2021

信德集團有限公司中期業績報告

Shun Tak Holdings Limited Interim Report

信德集團

SHUN TAK HOLDINGS

STOCK CODE 股份代號：242

一徹萬融

POWER OF HARMONY

一徹萬融

POWER OF HARMONY

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

借古一云：「一徹萬融，因源而得委也。」
一旦茅塞頓開，則水到渠成。
信德集團多年來敦本務實、堅持不懈，積信而立、積微成著。滙聚我們和夥伴的實力和優勢，建立多元化業務及創新服務，持續為股東、持份者，以及所投進的地方社區，創造價值；同時致力促進區域的和諧融合，為推動國家的繁榮發展貢獻。

CONTENTS

GROUP RESULTS

The board of directors (the "Board") of Shun Tak Holdings Limited (the "Company") announces the unaudited consolidated interim results for the six months ended 30 June 2021 of the Company and its subsidiaries (the "Group").

The unaudited profit attributable to owners of the Company for the period was HK$470 million (2020: loss of HK$279 million). Underlying profit attributable to the owners which principally adjusted for unrealised fair value changes on investment properties would be HK$618 million (2020: HK$272 million). Basic earnings per share was HK15.6 cents (2020: Basic loss per share HK9.2 cents).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2021 (2020: nil).

PROPERTY

After weathering the COVID-19 induced financial turmoil in 2020, the economy began to exhibit signs of recovery as the local pandemic situation stabilizes. Retail and domestic spending began to pick up with daily caseload hit near-zero levels and the government started to ease social-distancing policies. Residential property prices also held their ground during this period as buying sentiment improves. During the first half of 2021, the Group's Nova collection in Macau recorded satisfactory sales. Rental yield from its property investment portfolio also normalized after prolonged concessionary rentals for tenants over the most trying months. The division posted a profit of HK$898 million (1H2020: HK$879 million), representing a marginal 2% year-on-year increase.

Property developments

Projects completed with recent sales

In Macau
Nova Park (Group interest: 100%)

Nova Park, Phase 4 of Nova City, is a striking urban park-side residential development with an unimpeded view of the stunning Taipa Central Park, set in the heart of the thriving Taipa community. Its three residential towers cover a gross floor area of approximately 680,000 square feet and offer 620 residential units in total. During the first half of 2021, 5 units were transacted. As at 30 June 2021, close to 98% of total units have been sold.

Nova Grand (Group interest: residential: 71%)

Nova Grand is the final phase of the Group's flagship Nova City development comprising approximately 1,700 residential units in eight towers. Over the first six months of 2021, 62 units have been handed over to homebuyers. In April, a new batch of units has been launched for sale and 76 units were contracted, with homebuyers mostly comprising families trading up for larger spaces and comprehensive facilities. As of 30 June 2021, 84% of total units have been sold.

In Southern China
Hengqin Integrated Development (Group interest: 100%)

This development is immediately adjacent to the Hengqin Port, first opened in August 2020 with round the clock operation. The development is strategically located at the intersection of the Guangzhou Zhuhai Urban Rail and the future Macau Light Rail and comprises approximately 42,300 square metres of Grade A office space, a 43,000 square metres shopping mall housing distinctive brands and lifestyle trade mix, 15,600 square metres of a 230-room Artyzen Habitat Hotel and 33,400 square metres of high-end apartments consisted of 426 units complemented by a 1,250-square-metre membership clubhouse and a 1,300-space car park. The shopping mall, office building, hotel and carpark are operated by the Group as a long term investment.

Further to the overwhelming sales result generated from the residential sales launch in August 2020, leasing for the shopping mall, office building and carpark were underway across PRC, Hong Kong and Macau. With its strategic location, government incentives and the Group's management reputation, the market has been responding favourably. Rental income generated from retail, office and carpark leasing are expected to kick in by 2022, providing a steady rental stream for the Group.

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

This 17-storey integrated property offering a gross floor area of approximately 766,550 square feet is located within the venerable Orchard Road precinct immediately adjacent to the Somerset MRT station. It comprises two office towers, a 2-level retail podium and a 2-level basement carpark, which completed a comprehensive asset enhancement initiative in 2020. Nevertheless, leasing performance remained resilient with an average committed occupancy rate of 72% as at the end of June 2021.

Projects Under Development

In Northern China

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

Situated in Tongzhou Beijing, the new capital for Beijing Central Government headquarters and state-owned enterprises, this iconic development is sited on the Grand Canal, with its Phase 1 expected to complete in 2023. The integrated community will feature 127,000 square metres of retail space, 119,000 square metres of office space, and 50,000 square metres of residential units. Its retail podium will be directly linked to the currently operating metro line M6, which connects to the Beijing city centre. Substructure works are currently in progress. Pre-sale of apartments is expected in 2022.

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

This cultural and community hub in Shanghai spans 140,500 square metres of total gross floor area, bringing together offices, retail space, basement retail, and a 5-star hotel offering around 202 rooms, to be managed by Artyzen Hospitality Group. Moreover, an art and cultural centre featuring a concert hall and other multi-purpose halls with a capacity of 4,000 spectators will be incorporated.

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

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

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

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

Situated in one of the core commercial areas of Shanghai, the project is close to major tourist destinations such as the Bund and the People's Square, as well as established central business districts including Nanjing West Road and Lujiazui. Two residential towers of approximately 23,000 square metres were first launched for presale in June 2020. As of 30 June 2021, 223 out of 224 units were sold.

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

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

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

In Western China

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

Similar to the Tianjin project, the Kunming South HSR Integrated Development was also acquired in partnership with Perennial in December 2018. The Group intends to develop this 65,000 square metres site into a regional healthcare and commercial hub comprising hospitality, medical care, eldercare, MICE, and retail components across a proposed gross floor area of approximately 550,000 square metres. Like the Tianjin site, the Kunming South HSR Integrated Development is located next to a high-speed railway station, facilitating convenient regional access. Construction began in Q4 2020, with the site expected to become operational in 2024.

In Singapore

Park Nova (Group interest: 100%)

Located in Singapore's prestigious residential district and within walking distance to the world-renowned Orchard Road Shopping Belt, sales and construction of this 43,356 square foot site has progressed well on track within the period. The 21-storey residential tower will feature a strata area of approximately 125,000 square feet and will have 51 simplex units and 3 penthouses. The building is lifted high above Orchard Boulevard on elliptical columns to create unobstructed private views above the lush greenery. Each unit is served by a private lift, catered for upmarket buyers seeking an exclusive yet central urban lifestyle at the heart of actions. Construction works are underway and it is expected to complete in 2023. The project was launched for sale in May 2021 with satisfactory results but the momentum was dampened by an outbreak of local pandemic. As of 30 June 2021, 14 units were sold including the 3 penthouses.

Les Maisons Nassim (Group interest: 100%)

This majestic development standing on a 66,452 square feet prime site located at one of the most coveted addresses in town, will be developed into approximately 110,000 square feet of Bungalow-in-the-Sky. Nestled in the ultra-luxurious heritage Good Class Bungalow district, this epic development will have a total of 14 units comprising 8 simplex units, 4 duplex units and 2 penthouses. Each residence is fitted with its own dedicated private lift and carparks, and features a grand arrival experience with verdant landscape which speaks subtle luxury and sophistication. Construction is underway with expected completion by early 2023. As of 30 June 2021, 1 unit has been transacted.

Projects Under Planning

In Macau
Harbour Mile

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

Property investments

In Hong Kong
liberté place (Group interest: 64.56%)

This mall is located at Lai Chi Kok MTR Station in West Kowloon. As a neighborhood mall offering everyday household conveniences to the four largest residential developments in Kowloon West, business has been relatively less affected despite the impact of COVID-19. As of 30 June 2021, the mall maintained an occupancy rate of 100%.

The Westwood (Group interest: 51%)

With 158,000 square feet of leasable area across five storeys, The Westwood is a prominent shopping destination serving the Western District on Hong Kong Island. The mall just completed a major renovation in June 2021, and shall continue to be positioned as a family-oriented destination. Rental income is expected to be subdued during the interim as a result of negative rental reversions. As of 30 June 2021, the mall registered an occupancy rate of 87%.

Chatham Place (Group interest: 51%)

This 3-storey shopping arcade appending to Chatham Gate is positioned as an educational hub with a major kindergarten as its key anchor tenant complemented by a host of children learning centres. Business is significantly impacted by the extended period of school closures in 2020, and a significant loss in tenant occupancy has been recorded. As of 30 June 2021, the mall posted an average occupancy of 39%.

Shun Tak Centre Portfolio

The Group owns 100% interest of Shop 402 and another 55% interest in a collection of assets at Shun Tak Centre, which comprises of 213,786 square feet of retail area, 13,827 square feet of gross office area and 85 parking spaces. The property is a major cross-border sea transportation node connecting Hong Kong with Macau and China. Under the impact of COVID-19, all ferry services were suspended since February 2020, as a result, customer footfall was dramatically reduced which triggered a significant decline in occupancy. A renovation and upgrade program for the mall is being carried out to pave way for a phased transformation of the mall's positioning and target tenancy.

