SHUN TAK HOLDINGS LIMITED
信德集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 242)

Website: http://www.shuntakgroup.com

2022 Interim Results Announcement

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 2022 of the Company and its subsidiaries (the "Group").

The unaudited profit attributable to owners of the Company for the period was HK$229 million (2021: HK$470 million). Underlying profit attributable to the owners which principally adjusted for unrealised fair value changes on investment properties would be HK$458 million (2021: HK$618 million). Basic earnings per share was HK7.6 cents (2021: HK15.6 cents).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2022 (2021: nil).

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE

	Note	**(Unaudited)** **2022** ***HK$'000***	(Unaudited) 2021 *HK$'000*
Revenue	*3*	**1,889,517**	1,901,562
Other income		**79,983**	66,425
		1,969,500	1,967,987
Other gains, net	*4*	**10,968**	209,382
Cost of inventories sold and services provided		**(859,932)**	(693,331)
Staff costs		**(257,368)**	(262,753)
Depreciation and amortisation		**(80,935)**	(85,337)
Other costs		**(281,891)**	(326,691)
Fair value changes on investment properties		**(153,703)**	(84,829)
Operating profit	*3, 5*	**346,639**	724,428
Finance costs	*6*	**(152,879)**	(169,662)
Share of results of joint ventures		**378,948**	38,070
Share of results of associates		**(205,437)**	158,380
Profit before taxation		**367,271**	751,216
Taxation	*7*	**(61,567)**	(151,037)
Profit for the period		**305,704**	600,179
Attributable to:			
Owners of the Company		**228,557**	469,978
Non-controlling interests		**77,147**	130,201
Profit for the period		**305,704**	600,179
Earnings per share *(HK cents)*	*9*		
— basic		**7.6**	15.6
— diluted		**7.6**	15.6

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE

	(Unaudited) 2022 *HK$'000*	(Unaudited) 2021 *HK$'000*
Profit for the period	**305,704**	600,179
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss:		
Debt instruments at fair value through other comprehensive income:		
Changes in fair value	**(494)**	677
Reversal of asset revaluation reserve upon sales of properties, net of tax	**(19,249)**	(30,382)
Currency translation differences	**(344,506)**	22,374
Share of currency translation differences of joint ventures	**(295,163)**	90,414
Share of currency translation differences of associates	**(123,202)**	11,776
Share of other comprehensive loss of an associate	**—**	(565)
Items that will not be reclassified to profit or loss:		
Equity instruments at fair value through other comprehensive income:		
Changes in fair value	**(546,051)**	7,250
Other comprehensive (loss)/income for the period, net of tax	**(1,328,665)**	101,544
Total comprehensive (loss)/income for the period	**(1,022,961)**	701,723
Attributable to:		
Owners of the Company	**(1,088,168)**	569,447
Non-controlling interests	**65,207**	132,276
Total comprehensive (loss)/income for the period	**(1,022,961)**	701,723

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) 30 June 2022 *HK$'000*	(Audited) 31 December 2021 *HK$'000*
Non-current assets			
Property, plant and equipment		**3,307,118**	3,306,674
Right-of-use assets		**789,939**	836,211
Investment properties		**10,571,541**	10,918,849
Joint ventures		**12,564,203**	12,480,418
Associates		**6,297,699**	6,627,519
Intangible assets		**2,721**	2,832
Financial assets at fair value through other comprehensive income		**1,894,223**	2,440,904
Financial assets at fair value through profit or loss		**555,957**	544,985
Deferred tax assets		**90,256**	100,504
Other non-current assets		**439,263**	434,886
		36,512,920	37,693,782
Current assets			
Properties for or under development		**3,213,217**	3,697,292
Inventories		**9,038,750**	9,511,267
Trade and other receivables, deposits paid and prepayments	*10*	**993,819**	833,342
Contract assets		**87,175**	—
Taxation recoverable		**1**	1,003
Cash and bank balances		**7,962,796**	7,818,628
		21,295,758	21,861,532

	Note	(Unaudited) 30 June 2022 HK$'000	(Audited) 31 December 2021 HK$'000
Current liabilities			
Trade and other payables, and deposits received	10	**899,993**	1,883,575
Contract liabilities		**303,896**	283,681
Lease liabilities		**38,087**	34,763
Bank borrowings		**2,831,872**	1,544,374
Provision for employee benefits		**6,437**	7,752
Taxation payable		**348,815**	357,616
Loans from non-controlling interests		**60,361**	60,361
		4,489,461	4,172,122
Net current assets		**16,806,297**	17,689,410
Total assets less current liabilities		**53,319,217**	55,383,192
Non-current liabilities			
Contract liabilities		**39,096**	39,219
Lease liabilities		**26,731**	30,244
Bank borrowings		**15,508,136**	16,184,082
Deferred tax liabilities		**874,401**	911,833
		16,448,364	17,165,378
Net assets		**36,870,853**	38,217,814
Equity			
Share capital		**9,858,250**	9,858,250
Other reserves		**24,418,370**	25,506,538
Equity attributable to owners of the Company		**34,276,620**	35,364,788
Non-controlling interests		**2,594,233**	2,853,026
Total equity		**36,870,853**	38,217,814

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of Shun Tak Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies and methods of recognition and presentation used in the preparation of the condensed consolidated interim financial statements are consistent with those described in the 2021 annual financial statements except as stated in note 2 below.

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

The Company had delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor had reported on the financial statements for the year ended 31 December 2021. The auditor's report was qualified; 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. 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 2021 annual financial statements and respective note to these condensed consolidated interim financial statements.

