michael) ("Mr. Michael Wu") was appointed as an executive director of the Company in 2009 and was then re-designated as a non-executive director of the Company in July 2010. Mr. Michael Wu has been re-designated as an independent non-executive director of the Company and appointed as a member of the audit committee of the Company both with effect from 20 December 2012. He has also been appointed as the chairman of the remuneration committee and a member of the nomination committee of the Company, both with effect from 25 August 2015.

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

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

MR. KEVIN YIP

Independent Non-Executive Director
aged 54

Mr. Yip Ka Kay, Kevin ("Mr. Kevin Yip") was appointed as an independent non-executive director of the Company in October 2015. He has been appointed as a member of the audit committee of the Company with effect from 11 January 2017; and a member of the nomination committee and remuneration committee of the Company with effect from 27 March 2019.

Mr. Kevin Yip is the managing director and responsible officer of GRE Investment Advisors Limited, a Hong Kong Securities and Futures Commission licensed advisor to NM Strategic Management, LLC. He is also a managing director of General Oriental Investments (HK) Limited, a wholly owned subsidiary of General Oriental Investments S.A., the investment manager of the Cavenham Group of Funds. Mr. Kevin Yip is also a non-executive director of VCREDIT Holdings Limited which is listed on the Main Board of the Stock Exchange.

Mr. Kevin Yip has extensive experience in private equity, alternative and portfolio investment. He was previously managing director and responsible officer of Bosera Asset Management (International) Co., Limited in Hong Kong. Prior to that he was a founding and senior partner of General Enterprise Management Services (HK) Limited, a private equity management company. He was previously a vice president of JP Morgan International Capital Corporation.

Mr. Kevin Yip is currently a member of the Investment Advisory Committee of EQT Partners, a leading private equity group in Europe, which works with portfolio companies to achieve sustainable growth, operational excellence and market leadership.

Mr. Kevin Yip holds an A.B. Degree in Economics (magna cum laude) from Harvard University. He sits as a non-scientific member of the Institutional Review Board of the University of Hong Kong/Hospital Authority Hong Kong West Cluster and is also a member of the board of trustees of Milton Academy, Massachusetts, USA. He was chairman emeritus of the Hong Kong Venture Capital and Private Equity Association. He had also served on the Financial Services Advisory Committee of the Trade Development Council of the Hong Kong Special Administrative Region of the People's Republic of China.

MS. DAISY HO

Deputy Managing Director
aged 54

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

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

Ms. Daisy Ho is a director of Shun Tak Shipping Company, Limited*, Renita Investments Limited*, Oakmount Holdings Limited* and Megaprosper Investments Limited*. She is also the chairman and executive director of SJM Holdings Limited which is listed on the Main Board of the Stock Exchange.

Ms. Daisy Ho is Vice President and an executive committee member of The Real Estate Developers Association of Hong Kong, a member of the Hong Kong Institute of Real Estate Administrators, a Vice President of Macao Association of Building Contractors and Developers, a member and member of Ladies Committee of The Chinese General Chamber of Commerce, a life member and member of Ladies Committee of Macao Chamber of Commerce, a fellow of The Hong Kong Institute of Directors, Governor of The Canadian Chamber of Commerce in Hong Kong, Chairman of Hong Kong

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

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

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

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

MS. MAISY HO

B.B.S.
Executive Director
aged 51

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 Unitas Holdings Limited which is listed on the Growth Enterprise Market of the Stock Exchange.

Ms. Maisy Ho was appointed as the member of Equal Opportunities Commission and member of Committee on the Promotion of Civic Education in 2017. She was appointed as council member of The Hong Kong Academy for Performing Arts in January 2018.

In Hong Kong, Ms. Maisy Ho is a member of Hospital Governing Committee of Tung Wah Hospital, Tung Wah Eastern Hospital, Tung Wah Group of Hospitals Fung Yiu King Hospital, Kwong Wah Hospital, Tung Wah Group of Hospitals Wong Tai Sin Hospital and Queen Elizabeth Hospital, past president of Hong Kong Institute of Real Estate Administrators, member of Chartered Institute of Housing Asian Pacific Branch, committee member and vice chairman of Ladies' Committee of The Chinese General Chamber of Commerce, honorary vice president and member of executive committee of The Hong Kong Girl Guides Association, member of board of trustees of New Asia College, The Chinese University of Hong Kong, school supervisor of Tung Wah Group of Hospitals Chen Zao Men College, executive vice chairman of Hong Kong Volunteers Federation, executive vice president of Hong Kong Poverty Alleviation Association Limited and executive vice chairman of The Hong Kong Island Federation. Ms. Maisy Ho is also a holder of Estate Agent's Licence (Individual).

Ms. Maisy Ho was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2016.

In Macau, Ms. Maisy Ho is an executive vice president of Property Management Business Association Macao, vice chairman of supervisory board of Macao International Brand Enterprise Commercial Association, standing committee member and deputy chief of Ladies Committee of Macao Chamber of Commerce and committee member of Kiang Wu Hospital Charitable Association.

In China, she is a standing committee member of the Chinese People's Political Consultative Conference of Liaoning Province.

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

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

MR. DAVID SHUM

Executive Director
aged 64

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

Mr. David Shum is a director of Shun Tak Shipping Company, Limited* and an executive director of SJM Holdings Limited (which is listed on the Main Board of the Stock Exchange).

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

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

MR. ROGIER VERHOEVEN

Executive Director
aged 56

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

Mr. Rogier Verhoeven has extensive experience in business development, general management and hospitality industry. He is responsible for overseeing the strategic business development and asset management of the real estate, mixed use and hospitality investments for the Group's integrated hospitality management company (Artyzen Hospitality Group). He also oversees various other business units and related operations within the Hospitality Division.

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

Financial Highlights and Calendar

FINANCIAL HIGHLIGHTS

	2018	2017
	HK$'000	HK$'000
Revenue	**6,591,582**	6,388,505
Profit attributable to owners of the Company	**4,647,326**	1,450,160
Total equity	**37,165,600**	33,018,756
Earnings per share (HK cents)		
– basic	**153.4**	47.7
– diluted	**153.4**	47.7
Dividends per share (HK cents)	**16.0**	12.0
Net asset value per share (HK$)	**12.3**	10.9

The calculation of basic earnings per share is based on the weighted average number of 3,029,728,333 shares (2017: 3,042,465,785 shares) in issue during the year. Basic and fully diluted earnings per share are the same as the share options of the Company has an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2018 (2017:same).

FINANCIAL CALENDAR 2019

Announce 2018 annual results	27 March 2019
For determining shareholders' eligibility to attend and vote at Annual General Meeting	
Deadline for lodgement of transfer documents for registration	4:30 p.m. on 17 June 2019
Closure of register of members	18 June 2019 to 24 June 2019, both dates inclusive
Record date	24 June 2019
Annual General Meeting	24 June 2019
For determining shareholders' entitlement to the final dividend and special dividend	
Deadline for lodgement of transfer documents for registration	4:30 p.m. on 2 July 2019
Closure of register of members	3 July 2019 to 5 July 2019 both dates inclusive
Record date	5 July 2019
Expected posting date of dividend warrants to shareholders	16 July 2019
Announce 2019 interim results	August 2019

Significant Events

2018

January

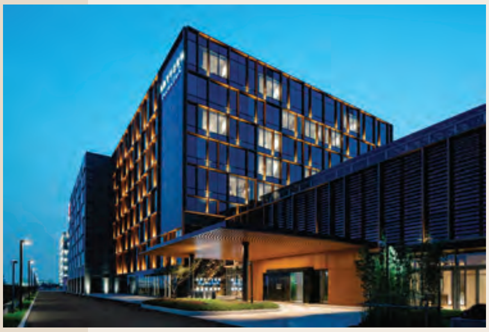
The Group entered into an agreement with Perennial Real Estate Holdings Limited and a consortium of investors to invest in, acquire and develop large scale and predominantly healthcare integrated mixed-use developments in mainland China with close proximity to high speed railway stations.

February

TurboJET received "Hong Kong Top Service Brand Ten Year Achievement Award" from Hong Kong Brand Development Council and the Chinese Manufacturers Association.

March

- Grand Coloane Resort was awarded "Luxury Resort of the Year 2018" by Luxury Travel Guide Asia & Australasia.
- Artyzen Habitat was named "The Best New Prominent Hotel Brand" at the 13th China Hotel Starlight Awards.



April

TurboJET was conferred "2017/18 Smiling Enterprises 5+ Year Award – Transportation Services" by Mystery Shopper Service Association.

June

The Group successfully won the bids for two prime residential redevelopment sites located at 21 Orchard Boulevard and 14& 14A Nassim Road in downtown Singapore.

July

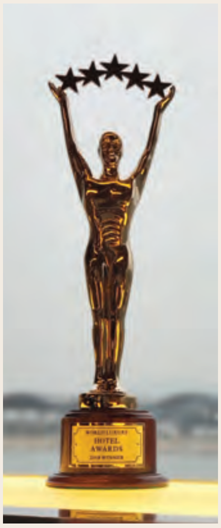
The Group acquired three plots of land located next to the Tianjin South High Speed Railway Station in Xiqing District, Tianjin to develop mixed- used complex with healthcare focus.

September

- The Group acquired 10% Class A shares of Shun Tak Centre Limited which held certain investment properties located at Shun Tak Centre, Hong Kong.
- Artyzen Habitat Hongqiao Shanghai officially opened its doors.
- Mandarin Oriental, Macau was named "Asia's Most Excellent Contemporary Hotel" by Asia Awards of Excellence and "Macau's Leading Hotel Suite 2018" by World Travel Awards.

October

With the opening of the HZM Bridge on 24 October, cross-border shuttle bus services traversing the Bridge, operated by the Group and a consortium of investors, commenced operation on the same day.



November

Hong Kong SkyCity Marriott Hotel clinched "East Asia Luxury Airport Hotel" at the 2018 World Luxury Hotel Awards.

December

- The Group completed the disposal of a 50% stake in Nova Mall to HIP Company Limited, a wholly-owned subsidiary of the Abu Dhabi Investment Authority.
- Following its acquisition in Tianjin, the Group further acquired two plots of land in the Chenggong district of Kunming in Yunnan Province to develop predominantly healthcare integrated mixed-use developments.
- Shun Tak – China Travel Shipping investments limited launched Macau Cruise.
- AHG celebrated the soft opening of citizenM Shanghai Hongqiao.

Chairman's Statement

Dear Shareholders,

After completing my first full year serving Shun Tak as Group Executive Chairman, I am delighted to present this year's Annual Report. It summarises an eventful year, in which we have made steady progress on several fronts while also taking significant steps in new directions and entering new markets. Throughout the year, international geo-political events and regional infrastructure changes have posed challenges to some areas of our business, and we have worked hard to address these. Overall, in a year of strategic investment and some new beginnings, the Group's results have proved very satisfactory, representing solid forward momentum that we expect to continue into the year to come with the support of our loyal shareholders.

Profit attributable to shareholders of the Group for the year ended 31 December 2018 amounted to HK$4,647 million (2017: HK$1,450 million). Basic earnings per share were HK153.4cents (2017: HK47.7 cents). As a result, the Board of Directors has recommended the payment of a final dividend of HK10.0 cents per share (2017: HK6.0 cents) and a special dividend of HK6.0 cents per share (2017: nil). As no interim dividend was paid in 2018, this amount represents the total dividend payment for the year (2017: HK12 cents).

Our Property division experienced a strong start to the year in terms of unit sales. First-half sales primarily arose from two rounds of sales of residential units in February and May 2018 at Nova Grand, the latest and final phase of our Nova City development in Macau. A further round of Nova Grand sales followed in September, generating excellent sales performance for the second half of the year.

In terms of profit for the year, the Group's performance was pleasing. Revenue from a total of 237 sold units were recognised in the course of 2018, representing 13% of the total units in Nova Grand. Consequently, as of 31 December 2018, approximately 75% of all available units at Nova Grand had been contracted. Also in the second half, the Group booked a one-off disposal gain of a 50% stake in Nova Mall, the retail development associated with Nova City, which was sold to HIP Company Limited, a wholly-owned subsidiary of the Abu Dhabi Investment Authority.

In China, our Property division has been very active on a number of fronts, with a range of projects in place that are moving forward at a good pace. We are involved in several large-scale, mainly mixed development projects strategically sited in major cities in China, due for completion within the next few years, and which are expected to begin delivering steady recurrent income to the Group from 2020 onwards.

A significant new development for the Group in 2018 was our embarkation on two new joint development projects in China with Singapore listed company Perennial Real Estate Limited, a specialist in the medical and healthcare industry. The two projects we have begun with Perennial will take us in a new and, we believe, very promising direction as we blend our Group's expertise in mixed-use hospitality developments with our partner's specific medical and healthcare expertise and local networks. With China's urban affluence growing and demand for quality healthcare facilities being stretched, these two projects offer a unique opportunity to tap into a new trend for health-oriented lifestyles. Sited close to high-speed rail stations, the developments will also take advantage of the growing mobility of China's urban populations. We expect that the Group's 30% interest in each of these developments will translate into stable reliable long-term income.

We have also begun to invest in property in Singapore, moving into a market that we believe holds potential for certain kinds of niche developments. During the year, we purchased two prime sites in Singapore to supplement the site acquired in 2017 at 111 Somerset Road, in which the Group holds a 70% interest. While the 2017 acquisition is a mixed use development combining a range of unit types for sale and lease, the 2018 acquisitions will be developed into luxury residential condominiums for sale. Given Singapore's strong economic prospects for the coming years, the Group believes that its involvement in this end of the residential market holds excellent potential.

The big regional transportation story in 2018 was the opening of the Hong Kong-Zhuhai-Macau (HZM) Bridge. As a Group committed to fostering closer links across the Greater Bay Area, we welcomed this new transportation option and indeed have played a part in helping it get off to a smooth start with the launch of our new Golden Bus services over the bridge. Our connecting ferry routes across the region have remained a vital part of the transportation infrastructure across the Greater Bay Area. However, the results from our Transportation division weakened in 2018 by comparison with the previous year, mainly due to significant rises in fuel prices and other operational costs from the previous year along

with a drop in passenger numbers. As the impact of the HZM Bridge on regional travel patterns becomes more apparent in the year ahead, we will be closely examining the long-term impact of the bridge on our Group and looking to adjust and optimise our range of transportation services accordingly.

Our hotel management subsidiary Artyzen Hospitality Group has continued making strides forward in the past year, as it has expanded and reinforced its standing as a relatively new player in the hospitality industry in China and the Asian region. Having opened three Artyzen-branded hotels as of 2018, Artyzen has made a real mark on its industry and at the same time has achieved strong results in a highly competitive market. Inevitably, however, the significant pre-opening expenses associated with Artyzen's new hotels impacted on the results of our Hospitality division in 2018.

In a related move, the exclusive Artyzen Club was launched in Hong Kong during the year, offering a sophisticated business environment and comprehensive recreational facilities for members to network, conduct business, or relax.

Elsewhere, the Group's hotel operations in Hong Kong and Macau have performed steadily in a tight market. Our hospitality operations have been characterised by total professionalism, forward-looking innovation, and a long-term commitment to environmental care, which I believe are qualities that will enable this area of our business to continue to prosper in the future. In the past year, each of our hotels has worked hard to reinforce their unique positioning in their respective markets, creating distinctive brand offerings.

Finally, at the end of my first full year as Group Executive Chairman, I would like to thank all those colleagues and associates who have played a part in helping make this year a stimulating and successful one for the Group. In particular, I wish to thank all our shareholders for their loyal support over this past year. Your goodwill has been vital in enabling us to steer a course that combines ethical behaviour and sustainability on the one hand with profitability on the other. We are proud to have been able to contribute to a better Greater Bay Area and a better China through our various property, transportation and hospitality initiatives, while also bringing value to our loyal shareholders.

By order of the Board

Pansy Ho
Group Executive Chairman and
Managing Director
27 March 2019

PROPERTY

Building More

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

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

PROPERTY DEVELOPMENTS

PROJECTS COMPLETED WITH RECENT SALES

In Macau

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

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

In Singapore

111 Somerset Road, Singapore (Group interest 70%)

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

PROJECT UNDER DEVELOPMENT

In Northern China

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

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

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

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

In Southern China

Hengqin Integrated Development (Group interest: 70%)

This development is located on the border of Macau and Hengqin, in close proximity to both the Lotus Bridge border facilities and the planned future extension of the Guangzhou-Zhuhai Intercity Rail. The attractiveness of the location has recently been enhanced by the Macau Government's decision to relocate its Cotai Frontier to the Hengqin Border, a move which is expected to enhance the overall business development of the Special Economic Zone. Construction is well underway at the large 23,834 square metre site, which will be comprised of office developments (42,300 square metres), retail facilities (45,500 square metres), hotel space (16,700 square metres), and serviced apartments (32,800 square metres), along with 1,311 car parking spaces. Currently completion is targeted for 2020, and presale will begin in 2019.

PROJECTS UNDER PLANNING

In Macau

Harbour Mile

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

In Singapore

Park House
(Group interest: 100%)

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

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

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

In China

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

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

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

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

PROPERTY INVESTMENTS

In Hong Kong

liberté place
(Group interest: 64.56%)

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

The Westwood
(Group interest: 51%)

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

Chatham Place
(Group interest: 51%)

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

Shun Tak Centre 402
(Group interest: 100%)

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

In Macau

Nova Mall
(Group interest: 50%)

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

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

One Central Shopping Mall
(Group interest: 51%)

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

Shun Tak House
(Group interest: 100%)

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

In China

Shun Tak Tower Beijing
(Group interest: 100%)

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

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

This office tower in Guangzhou, rising 32 storeys above a six-storey

shopping mall, has remained popular among business tenants and continues to generate steady leasing revenue. Its occupancy rate for the year was 94%.

PROPERTY SERVICES

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

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

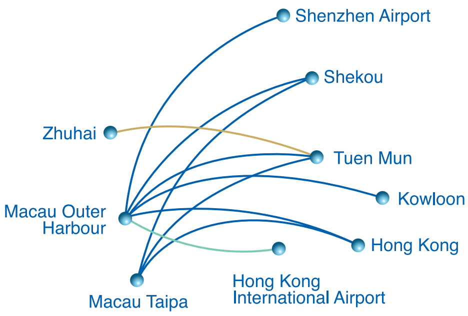
Developments in China have included consultancy roles being taken on for the Group's ongoing Beijing (Dongcheng District) project, and for the Hengqin project which is nearing completion. The Company expects to continue utilising this consultancy business model as it grows its business in China, specifically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

TRANSPORTATION

Connecting More

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



* *Tuen Mun - Zhuhai route is operated by Zhuhai Hight- Speed Passenger Ferry Co.Ltd.*

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

SHUN TAK - CHINA TRAVEL SHIPPING INVESTMENTS LIMITED

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

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

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

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

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

SHUN TAK & CITS COACH (MACAO) LIMITED

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

HOSPITALITY

Experiencing More

As a forerunner in hotel investments, hospitality and MICE businesses, the Group has built solid hotel management capacities and is rapidly expanding its footprint in major gateway cities across Asia.

HOSPITALITY

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

HOTELS IN OPERATION

Hong Kong SkyCity Marriott Hotel

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

Mandarin Oriental, Macau

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

Grand Coloane Resort

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

Artyzen Habitat Dongzhimen Beijing

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

Artyzen Habitat Hongqiao Shanghai

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

citizenM Shanghai Hongqiao

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

HOTELS UNDER PLANNING AND DEVELOPMENT

No.9 Cuscaden Road, Singapore

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

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

TOURISM FACILITY MANAGEMENT

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

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

ARTYZEN HOSPITALITY GROUP

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

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

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

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

MEMBERSHIP CLUB

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

TRAVEL AND MICE

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

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

INVESTMENT

Generating More

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

The Group received annual investment revenue as dividends due to its effective interest of approximately 11.5% in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"). STDM in turn owns an effective shareholding of approximately 54.1% in SJM Holdings Limited, a listed company in Hong Kong, which itself owns the entire shareholding interests of Sociedade de Jogos de Macau, S.A., one of six gaming concessionaires licensed by the Macau SAR Government to operate casinos in Macau.

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

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

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

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

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

Recent Developments and Prospects

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

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

Also in 2018, the Group continued with moves begun in the previous year to enlarge its presence in the Singapore real estate market. Its acquisition of a number of prime sites in the city-state signals the Group's confidence in Singapore's importance as a regional hub and a belief in its long-term economic growth potential.

The Group's experience in high-end developments gives it a strong basis from which to proceed with the well-located sites it has acquired. This new initiative is part of a longer- term strategy of involvement in Singapore which the Group expects to deliver valuable fruits in due course.

Closer to home, the changes in the transportation links around the Greater Bay Area and the opening of the HZM Bridge in October 2018 are clearly leading to changing patterns of travel in the region. This situation is bringing both challenges and opportunities to the Group.

Looking ahead, the Group will look to consolidate the position of its ferry network within the new transportation landscape. At the same time, new opportunities are arising for its travel and hospitality divisions as demand rises for integrated cross-border activities that require expert co-ordination of travel, accommodation and leisure options. The Group will be looking at ways of leveraging the synergies across its businesses to address and take advantage of this new demand.

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

CORPORATE SOCIAL RESPONSIBILITY

Sharing More

We deliver on our commitment to sustainable development by means of our contribution to society and the environment. Through our community services and charitable activities, we help to create inclusive societies in Hong Kong and Macau; and through our efforts in green development, we support sustainable growth in the region.

Corporate Social Responsibility

The Group's vision is to be the most trusted, responsible and caring company in Hong Kong and Macau. Corporate social responsibility is therefore part of the Group's strategy to build a strong business and create a better society. Our policies and practices centre around sustainable growth, with an aim to inspire our people, support our community and enhance our environment.

ENGAGING OUR COMMUNITY

Nurturing youth in society

The Group is committed to promoting social development, and endeavours to improve opportunities for under-resourced youth in our society. For twelve consecutive years, we have lent our support to the Young Entrepreneurs Development Council ("YDC") to foster enterprise skills amongst secondary students in Hong Kong. As "Company Ambassador" in the YDC Life Planning Cooperation Programme, we hosted career and life planning guidance workshops from April to July. We also collaborated with the Hong Kong Institute of Vocational Education, Hong Kong College of Technology and Chi Lin Buddhist Secondary School to provide internship, offering their students a chance to gain experience in the property management and tourism industries. In addition, we participated in the "Project WeCan Career Exploration Day" in which we advised students on interview techniques and resume-writing skills, equipping them for future employment opportunities.

Likewise, our Macau Office organised a career guidance workshop for underprivileged secondary students on resume development and interview preparation. We also continued to arrange students of the Institute for Tourism Studies to visit Macau Tower to gain insights into the daily operations of hospitality business. Utilising funds raised during the "TurboJET & Friends Charity Show" in 2017 to promote reading for younger generations in Macau, TurboJET donated books to 33 schools, benefitting over 10,000 primary students. TurboJET also organised an educational tour for secondary school students to learn about the rapidly developing Greater Bay Area and the economic advantages generated from the "one-hour living circle". In Macau, Grand Lapa Hotel hosted recruitment talks and introduced its internship programme to prospective students.

Caring for the elderly

Ongoing support for the elderly is central to the Group's community programmes. Continuing our support for the "Light up Yiu Tung with Care" Networking Project, our volunteers visited residents of a local elderly care home during the Dragon Boat Festival season, sharing with them festive joy through games and delivering rice dumplings and gift packs. Volunteers from our Hong Kong office and their family members took part in "Handcraft for Charity" where handmade items made by staff volunteers were offered to the elderly as gifts. We also provided voluntary services to The Jade Club at their Jade Party for over 1,000 elderly people at the Kowloonbay International Trade & Exhibition Centre.

This year, Macau Office and Macau Tower hosted the "Rotary Day with Grannies", arranged a lunch gathering for 120 elderly ladies on a tour led by students from University of Macau; and the "Walking with Wheelchair" initiative for elderly disabled residents from the San Francisco Elderly Centre and their families to visit the Observation Decks and had tea gathering. TurboJET has supported the "Charity Fund for the Elderly" continuously since 2012, and arranged an organic farm visit for over 100 elders from Ta Ku Ling to celebrate this year's Mid-Autumn Festival. In Mainland China, Artyzen Habitat Dongzhimen Beijing organised the inaugural "Sharing Love to elders at Chung Yeung Festival" for the elderly to enjoy a day of joy and complimentary refreshments at the hotel. The event was filmed by a Beijing television station.

Promoting integration, awareness and community support

Giving back to the community is an integral part of the Group's corporate culture. We provided financial support for female players from a local Tai Po football team to take part in the "Fair Trade Cup HK Corporate Football Champion". Macau Office and Macau Tower continued to join forces to raise awareness for World Autism Awareness Day by lighting up the Tower in blue in support of people living with autism and their families. This year concert featured LIFE BAND, formed by a group of autistic artists in Macau who composed their original songs, lyrics and melodies. During the "Macau Gastronomy Carnival" in Chinese New Year, children with Down syndrome and their families were invited to Macau Tower's Observation Decks where games and immersive events were held for families to celebrate the festive period.

Charitable donations and fundraising

The Group provides charitable support to the advancement of healthcare in Hong Kong. Contributions from our sponsorship of the Tung Wah Group of Hospitals ("TWGHs") Charity Challenge Race in 2017 enabled the redevelopment of Kwong Wah Hospital. This year, our volunteers took part in the TWGHs Halloween Charity Run, raising over HK$139,000 for children with mental health and learning disabilities at TWGHs Ho Yuk Ching Educational Psychology Service Centre. We also participated in the "Po Leung Kuk Chinese New Year Charity Walk" to raise funds for the protection of women and children in the community. For more than a decade, our Macau Operations and TurboJET have taken part in the "Walk for a Million" charity event. More than 260 volunteers took part to raise money for the disadvantaged recipients of the Charity Fund from the Readers of the Macao Daily News. In total, the Group contributed HK$9,012,000 in charitable donations throughout the financial year.

To foster community integration, Grand Lapa Hotel organised a community market themed "Boa Vida Weekend Market", which embraced the spirit of good living and featured green retailers, arts and crafts makers and family activities across 58 booths. Grand Coloane Resort also donated toys and books to underprivileged families during their "Easter Carnival".

Arts and Culture

The Group believes that art is a reflection of society, and is dedicated to the promotion of art and culture. During the summer, the Group teamed up with contemporary ink painting artist Chan Tsz Kwan to hold the "World of Love" Contemporary Ink Exhibition at Shun Tak Centre to raise awareness of important social and environmental topics. Visitors could also participate in a "Contemporary Ink Painting Workshop" which combined fun, education and appreciation of the age-old artistic technique.

The Group also champions Macau's cultural heritage and the local creative industry. In support of the youth enterprise "Redirect Limited" in their first venture, Macau Tower offered the enterprise a rent-free location to house two of their penny pressing MACOIN machines which have been endorsed by the Cultural Affairs Bureau of Macao SAR Government. Macau Tower also held the "From Hong Kong to Macao" Exhibition from September to December, featuring the water colour paintings of artist Ping Shen, to promote cultural exchange between the two prominent cities in the Greater Bay Area.

MINIMISING OUR ENVIRONMENTAL IMPACT

Sustainable operations

The Group strives to reduce the environmental impact of our business operations, and believes that robust management systems create a solid framework for managing our performance and providing quality products and services. We have introduced energy saving policies such as The Energy Saving Plan which outlines strategies and objectives designed to reduce electricity consumption at our Hong Kong Corporate Office. Our Property Management divisions in Hong Kong and Macau have both been accredited with OHSAS 18001 certification, for their effective occupational health and safety management systems.

We also integrated green building principles into our new development projects, for instance we adopted the Green Building Evaluation Standard, the "Three Star" System, in our mixed-use developments in Zhuhai and Shanghai; and for our hotel development in Singapore, we followed the requirements of the Building and Construction Authority's Green Mark scheme.

Macau Tower's green procurement system has introduced a more stringent vendor selection criteria under which vendors with higher sustainability credentials will be given priority. Macau Tower continued to promote responsible use of resources by frequently suggesting waste reduction measures to management.

Employee and customer awareness

It is the Group's intention to raise environmental awareness and encourage green behaviour amongst employees and customers. To promote the importance of water conservation, the Green Office Management Team introduced the Bring Your Own Mug Campaign across the Hong Kong and Macau offices, Property Management Head Office, and TurboJET. We advocate a culture of responsible water consumption and encourage our colleagues to bring their own mugs to meetings. We also partnered with Fair Trade Hong Kong to organise a "Coffee Grounds Natural Scrub Workshop" in which our staff learnt to upcycle discarded coffee grounds into a natural scrub.

