鴻圖萬里
Great Ambitions

信德集團有限公司
中期業績報告
SHUN TAK HOLDINGS LIMITED
INTERIM REPORT
2018

信德集團
SHUN TAK HOLDINGS

STOCK CODE 股份代號: 242

鴻圖萬里
Great Ambitions

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

信德集團過去五十年，一直精誠創建，
打鑄一個個非凡里程；
為業界，為社會，注入無限動力。
未來，我們將繼續傳承開拓，讓我們的成就，
延連萬里，德澤流芳。

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 2018 of the Company and its subsidiaries (the "Group").

The unaudited profit attributable to owners of the Company for the period was HK$307 million (2017: HK$699 million). Underlying profit attributable to the owners which was principally adjusted for unrealised fair value changes on investment properties would be HK$186 million (2017: HK$718 million). Basic earnings per share was HK10.1 cents (2017: HK23 cents).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2018 (2017: HK6 cents per share).

Business Review

BUSINESS REVIEW

Property

The Hong Kong and Macau real estate markets remained robust over the first half of 2018, continuing longstanding trends of strong demand for property in the two SARs. Despite global uncertainties such as interest rate hikes, property prices in Hong Kong have continued to rise over the period, while Macau property prices have remained strong in light of concerns about land availability. Within this environment, the Group's major multi-phase Nova City project has continued to generate strong interest in the market. However, sales from the project's Phase 4 (Nova Park) have predominantly been fully recognised in 2017, while the next tranche of contracted sales from Phase 5 (Nova Grand) will start to be recognised in the second half of 2018 and thereafter. As a result, the Group's revenue for the period is affected year-on-year, largely on the basis of cyclical fluctuations in recognised revenue. Year-on-year profit of HK$179 million (1H2017: HK$630 million) was recorded.

Pipeline sales are expected to boost results considerably in the second half of the year. To date, around 70% of units in Nova Grand have been sold. In addition, disposal gains relating to the sale of a 50% stake in the Nova Grand's shopping centre to the Abu Dhabi Investment Authority is targeted to be recognised in the second half of the year.

The period has also been one of new directions for the Group in its property development plans. It has moved into the Singapore market with two promising acquisitions in the period. Along with two other properties which include 111 Somerset Road and No.9 Cuscaden Road, acquired in 2017 and 2016 respectively, the Group is strategically expanding its footprint in Singapore with a diversified property portfolio.

In January, the Group also announced its formation of a strategic partnership with a Singaporean healthcare company, under which it intends to engage in the development of healthcare-themed properties (e.g. clinics and hospitals) with retail and hotel components which are sited in highly accessible locations such as along high-speed rail routes. This is opening up new and more specialised opportunities for property development in the future.

Property Developments

Projects Completed with Recent Sales

In Macau

Nova Park (Group interest: 100%)

Nova Park is Phase 4 of the Group's mega-development Nova City. A boldly designed residential development overlooking Taipa Central Park, Nova Park is comprised of three residential towers of 620 units, with a gross floor area of approximately 680,000 square feet in total. As 96% of the units had been sold and predominantly fully recognised by December 2017, only a small percentage of previously contracted sales were booked in the period under review.

In Singapore

111 Somerset Road, Singapore (Group interest: 70%)

This commercial development comprises approximately 766,550 square feet of gross floor area, and the Group acquired its stake in March 2017. The property has been undergoing a major asset enhancement programme over the past year, with offices, medical suites and retail units all being upgraded and re-leased. During the period, 4 office units and 1 medical suite have been sold with profits recognised. By 30 June 2018, approximately 75% of office units held had been committed, with the remaining units either still undergoing renovations or having been earmarked for sale. Renovations have now also been completed for most of the medical suites in the building, while retail renovations are ongoing and expected to be completed in the last quarter of 2018. A diverse range of retail clients including a supermarket, dining outlets as well as lifestyle and wellness brands are planned to be introduced to the address.

Project under Development with Recent Sales

In Macau

Nova Grand (Group interest: residential — 71%; commercial — 100%)

This, Phase 5 of the Group's Nova City project, is scheduled for completion in late 2018. Nova Grand continues the excellence of the previous phases of this flagship project, offering over 2.3 million square feet of residential units in eight towers, all sitting above the Nova Mall which spans more than 655,000 square feet. Sales have been carried out in phases and as at 30 June 2018, approximately 70% of the residential units at Nova Grand had been sold. Revenue will start to be recognised in the second half of 2018 and thereafter upon completion.

The massive Nova Mall at Nova Grand will become one of the largest lifestyle malls directly connected to a residential area in Macau. As reported in the last Annual Report, the Group has sold a 50% stake in Nova Mall to HIP Company Limited, a subsidiary of the Abu Dhabi Investment Authority, for HK$3,150 million. This disposal gain will be recognised in the second half of the year.

Projects under Development

In Northern China

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

This project is situated in Tongzhou, earmarked to become the city's new Central Business District and the new location of the municipal government administration offices. The Group is developing an iconic building combining various facilities at one address on the historic Grand Canal. Work is on track with project completion expected in 2020 and 2021 by phases. When completed, the development will offer 244,000 square metres of retail space, 211,000 square metres of office space, and 117,000 square metres of serviced apartments.

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

This 50:50 joint venture project with Shanghai Lujiazui (Group) Company Limited will involve the development of a mixed-use site of 133,500 square metres in total gross floor area, including offices, retail space, a hotel component, and an art and cultural centre. Work at the site has begun during the period, with completion scheduled for 2022. Once completed, the hotel in the development will be managed by Artyzen Hospitality Group.

In Southern China

Hengqin Integrated Development (Group interest: 70%)

On completion in 2020, this integrated project will be comprised of 42,300 square metres of office development, 45,500 square metres of retail facilities (including basement retail facilities), 16,700 square metres of hotel space, 32,800 square metres of serviced apartments and 1,311 car parking spaces, all on a site area of 23,834 square metres. Strategically situated on the border of Macau and Hengqin, with links to the Lotus Bridge border facilities and to the future extension of the Guangzhou-Zhuhai Intercity Rail, this is a very well positioned development. Presale is expected to begin in early 2019.

Projects under Planning

In Macau

Harbour Mile (Group interest: 100%)

In consideration that the Macau SAR Government is continuing to review the Master Plan of Nam Van area, the Group has renegotiated its position with the original sellers of the site in November 2016, in order to facilitate future strategizing of its investment in accordance to the best interest of its shareholders.

In Singapore

21 Orchard Boulevard (Group interest: 100%)

This prime residential site was acquired by the Group in June 2018 at a total consideration of approximately SG$375.5 million. It sits in a very sought-after area, close to Singapore's famous Orchard Road shopping and entertainment district. The Group plans to develop the site as a luxury residential condominium. The site covers 46,084 square feet, and will yield a maximum gross floor area of approximately 129,037 square feet.

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

These sites, in a road that is known as one of Singapore's most coveted residential addresses, were acquired by the Group in June 2018 at a total consideration of approximately SG$218 million. The area is open, green and private, yet extremely accessible as it is only a short walk away from the main shopping zone on Orchard Road. Such a plot is rare on the market; it covers 66,452 square feet and offers a maximum gross floor area of approximately 93,033 square feet. The Group plans to develop the site as a luxury residential condominium.

Property Investments

In Macau

Nova Mall (Group interest: 100%)

Spanning over 655,000 square feet, Nova Mall serves the Group's Nova City development and is spread out under Nova Grand. It will become one of the largest lifestyle malls directly connected to a residential area in Macau. Once operational, it will include a cineplex, a supermarket, an international furniture store, along with many and diverse lifestyle brands and dining outlets. The mall, 50% stake of which was sold by the Group with transaction to be completed in the second half of 2018, is set to open in 2019, and leasing is now well underway.

One Central Shopping Mall (Group interest: 51%)

One Central Shopping Mall is a 400,000 square foot premium shopping mall particularly noted for its array of international designer brands. The mall maintained a steady occupancy rate of around 90% as at 30 June 2018.

Shun Tak House (Group interest: 100%)

With over 28,000 square feet of leasable space in a popular tourist area, Shun Tak House has maintained 100% occupancy in the period under review. Two major retail tenants continue to do business there.

In Hong Kong

The Westwood (Group interest: 51%)

The Westwood, a 5-storey shopping centre of around 158,000 square feet of leasable area, enjoyed an occupancy rate of 96% during the period. It houses a large number of retail chain shops and, as the largest shopping destination under one roof at the Western end of Hong Kong Island, attracts shoppers and diners from many areas nearby.

Chatham Place (Group interest: 51%)

This 3-storey shopping arcade below Chatham Gate was in a transitional phase in the first half of 2018, as it geared up for the commencement of operation of a major kindergarten tenant in the third quarter. Consequently, the occupancy rate was 51% as at 30 June 2018, a situation that will change with the opening of the kindergarten and the gradual introduction of a new tenant mix.

liberté place (Group interest: 64.56%)

Located at Lai Chi Kok MTR Station, liberté place serves residents of the growing West Kowloon community, including occupants of the nearby Banyan Garden, The Pacifica, and Aquamarine. This popular mall maintained an occupancy rate of over 99% for the first half of 2018.