2 IMPACT OF NEW AMENDMENTS TO HKFRS

(a) New amendments to standard adopted by the Group

The following amendments to standards are relevant to the Group's operations and first effective for the Group's financial year beginning on 1 January 2022:

Amendments to HKFRS 3	Business Combinations
Amendments to HKAS 16	Property, Plant and Equipment
Amendments to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
Annual Improvements to HKFRS 2018-2020 Cycle	

The adoption of the above amendments to standards did not have any significant impact to the Group's results for the six months ended 30 June 2022 and the Group's financial position as at 30 June 2022.

(b) Amendments to standards not yet adopted

The HKICPA has issued amendments to standards which are relevant to the Group's operations but are not yet effective for the Group's financial year beginning on 1 January 2022 and have not been early adopted:

Amendments to HKAS 1(1)	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1 and HKFRS Practice Statement 2(1)	Disclosure of Accounting Policies
Amendments to HKAS 8(1)	Disclosure of Accounting Estimates
Amendments to HKAS 12(1)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HK Interpretation 5 (2020)(1)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKFRS 10 and HKAS 28(2)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

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

3 SEGMENT INFORMATION

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

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

The principal activities of each reportable segment are as follows:

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

(b) Segment results, assets and liabilities

Management evaluates performance of the reportable segments on the basis of operating profit or loss before fair value changes on investment properties, interest income and unallocated net corporate expenses. Inter-segment transactions have been entered into on terms agreed by the parties concerned. The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2021.

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

For the six months ended 30 June 2022

	Property *HK$'000*	Transportation *HK$'000*	Hospitality *HK$'000*	Investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue and other income						
External revenue						
Revenue from contracts with customers						
— Recognised at a point in time	680,710	—	29,539	14,179	—	724,428
— Recognised over time	813,516	—	87,537	—	—	901,053
	1,494,226	—	117,076	14,179	—	1,625,481
Revenue from other sources						
— Rental income	208,196	—	—	166	—	208,362
— Dividend income	—	—	—	55,674	—	55,674
	208,196	—	—	55,840	—	264,036
	1,702,422	—	117,076	70,019	—	1,889,517
Inter-segment revenue	507	—	715	448	(1,670)	—
Other income (external and excluding interest income)	24,860	—	12,358	4,066	—	41,284
	1,727,789	—	130,149	74,533	(1,670)	1,930,801
Segment results	601,041	—	(103,313)	49,854	—	547,582
Fair value changes on investment properties	(153,703)	—	—	—	—	(153,703)
Interest income						38,699
Unallocated net corporate expenses						(85,939)
Operating profit						346,639
Finance costs						(152,879)
Share of results of joint ventures	402,004[i]	—	(23,056)	—	—	378,948
Share of results of associates	(62,463)	(94,393)	(3,297)	(45,284)	—	(205,437)
Profit before taxation						367,271
Taxation						(61,567)
Profit for the period						305,704

Notes:

(i) Amount includes share of gain arising from transfer of inventories to investment properties in a joint venture, net of tax, amounted to HK$501,087,000.

For the six months ended 30 June 2021

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

Notes:

(ii) Amount includes gain on transfer of inventories to investment properties of HK$209,267,000.

(iii) Amount includes gain on bargain purchase of an associate of HK$321,293,000.

As at 30 June 2022

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Segment assets	**27,634,282**	**175,214**	**4,392,474**	**2,507,079**	**—**	**34,709,049**
Joint ventures	**12,976,784**	**—**	**(412,581)**	**—**	**—**	**12,564,203**
Associates	**4,875,961**	**532,809**	**133,393**	**755,536**	**—**	**6,297,699**
Unallocated assets						**4,237,727**
Total assets						**57,808,678**
Liabilities						
Segment liabilities	**1,048,362**	**20**	**204,388**	**10,323**	**—**	**1,263,093**
Unallocated liabilities						**19,674,732**
Total liabilities						**20,937,825**

As at 31 December 2021

	Property	Transportation	Hospitality	Investment	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Segment assets	29,104,116	175,218	4,488,508	3,038,792	—	36,806,634
Joint ventures	12,870,123	—	(389,705)	—	—	12,480,418
Associates	5,047,604	626,976	136,690	816,249	—	6,627,519
Unallocated assets						3,640,743
Total assets						59,555,314
Liabilities						
Segment liabilities	1,987,804	5	191,878	18,681	—	2,198,368
Unallocated liabilities						19,139,132
Total liabilities						21,337,500

4 OTHER GAINS, NET

	For the six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Net (loss)/gain on disposal of property, plant and equipment	**(4)**	115
Gain on financial assets at fair value through profit or loss	**10,972**	—
Gain on transfer of inventories to investment properties	**—**	209,267
	10,968	209,382

5 OPERATING PROFIT

	For the six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
After crediting:		
Interest income from bank deposits and others	**38,721**	40,989
Rental income from investment properties	**113,968**	124,664
Dividend income from listed investments	**9,985**	7,852
Dividend income from unlisted investments	**45,689**	52,473
Wage, salary and other subsidies from governments under COVID-19	**16,816**	2,542
After charging:		
Cost of inventories sold		
— properties	**803,400**	618,876
— others	**13,422**	16,983
	816,822	635,859

6 FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Interest on bank borrowings	**144,219**	150,666
Interest on lease liabilities	**1,356**	2,567
Other finance costs	**21,195**	27,120
Total finance costs	**166,770**	180,353
Less: Amount capitalised in hotel building under construction	**(13,891)**	(10,691)
	152,879	169,662

7 TAXATION

	For the six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**3,507**	1,557
Non-Hong Kong taxation	**67,368**	124,791
	70,875	126,348
Deferred taxation		
Origination and reversal of temporary differences	**(9,308)**	24,689
	61,567	151,037

Hong Kong profits tax is provided for at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the period. Non-Hong Kong taxation is calculated at tax rates applicable to jurisdictions in which the Group operates, mainly in Macau, the PRC and Singapore at 12%, 25% and 17% (2021: 12%, 25% and 17%) respectively.