In collaboration with the Hong Kong Corporate Office and our Macau and Property Management operations, we launched an electronic waste recycling campaign. Both staff and residents in Hong Kong and Macau were encouraged to recycle in support of the Hong Kong Government's Waste Electrical and Electronic Equipment Recycling Programme. This year, Macau Office continued to host the "Flea Market" for its staff, through which 340 gently used items were successfully reused. Our Property Management division organised "Chatham Gate Barter Day" for residents of Chatham Gate residential community in Hong Kong to recycle household items at their resident club house in exchange for small gifts.

Sustainable consumption and saving resources

The Group believes that fostering behavioural change through education is vital to reducing our impact on the environment. We urge employees to participate in a wide range of activities designed to connect them to nature. The Group joined the 11 km "Walk for the Green Earth" charity event at the High Island Reservoir, Sai Kung, as a "satellite" sponsor. The Social Services Group in Hong Kong participated in "Tree Planting Day" organised by the World Green Organisation to advocate sustainable growth of trees in line with the government-backed Country Parks Plantation Enrichment Project.

In 2018, we succeeded in reducing waste, whilst serving those most in need in society. We continued our collaboration with the food bank "Food Angel". During "A Day with Food Angel" in November, our volunteers re-packaged excess food and delivered approximately 1,700 nutritious meal boxes to those in need. For the second consecutive year, corporate volunteers assisted NGO "Feeding Hong Kong" in "The Bread Run" initiative to redistribute surplus bread from bakeries to the disadvantaged in the community. The Group was also a supporting partner in the initiative, setting up one of the bread collection points at Shun Tak Centre to facilitate public donation. During "World Food Day", the Group launched the "Shun Tak Food Drive", with staff contributing a total of 360 canned food items for people facing hunger in Hong Kong.

For details on the Group's CSR initiatives and achievements during the year, please refer to the 2018 Sustainability Report which will be published in the second half of 2019.

Schedule of Major Properties

Properties for Development and/or Sale

	Approx. Total Gross Floor Area for the Project (Sq.m)	Approx. Total Site Area for the Project (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2018	Estimated Completion Date
Hong Kong						
Chatham Gate No. 388 Chatham Road North, Kowloon	571 (Note 1)	3,786	Residential	51%	Completed	—
	36 motor car parking spaces (Note 1)		Carpark		Completed	—
Macau						
One Central						
One Central Residences	561 motor car parking spaces	18,344	Carpark	51%	Completed	—
	141 motorcycle parking spaces		Carpark		Completed	—
Nova City						
Phase IV - Nova Park (Taipa Lot BT35)	3,832 (Note 2)	5,426	Residential	100%	Completed	—
	94 motor car parking spaces (Note 2)		Carpark	100%	Completed	—
Phase V - Nova Grand (Taipa Lot BT2/3)	183,985 (Note 2)	23,843	Residential	71%	Completed	—
	814 motor car parking spaces		Carpark	71%	Completed	—
	203 motorcycle parking spaces		Carpark	71%	Completed	—

	Approx. Total Gross Floor Area for the Project (Sq.m)	Approx. Total Site Area for the Project (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2018	Estimated Completion Date
PRC						
Lot 31-01,Code Z000801, Qiantan Dislrict, the South Extension of Huangpu River, Pudong New Area, Shanghai	140,542 (Note 3)	26,707	Commercial (with Art & Cultural Centre)	50%	Substructure works in progress	2023
			Office			2021
			Hotel			2023
Plots 13, 14-1 and 14-2 Tongzhou District, Beijing	318,197 (Note 4)	38,926	Commercial/ Office/Serviced Apartment	24%	Substructure works in progress	2022
Plots 10, 11 and 12 Tongzhou District, Beijing	293,837 (Note 4)	84,024	Commercial/ Office/Serviced Apartment	19.35%	Superstructure works in progress	2021
Plots Zhu Heng Guo Tu Chu No. 2013-04 Hengqin New District, Zhuhai	135,963 (Note 5)	23,834	Commercial/ Office/Serviced Apartment/Hotel	70%	Superstructure works in progress	2020
Singapore						
111 Somerset	51,974 (Note 1)	10,166	Commercial/ Office/ Medical Suite	70%	Asset enhancement works in progress	2019
9 Cuscaden Road	11,048	2,391	Hotel	100%	Substructure works in progress	2021

Properties Under Acquisition

	Approx. Total Gross Floor Area for the Project (Sq.m)	Approx. Total Site Area for the Project (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2018	Estimated Completion Date
Macau						
Harbour Mile (Note 6)	217,964 (Note 7)	24,790 (Note 7)	Commercial/ Residential/ Hotel	100%	Land bank	—

Properties Under Planning

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2018	Year of Lease Expiry
PRC						
Plots Jin Xi Qing (挂) No. 2018-09, 2018-10 and 2018-11 Zhang Jia Wo Zhen, Xi Qing District, Tianjin	291,291 (Note 8)	76,988	Hotel/ Commercial/ Medical/Eldercare	30%	Design works in progress	2058
Plots KCC2018-6-A1 and KCC2018-6-A2 Chenggong District, Kunming, Yunnan	596,305 (Note 8)	65,054	Hotel/ Commercial/ Medical/ Eldercare/MICE	30%	Design works in progress	2059
Singapore						
Park House	11,988 (Note 9)	4,281	Residential	100%	Design works in progress	Freehold
14 & 14A Nassim Road	8,643 (Note 9)	6,174	Residential	100%	Design works in progress	Freehold
Thailand						
Rawai Beach, Phuket, Thailand	—	36,800	Hotel	50%	Land bank	Freehold

Properties Held by the Group for Own Use

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Development Progress as of Dec 2018	Year of Lease Expiry
Hong Kong						
Penthouse 39/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong	1,823	—	Office Premises	100%	—	2055 renewable to 2130
83 and 95 Hing Wah Street West, Kowloon	20,602	19,139	Shipyards	42.6%	—	2051
Macau						
Macau International Centre, Macau 2/F to 4/F (whole floor) and Flats A, B, C of 5/F, Block 12	2,894	—	Staff Quarters	100%	—	2026 renewable to 2049
Edificio Industrial Fu Tai, Macau Unit A4 on 4/F	350	—	Plant	100%	—	2023 renewable to 2049

Investment and Hotel Properties

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Approx. Lettable Floor Area (Sq.m)	Year of Lease Expiry
Hong Kong						
The Westwood, 8 Belcher's Street, Hong Kong	20,616	—	Commercial	51%	14,682	2030
The Belcher's, 89 Pok Fu Lam Road, Hong Kong	315 motor car parking spaces	—	Carpark	51%	—	2030
	30 motorcycle parking spaces	—	Carpark	51%	—	2030
Chatham Place, 388 Chatham Road North, Kowloon	5,679	—	Commercial	51%	4,410	2030
Chatham Place, 388 Chatham Road North, Kowloon	24 motor car parking spaces	—	Carpark	51%	—	2030
	3 motorcycle parking spaces	—	Carpark	51%	—	2030
Liberté Place, 833 Lai Chi Kok Road, Kowloon	5,600	—	Commercial	64.56%	3,942	2049

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Approx. Lettable Floor Area (Sq.m)	Year of Lease Expiry
Liberté, 833 Lai Chi Kok Road, Kowloon	515 motor car parking spaces	—	Carpark	64.56%	—	2049
	140 lorry parking spaces	—	Carpark	64.56%	—	2049
	45 motorcycle parking spaces	—	Carpark	64.56%	—	2049
Seymour Place, LG/F & G/F, 60 Robinson Road, Hong Kong	974	—	Commercial	100%	822	2858
Seymour Place, G/F, 1/F - 3/F, 60 Robinson Road, Hong Kong	26 parking spaces	—	Carpark	100%	—	2858
Monmouth Place, L1 - L4, 9L Kennedy Road, Hong Kong	18 parking spaces	—	Carpark	100%	—	2047
Shop 402, Shun Tak Centre, 200 Connaught Road Central, Hong Kong	3,102	—	Commercial	100%	—	2055
Hong Kong SkyCity Marriott Hotel 1 Sky City Road East, Hong Kong International Airport, Lantau, Hong Kong	42,616	13,776	Hotel	70%	—	2047
Macau						
Mandarin Oriental Macau	30,094	18,344	Hotel	51%	—	2031 Renewable to 2049
One Central Retail Complex, Macau	37,017	—	Commercial	51%	18,490	2031 Renewable to 2049
One Central Retail Carpark, Macau	243 motor car parking spaces	—	Carpark	51%	—	2031 Renewable to 2049
	102 motorcycle parking spaces	—	Carpark	51%	—	2031 Renewable to 2049
Shun Tak House, 11 Largo do Senado, Macau	2,731	—	Commercial	100%	2,673	Freehold

	Approx. Total Gross Floor Area (Sq.m)	Approx. Total Site Area (Sq.m)	Primary Use	Group's Interest	Approx. Lettable Floor Area (Sq.m)	Year of Lease Expiry
Grand Coloane Resort and Macau Golf & Country Club Hac Sa Beach, Coloane, Macau	42,285	767,373	Hotel/ Golf Course	34.9%	—	2023 renewable to 2049
Nova City Phase V - Nova Grand (Taipa Lot BT2/3)	60,900		Commercial	50%	32,897	2031
	609 motor car parking spaces		Carpark	50%	—	2031
PRC						
Shun Tak Business Centre, 246 Zhongshan Si Road, Guangzhou, PRC	28,453	—	Office	60%	28,453	2045
	5,801	—	Commercial Shopping Arcade	60%	5,801	2035
	51 motor car parking spaces	—	Carpark	60%	—	2035
Shun Tak Tower No. 1. Xiangheyuan Road, Dongcheng District, Beijing	22,273	5,832	Office	100%	22,273	2057
	33,566		Hotel	100%	—	2047
	56 motor car parking spaces		Carpark	100%	—	2057
Inside MixC, Shanghai No. 3999-5, 3999-6 Hong Xin Road, Shanghai	29,280	5,694	Hotel	100%	—	2049

Notes:

(1) Remaining saleable area or number of car parking spaces for sale as at 31 December 2018.

(2) Remaining gross floor area or number of car parking spaces for sale as at 31 December 2018.

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

(4) The gross floor area, which includes basement area, shall be subject to the PRC Government approval and design development.

(5) The gross floor area, which includes basement area, shall be subject to design development.

(6) Completion date of the acquisition is extended to on or before 31 October 2026 because the Macau SAR Government is still in process of reviewing the land issues and the Master Plan for the Nam Van District.

(7) 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.

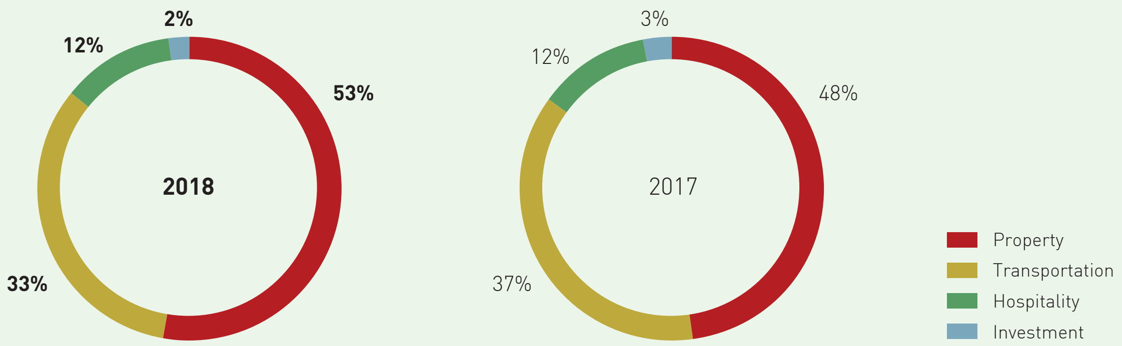
(8) The gross floor area shall be subject to the PRC Government approval and design development.

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

Group Financial Review

Revenue Analysis

Revenue by Division



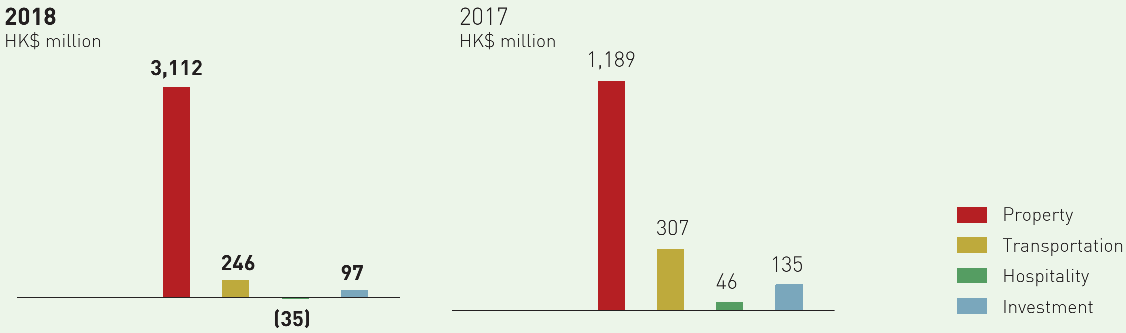
(HK$ million)	2018	2017	Variance	Change	Remarks
Property	**3,492**	3,094	398	+13%	The increase was mainly attributable to property sales recognised for residential units at Nova Grand.
Transportation	**2,161**	2,343	(182)	-8%	The decrease was mainly attributable to the diversion of some traffic after the opening of Hong Kong - Zhuhai - Macau Bridge in the last quarter of 2018.
Hospitality	**802**	783	19	+2%	Revenue remained stable during the year.
Investment	**137**	169	(32)	-19%	The decline was mainly attributable to the decrease in dividend income from STDM.
Total	**6,592**	6,389	203	+3%	

Revenue by Geographical Area

(HK$ million)	2018	2017	Variance	Change	Remarks
Hong Kong	**1,866**	3,589	(1,723)	-48%	The decrease was mainly attributable to sales of residential houses at Chung Hom Kok in 2017.
Macau	**4,290**	2,382	1,908	+80%	The increase was mainly attributable to property sales recognised for residential units at Nova Grand.
Mainland China	**172**	139	33	+24%	The increase was mainly attributable to hotel operation and rental income from an investment property in Beijing.
Others	**264**	279	(15)	-5%	Revenue remained stable during the year.
Total	**6,592**	6,389	203	+3%	

Profit and Loss Analysis

Segment results by Division



(HK$ million)	2018	2017	Variance	Change	Remarks
Property	**3,112**	1,189	1,923	+162%	The increase was mainly attributable to property sales recognised for residential units at Nova Grand.
Transportation	**246**	307	(61)	-20%	The decrease was mainly due to higher operating cost and lower net ticketing revenue with fewer passengers in 2018.
Hospitality	**(35)**	46	(81)	-176%	The decrease was mainly due to higher expenses for the newly opened hotel and club businesses.
Investment	**97**	135	(38)	-28%	The decline was mainly attributable to the reduced dividend income generated from STDM.
Unallocated net income	**23**	63	(40)	-63%	The variance was mainly resulted from the RMB exchange rate depreciation.
Fair value changes on investment properties	**213**	178	35	+20%	The fair value gain on investment properties reflected the performance of our portfolio in the property market.
Operating profit	**3,656**	1,918	1,738	+91%	
Finance costs	**(318)**	(227)	(91)	-40%	The variance was mainly attributable to the increase in finance cost arising from new projects.
Share of results of joint ventures	**1,445**	201	1,244	+619%	The increase was mainly due to its attributable share of the fair value gain in 2018 from the 50% owned Nova Mall in Macau.
Share of results of associates	**794**	9	785	+8,722%	The increase was mainly due to its attributable share of fair value gain in Tongzhou project and gain on bargain purchase upon the acquisiton of Class A share of Shun Tak Centre Limited.

(HK$ million)	2018	2017	Variance	Change	Remarks
Profit before taxation	**5,577**	1,901	3,676	+193%	
Taxation	**(236)**	(203)	(33)	-16%	The variance was mainly attributable to taxable profit generated from increased property sales.
Profit for the year	**5,341**	1,698	3,643	+215%	
Profit attributable to non-controlling interests	**(694)**	(248)	(446)	-180%	The variance was mainly attributable to increased profit shared by non-controlling interests in property division.
Profit attributable to owners of the Company	**4,647**	1,450	3,197	+220%	

+/- Note: In our tabulated figures, positive changes represent an improving result and negative changes represent a worsening result.

Liquidity, Financial Resources and Capital Structure

At 31 December 2018, the Group's total net assets increased by HK$4,147 million over last year to HK$37,166 million. Cash and liquidity position remains strong and healthy. During the year, net cash used in operating activities amounted to HK$1,913 million. Major cash inflow of investing activities included HK$2,520 million for proceeds from disposal of equity interest in a subsidiary and HK$2,281 million for decrease in bank deposits with maturities over three months. The major cash outflow of investing activities consisted HK$772 million capital contribution to an associate and HK$483 million for purchase of property, plant & equipment. Net cash generated from financing activities of HK$2,421 million was mainly attributable to the composite effect from drawdown and repayment of loans, payment of finance cost, dividend paid to shareholders and buy-back of shares.

Cash Flow Variance Analysis (HK$ million)	2018	2017	Variance
	HK$'000	HK$'000	HK$'000
Operating activities	**(1,913)**	2,218	(4,131)
Investing activities	**3,461**	(2,468)	5,929
Financing activities	**2,421**	(335)	2,756
Net increase/(decrease) in cash and cash equivalents	**3,969**	(585)	4,554

The Group's bank balances and deposits amounted to HK$14,318 million as at 31 December 2018, representing an increase of HK$1,652 million as compared with the position as at 31 December 2017. It is the Group's policy to secure adequate funding to satisfy cash flows required for working capital and investing activities. Total bank loan facilities available to the Group as at 31 December 2018 amounted to HK$21,727 million, of which HK$6,423 million remained undrawn. The Group's bank borrowings outstanding at the year end amounted to HK$15,304 million. The Group's borrowings also comprised the medium term notes ("MTN") of HK$3,184 million.

Based on a net borrowings of HK$4,171 million at the year end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to owners of the Company) was 13.4% (2017: 9.3%). The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to reduce its finance costs.

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

Maturity Profile

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

Material disposal and commitments

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

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

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

Charges on Assets

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

Contingent Liabilities

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

Human Resources

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

Principal Risk Factors

The Group's financial performance, operations and prospects for growth may be affected by risks and uncertainties, both direct and indirect. Key risk factors are set out below but they are not exhaustive or comprehensive and there may be additional risks not yet known to the Group or known risks whose significance will appear only in the future:

Macroeconomic Environment

The Group derives a substantial portion of its revenue and operating profits from its property division, which includes property development, property investment and property management services segments. The Group's performance is therefore dependent on the general performance of the Hong Kong, Macau, PRC and Singapore economies and property markets. Changes in domestic, regional or global economic conditions may also lead to fluctuations in property prices and affect the value of properties owned or being developed by the Group. Likewise, changes in economic environments may have significant impact on tourism and business spending patterns. Any continuous negative conditions such as higher unemployment rates, depressed stock or property prices, reduced disposable income, exchange rates fluctuations etc. would reduce demand for leisure and business travel and adversely impact transportation and hospitality businesses. Sluggish growth puts downward pressure on room rates and occupancy levels of the Group's hotels and reduces demand for hospitality-related services such as restaurants, travel, tourism facilities, MICE and retail businesses which may lead to revenue decline.

Government Policies, Regulations and Approvals

Property, transportation and hospitality businesses are subject to extensive legal compliance, grant of licenses or concessions and their respective requirements, necessary government approvals, as well as safety, hygiene and environmental regulations. Any breaches, incidents, or failure to receive licences, concessions or approvals from relevant governments may cause suspensions of operations, loss of rights to operate or loss of rights to pursue development plans. Government policies and regulations may lead to fluctuations in property prices and affect the schedule of land sales and approvals for land use including, for example, the Special Stamp Duty imposed by the Hong Kong SAR Government to cool an overheated property market; the revision and introduction by the Macau SAR Government of the Land Law, Urban Planning Law and Cultural Heritage Protection Law; and the introduction of cooling measures by the Singapore Government's of Additional Buyer's Stamp Duty and Additional Conveyance Duties rates for residential land and properties.

Ferry operations are subject to extensive compliance requirements and grant of permits and licenses. The renewal of certificates and approvals at various operational stages must often comply with conditions set by government authorities (such as minimum number of sailings and ticket prices) or shipping classification societies. Increases in departure tax or changes in visa approvals or entry restrictions may induce changes in passenger traffic.

Hospitality operations are subject to a wide variety of laws and regulations and policies including those of healthcare, hygiene, taxation, environmental, safety, fire, food preparation, building and security etc. Further increases in minimum wages in Hong Kong and Macau could cause higher costs of operations. The new European Union ("EU") General Data Protection Regulation, applicable to organizations offering goods or services to EU subjects, became fully enforceable in May 2018. Contravention of the law may result in penalties up to the higher of Euro20 million or 4% of total world-wide annual turnover.

Competition

The Hong Kong-Zhuhai-Macau Bridge opens up land transportation to Macau which directly competes with the Group's Hong Kong-Macau ferry service and adversely affects the Group's ferry traffic and hence revenue. The Group's owned or managed hotels are subject to intense competition from other large, multi-branded hotel chains and emerging life style brands in the region.

Fuel Supply

Unpredictable events such as geo-political developments may drive actual or perceived fuel supply shortages and lead to rises in fuel prices which adversely impacts profitability of the Group's transportation business. While the Group's fuel hedging program remains in place, it is the Group's policy to hedge a percentage of its projected consumption and in any event hedging may not be fully effective against highly volatile movements in fuel prices. Contamination of fuel supply may also cause damage to major machinery in vessels and undermine the Group's operations and reputation.

Reliance on Technology and Automated Systems

Our businesses demand the use of sophisticated technology and automated systems for its transportation business such as ticketing and reservation systems, navigation and telecommunication systems, payment and finance systems, etc. Failure of such systems, as well as those of the Group's property and hospitality-related operations may lead to disruption of operations, loss of important data, leakage of personal and payment information and result in breach of data privacy regulations, damage of reputation and loss of revenue and may give rise to uninsured liabilities.

Counterparty, Legal & Compliance, Employee Misconduct, Negligence and Fraud Risks

A potential failure on the part of the Group's bankers, joint venture partners, buyers, tenants, contractors, debtors, and suppliers to honour their contractual, financial or operational obligations or other disagreements could cause the Group to delay its growth plans, products or service initiatives, or lose revenue, incur litigation costs or other liabilities. Premature termination of, or inability to renew, management or franchise agreements may cause suspension of operations or loss of business. Our counterparties may fail to enforce standards and contractual terms and may from time to time give rise to disagreements.

Risks may also arise from employees' misconduct or negligence such as breaches of rules and regulations, non-compliance with internal policies and procedures, corruption, associated frauds and other malpractices. The Group may also be involved in investigations and regulatory proceedings for breach of rules and regulations, violations of business conduct, market abuse or bribery. Substantial legal liability could materially and adversely affect the Group's business, financial results or reputational harm.

Availability of Labour, Resources and Materials

The Group needs to attract, retain and develop sufficiently skilled and experienced work forces to maintain high standards of quality and guest and customer services. The market in Hong Kong is short of licensed sea-masters, mariners and maintenance technicians for ferry operation; Macau SAR Government's quota for non-resident labour also causes shortages of labour in Macau for hotels and coach operations. Any labour disputes may lead to industrial actions and disruptions to operations. Other factors which may increase the Group's cost, impact operations or cause construction delays include late delivery, adverse quality, shortages or increased costs of materials, contractor services, parts and components to maintain our fleet, properties and hospitality facilities.

Outbreak of Contagious Disease, Disasters or Adverse Weather

Transportation, hospitality, tourism related and MICE businesses are adversely affected by factors beyond the Group's control such as severe weather conditions, outbreak of contagious disease, natural disasters, civil unrest or travel security measures.

Strategic, Decision Making and Integration Risks

The results of the Group's strategic decisions or business plans may fall short of expectations due to poor implementation of plans or an inability to adapt to adverse business conditions. The Group may also face challenges from establishing new businesses or acquiring ones with existing operations, managing them in markets where we have limited experience, failing to generate synergies, all of which may potentially drain the Group's management and capital resources.

Financial Risk

The Group adopts a prudent approach in financial risk management to minimize exposure to currency and interest rate risks. Except for the guaranteed MTN, all funds raised by the Group are on a floating rate basis. Except for the MTN of US$400 million and bank loan of RMB872 million and SGD1,115 million, the Group's outstanding borrowings were not denominated in foreign currency at the year end. Approximately 95% of the bank deposits, cash and bank balances are denominated in Hong Kong dollar ("HKD"), Macau pataca ("MOP") and US dollar ("USD") and the remaining balance mainly in Renminbi ("RMB"), whereby MOP and USD are pegged to HKD. The Group's principal operations are primarily conducted in HKD while its financial assets and liabilities are denominated in USD, MOP, Singapore dollar and RMB. The Group will from time to time review its foreign exchange and market conditions to determine if any hedging is required. The Group currently engages in fuel hedging and currency swap activities to minimise exposure to fluctuations in fuel prices and foreign exchange rate in accordance with the Group's approved treasury policies.

Risk Management and Mitigation

The Group's risk management and internal control systems ensure the proper identification, management and mitigation of risks. The Executive Committee, together with a panel of senior management and committees and working groups for business development, management, fuel hedging, crisis management, safety, health and environmental, business continuity and information technology (i) closely monitor the foregoing and other risks not hereinbefore mentioned to minimize their impact (if any such risks materialize) on the Group; and (ii) explore ways to develop and enhance services and products, reduce cost and generate income for the Group.

Qualified Opinion

As disclosed on pages 94 to 99 of this annual report, the auditor of the Company (the "Auditor") expressed a qualified opinion in relation to the measurement of the Group's investment in STDM ("STDM Investment"). The Board wishes to supplement the following:

Further details in relation to the action plan

As explained on page 111 of this annual report, STDM is a private company incorporated in Macau, and is not required to prepare or provide detailed accounting and financial information to its shareholders under Macau law. Since the adoption of HKFRS 9, the Company has been exploring and considering various valuation methodologies which might be applicable in assessing the fair value of the STDM Investment pursuant to the requirements of HKFRS 9, such as the discounted cashflow method ("DCF method") and income capitalisation method ("Income Capitalisation method") under the income approach as well as the market comparable method. The Auditor did not have any disagreement with the appropriateness of any of these valuation methods, subject to the availability of relevant information required for the assessment and its review of the final valuation assessment together with the underlying assumptions and calculations.

Initially, the Company had been liaising with and reaching out to STDM with a view to obtaining the financial information of STDM including historical consolidated financial information and financial projections in order for the Company to conduct a fair value assessment based on the DCF method. However, since STDM is not required to prepare and has never prepared any audited consolidated financial statements, STDM was unable to provide the required information for completing the assessment adopting the DCF method.

In light of this, and after considering the information that is necessary for conducting assessment under the other two methodologies, the Company intends to adopt the Income Capitalisation method. On the basis that the information that is required to be obtained, including future dividend policy and breakdown of contributions by principal segments of STDM as well as the dividend yields of other market comparables, may be available without relying upon audited consolidated financial statements of STDM, the Company is of the view that it would be able to gather sufficient information for completing the valuation assessment in accordance with the timetable set out below.

The Company estimates that the preliminary draft of the valuation assessment will be available in two to three months' time, which will then be reviewed by the audit committee of the Company, the Board and the Auditor with the aim that the fair value assessment be finalised and the qualified conclusion be removed in the 2019 interim results announcement subject to the Auditor's review of the final valuation assessment together with the underlying assumptions and calculations.

The Auditor agrees with the action plan stated above. The Company will continuously monitor the situation and will update the Shareholders if there are any updates on or changes to the action plan.

Financial impact of the qualified opinion on the Group

As stated on page 111 of this annual report, the qualified opinion was formed as the STDM Investment is stated at cost but not at fair value as required under HKFRS 9. Both the management and the audit committee of the Company consider that the qualified opinion will not have any impact on the income statement of the Group as any fair value movements would affect other comprehensive income only given the STDM Investment is a long term investment for the Group.

There was no disagreement between the views of the audit committee and the management of the Company with those of the Auditor on (i) the qualified opinion and (ii) the Company's action plan to address the audit issue.

Report of the Directors

The directors (the "Directors") of Shun Tak Holdings Limited (the "Company") have the pleasure of submitting their report together with the audited financial statements for the year ended 31 December 2018.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, joint ventures and associates are set out in note 47 to the financial statements.

The analysis of performance by the Company and its subsidiaries (the "Group") for the year by reportable operating segments in business operation and geographical locations is set out in note 37 to the financial statements.

Group Financial Statements

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Company and of the Group as at that date are shown in the financial statements on pages 100 to 197.

Dividend

No interim dividend was declared by the board of directors (the "Board") during the year ended 31 December 2018 (2017: HK6.0 cents per share).

The Board has recommended a final dividend of HK10.0 cents per share (2017: HK6.0 cents per share) and a special dividend of HK6.0 cents per share (2017: nil) for the year ended 31 December 2018.