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

This space is largely occupied by the anchor tenant, a private indoor golf club. Shun Tak Centre is a high footfall location that benefits from a wide range of retail and lifestyle options, and the Group plans to further shuffle the trade mix here to enhance the mall's attractiveness and value.

In China

Shun Tak Tower (Group interest: 100%)

Located in Beijing Dong Zhi Men, this 63,000 square foot (5,832 square metres) site includes office and hospitality components. Gross floor area is approximately 419,000 square feet (38,900 square metres), over 21 above-ground and 4 underground levels. As at 30 June 2018, office occupancy had risen to 92%, and rental rates had also moved upwards year on year. The tower has also benefited from the launch of the Artyzen Habitat hotel, with 138 rooms, in September 2017. Shun Tak Tower is well situated for both office workers and travellers, being sited alongside the airport highway and close to downtown Beijing as well as the embassy area and YanSha district.

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

This 32-storey office tower, sitting atop a six-storey shopping arcade, maintained a good occupancy rate for the period of 94%, and generated satisfactory leasing revenue.

Property Services

Shun Tak Property Management Limited ("STPML") is a wholly-owned subsidiary of the Group that provides integrated property and facility management services for residential and retail developments, clubhouses, office towers and car parks, in Hong Kong and Macau. Related specialised operations under the Company include Shun Tak Macau Services Limited, a property cleaning company, and Clean Living (Macau) Limited, providing laundry services for institutional clients.

More recently, the Company has begun to extend these services into China, and is currently working on expanding its China portfolio. It is now offering a range of China clients services such as consultancy services for operations, financial management, human resources and facility maintenance.

The operations of STPML group of companies in Hong Kong and Macau are conducted to international ISO 9001:2015 (Quality Management) and ISO 14001:2015 (Environmental Management) standards. Clean Living (Macau) Limited was the first laundry company within the industry in Macau to achieve both of these certifications.

Transportation

The Group's region-wide transportation operations are centred around its flagship ferry operations under the TurboJET brand. Its flagship routes running between Hong Kong and Macau carried 6.7 million passengers in the first half of 2018, a 3% decrease year on year. At the same time, steady increases in the cost of fuel together with higher operating costs slightly eroded profitability, resulting in a first half profit of HK$186 million (1H2017: HK$190 million).

The division is set to capitalize on the untapped opportunities arising from the up and coming infrastructures in the region and the national development plan of Guangdong-Hong Kong-Macau Greater Bay Area. As a forerunner and long committed contributor to the multi-modal transportation platform in the region, TurboJET has taken further step to make a strategic decision to join a consortium of companies which has been awarded the tender to be the sole operator of the shuttle bus services for the boundary crossing facilities of the Hong Kong-Zhuhai-Macau Bridge (the "Bridge"). With the opening of the Bridge, TurboJET believes that its ferry business will sustain its pivotal role in the integrated transport network and remain resilient with newly generated traffic from increased cross-border exchanges and more diverse market segments in the long run. The company will continue to sharpen its competitive edges by diversifying its offerings in order to respond to the changing market dynamics and build sustainability to its core business.

Shun Tak — China Travel Shipping Investments Limited

The Tuen Mun Ferry Terminal, which opened in 2016, continued to attract steadily increasing patronage in the period, with a year-on-year increase of 9% in passenger volume. The strategic location of Tuen Mun as the Southeastern gateway to the Greater Bay Area, with an excellent catchment population of 3.5 million within a 30-minute radius through its effective public transportation, has led the Group to expand its own network to connect the Northwest New Territories with the Pearl River Delta area. As a result of the westward movement of population to the Northwest New Territories, coupling with the growing travel demand to and from the district, Tuen Mun is gradually turning into a multi-modal transportation hub linking Hong Kong and Western Guangdong (粵西) and the Greater Bay Area by and large.

The permanent Taipa Ferry Terminal, launched in June 2017, has now completed a full year of service. TurboJET has been allotted two berths at the terminal, and has been steadily building patronage for the new destination which is serving new resorts and attractions in Taipa, Coloane and Hengqin.

The innovative eBoarding service introduced by TurboJET for bookings made by mobile app has quickly gained popularity among contemporary and tech-savvy travellers. This service provides passengers with greater convenience, ease of travel, and enables paperless ticketing. Building on this success, TurboJET has developed partnerships with various e-platforms to extend the availability and user-friendliness of the eBoarding service.

In April 2018, TurboJET launched "One Tap to Board" services at Hong Kong Macau Ferry Terminal, which allows travellers to tap their Octopus cards at first gate to board the first available sailing without the need to purchase tickets in the conventional way, bringing forth a new dimension of convenience. The new service was also extended to Macau Outer Harbour Ferry Terminal and Taipa Ferry Terminal with the use of Macau Pass and Macau Pay.

In the effort of enhancing seamless air-sea connection, TurboJET partnered with Hong Kong Airlines in June 2018 to jointly launch "Macau Leisure Pass", enabling passengers to book ferry and flight tickets at the same time and enjoy baggage tag-through services from Macau to their final destination.

TurboJET's luxury travel segment — Premier Grand class, continued to attract patrons wishing to travel in style. The year-on-year increase in passengers using this service of 14% was boosted by enhancements made to Premier Plus, the Premier Lounge and the Travel Planning Hotline Centre. Such efforts have resulted in strong growth in this high-yield market.

TurboJET continued to win recognition in the period for the quality of its services and for its social commitment. Some of the awards recognised the brand's long-term consistent excellence, such as the "2017 Hong Kong Awards for Industries: Productivity and Quality Award" from The Hong Kong Productivity Council, "Hong Kong Top Service Brand Ten Year Achievement Award" from the Hong Kong Brand Development Council & The Chinese Manufacturers' Association of Hong Kong, the "10 Years Plus Caring Company Logo Certificate" awarded by the Hong Kong Council of Social Service, and the "2017/18 Smiling Enterprises 5+ Year Award — Transportation Services" from the Mystery Shopper Service Association. Reflecting TurboJET's strong internal culture of harmony and development were awards such as "Happy Company 2018" awarded by the Promoting Happiness Index Foundation, and the "Manpower Developer Award Scheme — Manpower Developer Award (2013-2019)" from the Employees Retraining Board.

Shun Tak & CITS Coach (Macao) Limited

This division, which is the Group's land transportation arm, performed on par with last year to record HK$85 million in revenue (1H2017: HK$85 million) during the period. As at 30 June 2018, it was operating a fleet of 145 vehicles. It is one of the parties taking part in the consortium that will be offering cross-border shuttle bus services for the Hong Kong-Zhuhai-Macau Bridge, which is expected to open up opportunities for future growth across the region as new infrastructure is developed.

Hospitality

The hospitality market in Hong Kong and Macau remained highly competitive in the period, especially with the opening of more new resort hotels in Macau and a steady weakening of the RMB. The Group's hotels all occupy particular niches that give them certain advantages, and all have worked to keep costs under control and generate new business during the period. The overall result for the period has been satisfactory, although profitability has fallen to register HK$8 million in loss (1H2017: HK$31 million in profit). This is mainly attributable to an increase in preopening expenditure as Artyzen Hospitality Group moved ahead strongly with its development plans to prepare for the launch of new hotels later in the year, as well as operating expenses incurred for the newly opened Artyzen Club.

Hotels in Operation

Hong Kong SkyCity Marriott Hotel

The Hong Kong SkyCity Marriott Hotel is a five-star hotel adjacent to Hong Kong's largest exhibition and convention centre, Asia World Expo (AWE), very close to Hong Kong International Airport. It is thus an ideal location for airport users and exhibition attendees. With 658 rooms, the hotel recorded an average occupancy rate of 80% for the period, reflecting a challenging market and a significant fall in leisure travellers. However, the hotel has remained active in building new MICE and corporate business, and has not stinted on its investment to maintain a high quality of services. During the period, the hotel was recognised as "Best Airport Hotel in China 2017" at the 13th China Hotel Starlight Awards, as well as receiving a "Loved by Guests Award 2018" by Hotels.com.

Mandarin Oriental, Macau

A high-end luxury hotel, the Mandarin Oriental, Macau is synonymous with elegant living and dining. Benefiting from a growth in tourist arrivals in the first half of the year, the hotel achieved an average occupancy rate of 72%, representing a significant increase year on year, and maintained a high average room rate despite strong competition. In Macau's hotel market, dominated by a high number of resort hotels, Mandarin Oriental, Macau was able to differentiate itself through genuine high-end quality across the board. This was reflected in a strong range of awards recognising the excellence of the hotel and its restaurants, including having its Vida Rica restaurant selected in the "SCMP 100 Top Tables 2017 list" by Hong Kong's South China Morning Post as well as being given a "TripAdvisor 2018 Certificate of Excellence". For the fourth consecutive year, the hotel also received a "Triple Five Star for Hotel, Restaurant and Spa" from the Forbes Travel Guide Star Awards.

Grand Coloane Resort

This luxury resort hotel near the beach on Coloane has continued to appeal to visitors and holidaymakers looking for a quieter and greener hospitality environment. In the period, it recorded a 16% growth in revenue compared to the same period in the previous year, and maintained a solid room occupancy rate of 77%. The hotel, managed by Artyzen Hospitality Group, has been undertaking a series of energy optimization projects which are improving sustainability and reducing costs, and which led to the award in the period of the "Continuous Energy Saving Award" by Companhia de Electricidade de Macau (CEM).