8 INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2022 (2021: nil).

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK$228,557,000 (2021: HK$469,978,000) and the weighted average number of 3,020,379,785 shares (2021: 3,021,425,089 shares) in issue during the period.

For the period ended 30 June 2022, basic and diluted earnings per share were the same as the Company had no potentially dilutive ordinary shares in issue.

For the period ended 30 June 2021, basic and diluted earnings per share were the same as the share options of the Company had an anti-dilutive effect on the basic earnings per share.

10 TRADE RECEIVABLES AND PAYABLES

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

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

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
0 — 30 days	**181,433**	64,201
31 — 60 days	**16,858**	14,974
61 — 90 days	**8,873**	6,822
over 90 days	**11,793**	18,948
	218,957	104,945

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

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
0 — 30 days	**229,237**	290,099
31 — 60 days	**1,768**	2,214
61 — 90 days	**414**	166
over 90 days	**2,016**	631
	233,435	293,110

BUSINESS REVIEW

PROPERTY

A new wave of the COVID-19 pandemic dealt a major blow to the economy and society across Mainland China, Hong Kong and Macau over the first half of 2022. In response, the governments imposed more stringent pandemic control measures with months-long lockdowns in jurisdictions where the Group has significant assets. In view of these challenging factors, the Group swiftly reassessed its plans to sustain business growth in Asia. During the first half of 2022, the division posted a profit of HK$601 million (1H 2021: HK$898 million), representing a 33% year-on-year decrease.

Property developments

Projects completed with recent sales

In Macau

Nova Park (Group interest: 100%)

Nova Park, Phase 4 of the Group's landmark project Nova City, is a distinctive urban park-side residential development, featuring a breathtaking view of Taipa Central Park. Situated at the core of the growing Taipa community, the residence comprises three towers offering a total of 620 units with a gross floor area of approximately 680,000 square feet. As at 30 June 2022, 98% of total units have been sold and recognized.

Nova Grand (Group interest: 71%)

As the final phase of Nova City development, it comprises eight towers providing around 1,700 residential units. A development highly popular among the local Macanese, 41 units were handed over during the first six months of 2022. As of 30 June 2022, 87% of total units were sold.

In Southern China

Hengqin Integrated Development (Group interest: 100%)

Adjacent to the 24-hour cross-border facility Hengqin Port, this development enjoys outstanding nodal convenience at the intersection of the Guangzhou-Zhuhai Intercity Railway and the future Macau Light Rapid Transit station, while being in close proximity to the intercity coach terminus and the Port's vehicle drop-off area. Strongly supported by Mainland China's national policy, the fledgling Hengqin Pilot Zone is rapidly developing its facilities to become a world class tourism hub.

As of 30 June 2022, a total of 422 residential units of the development were sold. Out of these, 419 units were handed over to homebuyers. The remaining four show flats are expected to be sold within 2022.

Fitting-out works at the common area of the 42,300-square-meter Grade A office space were completed in the first half of 2022. The fitting-out works at the 43,000-square-meter shopping mall will be completed in the second half of 2022.

Office leasing has gained an encouraging momentum in Hengqin, with growing interest from the professional services and consultancy sectors. The first office tenant took over their premises in April 2022. Meanwhile, the Group is seeking retail tenants in vast categories – from lifestyle and unique F&B offerings to wellness, entertainment and experiential consumption – to offer a holistic leisure experience for local families and tourists.

Given the volatile pandemic situation, the division is reassessing the mall's opening date, while a 230-room Artyzen Habitat Hotel with invitingly large social areas is set to open by mid-2023.

In Singapore

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

Located at the venerable Orchard Road precinct with close proximity to the Somerset MRT station, this 17-storey integrated development has a gross floor area of approximately 766,550 square feet. It covers two office towers, a two-level retail podium and a two-level basement car park. During the period, leasing performance remained robust with the committed occupancy rate exceeding 90% for retail and medical floors as at 30 June 2022. As Singapore is adopting an open approach to the pandemic, economic activities in the nation are expected to gradually revive, conducive to an improvement in business returns.

Projects under development

In Northern China

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

Strategically located in Tongzhou Beijing, the new capital for Beijing Central Government headquarters and state-owned enterprises, this iconic development is sited on the Grand Canal with its first phase expected to complete in 2024. The integrated project will feature 127,000 square meters of retail space, 119,000 square meters of office space, and 50,000 square meters of apartment units. The retail podium is set to link with M6 metro line that connects to the heart of the capital. Presales of the apartments are scheduled for 2023 after renovation of the sales office and show flats.

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

This 77,000-square-meter site was acquired in 2018 through a strategic partnership between the Group and Singapore-based Perennial Holdings Private Limited ("Perennial"), a well-established developer with extensive footprint in China's healthcare industry. It is being developed into a state-of-the-art "health city" adjacent to the Tianjin South High-Speed Railway Station, and will serve to meet the elevating demand for quality medical care in the fast-growing "Jing-Jin-Ji" megalopolis. The master plan covers a general hospital and elder care facilities, as well as commercial areas spanning 330,000 square meters of retail and hotel spaces. Superstructure works for the hospital are well on track, whereas electrical and mechanical works are also underway at the elder care towers and the hotel. Construction is expected to complete in phases starting from the fourth quarter of 2022 with full operation in the following year.

In Eastern China

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

The 140,500-square-meter cultural and community hub is comprised of offices, retail space that includes a basement shopping area, and a five-star hotel offering 202 rooms under the management of Artyzen Hospitality Group. The project also features a Performing Arts Center ("PAC") housing a concert hall and other multi-purpose halls with a capacity of 4,000 spectators. The project is a 50/50 joint venture between the Group and Shanghai Lujiazui (Group) Company Limited. The construction of offices was completed, and leasing is in progress. The retail, hotel and PAC developments are scheduled to complete in 2023.

