The Cross-Harbour (Holdings) Limited

(Stock Code : 32)

2017
ANNUAL REPORT

Contents

Corporate Information

Board of Directors

Executive Director
Cheung Chung Kiu *(Chairman)*
Yeung Hin Chung, John, SBS, OBE, JP *(Managing Director)*
Yuen Wing Shing
Wong Chi Keung
Leung Wai Fai
Tung Wai Lan, Iris

Independent Non-executive Director
Ng Kwok Fu
Luk Yu King, James
Leung Yu Ming, Steven

Audit Committee

Luk Yu King, James *(Chairman)*
Ng Kwok Fu
Leung Yu Ming, Steven

Remuneration Committee

Leung Yu Ming, Steven *(Chairman)*
Cheung Chung Kiu
Ng Kwok Fu

Nomination Committee

Cheung Chung Kiu *(Chairman)*
Ng Kwok Fu
Leung Yu Ming, Steven

Authorised Representative

Yeung Hin Chung, John
Leung Wai Fai *(Alternate to Yeung Hin Chung, John)*
Yuen Wing Shing
Wong Chi Keung *(Alternate to Yuen Wing Shing)*

Company Secretary

Leung Shuk Mun, Phyllis Sylvia

Legal Adviser

Woo, Kwan, Lee & Lo

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Principal Banker

The Hongkong and Shanghai Banking
Corporation Limited

Share Listing

The Stock Exchange of Hong Kong Limited
Stock Code: 32

On behalf of the board of directors, I am pleased to present the annual results of the Group for the year ended 31 December 2017.

Performance

The Group reported a net profit of HK$1,180.0 million for the year ended 31 December 2017, representing an increase of 187.5% as compared with HK$410.4 million in 2016. The significant increase was primarily attributable to the favourable performance of the treasury segment resulting from a substantial fair value gain in securities investment as compared to the previous year. Earnings per share were HK$3.17 against HK$1.10 for 2016.

Final Dividend

A fourth and final dividend of HK$0.20 per share has been proposed and, if approved by the Shareholders, will result in total dividends of HK$0.38 per share for the year, representing an increase of 8.6% when compared with the previous year. Total dividends paid and proposed for the year will be HK$141.6 million.

Business Review and Outlook

2017 was a bonanza year for the global economy which experienced a cyclical recovery against the backdrop of benign global financing conditions, accommodative policies as well as rising confidence in market performance. This synchronous and investment-led recovery has provided a substantial boost to global exports and imports. Despite subdued inflation, the U.S. Federal Reserve continued to normalise monetary policy by raising interest rates for three times by a cumulative 125 basis points since the start of its tightening cycle and starting to shrink its balance sheet orderly. This positive momentum of accelerated global growth in 2017 is likely to stabilise into 2018 with benign inflationary pressure. Despite continuous monetary policy normalisation, the US economy is expected to maintain moderate growth with the implementation of tax reform, whereas the Eurozone will continue to grow solidly. Nonetheless, there remain important downside risks to global growth which could trigger financial turbulence and potentially derail the expansion, such as the possibility of financial stress, escalating trade protectionism, uncertainty on Brexit negotiation and heightened geopolitical tensions.

After reaching 6.9% GDP growth in 2017, the first annual acceleration for the economy since 2010, the China economy will continue to be modest in the coming year despite headwinds from further monetary and regulatory tightening as well as U.S. trade protectionism. Amid the global recovery and robust Mainland China growth, Hong Kong economy expanded remarkably in 2017 with the fastest pace since 2011 and concluded at 3.5% GDP growth with the support of buoyant financial market performance, a rebound in tourist arrivals and solid employment. The labor market remained tight with the unemployment rate edging down to 2.9%, the first time below 3% in nearly 20 years. The property prices have also hit a record high level under a low interest rate environment. Going into 2018, Hong Kong economy is expected to maintain a relatively fast growth, driven by the relatively fast global recovery. With the implementation of the belt and road initiative and the development of Guangdong-Hong Kong-Macau Bay Area, the financial sector of Hong Kong is likely to maintain solid performance in the near term. Domestic consumption, supported by a tight labor market, is expected to remain strong. Inflation remains subdued amid modest global inflationary pressure but is expected to ladder up due to lower US dollar exchange rate and increase in property rental. However, interest rate in Hong Kong is likely to continue in tandem with the US rate hikes ahead, therefore, any substantial correction to the booming and overvalued property market will, in no doubt, pose significant macro-financial risks and negative impact on the economy.

Electronic Toll Operation

Autotoll Limited ("Autotoll"), 50% owned by The Autopass Company Limited (a 70% owned subsidiary), provides electronic toll clearing ("ETC") facilities in Hong Kong covering eleven different toll roads and tunnels. There are fifty-three auto-toll lanes in operation at present. With the support of revived business sentiment and aggressive marketing strategies, a pleasing net growth in tag subscription was recorded during the year under review despite increasing difficulty in acquiring new subscribers. However, as there are more alternatives of electronic payment facility available in the market, the growth in tag subscribers is expected to plateau or even decrease in the coming years. In view of this, extensive acquisition programs as well as retention programs will be continued as marketing strategies to acquire new tag users in the coming years. Furthermore, with the aim of achieving a high standard of information security, Autotoll is prepared to apply for ISO 27000 accreditation for its information system in the near term.

During the year under review, the "stop-and-go" ("SNG") e-payment system was first introduced at the manual toll lanes of the Shing Mun Tunnel, Aberdeen Tunnel, Cross-Harbour Tunnel and Lantau Link (Tsing Ma control area) to provide motorists with the choice of an alternative payment method by using contactless smart cards. The implementation of SNG is expected to complete and will cover all government tunnels and roads by mid-2018. This will remain as an immediate threat to Autotoll's ETC service in the coming year.

For years, the government considers the Electronic Road Pricing ("ERP") is a measure to relieve traffic congestion and is prepared to proceed with the ERP pilot scheme in the near future by applying Free-flow Tolling ("FFT") technology for ERP implementation at the new Tseung Kwan O - Lam Tin Tunnel ("TKO-LTT") when it is commissioned in 2022 and eventually extend this payment platform to all government tunnels. In August 2017, Autotoll was awarded the government tender for the trial installation and evaluation of FFT System at the TKO-LTT and this tender paves the way for Autotoll's ETC business in the new era of FFTS.

Motoring School Operation

Alpha Hero Group ("AHG") (70% owned) operates driving training schools and again delivered a pleasing result for the year under review. The higher throughput as compared with the previous year was the aggregate result of better sales intake and higher productivity as a result of a series of quality enhancement programs.

The availability of sizeable training sites remains a pivotal and indispensable factor for the operation of designated driving school in addition to the supply of qualified driving instructors. The operations of the driving centres at Siu Lek Yuen and Apleichau, in particular, are subject to the availability of the government land due to the extensive land requirement for off-street driving training. The tenancy for operating the Siu Lek Yuen Driving School will expire in May 2018 and AHG succeeded in renewing the tenancy till February 2023 under an open tender. Further, in view of the persistently low interest rates and continuous surge in shop rentals, a property was acquired during the year under review as a measure to improve the cost structure in the long run.

Though the economy is expected to continue to display strength, the outlook on the driving training industry, however, does not appear to be ecstatic in the coming year as the market size is expected to shrink after the continued upward trend in the last ten years and price competition among driving school operators remains vigorous. In the light of keener competition ahead, AHG will continue to adopt proactive sales strategy and to deploy continuous efforts in market segmentation and penetration to defend its market share as well as to increase customer spending. In view of the increasing demand on application of new technology, the computerized simulator system for pre-in-car training was enhanced to meet customer needs and expectations. Moreover, being the pioneer in the fleet training industry in Hong Kong, AHG's professionalism was further evidenced by the well-received fleet training program tailor-made for the Airport Authority during the year under review.

Tunnel Operations

(I) Western Harbour Tunnel Company Limited ("WHTCL") – *50% owned*

The performance of the WHTCL in 2017 was again remarked by a significant improvement in toll revenue. As a measure to improve cashflow for the coming years, WHTCL implemented its eighth toll increase with effect from 1 January 2017 and the average toll per vehicle increased from HK$65.06 in the last corresponding year to HK$70.51. The average daily throughput of the Western Harbour Tunnel ("WHT") maintained at 67,580 vehicle journeys as compared with the last corresponding year, and a new record high single daily throughput of 91,507 vehicle journeys was registered in December 2017 despite its toll increase. WHT's market share, however, was maintained at 26% for the year under review.

Though the construction of the Central-Wanchai Bypass, the Hong Kong/Macau/Zhuhai Bridge as well as the Guangzhou-Shenzhen-HongKong Express Rail Link are expected to be conducive to WHT's throughput in the long run, WHTCL might not benefit from it in the coming year due to the delays in the completion of these projects. On the other side, the Xiqu Centre and the new museum for visual culture, M+, are scheduled for completion in late 2018 and 2019 respectively. The opening of these two iconic buildings in the West Kowloon Cultural District will in no doubt create additional vehicular traffic as well as demand for cross harbour services in the long run.

Nevertheless, the increased supply of rail transport and toll differentials between the WHT and the other two government-owned cross-harbour tunnels remain the principal risks and uncertainties facing WHTCL in the remaining years of the franchise. Moreover, the Government's proposal of toll rationalization of the three cross-harbour tunnels as a solution to balance the traffic among these tunnels will continue to be a controversial issue in the coming year. Barring any unforeseen economic and social issues that may arise in the territory, we anticipate the revenue growth of WHTCL to remain solid in the coming year fueled by renewed market optimism and rebound in cross-border traffic.

(II) Tate's Cairn Tunnel Company Limited ("TCTCL") – *39.5% owned*

The performance of TCTCL in 2017 was pleasing as the average daily throughput of the Tate's Cairn Tunnel ("TCT") rose to 60,817 vehicle journeys, representing an increase of 2.7% as compared with the last corresponding year. The 30 years' BOT (Build, Operate and Transfer) franchise of the TCT will expire on 11 July 2018. On expiration, the ownership of the TCT will vest in the Government and TCTCL's contribution to the Group therefore will reduce significantly in the coming year.

Treasury Management Business

During the year under review, the rebound in global investment was supported by favorable financing costs and improved business sentiment. Equity markets, buoyed by synchronized global economic growth and modest inflation that propelled robust corporate earnings growth, made its 15th consecutive month of gains in December with the Asian equities market wrapped up its best year since 2009. Hong Kong equities have been underpinned by a cyclical recovery with abundant market liquidity as well as southbound capital flow from the Mainland. The Hang Seng Index rose by nearly 36 percent to close 2017 at 29,919 points, after touching the highest level in 10 years at 30,003 in November. It was the best performance among major global markets and also the first time the Hong Kong stock market outperformed its American and European peers since the global financial crisis. As a result of the stock boom, a significant unrealized fair value gain on the Group's portfolio of securities investment was recorded at the end of the year under review.

Chairman's Statement

Heading into 2018, earnings momentum is expected to remain positive to support market sentiment. The Hang Seng Index scaled one height after another and broke its historical closing record of 31,638 points set in 2007 by rising to over 33,000 points at the beginning of the year. The Hong Kong stock market is expected to continue its upward trend in 2018 supported by further improvement in corporate earnings, weakening U.S. dollar and continuous inflow of capital from Mainland China. Nevertheless, the highly accommodative monetary environment around the world is reversing gradually. The magnitude and pace of U.S. rate hikes will be the major risk factor leading to financial market volatilities, in particular the major financial markets have already hit record highs, and Hong Kong is compelled to follow in lockstep. On the other hand, the increase in US interest rates will lead to a sell-off in US Treasury bonds and liquidity from the bond market will go into the equity markets. The Hong Kong stock market may benefit in the short term as its valuation is still not excessive as compared with other major markets.

As global equities have rallied to new record highs, the risk of short term pullbacks is rising despite supportive fundamentals are likely to limit the magnitude and duration of any corrections. In view of this, we remain cautious about the performance of the Hong Kong stock market as well as the prospects of the Group's portfolio of listed securities and unlisted investments in the near term. The Group will maintain a cautious investment strategy and will assess the performance of its portfolio of investments from time to time.

The Group is aware of the continuity issue. For years, its strong financial position paved the way for future development of the Group. Our policy is to act prudently, hence the need to maintain liquidity for suitable investment opportunities.

Looking Forward

Though the global economic activity continues to firm up, political volatility in the global environment is anticipated to remain. The Group will continue its prudent long-term growth strategy and at same time, remain vigilant against risks of market adversity and their impacts on the Group's performance.

Acknowledgement

I would like to take this opportunity to extend my sincere appreciation to all the staff for their concerted efforts and continued dedication. Last but not least, I would like to express my gratitude to our shareholders for their support to the Group in the past years.

Cheung Chung Kiu
Chairman

Hong Kong, 23 March 2018

Electronic Toll Operation ("ETC")

The total number of tags in circulation was around 332,600 as at 31 December 2017 (2016: 317,600), representing an increase of 4.7% from the year before. Autotoll's penetration rate on licensed vehicles was about 40% on average. The overall usage of auto-toll facilities in all eleven toll roads and tunnels remained about 50% with the highest usage at the Tai Lam Tunnel at around 58%. The number of daily transactions handled by Autotoll was about 413,000 with toll amount of approximately HK$10.4 million. The number of subscribers for the Global Positioning System at the end of the year under review was about 13,200 (2016: 13,100), representing a 1.0% increase as compared with the previous year.

Environmental Policies and Performance

ETC system is a time saving mode for paying toll without stopping at the toll booths. Due to the elimination of the acceleration and idling, harmful vehicular emissions at the toll plaza areas are reduced. ETC not only helps in air pollutant reduction but also fuel saving. Moreover, Autotoll subscribers are also encouraged to choose electronic billing which is both environmentally friendly and cost saving.

Compliance with the Relevant Laws, Regulation and Standard

In respect of the security of its sizable customer database, Autotoll has fully complied with the requirements under the Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data. In November 2016, Hong Kong Monetary Authority has granted a Store Value Facility License (SVF License Number: SVF0012) to Autotoll for operating its electronic toll collection services.

To maintain a high quality standard of services, Autotoll will continue to pursue the ISO 9001, ISO 14001, ISO 18001 & ISO 10002 accreditation for its ETC maintenance services and customer services.

Key Relationship with Employees, Customers and Suppliers

Employees: Training classes, social interest classes and various staff activities were organized throughout the year to foster a collaborative working environment. Staff turnover for the year was 42.3% (2016: 35.2%). The turnover comprises mainly resignation of front-line and technical staff due to keen labour competition in the market.

Customers: Customer satisfaction survey was conducted by the Customer Services Department for evaluating the quality of services provided.

Suppliers: Autotoll maintains a good relationship with its suppliers of ETC tags and central clearing system since commencement of business.

Operation Review

Motoring School Operation

An increase of 14% in tuition fees income was recorded in the year under review as compared to the previous year, as a result of a 10% increase in the demand for vehicle driving lessons and higher lesson income unit rate. The improvement in throughput was the result of vigorous and pro-active sales and marketing efforts, along with the implementation of a series of service and quality enhancement programs in the past years.

As of 31 December 2017, Alpha Hero Group ("AHG") had a team of around 300 driving instructors and a fleet of around 460 training vehicles, including private cars, light goods vehicles, medium goods vehicles, motorcycles, buses, skid cars, skid bikes and articulated vehicles. The training vehicles undergo regular vehicle inspections and maintenance to ensure performance and compliance with safety standards. In addition to various new learners' courses and driving improvement programs for individual learners, AHG also provides corporations with tailor-made driving courses for fleet drivers.

Environmental Policies and Performance

As a support to environment protection and energy conservation, a wide variety of evergreen trees and plants were planted throughout the compound of the three road safety centres. Hybrid-powered vehicles are selected for private car training as a measure to reduce both air pollution and fuel consumption.

Compliance with the Relevant Laws, Regulation and Standard

AHG has established policies, procedures and guidelines to ensure that all business activities strictly comply with the Road Traffic Ordinance, Motor Vehicles Insurance (Third Party Risks) Ordinance, Telecommunications (Low Power Devices) Order, Discrimination Legislation, Trade Descriptions Ordinance and the Code of Practice for Designated Driving School issued by the Commissioner for Transport, as well as the Personal Data (Privacy) Ordinance with a view to protecting the privacy of its customers.

Since 1998, AHG has obtained ISO 9001 accreditation for the design and provision of driving courses leading to the driving tests conducted by the Transport Department for private car, light goods vehicle, medium goods vehicle, articulated vehicle, bus and motorcycle (except for disabled persons).

Key Relationship with Employees, Customers and Suppliers

Employees: AHG has well-established channels for staff communication which mainly comprise the Joint Consultation Committee for each road safety centre, enquiry hotlines, morning briefings, etc. In addition, WhatsApp and email are used where appropriate. Various sport and social activities organized by the sports and social club help to promote cohesion and team spirit among staff members. Staff turnover for the year was 9.7% (2016: 10.0%). The turnover comprises mainly resignation of front-line and general staff. In order to maintain staff retention, work performance and competitiveness, various structured training programs were organized to enhance staff development. During the year under review, 76 training sessions involving 715 participants were held for driving instructors and frontline staff.

Customers: A corporate Facebook page was set up to strengthen communication with the public and potential learner drivers. In addition, there are channels established for customer feedback such as customer hotline, questionnaire and corporate homepage.

Suppliers: For years, AHG maintains good relationship with its key suppliers, e.g. car dealers and fuel suppliers, to secure timely services provided at discounted prices.

Tunnel Operations

Tate's Cairn Tunnel ("TCT")

The dual two-lane TCT was constructed at a total cost of HK$2 billion with a designed capacity of 78,500 vehicle journeys. TCT opened for traffic in June 1991 and is the longest road tunnel in Hong Kong. Competition mainly comes from the lower tolls at the Lion Rock Tunnel, Shing Mun Tunnels and the Eagle's Nest Tunnel (part of Route 8) which connects Cheung Sha Wan and Shatin Valley.

Toll

Toll remained unchanged since 1 January 2016.

Tunnel Usage

Throughput for the year was 22,198,385 vehicle journeys (2016: 21,670,436 vehicle journeys). The average daily throughput stood at 60,817 vehicle journeys (2016: 59,209 vehicle journeys), representing an increase of 2.7% from the previous year. Market share increased from 28.7% in 2016 to 28.9% in 2017.

	Traffic Mix	
	2017	2016
Private Cars/Taxis and Motorcycles	**73.8%**	73.8%
Goods Vehicles	**17.7%**	17.9%
Buses	**8.5%**	8.3%
	100.0%	100.0%

In terms of vehicle mix profile and as compared to last year, usage by private cars category (i.e. private cars, taxis and motorcycles) was the same as last year. The usage by goods vehicles category decreased from 17.9% to 17.7% while usage by buses increased from 8.3% to 8.5%. The average net toll per vehicle decreased from HK$24.28 in 2016 to HK$24.23 in 2017.

Accidents

The traffic accident occurrence rate increased by 12.0% during 2017.

	Occurrence Rate Per million vehicle trips	
	2017	2016
Fatal Accidents	**0.05**	0.00
Traffic Accidents (Personal Injury)	**0.77**	0.74
Traffic Accidents (Damage Only)	**5.23**	4.66
TOTAL:	**6.05**	5.40

Breakdowns

The occurrence rate of breakdowns in 2017 decreased by 8.4% and the average time taken to attend the scene was maintained at within two minutes.

	2017	2016
Total Breakdowns (occurrence rate per million vehicle trips)	**15.63**	17.07
Daily Average Breakdowns	**0.95**	1.01

Infringements

The number of infringements per million vehicle trips increased by 5.7% in 2017.

	Number of Events Per million vehicle trips	
	2017	2016
Total Infringements Reported	**553**	523
Prosecutions	**58**	67

Maintenance

To ensure smooth operation of the tunnel, maintenance work on all major tunnel service systems, E&M installations, computer systems and civil constructions were carried out according to the Master Maintenance Program as well as the maintenance check sheets. On 22 November 2017, there was a breakdown of the Uninterruptible Power Supply System causing temporary closure of the tunnel operation for forty-five minutes. Traffic was resumed to normal.