In Macau
Nova Mall (Group interest: 50%)

Located at the heart of the Nova residential community in Taipa, Nova Mall is the first shopping destination in Macau dedicated to serving locals' daily needs. The Mall immediately gained wide popularity upon its trial opening in April 2020. As of 30 June 2021, close to 90% of lettable space has been leased. Despite strong headwinds in the current operating environment, it is expected that at least 80% of tenants will be opened before end of year after riding through delays induced by the pandemic.

One Central Shopping Mall (Group interest: 51%)

Widely known for its premium flagship stores, One Central is a prominent shopping destination housing around 400,000 square feet of leading luxury brands. Since the last quarter of 2020, luxury retail began to rebound. The mall maintained an occupancy rate of 87% as of 30 June 2021, generating satisfactory turnover yield for the Group.

Shun Tak House (Group interest: 100%)

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

In China

Shun Tak Tower Beijing (Group interest: 100%)

Shun Tak Tower is situated in Beijing Dong Zhi Men, conveniently located next to the airport highway and enjoys proximity to Beijing downtown and the embassy area. The site spans 63,000 square feet (5,832 square meters), with a gross floor area of approximately 419,000 square feet (38,900 square meters) rising 21 levels aboveground, and 182,000 square feet (16,900 square meters) in 4 underground levels. The property also houses a 138-room Artyzen Habitat Hotel. Under the competitive leasing market and deflating office demand, landlord is offering concessionary terms for renewing tenants. The property posted an average office occupancy rate of 82% in the first half of 2021.

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

This development in Guangzhou, a 32-storey office tower over a six-storey shopping mall, generated steady revenue for the Group, posting an average occupancy rate of 95% over the first half of 2021.

Property services

The Group's property and facility management operations in Hong Kong and Macau maintained stable performance in the first half of 2021. Yet the latest change in Macau property management legislation requiring all properties to form owner's administration board is expected to pose new challenges to all service providers in the industry.

Shun Tak Macau Services Limited, which provides cleaning services in Macau, continues its growth amid the pandemic, as demand for best-in-class professional cleaning services surged.

Clean Living (Macau) Limited's laundry business has been hard hit by the drastic downturn in tourism and hospitality markets, but demonstrated a gradual improvement over the first half of 2021 as travel confidence restored.

TRANSPORTATION

As COVID-19 maintains its stranglehold on regional cross-border travel, the transportation division continued to suffer significantly over the first half of 2021. Since February 2020, all sea route borders were ordered to close and the Group's TurboJET operation came to an immediate standstill, while land transportation services only operated on limited scale. Despite successful roll-out of vaccination programs and active talks between local governments to restart travel, such efforts have been crippled by sporadic outbreaks of resurging cases of the Delta variant. It is anticipated that quarantine-free travel across the border will remain protracted, and that the road to recovery for cross boundary passenger transportation would be long. For the first half of 2021, the division recorded HK$137 million in share of loss (1H2020: loss of HK$275 million).

Shun Tak – China Travel Shipping Investments Limited

Under the prolonged suspension of operations, the company continued to vigilantly engage in managing fixed costs and reducing cash burn. Measures were taken to restructure cost base, streamline manpower structure and reduce idle capacity in order to preserve liquidity. Total operating cost of TurboJET has been reduced by 55% during 2020 and further reduced by 52% over the first half of 2021 year-on-year.

In June 2021, the company early terminated a tenancy agreement it held pertaining to the operation of Tuen Mun Ferry Terminal and consequential suspension of ferry services between Tuen Mun and Macau due to uncertainties in service resumption. Upon border reopening, TurboJET will redirect its resources towards routes between Hong Kong and Macau, and will coordinate with cross-boundary land transport operators to offer diversified transportation options for passengers.

Cross boundary land transport services under the division, including "TurboJET Cross Border Limo" service, "HK-MO Express" and "Macau HK Airport Direct", were equally affected by the near collapse in regional domestic travel, while the mass service "Golden Bus" traversing the Hong Kong-Zhuhai-Macau Bridge only operated with restricted frequency. To surmount the downturn, the coach operation acquired from China Travel International Investment Hong Kong Limited ("CTII") has made efforts to develop local shuttle buses and corporate leasing businesses.

Following the shareholding restructure exercise in association with CTII in July 2020, Shun Tak – China Travel Shipping Investments Limited became a 50/50 owned company and has been actively reengineering its cross border sea and land transportation portfolio across the Greater Bay Area with the objective to solidify a multi-modal transportation platform for sustainable growth. In spite of formidable headwinds, the company will remain nimble and well-positioned to restart services once border reopens, and is committed to observing the highest health and safety measures as well as enhancing passenger experience in every aspect to prepare for the new normal in the travel market upon service resumption.

HOSPITALITY

As the COVID-19 pandemic continued to loom, the battered tourism industry showed lukewarm signs of recovery over the first half of 2021. Hong Kong started to ease its local containment measures and entry restrictions as it emerges from waves of outbreaks which drove the industry to a near collapse. Macau reinstated inter-regional travel with China since July 2020, gradually gaining momentum to return to half of pre-pandemic levels but stemmed by an uptick in cases across Guangdong. In China, domestic travel rebounded strongly over the May Golden Week, yet the corporate segment which represents a major revenue component for the Group's hotel portfolio, remains frail. Amid the threat of a highly transmissible mutant strain around the world despite the country's active vaccination drive, it is expected that recovery of international travel will be protracted. Under formidable headwinds, the division posted a loss of HK$94 million over the first six months of 2021 (1H2020: HK$128 million).

Hotels in Operation

Hong Kong SkyCity Marriott Hotel

This 658-room airport hotel adjacent to the AsiaWorld-Expo, Hong Kong's largest convention and exhibition centre, suffered a severe decline in event-related bookings as the pandemic continued to disrupt global MICE businesses. Despite relatively stable bookings from cargo and airline crew, private jets and airport projects, the hotel posted a 30% average occupancy rate which lagged in recovery compared with in-town options.

Mandarin Oriental, Macau

The prestigious Mandarin Oriental, Macau is widely reputed for its exceptional hospitality and bespoke services. Amid the pandemic, the hotel has satisfactorily narrowed its deficit from the loss of inbound business by harnessing local demands and attained an average occupancy of 43% through staycation and gastronomy offers.

The hotel was a proud recipient of the Triple Five Star rating for Hotel, Restaurant and Spa from Forbes Travel Guide 2021 Star Awards.

Grand Coloane Resort

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

Adhering to the highest standards of health and safety requirements, the hotel has been a designated quarantine hotel since December 2020. It posted an average occupancy of 68% over the first half of 2021 to lead its competitive set. Over the period, the property prudently managed costs and effectively minimized the operating loss. It is also actively promoting in China, with the aim of capitalizing on pent up demand as soon as the border fully opens.

Artyzen Habitat Dongzhimen Beijing

The 138-key hotel property located within Beijing's old fortress wall offers an intriguing blend of contemporary designs and traditional cultural heritage, creating the perfect balance of old and new for travelers seeking authentic local experiences.

With Central Government's effective containment of the pandemic and strong underlying fundamentals, the domestic economy exhibited a remarkable rebound. Meeting and convention businesses started to improve since mid-March, and the hotel has gradually expanded its market share in the staycation category. It posted an average occupancy rate of 53% over the period.

Artyzen Habitat Hongqiao Shanghai

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

Close to the National Exhibition and Convention Centre, the hotel has a strong footing in the corporate segment. It registered encouraging pick up from mid-March and attained occupancy rates above 60% over months with large exhibitions such as the Auto Shanghai 2021. With the remarkable rebound in event attendance and pipeline of sizable events scheduled for the second half of 2021, the hotel expects to meet budgeted financial target for the year.

YaTi by Artyzen Hongqiao Shanghai (formerly citizenM Shanghai Hongqiao)

The 303-room stylish budget hotel located in the Shanghai MixC complex is wholly owned by the Group. In late September 2020, Artyzen Hospitality Group took over its management in order to drive better synergy in sales and marketing with the neighboring Artyzen Habitat hotel. With a more proactive approach in direct sales after the rebranding, occupancy has gradually improved. The hotel will focus on expanding its corporate basis so as to leverage the revival of MICE activities. It is expected to see a breakeven for 2021.

Hotels Under Planning and Development

No. 9 Cuscaden Road, Singapore

Sited on a premium location in downtown Orchard area, the Group is developing a 5-star luxury hotel with no fewer than 142 rooms. It is to become the flagship property under the Artyzen Hotels and Resorts brand, comprising a high-end restaurant and bar, a rooftop dining area, an outdoor swimming pool, a gym and other wellness facilities. Under the impact of COVID-19, completion has been delayed till the fourth quarter of 2022 and opening in the first quarter of 2023.

Artyzen Habitat Hotel Hengqin Zhuhai

The hotel is located adjacent to the port facility connecting Macau and Zhuhai. It is minutes from Macau Cotai area, and only 15 minutes away from the renowned Hengqin Chimelong Ocean Kingdom. The 230-guestroom property is scheduled for launch in September 2022, and shall become the epicenter of the integrated complex upon its opening.