Hotels under Planning and Development

Hotel properties at Shanghai MixC

Two hotel properties in Shanghai, both due for opening in the second half of 2018, are now completing the final fit-out work. Both are located in the integrated commercial development known as Shanghai MixC, which is already up and running. The hotels are the 303-room citizenM Hongqiao and the 188-room Artyzen Habitat Hongqiao, the latter of which will operate under the Group's own Artyzen brand.

No. 9 Cuscaden Road, Singapore

The Group proposes to develop this site, located near Singapore's local central business district and arterial tourist belt and acquired by the Group in 2016, into a five-star hotel with no fewer than 140 rooms. Development plans are well advanced, and site works are expected to get underway in the second half of 2018.

Tourism Facility Management

The Group manages the Macau Tower Convention & Entertainment Centre ("Macau Tower"), renowned for its Observation Decks and its F&B services. Intense competition from new resorts and a shift in the centres of tourism that has made the Macau Tower less convenient for visitors have affected performance.

Leveraging its experience in managing the Macau Tower, the Group has also been appointed as the sole and exclusive manager of the observation deck on the 116th floor of the Ping An Finance Centre in Futian District, Shenzhen, the fourth tallest building in the world. The observation deck commenced operations in March 2018.

Artyzen Hospitality Group

Artyzen Hospitality group ("AHG") is a hotel management solutions provider that is quickly building a strong brand reputation for expertise and quality. At the end of June 2018, AHG was managing four hotels, including the Artyzen Habitat Dongzhimen since September 2017. Its rapid success was recognised when the Artyzen Habitat brand was awarded the accolade "The Best New Prominent Hotel Brand" at the China Hotel Starlight Awards in March 2018, a significant step forward for its brand profile. Other external recognitions also reinforced the brand's steady growth, with AHG being ranked 8th in the Annual HVS Asia-Pacific Hotel operator guide's list of top 10 operator growth.

Looking forward, the brand is achieving solid momentum with the imminent opening of the Artyzen Habitat Hongqiao Shanghai and the Artyzen Sifang Nanjing. It has also signed a Letter of Intent to manage the 432-room Ka'anapali Beach Hotel in Maui (Hawaii), one of the island state's top 5 hotels awarded by Conde Nast in 2017.

Recognising the importance of providing premium hospitality environments for business networking and socializing, AHG opened a private business membership club in Hong Kong — the Artyzen Club — in the Shun Tak Centre towards the end of the period. The Club is another way in which AHG is showcasing its strength in hospitality services and addressing a niche in the business market, and is being operated by Shun Tak Club Management Services Limited, a subsidiary of the Group. On offer are extensive recreational facilities and dining options, along with professional business concierge services.

Travel and MICE

The Group's travel and MICE experts, Shun Tak Travel, continued to offer a range of services to clients from offices in Hong Kong, Macau, Beijing, Shanghai, Guangzhou and Shenzhen. Serving mainly MICE organisers and corporate travellers, Shun Tak Travel provides upscale services ranging from integrated ticketing and reservation services through to logistics handling and hospitality.

The upsurge in travel opportunities around the region has been offset by increased competition in this sector and narrowing margins. Shun Tak Travel has sought to set itself apart through initiatives to promote and support specific business sectors, for example by supporting culinary events and delegations and exchange programmes. Combined revenue for the Group's travel and MICE business was HK$23 million for the period (1H2017: HK$24 million). A highlight of the period was the provision of travel and hospitality services to the 2018 Delegation of China Business Leaders Visiting the European Union. The sector is exploring tourism development opportunities in the Greater Bay Area, exploiting synergies with the Group's travel services across the area.

Investment

The Group's investment revenue arises from dividends payable to it as a result of its effective interest of approximately 11.5% in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"). STDM in turn owns an effective shareholding of approximately 54.11% in SJM Holdings Limited, a listed company in Hong Kong, which itself owns the entire shareholding interests of Sociedade de Jogos de Macau, S.A., one of six gaming concessionaires licensed by the Macau SAR Government to operate casinos in Macau.

For the period under review, the division recorded a profit of HK$74 million (1H2017: HK$109 million), representing a decrease from the previous period of 32%.

Operating and managing the new Kai Tak Cruise Terminal in partnership with Worldwide Flight Services Holding SA and Royal Caribbean Cruises Ltd., the Group is expanding its commitment to regional travel and transportation platforms. During the first half of 2018, the terminal received 93 berthings and accounted for 90% of Hong Kong's cruise passenger throughput.

Macau Matters Company Limited ("Macau Matters") is the Group's retail divisional arm, operating the brand Toys "R" Us in Macau. It delivered an improved performance for the period, with sales increasing by 13% year on year, and expectations of overall sales growth for the year of 15%. Macau Matters has been preparing for the launch of a new retail initiative which is scheduled to kick off in Hong Kong in the second half of 2018, namely an Italian gelato ice-cream business. Macau outlets will open shortly after, with further branches planned for Greater China within the next 12 months.

Recent Developments and Prospect

RECENT DEVELOPMENTS AND PROSPECT

The Group's Nova Grand project in Macau is set to continue generating good results in the next few years. Building upon our home base advantage, the Group is looking at opportunities abroad as reflected in our recent acquisitions in China and Singapore. A particularly promising move is the entering of a strategic partnership with Perennial Real Estate Holdings Limited ("Perennial") in January 2018, in which the Group holds a 30% stake. Perennial is an experienced participant in the market for health services, and this operation will unlock a new style of integrated property development that will deliver healthcare-related properties with added hotel and retail components. A defining feature of the first planned development, in Tianjin, is its location adjacent to a high speed rail station, expanding the accessibility options for the development.

In evaluating the outlook for its transportation segment, the Group is aware of the changing dynamics of the Greater Bay Area and is actively planning to support the Central Government's efforts to develop and integrate the region. While continuing to enhance its ferry services, which provide convenient and cost-effective options for linking these coastal regions, it is also looking to leverage its transportation experience as new infrastructure is developed, such as the Hong Kong-Zhuhai-Macau Bridge. This is one reason why the Group has diversified by joining the bridge consortium, to ensure it remains an influential player as this dynamic region, which it has served for so long, further grows.

While the hospitality industry still faces challenges in Hong Kong and Macau due to a surge of new hotel openings, the Group is looking ahead with great optimism at the strides being made by its subsidiary Artyzen Hospitality Services. Having already achieved rapid success in its recent hotel management contracts and in the launch of the first hotels under the Artyzen brand, the opportunities ahead as more Artyzen hotels come on stream in the second half of the year are very positive.

The Group's positive performance over the first half of 2018, combined with its strong prospects for the second half, indicate that it is on the right track for steady future growth. It continues to play to its core strengths, while also supporting Central Government's development initiatives and cautiously expanding into new markets and sectors, often in collaboration with other experienced partners. Experienced at managing market cycles and adjusting to trends and changes, the Group is confident in its future plans and its ability to meet the expectations of its investors.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's bank balances and deposits amounted to HK$11,626 million at 30 June 2018, representing a decrease of HK$1,039 million as compared with the position as at 31 December 2017. It is the Group's policy to secure adequate funding to satisfy cash flows required for working capital and investing activities. Total bank loan facilities available to the Group as at 30 June 2018 amounted to HK$19,528 million, of which HK$7,268 million remained undrawn. The Group's bank borrowings outstanding at the period end amounted to HK$12,260 million. The Group's borrowings also comprised the medium term notes ("MTN") of HK$3,188 million.

Based on a net borrowings of HK$3,822 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 13.9% (31 December 2017: 9.3%). The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to reduce its finance costs.

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

Maturity Profile

Within 1 year	1-2 years	2-5 years	over 5 years	Total
24%	54%	22%	—	100%

Material acquisition and commitments

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 retails components, complemented by healthcare-related amenities and mixed use properties. The total commited capital for HC Co is US$500 million. The Group holds 30% equity interest in HC Co and thus has its share of commitment at US$150 million. As at 30 June 2018, the Group has an outstanding commitment to contribute capital of approximately USD140 million (equivalent to approximately HK$1,098 million) to HC Co.

In November 2016, the Group succeeded in the bid of the land use right of a land located in Shanghai Qiantan at RMB1,950 million with a joint venture partner ("JV partner"). A joint venture agreement was formed with the JV Partner to jointly develop the land. As at 30 June 2018, the Group has an outstanding commitment to contribute capital of RMB250 million (equivalent to approximately HK$296 million) to the joint venture.

In April 2015, the Group entered into a framework agreement to agree to acquire a hotel property in Shanghai as a part of Shanghai MixC integrated development project at a consideration of RMB700 million subject to adjustments. The framework agreement was replaced by a sale and purchase agreement which contained substantially the same pricnipal terms as those in the framework agreement. The Group had paid RMB525 million and had an outstanding commitment amounted to RMB175 million (equivalent to approximately HK$207 million) at the period end.

Charges on Assets

At the period end, bank loans to the extent of approximately HK$6,935 million (31 December 2017: HK$6,807 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK$27,341 million (31 December 2017: HK$25,729 million). Out of the above secured bank loans, an aggregate amount of HK$1,148 million (31 December 2017: HK$997 million) was also secured by pledges of shares in certain subsidiaries.