To ensure high operating and maintenance standards, quarterly and yearly maintenance were conducted and reports were submitted to the Highways Department, Transport Department and other concerned government departments for review.

In recognition of its exemplary performance in the aspect of cyber security, TCTCL was presented the Cyber Security Professionals Awards - Certificate of Bronze by the Hong Kong Police Force, the Government Computer Emergency Response Team Hong Kong and the Hong Kong Computer Emergency Response Team Coordination Centre in January 2017.

Environmental Policies and Performance

Aware of the growing public concern on environmental issues, TCTCL has been taking a proactive approach to ensure its operations and other activities are implemented with a minimum impact on the environment, e.g. using solar heater for hot water supply, using bio-degradable detergent for washing tunnel walls and replacing a patrol van by a model with Euro V engine to reduce air pollution. Moreover, in addition to the monthly air quality reports submitted to the Environmental Protection Department and Transport Department, a voluntary internal environmental audit is conducted annually to achieve higher competency in improving the environmental performance of TCTCL.

In addition to the “Indoor Air Quality Certificate (Good Class)” granted by the Environmental Protection Department, TCTCL was also awarded the “Wastewi$e Label (Class of Excellence)” in recognition of its efforts in mitigating the creation of waste by way of 3R (Reduce, Reuse and Recycle) for consecutive years.

Compliance with the Relevant Laws, Regulation and Standard

TCTCL has fully complied with the requirements under Tate's Cairn Tunnel Ordinance and Project Agreement.

Key Relationship with Employees

Staff effort is the best guarantee to ensuring quality service to tunnel users. TCTCL highly values internal communications and is always open to new ideas and ways of solving challenges. In addition to a comprehensive range of in-house training programs, drills and exercises, various staff functions such as volunteer work and sports competitions are organized by the sports and social club aiming at enhancing staff morale and team spirit. Staff turnover for the year was 12.5% (2016: 12.9%).

Western Harbour Tunnel ("WHT")

The construction of the WHT was completed in April 1997 at a total cost of HK$7 billion. The dual three-lane tunnel has been under-utilised due to the lower tolls at the other cross-harbour tunnels and poor connecting roads leading to and from the WHT. Western Harbour Tunnel Company Limited ("WHTCL") will continue to work with the Government to improve the overall traffic flow of Hong Kong through better usage of the WHT.

Toll

With effect from 1 January 2017, WHTCL has implemented its eighth toll increase as a measure to increase revenue. Toll charges for private cars, taxis, light buses and goods vehicles have risen by HK$5 while the tolls for motorcycles and additional axles remain unchanged. Toll increases for single and double decked buses are HK$10 and HK$15 respectively.

The sixteenth toll gazettal took effect on 31 July 2017 due to the performance of the tunnel being below the target set in the Western Harbour Crossing Ordinance ("WHC Ordinance"). Although this permits the tunnel tolls to be raised, the actual toll remained unchanged since 1 January 2017 and the actual toll charge for all vehicle categories are substantially lower than the gazette toll. Both midnight empty taxi promotion and midnight goods vehicle promotion are extended till the end of July 2018.

Tunnel Usage

Throughput for the year was 24,666,847 vehicle journeys (2016: 24,677,967 vehicle journeys). The average daily throughput stood at 67,580 vehicle journeys (2016: 67,426 vehicle journeys), representing an increase of 0.2% from the previous year. Market share remained unchanged at 26.1% in 2017.

	Traffic Mix	
	2017	2016
Private Cars/Taxis and Motorcycles	**77.6%**	77.7%
Goods Vehicles	**13.9%**	13.7%
Buses	**8.5%**	8.6%
	100.0%	100.0%

In terms of vehicle mix profile and as compared to last year, the private cars category (i.e. private cars, taxis and motorcycles) decreased from 77.7% to 77.6% and buses category decreased from 8.6% to 8.5% while usage by goods vehicle increased from 13.7% to 13.9%. The average net toll per vehicle increased from HK$65.06 in 2016 to HK$70.51 in 2017 due to toll increase effective from 1 January 2017.

Operation Review

Accidents

The traffic accident occurrence rate in 2017 decreased by 36.6% as compared to 2016.

	Occurrence Rate per million vehicle trips	
	2017	2016
Fatal Accidents	**0.00**	0.00
Traffic Accidents (Personal Injury)	**0.12**	0.57
Traffic Accidents (Damage Only)	**1.42**	1.86
TOTAL:	**1.54**	2.43

Breakdowns

The occurrence rate of breakdowns in 2017 decreased by 26.1% and the average time taken to attend the scene was maintained at within two minutes.

	2017	2016
Total Breakdowns (occurrence rate per million vehicle trips)	**5.15**	6.97
Daily Average Breakdowns	**0.35**	0.47

Escorts

	Number of trips	
	2017	2016
Dangerous Goods & Abnormal Goods	**1,201**	1,496

Infringements

The number of infringements per million vehicle trips increased by 33.6% in 2017.

	Number of Events Per million vehicle trips	
	2017	2016
Total Infringements Reported	**358**	268
Prosecutions	**53.1**	36.3

Maintenance

Throughout the year 2017, all major tunnel systems operated in a safe and reliable condition. Preventive maintenance work was performed on all engineering systems and no major defects were found.

As an annual exercise, an independent consulting engineer was engaged in November 2017 to conduct a maintenance audit. The audit showed that all tunnel infrastructure and systems had been maintained in compliance with the Maintenance Manual, which is the standard agreed with the Highways Department.

Environmental Policies and Performance

As a commitment to supporting environmental initiatives, a wide variety of evergreen trees and plants were planted throughout the tunnel area. For energy saving purposes, LED lamps were widely used in the administration building and motion activated lighting controls were installed for changing rooms and workshops. Inverter air-conditioners were installed in the toll booths and induction lamps were used in ventilation buildings as well.

Compliance with the Relevant Laws, Regulation and Standard

WHTCL has fully complied with the requirements under the WHC Ordinance and Project Agreement. To maintain a high quality standard of services, WHTCL will continue to pursue the ISO 9001 accreditation, with emphasis on “Traffic Management & Handling Procedures” and “Toll Collection” under operating manual.

Key Relationship with Employees and Customers

Employees: Apart from regular departmental meetings and workgroup briefings, various communication mechanisms, e.g. Joint Consultative Committee, etc., were implemented. Staff activities were also organized throughout the year to foster a collaborative working environment. Staff turnover for the year was 15.7% (2016: 24.8%). The turnover comprises mainly resignation of front-line and technical staff due to keen labour competition in the market.

Customers: Various joint promotions were conducted such as the distribution of gasoline coupons and health care products coupons to tunnel users for their long-term support. A corporate Facebook page and mobile app were set up to strengthen communications with the public by providing the latest news on the WHT.

Hong Kong, 23 March 2018

Management Discussion and Analysis

Commentary on Annual Results

(I) Review of 2017 Results

The Group reported a profit attributable to shareholders of HK$1,180.0 million for the year ended 31 December 2017, an increase of 187.5% compared with HK$410.4 million in 2016. Earnings per share were HK$3.17 compared to HK$1.10 for the previous year. The increase in 2017 was primarily attributable to the favourable performance of the treasury segment resulting from a substantial fair value gain in securities investment as well as an increase in contributions from both tunnel operations and motoring school operations.

The revenue of the Group was HK$461.6 million for the year, increased by HK$30.6 million or 7.1% as compared to HK$431.0 million recorded in 2016. The increase was mainly attributable to the improved performance of motoring school operations, despite there was a decrease in gain from disposal of securities investment. The motoring school operations recorded an increase in revenue of 14.2% to HK$398.1 million as a result of improvement in tuition fees income due to an increase in demand for driving lessons and higher lesson income unit rate. Profit before tax therefrom increased by 8.3% to HK$158.5 million as compared to the HK$146.4 million recorded in the previous year. Treasury investment, being one of the core businesses, recorded a realised net gain of HK$0.2 million on disposal of available-for-sale securities during the year under review as compared to HK$21.1 million recorded in 2016. Profit distribution from an unlisted investment in 2017 amounted to HK$8.9 million as compared to HK$9.2 million recorded in the previous year. Dividend income and interest income received from listed investments for the year amounted to HK$15.3 million whereas HK$21.7 million was recorded in the last corresponding year.

In addition, as compared to a loss of HK$141.4 million recorded in 2016, the Group's treasury segment recorded a significant unrealised fair value gain on trading securities in the amount of HK$622.6 million as well as a deferred tax provision of HK$60.9 million arising therefrom during the year under review. Revaluation deficit arising on certain available-for-sale securities of HK$17.8 million, as compared to HK$58.6 million recorded in the previous year, was transferred from the investment revaluation reserve to the consolidated statement of profit or loss as a result of impairment losses on those securities at 30 June and 31 December 2017.

The Group's share of profits of associates has increased by 9.2% to HK$596.2 million as compared to HK$546.1 million in 2016 due to improved performance of Western Harbour Tunnel Company Limited ("WHTCL"). An increase in contribution from WHTCL during the year under review was attributable to a 8.3% increase in toll revenue after the implementation of toll increase in January 2017, whereas Tate's Cairn Tunnel Company Limited ("TCTCL") also registered a 2.6% increase in toll income as a result of an increase in throughput. After accounting for the amortisation of fair value in excess of net book value of WHTCL and TCTCL as at the completion dates of the acquisitions in 2008, profit contributions from WHTCL and TCTCL for the year were HK$514.9 million and HK$81.3 million respectively, as compared to HK$462.9 million and HK$83.2 million recorded in the previous year.

The Group's share of profits of a joint venture, Autotoll Limited, which operates an electronic toll collection system, was HK$13.4 million for the year under review against HK$17.7 million recorded in the previous year, representing a decrease of HK$4.3 million or 24.3% as a result of an increase in operating expenses incurred for coping with increasing competitions with other store value facilities service providers.

(II) Treasury Investments and Significant Investments Held

As at 31 December 2017, the Group maintained a portfolio of investments in different categories of companies with an aggregate fair value of HK$2,165.5 million (31 December 2016: HK$1,041.7 million). The portfolio composed of HK$1,757.2 million listed investments and HK$408.3 million unlisted investment funds managed by financial institutions. During the year under review, HK$193.1 million listed bonds and HK$49.8 million unlisted investment funds were purchased. The substantial increase in the aggregate fair value of the investment portfolio was primarily attributable to positive fair value changes of HK$622.6 million in certain trading securities as well as a significant increase in the investment revaluation reserve in the amount of HK$295.9 million after adjusted for impairment losses recognised on certain available-for-sale securities.

Of the portfolio of investments held by the Group as at 31 December 2017, a significant portion comprises a portfolio of investments in the property category of listed companies with an aggregate fair value of HK$1,084.3 million accounting for 50% of the aggregate fair value of the Group's portfolio of investments. In terms of performance, total dividend and interest income derived from such portion of investments for the year amounted to HK$8.8 million. Further, a significant unrealised fair value gain of HK$647.3 million and an increase in the investment revaluation reserve in the amount of HK$32.3 million on such portion of investments were recorded as at year end date. As to the future prospects of such portion of investments, their performance will be subject to various factors including the development trend of the property market as well as the investor sentiments in Hong Kong and the Mainland.

Further details of the Group's investment portfolio in respect of its classification and fair value measurement are provided in notes 14, 15 and 21(f)(i) to the consolidated financial statements on pages 92, 93, 104 to 106.

Certain securities were pledged to the financial institution to secure margin and securities facilities granted to the Group in respect of securities and derivatives transactions. As at 31 December 2017, these facilities were not utilized by the Group.

(III) Liquidity and Financial Resources

As at 31 December 2017, the Group had bank balances and deposits in the amount of HK$3,284.9 million. The Group did not have any debts outstanding as at 31 December 2017 and 2016. Except for the Group's bank deposits denominated in foreign currencies other than the United States dollars, the Group's major sources of income and major assets are denominated in Hong Kong dollars. Further information on the Group's foreign currency exposure is provided in note 21(d) to the consolidated financial statements on pages 101 and 102.

(IV) Comments on Segmental Information

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries, associates and a joint venture are motoring school operations, treasury management and securities investment, tunnel operations and electronic toll collection. Further information on the segmental details is provided in note 2(b) to the consolidated financial statements on pages 79 to 81.

(V) Employees

The Group has 538 employees. Employees are remunerated according to job nature and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Apart from provident fund schemes and medical insurance, discretionary bonuses and employee share options are awarded to employees of the Group at the discretion of the board of directors, depending upon the financial performance of the Group. Total staff costs excluding directors' emoluments for the year amounted to HK$188.0 million. Detailed information is set out in note 4 to the consolidated financial statements on page 82.

The Company also operates a Share Option Scheme, details of which are set out in the Report of the Directors on pages 49 and 50.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group include the distinctive risks pertaining to the Company and each business segment of the Group.

The aim of the Company's business strategies is to deliver long-term value and sustainable returns to our shareholders. Strategic risk facing the Company might arise from poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment, resulting in failure to deliver reasonable returns or to meet growth expectations. In this respect, strategic issues are regularly reviewed by the Executive Committee and regular assessments are made to ensure that strategies remain appropriate, and that each business segment is making progress in meeting the strategic objectives of the Company.

The operation of designated driving school is subject to changes in government policy in respect of land use and the provision of restricted driving instructors, driving examiners, as well as the availability of private driving instructors in the market. Its profitability may also be affected by deteriorated economic conditions and intense price competition from other operators. To mitigate the impacts of these risks, the management stays alert on changes in the business environment and prepares to cope with them by exploring feasible options to secure the continued operations of the driving centres.

In respect of tunnel operation, hazard risk includes outages due to fire, natural disaster, terrorism, as well as loss of electricity supply. There are also macro factors including political risk (e.g. the Occupy Central Movement in 2014), economic downturn and government policy (e.g. expansion of railway networks). These risks cannot be eliminated or managed due to their uncontrollable nature, however, insurance cover, contingency plans and procedures, are well and readily in place to mitigate the impacts on operation and revenue. In addition, hazard risk exposure has been accounted for during the design stage of tunnel construction.

For electronic toll operation, regulatory risk include changes in government policy and regulation such as introducing a licensing regime for Store Value Facilities ("SVF") and the passing of competition laws. In response to the compliance risk associated with the SVF licensing, a risk management committee was set up to oversee the implementation of all the necessary measures as well as control process for fulfilling the licensing requirements. Further, in addition to economic risk in business environment, technology risk such as the evolution of new technology on the modes of electronic payment creates both threats and opportunities.

The equity price risk facing the Group's treasury management business is the price volatility of the listed equity investments and unlisted investment funds, which in turn can be affected by various factors in addition to the business risk associated with individual equity. They include global risk related to economic and geopolitical issues in the major markets, policy risk such as changes in government policies and regulations, interest rate risk and currency risk. To mitigate risk exposure, a well-diversified portfolio of securities investment is maintained.

The Group is committed to improve its risk monitoring and management mechanism in order to ensure control measures are both embedded and effective within each business segment.

Hong Kong, 23 March 2018

Directors and Senior Management

Executive Directors / Senior Management

Cheung Chung Kiu, aged 53, was appointed Chairman of the Company on 21 March 2001 and is a member of the Executive Committee and the Remuneration Committee of the Company, as well as a member and the chairman of the Nomination Committee of the Company. He also holds directorships in certain other members of the Group. Mr. Cheung set up Chongqing Industrial Limited ("Chongqing Industrial", a company engaged mainly in the trading business in the PRC) in 1985 and has a wide range of experience in investment and business management, including over 20 years of experience in property development and investment mainly in Hong Kong and in the PRC. He is the founder and chairman of Yugang International Limited ("Yugang International"), chairman and managing director of Y. T. Realty Group Limited ("Y. T. Realty") and chairman of C C Land Holdings Limited ("C C Land"), all being public listed companies in Hong Kong. He is a director of Palin Holdings Limited, Chongqing Industrial, Yugang International (B.V.I.) Limited ("Yugang BVI") and Funrise Limited ("Funrise") which, together with Yugang International, are companies disclosed in the section headed "Other Persons' Interests and Short Positions" on page 50.

Yeung Hin Chung, John, SBS, OBE, JP, aged 71, was appointed Managing Director of the Company on 1 August 2001 and is a member of the Executive Committee of the Company and chairman and/or director of certain other members of the Group. Mr. Yeung holds a doctoral degree in management. Prior to joining the Company, he had held various key management positions in the Government of Hong Kong, where he last served as Deputy Director of Immigration; and in the private sector, where he last worked as the chief executive of the Shun Hing Group. Mr. Yeung is a member of the Board of Governors of the Hong Kong Philharmonic Society. He is also an Honorary Institute Fellow of the CUHK Asia-Pacific Institute of Business and a member of the CUHK Advisory Group on Undergraduate Studies in Business and the HKU SPACE Foundation Steering Committee.

Yuen Wing Shing, aged 71, was appointed Executive Director of the Company on 21 March 2001 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Mr. Yuen holds a diploma in management studies from The Hong Kong Polytechnic University. Prior to joining the Company, he had held senior management positions with a major bank in Hong Kong for over 20 years. He is the managing director of Yugang International, an executive director of Y. T. Realty and a director of Yugang BVI and Funrise.

Wong Chi Keung, aged 62, was appointed Executive Director of the Company on 21 March 2001 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Mr. Wong holds a doctoral degree in business and is a member of the Royal Institution of Chartered Surveyors, The Hong Kong Institute of Housing and the Chartered Institute of Housing. He is a fellow of the Hong Kong Institute of Real Estate Administrators and The Hong Kong Institute of Directors and an honorary fellow of Guangxi Academy of Social Sciences. Mr. Wong has held various senior executive positions with some of Hong Kong's leading property companies and property consultant firms for the past 30 years. He is a deputy chairman and an executive director of C C Land and an independent non-executive director of Water Oasis Group Limited, both being public listed companies in Hong Kong.

Leung Wai Fai, aged 56, was appointed Executive Director of the Company on 21 March 2001 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Mr. Leung graduated from University of Wisconsin-Madison with a bachelor's degree in business administration. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Leung has over 30 years of extensive experience in accounting and financial reporting. He is an executive director of C C Land and the group financial controller of Yugang International.

Tung Wai Lan, Iris, aged 52, was appointed Executive Director of the Company on 21 March 2001 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Ms. Tung holds a master of philosophy degree from The Chinese University of Hong Kong. She is an executive director of Y. T. Realty.

Independent Non-executive Directors

Ng Kwok Fu, aged 46, was appointed Independent Non-executive Director of the Company on 30 September 2004 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Ng holds a certificate in accounting from Grant MacEwan Community College of Canada. He has over 20 years of experience in the marketing, trading, purchasing and developing of construction materials as well as in technical control, support and management in building projects. He is an independent non-executive director of Yugang International and Y. T. Realty.

Luk Yu King, James, aged 63, was appointed Independent Non-executive Director of the Company on 10 September 2007 and is a member and the chairman of the Audit Committee of the Company. Mr. Luk graduated from The University of Hong Kong with a bachelor of science degree. He is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and an ordinary member of the Hong Kong Securities and Investment Institute. He has over 10 years of experience in corporate finance and in securities & commodities trading business, working with international and local financial institutions. He is an independent non-executive director of Yugang International and Y. T. Realty.

Leung Yu Ming, Steven, aged 58, was appointed Independent Non-executive Director of the Company on 1 October 2007 and is a member of the Audit Committee and the Nomination Committee of the Company, as well as a member and the chairman of the Remuneration Committee of the Company. Mr. Leung received his bachelor of social science degree from The Chinese University of Hong Kong and master's degree in accountancy from Charles Sturt University of Australia. He is an associate of The Institute of Chartered Accountants in England and Wales and a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong. He is also a certified practising accountant in Australia and a practising certified public accountant in Hong Kong. Mr. Leung commenced public practice in auditing and taxation in 1990 and is currently a senior partner in a CPA firm. He has over 30 years of experience in assurance, financial management and corporate finance, having previously worked as assistant vice president in the International Finance and Corporate Finance Department of Nomura International (Hong Kong) Limited. He is an independent non-executive director of Suga International Holdings Limited, Yugang International, Y. T. Realty and C C Land, all being public listed companies in Hong Kong.