Artyzen Habitat Qiantan Shanghai and The Shang

Artyzen Habitat Qiantan Shanghai and The Shang, a select service hotel, are located in the up-and-coming hub for business, entertainment, residential and world class sporting facilities. They are located 20 minutes from the centre of Shanghai and are situated 40 minutes' away from Pudong and Hongqiao International Airport. The two properties are scheduled for opening in the last quarter of 2021 and first quarter of 2022 respectively.

Artyzen New Bund 31

Epitomizing the height of contemporary luxury, this refined 202-room property will be the first keystone for the "Artyzen" brand in China upon completion in year 2023.

Artyzen Hospitality Group

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

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

AHG currently manages 7 operating hotels and a portfolio of 12 properties under development, either as owner-operator or on management contractual basis. These hotels are located in Singapore, Shanghai, Chongqing, Hengqin and Suzhou. Since the onset of COVID-19, their construction progress has been impacted to varying extents. AHG is carefully controlling pre-opening expenses in light of prevailing market volatility, and is ramping up marketing efforts to capitalize on future opportunities, which include extending its digital presence, promoting visibility via Meeting and MICE China Roadshow, as well as collaborating with international tradeshows.

Tourism Facility Management

The Macau Tower Convention & Entertainment Centre ("Macau Tower") is an iconic tourist and MICE venue in Macau. Under the impact of COVID-19, events and observation admissions suffered substantial decline while F&B performance gradually warmed up to active local promotions. Over the first half of the year, the destination saw total sales return to 45% of pre-pandemic levels, and is formulating incentives to capture opportunities arising from the relaxation of PRC tour bookings once restrictions can be lifted.

Membership Club

Artyzen Club is an exclusive networking hub located in the central business district of Hong Kong. Its contemporary and classic ambience, haute Asian and Western cuisines, sports and wellness amenities and versatile event facilities are highly popular among its 400 members.

Despite social gathering restrictions have eased since February, the prevailing controls continue to weigh on the Club's dinner and banquet performance. In anticipation of a strong recovery post-pandemic, the Club has proactively marketed to selected industry and trade groups, as well as introduced member referral programs to promote its value offerings.

INVESTMENTS

The Group is a long term investor in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), and holds approximately 15.8% effective interest in the company as at 30 June 2021. STDM in turn, owns an effective shareholding of approximately 53.9% in SJM Holdings Limited. The latter is effectively entitled to a 100% economic interest in Sociedade de Jogos de Macau, S.A., which changed its name to SJM Resorts, Limited in June 2021, being one of six gaming concessionaires licensed by the Macau SAR Government to operate casinos in Macau. Over the first half of 2021, dividends received amounted to HK$52 million (1H2020: HK$139 million), with the decline reflecting pandemic-induced.

Kai Tak Cruise Terminal

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

Globally, following a year long pause, most cruise lines have started to kick start their phased relaunch plans before the summer months. In Hong Kong, Government suspended immigration services at Kai Tak Cruise Terminal from 5 February 2020. In May 2021, the Government approved "cruises to nowhere" which aims to kick start tourism recovery over the summer months. Berth bookings for future years continue to hold strong as Asian destinations are pushing hard for cruise restart.

Retail Matters Company Limited

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

Since the opening of its flagship store at Nova Mall last year, Toys'R'Us Macau continues to stand as the leader of the industry, offering over 40,000 square feet of toys store space at its 3 different locations – Nova Mall, Macau Tower and Senado Square. Despite significantly reduced tourist traffic under prevailing travel restrictions, the company achieved a 16% sales growth year-on-year through its expansion.

With the gradual economic recovery in Hong Kong, Stecco Natura Gelaterie also attained solid year-on-year growth, achieving a 29% increase in sales through the development of more B2B channels. Current with two directly operated outlets in Hong Kong at K11 and the Peak, Stecco Natura Gelaterie will plan to expand further into other locations in the second half of the year.

Phoenix Media Investment (Holdings) Limited

In June 2021, the Group entered into a sale and purchase agreement with a substantial shareholder of Phoenix Media Investment (Holdings) Limited ("Phoenix Media"), to acquire approximately 16.93% equity interest in Phoenix Media at a cash consideration of approximately HK$516 million. Phoenix Media operates popular global channels for audiences worldwide and is involved in omni-media business such as animated comics, games, digital technologies, creative cultural, cloud technology services, education and exhibitions, among others. The acquisition was completed on 22 June 2021, upon which Phoenix Media becomes an associate of the Group.

RECENT DEVELOPMENTS AND PROSPECTS

As the COVID-19 pandemic continued to weigh on the global economy and people's livelihood, there have been encouraging signs of a gradual recovery as local cases abate, vaccination rate climbs and domestic consumption rebounding. The local economy has proven its resilience as GDP expands and employment stabilizes. Despite these silver linings, prolonged border closure remained a major stumbling block adversely impacting the Group's transportation and hospitality performance.

The residential property market has emerged relatively unscathed as homebuyers stayed confident about the long-term value in the market. During the period, the Group recorded satisfactory sales from its Nova collection in Macau, with 5 units of Nova Park and 76 units of Nova Grand transacted. Two one-of-a-kind developments in Singapore, namely Park Nova and Les Maisons Nassim, attracted widespread international attention. Despite a new wave of pandemic outbreak, 14 units of Park Nova were sold, including 3 penthouses at record price. 1 Simplex unit was sold at Les Maisons Nassim. It is anticipated that the sustained low interest environment and robust economic developments of Singapore will continue to drive market interest in these properties. Retail and office rental, on the other hand, are still subject to recessionary pressure attributable to corporate cost-savings and major decline in tourist spending. The Group's investment portfolio is gradually readjusting its positioning and creating value for tenants in order to maximize rental yield for the long run.

Since the resumption of inter-provincial travel between Macau and Guangdong in July 2020, visitor arrivals into Macau have made moderate recovery for twelve consecutive months, particularly over the May Golden Week. While pent-up demand fueled a rebound in leisure travel, prospect for corporate and MICE segments remain bleak. Moreover, the Delta variant has been causing outbreaks in multiple cities in China, leading to abrupt shutdowns in tourism activities and major cancellations for the peak summer travel months. The Group's hotel portfolio has generally posted improved occupancy rate year-on-year against the low base in 2020, yet any meaningfully substantial rebound will not be possible until borders are fully reopened. Against this backdrop, Artyzen Hospitality Group is cautiously managing operating overheads for the seven hotels in operation, as well as pre-opening expenses for its twelve hotels under development, to weather through the challenging climate.

RECENT DEVELOPMENTS AND PROSPECTS

The Group's transportation division is severely battered as sea borders have been closed since February 2020. Despite the collapse of international and Hong Kong visitor market, TurboJET cooperated with PRC partners to manage the ferry service in Macau for the development of the route between Zhuhai and Macau Outer Harbour Ferry Terminal since May. In addition, the division further directed its efforts towards developing local maritime leisure products, Macau Cruise. In July, Macau Cruise launched the "Barra-Coloane" route which offers a scenic and comfortable ride overlooking a series of key visitor attractions which has since become highly popular. The division will continue to embrace its rigorous cost-saving programs in order to weather the downturn and prepare for service restart. At the same time, the division will consolidate its strategic partnership with China Travel International Investment Hong Kong Limited ("CTII") to optimize their joint land and sea resources to best serve the evolving regional transportation demands within the Greater Bay Area in the post-pandemic era.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's bank balances and deposits amounted to HK$6,749 million as at 30 June 2021, representing an increase of HK$1,303 million as compared with the position as at 31 December 2020. It is the Group's policy to secure adequate funding to satisfy cash flows required for working capital and investing activities. Total bank loan facilities available to the Group as at 30 June 2021 amounted to HK$22,605 million, of which HK$4,281 million remained undrawn. The principal amount of the Group's bank borrowings outstanding at the period end amounted to HK$18,324 million.

Based on net borrowings of approximately HK$11,498 million at the interim period end, the Group's gearing ratio (expressed as a ratio of net borrowings to equity attributable to owners of the Company) was 32.3% (31 December 2020: 35.6%). The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to reduce its finance costs.

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

Maturity Profile

Within 1 year	1-2 years	2-5 years	over 5 years	Total
15%	9%	64%	12%	100%

MATERIAL ACQUISITIONS AND COMMITMENTS

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

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

In November 2018, the Group entered into a main contract for construction a hotel property in Singapore. As at 30 June 2021, the Group has an outstanding commitment of approximately HK$422 million.

In January 2018, the Group entered into an agreement with other partners to jointly invest in Perennial HC Holdings Pte. Ltd. ("HC Co"), which will invest in potential real estate projects in the PRC predominantly for healthcare usage, with hotel and/or with retails components, complemented by healthcare-related amenities and mixed use properties. The total committed capital for HC Co is US$500 million. The Group holds 30% equity interest in HC Co and thus has its share of commitment at US$150 million. As at 30 June 2021, the Group has an outstanding commitment to contribute capital of approximately US$97 million (equivalent to approximately HK$756 million) to HC Co.

CHARGES ON ASSETS

At the period end, bank loans with principal amount of approximately HK$9,025 million (31 December 2020: HK$9,723 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK$18,627 million (31 December 2020: HK$19,349 million). Out of the above secured bank loans, an aggregate principal amount of HK$1,970 million (31 December 2020: HK$2,511 million) was also secured by pledges of shares in certain subsidiaries.