Contingent Liabilities

There was no material contingent liabilities of the Group at 30 June 2018.

Financial Risk

The Group adopts a prudent approach in financial risk management to minimize exposure to currency and interest rate risks. Except for the guaranteed MTN, all funds raised by the Group are on a floating rate basis. Except for the MTN of US$400 million and bank loan of RMB637 million and SGD698 million, the Group's outstanding borrowings were not denominated in foreign currency at the period end. Approximately 92% of the bank deposits, cash and bank balances are denominated in Hong Kong dollar ("HKD"), Macau pataca ("MOP") and US dollar ("USD") and the remaining balance mainly in Renminbi ("RMB"), whereby MOP and USD are pegged to HKD. The Group's principal operations are primarily conducted in HKD while it has financial assets and liabilities denominated in the USD, MOP, Singapore dollar and RMB. The Group will, from time to time review its foreign exchange condition and market condition to determine if any hedging is required. The Group currently engages in fuel hedging and currency swap activities to minimise exposure to fluctuations in fuel prices and foreign exchange rate in accordance with the Group's approved treasury policies.

Human Resources

The Group, including subsidiaries but excluding joint ventures and associates, employed approximately 3,410 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) 2018 HK$'000	(Unaudited) 2017 HK$'000
Revenue	3	**1,995,986**	3,678,372
Other income		**170,977**	133,718
		2,166,963	3,812,090
Other (losses)/gains, net	4	**(2,180)**	31,835
Cost of inventories sold and services provided		**(626,140)**	(1,843,605)
Staff costs		**(663,606)**	(647,537)
Depreciation and amortisation		**(82,718)**	(73,480)
Other costs		**(363,920)**	(285,403)
Fair value changes on investment properties		**129,981**	(13,375)
Operating profit	3, 5	**558,380**	980,525
Finance costs	6	**(126,159)**	(93,712)
Share of results of joint ventures		**110,164**	47,785
Share of results of associates		**5,465**	3,442
Profit before taxation		**547,850**	938,040
Taxation	7	**(55,035)**	(112,730)
Profit for the period		**492,815**	825,310
Attributable to:			
Owners of the Company		**306,933**	699,311
Non-controlling interests		**185,882**	125,999
Profit for the period		**492,815**	825,310
Earnings per share (HK cents)	9		
– basic		**10.1**	23.0
– diluted		**10.1**	23.0

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June

	(Unaudited) 2018 HK$'000	(Unaudited) 2017 HK$'000
Profit for the period	**492,815**	825,310
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss:		
Available-for-sale investments:		
Changes in fair value	—	6,218
Cash flow hedges:		
Changes in fair value, net of tax	**24,311**	(45,009)
Transfer to profit or loss	**(22,704)**	(23,276)
Reversal of asset revaluation reserve upon sales of properties, net of tax	**(502)**	(4,960)
Currency translation differences	**(95,435)**	190,383
Share of currency translation differences of joint ventures	**(20,625)**	28,309
Share of currency translation differences of associates	**9,519**	39,419
Item that will not be reclassified to profit or loss:		
Financial assets at fair value through other comprehensive income: Changes in fair value	**1,075**	—
Other comprehensive (loss)/income for the period, net of tax	**(104,361)**	191,084
Total comprehensive income for the period	**388,454**	1,016,394
Attributable to:		
Owners of the Company	**217,663**	871,623
Non-controlling interests	**170,791**	144,771
Total comprehensive income for the period	**388,454**	1,016,394

Condensed Consolidated Balance Sheet

	Note	(Unaudited) 30 June 2018 HK$'000	(Audited) 31 December 2017 HK$'000
Non-current assets			
Property, plant and equipment	10	**2,788,033**	2,836,564
Investment properties	11	**8,334,366**	8,232,314
Prepaid premium for land lease and land use rights		**293,712**	302,841
Joint ventures		**6,814,110**	6,887,540
Associates		**1,570,787**	1,476,977
Intangible assets		**36,076**	36,427
Financial assets at fair value through other comprehensive income	12	**1,022,460**	—
Available-for-sale investments	12	**—**	1,021,729
Derivative financial instruments		**14,272**	107
Mortgage loans receivable		**3,628**	3,914
Deferred tax assets		**2,003**	2,476
Other non-current assets		**802,227**	704,067
		21,681,674	21,504,956
Current assets			
Properties for or under development		**15,656,217**	13,872,138
Inventories		**7,579,070**	7,626,127
Trade and other receivables, deposits paid and prepayments	13	**1,551,377**	1,141,722
Derivative financial instruments		**18,112**	16,927
Taxation recoverable		**5,349**	11,356
Cash and bank balances		**11,626,431**	12,665,880
		36,436,556	35,334,150

	Note	(Unaudited) 30 June 2018 HK$'000	(Audited) 31 December 2017 HK$'000
Current liabilities			
Trade and other payables, and deposits received	13	**1,845,554**	2,473,841
Deposits received from sale of properties		**—**	3,453,424
Contract liabilities		**5,077,577**	—
Bank borrowings		**3,667,978**	5,212,254
Provision for employee benefits		**12,753**	13,010
Taxation payable		**176,840**	141,131
Loans from non-controlling interests		**810,142**	1,215,733
		11,590,844	12,509,393
Net current assets		**24,845,712**	22,824,757
Total assets less current liabilities		**46,527,386**	44,329,713
Non-current liabilities			
Contract liabilities		**1,934**	—
Bank borrowings		**8,592,283**	6,829,789
Medium term notes	14	**3,188,215**	3,172,788
Deferred tax liabilities		**1,311,451**	1,308,380
Loans from non-controlling interests		**395,729**	—
		13,489,612	11,310,957
Net assets		**33,037,774**	33,018,756

Condensed Consolidated Balance Sheet

	Note	(Unaudited) 30 June 2018 HK$'000	(Audited) 31 December 2017 HK$'000
Equity			
Share capital	15	**9,858,250**	9,858,250
Other reserves		**17,554,047**	17,372,796
Proposed dividends		**—**	181,864
Equity attributable to owners of the Company		**27,412,297**	27,412,910
Non-controlling interests		**5,625,477**	5,605,846
Total equity		**33,037,774**	33,018,756

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 (unaudited)

	Equity attributable to owners of the Company												
	Share capital HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Special reserve HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Asset revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Proposed dividends HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2017	9,858,250	14,465	13,037	(151,413)	102,178	(16,647)	988,402	37,100	16,385,674	181,864	27,412,910	5,605,846	33,018,756
Impact on initial application of HKFRS 9	–	–	–	–	(82,508)	–	–	–	82,508	–	–	–	–
Adjusted balance at 1 January 2018	9,858,250	14,465	13,037	(151,413)	19,670	(16,647)	988,402	37,100	16,468,182	181,864	27,412,910	5,605,846	33,018,756
Profit for the period	–	–	–	–	–	–	–	–	306,933	–	306,933	185,882	492,815
Items that may be reclassified to profit or loss:													
Cash flow hedges:													
Changes in fair value, net of tax	–	–	–	–	–	18,487	–	–	–	–	18,487	5,824	24,311
Transfer to profit or loss	–	–	–	–	–	(17,448)	–	–	–	–	(17,448)	(5,256)	(22,704)
Reversal of asset revaluation reserve upon sales of properties, net of tax	–	–	–	–	–	–	(502)	–	–	–	(502)	–	(502)
Currency translation differences	–	–	–	–	–	–	–	(79,776)	–	–	(79,776)	(15,659)	(95,435)
Share of currency translation differences of joint ventures	–	–	–	–	–	–	–	(20,625)	–	–	(20,625)	–	(20,625)
Share of currency translation differences of associates	–	–	–	–	–	–	–	9,519	–	–	9,519	–	9,519
Item that will not be reclassified to profit or loss:													
Financial assets at fair value through other comprehensive income:													
Changes in fair value	–	–	–	–	1,075	–	–	–	–	–	1,075	–	1,075
Other comprehensive income/(loss) for the period, net of tax	–	–	–	–	1,075	1,039	(502)	(90,882)	–	–	(89,270)	(15,091)	(104,361)
Total comprehensive income/(loss) for the period	–	–	–	–	1,075	1,039	(502)	(90,882)	306,933	–	217,663	170,791	388,454
2017 final dividend	–	–	–	–	–	–	–	–	–	(181,864)	(181,864)	–	(181,864)
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(151,160)	(151,160)
Transfers	–	–	122	–	–	–	–	–	(122)	–	–	–	–
Buy-back of shares	–	–	–	–	–	–	–	–	(36,412)	–	(36,412)	–	(36,412)
	–	–	122	–	–	–	–	–	(36,534)	(181,864)	(218,276)	(151,160)	(369,436)
At 30 June 2018	9,858,250	14,465	13,159	(151,413)	20,745	(15,608)	987,900	(53,782)	16,738,581	–	27,412,297	5,625,477	33,037,774

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 (unaudited)