Corporate Governance Report

Shareholder Value

The Company has always been committed to upholding the principles of good corporate governance. These principles highlight an effective board, sound risk management and internal control systems as well as transparency and accountability. The board considers such commitment essential in balancing the interests of various stakeholders and the Company and its subsidiaries (the "Group") as a whole. The Company sees to it that the corporate governance agenda is focused on improving performance and not just bogged down in conformity and compliance.

Corporate Governance

This report sets out the Company's application in the year to 31 December 2017 of the Corporate Governance Code (the "CG Code") set out within Appendix 14 to the Main Board Listing Rules (the "Listing Rules"). To ensure that governance standards are met, and that processes are in place to ensure continuous improvements, the full board assumes the corporate governance duties rather than delegates the responsibility to a committee.

The board is responsible for discharging the corporate governance functions prescribed under the CG Code.

During the year up to the date of this report, the board conducted an annual review of (a) the Company's policies and practices on corporate governance; (b) the training and continuous professional development of directors (including senior management); (c) the Company's policies and practices on compliance with legal and regulatory requirements; and (d) the conduct codes applicable to employees and directors. The board also reviewed the Company's compliance with the CG Code at regular intervals and relevant disclosure in the interim report and in this report. In the opinion of the board, the Company complied with the principles and the code provisions of the CG Code in all respects throughout the year save for the deviation described below.

The Company has no formal letters of appointment for directors except the managing director setting out the key terms and conditions of their appointment, and has therefore deviated from D.1.4 of the CG Code. This notwithstanding, every director, including those appointed for a specific term, shall be subject to retirement by rotation, removal, vacation or termination of the office as a director, and disqualification to act as a director in the manner specified in the Company's articles of association, applicable laws and the Listing Rules. Shareholders are sent (at the same time as the notice of the relevant general meeting) a circular containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to approve the re-election of each retiring director who stands for re-election at the meeting, including the information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Inside Information

The board is responsible for ensuring the Group's compliance with its disclosure obligations regarding inside information, and has appointed a disclosure group with specific designated duties to assist it in, among other things, overseeing and co-ordinating the disclosure of inside information. The procedures and internal controls for the handling and dissemination of inside information are given in the policy (the "PSI Policy") adopted by the Company to ensure that it is able to meet relevant obligations under Part XIVA of the Securities and Futures Ordinance (Cap. 571) (the "SFO"). The PSI Policy applies to the directors, officers and employees of the Group.

Under the PSI Policy, the Company must disclose inside information to the public by way of an announcement as soon as reasonably practicable unless the information falls within any of the safe harbours described under the SFO. Any director, officer or employee who becomes aware of a matter, development or event that he or she considers to be, or potentially to be, inside information shall report it promptly to the disclosure group. Before the relevant information is fully disclosed to the public, the disclosure group should take reasonable precautions to ensure that the information is kept strictly confidential. Where it is believed that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the information should be disclosed immediately to the public. If the disclosure group needs time to clarify the details of, and the impact arising from, an event or a set of circumstances before it is in a position to issue a full announcement to properly inform the public, the disclosure group should consider issuing a "holding announcement" which details as much ascertainable information of the subject matter as possible and sets out the reasons why a fuller announcement cannot be made. Following a holding announcement, the disclosure group should ensure that a full announcement is made as soon as reasonably practicable. In the event that confidentiality has not been maintained and it is not able to make a full announcement or a holding announcement, the disclosure group should consider applying for a suspension of trading in the Company's securities, subject to approval of the board, until disclosure can be made. All inside information related announcements must be properly approved by the board before publication, and all unpublished inside information must be kept in strict confidence until a formal announcement is made. The disclosure group must further ensure that access to unpublished inside information is given only to employees on a "need-to-know" basis for discharging their duties. Apart from reporting to the disclosure group, every director, officer or employee who possesses or has been given access to unpublished inside information must not disclose, discuss or share such information to or with any other parties within or outside the Group. The PSI Policy also sets out the criteria for advance disclosure of inside information to certain categories of people as may be necessary in the circumstances. In this case, the disclosure group should monitor the situation so that disclosure may be made as soon as reasonably practicable if there is any leakage of information. Directors, officers and employees must refrain from dealing in the shares of the Company at any time when they are in possession of unpublished inside information. Securities dealings are governed the by the securities codes applicable to directors and relevant employees (within the meaning of the CG Code), as described in the section below.

Securities Dealings

Directors' dealings are governed by a code adopted by the Company (the "Securities Code") (of which the Model Code for Securities Transactions by Directors of Listed Issuers set out within Appendix 10 to the Listing Rules as amended from time to time (the "Model Code") forms part). Each director will be given a copy of the Securities Code at the time of his or her appointment and a copy of the revised Securities Code in a timely manner. Directors will be notified in advance of the commencement of each period during which they are not allowed to deal, or are advised not to deal, in the Company's securities with reminders of their obligations under both codes.

All directors confirmed that they had complied with the required standard set out within the Model Code and the Securities Code throughout the year.

The Company has also adopted a code for relevant employees regarding securities transactions on terms no less exacting than the Model Code. Relevant employees will be notified in advance of the commencement of each period during which they are not allowed to deal, or are advised not to deal, in the Company's securities with reminders of their obligations under the code.

The Board

Corporate governance functions, as noted above, are performed by the board which assumes responsibility for leadership and control of the Company. Directors being pillars of corporate governance act at all times honestly and exercise care, diligence and skill in the discharge of their duties. The board is collectively responsible for promoting the success of the Company and seeks to balance broader stakeholder interests and those of the Group.

Board balance

The board, which is chaired by Mr. Cheung Chung Kiu, comprises nine members. The composition of the board is shown in the corporate information section on page 1. All members served on the board throughout the year up to the date of this report.

Brief biographical details of the directors appear in the directors and senior management section on pages 17 and 18.

The Company embraces the benefits of having a diverse board and directs that the review of this be a collective effort of the board and the nomination committee. The appointment or re-appointment of a director shall first be considered by this committee with reference to the policies adopted by the Company governing the nomination and diversity of board members. Recommendations of the committee will then be put forth at the next board meeting for directors' consideration and approval. In designing board composition, the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business will all be taken into account.

In the opinion of the nomination committee, an appropriate level of diversity on the board was achieved, and a balanced composition of executive directors and independent non-executive directors, the latter being of sufficient calibre and number for their views to carry weight in the board's deliberations, was maintained, throughout the year. The committee has noted that none of the independent non-executive directors has any interests or relationships that could materially interfere with his independent judgment and concluded that all independent non-executive directors remain independent.

Board meetings are held regularly four times a year and additionally as needed to discharge the board duties effectively. Regular scheduled meetings are also held by the board committees to discharge their duties effectively. Independent non-executive directors, as equal board members, give the board and its committees on which they serve the benefit of their skills, expertise and diverse backgrounds and qualifications through regular meeting attendance and active participation. They also attend general meetings and develop a balanced understanding of the views of shareholders.

The Board *(continued)*

Attendance at board and general meetings

Four regularly scheduled meetings of the board and a general meeting (annual general meeting) were held during the year. Attendance of each director at the above meetings is shown below.

	No. of meetings attended/held	
	annual general meeting	regular board meeting
Executive Director		
Cheung Chung Kiu *(Chairman)*	1/1	4/4
Yeung Hin Chung, John *(Managing Director)*	1/1	4/4
Yuen Wing Shing	1/1	4/4
Wong Chi Keung	1/1	4/4
Leung Wai Fai	1/1	4/4
Tung Wai Lan, Iris	1/1	4/4
Independent Non-executive Director		
Ng Kwok Fu [1]	1/1	4/4
Luk Yu King, James [2]	1/1	4/4
Leung Yu Ming, Steven [2]	1/1	4/4

Notes:

1 Mr. Ng Kwok Fu was appointed for a term commencing 21 May 2015 and ending at the close of the forthcoming annual general meeting.

2 Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven were appointed for a term commencing 18 May 2017 and ending at the close of the annual general meeting in 2020.

3 Non-executive directors are subject to retirement by rotation and eligible for re-election in accordance with the Company's articles of association and all applicable laws.

Apart from the above, a meeting was also held by the chairman with the independent non-executive directors (without the executive directors present) during the year.

The appointment of management

The board, led by the chairman, is accountable to shareholders for the overall management and performance of the Group. This requires continuing attention, the board therefore appoints management, which is made up of executive committee members, with additional members from the second line of management. The managing director in turn delegates aspects of the management and administrative functions to senior executives who report directly to him on a regular basis.

The Board *(continued)*

Delegations to management and reserving matters for the board

The board sets the business strategy of the Group and monitors its development. It delegates other matters to management while reserving certain decisions and actions for itself and performing them effectively. There is a written statement of matters reserved for the board and those delegated to management. These arrangements are reviewed on an annual basis to ensure that they remain appropriate to the needs of the Company.

This statement recognises nine broad categories into which reserving matters for the board may fall, namely (1) board and senior management; (2) relations with the members and stakeholders; (3) financial matters; (4) business strategy; (5) capital expenditures; (6) lease or purchase of buildings; (7) major transactions not included in the budget; (8) actions or transactions involving legality or propriety; and (9) internal control and reporting systems.

The board sees to it that management is managing properly and does not exceed its remit. The statement gives clear directions as to the powers of management. These include executing the business strategies and initiatives adopted by the board, approving investments and divestments as well as managing the Group's assets and liabilities in accordance with the policies and directives of the board. Specifically, management helps prepare interim and annual accounts/reports, and implements and monitors the Company's financial controls and systems of risk management and internal control. Management typically meets each month to review the operating and financial performance of the Group against agreed budgets and targets.

Supply of and access to information

The board and individual directors have separate and independent access to senior management at all times. The management ensures that the board and its committees receive adequate information, board papers and related materials in a timely manner to enable them to make informed decisions. All directors have access to the advice and services of the company secretary, who is responsible to the board to ensure that board procedures are being followed and that applicable rules and regulations are being complied with. Every director or board committee member can seek independent professional advice in appropriate circumstances at the Company's expense.

Directors' responsibilities

On appointment to the board, each director receives an induction package covering the latest information about the financial position of the Group as well as guidelines on directors' duties and corporate governance. In addition, all members of the board are provided with monthly updates so that they can have a balanced and understandable assessment of the Group's performance, position and prospects. New directors are welcome to visit the operating divisions to gain a proper understanding of the Group's business operations.

The mini-library maintained for the company secretarial department is open to all directors. Stocked with corporate publications and governance procedures, it also collects applicable rules, ordinances, codes and acts. Directors are welcome to visit the library and borrow those materials.

The Company recognises directors' need for continuous professional development and ensures that sufficient training opportunities are being provided to the directors from time to time to develop and refresh their knowledge and skills. During the year, the Company continued to arrange and fund suitable training for its directors.

According to the records provided to the Company, each director received no less than five hours of training through seminars, programmes, and the like, or reading during the year.

Insurance cover

The Company has appropriate insurance cover in respect of legal action against its directors and officers. The extent of insurance cover is reviewed by management on an annual basis.

Chairman and Managing Director

The positions of chairman and managing director are held by separate individuals with the defined roles of managing the board and managing the affairs of the Company respectively. The board considers that vesting the roles in different individuals is essential in ensuring a balance of power and authority and in upholding independence, accountability and responsibility with respect to the management of the Company. The division of responsibilities between the chairman and managing director has been clearly established and set out in writing.

The chairman provides leadership for the board, ensuring its effectiveness in all aspects of its role. The managing director, supported by the management, provides planning and implementation.

The chairman ensures that all directors are properly briefed on issues arising at board meetings and that all key and appropriate issues are discussed by the board in a timely manner. Board meetings for each year are scheduled in advance to give all directors an opportunity to attend, and are structured to encourage open discussion. All board members are encouraged to update their knowledge of and familiarity with the Group through active participation at board meetings.

The chairman settles the agenda for each individual board meeting, taking into account any additional items proposed by the managing director and arising from current operating issues, as well as such other matters as may be raised by the other directors with him, who can include them on the agenda. The agenda and accompanying board papers are sent in full to all directors where possible at least three days before the time appointed for the meeting.

It is also the chairman's responsibility to control board meetings, to lead discussions to clear conclusions, and to satisfy himself that the secretary of the meeting has understood each conclusion reached. The company secretary and financial controller attend the meetings and advise, where appropriate, on corporate governance and accounting and financial matters.

Minutes of board meetings and meetings of board committees are kept by a duly appointed secretary of the meeting and open for inspection by any director. Draft and final versions of minutes of board meetings are sent to all directors for their comments and records respectively.

Accountability and Audit

Financial reporting

The directors are responsible for preparing the accounts. The board seeks to give a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules. It also does so for reports to regulators and information disclosed under statutory requirements.

The directors are also responsible for the integrity of financial information and for ensuring its timely disclosure. Arrangements are made which will allow them to be satisfied that the accounts are true and fair, which accurately disclose the financial position of the Company and comply with statutory requirements and applicable accounting standards.

Accountability and Audit *(continued)*

Risk management and internal control

The board is responsible for ensuring that the Group maintains appropriate and effective risk management and internal control systems (the "systems") to safeguard shareholders' investment and the Company's assets and hence for taking reasonable steps to prevent and detect fraud and other irregularities. The Company has in place a risk management structure, comprising the board, the audit committee, the internal audit function and management. The board evaluates and determines the nature and extent of the risks that should be taken in achieving the Company's strategic objectives, and oversees management in the design, implementation and monitoring of the systems, through the audit committee and the internal audit function, and management provides a confirmation to the board on the system effectiveness.

While acknowledging responsibility for the systems and for reviewing their effectiveness, the board recognises that they are designed to assist the Company in managing, rather than eliminating, the risk of failure to achieve its business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The system review is an ongoing process, being conducted in turn by management, by the internal audit function and the audit committee, and, ultimately, by the board. Each year, the audit committee receives an internal audit report and a management report with respect to the operational aspects of internal controls over the areas of key risk identified. Any material internal control defects, and recommendations for resolving the defects, are identified and made to the board as appropriate. Based on those reports, the audit committee conducts relevant review and reports to the board, highlighting any areas where action or improvement is needed. The board reviews the effectiveness of the systems, taking into account the views and recommendations of the audit committee, and reports to shareholders by way of disclosure in this report.

Using the above process, the board scheduled a meeting in December 2017 and an additional meeting in March 2018 and reviewed the Company's compliance with the risk management and internal control code provisions during the year. The review covered all material controls, including financial, operational and compliance controls, and gave particular consideration to the items under C.2.2 and C.2.3 of the CG Code. They are: the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions; the changes in the nature and extent of significant risks, and the Company's ability to respond to changes to its business and the external environment; the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and the work of its internal audit function; the extent and frequency of communication of monitoring results to the audit committee; significant control failings or weaknesses and their impacts on the Company's financial performance or condition; and the effectiveness of the Company's processes for financial reporting and Listing Rule compliance. Nothing wrong or improper with respect to any of the foregoing items was noted on both occasions.

The Company's process for identifying, evaluating, and managing significant risks, as well as the main features of the systems, are described in the sub-section headed "*Risk management process*" below. In addition, the Company has adopted procedures and internal controls governing the handling and dissemination of inside information, as described in the inside information section on page 20.

The risk management process and the procedures and internal controls for the handling and dissemination of inside information were in place throughout the year up to the date of this report.

Accountability and Audit *(continued)*

Risk management and internal control *(continued)*

Risk management process

The board acknowledges that a robust risk assessment process provides a reliable basis for determining appropriate risk responses. The major business segments of the Group (namely, motoring school operations, tunnel operations, electronic toll operations and treasury management) have different risk profiles to varying extents. The risk tolerance levels of individual business segments on the same risk elements and the respective risk responses for bringing the level of risk exposure down to their defined risk tolerance levels may also differ. Though the board is responsible for identifying and assessing risks of a more macro and strategic nature, management seeks to have risk management features embedded in business operations as well as in functional areas such as legal, finance, human resources and technology. In this way, a more practical approach of risk management on a day-to-day basis is adopted by the individual business segment.

The risk management process includes the establishment of risk context (strategic, organisational and operational), the identification of risk factors, the analysis and evaluation of risk levels based on the defined rating criteria (which is to say, to assess the likelihood of occurrence and the significance of the impact of such risks on the performance or achievement of the objectives such as maximising revenue), prioritisation of risk factors, selection and implementation as well as evaluation of the control mechanisms/activities which contribute to mitigating the risk of business disruptions or non-compliance with applicable rules and regulations. The management of various business segments are delegated to perform risk assessment by reviewing and updating their respective risk profiles. The scope of such review covers risk groups including strategic, compliance, operations and financial risks, which are further divided into various risk categories, risk titles and descriptions. Since the risk profile of each individual business segment may be valid for only a certain period of time, the management of the respective business segments are responsible for monitoring any change in the risk items as well as the effectiveness of the related control mechanisms and/or control activities by conducting reviews on the overall risk profile on a half-yearly basis.

The board, together with the audit committee and the internal audit function, regularly assesses the effectiveness of the systems established and maintained by management, and ensures that management has performed its duty to have effective systems.

Board Committees

The board is supported in its decisions by the four principal committees described below. The terms of reference of all except the executive committee are available on the website of the Company.

The executive committee

In directing and supervising the Company's affairs, the board is supported by an executive committee whose membership is exclusive to executive directors, who also make up senior management. There are six executive directors in office, as shown in the corporate information section on page 1. All members served on the committee throughout the year up to the date of this report.

The executive committee is vested with the powers of the directors by the Company's articles of association or that are otherwise expressly conferred upon them, as defined by its terms of reference.

Board Committees *(continued)*

The remuneration committee

The remuneration committee, which is chaired by Mr. Leung Yu Ming, Steven, comprises three members, as shown in the corporate information section on page 1. All members served on the committee throughout the year up to the date of this report.

This committee supports the board in determining the remuneration packages of individual executive directors and senior management. It further assists the board in making recommendations on the Company's remuneration policy and structure for all directors and senior management, in reviewing and approving the management's remuneration proposals as well as in making recommendations on the remuneration of non-executive directors.

The remuneration committee met twice during the year with perfect attendance. No member took part in any discussion, recommendation or decision concerning his own remuneration at each meeting.

	No. of meetings attended/held
Leung Yu Ming, Steven *(Chairman)*	2/2
Cheung Chung Kiu	2/2
Ng Kwok Fu	2/2

The Group's remuneration approach seeks to attract, motivate and retain the executive talent that is essential for the implementation of its business strategy towards sustained and long-term returns for shareholders. Its remuneration structure comprises fixed and variable components, including salaries, discretionary bonuses, retirement scheme contributions and share options.

The emoluments received by every executive director and senior executive are determined with reference to individual and company performance, industry specific remuneration benchmarks and prevailing market conditions, subject to annual assessment.

The remuneration committee recommends non-executive director fees annually, based on market practices, time commitment and level of responsibility. These recommendations are then put to a meeting of the board for approval.

During the year, the remuneration committee reviewed and approved the management's remuneration proposals. It also reviewed, among other matters, directors' fees and remuneration policy and structure. The committee fixed the remuneration packages of individual executive directors, focusing on salary levels in comparator companies and role, responsibility and performance of the individual executive director so as to align management incentives with shareholders' interests.

The committee is confident that the remuneration policy, which was applied in the year under review and is expected to be applied in future years and beyond, supports the Company's goals and objectives. In the opinion of the committee, the executive remuneration levels for the year were in line with the market.

Details of the directors' remuneration for the year are set out in note 6 to the financial statements on page 84.

Board Committees *(continued)*

The nomination committee

The nomination committee, which is chaired by Mr. Cheung Chung Kiu, comprises three members, as shown in the corporate information section on page 1. All members served on the committee throughout the year up to the date of this report.

This committee serves as an advisory committee to recruit, screen and recommend board candidates for the board. Its primary role is to ensure that the right mix of talent, skills and experience as well as diversity on the board is retained. To this end, the committee reviews the relevant policies and the board structure, size and composition; assesses the independence of independent non-executive directors; and advises on directors' appointment or re-appointment and the management of board succession.

The nomination committee met once during the year with perfect attendance.