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

Dividend Policy

The Company considers our goal to be stable and sustainable returns to shareholders and endeavours to maintain its stable dividend policy (the "Dividend Policy") adopted by the Board on 7 December 2018. The Company intends to make semi-annual distributions which will depend upon the anticipated consolidated annual profits of the Company, having taken into consideration certain criteria set out in the Dividend Policy, including the Group's financial, working capital and cash flow positions, operations, earnings and investment returns; development pipeline and future funding requirements; capital and other reserve requirements and surplus; and any other conditions or factors which the Board deems relevant and appropriate.

Business Review

A review of the Group's business for the year ended 31 December 2018 and discussion of its future development are provided in Chairman's Statement, Review of Operations, and Recent Developments and Prospects on pages 16 to 41.

A description of the principal risks and uncertainties that the Group may be facing is provided in the Group Financial Review on pages 58 to 60.

The Group has set up systems and procedures to ensure compliance with relevant laws and regulations which have a significant impact on the Group and in the conduct of its businesses, including internal control procedures, code of conduct and internal policies for prevention of bribery, risk management and whistleblowing, staff training, regular review of sufficiency and effectiveness of its systems and procedures, timely communication to relevant departments and staff upon enactment of, or changes in, relevant laws and regulations, and regular reminders of compliance.

Environmental Policies and Performance

The Group is committed to environmental sustainability. Its Sustainability Policy underscores environmental protection in business activities, management and operation practices, with the goal to minimise their impact on the environment and to integrate sustainable practices in its supply chain as far as practicable.

The Group continues its environmentally-conscious practices including a greener workplace, reduction of its carbon footprint, optimal energy use and indoor environmental quality, reduction of waste generation, and resource conservation. The Group also participates in prominent global environmental initiatives as well as initiatives of the Hong Kong and Macau governments.

Relationships with stakeholders

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

The Group's employees are one of its most important assets and it is committed to providing them with a fair and safe, healthy and happy work environment that is conducive to personal growth and career development. The Group has in place work-life balance and continuing education programs.

The Group's customers hold the key to success of its sustainable journey. The Group strives for excellence in service across its business activities and implement reasonable measures to guard the safety of its customers under relevant laws and regulations.

Stakeholders in the Group's supply chain - suppliers and vendors - are crucial collaborators. The Group is committed to sharing its core values in pursuit of business integrity, service excellence, and long-term mutually beneficial relationships.

Further information of the Group's sustainability and environmental policies and performance and relationships with stakeholders can be found in the Group's annual Sustainability Report available on the Company's corporate website: www.shuntakgroup.com.

Five-Year Financial Summary

A summary of the results, and of the assets and liabilities, of the Group together with an analysis of its performance using key performance indicators for the last five financial years, are set out on pages 198 to 199.

Particulars of Properties

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

Shares Issued

No shares were issued during the year ended 31 December 2018.

Details of the share capital of the Company during the year are shown in note 34 to the financial statements.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2018, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$4,428,382,000 (2017: HK$4,345,473,000).

Donations

During the year, the Group made donations of HK$9,012,000 (2017: HK$1,477,000) for charitable and community purposes.

Debentures

No debentures were issued during the year ended 31 December 2018.

Details of medium term notes of the Group are shown in note 32 to the financial statements.

Equity-Linked Agreements
Save for the share option scheme of the Company disclosed under the heading of "Share Options" below, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

Bank Borrowings
Details of the Group's bank borrowings are shown in note 30 to the financial statements.

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

During the year, less than 30% of the Group's total turnover was attributable to the Group's five largest customers combined. 78.6% of the Group's total purchases was attributable to the Group's five largest suppliers combined, with the largest supplier accounting for 48.9% of the Group's total purchases.

Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum hold beneficial interests in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), one of the five largest suppliers of the Group. Save as disclosed, no other Directors, their close associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) or shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued shares) held interest, at any time during the year, in the Group's five largest suppliers.

Directors

(a) Directors of the Company
The Directors during the year and up to the date of this report are:

Executive Directors:
Ms. Pansy Ho *(Group Executive Chairman and Managing Director)*
Ms. Daisy Ho *(Deputy Managing Director)*
Ms. Maisy Ho
Mr. David Shum
Mr. Rogier Verhoeven

Independent Non-Executive Directors:
Mr. Norman Ho
Mr. Charles Ho
Mr. Michael Wu
Mr. Kevin Yip

In accordance with Articles 83 and 84 of the Company's Articles of Association, Mr. Charles Ho, Mr. Kevin Yip, Ms. Daisy Ho and Mr. David Shum will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

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

Brief biographical details of the Directors as at the date of this report are set out on pages 8 to 12.

(b) Directors of the Company's subsidiaries

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

Directors' Service Contracts

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

Related Party Transactions

Details of significant related party transactions entered by the Group in the normal course of business during the year ended 31 December 2018 are set out in note 38 to the financial statements.

The transactions disclosed in sub-paragraphs 1, 4 and 6 below under the heading of "Directors' Interests in Transactions, Arrangements or Contracts and Connected Transactions", fall under the definitions of continuing connected transactions or connected transactions under Chapter 14A of the Listing Rules, and also constitute related party transactions under the Hong Kong Financial Reporting Standards.

Directors' Interests in Transactions, Arrangements or Contracts and Connected Transactions

1. Dr. Stanley Ho (retired on 23 June 2017), Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum hold 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 (who retired on 12 June 2018), Ms. Daisy Ho and Mr. David Shum were directors of SJM Holdings Limited ("SJM"), a non-wholly-owned subsidiary of STDM. The shares of SJM are listed on the Main Board of the Stock Exchange. 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 granted a concession to operate casinos in Macau by the Macau SAR Government.

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

   (a) On 14 December 2015, the Company and STDM entered into a master products and services agreement (the "Master Agreement") to set out a framework to provide the products and services below by the Group to the STDM Group, and vice versa, on a non-exclusive basis. The Master Agreement is for a term of 3 years from 1 January 2016 to 31 December 2018. Subject to compliance with the Listing Rules, the Master Agreement may be renewed by the parties before its termination.

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

     (i) sale of ferry tickets (the "Ferry Ticket Transactions");

     (ii) provision of management and operation services to hotels and other hospitality properties and business owned by the STDM Group such as hotels, Macau Tower Convention & Entertainment Centre ("Macau Tower") and restaurants;

     (iii) sale of travel products and provision of travel agency services, such as hotel accommodation and ticketing;

     (iv) provision of other property-related services, such as property management, sale and leasing, project management and cleaning services to various properties owned by the STDM Group; and

     (v) provision of business support services such as laundry, company secretarial services, promotion and advertising, and office administrative services.

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

  (vi) sale of travel products such as hotel accommodation and Macau Tower admission tickets to the Group; and

  (vii) provision of management services to properties owned by the Group.

As disclosed in the Company's announcement dated 14 December 2015, annual caps for the Ferry Ticket Transactions (item (i) above) for the three years ended 31 December 2016, 2017 and 2018 were set for HK$167 million, HK$172 million and HK$180 million respectively. No annual cap was set for the 5% discount on bulk purchase of ferry tickets by STDM Group for its own account under Ferry Ticket Transactions (item (i) above) and other categories (items (ii) – (vii) above). The applicable percentage ratios as defined in the Listing Rules (other than profit ratio) with reference to their expected aggregate value, respectively, of each category of transactions are less than 1%.

During the year, HK$116.2 million of ferry tickets were sold to the STDM Group under the Master Agreement. The Master Agreement expired on 31 December 2018 and was renewed on 22 February 2019 for a further 3 years from 1 January 2019 to 31 December 2021.

(b) On 15 December 2016, Shun Tak - China Travel Shipping Investments Limited ("ST-CTSI"), a non-wholly-owned subsidiary of the Company, signed an extension agreement with STDM to the fuel arrangement agreement dated 23 December 2004 (as amended by a letter agreement dated 12 November 2007, 28 October 2010 and 25 October 2013) to continue the supply and loading of fuel by STDM onto ST-CTSI's vessels at the Macau Outer Harbour Terminal for a period of 3 years from 1 January 2017 to 31 December 2019. This agreement is renewable for a further period of 3 years (or as may be mutually agreed), unless earlier terminated by either party with written notice. The price of fuel was determined with reference to its market price plus a small handling fee. ST-CTSI is effectively owned as to 42.6% by the Company and 28.4% by STDM.

Further details of the extension agreement were disclosed in the Company's announcement dated 15 December 2016.

During the year, ST-CTSI purchased HK$287.3 million of fuel from the STDM Group.

2. Melco Crown Entertainment Limited ("MCE") (now known as Melco Resorts & Entertainment Limited) became a subsidiary of Melco International Development Limited ("MID") under the Listing Rules on 9 May 2016. MID is a majority-controlled company (as defined in the Listing Rules) of Mr. Ho, Lawrence Yau Lung, a family member of Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho (all being Directors). As a result, each of Mr. Ho, Lawrence Yau Lung, MID and its subsidiaries is a connected person of the Company.

On 7 October 2016, Shun Tak-China Travel Ship Management Limited ("STCTSML"), a wholly-owned subsidiary of Shun Tak-China Travel Shipping Investments Limited ("ST-CTS") and an indirect non-wholly-owned subsidiary of the Company, entered into a ferry ticket sales framework agreement (the "Ticketing Agreement") with MPEL Services Limited (now known as Melco Resorts Services Limited ("MRSL")), a wholly-owned subsidiary of MCE. The Ticketing Agreement regulates the sale of tickets for ferry services to and from Macau operated by ST-CTS and its subsidiaries ("Ferry Tickets") by STCTSML to MCE and its subsidiaries (the "MCE Group") from time to time at a discount by MCE Group on bulk purchase of Ferry Tickets, except those for the route between Hong Kong International Airport and Macau, for its own account.

The Ticketing Agreement is for a term from 7 October 2016 until 31 December 2018, renewable for periods of not more than 3 years by prior written notice and subject to annual price review. Further details of the Ticketing Agreement were disclosed in the Company's announcement dated 7 October 2016.

During the year, HK$31.8 million of ferry tickets were sold to the MCE Group under the Ticketing Agreement. The Ticketing Agreement expired on 31 December 2018.

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

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraphs 1 and 2 above constituted continuing connected transactions of the Company and require disclosures in the Company's annual report. The price and terms of such transactions have been determined in accordance with pricing policies and guidelines set out in relevant announcements.

The aforesaid continuing connected transactions and the report by Group Internal Audit Department on the relevant internal control procedures have been reviewed by the Independent Non-Executive Directors who have confirmed that the transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with relevant agreements on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Accordingly, the auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions mentioned in sub-paragraphs 1 and 2 above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

3. On 3 January 2018, Wise Horizon Developments Limited ("WHDL"), an indirect wholly-owned subsidiary of the Company, entered into an agreement ("JV Agreement") with Perennial China Investment Holdings Pte. Ltd. ("PCIH") and the various independent third parties as partners (collectively the "JV Partners" and individually the "JV Partner"), together with Perennial HC Holdings Pte. Ltd. ("JV Co") pursuant to which the JV Partners agreed to jointly invest in the potential real estate project(s) in the People's Republic of China predominantly for healthcare usage, with hotel and/or retails components, complemented by healthcare-related amenities, including mixed use properties through their investments in the JV Co.

   The total committed capital for the JV Co is US$500 million (equivalent to approximately HK$3.9 billion). Upon subscription of the ordinary shares in the capital of the JV Co pursuant to the JV Agreement, WHDL will be interested in 30% equity interest in the JV Co and its commitment to the JV Co is US$150 million (equivalent to approximately HK$1,172.3 million).

PCIH, being a JV Partner, is a wholly-owned subsidiary of Perennial Real Estate Holdings Limited ("PREH"), which is the ultimate holding company with 100% interests in Perennial Singapore Investment Holdings Pte. Ltd. ("PSIHL"). PSIHL is in turn a substantial shareholder (as defined under the Listing Rules) of Perennial Somerset Investors Pte. Ltd. ("PSIPL"), a significant subsidiary of the Company indirectly owned as to 70% and 30% by the Company and PREH respectively. As a result, PCIH is a connected person of the Company at subsidiary level under the Listing Rules.

Further details of the JV Agreement were disclosed in the Company's announcement dated 3 January 2018.

4. On 5 February 2018, Nova Taipa — Urbanizações, Limitada ("NTU"), an indirect non-wholly-owned subsidiary of the Company and the developer of Nova City Phase 5 situated at Lot BT2/3, Taipa, Macau ("Nova Grand") and each of Ms. Daisy Ho and Ms. Maisy Ho (collectively the "Purchasers") entered into separate sale and purchase agreement (collectively the "Agreements") to purchase property units of Nova Grand for consideration as follows:

Purchasers	**Property unit(s)**	**Consideration**
		HK$
Ms. Daisy Ho	Unit B, 39th Floor, Tower 4	24,887,000
Ms. Maisy Ho	Unit A, 39th Floor, Tower 4	25,096,000

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

Further details of the Agreements were disclosed in the Company's announcement dated 5 February 2018.

5. On 7 June 2018, NTU and Mr. Kuok, Andre (as the purchaser) entered into a sale and purchase agreement (the "Agreement") for a residential unit located at Unit G, 7th Floor, Tower 7 of Nova Grand at the consideration of HK$7,063,000. Mr. Kuok, Andre, by virtue of being a cousin of Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho who are all Directors, is a deemed connected person of the Company under the Listing Rules.

Further details of the Agreement were disclosed in the Company's announcement dated 7 June 2018.

6. On 28 August 2018, Pleasant Grace Limited, an indirect wholly-owned subsidiary of the Company (the "Buyer"), the Company (as the Buyer's guarantor) and Full Energy Company Limited (the "Vendor") entered into a sale and purchase agreement (the "SPA"), under which, amongst others, the Buyer conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 100 Class A shares representing 10% of the total issued Class A shares (the "Sale Shares") of Shun Tak Centre Limited (the "Target Company") for the base consideration of HK$442 million (subject to post-completion adjustment).

The Sale Shares are entitled to pro rata share of the profits or net assets of the Target Company attributable to or comprised in its properties and assets representing or derived from or attributable to the properties of Class A shares, being certain properties in Shun Tak Centre located at 168-200 Connaught Road Central, Hong Kong.

The Vendor is a company wholly-owned by Dr. Stanley Ho, an associate of Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho, each a Director, and hence, a connected person of the Company under the Listing Rules.

Further details of the SPA were disclosed in the Company's announcement dated 28 August 2018.

Under Chapter 14A of the Listing Rules, the transactions mentioned in sub-paragraphs 3 to 6 above constituted connected transactions of the Company for the year which require disclosure in the annual report of the Company.

7. On 12 December 2016, the Company entered into a renewed master service agreement (the "Renewed MGM Agreement") with MGM Grand Paradise Limited ("MGM"), a company in which Ms. Pansy Ho holds an indirect beneficial interest. The Renewed MGM Agreement sets out a framework for products and/or services which may be provided/demanded by the Group to/from MGM and/or its subsidiaries from time to time on a non-exclusive basis.

   The Renewed MGM Agreement is for a term of 3 years from 1 January 2017 to 31 December 2019 and is renewable for successive terms of 3 years by mutual agreement in writing.

Save for the transactions mentioned in sub-paragraphs 1 to 7 above, there were no other transactions, arrangements and contracts of significance subsisting at the end of the year or at any time during the year in relation to the Group's business to which the Company's subsidiaries (or its holding companies) were a party and in which a Director or its connected entities had a material interest, whether directly or indirectly.

Directors' Interests in Competing Businesses

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

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

Ms. Pansy Ho is a director 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.

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

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

Disclosure of Interests

(1) Directors' Interests

As at 31 December 2018, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

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

		Number of shares held				Approximate percentage of total issued shares
Name of Director	**Nature of Interests**	**Personal interests**		**Corporate interests**		
			Note		Note	Note (i)
Mr. Norman Ho	Interests in underlying shares	1,132,124	(ii)	–		0.04%
Mr. Charles Ho	Interests in underlying shares	1,132,124	(ii)	–		0.04%
Ms. Pansy Ho	Interests in issued shares	166,043,937		368,620,627	(iv)	17.67%
	Interests in issued shares	–		65,040,000	(vi)	2.15%
	Interests in unissued shares	–		148,883,374	(iii)	4.92%
Ms. Daisy Ho	Interests in issued shares	89,496,345		134,503,471	(v)	7.40%
	Interests in issued shares	–		65,040,000	(vi)	2.15%
	Interests in unissued shares	–		148,883,374	(iii)	4.92%
Ms. Maisy Ho	Interests in issued shares	38,901,203		31,717,012	(vii)	2.33%
Mr. David Shum	Interests in issued shares	5,660,377		–		0.19%

Notes:

(i) As at 31 December 2018, the total number of issued shares of the Company was 3,025,435,785.

(ii) These represented the interests in underlying shares in respect of share options granted by the Company, details of which are disclosed in sub-paragraph (2) under the heading of "Share Options" below.

(iii) The 148,883,374 unissued shares in which Ms. Pansy Ho and Ms. Daisy Ho were deemed to hold interests under the SFO, are the same parcel of shares, and represents the maximum amount of consideration shares to be issued to Alpha Davis Investments Limited ("ADIL") pursuant to the agreement dated 1 November 2016 in relation to the extension of the long stop date of the sale and purchase agreement dated 11 November 2004 (and the supplemental agreements thereto) regarding the acquisition of sites in Nam Van District, Macau by the Group and the proposed transfer as described in the Company's circular dated 29 November 2016 (the "Sai Wu Agreement"). ADIL is owned as to 53% by Megaprosper Investments Limited ("MIL") which in turn is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho.

(iv) The 368,620,627 shares in which Ms. Pansy Ho was deemed to hold interests under the SFO, comprised 184,396,066 shares held by Beeston Profits Limited ("BPL") and 184,224,561 shares held by Classic Time Developments Limited ("CTDL"). Both BPL and CTDL are wholly-owned by Ms. Pansy Ho.

(v) The 134,503,471 shares in which Ms. Daisy Ho was deemed to hold interests under the SFO, were held by St. Lukes Investments Limited, which is wholly-owned by Ms. Daisy Ho.

(vi) The 65,040,000 shares in which Ms. Pansy Ho and Ms. Daisy Ho were deemed to hold interests under the SFO, were the same parcel of shares, held by MIL through its wholly-owned subsidiary, Business Dragon Limited (see note (iii) above).

(vii) The 31,717,012 shares in which Ms. Maisy Ho was deemed to hold interests under the SFO, were held by LionKing Offshore Limited, which is wholly-owned by Ms. Maisy Ho.

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

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

Note:

(i) As at 31 December 2018, there was a total of 10,000 shares of Shun Tak & CITS Coach (Macao) Limited in issue.

All the interests disclosed in sub-paragraphs (1) (a) and (1) (b) above represented long position interests in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed in sub-paragraphs (1) (a) and (1) (b) above, none of the Directors or chief executive of the Company or any of their associates had, or were deemed to hold, any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2018.

(2) Share Options

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

The share option scheme approved by the Shareholders on 31 May 2002 (the "2002 Share Option Scheme") expired on 30 May 2012 since which no further options have been granted. Subsisting options granted before the 2002 Share Option Scheme expired continue to be valid and exercisable within its terms.

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

				Number of share options		
Name of director	**Date of grant**	**Exercise period**	**Exercise price per share**	**At 1 January 2018**	**At 31 December 2018**	
			HK$			Note
Mr. Norman Ho	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	1,132,124	(i)
Mr. Charles Ho	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	1,132,124	(i)
Total				2,264,248	2,264,248	

Notes:

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

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

Save as disclosed above, as at 31 December 2018, 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.
(ii)	Participants of the 2012 Share Option Scheme	(a) any person employed by the Company or its affiliates; any officer or director of the Company or its affiliates; or a person seconded to work for the Company or its affiliates; (b) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of the Company or its affiliates; (c) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to the Company or its affiliates; (d) any person who provides goods and services to the Company or its affiliates; (e) an associate of any of the foregoing persons; or (f) any supplier, customer, strategic alliance partner or adviser to the Company or its affiliates.
(iii)	Total number of shares available for issue under the 2012 Share Option Scheme and percentage on issued shares as at the date of this annual report	No share option has been granted under the 2012 Share Option Scheme as at the date of this annual report. The total number of shares available for issue under the 2012 Share Option Scheme is 298,688,071, representing approximately 10% of the Company's total number of issued shares as at the date of this annual report. The Company has 3,025,435,785 shares in issue as at the date of this annual report.
(iv)	Maximum entitlement of each participant under the 2012 Share Option Scheme	In any 12-month period: — 1% of the issued shares (excluding substantial shareholders and Independent Non-Executive Directors) — 0.1% of the issued shares and not exceeding HK$5 million in aggregate value (for substantial shareholders and Independent Non-Executive Directors)

(v)	The period within which the shares must be taken up under an option	Determine by the Board at its absolute discretion except such period must not expire later than 10 years from the date of grant.
(vi)	The minimum period for which an option must be held before it can be exercised	There is no minimum holding period prescribed in the 2012 Share Option Scheme, but the Board may at its absolute discretion impose a vesting period on an option.
(vii)	The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	An offer for the grant of an option may be accepted within 15 business days from the date of the offer and HK$1.00 is payable on acceptance of the grant of an option.
(viii)	The basis of determining the subscription price	The subscription price is determined by the Board and shall be at least the highest of: — the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of offer; and — the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer.
(ix)	The remaining life of the 2012 Share Option Scheme	The 2012 Share Option Scheme shall remain in force until 7 June 2022.

(3) Substantial Shareholders' and Other Persons' Interests

As at 31 December 2018, according to the register of interests or short positions in shares required to be kept by the Company under Section 336 of the SFO (other than the interests of the Directors and chief executive of the Company) or information available to the Company, the following shareholders held interests in 5% or more of the issued shares of the Company:

Name of shareholder		Nature of interests	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of total issued shares
	Note					Note (i)
Renita Investments Limited ("Renita") and its subsidiary	(ii)	Interests in issued shares	Beneficial owner and interests of controlled corporation	Long position	500,658,864	16.55%
Oakmount Holdings Limited ("Oakmount")	(ii)	Interests in issued shares	Beneficial owner	Long position	396,522,735	13.11%
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	12.35%
Beeston Profits Limited ("BPL")	(iv)	Interests in issued shares	Beneficial owner	Long position	184,396,066	6.09%
Classic Time Developments Limited ("CTDL")	(iv)	Interests in issued shares	Beneficial owner	Long position	184,224,561	6.09%
Megaprosper Investments Limited ("MIL")	(v)	Interests in issued shares	Interest of controlled corporation	Long position	65,040,000	2.15%
	(vi)	Interests in unissued shares	Interest of controlled corporation	Long position	148,883,374	4.92%

Notes:

(i) As at 31 December 2018, the total number of issued shares of the Company was 3,025,435,785.

(ii) The 500,658,864 shares comprised 396,522,735 shares held by Oakmount, which is wholly-owned by Renita. Accordingly, part of the interest of Renita in the Company duplicates the interest of Oakmount in the Company. Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho hold beneficial interests in Renita and Oakmount. Ms. Pansy Ho and Ms. Daisy Ho are directors of Renita and Oakmount.

(iii) Ms. Pansy Ho, Ms. Daisy Ho and Mr. David Shum hold beneficial interests in, and are directors of, STS. Ms. Maisy Ho holds beneficial interests in STS.

(iv) Ms. Pansy Ho holds 100% interests in and is a director of BPL and CTDL.

(v) MIL is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho. Ms. Pansy Ho and Ms. Daisy Ho are directors of MIL. The 65,040,000 shares are held by Business Dragon Limited, a wholly-owned subsidiary of MIL.

(vi) The 148,883,374 unissued shares represented the maximum amount of consideration shares to be issued to Alpha Davis Investments Limited ("ADIL") pursuant to the Sai Wu Agreement. ADIL is owned as to 53% by MIL.

Save as disclosed above, as at 31 December 2018, no other person (other than the Directors or the chief executive of the Company) held any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or according to information available to the Company.

Purchase, Sale or Redemption of Listed Securities

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

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

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

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

Arrangement to Purchase Shares or Debentures

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

Management Contracts

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

Sufficiency of Public Float

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

Permitted Indemnity Provision

The Company's Articles of Association provides that every Director of the Company shall be entitled to be indemnified out of the assets of the Company against any liability to a third party incurred by them or any one of them as holder of any such office or appointment.

A permitted indemnity provision is in force as at the date of this report and was in force throughout the year for the benefit of all Directors pursuant to the directors' and officers' liability insurance arranged by the Company.

Auditor

The financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers who retired and, being eligible, offered themselves for re-appointment as auditor at the forthcoming annual general meeting of the Company.

On behalf of the Board

Pansy Ho
Group Executive Chairman and Managing Director

Hong Kong, 27 March 2019

Corporate Governance Report

A. Corporate Governance Practices

The board of directors ("Board" or "Directors") of Shun Tak Holdings Limited (the "Company") is committed to principles of good corporate governance standards and procedures. This report describes the Company's efforts to apply the principles and comply with the provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is committed to maintaining high standards of corporate governance. Since Hang Seng Corporate Sustainability Benchmark Index was launched in 2011, the Company has been one of its constituent stocks. Hang Seng Corporate Sustainability Benchmark Index is Asia's first benchmark series that tracks the performance of leading companies in corporate sustainability, focusing on environmental, social and corporate governance aspects. Hong Kong Quality Assurance Agency ("HKQAA"), the project partner with Hang Seng Indexes Company Limited since 2014, awarded the Company an "AA" grade in recognition of the Company's sustainability achievement. HKQAA also accredited the Company with HKQAA CSR Plus Mark in acknowledgment of 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 such provisions, or provide an explanation if it does not. The Board periodically reviews the Company's practices to ensure compliance with increasingly stringent requirements and to meet rising expectations of its shareholders ("Shareholders"). A corporate governance policy (the "CG Policy") outlining the Company's governance framework and practices was adopted by the Board in 2012 and updated in August 2017.

The Board is of the opinion that the Company has complied with the CG Code provisions throughout the year ended 31 December 2018, except for Code provision A.2.1, which requires the roles of Chairman and Chief Executive to be separate and not to be performed by the same individual. The Board is of the view that since all major decisions have been made in discussion among Board members and appropriate Board committees ("Board Committee"), the allocation of power and authority within the corporate structure is adequately balanced to satisfy the objective of this Code provision. In addition, there are four independent non-executive Directors ("INEDs") on the Board who offer their respective experience, expertise, and independent advice and views from different perspectives. Therefore, it is in the best interest of the Company that Ms. Pansy Ho, with her in-depth knowledge of the businesses and extensive experience in the operations of the Company and its subsidiaries (the "Group"), assumes her dual capacity.

Model Code for Securities Transactions

Code provision A.6.4 requires directors to comply with the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code").

The Model Code was adopted by the Company as its own code for Directors' securities transactions. All Directors expressly confirmed that they had fully complied with the Model Code during the year ended 31 December 2018.

Board Composition

The key principles of good governance require the Company to have an effective Board with collective responsibility for its success, values and enhancement of Shareholders' value. Non-executive Directors ("NEDs") have particular responsibilities to oversee the Company's development, scrutinise its management performance, and advise on critical business issues. The Board is satisfied that it has met these requirements.

The Company has a balanced Board of Executive Directors and INEDs so that no individual or small group can dominate its decision-making process. To help the Board perform its duties and make decisions on the Company's affairs, Board Committees (including executive committee ("Executive Committee"), remuneration committee ("Remuneration Committee"), nomination committee ("Nomination Committee") and audit committee ("Audit Committee")) have been established under the Company's Articles of Association ("Articles"). Other Board Committees may be formed from time to time. Further details about Board Committees are discussed in the latter part of this report.

Change in member of the Board Committees during the year ended 31 December 2018 and up to the date of this report is set out below:

- Mr. Kevin Yip was appointed member of the Remuneration Committee and Nomination Committee, effective from 27 March 2019.

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

The Board
(Total number of Directors: 9)

Executive Directors	Independent Non-Executive Directors
Ms. Pansy Ho *(Group Executive Chairman and Managing Director)*	Mr. Norman Ho
Ms. Daisy Ho *(Deputy Managing Director)*	Mr. Charles Ho
Ms. Maisy Ho	Mr. Michael Wu
Mr. David Shum	Mr. Kevin Yip
Mr. Rogier Verhoeven	
Total number: 5 (Representing 55.56% of the total number of Directors)	**Total number: 4** (Representing 44.44% of the total number of Directors)

Brief biographies of Directors are set out in "Management Profile" in this annual report.