	Equity attributable to owners of the Company												
	Share capital HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Special reserve HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Asset revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Proposed dividends HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	9,858,250	16,262	12,743	(151,413)	72,811	27,978	1,008,917	(513,328)	15,298,558	–	25,630,778	4,926,789	30,557,567
Profit for the period	–	–	–	–	–	–	–	–	699,311	–	699,311	125,999	825,310
Items that may be reclassified to profit or loss:													
Available-for-sale investments:													
Changes in fair value	–	–	–	–	6,218	–	–	–	–	–	6,218	–	6,218
Cash flow hedges:													
Changes in fair value, net of tax	–	–	–	–	–	(38,825)	–	–	–	–	(38,825)	(6,184)	(45,009)
Transfer to profit or loss	–	–	–	–	–	(21,955)	–	–	–	–	(21,955)	(1,321)	(23,276)
Reversal of asset revaluation reserve upon sales of properties, net of tax	–	–	–	–	–	–	(4,960)	–	–	–	(4,960)	–	(4,960)
Currency translation differences	–	–	–	–	–	–	–	164,106	–	–	164,106	26,277	190,383
Share of currency translation differences of joint ventures	–	–	–	–	–	–	–	28,309	–	–	28,309	–	28,309
Share of currency translation differences of associates	–	–	–	–	–	–	–	39,419	–	–	39,419	–	39,419
Other comprehensive income/(loss) for the period, net of tax	–	–	–	–	6,218	(60,780)	(4,960)	231,834	–	–	172,312	18,772	191,084
Total comprehensive income/(loss) for the period	–	–	–	–	6,218	(60,780)	(4,960)	231,834	699,311	–	871,623	144,771	1,016,394
2017 interim dividend	–	–	–	–	–	–	–	–	(182,548)	182,548	–	–	–
Dividend to non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(87,000)	(87,000)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	292,868	292,868
	–	–	–	–	–	–	–	–	(182,548)	182,548	–	205,868	205,868
At 30 June 2017	9,858,250	16,262	12,743	(151,413)	79,029	(32,802)	1,003,957	(281,494)	15,815,321	182,548	26,502,401	5,277,428	31,779,829

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June

	(Unaudited) 2018 HK$'000	(Unaudited) 2017 HK$'000
Operating activities		
Cash (used in)/generated from operations	**(858,210)**	1,888,663
Income tax paid	**(4,064)**	(6,548)
Net cash (used in)/generated from operating activities	**(862,274)**	1,882,115
Investing activities		
Purchase of property, plant and equipment	**(51,618)**	(109,241)
Capital contribution to a joint venture	—	(841,638)
Capital contribution to an associate	**(78,829)**	—
Acquisition of subsidiaries, net of cash acquired	—	(1,764,483)
Deposit paid for acquisition of properties	**(102,322)**	(145,773)
(Advances to)/repayments from joint ventures	**(4,329)**	144,530
Decrease in bank deposits with maturities over three months	**597,337**	654,483
Interest received	**94,985**	114,540
Dividends received from financial assets at fair value through other comprehensive income	**73,638**	—
Dividends received from available-for-sale investments	—	107,041
Dividends received from joint ventures	**1,080**	—
Dividends received from associates	—	3,000
Cash inflows/(outflows) from other investing activities	**688**	(445)
Net cash generated from/(used in) investing activities	**530,630**	(1,837,986)

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June

	(Unaudited) 2018 HK$'000	(Unaudited) 2017 HK$'000
Financing activities		
Drawdown of new loans	**963,281**	735,380
Repayments of loans	**(679,695)**	(374,000)
Buy-back of shares	**(36,412)**	—
Finance costs (including interests and bank charges) paid	**(254,225)**	(189,701)
Dividends paid to shareholders	**(92,010)**	(1)
Net cash (used in)/generated from financing activities	**(99,061)**	171,678
Net (decrease)/increase in cash and cash equivalents	**(430,705)**	215,807
Effect of foreign exchange rates changes	**(11,407)**	8,486
Cash and cash equivalents at 1 January	**5,125,762**	5,683,742
Cash and cash equivalents at 30 June	**4,683,650**	5,908,035
Analysis of cash and cash equivalents		
Cash and bank balances	**11,626,431**	12,845,206
Bank deposits with maturities over three months	**(6,942,781)**	(6,937,171)
Cash and cash equivalents at 30 June	**4,683,650**	5,908,035

Notes to the Condensed 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 2017 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies and methods of computation and presentation used in the preparation of the condensed consolidated interim financial statements are consistent with those described in the 2017 annual financial statements except as stated in note 2 below.

The financial information relating to the year ended 31 December 2017 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 these 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 2017 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 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

The preparation of the condensed consolidated interim financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the consolidated financial statements for the year ended 31 December 2017 except for estimation of fair value of unlisted financial investments. 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 2017 annual financial statements and note 12 to this condensed consolidated interim financial statements.

2 Impact of new or revised HKFRS

New and amended standards adopted by the Group

The following new and amended standards are relevant to its operations and first effective for the Group's financial year beginning on 1 January 2018:

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

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

2 Impact of new or revised HKFRS (Continued)

(a) HKFRS 9, "Financial instruments"

Changes in accounting policies — Financial assets

I. Classification

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI").

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

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

II. Measurement

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

2 Impact of new or revised HKFRS (Continued)

(a) HKFRS 9, "Financial instruments" (Continued)

Changes in accounting policies — Financial assets (Continued)

II. Measurement (Continued)

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

Debt instruments

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

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

2 Impact of new or revised HKFRS (Continued)

(a) HKFRS 9, "Financial instruments" (Continued)

Changes in accounting policies* — *Financial assets (Continued)

II. Measurement (Continued)

Debt instruments (Continued)

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

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

2 Impact of new or revised HKFRS (Continued)

(a) HKFRS 9, "Financial instruments" (Continued)

Changes in accounting policies — Financial assets (Continued)

II. Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

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

III. Impairment

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and debt instruments at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2 Impact of new or revised HKFRS (Continued)

(a) HKFRS 9, "Financial instruments" (Continued)

Changes in accounting policies — Financial assets (Continued)

III. Impairment (Continued)

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

Effects of changes in accounting policies — Financial assets

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

The Group's debt securities were reclassified from available-for-sale investments to FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. There were no change to the carrying amount to its debt securities at date of adoption, i.e. 1 January 2018.

2 Impact of new or revised HKFRS (Continued)

(a) HKFRS 9, "Financial instruments" (Continued)

Changes in accounting policies — Financial assets (Continued)

III. Impairment (Continued)

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

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

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

2 Impact of new or revised HKFRS (Continued)

(a) HKFRS 9, "Financial instruments" (Continued)

Changes in accounting policies — Financial assets (Continued)

III. Impairment (Continued)

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

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

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

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

2 Impact of new or revised HKFRS (Continued)

(a) HKFRS 9, "Financial instruments" (Continued)

Changes in accounting policies — Financial assets (Continued)

III. Impairment (Continued)

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

Condensed consolidated balance sheet (extract)

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

2 Impact of new or revised HKFRS (Continued)

(a) HKFRS 9, "Financial instruments" (Continued)

Changes in accounting policies — Financial assets (Continued)

III. Impairment (Continued)

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

Condensed consolidated balance sheet (extract)

	At 30 June 2018		
	Before adoption of HKFRS 9 HK$'000	Effects of adoption of HKFRS 9 HK$'000	As reported HK$'000
Current assets			
Available-for-sale investments	1,022,460	(1,022,460)	—
Financial assets at fair value through other comprehensive income	—	1,022,460	1,022,460
Equity			
Investment revaluation reserve	103,253	(82,508)	20,745
Retained profits	16,656,073	82,508	16,738,581

2 Impact of new or revised HKFRS (Continued)

(b) HKFRS 15 "Revenue from Contracts with Customers"

Changes in accounting policies — Revenue

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date

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

2 Impact of new or revised HKFRS (Continued)

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

Changes in accounting policies — Revenue (Continued)

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

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

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

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as assets and subsequently amortised when the related revenue is recognised.

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

2 Impact of new or revised HKFRS (Continued)

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

Changes in accounting policies — Revenue (Continued)

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

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

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

Condensed consolidated balance sheet (extract)

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

2 Impact of new or revised HKFRS (Continued)

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

Changes in accounting policies — Revenue (Continued)

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

Condensed consolidated balance sheet (extract)

	At 30 June 2018		
	Before adoption of HKFRS 15 HK$'000	Effects of adoption of HKFRS 15 HK$'000	As reported HK$'000
Current liabilities			
Trade and other payables, and deposits received	1,909,685	(64,131)	1,845,554
Deposits received from sale of properties	5,013,446	(5,013,446)	—
Contract liabilities	—	5,077,577	5,077,577
Non-current liabilities			
Other non-current liabilities	1,934	(1,934)	—
Contract liabilities	—	1,934	1,934

2 Impact of new or revised HKFRS (Continued)

New standards, amendments and interpretation to standards not yet adopted

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

HK (IFRIC) Interpretation 23[1]	Uncertainty over Income Tax Treatments
HKFRS 16[1]	Leases
Annual Improvement to HKFRSs 2015-2017 Cycle[1]	
Amendments to HKFRS 10 and HKAS 28[2]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning 1 January 2019

(2) Effective date to be determined

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

2 Impact of new or revised HKFRS (Continued)

New standards, amendments and interpretation to standards not yet adopted (Continued)

HKFRS 16 "Leases"

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

Impact

The standard will affect primarily the accounting for the Group's operating leases as a leasee. As at the reporting date, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

Date of adoption by the Group

The new statement is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

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 operation, hotel management and travel agency services
Investment	–	investment holding and others

(b) Segment results, assets and liabilities

Management evaluates performance of the reportable segments on the basis of operating profit or loss before fair value changes on investment properties, non-recurring gains and losses, interest income and unallocated 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 2017.