	No. of meetings attended/held
Cheung Chung Kiu *(Chairman)*	1/1
Ng Kwok Fu	1/1
Leung Yu Ming, Steven	1/1

A nomination policy has been established by the Company for the selection and appointment of candidates nominated to the board. When assessing the suitability of a candidate, factors such as time commitment, expertise and industry experience as well as integrity and skill will be taken into consideration as a whole and the candidate should be able to demonstrate the competency required for a listed company director. In the case of independent non-executive directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Selection of candidates will also be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience. These objectives are documented in a board diversity policy which has also been established by the Company to ensure that diversity, in its broadest sense, remains a central feature of the board.

During the year, the nomination committee reviewed the board composition and independence of independent non-executive directors, and considered the suitability of those retiring directors standing for re-election at the next annual general meeting as well as the need for a director succession plan. The committee also reviewed the nomination policy and the board diversity policy and discussed the objectives set for implementing the latter, and noted that those objectives had been achieved. The committee concluded that the board composition should continue unchanged.

The audit committee

The audit committee, which is chaired by Mr. Luk Yu King, James, comprises three members, as shown in the corporate information section on page 1. All members served on the committee throughout the year up to the date of this report.

This committee acts as the key representative body for overseeing the Company's relations with the external auditor. It supports the board in monitoring the Company's financial information and whistleblowing procedures for employees, and oversees the Group's financial reporting system, risk management and internal control systems.

Meetings of the audit committee are held at least biannually with the external auditor, KPMG, and triannually with management.

Board Committees *(continued)*

The audit committee *(continued)*

The audit committee met three times during the year with perfect attendance.

	No. of meetings attended/held
Luk Yu King, James *(Chairman)*	3/3
Ng Kwok Fu	3/3
Leung Yu Ming, Steven	3/3

During the year, the audit committee approved the remuneration and terms of engagement of KPMG, and considered their suitability for re-appointment. It examined KPMG's independence and objectivity, having regard to any non-audit services engagements, and the effectiveness of the audit process. The committee was satisfied that KPMG had demonstrated the independence and objectivity required for external auditors and that the audit process had been effective. KPMG were remunerated a total of HK$2.8 million for services rendered to the Group, of which HK$2.4 million were audit fees and HK$0.4 million were fees for interim review. The provision of interim review by KPMG did not, in the opinion of the committee, compromise their independence. The committee also reviewed the Company's financial statements and half-yearly and annual results, and discharged its other duties under the CG Code, including reviewing the risk management and internal control systems, the effectiveness of the internal audit function as well as the non-audit services policy and whistleblowing procedures. No significant financial reporting judgments were reported, nor were there any significant or unusual items contained in the accounts.

As disclosed in the risk management and internal control section on pages 25 and 26, the audit committee plays a vital role in monitoring the Group's risk management and internal control systems. This was done through regular meetings of the committee with KPMG and with the internal audit function (whether or not in the presence of management) during the year, in which the committee engaged discussions on the risk areas identified, and reviewed any key findings related to risk assessment as well as arising from the internal and external audit.

In the opinion of management, adequate risk management and internal control systems had been in place and maintained properly throughout the year to facilitate the effectiveness and efficiency of operations; to safeguard assets against unauthorised use and disposition; to ensure the maintenance of proper accounting records and the truth and fairness of the financial statements; to allow proactive management of the relevant risks identified; to allow fair and independent investigation of possible improprieties in financial reporting, internal control or other matters and appropriate follow-up action; and to ensure compliance with relevant legislation and regulations. Management was of the further views that there had been no changes, since the last annual review, in the nature and extent of significant risks; that the Company was able to respond to changes to its business and the external environment and its processes for financial reporting and Listing Rule compliance were effective; and that the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions were adequate. For the year under review, no significant control failings or weaknesses were identified and there revealed no significant areas of improvement or modification which were required to be brought to the attention of the audit committee.

The audit committee concurred with the above findings, and was satisfied that management had performed its duty to have effective systems. The committee further noted that the internal audit function had maintained a good relationship with KPMG, was still adequately resourced and had appropriate standing within the Company during the year. Recommendations were made to the board on the re-appointment of KPMG as the external auditor of the Company for the ensuing year and on the submission of the 2017 annual accounts for shareholder approval at the forthcoming annual general meeting.

Communication with Shareholders

The board has established a shareholders' communication policy, which sets out the Company's approach to maintain an on-going dialogue with its shareholders and potential investors. The policy is reviewed annually to ensure its effectiveness.

Shareholders' Rights

The Company must hold its annual general meeting in respect of each financial year in every calendar year. General meetings not being annual general meetings are referred to as extraordinary general meetings in the procedures described below. These procedures are subject to the articles of association of the Company, the Companies Ordinance (Cap. 622) and applicable legislation and regulations.

Procedures to convene extraordinary general meeting

1. Shareholders representing at least five per cent (5%) of the total voting rights of all the shareholders having a right to vote at extraordinary general meetings may request the directors to call an extraordinary general meeting.

2. A request, which must state the general nature of the business to be dealt with and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting, must be signed and be deposited at the registered office of the Company for the attention of the company secretary. The request may consist of several documents in like form, each signed by one or more of the shareholders concerned.

3. If the directors do not within twenty-one (21) days after the date on which the request is received by the Company proceed duly to call an extraordinary general meeting for a date not more than twenty-eight (28) days after the date of the notice convening the meeting, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a meeting for a date not more than three (3) months after the date of receipt of the request by the Company.

4. The meeting so requested by shareholders must be called in the same manner, as nearly as possible, as that in which that meeting is required to be called by the directors, and any reasonable expenses incurred by the shareholders must be reimbursed by the Company.

5. An extraordinary general meeting (other than an adjourned meeting) must be called, in the case of a meeting called for the passing of a special resolution, by at least twenty-one (21) days and not less than ten (10) clear business days written notice; and in any other case, by at least fourteen (14) days and not less than ten (10) clear business days written notice. A meeting may be convened by shorter notice if it is so agreed in writing by all shareholders.

Procedures to put forward proposals at general meeting

1. In addition to the right to request directors to call an extraordinary general meeting, shareholders shall also have the right to request circulation of resolutions which may properly be moved at an annual general meeting provided that requests are made by shareholders representing at least two point five per cent (2.5%) of the total voting rights of all the shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate; or by at least fifty (50) shareholders having that same right.

2. A request, identifying the resolution of which notice is to be given, must be signed and be deposited at the registered office of the Company for the attention of the company secretary not later than six (6) weeks before the annual general meeting to which the requests relate; or if later, not later than the time at which notice is given of that meeting. The Company shall circulate the resolution at its own expense to all shareholders.

Shareholders' Rights *(continued)*

Procedures to put forward proposals at general meeting *(continued)*

3. A shareholder who wishes to propose a person (other than a retiring director and any person recommended by the directors for election) for election as a director at a general meeting must give notice in writing of such intent and notice in writing by that person and accompanying personal information, being information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, must also be given to the Company at its registered office for the attention of the company secretary not earlier than the day after the dispatch of the notice of the general meeting appointed for such election and not later than seven (7) days prior to the date of such meeting. The first notice must be signed by the shareholder concerned, and the second notice must be signed by the proposed new director to indicate his or her willingness to be elected and consent to publication of the relevant information.

   Note: In order that shareholders have sufficient time to receive and consider the information of the proposed new director, the shareholder making the proposal is urged to submit and/or procure the submission of the required notices and information as early as practicable, preferably not later than fourteen (14) business days before the date of the relevant general meeting.

Shareholders may at any time send enquiries to the board via 3301-3307, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong or investors@crossharbour.com.hk. Our company secretarial or investor relations personnel will, where appropriate, forward your enquiries to the board or the relevant committee(s). For enquiries concerning shareholdings and related matters, please call or visit Tricor Tengis Limited via the contact details on page 1.

Investor Relations

No significant changes to the Company's constitutional documents were made during the year.

Conclusion

In the opinion of the board, good governance was maintained throughout the accounting period covered by the annual report. The Company shall keep its governance practices under review to ensure that they are in step with the latest developments.

On behalf of the board

Yeung Hin Chung, John
Managing Director

Hong Kong, 23 March 2018

We are pleased to present our annual report on environmental, social and governance ("ESG") matters. This report has been prepared in compliance with Rule 13.91 of the Main Board Listing Rules published by The Stock Exchange of Hong Kong Limited, and gives information required to be disclosed pursuant to the Environmental, Social and Governance Reporting Guide in Appendix 27 to the said Rules.

This report covers the environmental and social performances of the Company and its subsidiaries (together, the "Group"), including those primarily engaged in driving school operation (the "Motoring Group"), and their office/non-office based operations for the year ended 31 December 2017.

ESG Strategy and Reporting

The board has overall responsibility for our ESG strategy and reporting, including evaluating and determining ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. To this end, the managing director has appointed senior executives to identify relevant ESG issues and assess their materiality to our business as well as to our stakeholders, through regular review and internal discussions. Management has provided a confirmation to the board on the effectiveness of those systems for the reporting year.

Our ESG approach begins with good principles and practices across all our operations. We aim to reconcile our commercial objectives of realising long-term shareholder value and business sustainability with long-term imperatives of sustainable growth, social prosperity and social well-being. The Group has adopted a comprehensive policy which outlines the policies that were designed to fulfil its obligations with respect to sustainable development and corporate social responsibility. The said policy guides our business and operational decisions to take into account our responsibility to the focus areas which reflect the Group's business nature: workplace, operating practices, community and environment. We strive to integrate our contribution to society into our business by minimising potential environmental impact; providing a safe and healthy work environment to employees; supporting community initiatives; seeking to promote awareness of corporate social responsibility in the business; providing staff training as well as monitoring and improving our ESG performance.

A. ENVIRONMENTAL

Our commitment to sustainable development is well reflected in our continuous efforts in promoting awareness among our various stakeholders to minimise the environmental impact of our business activities. We uphold the 3Rs principle of "Reduce, Recycle and Reuse". This began with green office practices, for which the Human Resources Practice Guide, Employee Handbook and where applicable, work instructions provide specific guidelines. The guidelines highlight three broad areas into which those practices may fall, namely energy conservation, waste reduction and the handling of wastes. They include: (1) in terms of energy conservation, energy saving, water saving and fuel saving procedures; (2) in terms of waste reduction, waste saving procedures; and (3) in terms of the handling of wastes, procedures for waste collection and records.

With the exception of the Motoring Group, we have long been leasing an office space in China Resources Building in Hong Kong, an office building managed by China Resources Property Limited ("CR Property", a strong advocate of environmental protection and winner of the yearly HK Green Awards in the category of "Green Management Award – Service Provider (Large Corporation)" organised by the Hong Kong Green Council consecutively since 2013). As tenant of the building, we endeavour to participate in and complement CR Property's efforts in supporting green initiatives, along with the environmental measures that have been introduced in our offices and workplaces to facilitate managers to reduce carbon emissions and improve energy use efficiency.

Following is an outline of, inter alia, the measures and initiatives we had in place to monitor our ESG performance during the year. As a result of these efforts, we are able to improve the workplace; provide a happy, healthy and comfortable work environment for our employees while satisfying stakeholders' expectation; and continue to contribute to the environment, thereby leading to a multi-win situation.

So far as is known to the directors, all offices and workplaces of the Group were operated and maintained in safe and reliable conditions throughout the year.

A. ENVIRONMENTAL *(continued)*

A1: Emissions		
Policies and compliance		

- ✓ Comply with all applicable emissions laws and regulations.
- ✓ Adopt measures to reduce air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
- ✓ Promote the use of recyclable materials, minimise the use of paper and dispose of wastes in a socially responsible manner.
- ✓ Give due consideration to carbon emissions issues in decision-making processes, and actively seek to reduce, whenever practicable, the impact of our operations on the environment.
- ✓ Identify and appropriately manage marked environmental impacts arising from carbon emissions.
- ✓ Help mitigate the direct and indirect environmental impacts of our properties in Hong Kong arising from carbon emissions.
- ✓ Encourage the use of eco-friendly products and services and keep on improving our emissions management practices.
- ✓ Promote awareness amongst staff, customers and business partners to manage environmental and social risks and support community activities in relation to environmental protection and sustainability.

During the year, there was no violation of any emissions laws and regulations that had a significant impact on the Group known to the directors relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

KPI		
A1.1 emission types and respective data	Emissions data from gaseous fuel consumption	
	• nitrogen oxides (NO_x)	0 kg
	• sulphur oxides (SO_x)	0 kg
	Emissions data from vehicles	
	• nitrogen oxides (NO_x)	1735 kg
	• sulphur oxides (SO_x)	9 kg
	• Particulate Matter (PM)	164 kg

A. ENVIRONMENTAL *(continued)*

KPI		Emission	Intensity
A1.2 greenhouse gas (GHG) emissions	Scope 1 – Direct emissions or removals from sources		
	• from stationary combustion sources	3.20 tonnes	
	• from mobile combustion sources	1633.20 tonnes	
	• Hydrofluorocarbons (HFC) and perfluorocarbons (PFC) emissions for refrigeration/air-conditioning	31.20 tonnes	
	(Scope 1) Sub-total:	1667.60 tonnes (68.3%)	3.32 tonnes/ employee
	Scope 2 – Energy indirect emissions		
	• from the generation of purchased electricity	723.90 tonnes	
	(Scope 2) Sub-total:	723.90 tonnes (29.7%)	1.44 tonnes/ employee
	Scope 3 – Other indirect emissions		
	• from paper waste disposed at landfills	27.10 tonnes	
	• from electricity used for processing fresh water and sewage by government departments	9.01 tonnes	
	• from business air travel by employees	13.81 tonnes	
	(Scope 3) Sub-total:	49.92 tonnes (2.0%)	0.10 tonnes/ employee
	(Scope 1 + Scope 2 + Scope 3) Total GHG emissions:	2441.42 tonnes	4.85 tonnes/ employee
KPI		Annual hazardous waste	Intensity
A1.3 hazardous waste	Total hazardous waste produced:	2.64 tonnes	0.01 tonnes/ employee
KPI		Annual non-hazardous waste	Intensity
A1.4 non-hazardous waste	Total non-hazardous waste produced:	324.82 tonnes	0.65 tonnes/ employee

A. ENVIRONMENTAL *(continued)*

KPI	
A1.5 emission mitigation	1. Fuel Saving • Keep company fleet properly tuned to avoid more fuel used and more pollutants emitted by inefficient cars. • Maintain correct tyre pressure by regular inspection and inflation. • Ensure no idling vehicles with running engines. • Adopt electric or hybrid vehicles and give priority to the use of eco-friendly vehicles. • Offer low carbon driving training sessions to drivers where appropriate. • Remind drivers to turn off the vehicle engines when not in use. • Restrict the use of company cars (except training vehicles) to senior management. • Encourage staff to use public transport when performing out-of-office duties. • Encourage car pool among staff where practicable. 2. Air-conditioning Economy • Maintain the indoor temperature between 23-25 degrees Celsius (+/-1°C) as optimal temperature settings for our offices throughout the year, and adjust the temperature settings only when needed. • Cut off air-conditioning supply after non-office/non-operating hours. Do not apply for extended air-conditioning supply except in genuinely required circumstances. • Keep doors closed between air-conditioned and non-air-conditioned spaces to prevent wastage of cooling power. • Dress lightly in the hot summer months and where possible, open windows for better air circulation to minimise the use of air-conditioning. 3. Electricity Saving • Set up light zoning where possible. • Use window blinds or curtains to effectively reduce direct sunlight penetration. Make good use of natural light to minimise the energy consumed by electric lights. • Replace malfunctioning lights with energy saving LED lights. • Switch on the lights in the conference room only immediately before meeting. Make sure the lights are off before leaving the room.

A. ENVIRONMENTAL *(continued)*

<table>
<tr><td></td><td>4. Paper Saving and Recycling
• Communicate and share information by electronic means (i.e. via intranet, internet or email) as far as possible to minimise paper use.
• Use both sides of paper and reuse envelopes.
• Provide recycling bins near places where paper consumption is high (such as copiers and fax machines).
• Separate waste paper into single-sided and used papers.
• Avoid putting food-soiled paper or non-recyclable paper (such as carbon paper and paper with plastic components) or paper carrying confidential information relating to the Group into the waste paper recycling bins.
5. Business Travel Efficiency
• Properly plan the car and air routes for business travel and the commuting routes for mail delivery/collection to help reduce GHG emissions.
• Use telephone/video conferencing for online presentations and meetings to substitute unnecessary overseas business trips.
6. Others
• Where practicable, plant trees throughout the compound of the road safety centres of the Motoring Group.
• Place green plants in appropriate office areas.
• Encourage staff to keep green plants.</td></tr>
<tr><td>A1.6 hazardous and non-hazardous waste handling and reduction</td><td>Handling of Wastes
1. Hazardous Waste
• Establish strict procedures to ensure proper and safe handling of each type of hazardous waste.
• Segregate different types of hazardous waste and store centrally the segregated wastes for collection by licensed agents.
• Hire appropriate licensed agents to collect chemical waste and used items contaminated with hazardous waste for proper recycling or disposal to avoid creating an environmental problem.
• Provide hazardous waste identification training to responsible personnel to reduce the risk of accidents.</td></tr>
</table>

A. ENVIRONMENTAL *(continued)*

	2. Non-hazardous Waste • Discharge effluent to the city's sewer collection and treatment system except where not connected to such collective sewer system (i.e. the Shatin Road Safety Centre*). • Establish facilities for paper recycling by placing appropriate bins at convenient locations in the office/workplace. • Encourage staff to participate in recycling of general solid waste and paper by using the above facilities. 3. Computers & Peripherals • Collect and reuse old computers (which would unlikely increase energy consumption) and peripherals. • Collect used toner cartridges for picking up by appropriate recycling contractors. 4. Collection and Records • Dispose of office refuse in appropriate containers for regular collection by collectors to prevent odour. • Maintain records of waste disposed of and waste recycled. • Arrange pest control, and ventilation system and carpet cleaning, on a regular basis.

* The effluent from the Shatin Road Safety Centre is treated by a local treatment plant approved by the Environment Protection Department. The treated effluent is then discharged to the public drainage system.

A. ENVIRONMENTAL *(continued)*

A1.6 hazardous and non-hazardous waste handling and reduction	Reduction of Wastes 1. Chemical Waste Reduction • Purchase vehicle fleet for driver training only when absolutely justified. • Recycle used oil and retread spent tyres to the extent possible. • Use rechargeable car batteries and retreaded tyres, where appropriate, to reduce the production of hazardous waste. 2. Paper Saving • Use computerised office equipment (such as high-speed scanners, digital senders and fax servers) to reduce paper use. • Make use of "Digital Photo System" to store photo archives where appropriate. • Make use of the internet for press and photo release. • Send files through e-mail, USB, disk or CD-Rom to reduce the production of hard copies. • Place scrap paper trays next to printers to encourage reuse of paper that is only printed on one side. • Purchase printing paper and paper towels with recycled content. • Circulate internal documents instead of making photocopies. • Adjust the margin, use smaller fonts and decrease line space for documents that must be printed to optimise the use of paper. • Avoid unnecessary cover pages (e.g. fax covering sheets). • Reduce the use of envelopes and where appropriate, make use of circular service to distribute promotional materials. 3. Stationery Saving • Encourage reuse of binding rings, ropes, envelopes, folders, etc. • Remind staff to follow the "first-in, first-out" principle when using stationery. • Where possible, use green stationery such as refillable ball pens and mechanical pencils. • Where possible, print less to save ink or toner. 4. Utensils Saving • Reuse tableware, cutlery, cups and glasses to reduce the use of disposable eating utensils. • Serve drinks with teapots and cups/glasses instead of bottled water at meetings to reduce plastic wastage.