CONTINGENT LIABILITIES

The Company has provided a corporate guarantee for securing a banking facility granted to an associate. As at 30 June 2021, the bank loan balance proportionate to the Company's shareholding amounted to HK$65 million (2020: nil).

FINANCIAL RISK

The Group adopts a prudent approach to financial risk management to minimise currency exposure and interest rate risks. Majority of funds raised by the Group are on a floating rate basis. Except for bank loans with principal amount of RMB1,343 million and SGD1,161 million, the Group's outstanding borrowings at period-end were denominated in Hong Kong dollar ("HKD"). Approximately 75% of the bank deposits, cash and bank balances are denominated in HKD, Macau pataca ("MOP") and US dollar ("USD") and the remaining balance mainly in Renminbi ("RMB"). MOP and USD are pegged to HKD. The Group's principal operations are primarily conducted in HKD while its financial assets and liabilities are also denominated in USD, MOP, Singapore dollar and RMB. The Group will from time-to-time regularly review its foreign exchange and market conditions to determine if hedging is required.

HUMAN RESOURCES

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

	Note	(Unaudited) 2021	(Unaudited) 2020
		HK$'000	HK$'000
Revenue	3	1,901,562	2,141,406
Other income		66,425	175,389
		1,967,987	2,316,795
Other gains/(losses), net	4	209,382	(63)
Cost of inventories sold and services provided		(693,331)	(703,398)
Staff costs		(262,753)	(529,144)
Depreciation and amortisation		(85,337)	(101,453)
Other costs		(326,691)	(367,886)
Fair value changes on investment properties		(84,829)	(275,421)
Operating profit	3, 5	724,428	339,430
Finance costs	6	(169,662)	(216,426)
Share of results of joint ventures		38,070	(184,688)
Share of results of associates		158,380	(63,209)
Profit/(loss) before taxation		751,216	(124,893)
Taxation	7	(151,037)	(94,578)
Profit/(loss) for the period		600,179	(219,471)
Attributable to:			
Owners of the Company		469,978	(279,152)
Non-controlling interests		130,201	59,681
Profit/(loss) for the period		600,179	(219,471)
Earnings/(loss) per share *(HK cents)*	9		
— basic		15.6	(9.2)
— diluted		15.6	(9.2)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	(Unaudited) 2021 HK$'000	(Unaudited) 2020 HK$'000
Profit/(loss) for the period	**600,179**	(219,471)
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss:		
Debt instruments at fair value through other comprehensive income:		
Changes in fair value	**677**	(770)
Cash flow hedges:		
Changes in fair value, net of tax	**—**	(19,240)
Transfer to profit or loss	**—**	7,518
Reversal of asset revaluation reserve upon sales of properties, net of tax	**(30,382)**	(38,250)
Currency translation differences	**22,374**	(166,260)
Share of currency translation differences of joint ventures	**90,414**	(105,058)
Share of currency translation differences of associates	**11,776**	(41,553)
Share of other comprehensive income of an associate	**(565)**	—
Items that will not be reclassified to profit or loss:		
Equity instruments at fair value through other comprehensive income:		
Changes in fair value	**7,250**	(180,026)
Other comprehensive income/(loss) for the period, net of tax	**101,544**	(543,639)
Total comprehensive income/(loss) for the period	**701,723**	(763,110)
Attributable to:		
Owners of the Company	**569,447**	(780,222)
Non-controlling interests	**132,276**	17,112
Total comprehensive income/(loss) for the period	**701,723**	(763,110)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) 30 June 2021	(Audited) 31 December 2020
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	10	**3,187,161**	3,147,271
Right-of-use assets		**847,420**	864,285
Investment properties	11	**10,607,333**	7,979,780
Joint ventures		**12,597,334**	12,644,111
Associates	12	**6,773,653**	6,075,468
Intangible assets		**2,943**	3,055
Financial assets at fair value through other comprehensive income	13	**3,454,450**	3,446,728
Deferred tax assets		**72,346**	66,982
Other non-current assets		**398,463**	2,771,866
		37,941,103	36,999,546
Current assets			
Properties for or under development		**3,949,964**	4,025,958
Inventories		**10,410,656**	13,454,845
Financial assets at fair value through other comprehensive income		**—**	36,433
Financial assets at fair value through profit or loss	14	**1,244,284**	—
Trade and other receivables, deposits paid and prepayments	15	**899,374**	903,450
Taxation recoverable		**115,772**	70,684
Cash and bank balances		**6,749,113**	5,446,129
		23,369,163	23,937,499
Current liabilities			
Trade and other payables, and deposits received	15	**1,797,274**	1,902,831
Contract liabilities		**1,316,127**	927,213
Lease liabilities		**41,444**	47,144
Bank borrowings		**2,801,873**	2,928,476
Provision for employee benefits		**5,886**	5,886
Taxation payable		**349,623**	226,465
Loans from non-controlling interests		**60,361**	60,361
		6,372,588	6,098,376
Net current assets		**16,996,575**	17,839,123
Total assets less current liabilities		**54,937,678**	54,838,669

	Note	(Unaudited) 30 June 2021	(Audited) 31 December 2020
		HK$'000	HK$'000
Non-current liabilities			
Contract liabilities		**35,687**	32,028
Lease liabilities		**45,909**	49,258
Bank borrowings		**15,444,951**	15,011,070
Deferred tax liabilities		**999,508**	973,122
Other non-current liabilities	16	**—**	857,642
		16,526,055	16,923,120
Net assets		**38,411,623**	37,915,549
Equity			
Share capital	17	**9,858,250**	9,858,250
Other reserves		**25,793,442**	25,226,644
Equity attributable to owners of the Company		**35,651,692**	35,084,894
Non-controlling interests		**2,759,931**	2,830,655
Total equity		**38,411,623**	37,915,549

Pansy Ho
Director

Daisy Ho
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 (unaudited)

	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	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
At 1 January 2021	9,858,250	14,465	12,034	(151,413)	2,164,994	4,265	308,672	366,100	22,507,527	35,084,894	2,830,655	37,915,549
Profit for the period	–	–	–	–	–	–	–	–	469,978	469,978	130,201	600,179
Items that may be reclassified to profit or loss:												
Debt instruments at fair value through other comprehensive income:												
Changes in fair value	–	–	–	–	677	–	–	–	–	677	–	677
Reversal of asset revaluation reserve upon sales of properties, net of tax	–	–	–	–	–	–	(30,382)	–	–	(30,382)	–	(30,382)
Currency translation differences	–	–	–	–	–	–	–	20,299	–	20,299	2,075	22,374
Share of currency translation differences of joint ventures	–	–	–	–	–	–	–	90,414	–	90,414	–	90,414
Share of currency translation differences of associates	–	–	–	–	–	–	–	11,776	–	11,776	–	11,776
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	(565)	–	(565)	–	(565)
Item that will not be reclassified to profit or loss:												
Equity instruments at fair value through other comprehensive income:												
Changes in fair value	–	–	–	–	7,250	–	–	–	–	7,250	–	7,250
Disposal	–	–	–	–	506	–	–	–	(506)	–	–	–
Other comprehensive income/(loss) for the period, net of tax	–	–	–	–	8,433	–	(30,382)	121,924	(506)	99,469	2,075	101,544
Total comprehensive income/(loss) for the period	–	–	–	–	8,433	–	(30,382)	121,924	469,472	569,447	132,276	701,723
Lapse of share options	–	(3,596)	–	–	–	–	–	–	3,596	–	–	–
Buy-back of shares	–	–	–	–	–	–	–	–	(2,649)	(2,649)	–	(2,649)
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(203,000)	(203,000)
Transfers	–	–	(2)	–	–	–	–	–	2	–	–	–
	–	(3,596)	(2)	–	–	–	–	–	949	(2,649)	(203,000)	(205,649)
At 30 June 2021	9,858,250	10,869	12,032	(151,413)	2,173,427	4,265	278,290	488,024	22,977,948	35,651,692	2,759,931	38,411,623

For the six months ended 30 June 2020 (unaudited)