Segment assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of interests in joint ventures and associates, taxation recoverable, deferred tax assets and other corporate assets.

3 Segment information (Continued)

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

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 revenues from external parties reported to management are measured in a manner consistent with that in this condensed consolidated interim income statement.

For the six months ended 30 June 2018

	Property HK$'000	Transportation HK$'000	Hospitality HK$'000	Investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Revenue and other income						
External revenue						
– Recognised at a point in time	96,902	27,961	51,354	91,934	—	268,151
– Recognised over time	307,573	1,091,004	329,030	228	—	1,727,835
	404,475	1,118,965	380,384	92,162	—	1,995,986
Inter-segment revenue	1,356	893	23,103	—	(25,352)	—
Other income (external and excluding interest income)	57,151	16,610	3,120	1,166	—	78,047
	462,982	1,136,468	406,607	93,328	(25,352)	2,074,033
Segment results	178,793	186,258	(8,505)	74,264	—	430,810
Fair value changes on investment properties	129,981	—	—	—	—	129,981
Interest income						92,930
Unallocated net corporate expenses						(95,341)
Operating profit						558,380
Finance costs						(126,159)
Share of results of joint ventures	118,533	5,007	(13,376)	—	—	110,164
Share of results of associates	253	251	(372)	5,333	—	5,465
Profit before taxation						547,850
Taxation						(55,035)
Profit for the period						492,815

3 Segment information (Continued)

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

For the six months ended 30 June 2017

	Property HK$'000	Transportation HK$'000	Hospitality HK$'000	Investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Revenue and other income						
External revenue						
– Recognised at a point in time	1,802,945	13,401	50,146	123,431	—	1,989,923
– Recognised over time	245,682	1,124,274	318,222	271	—	1,688,449
	2,048,627	1,137,675	368,368	123,702	—	3,678,372
Inter-segment revenue	1,319	246	23,205	—	(24,770)	—
Other income (external and excluding interest income)	10,719	22,541	3,499	263	—	37,022
	2,060,665	1,160,462	395,072	123,965	(24,770)	3,715,394
Segment results	630,239	190,378	30,849	109,154	—	960,620
Fair value changes on investment properties	(13,375)	—	—	—	—	(13,375)
Interest income						96,696
Unallocated net corporate expenses						(63,416)
Operating profit						980,525
Finance costs						(93,712)
Share of results of joint ventures	59,618	6,688	(18,521)	—	—	47,785
Share of results of associates	(940)	262	2	4,118	—	3,442
Profit before taxation						938,040
Taxation						(112,730)
Profit for the period						825,310

3 Segment information (Continued)

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

As at 30 June 2018

	Property HK$'000	Transportation HK$'000	Hospitality HK$'000	Investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Assets						
Segment assets	34,939,762	4,995,504	3,764,415	1,066,271	(43,047)	44,722,905
Joint ventures	6,979,421	73,323	(238,634)	—	—	6,814,110
Associates	1,337,361	28,851	193,506	11,069	—	1,570,787
Unallocated assets						5,010,428
Total assets						58,118,230
Liabilities						
Segment liabilities	6,194,442	415,486	157,966	3,193	(43,047)	6,728,040
Unallocated liabilities						18,352,416
Total liabilities						25,080,456

As at 31 December 2017

	Property HK$'000	Transportation HK$'000	Hospitality HK$'000	Investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Assets						
Segment assets	33,074,086	4,825,742	3,816,313	1,060,130	(51,277)	42,724,994
Joint ventures	7,043,026	69,395	(224,881)	—	—	6,887,540
Associates	1,248,764	28,600	193,878	5,735	—	1,476,977
Unallocated assets						5,749,595
Total assets						56,839,106
Liabilities						
Segment liabilities	5,284,672	448,832	213,842	4,599	(51,277)	5,900,668
Unallocated liabilities						17,919,682
Total liabilities						23,820,350

4 Other (losses)/gains, net

For the six months ended 30 June	2018 HK$'000	2017 HK$'000
Net loss on disposal of property, plant and equipment	(1,378)	(241)
Net loss on disposal of a joint venture	(799)	—
Net loss on disposal of an associate	(3)	—
Gain on bargain purchase (note 20)	—	32,076
	(2,180)	31,835

5 Operating profit

For the six months ended 30 June	2018 HK$'000	2017 HK$'000
After crediting:		
Interest income from bank deposits and others	93,063	96,868
Rental income from investment properties	161,251	175,868
Dividend income from listed investments	7,181	6,607
Dividend income from unlisted investments	72,112	105,595
After charging:		
Cost of inventories sold		
– properties	68,733	1,219,968
– fuel	324,990	259,878
– others	55,920	71,448
	449,643	1,551,294

6 Finance costs

For the six months ended 30 June	2018 HK$'000	2017 HK$'000
Total finance costs	254,854	197,552
Less: Amount capitalised in properties for or under development, inventories and hotel building under construction	(128,695)	(103,840)
	126,159	93,712

7 Taxation

For the six months ended 30 June	2018 HK$'000	2017 HK$'000
Current taxation		
Hong Kong profits tax	25,433	79,522
Overseas taxation	20,471	21,132
	45,904	100,654
Deferred taxation		
Origination and reversal of temporary differences	9,131	12,076
	55,035	112,730

Hong Kong profits tax is provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the period. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

8 Interim dividend

For the six months ended 30 June	2018 HK$'000	2017 HK$'000
Interim dividend: Nil (2017: HK6 cents per share)	—	182,548

9 Earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK$306,933,000 (2017: HK$699,311,000) and the weighted average number of 3,033,780,978 shares (2017: 3,042,465,785 shares) in issue during the period.

Basic and fully diluted earnings per share are the same as the share options of the Company have an anti-dilutive effect on the basic earnings per share for the period ended 30 June 2018 (2017: same).

10 Property, plant and equipment

During the period, additions to property, plant and equipment mainly comprised of leasehold improvement of HK$11,840,000 and furniture, fixture and equipment of HK$20,547,000 (2017: property of HK$80,114,000 and repairable spare parts and engines of HK$18,008,000). In the same period, net book value of property, plant and equipment disposed of amounted to HK$1,436,000 (2017: HK$253,000).

11 Investment properties

A revaluation of all investment properties was performed on 30 June 2018 by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of net income. The revaluation was conducted by Savills Valuation and Professional Services Limited, an independent professional valuer, in accordance with the Hong Kong Institute of Surveyors Valuation Standards issued by the Hong Kong Institute of Surveyors.

12 Financial assets at fair value through other comprehensive income/available-for-sale investment

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

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

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

13 Trade receivables and payables

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

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

	30 June 2018 HK$'000	31 December 2017 HK$'000
0 - 30 days	**93,811**	133,200
31 - 60 days	**21,754**	30,577
61 - 90 days	**4,266**	2,046
over 90 days	**6,613**	5,767
	126,444	171,590

13 Trade receivables and payables (Continued)

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

	30 June 2018 HK$'000	31 December 2017 HK$'000
0 - 30 days	965,253	1,485,720
31 - 60 days	7,692	29,804
61 - 90 days	479	1,910
over 90 days	1,552	1,248
	974,976	1,518,682

14 Medium term notes

On 7 March 2013, the Company through a wholly-owned subsidiary issued guaranteed notes (the "Notes") with principal amounts of US$400 million (approximately HK$3,139 million) with an annual coupon rate of 5.7% per annum. The Notes are guaranteed by the Company and will mature on 7 March 2020. As at 30 June 2018, the market value of the Notes was HK$3,184,706,000 (31 December 2017: HK$3,239,666,000).

The Group uses cross-currency swaps to hedge against the foreign currency risk in respect of medium term notes denominated in United State dollar ("US$") with aggregate principal amount of US$400 million as at 30 June 2018.

15 Share capital

Issued and fully paid	30 June 2018 Number of shares	30 June 2018 HK$'000	31 December 2017 Number of shares	31 December 2017 HK$'000
Ordinary shares				
At beginning of the period/year	**3,042,465,785**	**9,858,250**	3,042,465,785	9,858,250
Buy-back of shares	**(11,400,000)**	**—**	—	—
	3,031,065,785	**9,858,250**	3,042,465,785	9,858,250

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 HK$	Price per share Lowest HK$	Aggregate consideration HK$'000
January 2018	**1,750,000**	**3.26**	**3.23**	**5,692**
February 2018	**9,650,000**	**3.28**	**3.07**	**30,626**
	11,400,000			**36,318**
	Total expenses on shares bought back			**94**
				36,412

15 Share capital (Continued)

The shares buy-back was governed by section 257 of the Hong Kong Companies Ordinance. The total amount incurred for the shares bought back of HK$36,412,000 was paid wholly out of the Company's retained profits. All the shares bought back were subsequently cancelled.