A. ENVIRONMENTAL *(continued)*

<table>
<tr><td colspan="4">A2: Use of Resources</td></tr>
<tr><td colspan="4">Policies</td></tr>
<tr><td colspan="4">
✓ Conserve resources, including energy, water and other raw materials, in an efficient manner whenever practicable.
✓ Introduce energy saving and water saving guidelines for staff to follow.
✓ Give due consideration to issues arising from energy and/or water consumption in decision-making processes, and actively seek to reduce, whenever practicable, the impact of our operations on natural resources.
✓ Identify and appropriately manage marked environmental impacts arising from the use of natural resources.
✓ Help mitigate the direct and indirect environmental impacts of our properties in Hong Kong arising from energy consumption.
✓ Encourage the use of eco-friendly products and services and keep on improving our natural resources management practices.
✓ Improve energy use and water efficiency by strengthening initiatives and strategies which are essential for the Group’s sustainable growth.
</td></tr>
<tr><td>KPI</td><td>Source of energy consumption</td><td>Energy consumed</td><td>Intensity</td></tr>
<tr><td rowspan="4">A2.1 energy consumption</td><td>Electricity</td><td>1284 kWh (’000s)</td><td>2552 kWh/ employee</td></tr>
<tr><td>Stationary combustion</td><td>14 kWh (’000s)</td><td>29 kWh/ employee</td></tr>
<tr><td>Mobile combustion</td><td>6224 kWh (’000s)</td><td>12374 kWh/ employee</td></tr>
<tr><td>Total energy consumed:</td><td>7522 kWh (’000s)</td><td>14955 kWh/ employee</td></tr>
<tr><td>KPI</td><td></td><td>Water consumed</td><td>Intensity</td></tr>
<tr><td>A2.2 water consumption</td><td>Annual water consumed:</td><td>19235 m^3</td><td>38 m^3/employee</td></tr>
</table>

A. ENVIRONMENTAL *(continued)*

KPI	
A2.3 energy use efficiency	1. Energy Saving • Purchase electrical appliances and office equipment with energy efficient labels. Where applicable, consider solar and other renewable energy options. • Use energy-saving features and options for electrical appliances and office equipment, such as adopting the "sleep/standby mode" when the computer is idle. • Create consolidated servers and share use of the same server, as appropriate, to reduce energy consumption. • Switch off unneeded lights, electrical appliances and office equipment (such as printers, copiers, shredders, computers and monitors) when not in use. Whenever practicable, turn them off completely during non-operating hours. • Serve reminders by affixing conspicuous "save energy" labels near the power switches of printing equipment and information & communications technology equipment, and designate staff to monitor the situation periodically. • Carry out regular checking and cleaning of office equipment. Where necessary, arrange for maintenance and procure timely replacement of deteriorated/aged parts to reduce power loss due to equipment malfunction and component failure. • Switch off all unnecessary power supply before leaving the office/workplace, and remind the staff remaining in the office/workplace to do so. • Encourage staff participation in energy saving campaigns (e.g. Earth Hour, Biz-Green Dress Day, etc.) 2. Fuel Saving and Business Travel Efficiency *(as per the mitigating measures disclosed under KPI A1.5 on pages 35 and 36)*

A. ENVIRONMENTAL *(continued)*

KPI			
A2.4 water sourcing and water use efficiency	1. Issues in Sourcing Water • None 2. Water Saving • Upgrade faucets in toilets and replace existing leaking faucets comprehensively to reduce wastage of water. • Install automatic sensor water taps or taps with water saving device where practicable. • Serve reminders by affixing conspicuous "save water" and "protect our natural environment" labels near water taps. • Turn off the water tap after use in areas (such as the pantry) where self-closing faucets are not available. Shut off the main water supply to the area concerned after office/operating hours, and designate staff to monitor the situation periodically. • Notify the responsible personnel of any leaking water taps or pipes for repair to avoid wastage of water. • Use dual-flush toilets. • Use faucets and urinals with infrared sensors where possible. • Adjust the volume of flushing water cisterns (where dual-flush toilets are not available) to avoid excessive use of water. • Cut off urinal flushing in the male toilets (where infrared sensors are not available) via timers at night. • Appoint staff to inspect the water supply system to ensure no leakage on a regular basis.		
KPI		Total packaging material used	Intensity
A2.5 packaging material for finished products	Not applicable		

A3: The Environment and Natural Resources
Policies
✓ Adopt measures, whenever practicable, to minimise the possible significant impacts of our activities on the environment and natural resources. ✓ Instil a green office culture and enlist staff support to maintain a "Green Workplace", by taking simple steps or procedures during daily operation to implement the "Go Green" strategies.

A. ENVIRONMENTAL *(continued)*

KPI	
A3.1 significant impacts of activities on the environment and natural resources and specific actions	Knowing that employee engagement can help change behaviour in the workplace, we promote environmental awareness and cultural change among our employees so as to complement other elements of good practice as part of an integrated approach to our environmental management in the Group, through in-house seminars and company events as well as staff gatherings where energy saving and other eco-friendly tips are shared, and a deeper understanding of the impact that our activities may have on the environment and natural resources is gained. During the year, there were negligible impacts of the Group's activities on the environment and natural resources. The Group will review its environmental practices and adopt policies and/or measures specific to managing its significant impacts as and when necessary.

B. SOCIAL

The Group recognises that employees are a valuable asset of the organisation and it is essential to attract and motivate good talent while balancing the interests of other stakeholders. Apart from a safe and healthy workplace, we offer a comprehensive remuneration and benefits package to our employees, training opportunities, equal opportunities and fairness at work for all as well as channels for staff communication. Teamwork activities and/or staff social functions are arranged to enhance employees' sense of belonging and to help create a friendly and harmonious work environment. Salaries are reviewed and adjusted on a yearly basis, and from time to time, to ensure balancing pay for performance with shareholder alignment. The Group recognises the importance of a sound, healthy stakeholder relationship in building its long-term success. To this end, the senior management maintains good communication and, where appropriate, exchanges ideas with the stakeholders.

B.1 Employment

Employees are our valuable assets. We strive to attract and retain talent and to reconcile economical imperatives with human well-being, with an aim to promoting satisfaction, loyalty and commitment. The Group has adopted a Human Resources Practice Guide and Staff Handbook to govern, among others, the recruitment, promotion, discipline, working hours, leaves and other duties and benefits of employees. The level of employees' remuneration is reviewed and adjusted annually on a performance basis with reference to the market standard. In addition, a wide range of staff benefits, including medical insurance, retirement schemes, training subsidies and paid leaves, are provided; and social, recreational activities are arranged for employees to strike a work-life balance while fostering cohesion and team spirit among them. The Group respects cultural and individual diversity. We believe that no one should receive less favourable treatment on the grounds of age, race, ethnicity or nationality, gender, religion, marital status, disability or family status. At our workplace, opportunities for employment, training and career development are equally open to all staff members.

The Group was not aware of any violation of employment laws and regulations that had a significant impact on it relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the year.

B. SOCIAL *(continued)*

B.2 Health and Safety

We are committed to providing and maintaining a safe, healthy, and hygienic work environment. To this end, health and safety measures are in place and given prime consideration; employees are required to stringently abide by all safety rules and regulations and adhere to those measures at all times to avoid accidents and protect themselves and co-workers from safety hazards. Employees in all levels are accountable for the delivery of the safety initiatives described in the Employee Handbook. Potential hazards are identified and addressed by relevant personnel. So far as is known to the directors, all offices and workplaces of the Group were operated and maintained in safe and reliable conditions throughout the year. We will review relevant procedures from time to time to safeguard employees' occupational health and safety.

The Group was not aware of any violation of health and safety laws and regulations that had a significant impact on it relating to providing a safe work environment and protecting employees from occupational hazards during the year.

B.3 Development and Training

We acknowledge the importance of training not just to staff development, but also to our success as a whole. The Group offers customised and general training to its staff members, through organised or sponsored training programmes, seminars, workshops and conferences, regular sharing sessions, peer learning and on-the-job coaching, as appropriate, to help equip employees with the knowledge and skills that help enable them to perform their job effectively and efficiently and to assist them in developing the required character, knowledge and skills that help advance their career. We believe this combined effort is essential to achieving personal and corporate goals of our employees and the Company respectively.

B.4 Labour Standards

We strive to treat everyone equally at work and to ensure that no employees are disadvantaged and expectations of equality are always met in the workplace. All employment with the Group is voluntary and any child or forced labour in any of our operations and services is strictly prohibited. We also avoid engaging vendors of administrative supplies and services and contractors that are known to employ child or forced labour in their operations. Employment decisions are subject to a fair and equal selection process, based on the candidate's suitability in terms of qualifications, personality and career goals.

The Group was not aware of any violation of labour standards laws and regulations that had a significant impact on it relating to preventing child and forced labour during the year.

B.5 Supply Chain Management

We recognise the importance of supply chain management to our business, and focus our efforts in areas along the supply chain where we believe they can add value to our operations. The Group is committed to ensuring that fair operating practices are in place in all aspects of its sourcing, procurement and supply process. To maximise customer value and gain a competitive advantage in the marketplace, the Motoring Group has set up, and properly maintained, a strict supply chain management system.

B. SOCIAL *(continued)*

B.6 Product Responsibility

We are committed to adapting our operating practices to fully embrace the concept of sustainable development. To avoid and reduce the environmental impacts caused by our products and services, the Group ensures that appropriate measures and clear procedures are in place and are being followed by relevant personnel with respect to health and safety, advertising, labelling and privacy matters. Statutory requirements are strictly adhered to and employees are required to retain in confidence any and all information obtained in connection with their employment, including but not limited to trade secrets, client personal data and information, supplier information and other proprietary information.

The Group was not aware of any violation of product responsibility laws and regulations that had a significant impact on it relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the year.

B.7 Anti-corruption

We aim to set and maintain a high standard of business integrity throughout our operations. The Group prohibits all forms of bribery, extortion, fraudulent, money laundering and corruption activities in connection with any of its business activities. Directors and employees are required to strictly comply with the code of conduct prohibiting bribery, extortion, fraud, money laundering and corruption. The Company has further adopted whistleblowing procedures for employees to raise concerns, in confidence, about possible improprieties in any matters related to the Group. These arrangements are reviewed on a regular basis by the audit committee and reported back to the board. Any reported case of fraudulence will receive immediate, fair and independent, investigation and appropriate follow-up action.

The Group was not aware of any violation of anti-corruption laws and regulations that had a significant impact on it relating to bribery, extortion, fraud and money laundering during the year.

B.8 Community Investment

We strive to promote social development and progress by contributing to education, charity, sports, and arts and culture. The Group is dedicated towards raising awareness of social responsibility among its staff. We encourage employees to better serve the community, through volunteer work, donations and participation in charity sport/fund-raising events. We will strive to expand our efforts in charity work to cater to the needs of our community as well as to create a more favourable environment for our community and our business.

The Group will review its practices and consider implementing further eco-friendly measures and practices, as appropriate, to improve the quality of life, promote energy conservation and enhance the environment, while minimising fuel consumption, air pollution and greenhouse gas emissions. We shall continue with our dedicated efforts in taking these initiatives forward.

Directors' Report

The directors submit their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

Principal Activities

The principal activity of the Company is investment holding while the principal activities of its subsidiaries are set out in note 11 to the financial statements on pages 87 and 88.

During the year, more than 90% of the Group's operations in terms of both turnover and operating profit were carried out in Hong Kong. An analysis of the Group's turnover for the year is set out in note 2(a) to the financial statements on page 79.

Business Review

This business review is made pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), and paragraph 28(2)(d) of Appendix 16 to the Main Board Listing Rules (the "Listing Rules") published by The Stock Exchange of Hong Kong Limited (the "Exchange"). In the opinion of the directors, the Chairman's Statement, together with the Operation Review and Management Discussion and Analysis sections on pages 2 to 16, provides a comprehensive review of the performance of the Group for the year ended 31 December 2017 as well as its future prospects.

Analysis using financial key performance indicators

Details of our non-financial performance indicators are given in the operation review; while key financial indicators and details of the principal risks and uncertainties of the Company's business are described in the management discussion and analysis.

Environmental policies and performance

The Company has in place a corporate social responsibility policy (the "CSR Policy") applicable to itself and to its subsidiaries. The CSR Policy outlines the policies that were designed to fulfil our obligations with respect to sustainable development and corporate social responsibility. Our commitment to sustainable development is well reflected in our continuous efforts in promoting awareness among our various stakeholders to minimise the environmental impact of our business activities. We uphold the 3Rs principle of "Reduce, Recycle and Reuse". This began with green office practices, for which the Human Resources Practice Guide, Employee Handbook and where applicable, work instructions provide specific guidelines. The guidelines highlight three broad areas into which those practices may fall, namely energy conservation, waste reduction and the handling of wastes. They include: (1) in terms of energy conservation, energy saving, water saving and fuel saving procedures; (2) in terms of waste reduction, waste saving procedures; and (3) in terms of the handling of wastes, procedures for waste collection and records.

With the exception of Alpha Hero Limited and its subsidiaries, we have long been leasing an office space in China Resources Building in Hong Kong, an office building managed by China Resources Property Limited ("CR Property", a strong advocate of environmental protection and winner of the yearly HK Green Awards in the category of "Green Management Award – Service Provider (Large Corporation)" organised by the Hong Kong Green Council consecutively since 2013). As tenant of the building, we endeavour to participate in and complement CR Property's efforts in supporting green initiatives, along with the environmental measures that have been introduced in our offices and workplaces to facilitate managers to reduce carbon emissions and improve energy use efficiency. As a result of these efforts, we are able to improve the workplace; provide a happy, healthy and comfortable work environment for our employees while satisfying stakeholders' expectation; and continue to contribute to the environment, thereby leading to a multi-win situation.

So far as is known to the directors, all offices and workplaces of the Group were operated and maintained in safe and reliable conditions throughout the year.

We will review our environmental practices and consider implementing further eco-friendly measures and practices, as appropriate, to improve our performance.

Compliance with relevant laws and regulations

During the year, there were no areas of material non-compliance with applicable laws and regulations that had a significant impact on the Company known to the directors, including but not limited to the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

Key relationships with employees, customers and suppliers and others

The Group recognises the importance of a sound, healthy stakeholder relationship in building its long-term success. To this end, the senior management maintains good communication and, where appropriate, exchanges ideas with the stakeholders.

During the year, there were no material and significant disputes between the Company or any of its subsidiaries and their respective employees, customers and suppliers, shareholders or business partners known to the directors.

Results and Appropriations

The results of the Group and appropriations of profit for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 58 and note 20(b) to the financial statements on page 98 respectively.

The first, second and third quarterly interim dividends each of HK$0.06 per share (2016: HK$0.06 per share) were paid on 30 June 2017, 20 September 2017 and 29 December 2017 respectively. The directors recommend the payment of a final dividend of HK$0.20 per share (2016: HK$0.17 per share) which, together with the interim dividends, make total dividends for the year ended 31 December 2017 of HK$0.38 per share (2016: HK$0.35 per share), representing a total distribution of approximately HK$141.6 million (2016: HK$130.4 million) for the year.

Subject to shareholder approval of the proposed final dividend at the forthcoming annual general meeting, it is expected that the final dividend warrants will be despatched on 12 June 2018 to shareholders registered at the close of business on 30 May 2018. The register of members and transfer books of the Company will be closed from 28 May 2018 to 30 May 2018, both days inclusive, for determining entitlement to the final dividend.

Donations

Donations made by the Group during the year amounted to HK$718,800 (2016: HK$865,000).

Property, Plant and Equipment

Movements during the year are set out in note 10 to the financial statements on page 86.

Number of Issued Shares

Movements in the number of issued shares of the Company during the year are set out in note 20(c) to the financial statements on page 98.

Reserves

Movements in reserves during the year are set out in the consolidated statement of changes in equity on page 62.

Distributability of Reserves

At 31 December 2017, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of part 6 of the Hong Kong Companies Ordinance was HK$3,249,636,000 (2016: HK$2,373,547,000). After the end of the reporting period, the directors proposed a final dividend of HK$0.20 per share (2016: HK$0.17 per share), amounting to HK$74,538,000 (2016: HK$63,357,000) (note 20(b)). This dividend has not been recognised as a liability at the end of the reporting period.

Five-year Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 113.

Major Suppliers and Customers

During the year, less than 30% of the Group's purchases (not being purchases of items of a capital nature) were attributable to the Group's five largest suppliers, whereas less than 30% of the Group's turnover were attributable to the Group's five largest customers (being the five largest customers of The Hong Kong School of Motoring Limited, a 70%-owned subsidiary). None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's number of shares in issue) had an interest in those major suppliers and customers.

Directors

The directors serving for the year up to the date of this report are listed on page 1.

In accordance with article 82 of the articles of association of the Company, Mr. Yuen Wing Shing, Ms. Tung Wai Lan, Iris and Mr. Ng Kwok Fu retire from office by rotation at the forthcoming annual general meeting. Mr. Ng also ceases to hold the office of independent non-executive director at the close of the forthcoming annual general meeting according to his term of office. The above retiring directors, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence

The Company has received from each individual independent non-executive director an annual confirmation of his independence and still considers them to be independent.

Directors' Information / Significant Commitments

Mr. Yeung Hin Chung, John resigned as an independent non-executive director of RoadShow Holdings Limited, a public company listed on the Exchange (stock code: 888) with effect from 12 December 2017. The time involved during his tenure with RoadShow Holdings Limited was insignificant.

Mr. Yeung's updated information is set out on page 17.

Apart from the foregoing, the Company has not been advised by its directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to shareholders nor in any of their significant commitments for the purpose of A.6.6 of the Corporate Governance Code set out within Appendix 14 to the Listing Rules.

Directors' Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and Chief Executive's Interests and Short Positions

The register kept by the Company under section 352 of the SFO shows the following interests of directors in the shares of the Company as at 31 December 2017:

Name	Capacity	No. of shares	Total no. of shares	% of shares in issue
Cheung Chung Kiu	Interest of controlled corporation	53,009,708	53,009,708[1]	14.22%
Wong Chi Keung	Beneficial owner	306,019	306,019	0.08%
Ng Kwok Fu	Beneficial owner	9,708		
	Interest of spouse	7,766	17,474	0.01%

Notes:

1 Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") was deemed to be interested in 53,009,708 shares in the Company by virtue of his indirect interest in Funrise Limited ("Funrise") which owned those shares. Funrise was a wholly owned subsidiary of Yugang International (B.V.I.) Limited ("Yugang BVI"), and Yugang BVI in turn was a wholly owned subsidiary of Yugang International Limited ("Yugang International"). Yugang International was owned as to 0.57% by Mr. C.K. Cheung, as to 9.16% by Timmex Investment Limited (a company wholly owned by Mr. C.K. Cheung) and as to 34.33% by Chongqing Industrial Limited ("Chongqing Industrial"). Chongqing Industrial was owned as to 35% by Mr. C.K. Cheung, as to 30% by each of Prize Winner Limited ("Prize Winner") and Peking Palace Limited ("Peking Palace"), and as to 5% by Miraculous Services Limited ("Miraculous Services"). Mr. C.K. Cheung owned 50% of Prize Winner, while the remaining 50% of Prize Winner and the entire interests in Peking Palace and Miraculous Services were held by Palin Holdings Limited ("Palin Holdings") (a company wholly owned by Mr. C.K. Cheung) as trustee for Palin Discretionary Trust, a family discretionary trust whose objects included Mr. C.K. Cheung and his family.

2 All of the interests disclosed above represent long positions.

Directors' and Chief Executive's Interests and Short Positions *(Continued)*

Save as disclosed herein, as at 31 December 2017, no director or chief executive had any interest or short position in the 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 kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the Code for Securities Transactions by Directors.

Equity-linked Agreements

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are as follows:

Share option scheme

The share option scheme adopted by the Company on 21 May 2015 (the "Scheme") is the only share option scheme of the Company. A summary of the Scheme is given below. Other principal terms of the Scheme are given in the circular to shareholders dated 17 April 2015 (the "Scheme Circular").