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

A 50/50 joint venture between the Group and China Resources Land Limited, this 186,500-square-meter multiplex is located in Shanghai Suhe Bay Area in bustling Jingan District. The project is close to some of the most popular tourist destinations in the city, such as the Bund and the People's Square, as well as established business districts including Nanjing West Road and Lujiazui.

The northern part of the project was completed in October 2021. An office tower, two commercial blocks and all 224 residential units were sold during 2020 to 2022. On the southern side, leasing of retail space under the "MixC World" brand and the 42-storey tower is underway. The construction is expected to complete in the second half of 2022.

In Western China

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

Similar to the Group's Tianjin project, the Kunming South HSR Integrated Development was acquired by the Group in partnership with Perennial in December 2018. On this 65,000-square-meter site, the Group plans to establish a regional healthcare and commercial hub comprising hospitality, medical care, elder care, MICE and retail elements, spanning a gross floor area of approximately 550,000 square meters. This development is located near a high-speed railway station to facilitate regional commuting. Superstructure works are in progress, and operation is expected to begin in 2024.

In Singapore

Park Nova (Group interest: 100%)

Situated in Singapore's upscale residential area and in close proximity to the famous Orchard Road shopping belt, sales and construction of this 43,356-square-foot development is progressing as scheduled. The 21-storey residential tower will feature a strata area of approximately 125,000 square feet, 51 simplex units and three penthouses. The residence stands high above Orchard Boulevard with elliptical columns that give luxurious panoramic views above the lush greenery. The private lift connected to each unit guarantees discerning buyers an exclusive urban lifestyle. Construction works are underway and the development is expected to complete in the first half of 2024. Presales since May 2021 have recorded satisfactory results and 37 units, including the three penthouses, were sold as of 30 June 2022.

Les Maisons Nassim (Group interest: 100%)

Located in one of the most sought-after areas in town, this prestigious site will be turned into a Bungalow-in-the-Sky spanning approximately 110,000 square feet. In close proximity to other top-notch bungalows in the district, this impressive development will consist of 14 units, including eight simplex units, four duplex units and two penthouses. Each residence comes with a private lift and personal parking space, while avenues with luxuriant plants in the surroundings mark the subtle luxury and sophistication of the property design. Construction is expected to complete by 2023, and seven units were sold as of 30 June 2022.

Projects under planning

In Macau

Harbour Mile

The Group will, upon receiving advice from the Macau SAR Government on the land parcels to be allotted, review its arrangements and plan for the most strategic use of the site in the long term.

Property investments

In Hong Kong

liberté place (Group interest: 64.56%)

Located at Lai Chi Kok MTR station in West Kowloon, the shopping mall continued to attain steady income growth. New leases were secured by vegetarian food, premium delicacy and Japanese-style bakery businesses. There are also plans of subdividing frontage shops for a greater retail variety, so that the local community can benefit from enhanced shopping experience, thus unleashing more potential income from the premises. As of 30 June 2022, the mall maintained an occupancy rate of 100%.

The Westwood (Group interest: 51%)

Upon renovation completion in July 2021, this prominent shopping destination on Hong Kong Island's Western District has reinforced its family-oriented positioning. With the intention of increasing footfall, the major supermarket tenant has undergone a complete revamp, while a major entertainment tenant also joined the mall to attract younger generations. As of 30 June 2022, the mall recorded an occupancy rate of 92%.

Chatham Place (Group interest: 51%)

This three-storey arcade adjoining Chatham Gate is positioned as an educational hub housing a major kindergarten tenant and a number of learning centers. While it continued to suffer leasing setbacks amid the pandemic, the Group constantly reviews its strategy and seeks new development opportunities as the market shows signs of recovery. As of 30 June 2022, the mall posted an average occupancy rate of 37%.

Shun Tak Centre Portfolio

The Group owns a 100% interest of Shop 402 and, overall, a 55% interest in a collection of assets at Shun Tak Centre, which comprises 213,786 square feet of retail area, 13,827 square feet of gross office area and 85 parking spaces. The Centre was worst hit by the pandemic among the Group's properties due to prolonged suspension of ferry services and border closure for more than two years. In response, the Group adopted flexible yet prudent leasing and marketing strategies to retain tenants. As the renovation works on the third and fourth floors are expected to complete by 2022, the Group is also considering a trade mix reshuffle to respond to market changes. In the transformation of Shop 402 into an exhibition and event space, two venues with sports training and exhibition functions, as well as an indoor golf club and a coffee shop were created to increase the variety of businesses.

In Macau

Nova Mall (Group interest: 50%)

Located at the heart of the Nova residential community in Taipa, Nova Mall is a one-stop shopping destination in Macau dedicated to serving local daily needs. While all anchor tenants have opened for business, the mall has yet to achieve full occupancy as planned due to pandemic control measures. As at 30 June 2022, 89% of lettable space was leased.

One Central Shopping Mall (Group interest: 51%)

Widely known for its premium flagship stores, One Central is a prominent shopping destination housing around 400,000 square feet of leading luxury brands. The mall is undergoing a tenancy reshuffling exercise, with top selling brands introducing new or flagship stores to this location. The occupancy rate stood at approximately 88% as of 30 June 2022, while footfall and tenant sales were negatively impacted by pandemic-related restrictions during the first half of 2022.

Shun Tak House (Group interest: 100%)

This 28,000 square foot property situated at the heart of Macau's major tourist locale is predominantly occupied by two anchor tenants. The property maintained a 100% occupancy rate as of 30 June 2022. With a significant decline in tourist arrivals, tenants suffered substantial loss in business, and the Group continued to extend concessionary relief to these long-term tenants as support to weather the downturn.