	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
At 1 January 2020	9,858,250	14,465	12,201	(151,413)	2,257,130	2,486	299,148	(516,948)	23,441,050	543,866	35,760,235	4,700,357	40,460,592
(Loss)/profit for the period	–	–	–	–	–	–	–	–	(279,152)	–	(279,152)	59,681	(219,471)
Items that may be reclassified to profit or loss:													
Debt instruments at fair value through other comprehensive income:													
Changes in fair value	–	–	–	–	(770)	–	–	–	–	–	(770)	–	(770)
Cash flow hedges:													
Changes in fair value, net of tax	–	–	–	–	–	(9,320)	–	–	–	–	(9,320)	(9,920)	(19,240)
Transfer to profit or loss	–	–	–	–	–	3,202	–	–	–	–	3,202	4,316	7,518
Reversal of asset revaluation reserve upon sales of properties, net of tax	–	–	–	–	–	–	(38,250)	–	–	–	(38,250)	–	(38,250)
Currency translation differences	–	–	–	–	–	–	–	(129,750)	–	–	(129,750)	(36,510)	(166,260)
Share of currency translation differences of joint ventures	–	–	–	–	–	–	–	(105,058)	–	–	(105,058)	–	(105,058)
Share of currency translation differences of associates	–	–	–	–	–	–	–	(41,553)	–	–	(41,553)	–	(41,553)
Item that will not be reclassified to profit or loss:													
Equity instruments at fair value through other comprehensive income:													
Changes in fair value	–	–	–	–	(179,571)	–	–	–	–	–	(179,571)	(455)	(180,026)
Other comprehensive loss for the period, net of tax	–	–	–	–	(180,341)	(6,118)	(38,250)	(276,361)	–	–	(501,070)	(42,569)	(543,639)
Total comprehensive (loss)/income for the period	–	–	–	–	(180,341)	(6,118)	(38,250)	(276,361)	(279,152)	–	(780,222)	17,112	(763,110)
2019 final dividend	–	–	–	–	–	–	–	–	–	(543,866)	(543,866)	–	(543,866)
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(290,000)	(290,000)
Transfers	–	–	(2)	–	–	–	–	–	2	–	–	–	–
Acquisition of interests in subsidiaries without change of control	–	–	–	–	–	–	–	–	(4,311)	–	(4,311)	(423,660)	(427,971)
	–	–	(2)	–	–	–	–	–	(4,309)	(543,866)	(548,177)	(713,660)	(1,261,837)
At 30 June 2020	9,858,250	14,465	12,199	(151,413)	2,076,789	(3,632)	260,898	(793,309)	23,157,589	–	34,431,836	4,003,809	38,435,645

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June

	(Unaudited) 2021	(Unaudited) 2020
	HK$'000	HK$'000
Operating activities		
Cash generated from operations	**1,242,193**	393,764
Income tax paid	**(47,530)**	(55,677)
Net cash generated from operating activities	**1,194,663**	338,087
Investing activities		
Purchase of property, plant and equipment	**(33,209)**	(48,847)
Addition to investment properties	**(18,526)**	(22,359)
Capital contribution to associates	**(526,104)**	(779,203)
Advances to joint ventures	**—**	(15,862)
Repayments from joint ventures	**1,301,427**	—
Advances to associates	**—**	(26,975)
Settlement of consideration for acquisition of interests in an associate	**(779,203)**	—
Acquisition of subsidiaries, net	**32,523**	—
Prepayment for purchasing of property, plant and equipment	**(2,257)**	(4,206)
Decrease in bank deposits with maturities over three months	**296,235**	624,933
Interest received	**45,586**	117,613
Proceeds from disposal of financial assets at fair value through other comprehensive income	**36,547**	754
Dividends received from financial assets at fair value through other comprehensive income	**54,321**	146,378
Dividends received from joint ventures	**—**	9,000
Dividends received from associates	**—**	12,037
Cash inflows from other investing activities	**547**	272
Net cash from investing activities	**407,887**	13,535

	(Unaudited) 2021	(Unaudited) 2020
	HK$'000	HK$'000
Financing activities		
Drawdown of new bank loans	**1,838,554**	9,092,654
Repayments of bank loans	**(1,452,512)**	(5,657,745)
Loans from non-controlling interests	**—**	35,987
Repayments of loans from non-controlling interests	**—**	(425,576)
Acquisition of interest in subsidiaries	**—**	(246,579)
Redemption of medium term notes	**—**	(3,078,455)
Payment for lease liabilities (including interest)	**(23,190)**	(28,715)
Buy-back of shares	**(2,649)**	—
Finance costs (including interests and bank charges) paid	**(169,290)**	(346,996)
Dividends paid to shareholders	**(6)**	(33)
Dividends paid to non-controlling interests	**(203,000)**	(1,658,503)
Net cash used in financing activities	**(12,093)**	(2,313,961)
Net increase/(decrease) in cash and cash equivalents	**1,590,457**	(1,962,339)
Effect of foreign exchange rates changes	**8,762**	(10,646)
Cash and cash equivalents at 1 January	**4,700,244**	10,182,848
Cash and cash equivalents at 30 June	**6,299,463**	8,209,863
Analysis of cash and cash equivalents		
Cash and bank balances	**6,749,113**	8,984,223
Bank deposits with maturities over three months	**(449,650)**	(1,473,121)
Cash and bank balances of a subsidiary reclassified as assets held for sale	**—**	698,761
Cash and cash equivalents at 30 June	**6,299,463**	8,209,863

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of Shun Tak Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies and methods of recognition and presentation used in the preparation of the condensed consolidated interim financial statements are consistent with those described in the 2020 annual financial statements except as stated in note 2 below.

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

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

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The Company's auditor had reported on the financial statements for the year ended 31 December 2020. The auditor's report was qualified and contained a statement under section 407(3) of the Hong Kong Companies Ordinance (Cap.622). The auditor's report did not contain a statement under sections 406(2) or 407(2) of the Hong Kong Companies Ordinance (Cap. 622).

The preparation of the condensed consolidated interim financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates were significant to the Group's consolidated financial statements were detailed in the 2020 annual financial statements and note 24 to these condensed consolidated interim financial statements.

2 IMPACT OF NEW AMENDMENTS TO HKFRS

(a) New amendments to standard adopted by the Group

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The adoption of the above amendments to standards does not have any significant impact to the Group's results for the six months ended 30 June 2021 and the Group's financial position as at 30 June 2021.

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

2 IMPACT OF NEW AMENDMENTS TO HKFRS (Continued)

(b) Amendments to standards not yet adopted

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

Amendments to HKAS 16[(1)]	Property, Plant and Equipment
Amendments to HKAS 37[(1)]	Provisions, Contingent Liabilities and Contingent Assets
Annual Improvements to HKFRS 2018-2020 Cycle[(1)]	
Amendments to HKAS 1[(2)]	Classification of Liabilities as Current or Non-current
Amendments to HKAS 12[(2)]	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKFRS 10 and HKAS 28[(3)]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning 1 January 2022

(2) Effective for annual periods beginning 1 January 2023

(3) Effective date to be determined

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

3 SEGMENT INFORMATION

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

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

The principal activities of each reportable segment are as follows:

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

(b) Segment results, assets and liabilities

Management evaluates performance of the reportable segments on the basis of operating profit or loss before fair value changes on investment properties, interest income and unallocated net corporate expenses. Inter-segment transactions have been entered into on terms agreed by the parties concerned. The Group's measurement methods used to determine reported segment profit or loss remain unchanged since 2020.

3 SEGMENT INFORMATION (Continued)

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

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 Group completed its restructuring in its transportation businesses on 16 July 2020. Subsequent to the completion of the transaction, the results and assets and liabilities of Shun Tak – China Travel Shipping Investments Limited continue to be grouped under the transportation segment but under the lines "Share of results of associates" and "Associates" for the purpose of segment reporting.

3 SEGMENT INFORMATION (Continued)

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

For the six months ended 30 June 2021

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue and other income						
External revenue						
Revenue from contracts with customers						
– Recognised at a point in time	1,052,659	–	42,143	14,228	–	1,109,030
– Recognised over time	411,909	–	107,876	–	–	519,785
	1,464,568	–	150,019	14,228	–	1,628,815
Revenue from other sources						
– Rental income	212,236	–	–	186	–	212,422
– Dividend income	–	–	–	60,325	–	60,325
	212,236	–	–	60,511	–	272,747
	1,676,804	–	150,019	74,739	–	1,901,562
Inter-segment revenue	761	–	607	6,562	(7,930)	–
Other income (external and excluding interest income)	19,978	–	4,845	651	–	25,474
	1,697,543	–	155,471	81,952	(7,930)	1,927,036
Segment results	898,152(i)	–	(94,347)	48,314	–	852,119
Fair value changes on investment properties	(84,829)	–	–	–	–	(84,829)
Interest income						40,951
Unallocated net corporate expenses						(83,813)
Operating profit						724,428
Finance costs						(169,662)
Share of results of joint ventures	48,488	–	(10,418)	–	–	38,070
Share of results of associates	(21,395)	(137,054)	(6,955)	323,784(ii)	–	158,380
Profit before taxation						751,216
Taxation						(151,037)
Profit for the period						600,179

Notes:

(i) Amount includes gain on transfer of inventories to investment properties of HK$209,267,000 as detailed in notes 4 and 11.

(ii) Amount includes gain on bargain purchase of an associate of HK$321,293,000 as detailed in note 12.