(1)	Purpose	:	To provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits, to the participants and to serve such other purposes as the board may approve from time to time
(2)	Participants	:	Any director (or any person proposed to be appointed as such, whether executive or non-executive), officer and employee (whether full-time or part-time) of each member of the Eligible Group (as defined in the Scheme Circular); any business consultant, professional or other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer and employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the board
(3)	Total number of shares available for issue (% of number of shares in issue as at 23 March 2018)	:	37,268,820 shares (10%)
(4)	Maximum entitlement of each participant	:	1% of the total number of shares in issue in any 12-month period
(5)	Period within which the shares must be taken up under an option	:	To be determined by the board at its absolute discretion as being the period during which an option may be exercised, such period to expire not later than 10 years from the date of grant of the option
(6)	Minimum period for which an option must be held before exercise	:	To be determined by the board from time to time
(7)	Amount payable on application or acceptance of the option	:	HK$1.00

Equity-linked Agreements *(Continued)*

Share option scheme *(Continued)*

(8) Basis of determining the exercise price	:	The exercise price shall be a price solely determined by the board but shall be not less than the higher of: (a) the closing price of the shares as stated in the Exchange's daily quotations sheet on the date of grant of the option which must be a business day; and (b) the average closing price of the shares as stated in the Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option
(9) Remaining life	:	Until 20 May 2025

No option lapsed and no option was granted, exercised or cancelled under the Scheme during the year. Nor were there any outstanding options with regard to the Scheme and any other schemes of the Company at the beginning and/or at the end of the year.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangements whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other Persons' Interests and Short Positions

As at 31 December 2017, so far as is known to the directors of the Company, the following persons, other than the directors and chief executives, had, or were deemed to have, interests in the shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name	Capacity	No. of shares	% of shares in issue
Palin Holdings	Interest of controlled corporation	53,009,708	14.22%
Chongqing Industrial	Interest of controlled corporation	53,009,708	14.22%
Yugang International	Interest of controlled corporation	53,009,708	14.22%
Yugang BVI	Interest of controlled corporation	53,009,708	14.22%
Funrise	Beneficial owner	53,009,708	14.22%

Note: Each parcel of 53,009,708 shares represents a long position and Funrise's interest in the Company (which is duplicated in Mr. C.K. Cheung's interest in the Company's shares). Palin Holdings, Chongqing Industrial, Yugang International and Yugang BVI were deemed to be interested in those shares by virtue of their direct or indirect interest in Funrise.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 31 December 2017, had, or was deemed to have, any interest or short position in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO, other than as disclosed on page 48.

Retirement Schemes

The Group operates a defined contribution retirement scheme, and two Mandatory Provident Fund schemes (the "MPF Schemes"). Particulars of those schemes are set out below.

(I) Pension scheme

(i) Nature of the scheme

The principal scheme operated by the Group is a defined contribution retirement scheme for the employees of The Hong Kong School of Motoring Limited.

(ii) Funding of the scheme

The benefits of the scheme were funded in 2017 by a 5% contribution by employees and a 7.5% contribution by The Hong Kong School of Motoring Limited based on the annual salaries of employees. The contributions excluded the costs of administration and term life assurance.

(iii) Costs of the scheme

Total costs of the scheme, amounting to HK$1.4 million, were charged to the Group's statement of profit or loss for the year under review. The required contribution rate was calculated as 7.5% of the total salaries payable during the year.

(iv) Forfeited contributions of the scheme

There is no forfeited contribution that may be used to reduce the existing level of contributions under the scheme as at 31 December 2017. No forfeited contribution was utilised during the year.

(II) MPF schemes

As from 1 December 2000, the Group has operated two MPF Schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement scheme. The MPF Schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF Schemes, the employer and its employees are each required to make contributions to the schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The total amount of contributions to the MPF Schemes charged to the Group's statement of profit or loss for the year was HK$5.0 million.

Management Discussion and Analysis

Further information of the Group which is required to be disclosed pursuant to the Listing Rules is set out on pages 13 to 16.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company maintained throughout the year the prescribed amount of public float under the Listing Rules.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares in the Company during the year.

Indemnity of Directors

Permitted indemnity provisions (within the meaning of section 469 of the Companies Ordinance) for the benefit of the directors of the Company are currently in force and were in force throughout the year.

External Auditor

The financial statements for the year have been audited by KPMG, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as the Company's external auditor will be proposed at the forthcoming annual general meeting.

On behalf of the board

Cheung Chung Kiu
Chairman

Hong Kong, 23 March 2018

Independent Auditor's Report

Independent auditor's report to the members of The Cross-Harbour (Holdings) Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of The Cross-Harbour (Holdings) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 58 to 112 which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Revenue recognition: Motoring school operations</th></tr>
<tr><td colspan="2">Refer to note 2 to the consolidated financial statements and the accounting policy on page 77.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
Revenue of the Group mainly comprises driving course fee income which is derived from the Group's motoring school operations.
The Group generally sells packaged driving courses which comprise multiple numbers of driving training lessons.
When the package is sold, the Group receives the full driving course fees upfront which are initially recorded as course fees received in advance in the consolidated statement of financial position.
Driving course fee income is recognised as revenue in profit or loss when the related driving training lesson is delivered.
The Group uses an information technology system (IT system) to track the details of the student attendance, the delivery of driving training lessons and the number of outstanding lessons.
A record of the above details is generated by the IT system from which the Group manually calculates the driving course fee income arising from the driving lessons delivered, with reference to the number of outstanding lessons, on a monthly basis, and these details are input into the accounting system on an annual basis.
We identified the recognition of revenue from motoring school operations as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk that revenue could be recorded in inappropriate period to meet specific targets or expectations.
</td><td>
Our audit procedures to assess the recognition of revenue from motoring school operations included the following:

assessing the design, implementation and operating effectiveness of management's key internal controls which govern revenue recognition;
comparing the trend of the monthly number of driving lessons delivered with the trend of monthly driving course fee income recognised and assessing the reasons for any fluctuations which were not in line with our expectations based on our knowledge of the Group's operations;
evaluating the mathematical model employed by the Group to determine the revenue recognised in respect of driving training lessons delivered during the year by:

comparing sales of driving training lesson packages recorded during the year, on a sample basis, with the related invoice, bank statements and other relevant underlying documentation; and
comparing details of driving lessons delivered, on a sample basis, with the driving training lesson attendance record of the relevant student and the corresponding driving tutor records;

inspecting underlying documentation for manual journal entries relating to revenue raised during the current year which were considered to be material or met other specific risk-based criteria.

</td></tr>
</table>

Assessment of impairment of available-for-sale ("AFS") securities	
Refer to note 14 to the consolidated financial statements and the accounting policy on pages 71 to 73.	
The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2017, the Group held a portfolio of AFS securities with an aggregate fair value of HK$1,177.3 million. Impairment of AFS securities in the amount of HK$17.8 million was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017. The Group recognises impairment of AFS securities in the consolidated statement of profit or loss when there is objective evidence of impairment, which includes when there has been a significant or prolonged decline in the fair value of an investment. The impairment recognised in the consolidated statement of profit or loss is the cumulative difference between cost (less any impairment previously recognised) and fair value. We identified the assessment of impairment of AFS securities a key audit matter because of the significance of AFS securities to the Group's total assets and because the determination of whether there is objective evidence of impairment involves significant management judgement and is subject to potential management bias.	Our audit procedures to assess the potential impairment of AFS securities included the following: • comparing the fair values of all AFS securities at 31 December 2017 with external third party sources and recalculating the cumulative fair value gain or loss; • discussing with management whether there was any objective evidence of impairment of individual AFS securities as at 31 December 2017 and critically challenging management's assertions and conclusions; • assessing whether there was objective evidence of impairment for AFS securities where there was a cumulative fair value loss as at 31 December 2017 with reference to the guidance in the prevailing accounting standards and by analysing the recent movements in market prices of the relevant securities based on external third party sources.

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yuen Man Ching.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2018

Consolidated Statement of Profit or Loss

for the year ended 31 December 2017

(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Revenue	2	**461,591**	431,005
Other revenue	3	**25**	25
Other net gains/(losses)	3	**605,306**	(186,301)
Direct costs and operating expenses		**(178,142)**	(166,835)
Selling and marketing expenses		**(30,655)**	(26,856)
Administrative and corporate expenses		**(152,634)**	(133,266)
Profit/(loss) from operations		**705,491**	(82,228)
Finance costs		**(40)**	(31)
Share of profits of associates	12	**596,244**	546,140
Share of profits of a joint venture	13	**13,429**	17,663
Profit before taxation	4	**1,315,124**	481,544
Income tax	5(a)	**(87,882)**	(25,981)
Profit for the year		**1,227,242**	455,563
Attributable to:			
Equity shareholders of the Company		**1,180,048**	410,426
Non-controlling interests		**47,194**	45,137
Profit for the year		**1,227,242**	455,563
Earnings per share	9		
Basic and diluted		**$3.17**	$1.10

The notes on pages 65 to 112 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 20(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

(Expressed in Hong Kong dollars)

	Note	**2017** **$'000**	2016 $'000
Profit for the year		**1,227,242**	455,563
Other comprehensive income for the year (after tax and reclassification adjustments)	8		
Items that may be reclassified subsequently to profit or loss:			
— Available-for-sale securities: net movement in the investment revaluation reserve	8(b)	**295,903**	(103,826)
— Share of other comprehensive income of a joint venture:			
— Exchange differences on translation of financial statements of overseas subsidiary in joint venture	8(a)	**293**	(436)
		296,196	(104,262)
Total comprehensive income for the year		**1,523,438**	351,301
Attributable to:			
Equity shareholders of the Company		**1,476,156**	306,295
Non-controlling interests		**47,282**	45,006
Total comprehensive income for the year		**1,523,438**	351,301

The notes on pages 65 to 112 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2017

(Expressed in Hong Kong dollars)

		2017		2016	
	Note	**$'000**	**$'000**	$'000	$'000
Non-current assets					
Property, plant and equipment	10		**143,293**		151,108
Interest in leasehold land held for own use	10		**21,516**		22,245
			164,809		173,353
Interest in associates	12		**1,355,539**		1,566,234
Interest in a joint venture	13		**98,326**		89,604
Available-for-sale securities	14		**1,177,266**		676,116
Deposits for acquisition of tangible assets			**11,776**		1,176
Deferred tax assets	19(b)		**2,030**		1,810
			2,809,746		2,508,293
Current assets					
Trading securities	15	**988,187**		365,578	
Inventories		**808**		699	
Trade and other receivables	16	**55,195**		21,182	
Taxation recoverable	19(a)	**1,095**		2,483	
Dividend receivable		**79,000**		77,000	
Bank deposits and cash	17	**3,284,932**		2,786,817	
		4,409,217		3,253,759	
Current liabilities					
Trade and other payables	18	**100,382**		87,522	
Course fees received in advance		**299,976**		272,552	
Taxation payable	19(a)	**9,019**		5,302	
Dividends payable		**3,601**		2,243	
		412,978		367,619	
Net current assets			**3,996,239**		2,886,140

Consolidated Statement of Financial Position

at 31 December 2017

(Expressed in Hong Kong dollars)

		2017		2016	
	Note	**$'000**	**$'000**	$'000	$'000
Total assets less current liabilities			**6,805,985**		5,394,433
Non-current liabilities					
Loan from an associate	12(e)		**272,866**		279,384
Deferred tax liabilities	19(b)		**66,153**		5,770
			339,019		285,154
NET ASSETS			**6,466,966**		5,109,279
CAPITAL AND RESERVES	20(c)				
Share capital			**1,629,461**		1,629,461
Reserves			**4,695,964**		3,350,249
Total equity attributable to equity shareholders of the Company			**6,325,425**		4,979,710
Non-controlling interests			**141,541**		129,569
TOTAL EQUITY			**6,466,966**		5,109,279

Approved and authorised for issue by the board of directors on 23 March 2018.

Yeung Hin Chung, John
Director

Yuen Wing Shing
Director

The notes on pages 65 to 112 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company							
		Share capital $'000	Capital reserve $'000	Investment revaluation reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2016		1,629,461	1,984	256,758	188	2,915,465	4,803,856	120,995	4,924,851
Changes in equity for 2016:									
Profit for the year		—	—	—	—	410,426	410,426	45,137	455,563
Other comprehensive income	8	—	—	(103,826)	(305)	—	(104,131)	(131)	(104,262)
Total comprehensive income		—	—	(103,826)	(305)	410,426	306,295	45,006	351,301
Dividends approved in respect of the previous year	20(b)	—	—	—	—	(63,357)	(63,357)	—	(63,357)
Non-controlling interest's share of dividends		—	—	—	—	—	—	(36,432)	(36,432)
Dividends declared in respect of the current year	20(b)	—	—	—	—	(67,084)	(67,084)	—	(67,084)
Balance at 31 December 2016		1,629,461	1,984	152,932	(117)	3,195,450	4,979,710	129,569	5,109,279
Balance at 1 January 2017		**1,629,461**	**1,984**	**152,932**	**(117)**	**3,195,450**	**4,979,710**	**129,569**	**5,109,279**
Changes in equity for 2017:									
Profit for the year		**—**	**—**	**—**	**—**	**1,180,048**	**1,180,048**	**47,194**	**1,227,242**
Other comprehensive income	8	**—**	**—**	**295,903**	**205**	**—**	**296,108**	**88**	**296,196**
Total comprehensive income		**—**	**—**	**295,903**	**205**	**1,180,048**	**1,476,156**	**47,282**	**1,523,438**
Dividends approved in respect of the previous year	20(b)	**—**	**—**	**—**	**—**	**(63,357)**	**(63,357)**	**—**	**(63,357)**
Non-controlling interest's share of dividends		**—**	**—**	**—**	**—**	**—**	**—**	**(35,310)**	**(35,310)**
Dividends declared in respect of the current year	20(b)	**—**	**—**	**—**	**—**	**(67,084)**	**(67,084)**	**—**	**(67,084)**
Balance at 31 December 2017		**1,629,461**	**1,984**	**448,835**	**88**	**4,245,057**	**6,325,425**	**141,541**	**6,466,966**

The notes on pages 65 to 112 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2017

(Expressed in Hong Kong dollars)

	Note	2017 $'000	2017 $'000	2016 $'000	2016 $'000
Operating activities					
Profit before taxation		**1,315,124**		481,544	
Adjustments for:					
Dividend income from listed investments	4	**(6,534)**		(21,677)	
Profit distribution from unlisted investments	4	**(8,858)**		(9,166)	
Depreciation	4	**39,312**		36,021	
Finance costs		**40**		31	
Interest income		**(29,717)**		(12,075)	
Share of profits of associates		**(596,244)**		(546,140)	
Share of profits of a joint venture		**(13,429)**		(17,663)	
Net gains on sale of property, plant and equipment	3	**(472)**		(13,672)	
Net unrealised (gains)/losses on trading securities	3	**(622,609)**		141,371	
Net gain from disposal of available-for-sale securities	2	**(217)**		(21,105)	
Reclassification from equity on impairment of available-for-sale securities	3	**17,775**		58,602	
Operating profit before changes in working capital		**94,171**		76,071	
(Increase)/decrease in inventories		**(109)**		285	
Increase in trade and other receivables		**(32,690)**		(4,247)	
Increase in trade and other payables		**12,860**		17,050	
Increase in course fees received in advance		**27,424**		57,263	
Cash generated from operations		**101,656**		146,422	
Tax paid					
– Hong Kong Profits Tax paid		**(22,614)**		(22,672)	
Net cash generated from operating activities			**79,042**		123,750

Consolidated Cash Flow Statement

for the year ended 31 December 2017

(Expressed in Hong Kong dollars)

		2017		2016	
	Note	**$'000**	**$'000**	$'000	$'000
Investing activities					
(Increase)/decrease in deposits with banks with original maturity over three months		**(160,383)**		106,533	
Payments for purchase of property, plant and equipment		**(31,001)**		(32,899)	
Proceeds from sale of property, plant and equipment		**705**		13,688	
Increase in deposits for acquisition of tangible assets		**(10,600)**		(1,176)	
Payments for purchase of available-for-sale securities		**(243,042)**		(43,768)	
Proceeds from sale of available-for-sale securities		**20,237**		143,522	
(Repayment)/additional loans from an associate		**(6,518)**		26,505	
Dividends received from listed investments		**6,534**		21,677	
Profit distribution from unlisted investments		**8,858**		9,166	
Dividends received from associates		**804,964**		761,315	
Dividends received from a joint venture		**5,000**		5,000	
Interest received		**28,369**		11,733	
Payments for purchase of trading securities		**—**		(172,805)	
Proceeds from liquidation of an associate		**—**		248	
Net cash generated from investing activities			**423,123**		848,739
Financing activities					
Other finance charges		**(40)**		(31)	
Dividends paid		**(129,083)**		(129,269)	
Dividends paid to non-controlling interests		**(35,310)**		(36,432)	
Net cash used in financing activities			**(164,433)**		(165,732)
Net increase in cash and cash equivalents			**337,732**		806,757
Cash and cash equivalents at 1 January			**2,680,310**		1,873,553
Cash and cash equivalents at 31 December	17		**3,018,042**		2,680,310

The notes on pages 65 to 112 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Group and its interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale or as trading securities (see note 1(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the accounts and estimates are discussed in note 26.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 27).

1 Significant accounting policies *(continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(m).

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 Significant accounting policies *(continued)*

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 1(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

The significant accounting policies adopted by the associates and the joint venture are consistent with those of the Group.

1 Significant accounting policies *(continued)*

(e) Associates and joint ventures *(continued)*

In accordance with HK(IFRIC)-12, *Service concession arrangements*, the franchises of the associates, Western Harbour Tunnel Company Limited and Tate's Cairn Tunnel Company Limited, with the government constitute service concession arrangements and the infrastructure costs are classified as intangible assets and stated at cost less accumulated amortisation and impairment losses in the financial statements of the associates.

(f) Goodwill

Goodwill in relation to the Group's interest in associates represents the excess of

(*i*) the aggregate of the fair value of the consideration transferred and the fair value of the Group's previously held equity interest in the acquiree; over

(*ii*) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

The carrying amount of goodwill is included in the carrying amount of the interest in associates and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 1(j)).

On disposal of an associate, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 1(r)(iii), (iv) and (v).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 1(j)).

1 Significant accounting policies *(continued)*

(g) Other investments in debt and equity securities *(continued)*

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(j)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(r)(iii), (iv) and (v), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 1(j)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)):

— Land classified as being held under finance leases and buildings thereon (see note 1(i));
— Buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(i)); and
— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease.
— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

— Furniture, fixtures and equipment	3 - 10 years
— Motor vehicles	3 - 5 years
— Yacht	5 - 8 years
— Leasehold improvements	Remaining term of the lease

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 Significant accounting policies *(continued)*

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

1 Significant accounting policies *(continued)*

(j) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1 Significant accounting policies *(continued)*

(j) Impairment of assets *(continued)*

(i) Impairment of investments in debt and equity securities and other receivables (continued)

— For available-for-sale securities, the cumulative loss that has been recognised in the investment revaluation reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 Significant accounting policies *(continued)*

(j) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measureable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

1 Significant accounting policies *(continued)*

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution retirement scheme. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $30,000. Contributions to the scheme vest immediately.

1 Significant accounting policies *(continued)*

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1 Significant accounting policies *(continued)*

(p) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 Significant accounting policies *(continued)*

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) The principal source of income from motoring school operations is driving course fee income which is recognised in profit or loss upon the completion of the relevant training lessons.

(ii) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income is recognised as it accrues using the effective interest method.

(vi) Gain or loss on disposal of trading securities and available-for-sale securities, on the trade date.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

1 Significant accounting policies *(continued)*

(u) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are designated driving school and securities investment. Given below is an analysis of the revenue of the Group:

	2017 $'000	2016 $'000
Principal activities		
Motoring school operations	**398,084**	348,540
Net gain from disposal of available-for-sale securities	**217**	21,105
Investment and other activities	**63,290**	61,360
	461,591	431,005

(b) Segment reporting

The Group manages its businesses by divisions which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Motoring school operations: this segment invests in subsidiaries which operate three driver training centres.

— Tunnel operations: this segment invests in associates which operate the Western Harbour Tunnel and Tate's Cairn Tunnel franchises.

— Electronic toll operations: this segment invests in a joint venture which operates an electronic toll collection system and provision of telematics services.

— Treasury: this segment operates investing and financing activities and receives dividend income and interest income.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current and non-current assets with the exception of other corporate assets. Segment liabilities include trade creditors attributable to the sales activities and the accruals of the individual segments and dividend payable and taxation payable managed directly by the segments with the exception of other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

2 Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below.