The Company has four INEDs who comprise more than one-third of the Board. Two INEDs possess professional accounting qualifications. The Company received a confirmation from each of the INEDs confirming independence under Rule 3.13 of the Listing Rules. The Nomination Committee noted that Mr. Charles Ho (an INED of the Company) is the chairman and an executive director of Sing Tao News Corporation Limited (stock code: 1105) in which Ms. Pansy Ho (the Group Executive Chairman and Managing Director of the Company) is also an independent non-executive director. Taking into consideration his roles in the business activities of, and the relationship between the two companies, the Nomination Committee does not consider that such cross-directorship relationship will affect Mr. Charles Ho in performing his duties as an INED. The Nomination Committee is also of the view that all other INEDs are independent under the Listing Rules criteria.

Ms. Pansy Ho, as the Group Executive Chairman and Managing Director of the Company, is mainly responsible for Board leadership and overall performance of the Group.

The Board is responsible for overseeing the Group's strategic development, setting appropriate policies to manage risks in pursuit of the Group's strategic objectives, and scrutinising operational and financial performance.

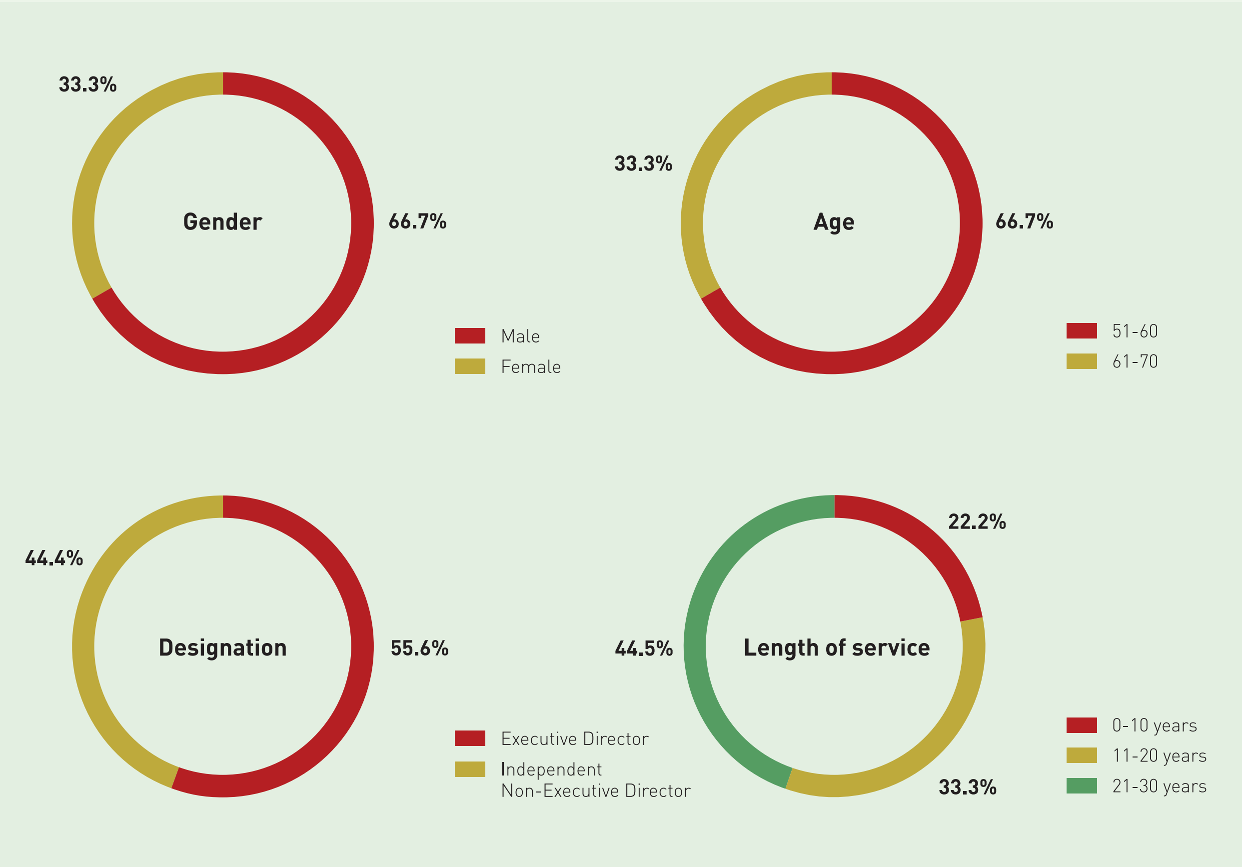
Management is delegated by the Board for carrying out the Group's day-to-day operations. The Group Executive Chairman and Managing Director together with the Deputy Managing Director, working with other Executive Directors and the executive management team, are responsible for managing the Group's business; formulating policies for Board consideration; carrying out strategies adopted by the Board; making recommendations on strategic planning, operating plans, major projects and business proposals; and assuming full accountability to the Board for the Group's operations. The Executive Directors conduct regular meetings with the management of the Group and associated companies during which operational issues and financial performance are reviewed. The Executive Directors regularly report to the Board and on an ad hoc basis when necessary.

Board Diversity

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

Board diversity is shown below. Directors' biographical details are set out in "Management Profile" in this annual report.

Board Diversity



Board Practice

To ensure that the Board works effectively and perform its responsibilities, its members are provided with monthly updates on Company performance, financial position and prospects. Directors have full and timely access to relevant information and are properly briefed on issues considered at Board meetings. The duty of preparing the meeting agenda is delegated to the company secretary (the "Company Secretary"). Each Director may request inclusion of items on the agenda.

To make informed decisions, Directors are given information packages with explanation and analysis of agenda items not less than three days before a meeting. The Company Secretary keeps Directors informed of corporate governance issues and regulatory changes, and ensures Board procedures follow the CG Code and relevant legal requirements. The Board is provided with sufficient resources to perform its duties and, if required, an individual Director may engage independent professional advisers at the Company's expenses to provide advice on specific matters.

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

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

The Company has appropriate directors' and officers' liability insurance for legal action against Directors.

Appointments and Re-election of Directors

All INEDs are appointed for a specific term of three years. Under the Articles, every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years at the Company's annual general meeting ("AGM"). Any Director appointed by the Board is subject to re-election by Shareholders at the next AGM following his or her appointment. Directors who are subject to retirement and re-election at the forthcoming AGM are set out in "Report of the Directors" in this annual report.

Directors' Induction, Development and Training

Each newly-appointed Director is offered training on the Company's key areas of business operations and practices. Newly-appointed Directors are offered orientation materials that set out the duties and responsibilities of directors under the Listing Rules and relevant ordinances and regulations. Directors are provided with "A Guide on Directors' Duties" issued by the Hong Kong Companies Registry and "Guidelines for Directors" issued by Hong Kong Institute of Directors ("HKIoD") which set out the general principles of directors' duties. All INEDs are given "Guide for Independent Non-Executive Directors" issued by HKIoD.

The Company encourages Directors to participate in continuing professional training and development courses to enhance relevant knowledge and skills. The Company also updates Directors on the latest development of Listing Rules and applicable laws and regulations to facilitate awareness and ensure compliance. The Executive Committee is responsible for reviewing training and continuous professional developments of Directors and senior management. During the year, the Company had provided trainings to Directors on updates covering topics of guidance for boards and directors on their roles and responsibilities, Listing Rules changes on INEDs effective on 1 January 2019, review of CG Code and related Listing Rules, amendment of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, a new licensing regime for Trust or Company Service Providers, etc.

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

Directors	Type of Trainings
Group Executive Chairman and Managing Director	
Ms. Pansy Ho	A, B, C
Independent Non-Executive Directors	
Mr. Norman Ho	A, B, C
Mr. Charles Ho	A, B
Mr. Michael Wu	A, B
Mr. Kevin Yip	A, B, C
Deputy Managing Director	
Ms. Daisy Ho	A, B
Executive Directors	
Ms. Maisy Ho	A, B, C
Mr. David Shum	A, B
Mr. Rogier Verhoeven	A, B

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

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

C: Attending seminar and/or conference and/or forum

Board and Board Committee Meetings

Regular Board meetings are held at least four times every year at approximately quarterly intervals. Additional Board meetings are held if required. During the year ended 31 December 2018, the Board held six meetings, and the Group Executive Chairman and Managing Director held one meeting with INEDs without the presence of Executive Directors.

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

Name of Director	Board	Audit Committee (Note)	Remuneration Committee	Nomination Committee	Annual General Meeting (Note)
	(Number of Meetings Attended/Entitled to Attend)				
Group Executive Chairman and Managing Director					
Ms. Pansy Ho	5/6	n/a	1/1	1/1	1/1
Independent Non-Executive Directors					
Mr. Norman Ho	6/6	2/2	1/1	1/1	1/1
Mr. Charles Ho	6/6	n/a	0/1	1/1	0/1
Mr. Michael Wu	6/6	2/2	1/1	1/1	1/1
Mr. Kevin Yip	6/6	2/2	n/a	n/a	1/1
Deputy Managing Director					
Ms. Daisy Ho	6/6	n/a	1/1	1/1	1/1
Executive Directors					
Ms. Maisy Ho	6/6	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: Representatives of the external auditor participated in two Audit Committee Meetings held in March and August 2018, and also attended the Annual General Meeting.

B. Board Committees

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

The current composition of the Board Committees is as follows:

Board

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

Note: Mr. Kevin Yip was appointed member of the Remuneration Committee and Nomination Committee on 27 March 2019.

Each of the Board Committees has defined duties and responsibilities set out in their respective terms of reference which are no less exacting than those in the CG Code and which are regularly reviewed and updated upon regulatory changes or Board direction. Other Board Committees for dealing with ad hoc matters when necessary are delegated with specific duties and authorities by the Board. All Board Committees are provided with sufficient resources to perform their duties.

Executive Committee

Composition

The Executive Committee consists of five members, namely, Ms. Pansy Ho (Group Executive Chairman and Managing Director), Ms. Daisy Ho (Deputy Managing Director), Ms. Maisy Ho, Mr. David Shum and Mr. Rogier Verhoeven. Ms. Pansy Ho is the chairman of the Executive Committee.

Duties and Responsibilities

To operate more efficiently, the Executive Committee was established to make recommendations on the strategic aims, objectives and priorities of the Company and to consider and approve matters relating to the Group's day-to-day operations. The duties and responsibilities of the Executive Committee are set out in its terms of reference. Meetings are held as required by its work.

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

In light of Code provision C.2, the Executive Committee was delegated by the Board to (i) assist the Board in evaluating and determining the nature and extent of risks the Board is willing to take to achieve the Group's strategic objectives; and (ii) oversee management in the design, implementation and ongoing monitoring of risk management and internal control systems and to ensure their appropriateness and effectiveness.

To oversee the Group's strategies and development of corporate sustainability, the Executive Committee was delegated by the Board to establish a sustainability steering committee. After its establishment, the committee created a sustainability policy to demonstrate the Company's commitment to sustainable business growth and development through adoption of sound environmental, social and governance approaches. The policy was adopted by the Executive Committee in 2014 and the Company has published its annual sustainability reports since then.

Remuneration Committee

Composition

The Remuneration Committee consists of six members, namely, Mr. Norman Ho, Mr. Charles Ho, Mr. Michael Wu and Mr. Kevin Yip (all being INEDs), Ms. Pansy Ho (Group Executive Chairman and Managing Director) and Ms. Daisy Ho (Deputy Managing Director). Mr. Michael Wu is the chairman of the Remuneration Committee and Mr. Kevin Yip was appointed member of Remuneration Committee on 27 March 2019.

Duties and Responsibilities

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

According to its terms of reference (a copy of which is posted on the websites of the Company and the Stock Exchange), the Remuneration Committee shall meet at least once a year. Additional meetings may be held as required. Decisions may also be made by circulation of written resolutions accompanied by explanatory materials.

During the year ended 31 December 2018, one Remuneration Committee meeting was held. The Remuneration Committee reviewed, made recommendation on INEDs' remuneration packages to the Board, and approved the remuneration packages for Executive Directors, senior management and staff.

Remuneration Policy

The remuneration policy of the Company (the "Remuneration Policy") establishes a formal and transparent procedure for determining remuneration of Directors and senior management. To achieve the Company's corporate goals and objectives, packages offered by the Group are competitive, adequate (but not excessive), in line with current market practices and able to attract, retain, motivate and reward Directors and senior management. To ensure that the Remuneration Policy is effective, the Remuneration Committee will review the policy and recommend revisions to the Board when necessary. The Remuneration Policy was updated in December 2017.

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

Nomination Committee

Composition

The Nomination Committee consists of six members, namely, Mr. Norman Ho, Mr. Charles Ho, Mr. Michael Wu and Mr. Kevin Yip (all being INEDs), Ms. Pansy Ho (Group Executive Chairman and Managing Director) and Ms. Daisy Ho (Deputy Managing Director). Mr. Charles Ho is the chairman of the Nomination Committee and Mr. Kevin Yip was appointed member of Nomination Committee on 27 March 2019.

Duties and Responsibilities

The Nomination Committee is responsible for (i) formulating policy and making recommendations to the Board on nomination and appointment of Directors and the Board's succession planning; and (ii) monitoring the implementation of the Board Diversity Policy and nomination policy (the "Nomination Policy") and reviewing the same and recommending any revisions to the Board for consideration. The Nomination Committee develops selection procedures for candidates and will consider different criteria including relevant professional knowledge, industry experience, and the standards set forth in Rules 3.08 and 3.09 of the Listing Rules. It reviews the structure, size and composition of the Board annually to ensure that it has balanced skills and expertise to provide effective leadership to the Company. It assesses the independence of INEDs under the criteria in Rule 3.13 of the Listing Rules.

According to its terms of reference (a copy of which is posted on the websites of the Company and the Stock Exchange), the Nomination Committee shall meet as required by its work. Decision may also be made by circulation of written resolutions accompanied by explanatory materials.

During the year ended 31 December 2018, one Nomination Committee meeting was held. The Nomination Committee reviewed the structure, size, composition and diversity of the Board; the Board Diversity Policy; the Directors' involvement in the Company's affairs; and the independence of INEDs; and made recommendations to the Board for putting forward Directors, who were subject to retirement by rotation, for re-appointment at 2018 AGM.

Nomination Policy

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

Audit Committee

Composition

The Audit Committee consists of three members, namely, Mr. Norman Ho, Mr. Michael Wu and Mr. Kevin Yip, all being INEDs. Mr. Norman Ho is the chairman of the Audit Committee. The Board is satisfied that the Audit Committee members collectively possess adequate financial experience to properly perform its duties and responsibilities. Mr. Norman Ho and Mr. Michael Wu hold professional accounting qualifications required by Rule 3.10(2) of the Listing Rules, details of which are set out in their biographies in "Management Profile" in this annual report.

Duties and Responsibilities

The Audit Committee's primary responsibilities include reviewing the Company's financial reports, risk management and internal control systems, and effectiveness and objectivity of the audit process.

According to its terms of reference (a copy of which is posted on the websites of the Company and the Stock Exchange), the Audit Committee shall meet at least twice a year. Decisions may be made by circulating written resolutions accompanied by explanatory materials.

During the year ended 31 December 2018, two Audit Committee meetings were held to review, inter alia, (i) the Company's interim and year-end financial reports, particularly areas requiring judgement, before submission to the Board; (ii) the internal audit programme and the effectiveness of the internal audit function (including audit progress, findings and management's responses); (iii) the adequacy and effectiveness of the risk management and internal control systems (including the risk management processes, the principal risks identified and risk mitigation controls); (iv) PricewaterhouseCoopers' ("PwC") confirmation of independence, its reports for the Audit Committee and management's letter of representation; and (v) the fees for annual audit and non-audit services for the year ended 31 December 2017 and recommendations regarding re-appointment of the Company's external auditor.

The Audit Committee also reviewed continuing connected transactions; reviewed and approved PwC's terms of engagement as the Company's external auditor for the year ended 31 December 2018, and its further engagement to (a) review the Company's preliminary results announcement for the year ended 31 December 2018; and (b) report on continuing connected transactions as disclosed in this annual report. As at the date of this report, the Audit Committee also approved the fees for annual audit and non-audit services for year ended 31 December 2018, and recommended the re-appointment of PwC (the retiring auditor at the forthcoming AGM) as the Company's external auditor.

With the introduction of the Group's whistleblowing policy (the "Whistleblowing Policy") since December 2011 and its update in August 2017, employees are provided with a channel and guideline to report serious misconduct, malpractice or impropriety concerns internally without fear of reprisal. The Audit 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 2018, the fees paid/payable by the Group to PwC for their audit and non-audit services amounted to approximately HK$11.2 million and HK$5.2 million respectively, while the audit and non-audit fees paid/payable by the Group to other auditors were HK$0.8 million and HK$0.5 million respectively. The non-audit services mainly included interim review, taxation, due diligence and other services.

Accountability and Audit

For each financial year, the Directors acknowledge their responsibility for preparing the financial statements which give a true and fair view of the state of affairs, profit and cash flow of the Company and the Group in accordance with Hong Kong Financial Reporting Standards, the Hong Kong Companies Ordinance and the Listing Rules. In preparing financial statements for the year ended 31 December 2018, the Directors have selected suitable accounting policies and applied them consistently. The Directors also made judgements and estimates that are prudent and reasonable and prepared the financial statements on a going concern basis. The Company announced its interim and annual results in a timely manner following the relevant periods as required by the Listing Rules.

The statement from the Company's external auditor about the auditor's responsibilities for the audit of the Company's financial statements is set out in the "Independent Auditor's Report" in this annual report.

C. Internal Control and Risk Management

Responsibilities of the Board

The Board has overall responsibility for ensuring that appropriate and effective risk management and internal control systems are established and maintained. These systems have been designed to ensure (i) efficiency of operations; (ii) proper identification and management of risks relating to the achievement of strategic objectives; (iii) safeguarding of assets; (iv) proper maintenance of financial and accounting records to provide reliable information for financial and management reporting; and (v) compliance with relevant legislation and regulations. Such systems are aimed at mitigating risks faced by the Group to an acceptable level, but not eliminating all risks. Hence, such systems can only provide reasonable, but not absolute, assurance that there will not be any material misstatement in the financial information and any financial loss or fraud.

Main features of the risk management and internal control systems

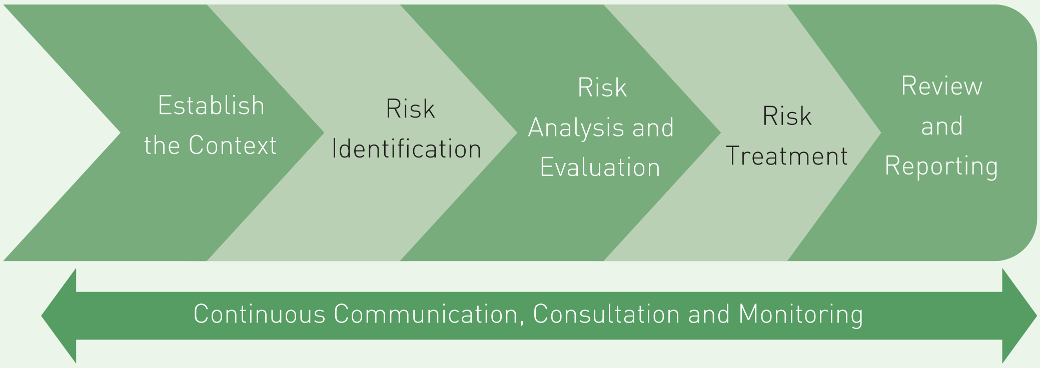
The Board has established a framework to maintain appropriate and effective risk management and internal controls systems, which includes the following key procedures (i) setting core values and beliefs which form the basis of the Group's overall risk philosophy; (ii) evaluating and determining the nature and extent of risks that the Group is willing to take in achieving its strategic objectives; (iii) defining a management structure with clear lines of responsibility and authority limits which hold individuals accountable for their risk management and internal control responsibilities; (iv) adopting an organisational structure which provides necessary information flow for risk analysis and management decision-making; (v) imposing budgetary and management accounting controls to efficiently allocate resources and provide timely financial and operational performance indicators; (vi) ensuring effective financial reporting controls to timely record complete and accurate accounting and management information; (vii) overseeing the Executive Committee's policies and procedures on risk management, implementing risk mitigation measures and reviewing risk management results; and (viii) through the Audit Committee, ensuring that appropriate risk management and internal control procedures are in place and function effectively.

The process used to identify, evaluate and manage risks

The Executive Committee assists the Board in designing, implementing and monitoring the Group's risk management and internal control systems. Responsibility resides at all levels within the Group, from the Board down to heads of business and supporting units as well as the general staff. Risk management is integrated into the Group's culture and day-to-day activities. Policies and procedures on risk management are established to ensure a consistent approach to identify and address risks in business processes. Each unit maintains a risk register to record all identified risks (including any emerging risks) by taking into account various external and internal factors including economic, financial, political, technological, environmental and social, health and safety, legislation and regulations, operational, processing and execution as well as the Group's strategies and objectives and stakeholders' expectations. A formal assessment is conducted to rank each of the identified risk. The risk ratings are determined based on the likelihood of a risk occurring and its potential impact or consequences.

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

Risk Management Process



A description of the Group's principal risk factors is shown on pages 58 to 60 of this annual report.

Ongoing and annual review

Through the Audit Committee, the Board is responsible for continuous review of the effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance, information technology and security, fraud detection and risk management controls. Such process includes a self-assessment from the head of each business or supporting unit and internal audit reviews conducted by the Group Internal Audit Department ("GIAD").

Control self-assessment from the Head of each Business or Supporting Unit

On an annual basis, the head of each business or supporting unit signs a confirmation to the Board that he/she has self-assessed the risk management and internal control systems of their operations against the criteria for effective internal control and risk management in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (the "COSO Framework") and confirms that such systems are operating effectively.

The Executive Committee also conducts an annual review of the Group's risk management and internal control systems with reference to the criteria in the COSO Framework and confirms to the Board that they are adequate and are operating effectively.

Internal audit reviews conducted by GIAD

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

The GIAD reviews risk management and internal controls by (i) evaluating the control environment and risk identification and assessment processes; (ii) assessing the adequacy of risk response measures and internal controls; and (iii) testing the implementation of such measures and functioning of key controls through audit sampling.

The Audit Committee, supported by GIAD, also reviews the adequacy of resources, qualifications, experiences and training requirements of staff responsible for accounting, financial reporting, treasury, financial analysis and internal audit functions. During each audit, staff qualifications and experience as well as manpower plans and training budgets are reviewed to ensure competent staff are in place to maintain effective risk management and internal control systems. An audit report incorporating control deficiencies and management's rectification plans is issued for each audit.

The GIAD reports quarterly to the Audit Committee on the results of its assessment of the risk management and internal control systems and status of implementation of follow-up actions on control deficiencies. In addition, the head of GIAD attends Audit Committee meetings twice a year to report its progress.

For the year under review, the Board considers the risk management and internal control systems of the Group to be adequate and effective and the Company has complied with the risk management and internal control code provisions set out in the CG Code.

Inside Information Policy

The Company adopted a policy and procedure on disclosure of inside information (the "Inside Information Policy") setting out the Group's procedure in handling such information to ensure its equal and timely dissemination to comply with the requirements under Part XIVA of the Securities and Futures Ordinance and the Listing Rules. The Executive Committee was delegated by the Board to monitor the Inside Information Policy and assess the nature and materiality of relevant information and determine appropriate actions. An Inside Information Taskforce has also been set up to assist the Executive Committee on disclosure matters. The Group will provide appropriate training to officers and employees likely to be in possession of inside information.

D. Proactive Investor Relations

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

The Company continues its proactive policy to promote investor relations by regular meetings with institutional investors and research analysts. Our Investor Relations Department maintains open communications with the investment community. To ensure investors have an informed understanding of the Company's strategies, operations and management, our management engages in proactive investor relation activities. These include participating in regular one-on-one meetings, investor conferences and international non-deal roadshows. Our Investor Relations Department also actively provides the investment community with the Company's latest news and developments as they arise through other channels such as IR Newsletters.

The Company maintains a corporate website (www.shuntakgroup.com) which provides Shareholders, investors and the public with updated information on the Group's activities and development. Corporate information on the Group's businesses is distributed by emails to the registered mailing list which can be joined by interested parties on the Company's website. The Company Secretary and the Investor Relations Department serve as the major channels of communication between Directors, Shareholders, investors and the public. The public is encouraged to contact the Group as appropriate.

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

Registered Office	:	Penthouse 39th Floor, West Tower, Shun Tak Centre 200 Connaught Road Central Hong Kong
Telephone	:	(852) 2859 3111
Facsimile	:	(852) 2857 7181
E-mail	:	enquiry@shuntakgroup.com ir@shuntakgroup.com

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

Address	:	Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Telephone	:	(852) 2862 8555
Facsimile	:	(852) 2865 0990
E-mail	:	hkinfo@computershare.com.hk

E. Details of Shareholders

Shareholding of the Company

Shareholding distribution based on the Company's register of members as at 31 December 2018 is shown below:

Size of Registered Shareholding	Number of Shareholders		Percentage of Shareholders	Number of shares held		Percentage of shares in issue
1 to 2,000	963		57.56%	414,695		0.01%
2,001 to 10,000	294		17.57%	1,569,078		0.05%
10,001 to 100,000	357		21.34%	11,004,121		0.37%
100,001 to 500,000	37		2.21%	6,920,258		0.23%
500,001 or above	22		1.32%	3,005,527,633		99.34%
Total	1,673	(Note 2)	100.00%	3,025,435,785	(Note 1)	100.00%

Notes:

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

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

Details of the Last Shareholders' Meeting

The last Shareholders' meeting was the Company's 2018 AGM held at Artyzen Club (401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong) on Wednesday, 27 June 2018 at 2:30 p.m.. The notice for the 2018 AGM setting out details of each proposed resolution and other relevant information in the circulars were distributed to all Shareholders more than 20 clear business days before the date of the 2018 AGM. Separate resolutions were proposed on each substantially separate issue, including re-election of individual Directors. In strict compliance with Rule 13.39(4) of the Listing Rules, the Company's Articles stated that all resolutions proposed in a general meeting will be decided on poll except for procedural or administrative matters. The Share Registrar was appointed as the scrutineer for vote-taking at the 2018 AGM. Procedures for conducting a poll were explained by the Share Registrar before commencement of poll voting at the 2018 AGM.

All resolutions at the 2018 AGM were duly passed including (i) receipt of the audited financial statements of the Company for the year ended 31 December 2017 and the reports of Directors and the independent auditor; (ii) declaration of 2017 final dividend; (iii) re-election of Mr. Michael Wu, Ms. Maisy Ho and Mr. Rogier Verhoeven as Directors of the Company; (iv) approval of the Directors' fees; (v) re-appointment of PwC as auditor of the Company and authorisation to the Board to fix its remuneration; (vi) granting of the general mandate to the Board to buy back the Company's shares; (vii) granting of the general mandate to the Board to issue new shares of the Company; and (viii) authorisation to the Board to extend the general mandate to issue new shares by adding the number of shares bought back.

The poll results were posted on the websites of the Company and the Stock Exchange in accordance with the Listing Rules as soon as after the closure of the 2018 AGM.

Important Shareholders' Dates

Important Shareholders' dates in the financial year 2019 are set out in "Financial Highlights and Calendar" in this annual report.

Shareholders' Rights

Procedures for Shareholders to Convene a General Meeting

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

Procedures for Shareholders to Put Forward Proposals at General Meeting

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

F. Company Secretary

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

G. Others

Constitutional Documents

During the year ended 31 December 2018, no amendment was made to the Company's Articles. The latest version of the Articles is available on the websites of the Company and the Stock Exchange.