16 Charges on assets

As at 30 June 2018, bank borrowings to the extent of approximately HK$6,935,261,000 (31 December 2017: HK$6,807,043,000) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK$27,341,242,000 (31 December 2017: HK$25,728,994,000). Out of the above secured bank borrowings, an aggregate amount of HK$1,148,306,000 (31 December 2017: HK$996,906,000) was also secured by pledges of shares of certain subsidiaries.

17 Significant related party transactions

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

For the six months ended 30 June	Note	2018 HK$'000	2017 HK$'000
STDM Group	(i)		
Dividend income from STDM		**70,784**	103,687
Ferry tickets sold (after discount) to STDM Group		**55,075**	58,848
Fees received from STDM Group for provision of hospitality management and related services		**16,632**	16,958
Fees received from STDM Group for provision of property related services		**2,412**	2,623
Fees received from STDM Group for provision of business support services		**1,851**	3,062
Rental and related expenses paid to STDM Group		**14,376**	14,688
Fees paid to STDM Group for purchase of travel products		**12,092**	9,309
Fuel purchased from STDM Group for Macau shipping operations		**139,197**	119,084
Amount reimbursed by STDM Group for staff expenses and administrative resources shared		**18,421**	17,744

17 Significant related party transactions (Continued)

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

For the six months ended 30 June	Note	2018 HK$'000	2017 HK$'000
Revenue of duty free goods sold on board collected for STDM		**5,924**	6,590
Shun Tak Centre Limited ("STC")	(ii)		
Rental and related expenses paid to STC		**9,951**	6,726
Joint ventures			
Ferry passengers handling fees received on behalf of a joint venture		**7,267**	9,074
Associates			
Insurance premium paid to an associate		**21,970**	23,198
Fuel costs paid to an associate		**32,783**	25,705
Key management personnel			
Directors' emoluments			
– Salaries and other short-term employee benefits		**15,942**	15,457
– Provident fund contributions		**781**	753
Sale of a residential unit	(iv)	**49,983**	13,906
Consideration paid for acquisition of subsidiaries	(v)	**—**	251,359

17 Significant related party transactions (Continued)

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

	Note	30 June 2018 HK$'000	31 December 2017 HK$'000
STDM Group	(i)		
Net receivable from STDM Group	(vi)	**23,206**	32,869
Joint ventures			
Amounts due by joint ventures	(iii)	**38,413**	35,431
Amounts due to joint ventures	(iii)	**2,811**	154,792
Associates			
Amounts due by associates	(vii)	**10,000**	10,021
Amounts due to associates	(vii)	**5,365**	5,784
Key management personnel			
Deposit paid by a subsidiary to Sai Wu Investment Limited ("Sai Wu")	(viii)	**500,000**	500,000
Deposits received for sale of residential units	(iv)	**74,754**	23,170

17 Significant related party transactions (Continued)

Notes:

(i) Dr. Stanley Ho, the former Director of the Company who retired on 23 June 2017, and Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum, Directors of the Company, have beneficial interests in STDM. Dr. Stanley Ho and Ms. Pansy Ho are directors of STDM. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, which is a corporate director of STDM. Mr. David Shum is an appointed representative of the Company, which is a corporate director of STDM.

(ii) Dr. Stanley Ho is a director of and has beneficial interests in STC. Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are directors of STC.

(iii) Amounts due to joint ventures are unsecured, non-interest bearing and with no fixed term of repayment.

Amounts due by joint ventures are unsecured and have no fixed term of repayment. Amount of HK$22,606,000 (31 December 2017: HK$22,606,000) carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 3% (31 December 2017: HIBOR plus 3%) per annum.

(iv) During the period, Ms. Daisy Ho and Ms. Maisy Ho, Directors of the Company (for the period ended 30 June 2017: Ms. Ho, Deborah Chiu Hung, a family member of Dr. Stanley Ho), purchased certain residential units of Nova Grand in Taipa, Macau developed by the Group at a total consideration of HK$49,983,000 (for the period ended 30 June 2017: HK$13,906,000).

As at 30 June 2018, deposit received from Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho, Mr. David Shum and Ms. Ho, Deborah Chiu Hung for sales of residential units at Nova Grand amounted to HK$74,754,000 (as at 31 December 2017: HK$23,170,000).

(v) The consideration was paid for acquiring 9% interest in Perennial Somerset Investors Pte. Ltd. and its subsidiaries ("Perennial Somerset") from Unified Elite Limited which was owned by Ms. Pansy Ho. Details of the acquisition of Perennial Somerset can be referred to note 20.

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

(vii) Amounts due by associates and amounts due to associates are unsecured, non-interest bearing and with no fixed term of repayment.

17 Significant related party transactions (Continued)

Notes: (Continued)

(viii) On 11 November 2004, Shun Tak Nam Van Investment Limited ("Shun Tak Nam Van"), a wholly-owned subsidiary of the Group, entered into a conditional sale and purchase agreement ("SPA") with Sai Wu, a company beneficially owned as to 60% by Dr. Stanley Ho and 40% by other independent third parties, to acquire the interest in the land development right in respect of the property sites adjoining the Macau Tower in Nam Van, Macau. The refundable deposit of HK$500,000,000 was paid by Shun Tak Nam Van to Sai Wu in order to further extend the completion date of the acquisition without changing the consideration or other terms of the acquisition.

On 1 November 2016, Shun Tak Nam Van, the Company and Sai Wu entered into a supplemental agreement in respect of (i) the extension of the long stop date of the SPA and (ii) the proposed transfer of entire share capital of companies holding the respective leasehold grant or promissory land rights (the "Target Companies") and the assignment of relevant promissory land rights held by Sai Wu to Shun Tak Nam Van (the "Proposed Transfer"), enabling the Group to have authority to directly negotiate on behalf of Sai Wu and the Target Companies in relation to the land sites and the promissory land rights. The Proposed Transfer has not been completed by 30 June 2018.

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

18 Commitments

(a) Capital commitments

	Note	30 June 2018 HK$'000	31 December 2017 HK$'000
Contracted but not provided for			
Property, plant and equipment	(i)	**403,714**	408,376
Capital contribution to			
A joint venture	(ii)	**295,825**	299,875
Associates	(iii)	**1,117,078**	19,224
		1,412,903	319,099

Notes:

(i) It mainly included the outstanding commitments of approximately HK$207 million (31 December 2017: HK$294 million) for acquiring a property in Shanghai Hongqiao Town, Minhang District at a consideration of RMB700 million.

(ii) As at 30 June 2018, the Group has an outstanding commitment to contribute capital of RMB250 million (31 December 2017: RMB250 million) to a joint venture for jointly development of a land located in Shanghai Qiantan.

(iii) It mainly included the outstanding commitment to contribute capital of USD140 million (31 December 2017: nil) to an associate for investing in real estate projects in PRC for healthcare usage, with hotel and/or retails components, complemented by healthcare-related amenities and mixed use properties.

18 Commitments (Continued)

(b) Property development commitments

The Group had outstanding commitments of HK$3,068 million (31 December 2017: HK$2,377 million) under various contracts for property development projects.

In addition to the above, the Group had commitments of payment up to HK$250 million (31 December 2017: HK$250 million) in cash and issue of up to 148,883,374 (31 December 2017: 148,883,374) ordinary shares of the Company for the conditional acquisitions of the interests in the land development rights in respect of the property sites adjoining the Macau Tower in Nam Van, Macau.

19 Contingent liabilities

There are no material changes in contingent liabilities of the Group since 31 December 2017.

20 Business combination – acquisition of subsidiaries

On 25 January 2017, Simply Swift Limited, a wholly-owned subsidiary of the Group, entered into sale and purchase agreements for the acquisition of 70% interest in Perennial Somerset. The principal asset held by Perennial Somerset is a 17-storey commercial landmark development known as TripleOne Somerset located near Orchard Road in Singapore. The acquisition was completed on 31 March 2017 at a cash consideration of SGD347 million (approximately HK$1,915 million), which included 70% shareholders' loan of Perennial Somerset.

20 Business combination – acquisition of subsidiaries (Continued)

Net assets acquired:	Perennial Somerset HK$'000
Property, plant and equipment	70
Trade and other receivables, deposits paid and prepayments	26,454
Inventories	6,700,704
Cash and bank balances	150,343
Trade and other payables, and deposits received	(67,702)
Taxation payable	(2,834)
Loans from non-controlling interests	(541,518)
Bank borrowings	(3,831,575)
Deferred tax liabilities	(194,172)
Provisional fair value of net assets acquired	2,239,770
Total consideration satisfied by:	
Cash paid	(1,914,826)
	324,944
Non-controlling interests	(292,868)
Gain on bargain purchase (note 4)	32,076
Net cash outflow arising on acquisition:	
Cash consideration paid	1,914,826
Cash and bank balances acquired	(150,343)
	1,764,483

21 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 2017 annual financial statements.