	Motoring school operations		Tunnel operations		Electronic toll operations		Treasury		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue from external customers	**398,084**	348,540	**2,500**	2,500	**13,800**	13,800	**15,498**	31,010	**429,882**	395,850
Net gain from disposal of available-for-sale securities	**–**	–	**–**	–	**–**	–	**217**	21,105	**217**	21,105
Interest revenue	**4,630**	3,262	**–**	–	**1**	1	**25,061**	8,787	**29,692**	12,050
Reportable segment revenue	**402,714**	351,802	**2,500**	2,500	**13,801**	13,801	**40,776**	60,902	**459,791**	429,005
Reportable segment profit/(loss) before tax	**158,452**	146,398	**598,744**	548,640	**27,003**	31,238	**645,923**	(139,741)	**1,430,122**	586,535
Interest income from bank deposits	**4,630**	3,262	**–**	–	**1**	1	**25,061**	8,787	**29,692**	12,050
Finance costs	**–**	–	**–**	–	**–**	–	**(40)**	(31)	**(40)**	(31)
Depreciation	**(22,249)**	(17,356)	**–**	–	**–**	–	**–**	–	**(22,249)**	(17,356)
Share of profits of associates	**–**	–	**596,244**	546,140	**–**	–	**–**	–	**596,244**	546,140
Share of profits of a joint venture	**–**	–	**–**	–	**13,429**	17,663	**–**	–	**13,429**	17,663
Income tax	**(24,918)**	(23,959)	**–**	–	**(2,020)**	(2,022)	**(60,944)**	–	**(87,882)**	(25,981)
Reportable segment assets	**712,418**	647,677	**1,355,539**	1,566,234	**113,142**	104,469	**4,987,448**	3,377,404	**7,168,547**	5,695,784
Interest in a joint venture	**–**	–	**–**	–	**98,326**	89,604	**–**	–	**98,326**	89,604
Interest in associates	**–**	–	**1,355,539**	1,566,234	**–**	–	**–**	–	**1,355,539**	1,566,234
Additions to non-current segment assets	**29,940**	32,858	**–**	–	**–**	–	**–**	–	**29,940**	32,858
Reportable segment liabilities	**353,056**	319,549	**272,866**	279,384	**692**	692	**64,546**	2,243	**691,160**	601,868

2 Revenue and segment reporting *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2017 $'000	2016 $'000
Revenue		
Reportable segment revenue	**459,791**	429,005
Unallocated head office and corporate revenue	**1,800**	2,000
Consolidated revenue	**461,591**	431,005
Profit		
Reportable segment profit derived from the Group's external customers	**1,430,122**	586,535
Other revenue	**25**	25
Unallocated head office and corporate income and expenses	**(115,023)**	(105,016)
Consolidated profit before taxation	**1,315,124**	481,544
Assets		
Reportable segment assets	**7,168,547**	5,695,784
Unallocated head office and corporate assets	**50,416**	66,268
Consolidated total assets	**7,218,963**	5,762,052
Liabilities		
Reportable segment liabilities	**691,160**	601,868
Unallocated head office and corporate liabilities	**60,837**	50,905
Consolidated total liabilities	**751,997**	652,773

(iii) Geographical information

No additional information has been disclosed in respect of the Group's geographical information as the Group operates substantially in one geographical location which is Hong Kong.

3 Other revenue and other net gains/(losses)

	2017 $'000	2016 $'000
Other revenue		
Interest income from loan to an associate	**25**	25
Other net gains/(losses)		
Net unrealised gains/(losses) on trading securities	**622,609**	(141,371)
Available-for-sale securities reclassified from equity on impairment	**(17,775)**	(58,602)
Net gains on sale of property, plant and equipment	**472**	13,672
	605,306	(186,301)

4 Profit before taxation

	2017 $'000	2016 $'000
Profit before taxation is arrived at after charging:		
Auditor's remuneration		
– audit services	**2,404**	2,238
– other services	**433**	393
Contributions to defined contribution retirement scheme	**6,402**	6,188
Cost of inventories consumed	**8,844**	7,962
Depreciation	**39,312**	36,021
Net foreign exchange losses	**—**	132
Operating lease charges - land and buildings	**15,597**	15,124
Salaries, wages and other benefits (excluding directors' emoluments)	**181,625**	160,225
and after crediting:		
Dividend income from listed investments	**6,534**	21,677
Profit distribution from unlisted investments	**8,858**	9,166
Interest income from listed investments	**8,726**	—
Interest income from loan to an associate	**25**	25
Other interest income	**20,966**	12,050
Net foreign exchange gains	**747**	—

5 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2017 $'000	2016 $'000
Current tax — Hong Kong Profits Tax		
Provision for the year	28,293	24,394
Over-provision in respect of prior years	(574)	(376)
	27,719	24,018
Deferred tax		
Origination and reversal of temporary differences	60,163	1,963
	87,882	25,981

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year.

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

	2017 $'000	2016 $'000
Profit before taxation	1,315,124	481,544
Notional tax on profit before tax calculated at 16.5% (2016: 16.5%)	216,995	79,455
Tax effect of non-deductible expenses	12,485	28,426
Tax effect of non-taxable income	(108,740)	(103,542)
Tax effect of unused tax losses not recognised	1,638	22,018
Tax effect of recognition of unused tax losses previously not recognised	(33,922)	—
Over-provision in prior years	(574)	(376)
Actual tax expense	87,882	25,981

6 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
2017					
Executive directors					
Cheung Chung Kiu	**—**	**—**	**22,000**	**2**	**22,002**
Yeung Hin Chung, John	**—**	**5,180**	**7,200**	**18**	**12,398**
Yuen Wing Shing	**—**	**2,800**	**6,500**	**9**	**9,309**
Wong Chi Keung	**—**	**—**	**2,500**	**2**	**2,502**
Leung Wai Fai	**—**	**—**	**4,000**	**2**	**4,002**
Tung Wai Lan, Iris	**—**	**2,100**	**7,200**	**9**	**9,309**
Independent non-executive directors					
Luk Yu King, James	**470**	**—**	**—**	**—**	**470**
Ng Kwok Fu	**355**	**—**	**—**	**—**	**355**
Leung Yu Ming, Steven	**355**	**—**	**—**	**—**	**355**
	1,180	**10,080**	**49,400**	**42**	**60,702**
2016					
Executive directors					
Cheung Chung Kiu	—	—	20,000	2	20,002
Yeung Hin Chung, John	—	4,920	6,000	18	10,938
Yuen Wing Shing	—	—	5,000	2	5,002
Wong Chi Keung	—	—	2,500	2	2,502
Leung Wai Fai	—	—	2,500	2	2,502
Tung Wai Lan, Iris	—	—	4,000	2	4,002
Independent non-executive directors					
Luk Yu King, James	450	—	—	—	450
Ng Kwok Fu	340	—	—	—	340
Leung Yu Ming, Steven	340	—	—	—	340
	1,130	4,920	40,000	28	46,078

7 Individuals with highest emoluments

Of the five individuals with the highest emoluments, all of them (2016: five) are directors during the year whose emoluments are disclosed in note 6.

8 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	2017			2016		
	Before-tax amount $'000	**Tax expense $'000**	**Net-of-tax amount $'000**	Before-tax amount $'000	Tax expense $'000	Net-of-tax amount $'000
Available-for-sale securities:						
Net movement in the investment revaluation reserve	**295,903**	**—**	**295,903**	(103,826)	—	(103,826)
Share of other comprehensive income of a joint venture:						
Exchange differences on translation of financial statements of overseas subsidiary in joint venture	**293**	**—**	**293**	(436)	—	(436)
Other comprehensive income	**296,196**	**—**	**296,196**	(104,262)	—	(104,262)

(b) Components of other comprehensive income, including reclassification adjustments

	2017 $'000	2016 $'000
Available-for-sale securities:		
Changes in fair value recognised during the year	**287,203**	(132,157)
Reclassification adjustments for amounts transferred to profit or loss:		
— profit distribution (note 4)	**(8,858)**	(9,166)
— gains on disposal (note 2)	**(217)**	(21,105)
— impairment losses (note 3)	**17,775**	58,602
Net movement in the investment revaluation reserve during the year recognised in other comprehensive income	**295,903**	(103,826)

9 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $1,180,048,000 (2016: $410,426,000) and the weighted average of 372,688,000 (2016: 372,688,000) ordinary shares in issue during the year.

Basic earnings per share are the same as diluted earnings per share as the Company has no dilutive potential shares.

10 Property, plant and equipment

	Buildings held for own use carried at cost $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Yacht $'000	Leasehold improvements $'000	Sub-total $'000	Interest in leasehold land held for own use under operating leases $'000	Total $'000
Cost:								
At 1 January 2016	148,681	30,887	126,969	121,844	1,186	429,567	38,286	467,853
Additions	—	1,465	25,111	—	6,323	32,899	—	32,899
Disposals	(16,199)	(738)	(17,631)	—	—	(34,568)	—	(34,568)
At 31 December 2016	132,482	31,614	134,449	121,844	7,509	427,898	38,286	466,184
At 1 January 2017	**132,482**	**31,614**	**134,449**	**121,844**	**7,509**	**427,898**	**38,286**	**466,184**
Additions	**16,270**	**2,110**	**12,571**	**—**	**50**	**31,001**	**—**	**31,001**
Disposals	**—**	**(99)**	**(6,109)**	**—**	**—**	**(6,208)**	**—**	**(6,208)**
At 31 December 2017	**148,752**	**33,625**	**140,911**	**121,844**	**7,559**	**452,691**	**38,286**	**490,977**
Accumulated depreciation:								
At 1 January 2016	103,726	26,762	89,141	55,235	1,186	276,050	15,312	291,362
Charge for the year	1,308	1,865	14,005	15,449	2,665	35,292	729	36,021
Written back on disposals	(16,199)	(738)	(17,615)	—	—	(34,552)	—	(34,552)
At 31 December 2016	88,835	27,889	85,531	70,684	3,851	276,790	16,041	292,831
At 1 January 2017	**88,835**	**27,889**	**85,531**	**70,684**	**3,851**	**276,790**	**16,041**	**292,831**
Charge for the year	**1,652**	**2,066**	**16,154**	**15,032**	**3,679**	**38,583**	**729**	**39,312**
Written back on disposals	**—**	**(93)**	**(5,882)**	**—**	**—**	**(5,975)**	**—**	**(5,975)**
At 31 December 2017	**90,487**	**29,862**	**95,803**	**85,716**	**7,530**	**309,398**	**16,770**	**326,168**
Net book value:								
At 31 December 2017	**58,265**	**3,763**	**45,108**	**36,128**	**29**	**143,293**	**21,516**	**164,809**
At 31 December 2016	43,647	3,725	48,918	51,160	3,658	151,108	22,245	173,353

Interest in leasehold land and building situated in Hong Kong held for own use at 31 December 2017 and 2016 are under medium-term leases.

(Expressed in Hong Kong dollars)

11 Interest in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and fully paid up share capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Alpha Hero Limited	British Virgin Islands/ International	50,000 shares of US$1 each	70%	—	70%	Investment holding
Clear Path Limited	British Virgin Islands/ International	500 shares of US$1 each	100%	—	100%	Securities investment
Gold Harbour Investment Limited	Hong Kong	1 share	100%	—	100%	Investment holding
Gold Faith Investments Limited	British Virgin Islands/ International	1 share of US$1	100%	—	100%	Securities investment
High Fortune Group Limited	British Virgin Islands/ International	1 share of US$1	100%	100%	—	Investment holding
HKSM Yuen Long Driving School Limited	Hong Kong	2 shares	70%	—	70%	Designated driving school
Join Harbour Limited	British Virgin Islands/ International	1 share of US$1	100%	—	100%	Property holding
MEG (HK) Limited	Hong Kong	1 share	70%	—	70%	Property holding
Motoring Excellence Group Limited	Hong Kong	1 share	70%	—	70%	Investment holding
New Horizon School of Motoring Limited	Hong Kong	1 share	70%	—	70%	Designated driving school
Newcheer Limited	British Virgin Islands/ International	1 share of US$1	100%	—	100%	Securities investment
Power Right Investments Limited	British Virgin Islands/ International	1 share of US$1	100%	—	100%	Investment holding
Smart Chance Global Limited	British Virgin Islands/ International	1 share of US$1	100%	—	100%	Holding of a yacht
Super Legend Investments Limited	British Virgin Islands/ International	1 share of US$1	100%	—	100%	Investment
The Autopass Company Limited	Hong Kong	70,000 "A" shares	100%	100%	—	Investment holding and provision of consultancy services
		30,000 "B" shares	—	—	—	
The Hong Kong School of Motoring Limited	Hong Kong	2,000,000 shares	70%	—	70%	Designated driving school

11 Interest in subsidiaries *(continued)*

The following table lists out the information relating to Alpha Hero Limited and its subsidiaries ("AHL group"), the only group of subsidiaries of the Group which have material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2017	2016
	$'000	$'000
Gross amounts of AHL group's		
Current assets	**593,954**	536,887
Non-current assets	**118,464**	110,785
Current liabilities	**(347,848)**	(313,774)
Non-current liabilities	**(5,208)**	(5,770)
Net assets	**359,362**	328,128
NCI percentage	**30%**	30%
Carrying amount of NCI	**107,809**	98,438
Revenue	**402,714**	351,802
Profit for the year	**133,534**	122,438
Total comprehensive income	**133,534**	122,438
NCI percentage	**30%**	30%
Profit allocated to NCI	**40,060**	36,731
Dividend paid to NCI	**30,690**	31,830
Cash flows from operating activities	**141,923**	181,297
Cash flows from investing activities	**(34,524)**	90,684
Cash flows from financing activities	**(102,300)**	(106,100)

12 Interest in associates

(a) The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest				
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and fully paid up share capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity	Financial year end
Western Harbour Tunnel Company Limited ("WHTCL")	Incorporated	Hong Kong	40,000,000 ordinary shares	50%	—	50%	Operation of the Western Harbour Crossing	31 July
Tate's Cairn Tunnel Company Limited ("TCTCL")	Incorporated	Hong Kong	1,100,000 ordinary shares and 600,000,000 non-voting deferred shares	39.5%	—	39.5%	Operation of the Tate's Cairn Tunnel	30 June

(b) All of the above associates are accounted for using the equity method in the consolidated financial statements based on the financial statements of WHTCL and TCTCL for the year ended 31 December 2017 respectively.

(c) WHTCL was granted a thirty-year franchise to construct and operate the Western Harbour Crossing in accordance with the Western Harbour Crossing Ordinance enacted on 22 July 1993.

(d) TCTCL was granted a thirty-year franchise to construct and operate the Tate's Cairn Tunnel in accordance with the Tate's Cairn Tunnel Ordinance enacted on 1 July 1988.

12 Interest in associates *(continued)*

(e) The loan from an associate is unsecured and interest free. The loan is classified as non-current as it is not repayable within the next twelve months.

(f) Summarised financial information of the material associate, WHTCL, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	Note	2017 $'000	2016 $'000
Gross amounts of the associate's			
Revenue			
Toll revenue		**1,739,201**	1,605,515
Other revenue		**51,784**	48,752
		1,790,985	1,654,267
Other income		**1,373**	656
Expenditure			
Operating and administrative expenses		**(100,539)**	(95,487)
Rates and government rent		**(66,683)**	(58,963)
Amortisation and depreciation	(i)	**(366,771)**	(366,328)
Operating profit before finance charges		**1,258,365**	1,134,145
Interest on shareholders' loans		**(51)**	(51)
Profit before taxation		**1,258,314**	1,134,094
Income tax	(ii)	**(209,849)**	(189,472)
Profit for the year		**1,048,465**	944,622
Other comprehensive income		**—**	—
Total comprehensive income		**1,048,465**	944,622
Group's effective interest		**50%**	50%
Group's share of total comprehensive income		**524,233**	472,311
Fair value adjustments		**(9,359)**	(9,359)
		514,874	462,952
Dividend received from the associate		**684,000**	648,000

12 Interest in associates *(continued)*

(f) Summarised financial information of the material associate, WHTCL, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below: *(continued)*

	Note	**2017 $'000**	2016 $'000
Gross amounts of the associate's			
Current assets		**389,000**	372,910
Non-current assets		**2,366,714**	2,731,892
Current liabilities	(iii)	**(376,235)**	(346,098)
Non-current liabilities		**(381,204)**	(440,894)
Equity		**1,998,275**	2,317,810
Reconciled to the Group's interest in associates			
Gross amounts of net assets of the associate		**1,998,275**	2,317,810
Group's effective interest		**50%**	50%
Group's share of net assets of the associate		**999,138**	1,158,905
Fair value adjustments		**52,089**	61,448
Amount due from the associate	(iv)	**417**	417
Loan to and interest receivable from the associate	(v)	**2,572**	2,547
Carrying amount in the consolidated financial statements		**1,054,216**	1,223,317

Notes:

(i) Amortisation of the cost of tunnel is calculated to write off the cost over the franchise period on a units-of-usage basis whereby amortisation is provided based on the share of traffic volume for a particular period over the projected total traffic volume for the remainder of the franchise period of the tunnel.

(ii) Taxation includes the current and deferred income tax for the year. The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for 2017.

(iii) Current liabilities include current tax liabilities of $156.8 million (2016: $132.5 million).

(iv) The amount due from the associate is unsecured, interest free and repayable on demand. The amount is classified as non-current as the directors do not intend to demand repayment within the next twelve months.

(v) The loan to the associate is unsecured and bears interest at a rate of 1% (2016: 1%) per annum as determined by the shareholders of that associate. Interest earned by the Group from the associate for the year ended 31 December 2017 amounted to $0.02 million (2016: $0.02 million). The loan is repayable on demand as may from time to time be agreed among the associate's shareholders. The loan is classified as non-current as the directors do not intend to demand repayment within the next twelve months.

12 Interest in associates *(continued)*

(g) Summarised financial information of the material associate, TCTCL, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	2017 $'000	2016 $'000
Gross amounts of the associate's		
Revenue	**561,806**	547,317
Profit and total comprehensive income	**313,060**	306,524
Group's effective interest	**39.5%**	39.5%
Group's share of total comprehensive income	**123,659**	121,077
Fair value adjustments	**(42,289)**	(37,889)
	81,370	83,188
Dividend received from the associate	**122,964**	117,315
Gross amounts of the associate's		
Current assets	**110,146**	36,789
Non-current assets	**722,698**	801,811
Current liabilities	**(102,684)**	(99,904)
Non-current liabilities	**(4,947)**	(15,243)
Equity	**725,213**	723,453
Reconciled to the Group's interest in associates		
Gross amount of net assets of the associate	**725,213**	723,453
Group's effective interest	**39.5%**	39.5%
Group's share of net assets of the associate	**286,459**	285,764
Goodwill and fair value adjustments	**14,864**	57,153
Carrying amount in the consolidated financial statements	**301,323**	342,917

13 Interest in a joint venture

(a) Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest				
Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and fully paid up share capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity	Financial year end
Autotoll (BVI) Limited	Incorporated	British Virgin Island	2 shares of US$1 each	50%	—	50%	Investment holding	30 September

Autotoll (BVI) Limited, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

13 Interest in a joint venture *(continued)*

(b) As at 31 December 2016, the joint venture which was accounted for using the equity method in the consolidated financial statements was Autotoll Limited. During the year, Autotoll Limited has undergone a reorganisation in order to satisfy certain statutory requirement. Upon the reorganisation, Autotoll (BVI) Limited has become the directly held joint venture of the Group thereafter, while the business operation and ownership of the joint venture remains unchanged.

(c) The loan to a joint venture is unsecured, interest free and has no fixed repayment terms. The loan is non-current as it is not expected to be recoverable within the next twelve months.

(d) Summarised financial information of the Group's interest in Autotoll (BVI) Limited/Autotoll Limited:

	2017	2016
	$'000	$'000
Share of net assets	**75,696**	79,474
Loan to a joint venture	**22,630**	10,130
Carrying amount in the consolidated financial statements	**98,326**	89,604
Amounts of the Group's share of the joint venture's		
— Profit from continuing operations	**13,429**	17,663
— Other comprehensive income	**293**	(436)
— Total comprehensive income	**13,722**	17,227

14 Available-for-sale securities

	2017	2016
	$'000	$'000
Listed securities		
— in Hong Kong	**658,300**	425,367
— outside Hong Kong	**203,479**	—
Unlisted securities	**315,487**	250,749
	1,177,266	676,116
Fair value of individually impaired available-for-sale securities	**212,893**	211,583

Certain of the Group's available-for-sale securities were individually determined to be impaired on the basis of a significant or prolonged decline in their fair value below cost which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses on these investments were recognised in profit or loss in accordance with the policy set out in note 1(j)(i) (see note 3).