Looking Forward

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

Hong Kong, 27 March 2019

Independent Auditor's Report

羅兵咸永道

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

Qualified Opinion

What we have audited

The consolidated financial statements of Shun Tak Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 100 to 197, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our qualified opinion

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

Basis for Qualified Opinion

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

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

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

- Revenue recognised from sale of properties
- Valuation of investment properties held by the Group, its joint ventures and associates
- Carrying value of properties for or under development

Key audit matter	***How our audit addressed the key audit matter***
Revenue recognised from sale of properties *Refer to notes 2(z) and 4 to the consolidated financial statements.* For the year ended 31 December 2018, the Group recognised revenue from sale of properties of HK$2,875 million. The Group's revenue from sale of properties is recognised when or as the control of properties is transferred to the customers at a point in time. Management identified performance obligations and allocated transaction prices among various performance obligations, if applicable. Management also exercised judgement in the interpretation of applicable laws to sales contracts to determine the pattern and timing of passing control. We focused on this area because of the financial significance of sale of properties and judgement involved in the above areas and the interpretation of the applicable laws to the contracts.	Our procedures in relation to management's assessment on the revenue recognised from sale of properties included: • Understanding, evaluating and validating on a sample basis, the key controls relating to the recognition of property sales. • Reading, on a sample basis, signed sales and purchase agreements and obtaining the external legal counsel's opinion on the application of laws to assess the identification of performance obligations, the pattern of passing control and the timing that the control of properties is transferred to the customers. • Checking, on a sample basis, the receipts of payments from customers to the bank advice and handover notices issued to customers to verify whether the control of properties was transferred and the sales was recognised according to the contractual arrangements and requirement of the applicable standard. We found the amount of the property sales revenue recognised for the year was supportable by the available evidence.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties held by the Group, its joint ventures and associates *Refer to notes 2(g), 3(a), 13, 16 and 17 to the consolidated financial statements.* The Group's investment properties are stated at fair value. As at 31 December 2018, the fair value of investment properties held through the Group's subsidiaries was HK$8,342 million. The Group also has interests in a number of investment properties held through its joint ventures and associates. The fair value of investment properties was determined by the Group with reference to the valuations performed by independent professional valuers ("Valuers"). For completed investment properties, the fair value was derived using the comparable approach or income capitalisation approach. Due to the unique nature of each investment property, the assumptions applied in the valuations were determined having regard to each property's characteristics such as location, building age and occupancy status. The key assumptions used in the valuation, such as current market rents, discount rates and recent transacted prices were influenced by prevailing market conditions and with reference to comparable transactions. For investment properties under construction, fair value was derived using the residual method by deducting development costs and developer's profit from the estimated fair value of the proposed development assuming completed as at the date of valuation under the income capitalisation approach and discounted cash flow model. We focused on this area because of the financial significance of the balances and judgements and estimates involved.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuers, and reading valuation reports of all investment properties. • Involving our in-house valuation experts in assessing the appropriateness of the methodologies used in the valuation of each property. • Testing, on a sample basis, the accuracy of property specific information such as location, building age and occupancy status. • Assessing the reasonableness of the judgement and key assumptions used in the valuations, including market rents, discount rates and recent transacted prices of comparable transactions, by benchmarking these to our independent market research. • Assessing the reasonableness of estimated costs to complete and developer's profit for properties under construction by comparing them to the market construction costs and developer's profit of similar properties. We found the valuation methodologies being appropriate and the key assumptions used in the valuation of investment properties were supportable in light of available evidence.

Key audit matter	***How our audit addressed the key audit matter***
Carrying value of properties for or under development *Refer to notes 2(l), 3(c) and 22 to the consolidated financial statements.* As at 31 December 2018, the Group had properties for or under development with carrying values totalling HK$5,631 million, which were stated at lower of cost and net realisable value. The calculation of the net realisable value of properties for or under development used assumptions such as the estimated selling price and estimated cost of completion, which required management's judgement based on the consideration of future market environment on a project by project basis. We focused on this area because of the financial significance of the balances and judgements and estimates involved.	Our procedures in relation to the carrying value of properties for or under development included: • Understanding, evaluating and validating on a sample basis, the key controls relating to the determination of expected selling price and costs to completion. • Assessing, on a sample basis, the reasonableness of the judgement and key assumptions by comparing the management's expected selling price to current market price of comparable properties. • Assessing, on a sample basis, the reasonableness of the expected cost to completion by comparing the expected costs of the projects to the market forecast on construction costs of similar properties. • Considering the results of sensitivity analysis on reasonably possible changes in the key assumptions adopted. We found the judgements and assumptions used by management in determining the carrying value of properties for or under development were reasonable based on the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, the equity investment in STDM is stated at cost and not at fair value as required under HKFRS 9 "Financial Instruments" issued by the HKICPA and the effects on the consolidated financial statements of this departure have not been determined. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Yau Yu Xin, Amelia.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Note	2018	2017
		HK$'000	HK$'000
Revenue	4	6,591,582	6,388,505
Other income	4	324,530	252,944
		6,916,112	6,641,449
Other gains, net	5	1,344,735	24,753
Cost of inventories sold and services provided		(2,488,414)	(2,753,760)
Staff costs		(1,420,581)	(1,412,886)
Depreciation and amortisation		(176,979)	(155,631)
Other costs		(731,260)	(603,735)
Fair value changes on investment properties		212,520	178,165
Operating profit	6	3,656,133	1,918,355
Finance costs	8	(317,434)	(226,562)
Share of results of joint ventures		1,445,314	200,629
Share of results of associates		793,761	8,966
Profit before taxation		5,577,774	1,901,388
Taxation	9(a)	(236,262)	(203,243)
Profit for the year		5,341,512	1,698,145
Attributable to:			
Owners of the Company		4,647,326	1,450,160
Non-controlling interests		694,186	247,985
Profit for the year		5,341,512	1,698,145
Earnings per share (HK cents)	11		
— basic		153.4	47.7
— diluted		153.4	47.7

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

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

Consolidated Balance Sheet

As at 31 December 2018

	Note	2018	2017
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	12	**3,251,417**	2,836,564
Investment properties	13	**8,342,001**	8,232,314
Prepaid premium for land lease and land use rights	14	**680,844**	302,841
Joint ventures	16	**8,476,142**	6,887,540
Associates	17	**2,958,282**	1,476,977
Intangible assets	18	**2,525**	36,427
Financial assets at fair value through other comprehensive income	19	**1,379,023**	—
Available-for-sale investments	19	**—**	1,021,729
Derivative financial instruments	25	**6,746**	107
Mortgage loans receivable	20	**1,925**	3,914
Deferred tax assets	9(c)	**8,119**	2,476
Other non-current assets	21	**1,474,036**	704,067
		26,581,060	21,504,956
Current assets			
Properties for or under development	22	**5,631,404**	13,872,138
Inventories	23	**17,034,801**	7,626,127
Trade and other receivables, deposits paid and prepayments	24	**1,179,675**	1,141,722
Derivative financial instruments	25	**—**	16,927
Taxation recoverable		**10,695**	11,356
Cash and bank balances	26	**14,317,651**	12,665,880
		38,174,226	35,334,150
Assets held for sale	27	**36,625**	—
		38,210,851	35,334,150
Current liabilities			
Trade and other payables, and deposits received	28	**1,832,808**	2,473,841
Deposits received from sale of properties	29	**—**	3,453,424
Contract liabilities	29	**4,621,996**	—
Bank borrowings	30	**5,170,760**	5,212,254
Provision for employee benefits	31	**12,289**	13,010
Derivative financial instruments	25	**21,763**	—
Taxation payable		**321,696**	141,131
Loans from non-controlling interests	33	**799,122**	1,215,733
		12,780,434	12,509,393
Liabilities directly associated with assets held for sale	27	**506**	—
		12,780,940	12,509,393
Net current assets		**25,429,911**	22,824,757
Total assets less current liabilities		**52,010,971**	44,329,713

	Note	2018	2017
		HK$'000	HK$'000
Non-current liabilities			
Contract liabilities	29	**10,527**	—
Bank borrowings	30	**10,133,675**	6,829,789
Medium term notes	32	**3,184,001**	3,172,788
Deferred tax liabilities	9(c)	**1,123,431**	1,308,380
Loans from non-controlling interests	33	**393,737**	—
		14,845,371	11,310,957
Net assets		**37,165,600**	33,018,756
Equity			
Share capital	34	**9,858,250**	9,858,250
Other reserves	36	**20,740,426**	17,372,796
Proposed dividends		**484,070**	181,864
Equity attributable to owners of the Company		**31,082,746**	27,412,910
Non-controlling interests		**6,082,854**	5,605,846
Total equity		**37,165,600**	33,018,756

Pansy Ho
Director

Daisy Ho
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Equity attributable to owners of the Company												
	Share capital	Capital reserve	Legal reserve	Special reserve	Investment revaluation reserve	Hedging reserve	Asset revaluation reserve	Exchange reserve	Retained profits	Proposed dividends	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2017	9,858,250	14,465	13,037	(151,413)	102,178	(16,647)	988,402	37,100	16,385,674	181,864	27,412,910	5,605,846	33,018,756
Impact on initial application of HKFRS 9	–	–	–	–	(82,508)	–	–	–	82,508	–	–	–	–
Adjusted balance as at 1 January 2018	9,858,250	14,465	13,037	(151,413)	19,670	(16,647)	988,402	37,100	16,468,182	181,864	27,412,910	5,605,846	33,018,756
Profit for the year	–	–	–	–	–	–	–	–	4,647,326	–	4,647,326	694,186	5,341,512
Items that may be reclassified to profit or loss:													
Debt instruments at fair value through other comprehensive income:													
Changes in fair value	–	–	–	–	(1,010)	–	–	–	–	–	(1,010)	–	(1,010)
Cash flow hedges:													
Changes in fair value, net of tax	–	–	–	–	–	2,287	–	–	–	–	2,287	(5,863)	(3,576)
Transfer to profit or loss	–	–	–	–	–	(16,951)	–	–	–	–	(16,951)	(12,681)	(29,632)
Reversal of asset revaluation reserve upon sales of properties, net of tax	–	–	–	–	–	–	(322,214)	–	–	–	(322,214)	–	(322,214)
Currency translation differences	–	–	–	–	–	–	–	(232,409)	–	–	(232,409)	(42,862)	(275,271)
Share of currency translation difference of joint ventures	–	–	–	–	–	–	–	(77,404)	–	–	(77,404)	–	(77,404)
Share of currency translation difference of associates	–	–	–	–	–	–	–	(77,680)	–	–	(77,680)	–	(77,680)
Items that will not be reclassified to profit or loss:													
Equity instruments at fair value through other comprehensive income:													
Changes in fair value	–	–	–	–	(16,700)	–	–	–	–	–	(16,700)	–	(16,700)
Other comprehensive loss for the year, net of tax	–	–	–	–	(17,710)	(14,664)	(322,214)	(387,493)	–	–	(742,081)	(61,406)	(803,487)
Total comprehensive income/(loss) for the year	–	–	–	–	(17,710)	(14,664)	(322,214)	(387,493)	4,647,326	–	3,905,245	632,780	4,538,025
2017 final dividend	–	–	–	–	–	–	–	–	–	(181,774)	(181,774)	–	(181,774)
2017 final dividend on shares bought-back	–	–	–	–	–	–	–	–	90	(90)	–	–	–
2018 final dividend	–	–	–	–	–	–	–	–	(302,544)	302,544	–	–	–
2018 special dividend	–	–	–	–	–	–	–	–	(181,526)	181,526	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(157,228)	(157,228)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1,456	1,456
Transfers	–	–	982	–	–	–	–	–	(982)	–	–	–	–
Buy-back of shares (note 34)	–	–	–	–	–	–	–	–	(53,635)	–	(53,635)	–	(53,635)
Disposal of financial assets at fair value through other comprehensive income	–	–	–	–	845	–	–	–	(845)	–	–	–	–
Share of reserve movement of a joint venture and associates	–	–	(93)	–	–	–	–	(22,362)	22,455	–	–	–	–
	–	–	889	–	845	–	–	(22,362)	(516,987)	302,206	(235,409)	(155,772)	(391,181)
As at 31 December 2018	9,858,250	14,465	13,926	(151,413)	2,805	(31,311)	666,188	(372,755)	20,598,521	484,070	31,082,746	6,082,854	37,165,600

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Equity attributable to owners of the Company												
	Share capital	Capital reserve	Legal reserve	Special reserve	Investment revaluation reserve	Hedging reserve	Asset revaluation reserve	Exchange reserve	Retained profits	Proposed dividends	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2017	9,858,250	16,262	12,743	(151,413)	72,811	27,978	1,008,917	(513,328)	15,298,558	–	25,630,778	4,926,789	30,557,567
Profit for the year	–	–	–	–	–	–	–	–	1,450,160	–	1,450,160	247,985	1,698,145
Items that may be reclassified to profit or loss:													
Available-for-sale investments:													
Changes in fair value	–	–	–	–	29,367	–	–	–	–	–	29,367	–	29,367
Cash flow hedges:													
Changes in fair value, net of tax	–	–	–	–	–	(15,396)	–	–	–	–	(15,396)	9,969	(5,427)
Transfer to profit or loss	–	–	–	–	–	(29,229)	–	–	–	–	(29,229)	(7,327)	(36,556)
Reversal of asset revaluation reserve upon sales of properties, net of tax	–	–	–	–	–	–	(20,515)	–	–	–	(20,515)	–	(20,515)
Currency translation differences	–	–	–	–	–	–	–	378,664	–	–	378,664	66,012	444,676
Share of currency translation difference of joint ventures	–	–	–	–	–	–	–	92,336	–	–	92,336	–	92,336
Share of currency translation difference of associates	–	–	–	–	–	–	–	79,428	–	–	79,428	–	79,428
Other comprehensive income/(loss) for the year, net of tax	–	–	–	–	29,367	(44,625)	(20,515)	550,428	–	–	514,655	68,654	583,309
Total comprehensive income/(loss) for the year	–	–	–	–	29,367	(44,625)	(20,515)	550,428	1,450,160	–	1,964,815	316,639	2,281,454
2017 final dividend	–	–	–	–	–	–	–	–	(181,864)	181,864	–	–	–
2017 interim dividend	–	–	–	–	–	–	–	–	(182,548)	–	(182,548)	–	(182,548)
Lapse of share option	–	(1,797)	–	–	–	–	–	–	1,797	–	–	–	–
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(95,495)	(95,495)
Transfers	–	–	416	–	–	–	–	–	(416)	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	292,868	292,868
Equity contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	165,045	165,045
Disposal of a subsidiary	–	–	(135)	–	–	–	–	–	–	–	(135)	–	(135)
Share of reserve movement of a joint venture	–	–	13	–	–	–	–	–	(13)	–	–	–	–
	–	(1,797)	294	–	–	–	–	–	(363,044)	181,864	(182,683)	362,418	179,735
As at 31 December 2017	9,858,250	14,465	13,037	(151,413)	102,178	(16,647)	988,402	37,100	16,385,674	181,864	27,412,910	5,605,846	33,018,756

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	2018	2017
	HK$'000	HK$'000
Operating activities		
Profit before taxation	5,577,774	1,901,388
Adjustments for:		
Depreciation and amortisation	176,979	155,631
Fair value changes on investment properties	(212,520)	(178,165)
Finance costs	317,434	226,562
Interest income	(200,043)	(180,339)
Dividend income from financial assets at fair value through other comprehensive income	(108,762)	—
Dividend income from available-for-sale investments	—	(141,763)
Share of results of joint ventures	(1,445,314)	(200,629)
Share of results of associates	(793,761)	(8,966)
Realisation of asset revaluation reserve upon sale of properties	(123,700)	(23,313)
Net loss on disposal of property, plant and equipment	1,471	7,645
Gain on bargain purchase	—	(32,076)
Gain on disposal of subsidiaries	(1,347,007)	(322)
Loss on disposal of a joint venture	798	—
Loss on disposal of an associate	3	—
Impairment losses (reversed)/recognised on trade and other receivables, deposits paid and prepayment	(76)	1,459
Operating profit before working capital changes	1,843,276	1,527,112
Increase in properties for or under development and inventories of properties, excluding net finance costs capitalised	(4,744,922)	(1,687,322)
(Increase)/decrease in other inventories	(1,498)	2,617
Increase in trade and other receivables, deposits paid and prepayments	(130,758)	(143,063)
(Decrease)/increase in trade and other payables, and deposits received	(555,373)	611,027
(Decrease)/increase in deposits received from sale of properties	(2,823,424)	1,984,066
Increase in contract liabilities	4,632,523	—
Decrease in provision for employee benefits	(721)	(322)
Cash (used in)/generated from operations	(1,780,897)	2,294,115
Total income taxes paid	(132,492)	(75,862)
Net cash (used in)/from operating activities	(1,913,389)	2,218,253

	Note	2018	2017
		HK$'000	HK$'000
Investing activities			
Purchase of property, plant and equipment		**(482,608)**	(213,228)
Capital contribution to a joint venture		**(56,793)**	(841,638)
Capital contribution to associates		**(772,058)**	(24,320)
Repayments from joint ventures		**11,071**	190,317
Advances to associates		**(639)**	—
Repayments from associates		**—**	542
Acquisition of subsidiaries, net of cash acquired	43	**—**	(1,764,483)
Acquisition of financial assets at fair value through other comprehensive income		**(376,092)**	—
Repayments of mortgage loans		**2,022**	1,095
Prepayment for purchase of property, plant and equipment		**—**	(5,982)
Deposits paid for acquisition of properties		**—**	(294,329)
Capital refund from an investment fund		**1,018**	2,918
Proceeds from disposal of property, plant and equipment		**540**	3,534
Proceeds from disposal of financial assets at fair value through other comprehensive income		**70**	—
Net proceeds from disposal of equity interest in subsidiaries		**2,520,000**	438
Proceeds from disposal of interest in a joint venture		**10,850**	—
Decrease in bank deposits with maturities over three months		**2,280,560**	51,536
Interest received		**190,941**	189,767
Dividends received from financial assets at fair value through other comprehensive income		**108,762**	—
Dividends received from available-for sale investments		**—**	141,763
Dividends received from joint ventures		**16,265**	79,873
Dividends received from associates		**6,830**	14,200
Net cash from/(used in) investing activities		**3,460,739**	(2,467,997)

	Note	2018	2017
		HK$'000	HK$'000
Financing activities			
Drawdown of new loans	41	**4,733,017**	1,619,046
Repayments of loans	41	**(1,362,698)**	(1,257,954)
Buy-back of shares		**(53,635)**	—
Finance costs (including interests and bank charges) paid	41	**(556,153)**	(418,814)
Capital contribution from a non-controlling interest		**29**	—
Dividends paid to shareholders	41	**(181,655)**	(182,408)
Dividends paid to non-controlling interests		**(157,228)**	(95,495)
Net cash from/(used in) financing activities		**2,421,677**	(335,625)
Net increase/(decrease) in cash and cash equivalents		**3,969,027**	(585,369)
Effects of foreign exchange rate changes		**(36,228)**	27,389
Cash and cash equivalents at 1 January		**5,125,762**	5,683,742
Cash and cash equivalents at 31 December		**9,058,561**	5,125,762
Analysis of cash and cash equivalents			
Cash and bank balances	26	**14,317,651**	12,665,880
Bank deposits with maturities over three months		**(5,259,558)**	(7,540,118)
Cash and bank balances of a subsidiary transferred to assets held for sale		**468**	—
Cash and cash equivalents at 31 December		**9,058,561**	5,125,762

1 General information

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

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

The principal activity of the Company is investment holding while the activities of its principal subsidiaries, joint ventures and associates are set out in note 47.

2 Summary of significant accounting policies

(a) Accounting policies

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

(b) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance except for the departure of HKFRS 9, "Financial Instruments" in relation to the fair value measurement of one of its equity investments as detailed in note 19 to the consolidated financial statements. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all the subsidiary undertakings (within the meanings of Schedule 1 to Cap. 622) in the Company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 "Consolidated Financial Statements" so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provision of Section 380(6), the Company has departed from Section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in note 2(c). The subsidiaries excluded subsidiary undertakings of the Group are disclosed in note 47.

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

2 Summary of significant accounting policies (Continued)

(b) Basis of preparation (Continued)

Impact of new or revised Hong Kong Financial Reporting Standards

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

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

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

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

HKFRS 9, "Financial instruments"

Effects of changes in accounting policies — Financial assets

Following the adoption of HKFRS 9, the Group has made changes to its accounting policies in the classification, measurement and impairment of its financial assets. For details of the new accounting policies of financial assets, please refer to note 2(j).

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

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

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

2 Summary of significant accounting policies (Continued)

(b) Basis of preparation (Continued)

Impact of new or revised Hong Kong Financial Reporting Standards (Continued)

New standards, amendments to standards and interpretation adopted by the Group (Continued)

HKFRS 9, "Financial Instruments" (Continued)

Effects of changes in accounting policies — Financial assets (Continued)

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

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

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

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

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

Consolidated balance sheet (extract)

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

2 Summary of significant accounting policies (Continued)

(b) Basis of preparation (Continued)

Impact of new or revised Hong Kong Financial Reporting Standards (Continued)

New standards, amendments to standards and interpretation adopted by the Group (Continued)

HKFRS 9, "Financial Instruments" (Continued)

Effects of changes in accounting policies — Financial assets (Continued)

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

Consolidated balance sheet (extract)

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

HKFRS 15, "Revenue from Contracts with Customers"

Effects of changes in accounting policies — Revenue

Following the adoption of the new standard, the Group has made changes to its accounting policies in revenue recognition and assets/liabilities arising from contracts with customers. For details of the new accounting policies, please refer to note 2(o) and note 2(z) respectively.

2 Summary of significant accounting policies (Continued)

(b) Basis of preparation (Continued)

Impact of new or revised Hong Kong Financial Reporting Standards (Continued)

New standards, amendments to standards and interpretation adopted by the Group (Continued)

HKFRS 15, "Revenue from Contracts with Customers" (Continued)

Effects of changes in accounting policies — Revenue (Continued)

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

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

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

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

Consolidated balance sheet (extract)

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

2 Summary of significant accounting policies (Continued)

(b) Basis of preparation (Continued)

Impact of new or revised Hong Kong Financial Reporting Standards (Continued)

New standards, amendments to standards and interpretation adopted by the Group (Continued)

HKFRS 15, "Revenue from Contracts with Customers" (Continued)

Effects of changes in accounting policies — Revenue (Continued)

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

Consolidated balance sheet (extract)

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

Consolidated cash flow statement (extract)

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

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

2 Summary of significant accounting policies (Continued)

(b) Basis of preparation (Continued)

Impact of new or revised Hong Kong Financial Reporting Standards (Continued)

New standard, amendments to standards and interpretation not yet adopted

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

HK (IFRIC) Interpretation 23[1]	Uncertainty over Income Tax Treatments
HKFRS 16[1]	Leases
Annual Improvement to HKFRSs 2015-2017 Cycle[1]	
Amendments to HKAS 28[1]	Long-term interests in Associates and Joint Ventures
Amendments to HKFRS 3[2]	Definition of a Business
Amendments to HKAS 1 and HKAS 8[2]	Amendments to Definition of Material
Amendments to HKFRS 10 and HKAS 28[3]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

[1] Effective for annual periods beginning 1 January 2019

[2] Effective for annual periods beginning 1 January 2020

[3] Effective date to be determined

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

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases as a lessee. Upon the initial recognition of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted at 1 January 2019.

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

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

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable transactions.

2 Summary of significant accounting policies (Continued)

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

(i) Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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

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

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

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

2 Summary of significant accounting policies (Continued)

(c) Basis of consolidation, separate financial statements and equity accounting (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 or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(v) Associates

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

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

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

2 Summary of significant accounting policies (Continued)

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

The Group has applied HKFRS 11 to all 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. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

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.

2 Summary of significant accounting policies (Continued)

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Changes in the fair value of debt instruments denominated in a foreign currency and classified as financial assets through FVOCI are analysed between exchange differences resulting from changes in amortised cost of the investment and other changes in the carrying amount of the investment. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

(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 OCI.

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.

2 Summary of significant accounting policies (Continued)

(f) Property, plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the reporting 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% – 2.4% or over the remaining lease terms, if shorter
Vessels and pontoons	5% – 10%
Other assets	5% – 33%

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

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

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

No depreciation is provided on hotel building under construction and freehold land.

2 Summary of significant accounting policies (Continued)

(g) Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and 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, trademarks and royalties

Separately acquired licences, franchises, trademarks and royalties are classified as intangible assets and stated at historical cost less accumulated amortisation and any accumulated impairment losses. For licences, amortisation is provided using the straight-line method over the estimated useful lives of 3 to 16.3 years. For franchises, trademarks and royalties, amortisation is provided over the estimated useful lives of 8 to 20 years using the straight-line method.

(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.

2 Summary of significant accounting policies (Continued)

(j) Financial assets

I. Classification

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

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

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

II. Measurement

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

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

2 Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

II. Measurement (Continued)

Debt instruments

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

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

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

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

Equity instruments

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

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

2 Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

III. Impairment

The Group assesses on a forward looking basis the ECL associated with its financial assets measured at amortised cost and debt instruments at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

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

IV. Offsetting financial instruments

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

(k) Derivative financial instruments

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(l) Properties for or under development

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

(m) Inventories and completed properties held for sale

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

(n) Trade and other receivables

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

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

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

(o) Contract related assets and contract liabilities

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

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

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

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

2 Summary of significant accounting policies (Continued)

(p) Cash and cash equivalents

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

(q) Share capital

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

(r) Trade and other payables

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

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

(s) Borrowings

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

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

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in the consolidated income statement as other income or finance costs.

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

(t) Borrowing costs

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

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

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

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 consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary difference arising from the associate's undistributed profit is 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.

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).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

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

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

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

(x) Provisions

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

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

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

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

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

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

- provides all of the benefits received and consumed simultaneously by the customer;

- creates or enhances an asset that the customer controls as the Group performs; or

- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

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

- direct measurements of the value transferred by the Group to the customer; or

- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Revenue from sale of properties is recognised upon control or ownership of properties are transferred to the purchasers. Deposits and instalments received from purchasers prior to the stage of revenue recognition are included in contract current liabilities under note 2(o).

Revenue from passenger transportation services is recognised upon the transportation services are rendered. 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.

2 Summary of significant accounting policies (Continued)

(z) Revenue recognition (Continued)

Revenues from hotel operations and management and club operations are 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.

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 consolidated 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) Assets held for sale

Assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and investment properties that are carried at fair value, which are specifically exempt from this requirement.

(ac) Dividend distribution

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

3 Critical accounting estimates and judgements

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

(a) Valuation of investment properties

The fair value of each investment property is individually determined at each balance sheet date by independent professional valuers based on a market value assessment. The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the amount is determined within a range of reasonable fair value estimates. The valuers have applied the income capitalisation approach or the direct comparison method. The fair value derived from income capitalisation approach is based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow profile, while the direct comparison approach considers the recent prices of similar properties with adjustments to reflect the difference in characteristics of the properties. Further details of the judgements and assumptions made were disclosed in note 13.

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

The Group's properties for or under development for sale are stated at lower of cost and net realisable value. In determining whether allowances should be made, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price) less estimated costs to completion of the properties. An allowance is made if the recoverable amount is less than the carrying amount.

(c) Estimated net realisable value of inventories

For the carrying value of the Group's completed properties held for sale, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price, less estimated costs of selling expenses). 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 with reference to the latest market value of those inventories identified. In addition, management carries out an inventory review and makes the necessary write-down for obsolete items.

(d) 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 is to generate net cash inflows for the Group. Hence, no amortisation has been charged for the year.

(e) Income taxes

The Group is subject to income taxes in certain jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcomes of these matters are 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.