3 SEGMENT INFORMATION (Continued)

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

For the six months ended 30 June 2020

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue and other income						
External revenue						
Revenue from contracts with customers						
– Recognised at a point in time	1,469,292	2,038	29,513	12,222	–	1,513,065
– Recognised over time	81,522	84,870	97,800	–	–	264,192
	1,550,814	86,908	127,313	12,222	–	1,777,257
Revenue from other sources						
– Rental income	217,353	215	–	203	–	217,771
– Dividend income	–	–	–	146,378	–	146,378
	217,353	215	–	146,581	–	364,149
	1,768,167	87,123	127,313	158,803	–	2,141,406
Inter-segment revenue	997	217	1,344	–	(2,558)	–
Other income (external and excluding interest income)	12,649	45,989	10,634	973	–	70,245
	1,781,813	133,329	139,291	159,776	(2,558)	2,211,651
Segment results	878,946	(274,894)	(127,560)	134,088	–	610,580
Fair value changes on investment properties	(275,421)	–	–	–	–	(275,421)
Interest income						103,135
Unallocated net corporate expenses						(98,864)
Operating profit						339,430
Finance costs						(216,426)
Share of results of joint ventures	(155,801)	(1,026)	(27,861)	–	–	(184,688)
Share of results of associates	(56,154)	(1,087)	(10,302)	4,334	–	(63,209)
Loss before taxation						(124,893)
Taxation						(94,578)
Loss for the period						(219,471)

3 SEGMENT INFORMATION (Continued)

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

As at 30 June 2021

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets						
Segment assets	30,333,759	143,651	4,329,259	3,565,158	–	38,371,827
Joint ventures	12,966,265	–	(368,931)	–	–	12,597,334
Associates	4,988,776	794,556	143,208	847,113	–	6,773,653
Unallocated assets						3,567,452
Total assets						61,310,266
Liabilities						
Segment liabilities	2,972,416	20	165,965	22,438	–	3,160,839
Unallocated liabilities						19,737,804
Total liabilities						22,898,643

As at 31 December 2020

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets						
Segment assets	32,009,029	178,936	4,194,735	3,566,125	–	39,948,825
Joint ventures	13,002,624	–	(358,513)	–	–	12,644,111
Associates	4,998,395	932,175	140,378	4,520	–	6,075,468
Unallocated assets						2,268,641
Total assets						60,937,045
Liabilities						
Segment liabilities	3,550,449	5,522	139,955	25,256	–	3,721,182
Unallocated liabilities						19,300,314
Total liabilities						23,021,496

4 OTHER GAINS/(LOSSES), NET

	For the six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Net gain/(loss) on disposal of property, plant and equipment	**115**	(63)
Gain on transfer of inventories to investment properties (note 11)	**209,267**	—
	209,382	(63)

5 OPERATING PROFIT

	For the six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
After crediting:		
Interest income from bank deposits and others	**40,989**	103,179
Rental income from investment properties	**124,664**	144,430
Dividend income from listed investments	**7,852**	7,823
Dividend income from unlisted investments	**52,473**	138,555
Wage, salary and other subsidies from governments under COVID-19	**2,542**	56,476
After charging:		
Cost of inventories sold		
— properties	**618,876**	565,133
— fuel	**—**	45,226
— others	**16,983**	20,699
	635,859	631,058

6 FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Interest on bank borrowings	**150,666**	218,707
Interest on medium term notes	**—**	32,979
Interest on lease liabilities	**2,567**	2,296
Other finance costs	**27,120**	17,832
Total finance costs	**180,353**	271,814
Less: amount capitalised in properties for or under development and hotel building under construction	**(10,691)**	(55,388)
	169,662	216,426

7 TAXATION

	For the six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Current taxation		
Hong Kong profits tax	**1,557**	18,088
Non-Hong Kong taxation	**124,791**	119,334
	126,348	137,422
Deferred taxation		
Origination and reversal of temporary differences	**24,689**	(42,844)
	151,037	94,578

7 TAXATION (Continued)

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

8 INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2021 (2020: nil).

9 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on profit attributable to owners of the Company of HK$469,978,000 (2020: loss of HK$279,152,000) and the weighted average number of 3,021,425,089 shares (2020: 3,021,479,785 shares) in issue during the period.

Basic and diluted earnings/(loss) per share are the same as the share options of the Company have an anti-dilutive effect on the basic earnings/(loss) per share for the period ended 30 June 2021 (2020: same).

10 PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment mainly comprised hotel land and buildings of HK$9,287,000 and hotel buildings under construction of HK$36,478,000 (2020: hotel land and buildings of HK$17,205,000 and hotel buildings under construction of HK$30,222,000) and there was a transfer from inventories to property, plant and equipment amounted to HK$55,095,000. In the same period, net book value of property, plant and equipment disposed of amounted to HK$170,000 (2020: HK$75,000).

11 INVESTMENT PROPERTIES

Revaluations of all investment properties were performed on 30 June 2021 by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of net income. The revaluations of the Group's investment properties were conducted by Savills Valuation and Professional Services Limited and Knight Frank Petty Limited, independent professional valuers, in accordance with the Hong Kong Institute of Surveyors Valuation Standards issued by the Hong Kong Institute of Surveyors.

During the period, there was a transfer from inventories to investment properties at fair value amounted to HK$2,678,230,000 with the related gain on transfer of HK$209,267,000 being recognised as disclosed in note 4.

12 ASSOCIATES

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

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The fair value of the Group's unlisted equity investment in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") classified as financial assets at fair value through other comprehensive income ("FVOCI") that is not traded in an active market is estimated using valuation technique. The Group uses its judgement to apply the market approach as the valuation method and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The fair value derived for the Group's investment in STDM was HK$3,003,721,000 as at 30 June 2021 (31 December 2020: HK$3,029,065,000). Details of the key assumptions used and the impact of changes to these assumptions are disclosed in note 24.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at fair value through profit or loss represents the structured deposits held by the Group with maturities of less than one year.

15 TRADE RECEIVABLES AND PAYABLES

Trade receivables are managed in accordance with defined credit policies, with reference to market condition and businesses in which the trade debtors operate. Subject to negotiation, credit is only available to 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.

15 TRADE RECEIVABLES AND PAYABLES *(Continued)*

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

	30 June 2021	31 December 2020
	HK$'000	HK$'000
0 — 30 days	148,217	73,612
31 — 60 days	28,103	18,920
61 — 90 days	4,410	13,365
over 90 days	16,679	14,489
	197,409	120,386

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

	30 June 2021	31 December 2020
	HK$'000	HK$'000
0 — 30 days	325,459	477,744
31 — 60 days	5,502	1,637
61 — 90 days	92	217
over 90 days	624	446
	331,677	480,044

16 OTHER NON-CURRENT LIABILITIES

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

The final instalment of shares consideration payable of HK$805,211,000 and shareholder's loan of HK$23,587,000, which are payable by 30 June 2022, is included within trade and other payable under current liabilities. These share consideration payables are secured and bear interest at 2% per annum.

17 SHARE CAPITAL

	30 June 2021		31 December 2020	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Issued and fully paid				
Ordinary shares				
At beginning of the period/year	**3,021,479,785**	**9,858,250**	3,021,479,785	9,858,250
Buy-back of shares	**(1,100,000)**	**—**	—	—
At end of the period/year	**3,020,379,785**	**9,858,250**	3,021,479,785	9,858,250

17 SHARE CAPITAL (Continued)

During the period, 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
June 2021	1,100,000	2.42	2.39	2,642
		Total expenses on shares bought back		7
				2,649

The shares buy-back was governed by section 257 of the Hong Kong Companies Ordinance. The total amount incurred for the shares bought back including the transaction costs of HK$7,000 was paid wholly out of the Company's retained profits. All the shares bought back were cancelled subsequently.

18 CHARGES ON ASSETS

As at 30 June 2021, bank borrowings to the extent of approximately HK$8,998,021,000 (31 December 2020: HK$9,692,043,000) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK$18,626,520,000 (31 December 2020: HK$19,349,324,000). Out of the above secured bank borrowings, an aggregate amount of HK$1,966,591,000 (31 December 2020: HK$2,507,214,000) was also secured by pledges of shares in certain subsidiaries.

19 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

		For the six months ended 30 June	
		2021	2020
	Note	**HK$'000**	HK$'000
STDM Group	(i)		
Dividend income from STDM		**52,340**	138,498
Ferry tickets sold (after discount) to STDM Group		**—**	6,894
Fees received from STDM Group for provision of hospitality management and related services		**6,829**	9,197
Fees received from STDM Group for provision of property related services		**8,413**	8,242
Fees received from STDM Group for provision of business support services		**915**	2,441
Rental and related expenses paid to STDM Group		**7,424**	8,747
Fees paid to STDM Group for purchase of travel products		**—**	1,004
Fuel arrangement fee paid to STDM Group for Macau shipping operations		**—**	970
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		**14,018**	17,373
Revenue of duty free goods sold on board collected for STDM		**—**	973
Joint venture			
Ferry passengers handling fees received on behalf of a joint venture		**—**	673
Sanitation/cleaning service income received from a joint venture		**6,211**	3,394
Associates			
Rental and related expenses paid to STCL	(ii)	**4,891**	8,885
Insurance premium paid to an associate		**2,514**	16,970
Fuel costs paid to an associate		**—**	1,849
Management fee received from an associate		**4,200**	—
Key management personnel			
Directors' emoluments			
— Salaries and other short-term employee benefits		**14,512**	16,294
— Provident fund contributions		**550**	706
Marketing expenses paid		**2,071**	—

19 SIGNIFICANT RELATED PARTY TRANSACTIONS
(Continued)

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

	Note	30 June 2021 HK$'000	31 December 2020 HK$'000
STDM Group	(i)		
Net receivable from STDM Group	(iii)	**5,563**	19,176
Joint ventures			
Amounts due by joint ventures	(iv)	**101,087**	1,395,727
Amounts due to joint ventures	(iv)	**1,682**	1,657
Associates			
Amounts due by associates	(v)	**144,612**	143,882
Key management personnel			
Deposit paid by a subsidiary to Sai Wu Investment Limited ("Sai Wu")	(vi)	**500,000**	500,000
Balance of deposits received for sale of properties	(vii)	**1,837**	1,500

Notes:

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

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

(iii) Net receivable from STDM Group comprises trade and other receivables and payables.