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

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

21 Financial instruments (Continued)

Fair value estimation (Continued)

At 30 June 2018	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivatives used for hedging				
– cross-currency swaps	—	14,272	—	14,272
– fuel swap contracts	—	18,112	—	18,112
Financial assets at FVOCI				
– equity securities	184,742	2,581	—	187,323
– debt securities	15,928	—	—	15,928
– investment funds	14	6,179	—	6,193
Total assets	200,684	41,144	—	241,828

21 Financial instruments (Continued)

Fair value estimation (Continued)

At 31 December 2017	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivatives used for hedging				
– cross-currency swaps	—	107	—	107
– fuel swap contracts	—	16,927	—	16,927
Available-for sale investments				
– equity securities	182,765	—	—	182,765
– debt securities	16,250	—	—	16,250
– investment funds	14	7,103	—	7,117
Total assets	199,029	24,137	—	223,166

Level 2 derivatives used for hedging comprise fuel swap contracts and cross currency swaps. The fuel swap contracts have been fair valued using forward fuel prices that are quoted in an active market. The cross currency swaps are fair valued using forward interest rates extracted from observable yield curves and foreign exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives.

21 Financial instruments (Continued)

Fair value estimation (Continued)

Level 2 investment funds are fair valued based on their quoted market prices at the balance sheet date. Unlisted investment funds are valued based on the net asset value per share as reported by the managers of such funds.

There were no other changes in valuation techniques during the period.

During the six months ended 30 June 2018, 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 value of the Group's financial assets and financial liabilities and there were no reclassifications of financial assets during the same period.

22 Event after balance sheet date

On 28 August 2018, the Group conditionally agreed to acquire 10% class A shares in the share capital of Shun Tak Centre Limited ("STCL") from Full Energy Company Limited ("FECL") at a base consideration of HK$442 million subject to post-completion adjustments. FECL is wholly owned by Dr. Stanley Ho, an associate of Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho, each a Director of the Company, and hence, a connected person. The 10% class A shares are entitled to the pro-rata share of the profits or net assets attributable to the class A shares in STCL which comprises certain investment properties situated at Shun Tak Centre, Hong Kong.

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 74, 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 2018 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

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

As disclosed in notes 2(a) and 12 to the condensed consolidated interim financial information, the Group held financial assets at fair value through other comprehensive income ("FVOCI") of HK$1,022,460,000 as of 30 June 2018, which included an unlisted equity investment in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") of HK$813,016,000.

The equity investment in STDM is stated at cost and not at fair value as required under Hong Kong Financial Reporting Standard ("HKFRS") 9 "Financial Instruments" issued by the Hong Kong Institute of Certified Public Accountants. Any adjustments to the fair value of equity investment in STDM would have an impact on the FVOCI of the Group as at 1 January 2018 and 30 June 2018 and the other comprehensive income for the six months ended 30 June 2018. The effects on the condensed consolidated interim financial information of this departure have not been determined.

Qualified Conclusion

Based on our review, except for the effects 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, 31 August 2018

Other Information

(1) Disclosure of Directors' Interests

As at 30 June 2018, 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				
Name of Director	Nature of interests	Personal interests	Note	Corporate interests	Note	Approximate percentage of total issued shares Note (i)
Mr. Norman Ho	Interests in underlying shares	1,132,124	(ii)	—		0.04%
Mr. Charles Ho	Interests in underlying shares	1,132,124	(ii)	—		0.04%
Ms. Pansy Ho	Interests in issued shares	166,043,937		363,798,627	(iv)	17.48%
	Interests in issued shares	—		65,040,000	(vi)	2.15%
	Interests in unissued shares	—		148,883,374	(iii)	4.91%
Ms. Daisy Ho	Interests in issued shares	88,280,345		134,503,471	(v)	7.35%
	Interests in issued shares	—		65,040,000	(vi)	2.15%
	Interests in unissued shares	—		148,883,374	(iii)	4.91%
Ms. Maisy Ho	Interests in issued shares	38,901,203		31,717,012	(vii)	2.33%
Mr. David Shum	Interests in issued shares	5,660,377		—		0.19%

Notes:

(i) As at 30 June 2018, the total number of issued shares of the Company was 3,031,065,785.

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

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

(iv) The 363,798,627 shares in which Ms. Pansy Ho was deemed to hold interests under the SFO, comprised 184,396,066 shares held by Beeston Profits Limited ("BPL") and 179,402,561 shares held by Classic Time Developments Limited ("CTDL"). Both BPL and CTDL are wholly-owned by Ms. Pansy Ho.

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

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

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

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

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

Note:

(i) As at 30 June 2018, there was a total of 10,000 shares of Shun Tak & CITS Coach (Macao) Limited in issue.

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

Save as disclosed in sub-paragraphs (1)(a) and (1)(b) above, none of the Directors or chief executive of the Company or any of their associates had, or were deemed to hold, any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2018.

(2) Share Options

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

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 option has been granted thereunder. Subsisting options granted before the expiration of the 2002 Share Option Scheme will 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:

Name of Director	Note	Date of grant	Exercise period	Exercise price per share HK$	Number of share options At 1 January 2018	Number of share options At 30 June 2018
Mr. Norman Ho	(i)	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	1,132,124
Mr. Charles Ho	(i)	29 March 2011	29 March 2011 to 27 March 2021	3.86	1,132,124	1,132,124
Total					2,264,248	2,264,248

Notes:

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

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

Save as disclosed above, as at 30 June 2018, none of the Directors or their spouses or children under 18 years of age were granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations under the 2012 Share Option Scheme and 2002 Share Option Scheme.

(3) Substantial Shareholders' and Other Persons' Interests

As at 30 June 2018, according to the register of interests or short positions in shares required to be kept by the Company under Section 336 of the SFO (other than the interests of the Directors and chief executive of the Company), the following shareholders held interests in 5% or more of the issued shares of the Company:

Name of shareholder	Note	Nature of interests	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of total issued shares 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	16.52%
Oakmount Holdings Limited ("Oakmount")	(ii)	Interests in issued shares	Beneficial owner	Long position	396,522,735	13.08%
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	12.32%
Beeston Profits Limited ("BPL")	(iv)	Interests in issued shares	Beneficial owner	Long position	184,396,066	6.08%
Classic Time Developments Limited ("CTDL")	(iv)	Interests in issued shares	Beneficial owner	Long position	179,402,561	5.92%
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	4.91%

Notes:

(i) As at 30 June 2018, the total number of issued shares of the Company was 3,031,065,785.

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

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

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

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

Save as disclosed above, 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 as at 30 June 2018.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2018, the Company bought back a total of 11,400,000 shares of the Company at an aggregate consideration of HK$36,317,925 (before expenses) on the Stock Exchange. All the shares bought back were subsequently cancelled. Particulars of the buy-backs are as follows:

Month of buy-back	Number of shares bought back	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid (before expenses)
		HK$	HK$	HK$
January 2018	1,750,000	3.26	3.23	5,691,875
February 2018	9,650,000	3.28	3.07	30,626,050
	11,400,000			36,317,925

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

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

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 2018, except for code provision A.2.1, which requires the roles of chairman and chief executive to be separate and not to be performed by the same individual. The Board is of the view that there is adequate balance of power and authority in place as all major decisions have been made in discussion among Board members and appropriate Board committees. In addition, there are four independent non-executive Directors on the Board offering their experiences, expertise, independent advice and views to the Board's affairs from different perspectives. Therefore, it is in the best interest of the Company that Ms. Pansy Ho, with her in-depth knowledge in the businesses and extensive experience of the operations of the Group, shall assume her dual capacity as the Group Executive Chairman and Managing Director.

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 2018.

Changes in Directors' Information

Changes in Directors' information since 27 March 2018, the date to which the 2017 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 a standing committee member of All-China Federation of Industry & Commerce on 22 November 2017. • Ceased to be a member of the Government of Macau SAR Tourism Development Committee on 31 March 2018.
Mr. Kevin Yip	• Appointed as a non-executive director of VCREDIT Holdings Limited (Stock Code: 2003) with effect from 30 March 2012, which was listed on the Main Board of the Stock Exchange on 21 June 2018.
Ms. Daisy Ho	• Appointed as the chairman of SJM Holdings Limited (Stock Code: 880) with effect from the conclusion of the 2018 annual general meeting held on 12 June 2018.

Name of Director	Details of changes
Ms. Maisy Ho	• Appointed as an executive vice chairman of Hong Kong Volunteers Federation in 2018. • Appointed as an executive vice president of Hong Kong Poverty Alleviation Association Limited in 2018. • Appointed as an executive vice chairman of The Hong Kong Island Federation in 2018. • Appointed as a vice chairman of supervisory board of Macao International Brand Enterprise Commercial Association in July 2018. • Appointed as a standing committee member of Macao Chamber of Commerce in 2018.

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 Committee

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 have been reviewed by the audit 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 HKICPA. PricewaterhouseCoopers has issued a modified conclusion on the condensed consolidated interim financial statements for the six months ended 30 June 2018. Please refer to "Report on Review of Interim Financial Information" on pages 75 to 77 of this report for more details.

The views of the Audit Committee on the Qualified Conclusion

The audit committee of the Company is of the view that detailed financial information from STDM has not been accessible to the Company given STDM is a private company. As such, it is understandable that the Company is unable to obtain sufficient information of STDM for fair value assessment. However, the qualified conclusion will not have any impact on the consolidated income statement of Company.

By order of the Board
Pansy Ho
Group Executive Chairman and Managing Director

Hong Kong, 31 August 2018

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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