4 Revenue and other income

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

	2018	2017
	HK$'000	HK$'000
Revenue		
Revenue from sales of properties	**2,874,540**	2,546,361
Revenue from passenger transportation services	**2,241,492**	2,452,103
Revenue from hotel operations	**423,730**	397,898
Rental income	**477,811**	404,807
Management fees and others	**386,791**	383,661
Revenue from sale of fuel	**42,247**	27,815
Revenue from travel agency services	**35,942**	33,756
Interest income from mortgage loans receivable	**267**	341
Dividend income from financial assets at fair value through other comprehensive income	**108,762**	—
Dividend income from available-for-sale investments	**—**	141,763
	6,591,582	6,388,505
Other income		
Interest income from:		
— Bank deposits	**198,688**	178,367
— Others	**1,088**	1,631
Others	**124,754**	72,946
	324,530	252,944
Revenue and other income	**6,916,112**	6,641,449

5 Other gains, net

	2018	2017
	HK$'000	HK$'000
Net gain on disposal of subsidiaries	**1,347,007**	322
Loss on disposal of a joint venture	**(798)**	—
Loss on disposal of an associate	**(3)**	—
Net loss on disposal of property, plant and equipment	**(1,471)**	(7,645)
Gain on bargain purchase (note 43)	**—**	32,076
	1,344,735	24,753

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

6 Operating profit

	2018	2017
	HK$'000	HK$'000
After crediting:		
Rental income from investment properties	**317,822**	294,905
Less: Direct operating expenses arising from investment properties	**(34,819)**	(38,645)
	283,003	256,260
Dividend income from listed investments	**8,175**	7,405
Dividend income from unlisted investments		
— STDM	**99,128**	130,935
— others	**1,459**	3,423
After charging:		
Cost of inventories sold		
— properties	**1,346,156**	1,497,436
— fuel	**647,565**	537,336
— others	**121,645**	152,974
	2,115,366	2,187,746
Exchange loss/(gain), net	**28,057**	(63,051)
Depreciation of property, plant and equipment (note 12)	**164,030**	146,933
Amortisation		
— intangible assets (note 18)	**627**	1,126
— prepaid premium for land lease and land use rights (note 14)	**12,322**	7,572
Auditors' remuneration		
— audit services	**11,923**	10,906
— non-audit services	**5,778**	4,592
Minimum lease payments of properties under operating leases	**112,934**	116,219
Contingent rental payment (note 14(b))	**21,643**	22,570
Impairment losses (reversed)/recognised		
— trade receivables, net (note 24(a))	**(76)**	1,459
Staff costs		
— salaries and wages	**1,326,450**	1,318,116
— provident fund contributions	**53,827**	54,624
— directors' emoluments (note 7(a))	**40,304**	40,146

7 Benefits and interests of directors and five highest paid individual

(a) Directors' emoluments

For the year ended 31 December 2018

Name	As Director (note i)					
	Fees	Salaries, allowance and benefits	Performance bonus	Provident fund contributions	As management (note ii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Ms. Pansy Ho	110	9,986	3,478	627	—	14,201
Ms. Daisy Ho	110	5,972	1,120	298	—	7,500
Ms. Maisy Ho	110	4,500	844	225	—	5,679
Mr. David Shum	110	3,418	711	171	—	4,410
Mr. Rogier Verhoeven	50	2,458	307	123	3,476	6,414
Independent Non-Executive Directors						
Mr. Norman Ho	400	180	—	—	—	580
Mr. Charles Ho	400	60	—	—	—	460
Mr. Michael Wu	400	160	—	—	—	560
Mr. Kevin Yip	400	100	—	—	—	500
	2,090	26,834	6,460	1,444	3,476	40,304

7 Benefits and interests of directors and five highest paid individual (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2017

Name	As Director (note i) Fees	Salaries, allowance and benefits	Performance bonus	Provident fund contributions	As management (note ii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Dr. Stanley Ho (retired on 23 June 2017)	24	—	—	—	—	24
Ms. Pansy Ho	110	9,634	4,740	604	—	15,088
Ms. Daisy Ho	110	5,769	962	288	—	7,129
Ms. Maisy Ho	110	4,337	723	217	—	5,387
Mr. David Shum	110	3,294	549	165	—	4,118
Mr. Rogier Verhoeven	50	2,369	395	232	3,257	6,303
Independent Non-Executive Directors						
Mr. Norman Ho	400	180	—	—	—	580
Mr. Charles Ho	400	60	—	—	—	460
Mr. Michael Wu	400	160	—	—	—	560
Mr. Kevin Yip	400	97	—	—	—	497
	2,114	25,900	7,369	1,506	3,257	40,146

Notes:

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

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

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

7 Benefits and interests of directors and five highest paid individuals (Continued)

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

On 12 December 2016, the Company entered into a renewed master service agreement (the "Renewed MGM Agreement") with MGM Grand Paradise Limited ("MGM"), a company in which Ms. Pansy Ho holds an indirect beneficial interest. The Renewed MGM Agreement sets out a framework for products and/or services which may be provided/demanded by the Group to/from MGM and/or its subsidiaries from time to time on a non-exclusive basis.

The Renewed MGM Agreement is for a term of 3 years from 1 January 2017 to 31 December 2019 and is renewable for successive terms of 3 years by mutual agreement in writing.

Save for the aforesaid transactions, there were no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries or its holding companies was a party and in which a Director or its connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individuals

Among the five highest paid individuals in the Group, four are directors (2017: 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$5,047,000 (2017: HK$4,941,000).

8 Finance costs

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

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

9 Taxation

(a) Taxation in the consolidated income statement represents:

	2018	2017
	HK$'000	HK$'000
Current taxation		
Hong Kong profits tax		
— tax for the year	53,110	85,773
— over-provision in respect of prior years	(1,178)	(820)
Overseas taxation		
— tax for the year	262,728	94,400
— (over)/under-provision in respect of prior years	(476)	366
	314,184	179,719
Deferred taxation		
Origination and reversal of temporary differences	(77,922)	23,524
Total tax expenses	236,262	203,243

Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the year. Overseas taxation is calculated at tax rates applicable to jurisdictions in which the Group operates.

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

	2018	2017
	HK$'000	HK$'000
Profit before taxation	5,577,774	1,901,388
Less: share of results of joint ventures and associates	(2,239,075)	(209,595)
	3,338,699	1,691,793
Tax at the applicable tax rate of 16.5% (2017: 16.5%)	550,885	279,146
Income not subject to tax	(378,159)	(125,383)
Expenses not deductible for tax purposes	88,918	71,187
Utilisation of tax losses and deductible temporary differences not previously recognised	(1,303)	(11,837)
Tax losses and deductible temporary differences not recognised	53,834	32,625
Effect of different tax rates of subsidiaries operating in other jurisdictions	(74,257)	(42,852)
Over-provision in respect of prior years	(1,654)	(454)
Others	(2,002)	811
Total tax expenses	236,262	203,243

9 Taxation (Continued)

(c) Deferred tax assets and liabilities recognised

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

Deferred tax assets

	Accelerated accounting depreciation	Tax losses	Cash flow hedges	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2017	54	48,518	—	2,899	51,471
Charge to income statement	(14)	(10,958)	—	(2,899)	(13,871)
As at 31 December 2017	**40**	**37,560**	**—**	**—**	**37,600**
Credit to income statement	**35**	**2,269**	**—**	**—**	**2,304**
Credit to other comprehensive income	**—**	**—**	**3,591**	**—**	**3,591**
As at 31 December 2018	**75**	**39,829**	**3,591**	**—**	**43,495**

Deferred tax liabilities

	Accelerated tax depreciation	Revaluation of investment properties	Cash flow hedges	Fair value adjustments on business combination	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2017	275,188	243,878	1,884	595,918	—	1,116,868
Exchange adjustment	5,381	9,600	—	9,719	—	24,700
Charge/(credit) to income statement	21,377	1,582	—	(14,530)	1,224	9,653
Charge/(credit) to other comprehensive income	—	—	909	(2,798)	—	(1,889)
Acquisition of subsidiaries	—	—	—	194,172	—	194,172
As at 31 December 2017	**301,946**	**255,060**	**2,793**	**782,481**	**1,224**	**1,343,504**
Exchange adjustment	**(4,284)**	**(6,616)**	**—**	**(3,806)**	**7**	**(14,699)**
Charge/(credit) to income statement	**18,917**	**3,663**	**—**	**(99,476)**	**1,278**	**(75,618)**
Credit to other comprehensive income	**—**	**—**	**(2,793)**	**(43,938)**	**—**	**(46,731)**
Disposal of subsidiaries	**—**	**—**	**—**	**(47,649)**	**—**	**(47,649)**
As at 31 December 2018	**316,579**	**252,107**	**—**	**587,612**	**2,509**	**1,158,807**

9 Taxation (Continued)

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

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

	2018	2017
	HK$'000	HK$'000
Deferred tax assets	**8,119**	2,476
Deferred tax liabilities	**(1,123,431)**	(1,308,380)
	(1,115,312)	(1,305,904)

(d) Deferred tax assets unrecognised

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

	2018	2017
	HK$'000	HK$'000
Tax losses	**1,563,954**	1,410,293
Deductible temporary differences	**632**	581
	1,564,586	1,410,874

Included in the unrecognised tax losses of the Group are losses of HK$143,421,000 (2017: HK$149,217,000) that will expire on various dates through to 2023 (2017: 2022) from 31 December 2018. 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

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

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

11 Earnings per share

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

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

12 Property, plant and equipment

	Hotel land and buildings	Hotel buildings under construction	Leasehold land and buildings	Vessels and pontoons	Other assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
As at 1 January 2017	1,600,517	369,961	1,008,454	2,436,862	1,115,956	6,531,750
Exchange adjustment	73,254	29,381	214	—	1,427	104,276
Additions	—	83,616	322	1,842	133,965	219,745
Acquisition of subsidiaries	—	—	—	—	70	70
Disposals	—	—	—	—	(42,299)	(42,299)
Transfer	482,958	(482,958)	—	—	—	—
As at 31 December 2017	**2,156,729**	**—**	**1,008,990**	**2,438,704**	**1,209,119**	**6,813,542**
Exchange adjustment	**(41,348)**	**—**	**(148)**	**—**	**(1,460)**	**(42,956)**
Additions	**436,953**	**13,933**	**186**	**2,103**	**168,906**	**622,081**
Disposals	**—**	**—**	**—**	**(3,734)**	**(33,480)**	**(37,214)**
Transfer to assets held for sale	**—**	**—**	**—**	**—**	**(218)**	**(218)**
As at 31 December 2018	**2,552,334**	**13,933**	**1,009,028**	**2,437,073**	**1,342,867**	**7,355,235**
Accumulated depreciation and impairment						
As at 1 January 2017	167,787	—	806,455	1,995,487	890,077	3,859,806
Exchange adjustment	473	—	19	—	867	1,359
Charge for the year (note 6)	32,473	—	6,677	47,230	60,553	146,933
Disposals	—	—	—	—	(31,120)	(31,120)
As at 31 December 2017	**200,733**	**—**	**813,151**	**2,042,717**	**920,377**	**3,976,978**
Exchange adjustment	**(1,333)**	**—**	**(25)**	**—**	**(573)**	**(1,931)**
Charge for the year (note 6)	**39,136**	**—**	**6,919**	**42,794**	**75,181**	**164,030**
Disposals	**—**	**—**	**—**	**(3,734)**	**(31,469)**	**(35,203)**
Transfer to assets held for sale	**—**	**—**	**—**	**—**	**(56)**	**(56)**
As at 31 December 2018	**238,536**	**—**	**820,045**	**2,081,777**	**963,460**	**4,103,818**
Net book value						
As at 31 December 2018	**2,313,798**	**13,933**	**188,983**	**355,296**	**379,407**	**3,251,417**
As at 31 December 2017	1,955,996	—	195,839	395,987	288,742	2,836,564

Notes:

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

(b) Hotel land and buildings included freehold land in Singapore of net book value of HK$867,605,000 (2017: HK$872,659,000) and hotel buildings in Hong Kong and the PRC of net book value of HK$591,796,000 (2017: HK$612,560,000) and HK$854,397,000 (2017: HK$470,777,000) respectively.

Certain property, plant and equipment with net book value of HK$1,231,161,000 (2017: HK$1,271,874,000) were pledged to banks as securities for bank borrowings granted to certain subsidiaries of the Group (note 30).

13 Investment properties

	2018		
Completed investment properties	**Hong Kong**	**Others**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
As at valuation			
At 1 January	**5,062,574**	**3,169,740**	**8,232,314**
Addition	**2,076**	**—**	**2,076**
Exchange adjustment	**—**	**(104,909)**	**(104,909)**
Fair value changes	**180,907**	**31,613**	**212,520**
As at 31 December	**5,245,557**	**3,096,444**	**8,342,001**
Freehold properties			**1,137,000**
Leasehold properties			**7,205,001**

	2017		
Completed investment properties	Hong Kong	Others	Total
	HK$'000	HK$'000	HK$'000
As at valuation			
At 1 January	4,901,693	2,996,509	7,898,202
Addition	4,646	—	4,646
Exchange adjustment	—	151,301	151,301
Fair value changes	156,235	21,930	178,165
As at 31 December	5,062,574	3,169,740	8,232,314
Freehold properties			1,109,000
Leasehold properties			7,123,314

13 Investment properties (Continued)

Investment properties of fair value of HK$2,067,947,000 (2017: HK$2,142,031,000) was pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (note 30).

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 2018 (2017: same). The Group employed Savills to value its commercial investment properties which are either freehold or held under leases with unexpired lease terms. The valuations were conformed to the Hong Kong Institute of Surveyors Valuation Standards issued by the Hong Kong Institute of Surveyors.

The Group's investment properties carried at fair value of HK$8,342,001,000 (2017: HK$8,232,314,000) 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 derived using the income capitalisation method or direct comparison method. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

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

13 Investment properties (Continued)

Information about fair value measurements using significant unobservable inputs

	Fair value as at 31 December 2018	Valuation method	Range of significant unobservable inputs: Prevailing market rents per month	Unit price	Capitalisation/ discount rates
	HK$'000				
Completed investment properties located in					
Hong Kong					
— commercial	**3,844,353**	**Income Capitalisation**	**HK$31 – HK$115 psf**	**N/A**	**3.0% – 4.0%**
— carpark	**461,604**	**Income Capitalisation**	**HK$215 – HK$3,500**	**N/A**	**3.5% – 4.0 %**
— carpark	**939,600**	**Direct Comparison**	**N/A**	**HK$148,000 – HK$3,440,000**	**N/A**
Others					
— commercial	**3,050,902**	**Income Capitalisation**	**HK$10 – HK$112 psf**	**N/A**	**2.0% – 6.0%**
— carpark	**45,542**	**Direct Comparison**	**N/A**	**HK$364,336 – HK$500,962**	**N/A**

	Fair value as at 31 December 2017	Valuation method	Range of significant unobservable inputs: Prevailing market rents per month	Unit price	Capitalisation/ discount rates
	HK$'000				
Completed investment properties located in					
Hong Kong					
— commercial	3,763,784	Income Capitalisation	HK$31 – HK$110 psf	N/A	3.0% – 4.0%
— carpark	397,690	Income Capitalisation	HK$200 – HK$3,200	N/A	3.8% – 4.3%
— carpark	901,100	Direct Comparison	N/A	HK$130,000 – HK$3,350,000	N/A
Others					
— commercial	3,121,760	Income Capitalisation	HK$11– HK$118 psf	N/A	2.0% – 6.0%
— carpark	47,980	Direct Comparison	N/A	HK$383,840 – HK$527,780	N/A

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

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

14 Prepaid premium for land lease and land use rights

	2018	2017
	HK$'000	HK$'000
Cost		
As at 1 January	**341,226**	316,954
Addition	**404,999**	—
Exchange adjustment	**(16,830)**	24,272
As at 31 December	**729,395**	341,226
Accumulated amortisation		
As at 1 January	**38,385**	26,114
Exchange adjustment	**(2,156)**	2,257
Amortisation for the year		
— charged to consolidated income statement (note 6)	**12,322**	7,572
— capitalised to property, plant and equipment	**—**	2,442
As at 31 December	**48,551**	38,385
Net book value as at 31 December	**680,844**	302,841

Notes:

(a) Land use rights of HK$273,297,000 (2017: HK$298,239,000) was pledged to banks as securities for bank borrowings granted to a subsidiary of the Group (note 30).

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

Contingent rental payment amounting to approximately HK$21,643,000 (2017: HK$22,570,000) is included in the consolidated income statement (note 6).

15 Subsidiaries

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

Subsidiaries with material non-controlling interests

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

Ranex Investments Limited ("Ranex") and Shun Tak-China Travel Shipping Investments Limited and its subsidiaries ("STCT group") are the subsidiaries with non-controlling interests that are also material to the Group, with shareholding held by non-controlling interests of 49% and 57.4% respectively.

Set out below is the financial information for NC5 Residential, Ranex and STCT group.

15 Subsidiaries (Continued)

Summarised balance sheet

	As at 31 December				
	NC5 Residential*	Ranex		STCT group	
	2018	**2018**	2017	**2018**	2017
	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current					
Assets	**12,954,500**	**854,017**	972,835	**1,464,892**	1,501,446
Liabilities	**(7,663,643)**	**(244,067)**	(304,891)	**(391,115)**	(470,875)
Total net current assets	**5,290,857**	**609,950**	667,944	**1,073,777**	1,030,571
Non-current					
Assets	**20,503**	**3,306,000**	3,223,000	**738,308**	782,306
Liabilities	**(379,607)**	**(89,643)**	(84,765)	**(23,524)**	(29,568)
Total net non-current (liabilities)/assets	**(359,104)**	**3,216,357**	3,138,235	**714,784**	752,738
Net assets	**4,931,753**	**3,826,307**	3,806,179	**1,788,561**	1,783,309

Summarised statement of comprehensive income

	For the year ended 31 December				
	NC5 Residential*	Ranex		STCT group	
	2018	**2018**	2017	**2018**	2017
	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**2,757,461**	**96,395**	93,600	**2,358,366**	2,553,957
Profit before taxation	**1,316,768**	**244,779**	142,195	**268,272**	327,917
Taxation	**(172,383)**	**(24,651)**	(11,432)	**(26,713)**	(36,761)
Other comprehensive (loss)/income	**—**	**—**	—	**(32,306)**	4,602
Total comprehensive income	**1,144,385**	**220,128**	130,763	**209,253**	295,758
Total comprehensive income allocated to non-controlling interests	**360,899**	**101,259**	60,151	**120,111**	169,765
Dividends to non-controlling interests	**—**	**92,000**	—	**59,160**	87,000

15 Subsidiaries (Continued)

Summarised cash flows

	For the year ended 31 December				
	NC5 Residential*	Ranex		STCT group	
	2018	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cash flows from operating activities					
Cash generated from operations	2,613,084	76,356	58,368	246,509	404,092
Income tax paid	—	(4,612)	(7,166)	(31,455)	(46,500)
Net cash generated from operating activities	2,613,084	71,744	51,202	215,054	357,592
Net cash (used in)/generated from investing activities	(6,973)	11,783	6,943	12,429	40,560
Net cash used in financing activities	(38,568)	(200,000)	—	(204,071)	(300,142)
Net increase/(decrease) in cash and cash equivalents	2,567,543	(116,473)	58,145	23,412	98,010
Cash and cash equivalents as at 1 January	753,697	856,543	798,398	401,575	303,565
Cash and cash equivalents as at 31 December	3,321,240	740,070	856,543	424,987	401,575

* The Directors of the Company considered that the financial impact of NC5 Residential was not material to the Group in 2017 and therefore comparative figures of the financial information are not disclosed.

16 Joint ventures

	2018	2017
	HK$'000	HK$'000
Share of net assets	8,476,142	6,887,540

Particulars regarding the principal joint ventures are set out on note 47.

Summarised financial information of material joint venture

Basecity Investments Limited ("Basecity") is the Group's material joint venture which is engaged in property investment and hotel operating businesses in Macau.

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

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

16 Joint ventures (Continued)

Summarised balance sheet

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Current		
Cash and cash equivalents	537,866	196,863
Other current assets (excluding cash)	270,938	571,987
Total current assets	808,804	768,850
Financial liabilities (excluding trade payables)	(178,396)	(179,482)
Other current liabilities (including trade payables)	(267,358)	(264,101)
Total current liabilities	(445,754)	(443,583)
Non-current		
Investment properties	10,133,000	10,017,000
Other assets	1,045,930	1,101,058
	11,178,930	11,118,058
Other liabilities	(1,151,501)	(1,137,581)
Total non-current liabilities	(1,151,501)	(1,137,581)
Net assets	10,390,479	10,305,744

Summarised statement of comprehensive income

	For the year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Revenue	668,635	623,315
Depreciation and amortisation	(70,628)	(66,782)
Interest income	622	364
Interest expense	(2,133)	(3,197)
Fair value changes on investment properties	116,000	118,833
Others	(280,302)	(246,363)
Profit before taxation	432,194	426,170
Taxation	(52,869)	(52,152)
Profit for the year	379,325	374,018
Other comprehensive income	—	—
Total comprehensive income	379,325	374,018
Dividend income from Basecity	150,241	78,793

16 Joint ventures (Continued)

Reconciliation of summarised financial information

	2018	2017
	HK$'000	HK$'000
Opening net assets as at 1 January	10,305,744	10,086,223
Profit for the year	379,325	374,018
Dividend	(294,590)	(154,497)
Closing net assets as at 31 December	10,390,479	10,305,744
Interests in joint venture at 51%	5,299,144	5,255,930

Aggregate information of joint ventures that are not individually material:

	2018	2017
	HK$'000	HK$'000
Aggregate carrying amounts of individually immaterial joint ventures in the consolidated financial statements	3,176,998	1,631,610
Aggregate amounts of the Group's share of those joint ventures'		
Profit for the year	1,251,858	9,880
Other comprehensive (loss)/income	(77,404)	92,336
Total comprehensive income	1,174,454	102,216

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

Note:

During the year, the Group's share of individually immaterial joint ventures' profits include share of fair value gain on investment properties, netted of deferred tax amounting to HK$1,243,775,000 (2017: nil).

The fair values of completed investment properties held by Basecity and the other joint venture of the Group were determined by Savills and Knight Frank under income capitalisation method and direct comparison method respectively.

17 Associates

	2018	2017
	HK$'000	HK$'000
Share of net assets	2,934,025	1,452,720
Amount due by an associate	24,120	24,120
Goodwill	137	137
	2,958,282	1,476,977

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

Aggregate information of associates that are not individually material:

	2018	2017
	HK$'000	HK$'000
Aggregate carrying amounts of individually immaterial associates in the consolidated financial statements	2,958,282	1,476,977
Aggregate amounts of the Group's share of those associates'		
Profit for the year (notes)	793,761	8,966
Other comprehensive (loss)/income	(77,680)	79,428
Total comprehensive income	716,081	88,394

Note:

(i) On 18 September 2018, the Group acquired 10% Class A shares in the share capital of Shun Tak Centre Limited ("STCL") from Full Energy Company Limited at HK$444 million. The 10% Class A shares are entitled to the pro-rata share of the profits or net assets attributable to the Class A shares in STCL which comprise certain investment properties situated at Shun Tak Centre, Hong Kong.

(ii) During the year, the Group's share of associates' profit included share of fair value gain on investment properties, netted of deferred tax amounting to HK$652,584,000 (2017: nil). The fair values of completed investment properties held by an associate of the Group were determined by Savills under income capitalisation method, while the fair values of investment properties under construction held by another associate of the Group were determined by CBRE Limited under residual method.

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

Particulars regarding the principal associates are set out on note 47.

18 Intangible assets

	Licences and other operating rights	Franchises and royalties	Brand use right	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost				
As at 1 January	**7,015**	**1,164**	**34,702**	**42,881**
Addition	**1,427**	**—**	**—**	**1,427**
Transfer to assets held for sale	**—**	**—**	**(34,702)**	**(34,702)**
As at 31 December 2018	**8,442**	**1,164**	**—**	**9,606**
Accumulated amortisation				
As at 1 January 2017	4,388	940	—	5,328
Amortisation for the year (note 6)	1,036	90	—	1,126
As at 31 December 2017	**5,424**	**1,030**	**—**	**6,454**
Amortisation for the year (note 6)	**538**	**89**		**627**
As at 31 December 2018	**5,962**	**1,119**	**—**	**7,081**
Net book value				
As at 31 December 2018	**2,480**	**45**	**—**	**2,525**
As at 31 December 2017	1,591	134	34,702	36,427

19 Financial assets at fair value through other comprehensive income/ available-for-sale investments

	2018	2017
	HK$'000	HK$'000
Equity securities		
Unlisted		
At cost		
Cost	**813,016**	892,345
Impairment losses	**—**	(76,748)
	813,016	815,597
At fair value	**8,290**	7,103
	821,306	822,700
Listed		
In Hong Kong, at fair value	**497,655**	172,281
Outside Hong Kong, at fair value	**7,768**	10,498
	505,423	182,779
Debt securities		
Listed in Hong Kong, at fair value	**52,294**	16,250
	1,379,023	1,021,729

The financial assets at FVOCI/available-for-sale investments are denominated in the following currencies:

	2018	2017
	HK$'000	HK$'000
Hong Kong dollar	**1,310,671**	985,297
United States dollar	**68,352**	36,432
	1,379,023	1,021,729

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

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

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

Details of the changes in accounting policies and impacts are disclosed in note 2(b) of the financial statements.

20 Mortgage loans receivable

	2018	2017
	HK$'000	HK$'000
Mortgage loans receivable	**2,459**	4,481
Less: Current portion (note 24)	**(534)**	(567)
Non-current portion	**1,925**	3,914

Mortgage loans receivable are secured by second mortgage of properties and interest bearing at prime rate plus 1% to prime rate plus 2.75% (2017: prime rate plus 1% to prime rate plus 2.75%) per annum.

The carrying amounts of mortgage loans receivable approximate their fair values and are denominated in Hong Kong dollar.

21 Other non-current assets

	2018	2017
	HK$'000	HK$'000
Amounts due by joint ventures (note a)	**1,402,424**	23,386
Amount due by an associate (note b)	**10,000**	10,000
Club debentures	**140**	140
Deposits and prepayments (note c)	**61,472**	670,541
	1,474,036	704,067

Notes:

(a) Amount due by a joint venture of HK$22,606,000 (2017: HK$22,606,000) is interest bearing at Hong Kong Interbank Offered Rate ("HIBOR") plus 3% (2017: HIBOR plus 3%) per annum on loan principal and repayable on demand. Remaining balances are interest free and repayable on demand. The balances are denominated in Hong Kong dollar.

(b) Amount due by an associate is unsecured, non-interest bearing and with no fixed term of repayment. The balance is denominated in Hong Kong dollar.

(c) As at 31 December 2017, deposits and prepayments of HK$545,773,000 represented instalments paid for acquisition of a hotel property in Minhang District, Shanghai. The acquisition was completed during the year and was included as additions in property, plant and equipment and prepaid premium for land lease and land use rights.

(d) The maximum exposure to credit risk as at 31 December 2018 is the carrying amounts, which approximate their fair values (2017: same).

22 Properties for or under development

	2018	2017
	HK$'000	HK$'000
Properties for or under development, at cost	**5,631,404**	13,872,138

The amount of properties for or under development expected to be recovered after more than one year is HK$5,631,404,000 (2017: HK$13,872,138,000).

Properties for or under development of HK$5,631,404,000 (2017: HK$13,872,138,000) were pledged to banks as securities for bank borrowings granted to a subsidiary of the Group (note 30).

23 Inventories

	2018	2017
	HK$'000	HK$'000
Properties held for sale	**16,853,157**	7,445,980
Spare parts	**168,502**	166,974
Others	**13,142**	13,173
	17,034,801	7,626,127

Properties held for sale of HK$16,494,838,000 (2017: HK$7,079,990,000) and other inventories of HK$872,000 (2017: HK$1,133,000) were pledged to banks as securities for bank borrowings granted to certain subsidiaries of the Group (note 30).

24 Trade and other receivables, deposits paid and prepayments

	2018	2017
	HK$'000	HK$'000
Trade receivables (note a)	**150,721**	171,590
Less: Provision for impairment of trade receivables	**(4,168)**	(4,244)
	146,553	167,346
Amount due by an associate (note b)	**11**	21
Amounts due by joint ventures (note c)	**974**	12,045
Current portion of mortgage loans receivable (note 20)	**534**	567
Deposits for acquisitions of interests in land development rights (note d)	**500,000**	500,000
Other debtors, deposits and prepayments (note e)	**531,603**	461,743
	1,179,675	1,141,722

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

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

	2018	2017
	HK$'000	HK$'000
Hong Kong dollar	**978,741**	982,882
Macau pataca	**57,978**	60,311
Renminbi	**42,187**	38,081
United States dollar	**7,059**	7,178
Singapore Dollar	**93,675**	53,089
Others	**35**	181
	1,179,675	1,141,722

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:

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

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

Notes (Continued):

(a) Trade receivables (Continued)

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

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

	2018	2017
	HK$'000	HK$'000
As at 1 January	**4,244**	4,345
Impairment loss recognised during the year	**—**	1,560
Impairment loss reversed during the year	**(76)**	(101)
Uncollectible amount written off	**—**	(1,560)
As at 31 December	**4,168**	4,244

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 with no fixed term of repayment.

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

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

These represent refundable deposits paid by the Group for acquiring interests in land development rights from a related company of HK$500,000,000 (2017: HK$500,000,000) in Macau. The transaction is further disclosed in note 38(b)(x) (significant related party transactions).

(e) Included within the balance of "other debtors, deposits and prepayments" as at 31 December 2018, the Group recognised an asset of HK$198,989,000 (2017: HK$195,920,000) in relation to sales commissions paid to obtain property sales contract. The Group capitalised the amount and amortised it when the property sales revenue or the forfeiture income from property sales deposits are recongised. During the year, HK$56,122,000 are charged to the consolidated income statement.

25 Derivative financial instruments

	2018	2017
	HK$'000	HK$'000
Non-current assets		
Cross-currency swaps (note a)	**6,746**	107
Current assets		
Fuel swap contracts (note b)	**—**	16,927
Current liabilities		
Fuel swap contracts (note b)	**21,763**	—

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 32) denominated in United State dollar ("US$") with aggregate principal amount of US$400 million as at 31 December 2018.

A gain (2017: loss) in fair value of cross-currency swap contracts, that are designated and qualified as cash flow hedges, amounting to HK$6,639,000 (2017: HK$22,795,000), was recognised in hedging reserve in equity for the year ended 31 December 2018. Under cash flow hedges, a gain of HK$7,540,000 (2017: HK$23,791,000) was transferred from hedging reserve to consolidated income statement.

Hedging reserve arose from loss (2017: loss) in fair value of the cross-currency swap contracts which qualified as cash flow hedge, was HK$23,570,000 as at 31 December 2018 (2017: HK$22,669,000).

As at 31 December 2018, the Group had two (2017: two) outstanding currency swap contracts. These contracts will expire in March 2020.