(iv) Amounts due by joint ventures and amounts due to joint ventures are unsecured, non-interest bearing and repayable on demand.

19 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

Notes: (Continued)

(v) Amounts due by associates are unsecured and repayable on demand. An amount of HK$138,882,000 (2020: HK$138,882,000), carries interest at HIBOR plus 2% per annum on loan principal. The related interest income for the period amounted to HK$1,687,000 (2020: nil). The remaining balances are non-interest bearing.

(vi) On 11 November 2004, Shun Tak Nam Van Investment Limited ("Shun Tak Nam Van"), a wholly-owned subsidiary of the Group, entered into a conditional sale and purchase agreement ("SPA") with Sai Wu, a company beneficially owned as to 60% by the late Dr. Stanley Ho and 40% by other independent third parties, to acquire the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau. 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 replacement rights (the "Target Companies") and the assignment of relevant promissory land replacement rights held by Sai Wu to Shun Tak Nam Van (the "Transfer"), enabling the Group to have authority to directly negotiate on behalf of Sai Wu and the Target Companies in relation to the land sites and the promissory land replacement rights. The Transfer was completed in 2018.

Depending on the results of such negotiation, Shun Tak Nam Van may (i) obtain the replacement site(s) to its satisfaction and pay the pro-rata consideration; or (ii) revoke the Transfer and request Sai Wu to return the deposit paid by Shun Tak Nam Van under the SPA.

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

As at 30 June 2021, sale deposits of HK$1,837,000 was recognised as contract liabilities. Revenue amounting to HK$8,637,000 was recognised in the condensed consolidated income statement in relation to the sale and purchase contracts for the year ended 31 December 2020.

20 COMMITMENTS

(a) Capital commitments

	Note	30 June 2021	31 December 2020
		HK$'000	HK$'000
Contracted but not provided for			
Property, plant and equipment	(i)	**545,640**	588,770
Capital contribution to			
Joint ventures		**—**	74,350
Associates	(ii)	**755,775**	754,777
		755,775	829,127

Notes:

(i) As at 30 June 2021, the outstanding commitments mainly include approximately HK$422 million (31 December 2020: HK$459 million) for development of a hotel property in Singapore.

(ii) As at 30 June 2021, the outstanding commitments mainly includes capital contribution of USD97 million (31 December 2020: USD97 million) to an associate for investing in real estate projects in the PRC for healthcare usage, with hotel and/or retail components, complemented by healthcare-related amenities and mixed-use properties.

(iii) The Group's share of capital commitments to a joint venture for jointly developing a land in Shanghai Qiantan is HK$755 million at 30 June 2021 (31 December 2020: HK$713 million).

20 COMMITMENTS (Continued)

(b) Property development commitments

The Group had outstanding commitments of HK$823 million (31 December 2020: HK$121 million) under various contracts for property development projects.

In addition to the above, the Group had commitments to pay HK$250 million (31 December 2020: HK$250 million) in cash and to issue up to 148,883,374 (31 December 2020: 148,883,374) ordinary shares of the Company for the conditional acquisition of the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau.

21 CONTINGENT LIABILITIES

The Company has provided a corporate guarantee for securing a banking facility granted to an associate. As at 30 June 2021, the bank loan balance proportionate to the Company's shareholding amounted to HK$65 million (2020: nil).

22 ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 13 November 2020, the Group successfully tendered to further acquire 20% equity interest in Shanghai Tongxin Investment Company Limited ("Shanghai Tongxin") and Shanghai Suzuan Investment Company Limited ("Shanghai Suzuan") through public tender at a total consideration of RMB944,400,000, which has been prepaid in November 2020. Shanghai Suzuan and Shanghai Tongxin were 80% owned joint ventures of the Group, which hold 50% owned joint ventures with interest in a mixed-use development located in Suhe Bay Area in Jingan District of Shanghai ("Suhe Bay Project").

22 ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

Upon the completion on 14 January 2021, Shanghai Suzuan and Shanghai Tongxin became 100% wholly-owned subsidiaries of the Group. The acquisition has been accounted for as purchase of assets and liabilities. Through the acquisition, the Group has increased its effective interest in the joint ventures developing the Suhe Bay Project from 40% to 50%. A gain on bargain purchase of HK$17,548,000 was recognised within the share of results of joint ventures during the period. Net cash inflow of HK$32,523,000 was resulted from the acquisition of Shanghai Suzuan and Shanghai Tongxin during the period since the cash consideration was paid in previous year.

The assets acquired and liabilities recognised of Shanghai Suzuan and Shanghai Tongxin at the acquisition date were as follows:

	Shanghai Suzuan	Shanghai Tongxin	Total
	HK$'000	HK$'000	HK$'000
Investment in a joint venture	2,853,974	1,399,026	4,253,000
Financial assets at fair value through profit or loss	—	1,171,816	1,171,816
Cash and bank balances	5,236	27,287	32,523
Trade and other payables, and deposits received	(821)	(1,043)	(1,864)
Net assets	2,858,389	2,597,086	5,455,475
Net asset of additional 20% interest acquired	571,678	519,417	1,091,095
Cash consideration paid in previous year	(565,874)	(507,673)	(1,073,547)
Gain on bargain purchase	5,804	11,744	17,548

23 ACQUISITION OF INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

On 16 April 2020, Simply Swift Limited ("Simply Swift"), an indirect wholly-owned subsidiary of the Group, entered into the sale and purchase agreement with Perennial Singapore Investment Holdings Pte. Limited to conditionally purchase the remaining 30% issued ordinary shares, redeemable preference shares and junior bonds of Perennial Somerset Investors Pte. Ltd. ("Somerset"), a 70% owned subsidiary by Simply Swift, at a total consideration of SGD157,000,000 (equivalent to approximately HK$854,000,000). Upon completion on 29 May 2020, Somerset became an indirect wholly-owned subsidiary of the Group.

24 FINANCIAL INSTRUMENTS

Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and price risk).

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2020 annual financial statements.

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

24 FINANCIAL INSTRUMENTS *(Continued)*

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).

24 FINANCIAL INSTRUMENTS (Continued)

Fair value estimation (Continued)

At 30 June 2021

	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Financial assets at FVTPL	1,244,284	—	—	1,244,284
Financial assets at FVOCI				
— equity securities	428,576	6,429	3,003,721	3,438,726
— debt securities	15,724	—	—	15,724
Total assets	1,688,584	6,429	3,003,721	4,698,734

At 31 December 2020

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

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

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

There were no changes in valuation techniques during the period.

Fair value estimation (Continued)

During the six months ended 30 June 2021, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements. There were no significant changes in the business or economic circumstances that affect the fair values of the Group's financial assets and financial liabilities and there were no reclassifications of financial assets during the same period.

Information about fair value measurements using significant unobservable inputs

		Range of significant unobservable inputs	
Fair value as at 30 June 2021	**Valuation method**	**Expected dividend stream per year**	**Dividend yield**
HK$'000			
3,003,721	**Market approach**	**HK$94 million**	**3.13%**

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

24 FINANCIAL INSTRUMENTS (Continued)

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

The determination of fair value of the investment using significant unobservable inputs involves a high degree subjectivity of judgements and estimation uncertainty. For illustration purpose, the sensitivity of the fair value of such investment at 30 June 2021 and 31 December 2020 to hypothetical changes in the significant principal assumptions (while holding all other assumptions constant) is as follows:

30 June 2021

		Impact on fair value and other comprehensive income	
	Change in assumptions	Positive impact	Negative impact
Expected dividend stream	**Increase/decrease by 10% per year**	**Increase by HK$300 million**	**Decrease by HK$300 million**
Dividend yield	**Decrease/increase by 0.5%**	**Increase by HK$570 million**	**Decrease by HK$413 million**

31 December 2020

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

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

The carrying value of the unlisted equity investment in STDM which is categorised at Level 3 fair value hierarchy and the movement is as follows:

	HK$'000
At 1 January 2020	3,089,453
Change in fair value recognised in other comprehensive income	(76,627)
At 30 June 2020	3,012,826
At 1 January 2021	3,029,065
Change in fair value recognised in other comprehensive income	(25,344)
At 30 June 2021	3,003,721

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 59, which comprises the interim condensed consolidated balance sheet of Shun Tak Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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SCOPE OF REVIEW

Except as explained in the following paragraphs, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BASIS FOR QUALIFIED CONCLUSION

Comparability of the current period's figures and the corresponding figures for the period ended 30 June 2020 in the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated statement of changes in equity

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

During the six months ended 30 June 2020, the Group relied on the financial information provided by PT management to equity account for the Group's share of result and share of net assets of PT. However, since the books and records of the underlying project companies were kept by the other shareholder holding the remaining 50% interests in the project companies, management of PT did not have sufficient access to the books and records of the project companies, and therefore they were not able to provide to the Group adequate supporting information and explanations with respect to the financial performance and financial position of the project companies up to the date of Disposal. Our access to the underlying records and explanations sought were also denied. We therefore previously qualified our review conclusion in respect of the Group's interim financial information for the six months ended 30 June 2020 due to limitation of scope as we were unable to obtain sufficient appropriate evidence we considered necessary with respect to the financial performance and financial position of PT, and there were no other satisfactory procedures that we could perform to determine whether any adjustments to the Group's investment in PT of HK$504,009,000 and share of its exchange reserves deficit of HK$96,175,000 as at 30 June 2020, and the Group's share of losses of HK$10,000 and share of currency translation losses in other comprehensive loss of HK$10,508,000 in respect of PT for the six months ended 30 June 2020 were necessary.