In China

Shun Tak Tower Beijing (Group interest: 100%)

Shun Tak Tower is situated at Dong Zhi Men, Beijing, conveniently located next to the airport highway and in close proximity to Beijing downtown and the embassy area. The site spans 63,000 square feet (5,832 square meters), with a gross floor area of approximately 419,000 square feet (38,900 square meters) rising 21 levels above ground, and 182,000 square feet (16,900 square meters) in four underground levels. The property also houses a 138-room Artyzen Habitat Hotel. In an effort to improve occupancy under the competitive market, new incentive schemes for agents and tenants were introduced. The office portion of the property posted an average office occupancy rate of 70% as of 30 June 2022.

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

This development in Guangzhou, a 32-storey office tower over a six-storey shopping mall, generated steady revenue for the Group, posting an average occupancy rate of 89% as of 30 June 2022.

Property services

The division offers property and facility management services in Hong Kong and Macau. Over the first half of 2022, the Hong Kong business delivered a stable performance with organized precautionary measures in response to the pandemic. In Macau, however, the formation and empowerment of owners' associations posed a challenge to the appointment and remuneration of the business. The quarantine policy in Macau also hindered support from Hong Kong's head office.

For cleaning and laundry services, both Shun Tak Macau Services Limited and Clean Living (Macau) Limited registered steady growth. In future, restructuring and reformation initiatives are in place to enhance the readiness for recovery and new business opportunities.

TRANSPORTATION

In the first half of 2022, the COVID-19 pandemic continued to have an unprecedented effect on the cross-border transportation industry in Hong Kong and Macau. In addition to the ongoing closure of ferry services, factors hindering recovery included government-imposed travel restrictions and quarantine policies. As a result, the transportation division recorded a shared loss of HK$94 million during the period (1H 2021: HK$137 million). Despite the lingering effects of the pandemic, the Group remains committed to diversifying its cross-border, multi-modal transportation platform across the Greater Bay Area ("GBA").

Shun Tak – China Travel Shipping Investments Limited

With its ferry services having been inactive for over two years, the company implemented a series of initiatives aimed at reducing operating costs and conserving liquidity. These stringent steps taken, including streamlining organizational structures and reducing idle capacity, succeeded in cutting running costs by 40% year on year during the first half of 2022, following earlier reductions of 54% and 58% in 2020 and 2021 respectively. The company continues to do its utmost to evaluate all aspects of its businesses, gaining new revenue streams through offering repair and maintenance services to local ferry operators so as to retain its resilience and competitiveness ahead of the expected recovery in tourism when Hong Kong's borders eventually reopen and travel restrictions are relaxed.

In solidifying its leadership status in the transportation sector, the company continued to actively diversify its business during the period under review capitalizing upon its network advantage and expertise, and expanded its service arms to new business endeavours with various joint-ventures. By the second quarter of 2023, the company's inter-modal connection between the GBA cities to the world through Hong Kong International Airport ("HKIA") is further strengthened with the award of contracts by Airport Authority Hong Kong to its joint ventures, Hong Kong-Zhuhai-Macao Bridge Shuttle Bus (Hong Kong) Company Limited and Hong Kong & Macao International Airport Transportation Service Co. Limited, for the operation of cross-boundary bonded bus services between Macau/Zhuhai and transiting to and from HKIA via the Hong Kong-Zhuhai-Macao ("HZM") Bridge. A third contract was awarded to Hong Kong International Airport Ferry Terminal Services Limited – the company's joint venture at SkyPier since 2003, for undertaking the passenger and baggage handling services for cross-boundary transit bonded buses.

Other company operations that have been suspended due to COVID-19 include cross-boundary land transport services "TurboJET Cross Border Limo", "HK-MO Express" and "Macau HK Airport Direct", whereas the "Golden Bus" service along the HZM Bridge was limited in terms of its frequency.

During February to May 2022, the company through its coach service also participated in the anti-epidemic effort against the fifth wave of COVID-19 by providing transportation support services to representatives of the HKSAR Government and Mainland authorities for attending meeting on quarantine-free travel resumption, the COVID-19 leading task force of China's National Health Commission and medical support teams from Guangdong.

While the recent pandemic situation continues to impede the reopening of the borders among Hong Kong, Macau and Mainland China, the division remains strategically placed to resume its land and sea transport operations with flexibility in response to varying governments' policies as well as market demand.

HOSPITALITY

The tourism and hospitality sectors have been bearing the brunt of the COVID-19 pandemic. Over the first half of 2022, lockdowns in key cities of Mainland China such as Shanghai, and new waves of pandemic in Hong Kong and Macau, triggered a slump in tourist numbers and cancellations of events. In future, the Group will continue to expand its hotel portfolio in the Greater Bay Area to create greater synergy among its brands. During the first six months of 2022, the division posted a loss of HK$103 million (1H 2021: HK$94 million).

Hotels in operation

Hong Kong SkyCity Marriott Hotel

In close proximity to the AsiaWorld-Expo ("AWE"), Hong Kong's largest convention and exhibition center, and the Hong Kong International Airport, this 658-room airport hotel enjoys geographical advantage in reaching the MICE and airline corporate markets.

Over the first half of 2022, the COVID-19 pandemic continued to attenuate the hotel's overall business performance. Incoming passenger flights from nine countries were put to a halt in the first quarter, while dine-in services at dinner time were suspended until late-April under the government's pandemic control measures. MICE activities at AWE were either cancelled or postponed, since the venue had served as a community treatment facility during the fifth wave of infections in 2022.

The hotel has served as a designated quarantine hotel for air crews since December 2021. This segment brought a steady stream of revenue to the hotel, especially with the government's closed-loop arrangement from May 2022. As of 30 June 2022, the average occupancy rate stood at 19%.