The effects of the cross-currency swaps on the Group's financial position and performance are as follows:

	2018	2017
Cross-currency swaps		
Notional amount (US$'000)	**400,000**	400,000
Maturity date	**March 2020**	March 2020
Hedge ratio	**100%**	100%
Weighted average fixed exchange rate for the year (US$/HK$)	**7.7566**	7.7566

25 Derivative financial instruments (Continued)

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

The loss (2017: gain) in fair value of fuel swap contracts that are designated and qualified as cash flow hedges amounting to HK$4,352,000 (2017: gain HK$7,399,000), are recognised in hedging reserve in equity for the year ended 31 December 2018. Under cash flow hedges, the gain of HK$9,411,000 (2017: HK$5,438,000) was transferred from hedging reserve to consolidated income statement.

Hedging reserve arose from loss (2017: gain) in fair value of the fuel swap contracts, qualified as cash flow hedge was HK$7,741,000 as at 31 December 2018 (2017: HK$6,022,000).

As at 31 December 2018, the Group had outstanding fuel swap contracts to buy approximately 192,000 (2017: 144,000) barrels of fuel. These contracts will expire in June to December 2019 (2017: December 2018).

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

	2018	2017
Fuel swap contracts		
Fuel type	**Gasoil**	Gasoil
Hedged quantity (barrel)	**192,000**	144,000
Maturity date	**June – December 2019**	December 2018
Hedge ratio*	**23%**	15%
Weighted average fixed price for the year (US$)	**81.1384**	61.4750

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

26 Cash and bank balances

	2018	2017
	HK$'000	HK$'000
Bank deposits	**9,880,182**	10,351,823
Cash and bank balances	**4,437,469**	2,314,057
	14,317,651	12,665,880

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

26 Cash and bank balances (Continued)

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

	2018	2017
	HK$'000	HK$'000
Hong Kong dollar	12,597,468	10,702,085
Macau pataca	132,079	169,605
Renminbi	526,694	891,582
United States dollar	822,340	693,069
Singapore dollar	239,070	209,539
	14,317,651	12,665,880

As at 31 December 2018, bank balances and bank deposits include amount of HK$3,547,562,000 (2017: HK$1,019,938,000) held under charge in favour of banks in respect of bank loan facilities (note 30), of which, HK$3,307,026,000 (2017: HK$725,701,000) are property pre-sale proceeds which can be utilised to settle relevant projects' construction cost payable. The remaining balance of HK$240,536,000 (2017: HK$294,237,000) can be utilised under specified conditions by the Group.

27 Assets held for sale/liabilities directly associated with assets held for sale

On 20 December 2018, a sale and purchase agreement was entered to dispose its entire 65% equity interest in Artyzen citizenM Asia Limited. The disposal was completed on 2 January 2019.

The major classes of assets held for sale and liabilities directly associated with assets held for sale are as follows:

	2018
	HK$'000
Assets held for sale	
Property, plant and equipment	162
Intangible assets	34,702
Trade and other receivables, and deposits paid	1,293
Cash and bank balances	468
Total assets held for sale	36,625
Liabilities directly associated with assets held for sale	
Other payables	277
Taxation payable	229
Total liabilities directly associated with assets held for sale	506
	36,119

28 Trade and other payables, and deposits received

	2018	2017
	HK$'000	HK$'000
Amounts due to joint ventures (note a)	**4,407**	154,792
Amounts due to associates (note b)	**5,135**	5,784
Trade and other creditors, deposits and accrued charges (note c)	**1,823,266**	2,313,265
	1,832,808	2,473,841

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

	2018	2017
	HK$'000	HK$'000
Hong Kong dollar	**557,563**	956,057
Macau pataca	**749,749**	1,060,358
Renminbi	**364,507**	231,979
United States dollar	**36,061**	77,531
Singapore dollar	**121,354**	144,507
Others	**3,574**	3,409
	1,832,808	2,473,841

Notes:

(a) Amounts due to joint ventures are unsecured, non-interest bearing and with no fixed term of repayment. The carrying amounts approximate their fair values.

(b) Amounts due to associates are unsecured, non-interest bearing and with no fixed term of repayment. The carrying amounts approximate their fair values.

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

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

29 Contract liabilities/deposits received from sale of properties

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

	As at 31 December 2018	As at 1 January 2018
	HK$'000	HK$'000
Property sales (note a)	**4,574,501**	3,453,424
Passenger transportation	**32,588**	42,605
Hotel and club operations	**25,434**	13,083
	4,632,523	3,509,112
Less: Non-current portion	**(10,527)**	—
Current portion	**4,621,996**	3,509,112

Notes:

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

The contract liabilities from property sales have increased during the year as the Group has received more deposits from sale of properties.

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

	2018
	HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	
— Property sales	**1,025,639**
— Passenger transportation	**42,605**
— Hotel operations	**13,083**
	1,081,327

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

	2018
	HK$'000
Expected to be recognised within one year	**9,456,346**
Expected to be recognised after one year	**2,470,153**
	11,926,499

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

30 Bank borrowings

	2018	2017
	HK$'000	HK$'000
Bank borrowings repayable as follows:		
Not exceeding 1 year	**5,170,760**	5,212,254
More than 1 year but not exceeding 2 years	**6,144,578**	4,114,417
More than 2 years but not exceeding 5 years	**3,989,097**	2,715,372
	15,304,435	12,042,043
Less: Current portion	**(5,170,760)**	(5,212,254)
Non-current portion	**10,133,675**	6,829,789

Bank borrowings include secured bank borrowings of HK$9,509,435,000 (2017: HK$6,807,043,000) and are secured by the following pledged assets:

	2018	2017
	HK$'000	HK$'000
Property, plant and equipment (note 12)	**1,231,161**	1,271,874
Properties for or under development (note 22)	**5,631,404**	13,872,138
Inventories (note 23)	**16,495,710**	7,081,123
Land use rights (note 14)	**273,297**	298,239
Investment properties (note 13)	**2,067,947**	2,142,031
Cash and bank balances (note 26)	**3,547,562**	1,019,938
Other assets	**46,784**	43,651
	29,293,865	25,728,994

Out of the above secured bank borrowings, an aggregate amount of HK$1,403,686,000 (2017: HK$996,906,000) are also secured by pledges of shares of certain subsidiaries (note 47).

Bank borrowings amounting to HK$1,377,141,000 (2017: HK$1,037,120,000) are repayable by instalments.

Bank borrowings are interest bearing at floating rates with contractual interest repricing dates ranged within 6 months. As at 31 December 2018, the weighted average effective interest rate of the Group's bank borrowings is 3.4% (2017: 2.5%) per annum.

30 Bank borrowings (Continued)

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

	2018	2017
	HK$'000	HK$'000
Hong Kong dollar	**7,922,447**	7,410,447
Renminbi	**993,141**	605,120
Singapore dollar	**6,388,847**	4,026,476
	15,304,435	12,042,043

31 Provision for employee benefits

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

	2018	2017
	HK$'000	HK$'000
As at 1 January	**13,010**	13,332
Net amount provided during the year	**1,062**	1,153
Amount utilised and paid during the year	**(1,783)**	(1,475)
As at 31 December	**12,289**	13,010

32 Medium term notes

The US$400 million (approximately HK$3,132,600,000) guaranteed medium term notes were issued by Joyous Glory Group Limited, a wholly-owned subsidiary of the Company, on 7 March 2013. The notes are unsecured and guaranteed by the Company as to repayment, carry an annual coupon rate of 5.7% per annum and are payable semi-annually. The notes have a maturity term of 7 years. As at 31 December 2018, the market value of the notes was HK$3,179,589,000 (2017: HK$3,239,666,000) and is within level 1 of the fair value hierarchy.

33 Loans from non-controlling interests

As at 31 December 2018, the loans amounting to HK$799,122,000 (2017: HK$814,302,000) were non-interest bearing and unsecured. The current portion of loans from non-controlling interests are expected to be repayable on demand or repayable within one year (2017: same). The remaining balance which was presented as non-current liabilities (2017: current liabilities) was unsecured and bore interest at the lower of i) 10% per annum on loan principal and ii) profit shared by non-controlling interest for the period/year before interest on the shareholders' loan of that non-wholly owned subsidiary. The Group did not provide any guarantee on loans from non-controlling interests.

33 Loans from non-controlling interests (Continued)

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

	2018	2017
	HK$'000	HK$'000
Hong Kong dollar	391,587	391,587
Renminbi	392,800	413,828
Singapore dollar	408,472	410,318
	1,192,859	1,215,733

34 Share capital

	2018		2017	
	Number of shares	HK$'000	Number of shares	HK$'000
Issued and fully paid ordinary shares				
At beginning of the year	3,042,465,785	9,858,250	3,042,465,785	9,858,250
Buy-back of shares	(17,030,000)	—	—	—
At end of the year	3,025,435,785	9,858,250	3,042,465,785	9,858,250

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

Month of buy-back	Number of shares bought back	Price per share Highest	Price per share Lowest	Aggregate consideration
		HK$	HK$	HK$'000
January 2018	1,750,000	3.26	3.23	5,692
February 2018	9,650,000	3.28	3.07	30,626
July 2018	5,630,000	3.11	3.00	17,179
	17,030,000			53,497
		Total expenses on shares bought back		138
				53,635

The shares buy-back was governed by section 257 of the Hong Kong Companies Ordinance. The total amount incurred for the shares bought back of HK$53,635,000 was paid wholly out of the Company's retained profits. All the shares bought back were subsequently cancelled.

35 Share option scheme

The share option scheme adopted by the Company on 31 May 2002 (the "2002 Share Option Scheme") and expired on 30 May 2012 and the share options granted prior to its expiration will continue to be valid and exercisable in accordance with the terms therein. The Company currently has a share option scheme (the "2012 Share Option Scheme"), approved by the shareholders of the Company at the annual general meeting of the Company held on 6 June 2012. Pursuant to the 2012 Share Option Scheme, the board of directors of the Company may grant share options to eligible persons, including, among Directors and employees of the Company, to subscribe for ordinary shares in the Company.

Details of the share options are as follows:

2018

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

2017

Date of grant	Exercise price	Number of share options: As at 1 January	Lapsed during the year	As at 31 December	Note
The 2002 Share Option Scheme					
29 March 2011	HK$3.86	3,396,372	(1,132,124)	2,264,248	(i), (ii)
Weighted average exercise price		HK$3.86	HK$3.86	HK$3.86	

Notes:

(i) The 2,264,248 share options were granted to Directors of the Company and exercisable commencing on 29 March 2011 (i.e. date of grant) and expiring on 27 March 2021. These share options vested on the date of grant. In 2017, 1,132,124 share options were lapsed.

(ii) The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 is 2.24 years (2017: 3.24 years).

(iii) No share options were granted under the 2012 Share Option Scheme; and no share options were cancelled under the 2002 Share Option Scheme during the year ended 31 December 2018 (2017: same).

36 Other reserves

	2018	2017
	HK$'000	HK$'000
Capital reserve (note (i))	**14,465**	14,465
Asset revaluation reserve (note (ii))	**666,188**	988,402
Legal reserve (note (iii))	**13,926**	13,037
Special reserve (note (iv))	**(151,413)**	(151,413)
Investment revaluation reserve	**2,805**	102,178
Hedging reserve	**(31,311)**	(16,647)
Exchange reserve	**(372,755)**	37,100
Retained profits	**20,598,521**	16,385,674
	20,740,426	17,372,796

Notes:

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

(ii) Asset revaluation reserve represents the fair value adjustment to the identifiable net assets acquired arising from acquisitions of subsidiaries, as related to the Group's previously held interests in them and is dealt with in accordance with the accounting policy adopted for business combination achieved in stages under HKFRS 3 "Business Combinations".

(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 rules and regulations in Macau and the PRC.

(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 acquired from non-controlling interests.

37 Segment information

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

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

The principal activities of each reportable segment are as follows:

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

(b) Segment results, assets and liabilities

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

Inter-segment transactions have been entered into on terms agreed by the parties concerned. The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2017.

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

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

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

37 Segment information (Continued)

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

2018

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue and other income						
External revenue (note e)						
Revenues from contracts with customers						
— Recognised at a point in time	2,876,482	49,398	117,482	27,907	—	3,071,269
— Recognised over time	142,351	2,106,928	684,461	—	—	2,933,740
	3,018,833	2,156,326	801,943	27,907	—	6,005,009
Revenues from other sources						
— Rental income	473,352	3,977	—	482	—	477,811
— Dividend income	—	—	—	108,762	—	108,762
	473,352	3,977	—	109,244	—	586,573
	3,492,185	2,160,303	801,943	137,151	—	6,591,582
Inter-segment revenue	2,682	1,849	44,356	—	(48,887)	—
Other income (external income and excluding interest income)	73,806	35,396	8,814	6,738	—	124,754
	3,568,673	2,197,548	855,113	143,889	(48,887)	6,716,336
Segment results	3,112,370	245,765	(35,281)	97,010	—	3,419,864
Fair value changes on investment properties	212,520	—	—	—	—	212,520
Interest income						199,776
Unallocated expense						(176,027)
Operating profit						3,656,133
Finance costs						(317,434)
Share of results of joint ventures	1,464,437	9,151	(28,274)	—	—	1,445,314
Share of results of associates	784,947	485	87	8,242	—	793,761
Profit before taxation						5,577,774
Taxation						(236,262)
Profit for the year						5,341,512

37 Segment information (Continued)

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

2018

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets						
Segment assets	37,732,009	5,018,663	3,834,292	1,414,575	(36,138)	47,963,401
Joint ventures	8,668,400	63,466	(255,724)	—	—	8,476,142
Associates	2,728,085	28,756	193,964	7,477	—	2,958,282
Unallocated assets						5,394,086
Total assets						64,791,911
Liabilities						
Segment liabilities	5,894,299	370,926	219,056	4,263	(36,138)	6,452,406
Unallocated liabilities						21,173,905
Total liabilities						27,626,311
Other information						
Additions to non-current assets (other than financial instruments and deferred tax assets)	2,560,409	49,163	1,011,125	78	—	3,620,775
Depreciation	22,419	78,488	58,461	282	—	159,650
Amortisation						
— prepaid premium for land lease and land use rights	—	—	12,322	—	—	12,322
— intangible assets	—	—	538	89	—	627
Impairment losses reversed						
— trade receivables, net	—	—	76	—	—	76

37 Segment information (Continued)

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

2017

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue and other income						
External revenue (note e)						
Revenues from contracts with customers *						
— Recognised at a point in time	2,546,361	35,712	109,086	27,008	—	2,718,167
— Recognised over time	144,013	2,306,158	673,596	—	—	3,123,767
	2,690,374	2,341,870	782,682	27,008	—	5,841,934
Revenues from other sources *						
— Rental income	403,759	518	—	531	—	404,808
— Dividend income	—	—	—	141,763	—	141,763
	403,759	518	—	142,294	—	546,571
	3,094,133	2,342,388	782,682	169,302	—	6,388,505
Inter-segment revenue	2,644	1,689	47,359	—	(51,692)	—
Other income (external income and excluding interest income)	16,282	43,159	9,231	4,274	—	72,946
	3,113,059	2,387,236	839,272	173,576	(51,692)	6,461,451
Segment results	1,188,900	307,538	46,267	134,546	—	1,677,251
Fair value changes on investment properties	178,165	—	—	—	—	178,165
Interest income						179,998
Unallocated expense						(117,059)
Operating profit						1,918,355
Finance costs						(226,562)
Share of results of joint ventures	222,717	10,155	(32,243)	—	—	200,629
Share of results of associates	(1,470)	378	1,131	8,927	—	8,966
Profit before taxation						1,901,388
Taxation						(203,243)
Profit for the year						1,698,145

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

37 Segment information (Continued)

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

2017

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets						
Segment assets	33,074,086	4,825,742	3,816,313	1,060,130	(51,277)	42,724,994
Joint ventures	7,043,026	69,395	(224,881)	—	—	6,887,540
Associates	1,248,764	28,600	193,878	5,735	—	1,476,977
Unallocated assets						5,749,595
Total assets						56,839,106
Liabilities						
Segment liabilities	5,284,672	448,832	213,842	4,599	(51,277)	5,900,668
Unallocated liabilities						17,919,682
Total liabilities						23,820,350
Other information						
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,439,547	74,088	443,593	129	—	1,957,357
Depreciation	18,036	81,626	41,719	1,042	—	142,423
Amortisation						
— prepaid premium for land lease and land use rights	—	—	7,572	—	—	7,572
— intangible assets	—	—	1,036	90	—	1,126
Impairment losses						
— trade receivables, net	1,482	—	(23)	—	—	1,459

37 Segment information (Continued)

(c) Geographical information

The following table set out information about the geographical location of (i) the Group's revenue and other income from external customers and (ii) the Group's non-current assets (other than joint ventures, associates, financial instruments, deferred tax assets and other non-current assets). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of non-current tangible assets is based on the location of the assets. The geographical location of intangible assets and goodwill is based on the location of the operation to which they are located.

	Hong Kong	Macau	Mainland China	Others	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2018					
Revenue and other income from external customers	**1,891,427**	**4,382,901**	**178,240**	**263,768**	**6,716,336**
Non-current assets	**6,650,977**	**1,213,342**	**3,528,294**	**884,174**	**12,276,787**
2017					
Revenue and other income from external customers	3,614,446	2,417,718	148,763	280,524	6,461,451
Non-current assets	6,508,460	1,180,750	2,846,058	872,878	11,408,146

(d) Information about major customers

For the year ended 31 December 2018 and 2017, the revenue from the Group's largest external customer amounted to less than 10% of the Group's total revenue.

(e) External revenue

External revenue comprises revenue by each reportable segment and dividend income from financial assets at FVOCI (2017: available-for-sale investments) (note 4).

38 Significant related party transactions

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

	Note	2018	2017
		HK$'000	HK$'000
STDM Group	(i)		
Dividend income from STDM		**99,128**	130,935
Ferry tickets sold (after discount) to STDM Group		**110,373**	116,009
Fees received from STDM Group for provision of hospitality management and related services		**35,015**	35,767
Fees received from STDM Group for provision of property related services		**4,675**	5,279
Fees received from STDM Group for provision of business support services		**6,083**	6,538
Rental and related expenses paid to STDM Group		**29,456**	29,914
Fee paid to STDM Group for purchase of travel products		**21,471**	19,855
Fuel purchased from STDM Group for Macau shipping operations		**287,346**	227,662
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		**45,449**	43,454
Revenue of duty free goods sold on board collected for STDM		**13,422**	12,841
Shun Tak Centre Limited ("STCL")	(ii), (iii)		
Rental and related expenses paid to STCL		**19,527**	15,886
Joint ventures			
Ferry passengers handling fees received on behalf of a joint venture		**15,012**	18,188
Associates			
Insurance premium paid to an associate		**48,742**	49,810
Fuel costs paid to an associate		**66,357**	51,379
Key management personnel			
Directors' emoluments	(iv)		
– Salaries and other short-term employee benefits		**38,742**	38,640
– Provident fund contributions		**1,562**	1,506
Consideration for sale of residential units	(v)	**49,983**	123,032
Consideration paid for acquisition of subsidiaries	(vi)	**—**	251,359
Consideration paid for acquisition of an associate	(iii)	**444,331**	—

38 Significant related party transactions (Continued)

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

	Note	2018	2017
		HK$'000	HK$'000
STDM Group	(i)		
Net receivable from STDM Group	(vii)	**30,140**	32,869
Joint ventures			
Amounts due by joint ventures	(viii)	**1,403,398**	35,431
Amounts due to joint ventures	(viii)	**4,407**	154,792
Associates			
Amounts due by associates	(ix)	**10,011**	10,021
Amounts due to associates	(ix)	**5,135**	5,784
Key management personnel			
Deposit paid by a subsidiary to Sai Wu Investment Limited ("Sai Wu")	(x)	**500,000**	500,000
Deposits received for sale of residential units	(v)	**52,880**	23,170

Notes:

(i) Dr. Stanley Ho, the former Director of the Company who retired on 23 June 2017, and 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 STCL. Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are also directors of STCL.

(iii) The consideration was paid for acquiring 10% Class A shares in the share capital of STCL from Full Energy Company Limited which is owned by Dr. Stanley Ho, a close family member of Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho. The acquisition was completed on 18 September 2018 and STCL became an associate of the Group.

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

(v) During the year, Ms. Daisy Ho and Ms. Maisy Ho, Directors of the Company (2017: Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho, Mr. David Shum, Ms. Ho, Deborah Chiu Hung, a family member of Dr. Stanley Ho), entered into sale and purchase contracts with the Group to purchase certain residential units of Nova Grand in Taipa, Macau developed by the Group at a total consideration of HK$49,983,000 (2017: HK$123,032,000).

During the year, revenue amounting to HK$80,394,000 (2017: nil) was recognised in the consolidated income statement in relation to the sale and purchase contracts mentioned above and sales deposits of HK$52,880,000 was recognised as contract liabilities as at 31 December 2018. (2017: HK$23,170,000).

38 Significant related party transactions (Continued)

Notes: (Continued)

(vi) In 2017, the consideration was paid for acquiring 9% interest in Perennial Somerset Investors Pte. Ltd. and its subsidiaries ("Perennial Somerset") from Unified Elite Limited which is owned by Ms. Pansy Ho. Details of the acquisition of Perennial Somerset in 2017 is disclosed in note 43.

(vii) Net receivable from STDM Group comprises trade and other receivables and payables.

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

Amounts due by joint ventures are unsecured and repayable on demand. An amount of HK$22,606,000 (2017: HK$22,606,000) carries interest at HIBOR plus 3% (2017: HIBOR plus 3%) per annum.

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

(x) On 11 November 2004, Shun Tak Nam Van Investment Limited ("Shun Tak Nam Van"), a wholly-owned subsidiary of the Group, entered into a conditional sale and purchase agreement ("SPA") with Sai Wu, a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by other independent third parties, to acquire the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau ("Nam Van Sites") (note 24(d)). The refundable deposit of HK$500,000,000 was paid by Shun Tak Nam Van to Sai Wu in order to further extend the completion date of the acquisition without changing the consideration or other terms of the acquisition.

On 1 November 2016, Shun Tak Nam Van, the Company and Sai Wu entered into a supplemental agreement in respect of (i) the extension of the long stop date of the SPA and (ii) the proposed transfer of entire share capital of companies holding the respective leasehold grant or promissory land rights (the "Target Companies") and the assignment of relevant promissory land rights held by Sai Wu to Shun Tak Nam Van (the "Proposed Transfer"), enabling the Group to have authority to directly negotiate on behalf of Sai Wu and the Target Companies in relation to the land sites and the promissory land rights. The Proposed Transfer was completed in 2018.

Depending on the results of such negotiation, Shun Tak Nam Van may (i) obtain the replacement site(s) to its satisfaction and pay the pro-rata consideration; or (ii) revoke the Proposed Transfer and request Sai Wu to return the deposit paid by Shun Tak Nam Van under the SPA.

(xi) The related party transactions disclosed above are conducted at terms mutually agreed between the transacted parties.

39 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. Member's mandatory contributions are fixed at 5% of MPF relevant monthly income which is capped at HK$30,000 (2017: HK$30,000).

The Group also operates a defined contribution provident fund scheme for eligible employees in Macau. Contributions to the scheme are made either only by the employer ranging from 5% to 10% or by both employer and employees ranging from 5% to 10% of the employees' monthly basic salaries.

The eligible employees of the Company's subsidiaries in the PRC are members of pension schemes operated by the Chinese local governments. The subsidiaries are required to contribute a certain percentage of their payroll costs to the pension schemes to fund the benefits.

The assets held under the MPF scheme and 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 2018 were HK$55,389,000 (2017: HK$56,130,000). 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$17,853,000 (2017: HK$17,660,000).

40 Commitments

(a) Capital commitments

Except for the commitments disclosed elsewhere in the consolidated financial statements, the Group held the following capital commitments as at the balance sheet date:

	Note	2018	2017
		HK$'000	HK$'000
Contracted but not provided for			
Property, plant and equipment	(i)	**673,542**	408,376
Capital contribution to			
A joint venture	(ii)	**227,710**	299,875
Associates	(iii)	**868,499**	19,224
		1,096,209	319,099

40 Commitments (Continued)

(a) Capital commitments (Continued)

Notes: (Continued)

(i) As at 31 December 2018, the outstanding commitments mainly include approximately HK$579 million (2017: HK$30 million) for development of a hotel property in Singapore. As at 31 December 2017, outstanding commitment of approximately HK$294 million was for acquiring a hotel property in Shanghai at a consideration of RMB700 million.

(ii) As at 31 December 2018, the Group has an outstanding commitment to contribute capital of RMB200 million (2017: RMB250 million) to a joint venture for jointly developing a land located in Shanghai Qiantan. In addition, the Group's share of capital commitments of this joint venture is HK$1,151 million (2017: HK$45 million).

(iii) As at 31 December 2018, the outstanding commitment mainly includes USD108 million (2017: nil) capital contribution to an associate for investing in real estate projects in the PRC for healthcare usage, with hotel and/or retails components, complemented by healthcare-related amenities and mixed use properties.

(b) Lease commitments

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

	2018	2017
	HK$'000	HK$'000
Within one year	**59,722**	56,632
In the second to fifth year inclusive	**37,343**	58,947
	97,065	115,579

Pursuant to the Sub-lease Agreement as detailed in note 14(b), 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 amounted to approximately HK$21,643,000 (2017: HK$22,570,000) was included in the consolidated income statement (note 14(b)).

40 Commitments (Continued)

(c) Future minimum lease payments receivable

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

	2018	2017
	HK$'000	HK$'000
Within one year	284,394	380,994
In the second to fifth year inclusive	419,784	410,813
Over five years	38,234	49,119
	742,412	840,926

(d) Property development commitments

The Group had outstanding commitments of HK$885 million (2017: HK$2,377 million) under various contracts for property development projects.

In addition to the above, the Group had commitments of payment up to HK$250 million (2017: HK$250 million) in cash and of issue of up to 148,883,374 (2017: 148,883,374) ordinary shares of the Company for the conditional acquisitions of the interests in the land development rights in respect of the property sites adjoining the Macau Tower in Nam Van, Macau (notes 24(d) and 38(b)(x)).

41 Reconciliation of liabilities arising from financing activities

	Bank borrowings	Finance costs payable	Medium term notes	Cross-currency swaps held to hedge against currency risk of medium term notes	Dividend payable to shareholders	Loans from non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2018	12,042,043	11,349	3,172,788	(107)	4,015	1,215,733	16,445,821
Cash flows	3,370,319	(374,762)	(178,163)	—	(181,655)	(3,228)	2,632,511
Fair value change	—	—	—	(6,639)	—	—	(6,639)
Exchange adjustments	(107,927)	—	7,540	—	—	(28,880)	(129,267)
Finance costs	—	378,548	181,836	—	—	9,234	569,618
Dividends	—	—	—	—	181,864	—	181,864
Dividends on shares bought-back	—	—	—	—	(90)	—	(90)
As at 31 December 2018	15,304,435	15,135	3,184,001	(6,746)	4,134	1,192,859	19,693,818

41 Reconciliation of liabilities arising from financing activities (Continued)

	Bank borrowings	Finance costs payable	Medium term notes	Cross-currency swaps held to hedge against currency risk of medium term notes	Dividend payable to shareholders	Loans from non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2017	7,629,346	3,861	3,144,979	(22,903)	3,875	775,089	11,534,247
Cash flows	361,092	(241,593)	(177,221)	–	(182,408)	–	(240,130)
Fair value change	–	–	–	22,796	–	–	22,796
Exchange adjustments	220,030	–	23,789	–	–	55,601	299,420
Acquisition of subsidiaries	3,831,575	–	–	–	–	541,518	4,373,093
Finance costs	–	249,081	181,241	–	–	8,570	438,892
Dividends	–	–	–	–	182,548	–	182,548
Equity contribution from non-controlling interests	–	–	–	–	–	(165,045)	(165,045)
As at 31 December 2017	12,042,043	11,349	3,172,788	(107)	4,015	1,215,733	16,445,821

42 Contingency and financial guarantees

The Group has provided guarantee to a third party in respect of the sum owing by a joint venture to the third party under a license agreement. At the balance sheet date, the Group's share of such contingent liability amounted to HK$2.1 million (2017: HK$2.4 million).

43 Business combination – acquisition of subsidiaries

On 25 January 2017, Simply Swift Limited, a wholly-owned subsidiary of the Group, entered into sale and purchase agreements for the acquisition of 70% interest in Perennial Somerset. The principal asset held by Perennial Somerset is a 17-storey commercial landmark development known as TripleOne Somerset located near Orchard Road in Singapore. The acquisition was completed on 31 March 2017 at a cash consideration of SGD347 million (approximately HK$1,915 million), which included 70% shareholders' loan of Perennial Somerset.