15 Trading securities

	2017	2016
	$'000	$'000
Listed securities (at market value)		
— in Hong Kong	**895,429**	273,770
Unlisted securities	**92,758**	91,808
	988,187	365,578

At 31 December 2017, trading securities of $3,303,000 (2016: $3,318,000) were pledged to a financial institution as security against treasury facilities granted to the Group.

16 Trade and other receivables

	2017	2016
	$'000	$'000
Trade receivables	**4,865**	3,673
Other receivables	**4,705**	4,492
	9,570	8,165
Deposits and prepayments	**45,625**	13,017
	55,195	21,182

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is $16,848,000 (2016: $1,555,000). Apart from these, all of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date, is as follows:

	2017	2016
	$'000	$'000
Within 1 month	**3,059**	3,458
1 to 2 months	**304**	103
2 to 3 months	**294**	42
Over 3 months	**1,208**	70
	4,865	3,673

16 Trade and other receivables *(continued)*

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017 $'000	2016 $'000
Neither past due nor impaired	**2,796**	3,154
Less than 1 month past due	**263**	304
1 to 3 months past due	**598**	147
More than 3 months but less than 12 months past due	**1,208**	68
Amounts past due	**2,069**	519
	4,865	3,673

The Group's credit policy is set out in note 21(a).

None of the above trade receivables are either individually or collectively considered to be impaired.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17 Bank deposits and cash

	2017 $'000	2016 $'000
Deposits with banks and other financial institutions	**2,591,370**	2,534,092
Cash at bank and in hand	**693,562**	252,725
Bank deposits and cash in the consolidated statement of financial position	**3,284,932**	2,786,817
Less: Deposits with original maturity over three months	**(266,890)**	(106,507)
Cash and cash equivalents in the consolidated cash flow statement	**3,018,042**	2,680,310

At 31 December 2017, a bank account in a financial institution with the amount of $9,818,000 (2016: $8,999,000) served as a security against treasury facilities granted to the Group. During the year, the Group did not utilise any of such facilities.

18 Trade and other payables

	2017 $'000	2016 $'000
Trade payables	**3,400**	3,879
Other payables and accruals	**96,982**	83,643
	100,382	87,522

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Included in trade and other payables are trade payables with the following ageing analysis, based on the invoice date, as of the end of the reporting period:

	2017 $'000	2016 $'000
Within 1 month	**946**	475
1 month to 3 months	**208**	771
Over 3 months but within 6 months	**2,246**	2,633
	3,400	3,879

19 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2017 $'000	2016 $'000
Provision for Hong Kong Profits Tax for the year	**28,293**	24,394
Provisional Profits Tax paid	**(18,953)**	(21,575)
	9,340	2,819
Balance of Profits Tax recoverable relating to prior years	**(1,416)**	—
	7,924	2,819
Taxation recoverable recognised in the consolidated statement of financial position	**(1,095)**	(2,483)
Taxation payable recognised in the consolidated statement of financial position	**9,019**	5,302
	7,924	2,819

19 Income tax in the consolidated statement of financial position *(continued)*

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Unrealised gains of trading securities $'000	Tax losses recognised $'000	Depreciation allowances in excess of the related depreciation $'000	Total $'000
Deferred tax arising from:				
At 1 January 2016	—	—	1,997	1,997
Charged to profit or loss	—	—	1,963	1,963
At 31 December 2016	—	—	3,960	3,960
At 1 January 2017	**—**	**—**	**3,960**	**3,960**
Charged/(credited) to profit or loss	**106,611**	**(45,666)**	**(782)**	**60,163**
At 31 December 2017	**106,611**	**(45,666)**	**3,178**	**64,123**

	2017 $'000	2016 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(2,030)**	(1,810)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**66,153**	5,770
	64,123	3,960

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $224,306,000 (2016: $419,963,000) as it is not probable that future taxable profits against which the unused tax losses can be utilised will be available. The tax losses do not expire under the current tax legislation.

20 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share capital $'000	Retained profits $'000	Total $'000
Balance at 1 January 2016	1,629,461	1,753,347	3,382,808
Changes in equity for 2016:			
Dividends approved in respect of the previous year (note 20(b))	—	(63,357)	(63,357)
Profit and total comprehensive income for the year	—	750,641	750,641
Dividends declared in respect of the current year (note 20(b))	—	(67,084)	(67,084)
Balance at 31 December 2016	1,629,461	2,373,547	4,003,008

	Share Capital $'000	**Retained profits $'000**	**Total $'000**
Balance at 1 January 2017	**1,629,461**	**2,373,547**	**4,003,008**
Changes in equity for 2017:			
Dividends approved in respect of the previous year (note 20(b))	—	**(63,357)**	**(63,357)**
Profit and total comprehensive income for the year	—	**1,006,530**	**1,006,530**
Dividends declared in respect of the current year (note 20(b))	—	**(67,084)**	**(67,084)**
Balance at 31 December 2017	**1,629,461**	**3,249,636**	**4,879,097**

20 Capital, reserves and dividends *(continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2017	2016
	$'000	$'000
Interim dividends declared of $0.18 per share (2016: $0.18 per share)	**67,084**	67,084
Final dividend proposed after the end of the reporting period $0.20 per share (2016: $0.17 per share)	**74,538**	63,357
	141,622	130,441

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2017	2016
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.17 per share (2016: $0.17 per share)	**63,357**	63,357

(c) Share capital

Issued share capital

	2017		2016	
	No. of shares '000	**$'000**	No. of shares '000	$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**372,688**	**1,629,461**	372,688	1,629,461

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

20 Capital, reserves and dividends *(continued)*

(d) Nature and purpose of reserves

(i) Capital reserve and investment revaluation reserve

The capital reserve and investment revaluation reserve have been set up and are dealt with in accordance with the accounting policies adopted for subsidiaries in note 1(d) and the cumulative net change in the fair value of available-for-sale securities in note 1(g).

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(s).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 December 2017, the Group did not have external borrowings. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

In order to monitor its capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders or raise new debt financing.

The adjusted capital at 31 December 2017 and 2016 was as follows:

	2017	2016
	$'000	$'000
Total equity	**6,466,966**	5,109,279
Less: Proposed dividend (note 20(b))	**(74,538)**	(63,357)
	6,392,428	5,045,922

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

21 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, loans to associates and a joint venture and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limits to the amounts deposited in each of these financial institutions.

With respect to loans to associates and a joint venture, management reviews the credit standing of the borrowers and also monitors on an ongoing basis to control and mitigate the credit risk. In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within one month from the date of billing while further credit may be granted to individual customers when appropriate. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. The Group has no concentration of credit risk in view of its variety of investments with different counterparties or large number of customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay, are within one year or on demand, except for the loan from an associate which is not repayable within the next twelve months.

21 Financial risk management and fair values of financial instruments *(continued)*

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on income-earning financial assets. The following table details their interest rate profile at the end of the reporting period.

		2017		2016	
	Fixed/floating	Effective interest rate	$'000	Effective interest rate	$'000
Bank deposits and cash	Floating	0.001% - 1.11%	669,161	0.001% - 1.33%	242,801
Bank deposits and cash	Fixed	0.01% - 1.35%	2,591,370	0.01% - 1.45%	2,534,092
Available-for-sales securities	Floating	8.00%	203,479	—	—

Sensitivity analysis

At 31 December 2017, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately $1,673,000 (2016: $607,000). Other components of consolidated equity would have increased/decreased by approximately $2,893,000 (2016: $Nil) in response to the general decrease/increase in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the expose to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest income of such a change in interest rates. The analysis is performed on the same basis for 2016.

(d) Currency risk

The Group has foreign currency monetary assets and liabilities that are denominated in currencies other than the functional currency of the entity to which they relate. Exchange differences arising on settling or translating these foreign currency monetary items at rates different from those at the dates of the transactions giving rise to these monetary items are recognised in profit or loss.

The Group is exposed to currency risk primarily through its investments in securities and cash balances denominated in currencies other than its functional currency. The currencies giving rise to this risk are primarily Australian dollars.

In respect of the Group's assets denominated in United States dollars, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

Management of the Group continuously monitors the Group's exposure to such foreign currency risks to ensure they are at manageable levels.

21 Financial risk management and fair values of financial instruments *(continued)*

(d) Currency risk *(continued)*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in currencies other than the functional currency of the entity to which they relate and the United States dollars. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in Hong Kong dollars)	
	2017	2016
	Australian dollars	Australian dollars
	$'000	$'000
Bank deposits and cash	**7,592**	6,911

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies.

	2017			2016		
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits $'000**	**Effect on other components of equity $'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000
Australian dollars	**5%**	**380**	**—**	5%	346	—
	(5)%	**(380)**	**—**	(5)%	(346)	—

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2016.

21 Financial risk management and fair values of financial instruments *(continued)*

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 15) and available-for-sale securities (see note 14).

The Group's listed investments are listed in Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectation.

Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

At 31 December 2017, it is estimated that an increase/decrease of 5% (2016: 5%) in the fair value of the Group's listed and unlisted available-for-sale securities and trading securities, with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

		2017			2016	
		Effect on profit after tax and retained profits $'000	**Effect on other components of equity $'000**		Effect on profit after tax and retained profits $'000	Effect on other components of equity $'000
Change in the relevant equity price risk variable:						
Increase	**5%**	**42,022**	**48,689**	5%	16,020	33,806
Decrease	**(5)%**	**(42,022)**	**(48,689)**	(5)%	(16,020)	(33,806)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in fair value had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the market value, that none of the Group's available-for-sale investments would be considered impaired as a result of the decrease in market value, and that all other variables remain constant. The analysis is performed on the same basis for 2016.

Upon initial application of HKFRS 9, the Group will designate the investment portfolio into different categories which may affect its classification and measurement and the effect on profit after tax and retained profits and other components of equity may also be affected. The impact of HKFRS 9 is disclosed in note 27.

21 Financial risk management and fair values of financial instruments *(continued)*

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

For financial instruments traded in inactive markets, their fair value measurements are based on net asset values provided by the relevant investment fund manager.

	Fair value at 31 December	**Fair value measurements as at 31 December 2017 categorised into**			Fair value at 31 December	Fair value measurements as at 31 December 2016 categorised into		
	2017	**Level 1**	**Level 2**	**Level 3**	2016	Level 1	Level 2	Level 3
	$'000	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000
Recurring fair value measurements								
Assets								
Available-for-sale securities:								
– Listed	**861,779**	**861,779**	**—**	**—**	425,367	425,367	—	—
– Unlisted	**315,487**	**—**	**—**	**315,487**	250,749	—	—	250,749
Trading securities:								
– Listed	**895,429**	**895,429**	**—**	**—**	273,770	273,770	—	—
– Unlisted	**92,758**	**—**	**39,993**	**52,765**	91,808	—	62,162	29,646
	2,165,453	**1,757,208**	**39,993**	**368,252**	1,041,694	699,137	62,162	280,395

During the years ended 31 December 2016 and 2017, there were no transfers between Level 1 and Level 2. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

21 Financial risk management and fair values of financial instruments *(continued)*

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy *(continued)*

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the financial assets is determined based on executable quotes provided by investment fund managers.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**
Unlisted available-for-sale securities	Net asset value	N/A
Unlisted trading securities	Net asset value	N/A

The Group's unlisted available-for-sale securities and trading securities categorised in Level 3 comprise unlisted investment funds, the fair value of which is based on their net asset values. The fair values of the fund's underlying investments are determined by the investment fund manager based on a forward price/earnings multiple arrived at by comparison with publicly-traded comparable companies and after applying a liquidity discount.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2017	2016
	$'000	$'000
Unlisted available-for-sale securities:		
At 1 January	**250,749**	123,192
Transfer in	**—**	86,559
Payment for purchase	**49,823**	42,858
Profit distribution	**(28,532)**	(23,542)
Net unrealised gains or losses recognised in other comprehensive income during the period	**43,447**	21,682
At 31 December	**315,487**	250,749
Total gains or losses for the period reclassified from other comprehensive income on profit distribution	**8,858**	9,166
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**8,858**	9,166

21 Financial risk management and fair values of financial instruments *(continued)*

(f) Fair value measurement *(continued)*

(i) Financial assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements *(continued)*

	2017 $'000	2016 $'000
Unlisted trading securities:		
At 1 January	**29,646**	27,370
Transfer in	**23,174**	11,706
Changes in fair value recognised in profit or loss during the period	**(55)**	(9,430)
At 31 December	**52,765**	29,646
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**(55)**	(9,430)

During the year, a portion of unlisted available-for-sale securities and unlisted trading securities held by the Group with fair value amounting to Nil (2016: $86,559,000) and $23,174,000 (2016: $11,706,000) respectively was transferred out of Level 2 into Level 3 of the fair value hierarchy. The transfer is mainly due to restructuring of the investment, which no longer satisfies the criteria of Level 2 fair value hierarchy.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 2016. For the following intercompany amounts which are unsecured and have no fixed repayment terms, it is not meaningful to disclose their fair values. The Group has no intention of disposing of these loans and intercompany balances.

	2017 Carrying amount $'000	2016 Carrying amount $'000
Loan to an associate	**2,572**	2,547
Loan from an associate	**(272,866)**	(279,384)
Loan to a joint venture	**22,630**	10,130

22 Commitments

(a) Capital commitment

Capital commitments outstanding at 31 December 2017 not provided for in the consolidated financial statements were as follows:

	2017 $'000	2016 $'000
Contracted for	37,338	—
Authorised but not contracted for	—	—
	37,338	—

(b) Operating lease commitment

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	2017 $'000	2016 $'000
Within 1 year	8,234	8,587
After 1 year but within 5 years	2,591	8,339
	10,825	16,926

Significant leasing arrangements in respect of land held under finance leases are described in note 10.

The Group is also the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of three months to three years, with an option to renew the leases upon expiry when all terms are renegotiated.

23 Material related party transactions

In addition to the transactions and balances disclosed above, the Group entered into the following material related party transactions.

(a) Key management personnel remuneration

All members of key management personnel are board members, and their remuneration is disclosed in note 6.

(b) Other related party transactions

During the year, the Group was involved in the following material related party transactions, none of which is regarded as a "connected transaction" as defined under the Listing Rules.

(i) The Group extended a loan to and received interest from an associate, Western Harbour Tunnel Company Limited. The balance of the loan and interest receivable at 31 December 2017 was $2.6 million (2016: $2.5 million).

The Group received interest income and management fee income from Western Harbour Tunnel Company Limited of $0.02 million (2016: $0.02 million) and $2.5 million (2016: $2.5 million) respectively.

(ii) The Group received a loan from an associate, Tate's Cairn Tunnel Company Limited. The balance of the loan at 31 December 2017 was $272.9 million (2016: $279.4 million).

(iii) The Group received consultancy fees and management fee income from a joint venture of $12.6 million (2016: $12.6 million) and $1.2 million (2016: $1.2 million) respectively.

24 Company-level statement of financial position

	Note	2017 $'000	2017 $'000	2016 $'000	2016 $'000
Non-current assets					
Property, plant and equipment			**53**		48
Interest in subsidiaries			**2,734,524**		2,318,827
Amount due from associate			**417**		417
			2,734,994		2,319,292
Current assets					
Trade and other receivables		**2,561**		1,717	
Cash and cash equivalents		**2,713,543**		2,240,792	
		2,716,104		2,242,509	
Current liabilities					
Trade and other payables		**60,165**		50,156	
Dividends payable		**3,601**		2,243	
		63,766		52,399	
Net current assets			**2,652,338**		2,190,110
Total assets less current liabilities			**5,387,332**		4,509,402
Non-current liability					
Amounts due to subsidiaries			**508,235**		506,394
NET ASSETS			**4,879,097**		4,003,008
CAPITAL AND RESERVES	20(a)				
Share capital			**1,629,461**		1,629,461
Reserves			**3,249,636**		2,373,547
TOTAL EQUITY			**4,879,097**		4,003,008

Approved and authorised for issue by the board of directors on 23 March 2018.

Yeung Hin Chung, John
Director

Yuen Wing Shing
Director

(Expressed in Hong Kong dollars)

25 Non-adjusting event after the reporting period

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 20(b).

26 Accounting estimates and judgements

Key sources of accounting estimates and estimation uncertainty include the following:

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

27 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial Instruments*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9, the actual impacts upon initial adoption of the standards may differ as the assessment completed to the date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

27 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 *(continued)*

HKFRS 9, *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

— The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

— For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed the impact on "available-for-sale securities" and "trading securities" classification and measurement upon initial application of HKFRS 9.

Listed securities of $167.4 million and unlisted fund investments of $315.5 million that were currently classified as "available-for-sale securities" and measured at fair value at each reporting period under HKAS 39 have been designated as financial asset measured at FVTPL at 1 January 2018. This will give rise to a change in accounting policy as currently the Group recognises the fair value changes of available-for-sale securities in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 1(g) and 1(j). This change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss. Upon the initial adoption of HKFRS 9, accumulated fair value surplus of $131.5 million related to those investments will be transferred from the investment revaluation reserve to retained profits at 1 January 2018.

27 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 *(continued)*

HKFRS 9, *Financial instruments* (continued)

(a) Classification and measurement (continued)

Listed securities of $895.4 million and unlisted fund investments of $92.8 million that were classified as "trading securities" as at 31 December 2017 under HKAS 39 have been designated as financial asset measured as FVTPL upon initial adoption of HKFRS 9 on 1 January 2018.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the allowance for expected credit losses is insignificant. The Group performed credit evaluations on all customers and the evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not obtain collateral form customers.

HKFRS 16, *Leases*

As disclosed in note 1(i), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

27 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 *(continued)*

HKFRS 16, *Leases* *(continued)*

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 22, at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to $10,825,000 for properties. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

Five year summary

(Expressed in Hong Kong dollars)

	2013 $'000	2014 $'000	2015 $'000	2016 $'000	**2017** **$'000**
Consolidated statement of profit or loss					
Revenue	290,480	343,912	397,402	431,005	**461,591**
Profit attributable to equity shareholders of the Company for the year	440,178	472,214	619,808	410,426	**1,180,048**
Dividends payable to equity shareholders of the Company attributable to the year	111,806	122,987	130,441	130,441	**141,622**
Consolidated statement of financial position					
Property, plant and equipment	151,166	150,851	176,491	173,353	**164,809**
Interest in associates	2,227,405	1,985,945	1,785,632	1,566,234	**1,355,539**
Interest in a joint venture	56,434	66,137	77,377	89,604	**98,326**
Available-for-sale securities	459,867	533,203	917,193	676,116	**1,177,266**
Deposits for acquisition of tangible assets	—	1,181	310	1,176	**11,776**
Deferred tax assets	2,750	2,490	2,170	1,810	**2,030**
Current assets	1,379,904	1,979,054	2,513,337	3,253,759	**4,409,217**
	4,277,526	4,718,861	5,472,510	5,762,052	**7,218,963**
Current liabilities	225,143	254,605	290,613	367,619	**412,978**
Deferred tax liabilities	332	1,602	4,167	5,770	**66,153**
Loan from an associate	205,518	228,981	252,879	279,384	**272,866**
NET ASSETS	3,846,533	4,233,673	4,924,851	5,109,279	**6,466,966**
Capital and reserves					
Share capital: nominal value	372,688	—	—	—	**—**
Other statutory capital reserves	1,256,773	—	—	—	**—**
Share capital and other statutory capital reserves	1,629,461	1,629,461	1,629,461	1,629,461	**1,629,461**
Other reserves	2,113,754	2,496,323	3,174,395	3,350,249	**4,695,964**
Total equity attributable to equity shareholders of the Company	3,743,215	4,125,784	4,803,856	4,979,710	**6,325,425**
Non-controlling interests	103,318	107,889	120,995	129,569	**141,541**
TOTAL EQUITY	3,846,533	4,233,673	4,924,851	5,109,279	**6,466,966**