Mandarin Oriental, Macau

Mandarin Oriental, Macau is an award-winning hotel for its exceptional hospitality and bespoke services. The latest achievements include winning a Triple Five Star rating for Hotel, Restaurant and Spa in the 2022 Forbes Travel Guide Star Award.

Over the first half of 2022, tourist arrivals first increased but later took a downward trajectory due to outbreaks of COVID-19 in Mainland China, Hong Kong and Macau, which prompted prolonged lockdowns in some regions. As a result, leisure, MICE and catering businesses took the hard hit, while revenues from the spa sector recorded an uptick with an average increase in individual spending.

Grand Coloane Resort

As the only resort nestled by the secluded Hac Sa beach in Coloane, it offers vacationers a luxurious and carefree environment for leisure under the management of Artyzen Hospitality Group. Over the first half of 2022, the resort remained as a medical observation hotel in support of Macau SAR Government's pandemic control measures. Hotel revenues were on the rise with strong demands from travelers from Hong Kong and Taiwan in different periods, contributing to an average occupancy rate of 82% as of 30 June 2022.

Artyzen Habitat Dongzhimen Beijing

Located within Beijing's old fortress wall, the 138-key hotel is a captivating blend of contemporary designs and cultural heritage, creating an authentic "old meets new" experience for travelers. Since the outbreak of COVID-19, Beijing has been subject to China's tightest anti-pandemic measures and mobility restrictions. Given the increase in the number of transmitted cases in the capital and other Mainland China cities, significant cancellations of hotel bookings triggered a slump in the average occupancy rate to 35% in the first half of 2022.

Artyzen Habitat Hongqiao Shanghai

As part of the vibrant Shanghai MixC complex, a major retail and leisure hub, this 188-key hotel exudes dynamic urban vibes, offering social, dining and event spaces to foster a close tie between travelers.

Close to the National Exhibition and Convention Center in Shanghai, the hotel has a solid presence in the corporate segment. Despite a collapse in international business travels, China's MICE market had a relatively stable performance over the traditional trade fair seasons, with domestic demands ramping up the growth momentum. In the beginning of 2022, the hotel recorded a decent recovery in the commercial segment. The subsequent outbreaks in Shanghai have impacted the average occupancy of the hotel as there was a substantial reduction in exhibition travelers. During the period under review, the hotel recorded an average occupancy rate of 37%.

YaTi by Artyzen Hongqiao Shanghai

Wholly-owned by the Group, the 303-room stylish budget hotel sits in the Shanghai MixC complex. Following its year-long rebranding efforts in 2021, business was once on a rising trend supported by local demands. But the efforts suffered major setbacks as the Mainland government tightened restrictions for family group traveling during summer holidays. During this year's COVID-19 outbreaks in Shanghai, the hotel was mainly occupied by medical workers from mid-March to early-June. The average occupancy rate was 26% in the first half of 2022.

Eature Residences Lingang

Commencing business on 31 December 2021, this 128-unit hotel-apartment development is operated by the Group and located in the Lingang Special Area of the Shanghai Pilot Free Trade Zone, a strategic hub for frontier technology industries as well as new finance and trade sectors. With a clear roadmap from the government and preferential policies in place, Lingang is set to become a magnet for international talents and the local housing demand will likely pick up once the pandemic impact subsides.

Hotels under planning and development

Artyzen Habitat Qiantan Shanghai and The Shàng by Artyzen

Managed by Artyzen Hospitality Group, the 246-unit Artyzen Habitat Qiantan Shanghai and the 210-unit The Shàng are strategically located in an emerging hub for business, entertainment, residential and world-class sporting facilities. The heart of Shanghai is only 20 minutes away from the hotels while it takes a 40-minute ride to the Pudong and Hongqiao International Airport. The properties were slated to open in the third quarter of 2022 due to suspended renovation works during lockdowns in Shanghai.

Artyzen Habitat Hotel Hengqin Zhuhai

Adjacent to the port facility connecting Macau and Zhuhai, the hotel is just minutes away from Macau's Cotai area and 15 minutes away from the popular Hengqin Chimelong Ocean Kingdom. The 230-guestroom property is scheduled for opening in mid-2023.

Artyzen NEW BUND 31

This 202-room chic, lifestyle hotel will be the first keystone for the "Artyzen" brand in China upon completion in 2023. In the vicinity of the NEW BUND 31 Performing Arts Center, the largest in-door theater in China, the hotel will speak of the Artyzen philosophy in the rich vibes of art and culture.

Artyzen Singapore

This 142-room flagship Artyzen Hotels and Resort, located at the heart of downtown Orchard area, is poised to become the top-of-the-line property in the Group's hotel portfolio. It will feature a high-end restaurant and bar, a rooftop dining area, an outdoor swimming pool, a gym and other wellness facilities. The opening is expected in 2023.

Artyzen Hospitality Group

Artyzen Hospitality Group Limited ("AHG"), a hotel management subsidiary of the Group, created a range of original brands especially for the changing Asian and millennial markets. Headquartered in Hong Kong with regional offices in Macau, Shanghai and Singapore, the company pioneered a premium lifestyle brand experience, redefining luxury with local art, heritage and traditions for discerning guests in the contemporary era.

Despite the pandemic, AHG remains heart and soul in its future initiatives, which will see the launch of five new hotels in Mainland China in late-2022, including Lingang Artyzen, Lingang Artyzen Habitat, Qiantan Artyzen Habitat, The Shàng, and Suzhou Artyzen Habitat. In particular, the new hotels will add up to a total of seven properties in AHG's hotel portfolio in Shanghai, establishing a strong presence in the fast-growing city. The Group is also providing management services to hotel properties in Beijing, Macau and Hawaii, their presence allows AHG hotels a better cross-selling opportunity in different markets. By the end of 2022, the portfolio will be composed of 13 hotels.