Net assets acquired:

	Perennial Somerset
	HK$'000
Property, plant and equipment	**70**
Trade and other receivables, deposits paid and prepayments	**26,454**
Inventories	**6,700,704**
Cash and bank balances	**150,343**
Trade and other payables, and deposits received	**(67,702)**
Taxation payable	**(2,834)**
Loans from non-controlling interests	**(541,518)**
Bank borrowings	**(3,831,575)**
Deferred tax liabilities	**(194,172)**
Fair value of net assets acquired	**2,239,770**
Total consideration satisfied by:	
Cash paid	**(1,914,826)**
	324,944
Non-controlling interests	**(292,868)**
Gain on bargain purchase (note 5)	**32,076**
Net cash outflow arising on acquisition:	
Cash consideration paid	**1,914,826**
Cash and bank balances acquired	**(150,343)**
	1,764,483

44 Financial instruments

Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and price risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management. The management manages and monitors these risk exposures to ensure appropriate measures are implemented on timely and effective manners.

(a) Credit risk

The Group is exposed to credit risk on financial assets, that a loss may incur if the counterparties fail to discharge their obligation, mainly including mortgage loans receivable, amounts due by joint ventures and associates, trade and other receivables, derivative financial assets, debt securities classified as financial assets at FVOCI (2017: available-for-sale investments), 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. The Group's investment in debt securities are considered to be low risk because of their high credit ratings. The credit ratings of the investments are monitored for credit deterioration.

Amounts due by joint ventures and associates are granted taken into account of their financial position, past experience and other factors. The Group monitors the credibility of joint ventures and associates continuously.

Summary quantitative data

	2018	2017
	HK$'000	HK$'000
Mortgage loans receivable	**2,459**	4,481
Other non-current assets (excluding deposits, prepayments and club debentures)	**1,412,424**	33,386
Trade receivables, other receivables and deposits paid (excluding deposits and prepayments)	**284,163**	282,580
Derivative financial instruments	**6,746**	17,034
Debt securities classified as financial assets at FVOCI (2017: available-for-sale investments)	**52,294**	16,251
Cash and bank balances	**14,317,651**	12,665,880
	16,075,737	13,019,612

44 Financial instruments (Continued)

Financial risk management (Continued)

(a) Credit risk (Continued)

As at 31 December 2018 and 2017, 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 42, the Group does not provide any other guarantees which would expose the Group or the Company to material credit risk.

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 and debt securities classified as financial assets at FVOCI (2017: available-for-sale investments), is limited because the counterparties are considered by the Directors to have high creditworthiness. The Directors assess the creditworthiness with reference to external credit ratings (if available) or to historical information about counterparty default rates.

Other non-current assets mainly include amount due by joint ventures amounting to HK$1,402 million (2017: HK$23 million), which is contributed by two joint ventures (2017: one joint venture). As the joint ventures have strong financial positions, the Directors consider that the credit risk is minimal.

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

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

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the company's ability to meet its obligations;
- actual or expected significant changes in the operating results of the company; and
- significant changes in the expected performance and behavior of the company, including changes in the payment status of the third party.

As at 31 December 2018 and 1 January 2018, management considers other receivables, mortgage loan receivables, other non-current assets, derivative financial assets, debt securities classified as financial assets at FVOCI and cash and bank balances as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near future. The Group has assessed that the ECL for these balances are immaterial under 12 months ECL method. Thus, the impairment provision recognised for these balances is close to zero.

44 Financial instruments (Continued)

Financial risk management (Continued)

(b) Liquidity risk

The Group is exposed to liquidity risk on financial liabilities. It is the Group's policy to regularly monitor its liquidity requirements and its compliance with any lending covenants, and to secure adequate funding and sufficient cash reserves to match with the cash flows required for working capital and investing activities. In addition, banking facilities have been put in place for contingency purposes. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

2018

	Less than 1 year	**Later than 1 year and not later than 5 years**	**Total undiscounted cash flows**	**Carrying amount at 31 December**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Non-derivative financial liabilities				
Bank borrowings	**5,616,339**	**10,664,058**	**16,280,397**	**15,304,435**
Medium term notes	**178,558**	**3,221,879**	**3,400,437**	**3,184,001**
Trade and other payables	**1,832,808**	**—**	**1,832,808**	**1,832,808**
Loans from non-controlling interests	**838,495**	**403,580**	**1,242,075**	**1,192,859**
	8,466,200	**14,289,517**	**22,755,717**	**21,514,103**

2017

	Less than 1 year	Later than 1 year and not later than 5 years	Total undiscounted cash flows	Carrying amount at 31 December
	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivative financial liabilities				
Bank borrowings	5,425,698	7,088,367	12,514,065	12,042,043
Medium term notes	178,131	3,392,296	3,570,427	3,172,788
Trade and other payables	2,414,020	—	2,414,020	2,414,020
Loans from non-controlling interests	1,225,769	—	1,225,769	1,215,733
	9,243,618	10,480,663	19,724,281	18,844,584

44 Financial instruments (Continued)

Financial risk management (Continued)

(c) Market risk

(i) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities. It is the Group's policy to regularly monitor and manage its interest rate risk exposure, by maintaining an appropriate and comfortable level of mix between fixed and variable-rate financial assets and liabilities and by repaying and/or selling the relevant fixed and variable-rate financial assets and liabilities in case of significant unfavourable market interest rate movement.

Summary quantitative data

	2018	2017
	HK$'000	HK$'000
Variable-rate financial assets/(liabilities)		
Mortgage loans receivable	**2,459**	4,481
Amount due by a joint venture	**22,606**	22,606
Bank balances and deposits	**13,949,492**	12,176,375
Bank borrowings	**(15,304,435)**	(12,042,043)
	(1,329,878)	161,419
Fixed-rate financial assets/(liabilities)		
Financial assets at fair value through other comprehensive income	**52,294**	—
Available-for-sale investments	**—**	16,250
Medium term notes	**(3,184,001)**	(3,172,788)
	(3,131,707)	(3,156,538)
Net interest-bearing liabilities	**(4,461,585)**	(2,995,119)

Sensitivity analysis

As at 31 December 2018, if interest rates had been 50 basis points (2017: 50 basis points) higher/lower with all other variables held constant, the Group's profit after taxation and equity after taking into account the impact of finance costs capitalised in properties for or under development, inventories and hotel buildings under construction would increase by HK$8.8 million (2017: increase by HK$32.1 million)/increase by HK$10.6 million (2017: decrease by HK$24.9 million) arising mainly as a result of change in interest income, net on variable-rate financial assets/liabilities.

The sensitivity analysis has been prepared with the assumption that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The changes in interest rates represent management's assessment of a reasonably possible change at that date over the period until the next annual balance sheet date.

44 Financial instruments (Continued)

Financial risk management (Continued)

(c) Market risk (Continued)

(ii) Currency risk

The Group is exposed to currency risk on financial assets and liabilities that are denominated in United States dollar ("USD"), Macau pataca ("MOP"), Singapore dollar ("SGD") and Renminbi ("RMB").

The Group closely monitors and manages its exposure to currency risk, in particular the currency risk arising from those currencies that are not pegged to Hong Kong dollar ("HKD"), the functional currency of the Company.

While the Group has financial assets and liabilities denominated in USD and MOP, they are continuously pegged to HKD and these exposure to currency risk for such currencies is minimal to the Group. The Group's exposure to currency risk on financial assets and liabilities that are denominated in SGD and RMB are relatively insignificant. Since the currencies of financial assets and financial liabilities are primarily the functional currency of the respective company. The Group continuously monitors and manages such exposure to ensure they are at manageable levels.

Sensitivity analysis

As at 31 December 2018, if HKD weakened 10% (2017: 10%) against RMB and SGD with all other variable held constant, the Group's profit after taxation would decrease by HK$10.4 million (2017: decrease by HK$12.4 million) and increase by HK$82.1 million (2017: increase by HK$81.0 million) respectively. Conversely, if HKD had strengthened 10% (2017: 10%) against RMB and SGD with all other variables held constant, the Group's profit after taxation would increase by HK$10.4 million (2017: increase by HK$12.4 million) and decrease by HK$82.1 million (2017: decrease by HK$81.0 million).

The sensitivity analysis has been prepared with the assumption that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the exposure to currency risk for the relevant financial instruments in existence at that date. The changes in foreign exchange rates represent management's assessment of a reasonably possible change in foreign exchange rates at that date over the period until the next annual balance sheet date.

The sensitivity analysis had not been prepared for the Group's exposure to currency risk arising from financial assets and liabilities denominated in USD and MOP. In view of the facts the HKD has been pegged with USD and MOP for many years and the respective government in Hong Kong and Macau have continuously committed not to amend the pegged rates, the management's assessment of reasonably changes in value of HKD against USD and against MOP at the balance sheet date over the period until the next annual balance sheet date is not material.

44 Financial instruments (Continued)

Financial risk management (Continued)

(c) Market risk (Continued)

(iii) Equity price risk

The Group is exposed to equity price risk on listed and unlisted equity securities.

The Group's policy is mainly to invest in financial assets with equity price risk by using its surplus funds in order to minimise the impact of the exposure to the Group's business operation and financial position and simultaneously, to enhance the return to the shareholders. The Group aims at holding the listed and unlisted equity securities for long term strategic purposes.

For its listed equity securities, the Group regularly monitors their performance by reviewing their share price and announcements, including interim and annual reports. These investments are selected based on their respective investment potential and prospect and are diversified in different industries. For its unlisted equity securities, the Group monitors their performance by reviewing their reports, including management reports and annual financial statements.

Summary quantitative data

	2018	2017
	HK$'000	HK$'000
Financial assets, at fair value		
Financial assets at fair value through other comprehensive income	**566,007**	—
Available-for-sale investments	**—**	206,132
Financial assets, at cost less impairment losses		
Financial assets at fair value through other comprehensive income	**813,016**	—
Available-for-sale investments	**—**	815,597
	1,379,023	1,021,729

Sensitivity analysis

The Group's equity investments amounting to 89% (2017: 89%) of its financial assets carried at fair value are classified as financial assets at FVOCI (2017: 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% (2017: 10%) increase in stock prices as at 31 December 2018 would increase the equity by HK$50.5 million (2017: HK$18.3 million). An equal change in the opposite direction would decrease the equity by HK$50.5 million (2017: HK$18.3 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.

44 Financial instruments (Continued)

Financial risk management (Continued)

(c) Market risk (Continued)

(iv) Fuel price risk

Fuel cost is a significant part of the Group's cost of inventories sold and service provided. Exposure to fluctuations in the fuel price is managed by hedging a percentage of its anticipated fuel consumption using fuel derivatives. In 2018, around 23% of the anticipated fuel consumption for 2019 (2017: around 15% of the anticipated fuel consumption for 2018) was hedged at the balance sheet date.

Summary quantitative data

	2018	2017
	HK$'000	HK$'000
Financial assets, at fair value		
Fuel swap contracts	—	16,927
Financial liabilities, at fair value		
Fuel swap contracts	21,763	—

Sensitivity analysis

If the fuel price increased by 10% (2017: 10%) with all other variables held constant, the Group's profit after taxation for the year ended 31 December 2018 would decrease by HK$55.5 million (2017: decrease by HK$46.1 million), representing the after-tax effect of change in fuel price for the year and equity as at 31 December 2018 would increase by HK$8.4 million (2017: increase by HK$7.2 million), representing the after-tax effect of change in fair value of fuel swap contracts at the balance sheet date. Conversely, if the fuel price decreased by 10% (2017: 10%) with all other variables held constant, the Group's profit after taxation for the year ended 31 December 2018 would increase by HK$55.5 million (2017: increase by HK$46.1 million) and equity as at 31 December 2018 would decrease by HK$8.4 million (2017: decrease by HK$7.2 million).

The sensitivity analysis has been prepared with the assumption that the change in fuel price had occurred during the year and at the balance sheet date and had been applied to the exposure to fuel prices risk for the relevant financial instruments in existence at that date. The changes in fuel prices represent management's assessment of a reasonably possible range at that date over the period until the next annual balance sheet date.

44 Financial instruments (Continued)

Financial risk management (Continued)

(d) Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

	2018	2017
	HK$'000	HK$'000
Financial assets		
Loan and receivables (including cash and bank balances)	16,016,697	12,986,327
Financial assets at fair value through other comprehensive income (note)	1,379,023	—
Available-for-sale investments (note)	—	1,021,729
Derivative financial assets	6,746	17,034
Financial liabilities		
Financial liabilities measured at amortised cost	21,514,103	18,844,584
Derivative financial liabilities	21,763	—

Note:

Certain financial assets at FVOCI (2017: available-for-sale investments) are stated at cost (note 19).

(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).

44 Financial instruments (Continued)

Financial risk management (Continued)

(e) Fair value estimation (Continued)

2018

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets/(liabilities)				
Derivatives used for hedging				
— cross-currency swaps	**—**	**6,746**	**—**	**6,746**
— fuel swap contracts	**—**	**(21,763)**	**—**	**(21,763)**
Financial assets at fair value through other comprehensive income				
— equity securities	**505,423**	**8,290**	**—**	**513,713**
— debt securities	**52,294**	**—**	**—**	**52,294**
Total assets/(liabilities)	**557,717**	**(6,727)**	**—**	**550,990**

2017

	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Derivatives used for hedging				
— cross-currency swaps	—	107	—	107
— fuel swap contracts	—	16,927	—	16,927
Available-for-sale investments				
— equity securities	182,779	7,103	—	189,882
— debt securities	16,250	—	—	16,250
Total assets	199,029	24,137	—	223,166

44 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 and debt investments classified as financial assets at FVOCI (2017: available-for-sale investments).

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 transfers between financial instruments in level 1, level 2 and level 3.

45 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and 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, raise debt financing or repurchase own shares.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. Net borrowing is calculated as total debt, which includes current and non-current borrowings, less cash and bank balances. Adjusted capital comprises all components of equity attributable to owners of the Company less hedging reserve. During 2018, the Group's strategy, which was unchanged from 2017, was to maintain a healthy net debt-to-adjusted capital ratio.

The net debt-to-adjusted capital ratio as at 31 December 2018 and 2017 was as follows:

	2018	2017
	HK$'000	HK$'000
Bank borrowings (note 30)	**15,304,435**	12,042,043
Medium term notes (note 32)	**3,184,001**	3,172,788
Less: Cash and bank balances (note 26)	**(14,317,651)**	(12,665,880)
Net borrowing	**4,170,785**	2,548,951
Equity attributable to owners of the Company	**31,082,746**	27,412,910
Add: Hedging reserve (note 36)	**31,311**	16,647
Adjusted capital	**31,114,057**	27,429,557
Net debt-to-adjusted capital ratio	**13.4%**	9.3%

46 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	2018	2017
	HK$'000	HK$'000
Non-current assets		
Property, plant and equipment	**1,002**	1,038
Subsidiaries	**630,805**	630,805
Associate	**250**	250
Financial assets at fair value through other comprehensive income (note (a))	**233,679**	—
Available-for-sale investments (note (a))	**—**	233,679
Other non-current assets	**14,827,499**	14,129,823
	15,693,235	14,995,595
Current assets		
Trade and other receivables, and deposits paid	**34,479**	37,992
Cash and bank balances	**4,891,689**	4,874,942
	4,926,168	4,912,934
Current liabilities		
Trade and other payables, and receipts in advance	**6,315,032**	5,686,455
Provision for employee benefits	**3,288**	3,900
	6,318,320	5,690,355
Net current liabilities	**(1,392,152)**	(777,421)
Net assets	**14,301,083**	14,218,174
Equity		
Share capital	**9,858,250**	9,858,250
Other reserves (note (b))	**3,958,763**	4,178,060
Proposed dividends	**484,070**	181,864
Total equity	**14,301,083**	14,218,174

The balance sheet of the Company was approved by the Board of Directors on 27 March 2019 and was signed on its behalf

Pansy Ho
Director

Daisy Ho
Director

46 Balance sheet and reserve movement of the Company (Continued)

Notes:

(a) The balances represented the Company's investment in STDM which was stated at cost in prior years as prescribed by provisions under HKAS 39. As detailed in note 19, the Company is unable to obtain sufficient information of STDM for fair value assessment as required by HKFRS 9 and stated it at cost.

(b) The reserve movement of the Company is as follows:

	Capital reserve	Retained profits	Total
	HK$'000	**HK$'000**	**HK$'000**
As at 1 January 2017	16,248	4,154,408	4,170,656
Lapse of share option	(1,797)	1,797	—
Profit for the year	—	371,816	371,816
Dividends	—	(182,548)	(182,548)
As at 31 December 2017	**14,451**	**4,345,473**	**4,359,924**
Profit for the year	**—**	**318,318**	**318,318**
Dividends	**—**	**(181,864)**	**(181,864)**
Dividends on shares bought-back	**—**	**90**	**90**
Buy-back of shares	**—**	**(53,635)**	**(53,635)**
As at 31 December 2018	**14,451**	**4,428,382**	**4,442,833**
Represented by:			
Proposed dividends			**484,070**
Other reserves			**3,958,763**
			4,442,833

47 Principal subsidiaries, joint ventures and associates

	Place of incorporation/ principal place of operation	Issued and paid up capital/ registered capital	Percentage held by the Group 2018	Percentage held by the Group 2017	Principal activities
Property – Hong Kong					
Goform Limited	Hong Kong	Ordinary shares: HK$2	**100**	100	Property investment
Hocy Development Limited	Hong Kong	Ordinary shares: HK$2	**100**	100	Property investment
Iconic Palace Limited	Hong Kong	Ordinary shares: HK$20	**100**	100	Property investment
Megabright Investment Limited	Hong Kong	Ordinary shares: HK$2	**100**	100	Investment holding and financing
Ranex Investments Limited	Hong Kong	Ordinary shares: HK$100	**51**	51	Property investment and development
Shun Tak Development Limited	Hong Kong	Ordinary shares: HK$634,445,380	**100**	100	Investment holding
Shun Tak Property Investment & Management Holdings Limited	Hong Kong	Ordinary shares: HK$2	**100**	100	Property investment and management
Shun Tak Property Management Limited	Hong Kong/ Hong Kong and Macau	Ordinary shares: HK$2	**100**	100	Property management
Sonata Kingdom Limited ^^	Hong Kong	Ordinary share: HK$1	**100**	100	Property investment
Shun Tak Centre Limited # ("STCL")	Hong Kong	Ordinary Class A shares: HK$100,000 Ordinary Class B shares: HK$4,500 Ordinary Class C shares: HK$5,500	**(Note 1)**	–	Property investment and investment holding
Property – Macau					
Ace Wonder Limited	British Virgin Islands	Ordinary share: US$1	**100**	100	Investment holding
Basecity Investments Limited ^	British Virgin Islands	Ordinary shares: US$10,000	**51 (Note 2)**	51 (Note 2)	Investment holding
Properties Sub F, Limited ^	Macau	MOP1,000,000	**51 (Note 2)**	51 (Note 2)	Property development, investment and trading, and hotel management
Eversun Company Limited	Hong Kong/ Macau	Ordinary shares: HK$200	**100**	100	Property investment
Fast Shift Investments Limited ("Fast Shift")	British Virgin Islands	Ordinary Class A share: US$1 Non-voting Class B share	**100 (Note 3)** **(Note 4)**	100 (Note 3) (Note 4)	Investment holding
Nova Taipa – Urbanizações, Limitada ("NTUL")	Macau	Quota capital: MOP10,000,000	**(Note 4)**	(Note 4)	Property development
Nextor Holdings Limited ^	British Virgin Islands	Ordinary shares: US$10	**50**	(Note 5)	Investment holding
Viver Taipa Limitada ^	Macau	Quota capital: MOP25,000	**50**	(Note 5)	Property investment
Shun Tak Nam Van Investimento Limitada	Macau	Quota capital: MOP25,000	**100**	100	Property development
Winning Reward Investments Limited	British Virgin Islands	Ordinary share: US$1	**100**	100	Investment holding and financing

47 Principal subsidiaries, joint ventures and associates (Continued)

	Place of incorporation/ principal place of operation	Issued and paid up capital/ registered capital	Percentage held by the Group 2018	2017	Principal activities
Property – Mainland China					
Beijing Mega Hall Hotel Operating Management Co. Ltd. β	PRC	RMB465,000,000 @	**100**	100	Property investment and hotel development
Guangzhou Shun Tak Real Estate Company Limited β	PRC	HK$130,000,000 @	**60**	60	Property investment
Perennial HC Holdings Pte. Ltd. #	Singapore	Ordinary shares: US$138,365,000 (2017: US$1)	**30**	—	Investment holding
Perennial Tongzhou Development Pte. Ltd. #	Singapore	Ordinary shares: S$388,778,402	**31.6**	31.6	Investment holding
Perennial Tongzhou Holdings Pte. Ltd. #	Singapore	Ordinary shares: S$239,500,010	**38.7**	38.7	Investment holding
Shun Tak Cultural Centre Limited	Hong Kong	Ordinary shares: HK$10	**60**	60	Investment holding
Sonic City Limited	Hong Kong	Ordinary share: HK$1	**100**	100	Property investment and development
Zhuhai Hengqin Shun Tak Property Development Co. Ltd *^^ β 珠海橫琴信德房地產開發有限公司	PRC	RMB1,150,000,000 @	**70**	70	Property development
Shun Tak Qiantan (Shanghai) Cultural and Real Estate Company Limited *^Ω 信德前灘(上海)文化置業有限公司	PRC	RMB3,000,000,000 @	**50**	50	Property development
Property – Singapore					
Perennial Somerset Investors Pte. Ltd.	Singapore	Ordinary shares: S$343,501 Preference shares: S$95,607,500	**70**	70	Investment holding
Perennial (Somerset) Pte. Ltd.	Singapore	Ordinary shares: S$10,001	**70**	70	Property holding
Shun Tak Residential Development Pte. Ltd.	Singapore	Ordinary shares: S$1,000,000	**100**	—	Property development
Shun Tak Cuscaden Residential Pte. Ltd.	Singapore	Ordinary shares: S$2,000,000 (2017: S$1)	**100**	100	Property development
Transportation					
Celeworld Limited	Hong Kong	Ordinary shares: HK$10 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
Far East Hydrofoil Company, Limited	Hong Kong/ Hong Kong and Macau	Ordinary shares: HK$2,000 Non-voting deferred shares: 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

47 Principal subsidiaries, joint ventures and associates (Continued)

	Place of incorporation/ principal place of operation	Issued and paid up capital/ registered capital	Percentage held by the Group 2018	2017	Principal activities
Hongkong Macao Hydrofoil Company, Limited	Hong Kong/ Hong Kong and Macau	Ordinary shares: HK$10,000,000	**42.6**	42.6	Shipping
Interdragon Limited	British Virgin Islands	Ordinary shares: US$10,000	**60**	60	Investment holding
Ocean Shipbuilding & Engineering Limited	Hong Kong	Ordinary shares: HK$200 Non-voting deferred shares: HK$100,000	**42.6**	42.6	Shipbuilding and repairs
Shun Tak China Travel – Companhia de Gestão de Embarcações (Macau), Limitada	Macau	Quota capital: MOP10,000,000	**42.6**	42.6	Ship management
Shun Tak – China Travel Ferries Limited	British Virgin Islands/ Hong Kong	Ordinary shares: US$2	**42.6**	42.6	Investment holding
Shun Tak – China Travel Macau Ferries Limited	British Virgin Islands/ Hong Kong and Macau	Ordinary share: US$1	**42.6**	42.6	Shipping
Shun Tak – China Travel Ship Management Limited	Hong Kong	Ordinary shares: HK$200 Non-voting deferred shares: HK$1,000,000	**42.6**	42.6	Ship management
Shun Tak – China Travel Shipping Investments Limited	British Virgin Islands/ Hong Kong	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	Ordinary share: HK$1	**42.6**	42.6	Shipping
Wealth Trump Limited	Hong Kong	Ordinary share: HK$1	**42.6**	42.6	Shipping
Hospitality					
Artyzen Hospitality Group Limited	Hong Kong	Ordinary share: HK$1	**100**	100	Hospitality management and auxiliary services
Host Wise International Limited	Hong Kong	Ordinary share: HK$1	**100**	100	Property investment for hotel operation
Shun Tak Property (Shanghai) Co., Ltd. * β 信德置業(上海)有限公司	PRC	RMB880,000,000 @	**100**	100	Hotel owning and operation
Shun Tak Real Estate (Singapore) Pte. Ltd.	Singapore	Ordinary share: S$1	**100**	100	Hotel development
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	Capital: MOP200,000,000	**35**	35	Hotel and golf club operations
Union Sky Holdings Limited ^^	Hong Kong	Ordinary shares: HK$10,000	**70**	70	Hotel owning and operation
Finance					
Joyous Glory Group Limited	British Virgin Islands	Ordinary share: US$1	**100**	100	Financing
Shun Tak Finance Limited	Hong Kong	Ordinary shares: HK$2	**100**	100	Financing
Step Ahead International Limited	British Virgin Islands/ Hong Kong	Ordinary share: US$1	**100**	100	General investment

47 Principal subsidiaries, joint ventures and associates (Continued)

Notes:

1. On 18 September 2018, the Group acquired 10% Ordinary Class A shares in the share capital of STCL from Full Energy Company Limited. The 10% Ordinary Class A shares are entitled to the pro-rata share of the profits or net assets attributable to the Ordinary Class A shares in STCL which comprises certain investment properties situated at Shun Tak Centre, Hong Kong.

2. The Group holds more than 50% interests in this joint venture. This joint venture is considered as subsidiary undertaking under the Hong Kong Companies Ordinance (Cap. 622). However, under the contractual agreements, the Group does not control this joint venture as the decisions about relevant activities require the unanimous consent of the parties sharing the control.

3. Non-voting Class B share (representing 100% non-voting Class B shares) with no par value.

4. Save for one issued non-voting Class B share of Fast Shift which is held by a third party, the entire issued share capital of NTUL is owned by the Company indirectly through Shun Tak Development Limited, Nomusa Limited and Fast Shift. Pursuant to an investment agreement in relation to NTUL dated 3 January 2014, holder of the non-voting Class B share of Fast Shift is entitled to 29% of the economic benefits in or losses arising from the residential portion of Nova City Phase V owned and developed by NTUL.

5. As at 31 December 2017, the Group held 100% economic interest of the companies.

6. The above table lists the principal subsidiaries, joint ventures and associates of the Group which, in the opinion of the Directors, principally affect the results and net assets of the Group.

7. 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 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 30)
β Wholly-owned foreign enterprise (WOFE) registered under PRC law
Ω Equity joint venture registered under PRC law
* For identification purpose only

48 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2019.

Five-Year Financial Summary

	Note	2018	2017	2016	2015	2014
		(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)
Consolidated Income Statement						
Revenue		**6,592**	6,389	3,852	4,405	9,539
Profit/(loss) attributable to owners of the Company		**4,647**	1,450	(587)	745	4,453
Consolidated Balance Sheet						
Non-current assets		**26,581**	21,505	19,587	19,111	19,124
Current assets		**38,211**	35,334	26,740	28,275	28,332
Current liabilities		**(12,781)**	(12,509)	(4,456)	(6,873)	(5,887)
Non-current liabilities		**(14,845)**	(11,311)	(11,313)	(9,089)	(10,457)
Net assets		**37,166**	33,019	30,558	31,424	31,112
Share capital and other statutory capital reserve		**9,858**	9,858	9,858	9,858	9,858
Other reserves		**20,741**	17,373	15,773	16,438	16,052
Proposed dividends		**484**	182	—	61	502
Equity attributable to owners of the Company		**31,083**	27,413	25,631	26,357	26,412
Non-controlling interests		**6,083**	5,606	4,927	5,067	4,700
Total equity		**37,166**	33,019	30,558	31,424	31,112
Number of issued and fully paid shares (million)	1	**3,025**	3,042	3,042	3,042	3,042
Performance Data						
Earnings/(loss) per share (HK cents)						
– basic		**153.4**	47.7	(19.3)	24.5	147.0
– diluted		**153.4**	47.7	(19.3)	24.5	143.5
Dividends per share (HK cents)						
– interim		**—**	6.0	—	—	5.0
– final		**10.0**	6.0	—	2.0	2.0
– special		**6.0**	—	—	—	14.5
Dividend cover		**9.6**	4.0	N/A	12.3	6.8
Current ratio		**3.0**	2.8	6.0	4.1	4.8
Gearing (%)	2	**13.4**	9.3	N/A	N/A	N/A
Return on equity attributable to owners of the Company (%)		**15.0**	5.3	(2.3)	2.8	16.9
Net asset value per share (HK$)		**12.3**	10.9	10.0	10.3	10.2

	2018	2017	2016	2015	2014
Headcount by Division					
Head Office	**255**	250	255	253	257
Property	**532**	503	563	509	467
Transportation	**1,948**	2,016	2,056	2,092	2,099
Hospitality	**766**	594	511	511	518
Investment	**25**	24	24	29	27

Notes:

1. Number of issued and fully paid shares is based on the number of shares in issue at the balance sheet date.

2. Gearing represents the ratio of net borrowings to equity attributable to owners of the Company.

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