Because of the possible effects of this matter on the comparability of the current period's figures and the corresponding figures for the six months ended 30 June 2020 in the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated statement of changes in equity, our review conclusion on the interim financial information for the six months ended 30 June 2021 is therefore qualified.

QUALIFIED CONCLUSION

Based on our review, except for the possible effects on the comparability of the current period's figures and the corresponding figures of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2021

(1) DISCLOSURE OF DIRECTORS' INTERESTS

As at 30 June 2021, the interests or short positions of the directors ("Directors") and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

		Number of shares held			Approximate percentage
Name of Director	Nature of interests	Personal interests	Corporate interests		of total issued shares
				Note	Note (i)
Ms. Pansy Ho	Interests in issued shares	166,043,937	373,620,627	(iii)	17.87%
	Interests in issued shares	–	65,040,000	(v)	2.15%
	Interests in unissued shares	–	148,883,374	(ii)	4.93%
Ms. Daisy Ho	Interests in issued shares	89,496,345	134,503,471	(iv)	7.42%
	Interests in issued shares	–	65,040,000	(v)	2.15%
	Interests in unissued shares	–	148,883,374	(ii)	4.93%
Ms. Maisy Ho	Interests in issued shares	38,901,203	31,717,012	(vi)	2.34%
Mr. David Shum	Interests in issued shares	5,660,377	–		0.19%

Notes:

(i) *As at 30 June 2021, the total number of issued shares of the Company was 3,020,379,785.*

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

(iii) *The 373,620,627 shares in which Ms. Pansy Ho was deemed to hold interests under the SFO, comprised 189,396,066 shares held by Beeston Profits Limited ("BPL") and 184,224,561 shares held by Classic Time Developments Limited ("CTDL"). Both BPL and CTDL are wholly-owned by Ms. Pansy Ho.*

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

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

(vi) *The 31,717,012 shares in which Ms. 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 Corporation 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 30 June 2021, there was a total of 10,000 shares of Shun Tak & CITS Coach (Macao) Limited in issue.

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

Save as disclosed in sub-paragraphs (1)(a) and (1)(b) above, none of the Directors or chief executive of the Company or any of their associates had, or were deemed to hold, any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2021.

(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.

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 period were as follows:

				Number of share options		
Name of Director	Date of grant	Exercise period	Exercise price per share	At 1 January 2021	At 30 June 2021	
			HK$			Note
Mr. Norman Ho	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	–	(i)
Mr. Charles Ho	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	–	(i)
Total				2,264,248	–	

Notes:

(i) These share options were vested on 29 March 2011 and lapsed during the period.

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

Save as disclosed above, as at 30 June 2021, 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.

(3) SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 30 June 2021, according to the register of interests or short positions in shares required to be kept by the Company under Section 336 of the SFO (other than the interests of the Directors and chief executive of the Company) or information available to the Company, the following shareholders held interests in 5% or more of the issued shares of the Company:

Name of shareholder		Nature of interests	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of total issued shares
	Note					Note (i)
Renita Investments Limited ("Renita") and its subsidiary	(ii)	Interests in issued shares	Beneficial owner and interests of controlled corporation	Long position	500,658,864	16.58%
Oakmount Holdings Limited ("Oakmount")	(ii)	Interests in issued shares	Beneficial owner	Long position	396,522,735	13.13%
Shun Tak Shipping Company, Limited ("STS") and its subsidiaries	(iii)	Interests in issued shares	Beneficial owner and interests of controlled corporation	Long position	373,578,668	12.37%
Beeston Profits Limited ("BPL")	(iv)	Interests in issued shares	Beneficial owner	Long position	189,396,066	6.27%
Classic Time Developments Limited ("CTDL")	(iv)	Interests in issued shares	Beneficial owner	Long position	184,224,561	6.10%
Megaprosper Investments Limited ("MIL")	(v)	Interests in issued shares	Interest of controlled corporation	Long position	65,040,000	2.15%
	(vi)	Interests in unissued shares	Interest of controlled corporation	Long position	148,883,374	4.93%

Notes:

(i) *As at 30 June 2021, the total number of issued shares of the Company was 3,020,379,785.*

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

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

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

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

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

Save as disclosed above, no other person (other than the Directors and the chief executive of the Company) held any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or according to information available to the Company as at 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, the Company bought back a total of 1,100,000 shares of the Company at an aggregate consideration of HK$2,642,750 (before expenses) on the Stock Exchange. All the shares bought back were subsequently cancelled. Particulars of the buy-back are as follows:

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

CORPORATE GOVERNANCE CODE

The Board is of the opinion that the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2021, 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, the allocation of power and authority within the corporate structure is adequately balanced to satisfy the objective of this code provision. In addition, there are four independent non-executive directors on the Board who offer their respective experience, expertise and independent advice and views from different perspectives. Therefore, it is in the best interest of the Company that Ms. Pansy Ho, with her in-depth knowledge of the businesses and extensive experience in the operations of the Group, assumes her dual capacity.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiry by the Company on each of them, that they had fully complied with the Model Code throughout the six months ended 30 June 2021.

CHANGES IN DIRECTORS' INFORMATION

Changes in Directors' information since 26 March 2021, the date to which the 2020 annual report of the Company was made up, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of Director	**Details of changes**
Ms. Pansy Ho	• Ceased to be an independent non-executive director of Sing Tao News Corporation Limited (which is listed on the Main Board of the Stock Exchange) on 3 June 2021. • Appointed as the vice-chairman and a non-executive director of Phoenix Media Investment (Holdings) Limited (which is listed on the Main Board of the Stock Exchange) on 22 June 2021. • Ceased to be a member of the Government of Macau SAR Committee of Cultural Industries on 29 March 2021.
Ms. Daisy Ho	• Change of appointment from chairman to advisor of Po Leung Kuk in April 2021. • Awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region on 1 July 2021.

Name of Director	Details of changes
Ms. Maisy Ho	• Appointed as a director of Hong Kong Tai Chi Youth Charitable Foundation since 2020. • Ceased to be 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 and Tung Wah Group of Hospitals Wong Tai Sin Hospital on 31 March 2021. • Appointed as the vice chairlady of All-China Women's Federation Hong Kong Delegates Association Limited on 10 May 2021. • Appointed as a member of executive committee of Hong Kong Federation of Women on 3 June 2021.
Mr. Charles Ho	• Ceased to be the chairman and an executive director of Sing Tao News Corporation Limited (which is listed on the Main Board of the Stock Exchange) on 3 June 2021.

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

REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 have been reviewed by the audit and risk management committee of the Company. At the request of the Directors, the Company's external auditor, PricewaterhouseCoopers, has carried out a review of the said unaudited condensed consolidated interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers has issued a modified conclusion on the condensed consolidated interim financial statements for the six months ended 30 June 2021. Please refer to "Report on Review of Interim Financial Information" on pages 60 to 63 of this report for more details.

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

The audit and risk management committee of the Company understood that both the Company and its auditor were unable to obtain necessary supporting information and explanations from the Company's approximately 38.7% owned associate, Perennial Tongzhou Holdings Pte. Ltd. ("PT"), in relation to PT's 50% effective interests in three property project companies in China during 2020. As such, the auditor issued a qualified review conclusion in respect of the Group's Interim Financial Information for the six months ended 30 June 2020 due to the scope limitation.

The audit and risk management committee of the Company believes that the issues underlying the auditor's qualified review conclusion in 2020 have been resolved upon the disposal of its investment in PT by the Company on 28 December 2020. The audit and risk management committee acknowledges that the auditor has issued a qualified review conclusion for the six months ended 30 June 2021 because of the possible effects of the scope limitation in 2020 on the comparability of the current period's figures and the corresponding figures for the six months ended 30 June 2020 in the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated statement of changes in equity. The audit and risk management committee also understands that, except for the basis of qualification as mentioned above, nothing has come to the auditor's attention that causes the auditor to believe that the Group's Interim Financial Information for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". On that basis, the audit and risk management committee has accepted the auditor's qualified review conclusion for the six months ended 30 June 2021.

By order of the Board
Pansy Ho
Group Executive Chairman and Managing Director
Hong Kong, 30 August 2021

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

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