Meanwhile, the Group is developing two hotel projects with Perennial. Among them, the asset management role for the 982-room hotel in Tianjin will be handed to Nexus Hospitality Management Limited, a joint venture of AHG.

On the marketing front, AHG is enhancing its brand awareness through social media and brand renewal. The Group expects a deeper market penetration when Artyzen NEW BUND 31 and Artyzen Singapore open in 2023. In future, it will continue to identify new projects in the Greater Bay Area and other potential locations, while maintaining cost control measures and stepping up promotions to get ready for the pent-up demand from travelers.

Tourism Facility Management

The Macau Tower Convention & Entertainment Centre ("Macau Tower") is an iconic tourist and MICE venue in Macau. Due to the COVID-19 outbreaks in Mainland China and Macau over the first half of 2022, the business took the strain of tightening anti-pandemic measures and cross-border travel restrictions by the government. The drop in tourist numbers was coupled with falling local spending, which might be attributed to unemployment or underemployment amid the pandemic. During the period in review, catering, banquet and MICE businesses reported a loss, while the Group has been implementing cost reduction measures and developing promotion plans to target new groups of local customers.

Membership Club

Artyzen Club is an exclusive networking hub located in the central business district of Hong Kong, offering its valued members private space with a classic ambience. The Club also features haute Asian and Western cuisines, sports and wellness amenities, and versatile event facilities.

During the first half of 2022, the Club saw a weaker business performance due to the fifth wave of COVID-19 in Hong Kong, which brought about stricter pandemic control measures by the government with companies resuming work-from-home arrangements. To seek new opportunities amid these challenges, there will be an extension of the western restaurant, touch-ups of recreation facilities, and more credit card promotions in the second half of the year.

INVESTMENTS

Being a long-term investor in Sociedade de Turismo e Diversões de Macau, S.A. ("STDM"), the Group held an approximately 15.8% effective interest in the company as at 30 June 2022, whereas STDM had a shareholding of around 54.7% in SJM Holdings Limited as of the same date. The latter is effectively entitled to a 100% economic interest in SJM Resorts, Limited (formerly known as Sociedade de Jogos de Macau, S.A.), which is principally engaged in casino operation as one of six gaming concessionaires licensed by the Macau SAR Government. During the first half of 2022, a dividend of HK$46 million was received (1H 2021: HK$52 million) from STDM, representing a 13% slide from a year ago as a result of the significant impact of COVID-19 on Macau's tourism industry.

Kai Tak Cruise Terminal

A joint venture formed by the Group, Worldwide Flight Services Holding SA and Royal Caribbean Cruises Ltd, Kai Tak Cruise Terminal has been negatively affected by the pandemic. Between March and June 2022, the terminal supported the Hong Kong government's anti-pandemic efforts by serving as a community isolation facility. Hong Kong's cruise industry is not expected to reopen before its anti-pandemic policies are more in line with its counterparts around the world that have resumed international cruise travel. Despite the formidable headwinds, the Group remains supportive to Hong Kong's bid to become an international cruise hub and measures that enhance the city's attractiveness as a top-notch international destination.

Retail Matters Company Limited

Retail Matters Company Limited holds the Macau franchise for the international toy brand "Toys'R'Us", and globally owns Italian gelato brand "Stecco Natura Gelaterie".

Toys'R'Us's 22,000 square-feet flagship store in Nova Mall is the latest addition to an outlet network that already includes Macau Tower and Senado Square. The store goes beyond the boundary of a traditional toy store with its brand new amusement center, FunPark, offering an immersive retail-entertainment experience for customers. For the first half of 2022, the sales performance was hard hit by the economic downturn following Macau's stringent inbound travel restrictions. With cost-saving initiatives, the brand expects a slight drop in its overall performance year on year for 2022.

As part of its growth strategy, Stecco Natura Gelaterie continues to launch pop-up operations during peak summer periods, while enriching its dessert menus at its permanent stores located in Peak Galleria, Tai Kwun and Ocean Park. In 2022, a new concept café under the brand will debut in Hong Kong and Macau respectively, and seasonal pop-up kiosks will continue to emerge at popular locations in Hong Kong, further boosting the brand awareness and reach in the territories. In the long run, the brand strives to enter the Greater China market for business growth.

RECENT DEVELOPMENTS AND PROSPECTS

The first half of 2022 saw a more devastating impact of COVID-19 on the regional economy, as there were months-long outbreaks of infections in some major cities in China, including Hong Kong, Macau and Shanghai, leading to stricter pandemic control measures and even lockdowns in some areas. Given the volatile pandemic situation, the prospect of border reopening and tourism recovery in the near future remains dim. To weather the challenges, the Group has embarked on new business endeavors, aiming at greater synergy for its businesses in future.

During the period, the property division remained resilient. More sales of residential units were recorded in Park Nova and Les Maisons Nassim in Singapore, while the committed occupancy rate of the retail and medical floors at the 111 Somerset complex surged to over 90%. In Mainland China, the Hengqin Integrated Development was also making progress. The fitting-out works at the common area of the 42,300-square-meter Grade A office space were completed, while 419 residential units were handed over to homebuyers.

In the near term, regional real estate markets are likely to remain highly volatile until the threat of COVID-19 recedes. In safeguarding the Group against market fluctuations that may adversely affect its short-to-mid-term prospects, the property division's leasing and promotion team will continue to assess changes in prevailing market conditions. The division will also maintain its emphasis on prudent yet dynamic strategies when competing for business opportunities.

Following the June 2021 termination of its Tuen Mun Ferry Terminal tenancy and prolonged suspension of its cross-boundary passenger ferry services, the transportation division has begun to re-allocate essential resources in readiness for eventual border reopening and service resumption. In the meantime, the division continues to diversify its business to fulfill its vision of strengthening a multi-modal transportation network for the Greater Bay Area.

During the first half of 2022, the Group successfully acquired new service contracts through various joint ventures, which include operating cross-boundary bonded bus services between Macau/Zhuhai and transiting to and from Hong Kong International Airport ("HKIA") via the Hong Kong-Zhuhai-Macao Bridge; as well as undertaking passenger and baggage handling services for cross-boundary transit bonded buses. In future, the Group will consolidate its strategic partnership with China Travel International Investment Hong Kong Limited to optimize the joint land and sea transport resources. The initiatives will ultimately provide cross-border travelers with diverse transportation options, further facilitating regional commuting and tourism in the post-pandemic era.

While the hospitality division registered a general recovery in 2021, the new wave of the pandemic in the first half of 2022 mostly reversed its growth. The business performance was severely battered by cancellations of events and hotel bookings on a large scale. MICE activities and large events are not expected to resume shortly as the pandemic lingers on. Despite the difficulties encountered, quarantine-related policies for travelers and air crews still contributed to business growth for hotels, such as Hong Kong SkyCity Marriott Hotel and Grand Coloane Resort. In Mainland China, Artyzen Hospitality Group ("AHG") is expanding with five new hotels to launch within 2022. Among them, four of the new hotels will be located in popular districts of Shanghai. In view of the latest relaxation on travel policies in Mainland China, our hotels would be poised to capitalize on the rebound of domestic travel, and eventually international travel, in key cities, such as Shanghai.

While beset by yet another round of pandemic-related challenges in the first half of 2022, the Group maintained its proactive and positive stance, consistently enhancing its business portfolios to embrace a future recovery in different sectors. In anticipation of border reopening, the Group will continue its prudent monitoring of evolving market dynamics and pragmatically allocating resources in ways most beneficial for its shareholders.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's bank balances and deposits amounted to HK$7,963 million as at 30 June 2022, representing an increase of HK$144 million as compared with the position as at 31 December 2021. 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 2022 amounted to HK$22,460 million, of which HK$4,041 million remained undrawn. The principal amount of Group's bank borrowings outstanding at the period end amounted to HK$18,419 million.

Based on net borrowings of approximately HK$10,377 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 30.3% (31 December 2021: 28.0%). The Group will continue with its financial strategy of maintaining a healthy gearing ratio and consider steps to reduce its finance costs.

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

Maturity Profile

Within 1 year	1-2 years	2-5 years	over 5 years	Total
16%	29%	54%	1%	100%

Material Acquisitions, Disposals and Commitments

There was no material acquisition or disposal of the Group during the period.

In November 2018, the Group entered into a main contract for construction of a hotel property in Singapore. As at 30 June 2022, the Group has an outstanding commitment of approximately HK$281 million.

In January 2018, the Group entered into an agreement with other partners to jointly invest in Perennial HC Holdings Pte. Ltd. ("HC Co"), which will invest in potential real estate projects in the PRC predominantly for healthcare usage, with hotel and/or with retails components, complemented by healthcare-related amenities and mixed use properties. The total committed capital for HC Co is US$500 million. The Group holds 30% equity interest in HC Co and thus has its share of commitment at US$150 million. As at 30 June 2022, the Group has an outstanding commitment to contribute capital of approximately US$94 million (equivalent to approximately HK$736 million) to HC Co.

Charges on Assets

At the period end, bank loans with principal amount of approximately HK$7,389 million (31 December 2021: HK$7,763 million) were secured with charges on certain assets of the Group amounting to an aggregate carrying value of HK$14,387 million (31 December 2021: HK$15,159 million). Out of the above secured bank loans, an aggregate principal amount of HK$679 million (31 December 2021: HK$694 million) was also secured by pledges of shares in certain subsidiaries.

Contingent Liabilities

The Company has provided a corporate guarantee for securing a banking facility granted to an associate. As at 30 June 2022, the bank loan balance proportionate to the Company's shareholding amounted to HK$145 million (31 December 2021: HK$110 million).

Financial Risk

The Group adopts a prudent approach to financial risk management to minimise currency exposure and interest rate risks. Majority of funds raised by the Group are on a floating rate basis. Except for bank loans with principal amount of RMB282 million and SGD1,132 million, the Group's outstanding borrowings at the period end are not denominated in foreign currencies. Approximately 74% of the bank deposits, cash and bank balances are denominated in Hong Kong dollar ("HKD"), Macau pataca ("MOP") and US dollar ("USD") and the remaining balance mainly in Singapore dollar ("SGD") and Renminbi ("RMB"). MOP and USD are pegged to HKD. The Group's principal operations are primarily conducted in HKD while its financial assets and liabilities are also denominated in USD, MOP, SGD and RMB. The Group will from time-to-time review its foreign exchange and market conditions to determine if hedging is required.

Human Resources

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 2022, except for code provision C.2.1, which requires the roles of Chairman and Chief Executive to be separate and not to be performed by the same individual. The Board is of the view that since all major decisions have been made in discussion among Board members and appropriate Board committees, the allocation of power and authority within the corporate structure is adequately balanced to satisfy the objective of this code provision. In addition, there are four independent non-executive directors on the Board who offer their respective experience, expertise and independent advice and views from different perspectives. Therefore, it is in the best interest of the Company that Ms. Pansy Ho, with her in-depth knowledge of the businesses and extensive experience in the operations of the Group, assumes her dual capacity.

REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 have been reviewed by the audit and risk management committee of the Company. At the request of the directors of the Company, 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.

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

Hong Kong, 25 August 2022

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